



# **HYDRO ONE AND FIRST NATIONS ENGAGEMENT SESSION**

February 9<sup>th</sup> & 10<sup>th</sup>, 2017

# DISCLAIMERS

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

## **Forward-Looking Information**

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Words such as “aim”, “could”, “would”, “expect”, “anticipate”, “intend”, “attempt”, “may”, “plan”, “will”, “believe”, “seek”, “estimate”, “goal”, “target”, and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking information. Hydro One does not intend, and it disclaims any obligation to update any forward-looking information, except as required by law.

The forward-looking information in this presentation is based on a variety of factors and assumptions, as described in the financial statements and management’s discussion and analysis. Actual results may differ materially from those predicted by such forward-looking information. While Hydro One does not know what impact any of these differences may have, Hydro One’s business, results of operations and financial condition may be materially adversely affected if any such differences occur. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information are described in the financial statements and management’s discussion and analysis.

## **Non-GAAP Measures**

Hydro One prepares and presents its financial statements in accordance with U.S. GAAP. “Funds from Operations” or “FFO” and “Adjusted Earnings Per Share” are not recognized measures under U.S. GAAP and do not have standardized meanings prescribed by U.S. GAAP. These are therefore unlikely to be comparable to similar measures presented by other companies. Funds from Operations should not be considered in isolation nor as a substitute for analysis of Hydro One’s financial information reported under U.S. GAAP. “Funds from Operations” or “FFO” is defined as net cash from operating activities, adjusted for the following: (i) changes in non-cash balances related to operations, (ii) dividends paid on preferred shares, and (iii) non-controlling interest distributions. Management believes that these measures will be helpful as a supplemental measure of the Company’s operating cash flows and earnings. For more information, see “Non-GAAP Measures” in Hydro One’s 2016 full year MD&A.

**Thursday, February 9th 2017 - Agenda**

**Hydro One and First Nations Engagement Session**

Thursday, February 9, 2017  
8:30 a.m. - 4:30 p.m.



**Session Objectives:** We would like to come together to share mutual aspirations and hear from you about the issues that matter to your community. We will also be pleased to share our current thinking and solicit feedback on the application for Distribution Rates and the distribution system plan that we are preparing for submission to the Ontario Energy Board

Item	Speaker	Start Time	Duration
<b>Welcome</b> <ul style="list-style-type: none"> <li>• Introduction to Today's Session</li> <li>• Introduction of First Nations' Elder (Andrew Wesley)</li> <li>• Prayer from Elder</li> </ul>	Phil Goulais & Elder	8:30am	30 mins
<b>Introductory Remarks</b> <ul style="list-style-type: none"> <li>• Hydro One's Commitment to First Nations (including recent success stories)</li> </ul>	Mayo Schmidt	9:00am	30 mins
<b>Individual Introductions</b> <ul style="list-style-type: none"> <li>• Introduction of each Chief or Delegate</li> <li>• Open Discussion "What would you like to get out of today's session?"</li> </ul>	Phil Goulais	9:30am	60 mins
<b>BREAK</b>		<b>10:30am</b>	<b>15 mins</b>
<b>Customer Service</b> <ul style="list-style-type: none"> <li>• Customer Vision, Strategy, &amp; Key Initiatives</li> <li>• Facilitated Dialogue: Exercise at each table. "What does great Customer Service mean to you"</li> </ul>	Ferio Pugliese	10:45am	90 mins
<b>NETWORKING LUNCH</b>		<b>12:15pm</b>	<b>45 mins</b>
<b>Distribution Rate Filing (2018-2022)</b> <ul style="list-style-type: none"> <li>• Key Findings from Customer Consultation</li> <li>• Revenue Requirement and Distribution Rate Profile</li> <li>• Cost Allocation Methodology, Rate Design</li> </ul>	Oded Hubert & Henry Andre	1:00pm	90 mins
<b>BREAK</b>		<b>2:30pm</b>	<b>15 mins</b>
<b>System Investments</b> <ul style="list-style-type: none"> <li>• Education about why the power goes out</li> <li>• Reliability statistics on FN communities (either a few sample communities or in aggregate)</li> <li>• Investments in the Dx Rate Filing which will help to improve reliability (i.e. worst feeder)</li> </ul>	Greg Kiraly	2:45pm	60 mins
<b>Wrap Up</b> <ul style="list-style-type: none"> <li>• Feedback</li> <li>• Protocol for Future Discussions</li> </ul>	Phil Goulais	3:45pm	30 mins

**Friday, Feb 10th 2017 - Agenda**

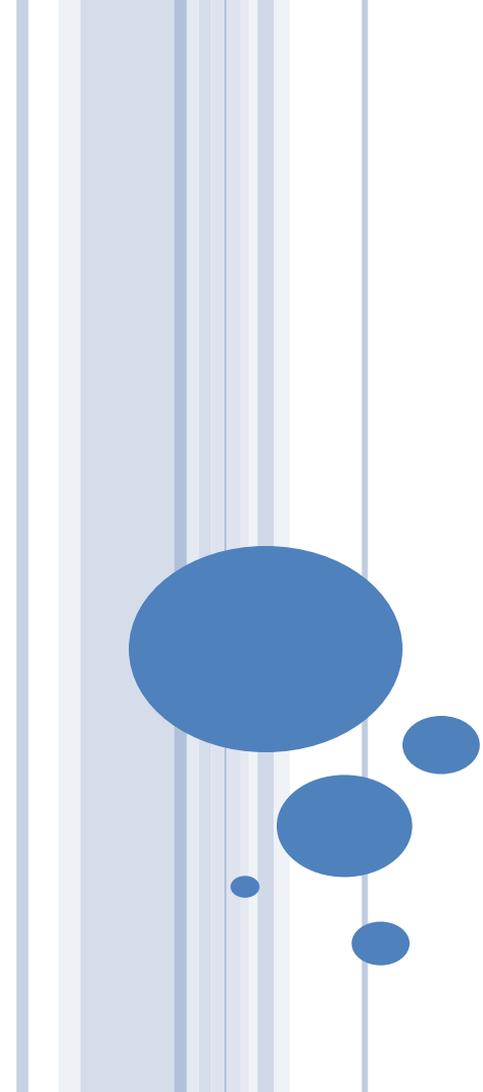
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# CUSTOMER SERVICE

**Ferio Pugliese**

Executive Vice President, Customer Care and Corporate Affairs

Hydro One and First Nations Engagement Session

February 9 and 10, 2017

# Customer Service Vision

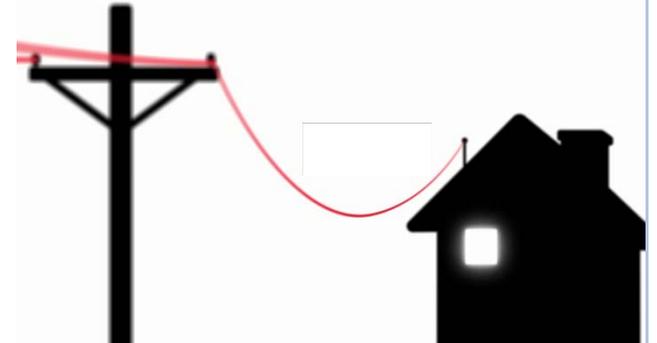


We are easy to do business with

We are there when customers need us



We are always connected

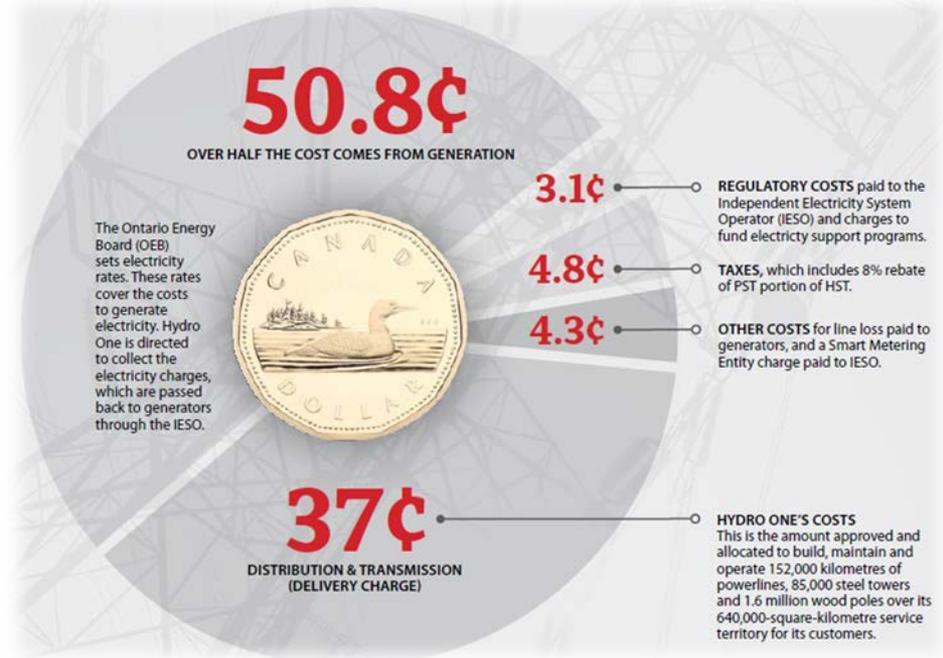


# We Are Easy To Do Business With

Education

Advocacy

Responsiveness

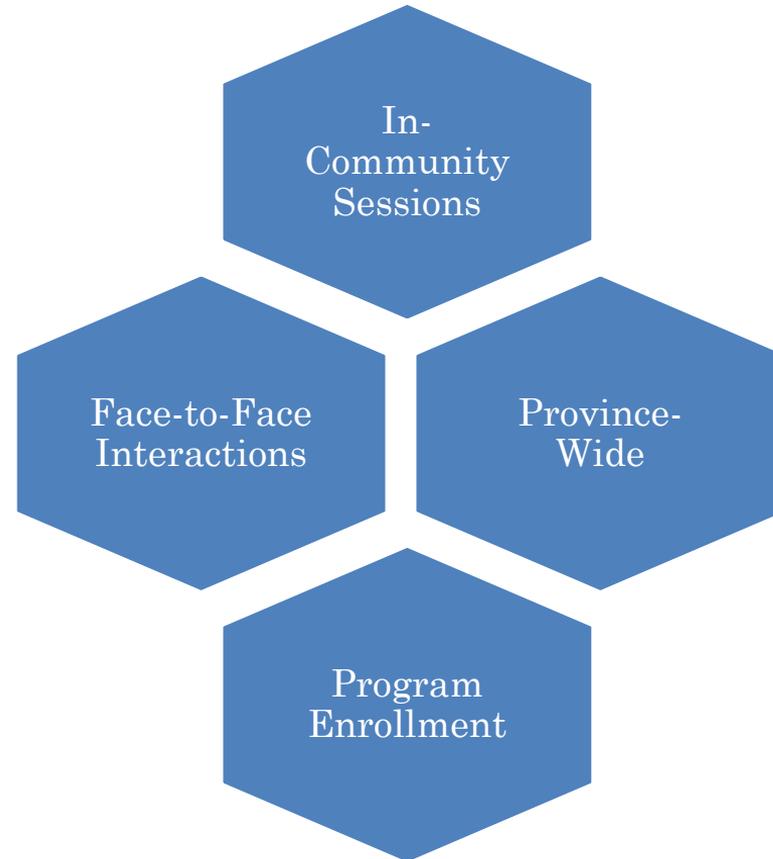


# We Are There When Customers Need Us

Local presence

First Nations  
Engagement

Responding in  
ways you prefer

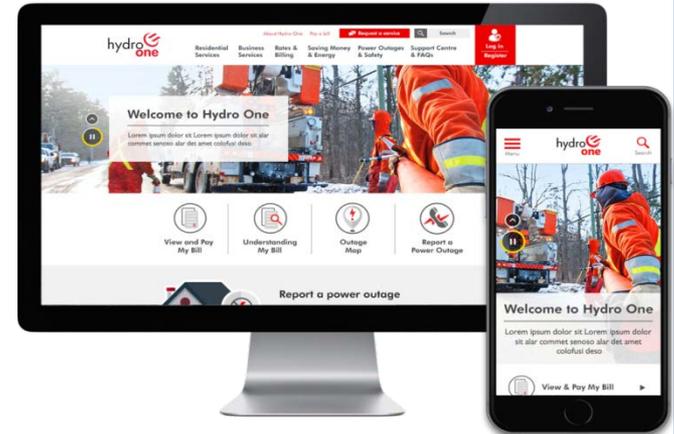
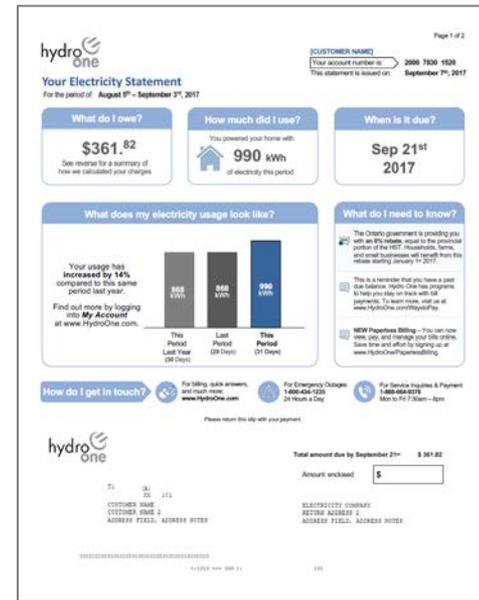
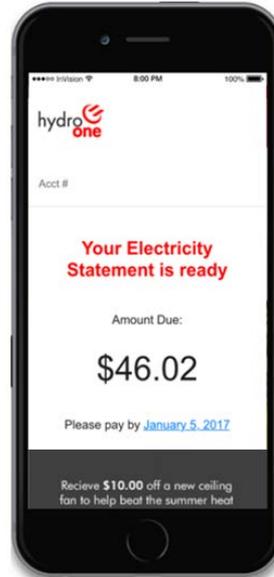


# We Are Always Connected

eBill Notifications & High Usage Alerts

New Website

Redesigned Bill



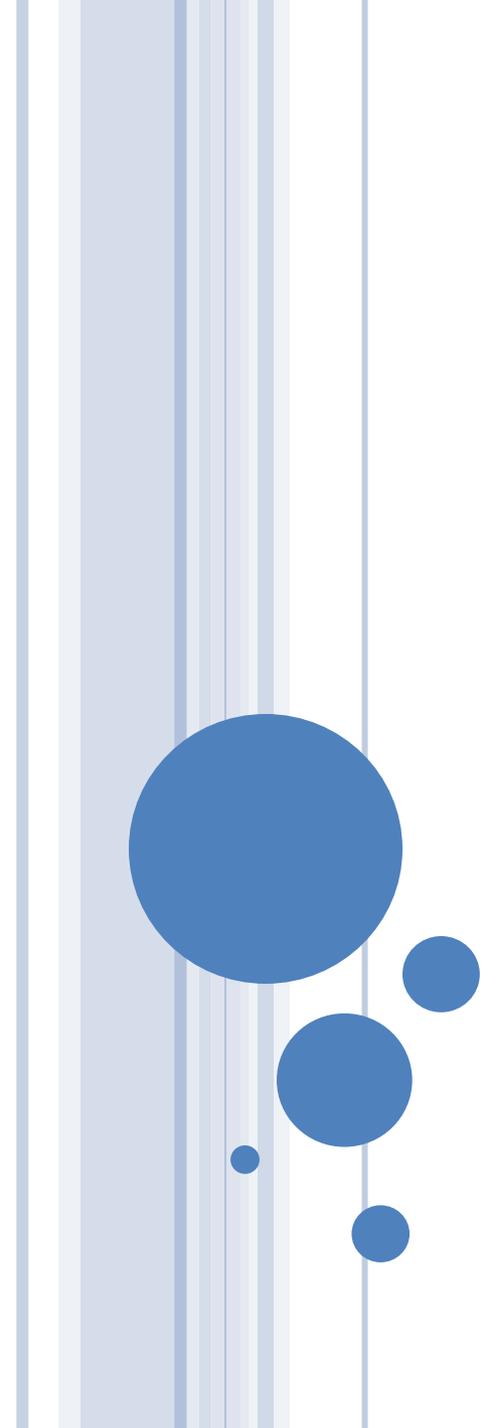
# Our Commitment to You

Be present where we can

Listen and advocate on your behalf

Partner and respond





# FIRST NATIONS RELIABILITY PERFORMANCE OVERVIEW

**Greg Kiraly and Mike Penstone**

Hydro One and First Nations Engagement Session

February 9 & 10, 2017

# Today's Presentation

- Customer Engagement Initiative
- Reliability to First Nations Communities
- Managing Costs



# Customer Engagement Initiative

- Occurred in Q2 2016
- A 3<sup>rd</sup> party facilitated the initiative
- Input received from 300 First Nations Customers

# Customer Engagement Results

## ALL CUSTOMER SEGMENTS CUSTOMER PRIORITIES

### FIRST NATIONS

Keeping costs as low as possible

36%

Reducing the number of power outages through activities such as tree-trimming, replacing equipment

21%

Shortening the length of power outages through activities such as installing remote control devices

13%

34%

Upgrading the system to connect new customers including those producing renewable energy or using energy storage such as wind, solar, and electric vehicles

16%

Improving customer service such as billing accuracy and answering customer questions

15%

Focus of this presentation

# Customer Engagement Results

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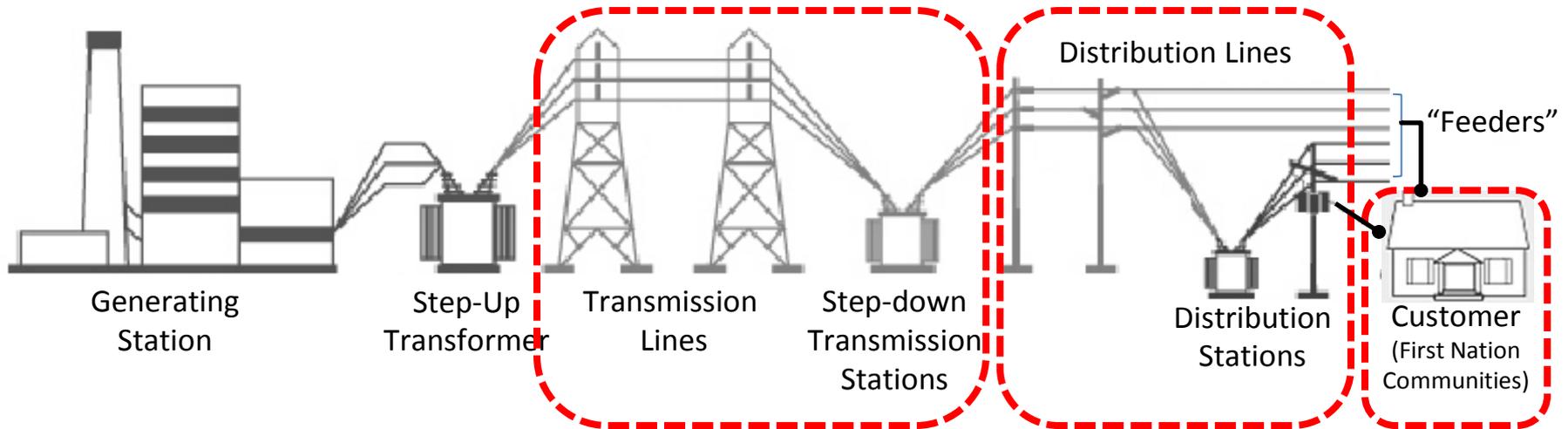
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Improving customer service such as billing accuracy and answering customer questions

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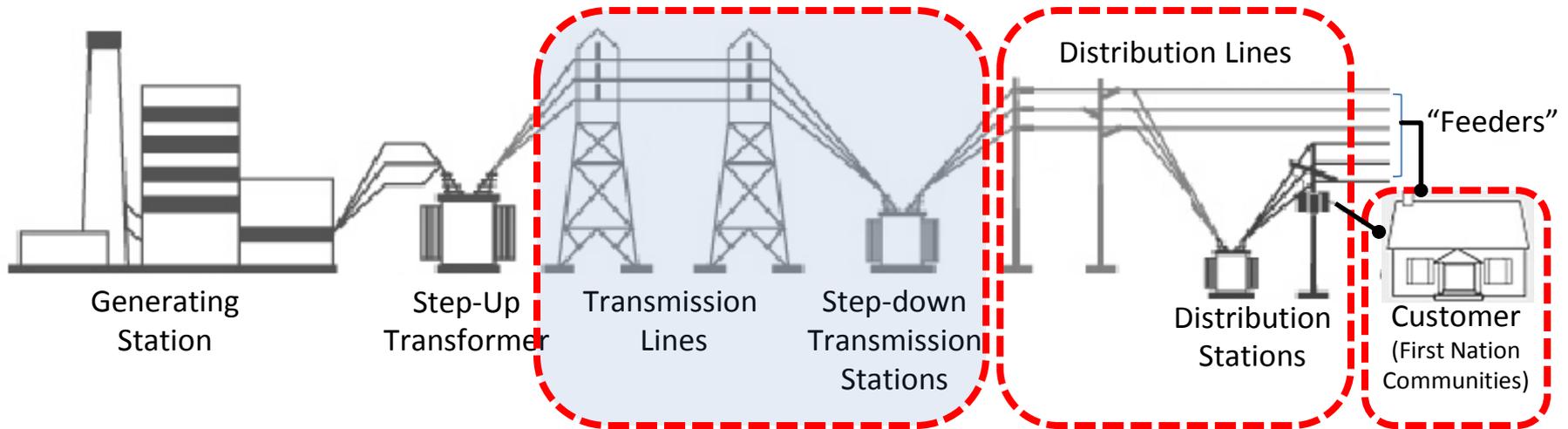
Part 1:

# Generation → Customer



- 1 Transmission System:** ~490 Transmission Lines, ~340 Transmission Stations, 29,000 km of Transmission Lines
- 2 Distribution System:** ~3200 Distribution Lines, ~1000 Distribution Stations, 130,000 km of Distribution Lines
- 3 First Nation Communities:** Supplied from 55 Transmission Lines and from 89 Distribution Lines

# Transmission System



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# Tx System – Primary Causes of Interruptions: (~67% occurs from Weather & Equipment Failures)

## Power outage causes (2012-2016)



**Equipment failure 49%**

Majority of failures have occurred on Lines assets (Insulators, Wood Poles, Conductor, etc)



**Weather 18%**

Adverse weather (freezing rain, ice, lightning)



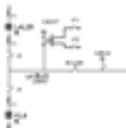
**Environment 15%**

Occasionally, Hydro One experiences tornados, forest fires, major environmental events



**Animal/vehicle or Tree Contacts 14%**

Animal contacts with Hydro One's equipment and off-corridor tree-felling events



**Configuration 2%**

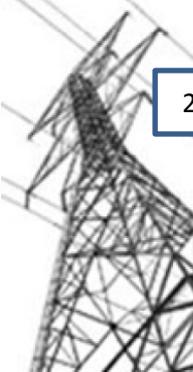
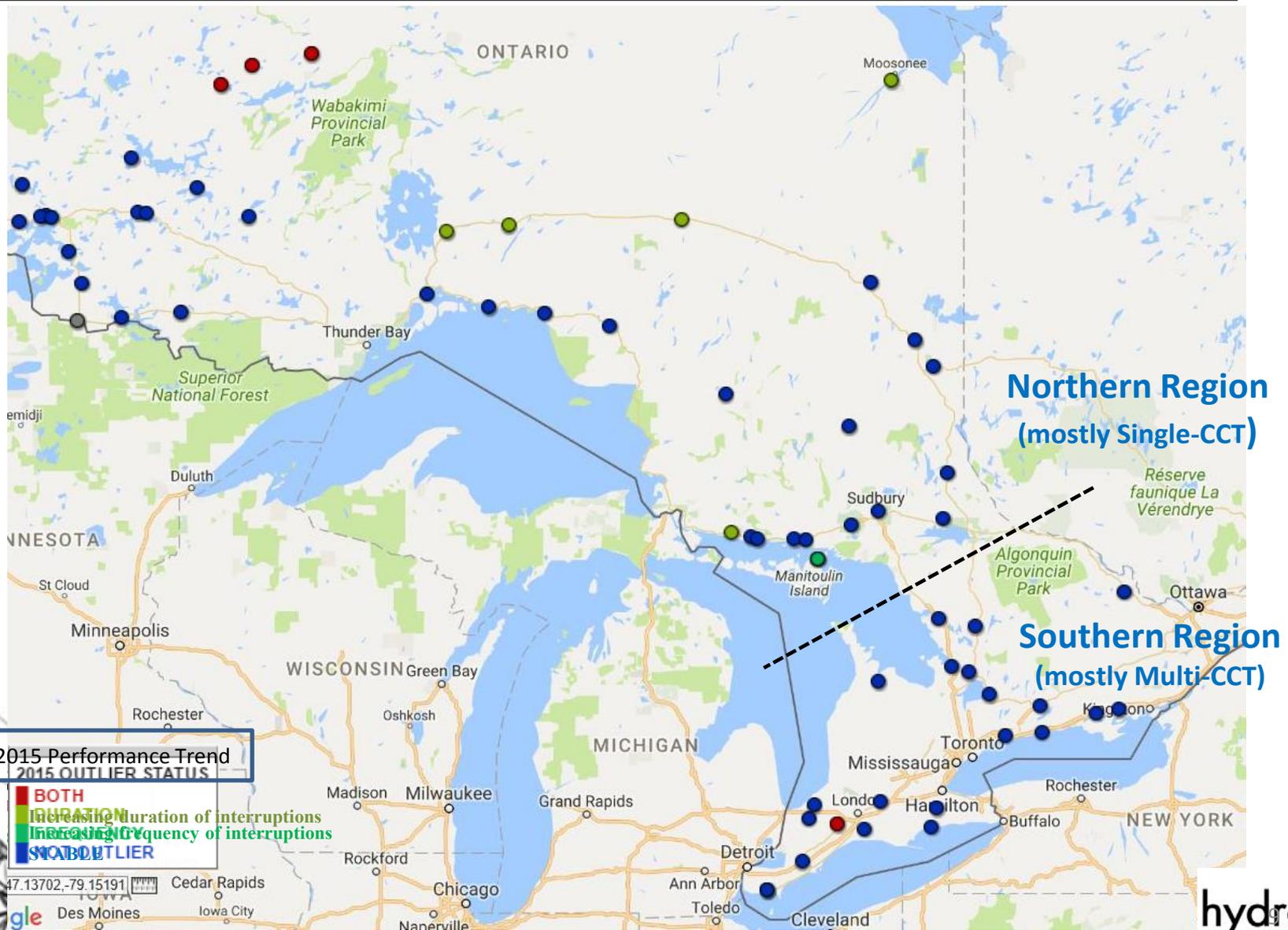
Issues relating to the configuration of the system at the time of the event.



**Unconfirmed causes 1%**

Sometimes Hydro One crews can't determine the exact cause of an outage.

# First Nations: Transmission Connections



# Transmission Connections Performance: By Geographic Region (First Nations Only)

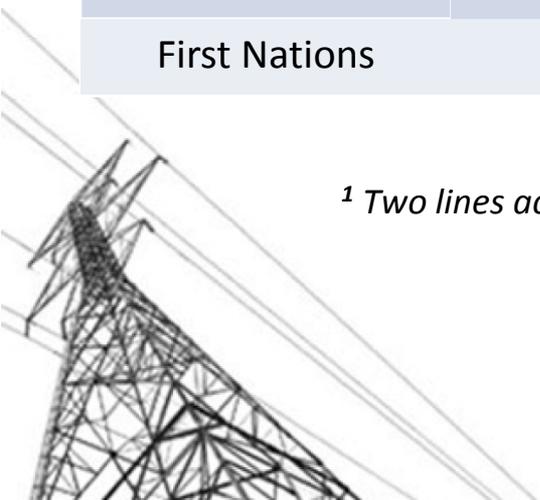
## Transmission System - Northern Sub-System (2016 YE Performance)

Tx Reliability Index	# of Transmission Connections	Duration of Interruptions (interruption minutes/ Tx Connection)	Frequency of Interruptions (# of interruptions /Tx Connection)
<sup>1</sup> First Nations	44	216.4 (68.4)	4.48

## Transmission System - Southern Sub-System (2016 YE Performance)

Tx Reliability Index	# of Transmission Connections	Duration of Interruptions (interruption minutes /Tx Connection)	Frequency of Interruptions (# of interruptions /Tx Connection)
First Nations	25	25.1	1.20

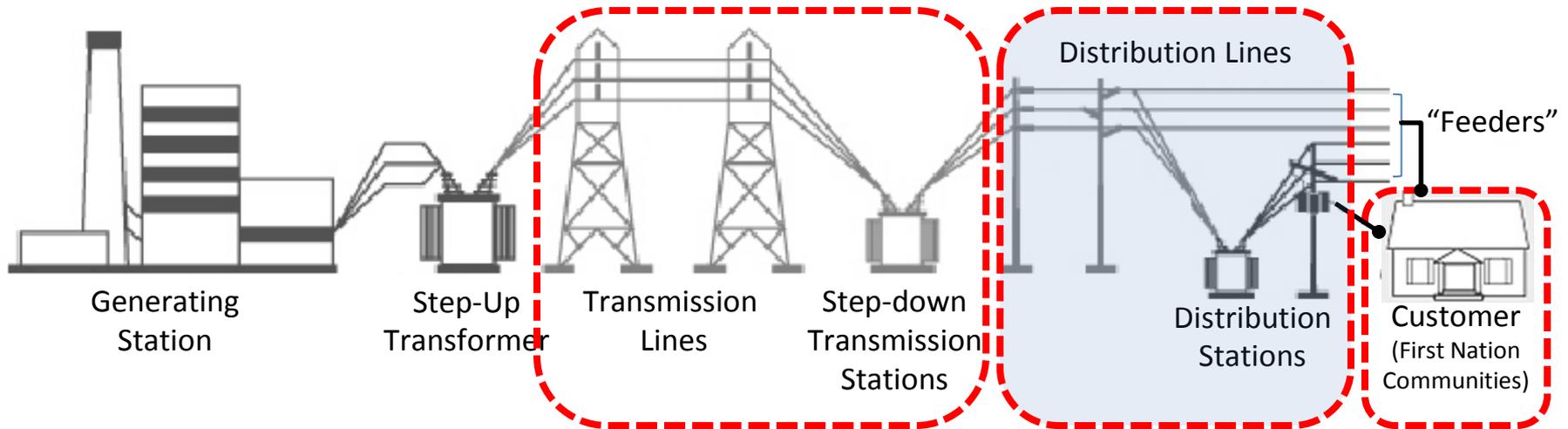
<sup>1</sup> Two lines account for 58% of total interruption minutes for entire year



# How is Hydro One maintaining Reliability in the Transmission System?

- **Increasing Capital Investments (Lines)**
- **Leveraging Technology (Distance-to-Fault)**
- **Reducing Planned Outages (Bundling Work)**

# Distribution System



- 1 Transmission System:** ~490 Transmission Lines, ~340 Transmission Stations, 29,000 km of Transmission Lines
- 2 Distribution System:** ~3200 Distribution Lines, ~1000 Distribution Stations, 130,000 km of Distribution Lines
- 3 First Nation Communities:** Supplied from 55 Transmission Lines and from 89 Distribution Lines

# Dx System – Primary Causes of Interruptions: (~50% occurs from Tree Contacts & Equipment Failures)

## Power outage causes (2013-2015)



**Tree damage 24%**

Trees fall on lines during storms.



**Equipment failure 24%**

Poles, transformers, lines failures can cause an outage.



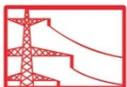
**Unconfirmed causes 19%**

Sometimes Hydro One crews can't determine the exact cause of an outage.



**Scheduled outages 16%**

Occasionally, Hydro One needs to schedule power outages to safely replace or update equipment.



**Transmission Outage 12%**

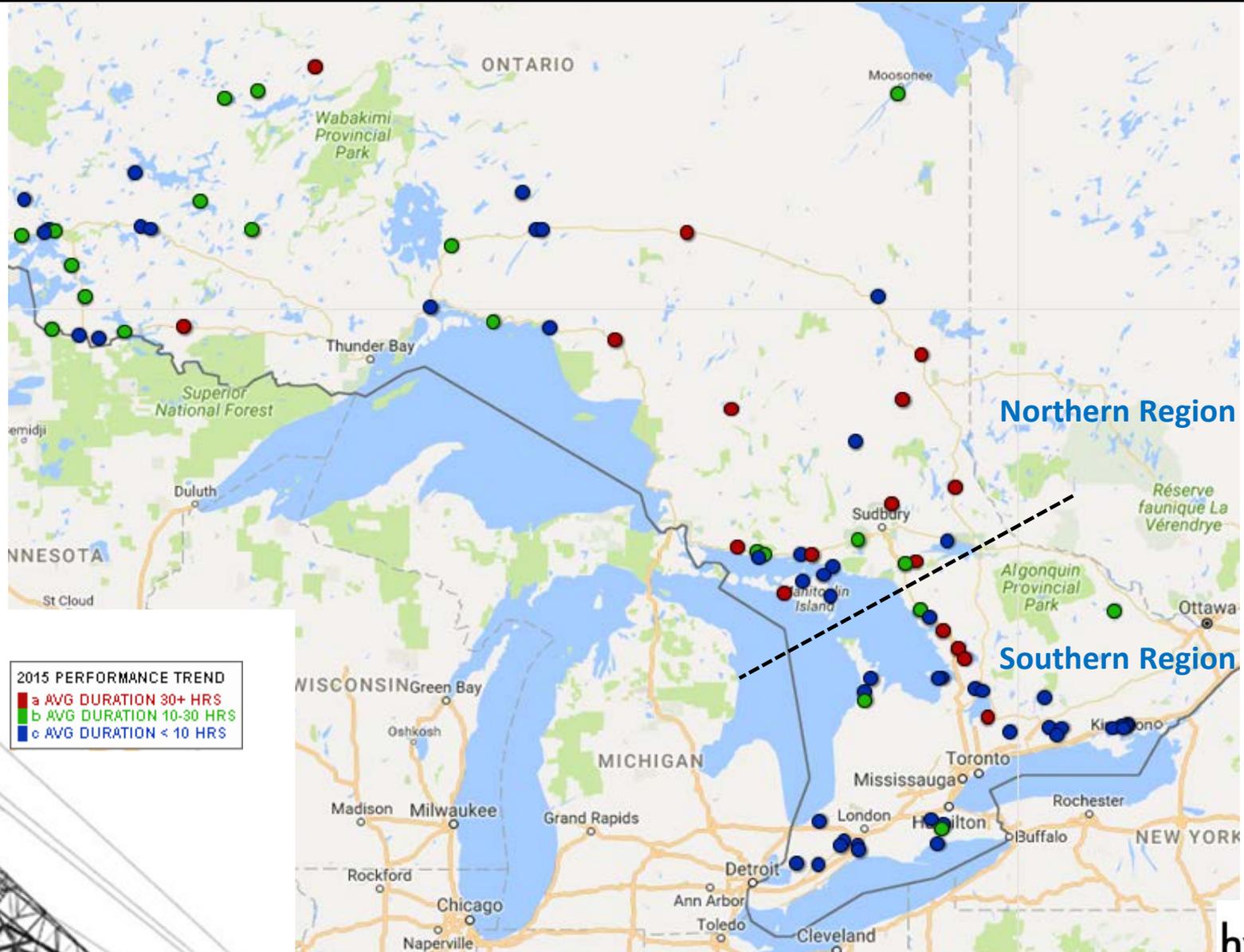
Issues relating to the larger grid, like damage to transmission lines.



**Animal or vehicle damage to equipment 5%**

Animal contacts with Hydro One's equipment and car accidents that damage poles.

# First Nations: Distribution Connections



# Dx Performance: By Customer Segmentation (& First Nations Only)

## Distribution System - Overall (2016 YE Performance)

Distribution System Reliability Index	Interruption Hours/Customer (SAIDI)	# of Interruptions/Customer (SAIFI)
Hydro One	13.3	3.4
<sup>1</sup> First Nations	13.5	3.6

**Note:** Includes Force Majeure and Loss of Supply (i.e. interruptions due to Transmission events)

## Distribution System - Rural (2016 YE Performance)

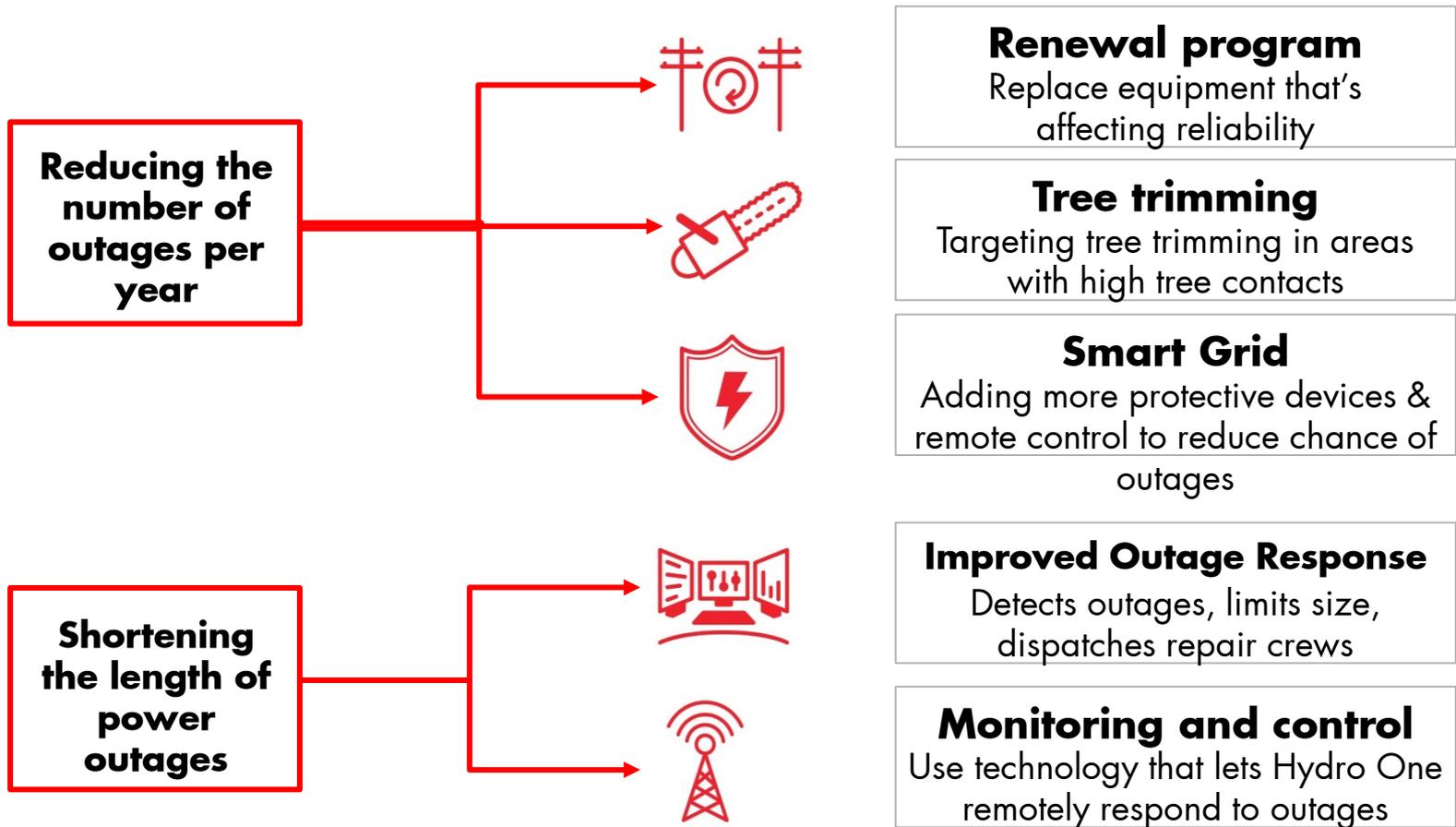
Distribution System Reliability Index	Interruption Hours/Customer (SAIDI)	# of Interruptions/Customer (SAIFI)
Hydro One	14.6	3.7
<sup>1</sup> First Nations	13.5	3.6

## Distribution System - Urban (2016 YE Performance)

Distribution System Reliability Index	Interruption Hours/Customer (SAIDI)	# of Interruptions/Customer (SAIFI)
Hydro One	3.0	1.7
<sup>1</sup> First Nations	Mostly Rural	Mostly Rural

<sup>1</sup> First Nations results are for 2015 year. When available, 2016 numbers will be inserted. 15  
Only a small portion of First Nations are in an Urban area (<10% estimated)

# How is Hydro One maintaining Reliability in the Distribution System?



# Customer Engagement Results

ALL CUSTOMER SEGMENTS  
CUSTOMER PRIORITIES

FIRST  
NATIONS

Part 2:

Keeping costs as low as possible

36%

Reducing the number of power outages through activities  
such as tree-trimming, replacing equipment

21%

Shortening the length of power outages through activities  
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13%

Upgrading the system to connect new customers  
including those producing renewable energy or using  
energy storage such as wind, solar, and electric vehicles

16%

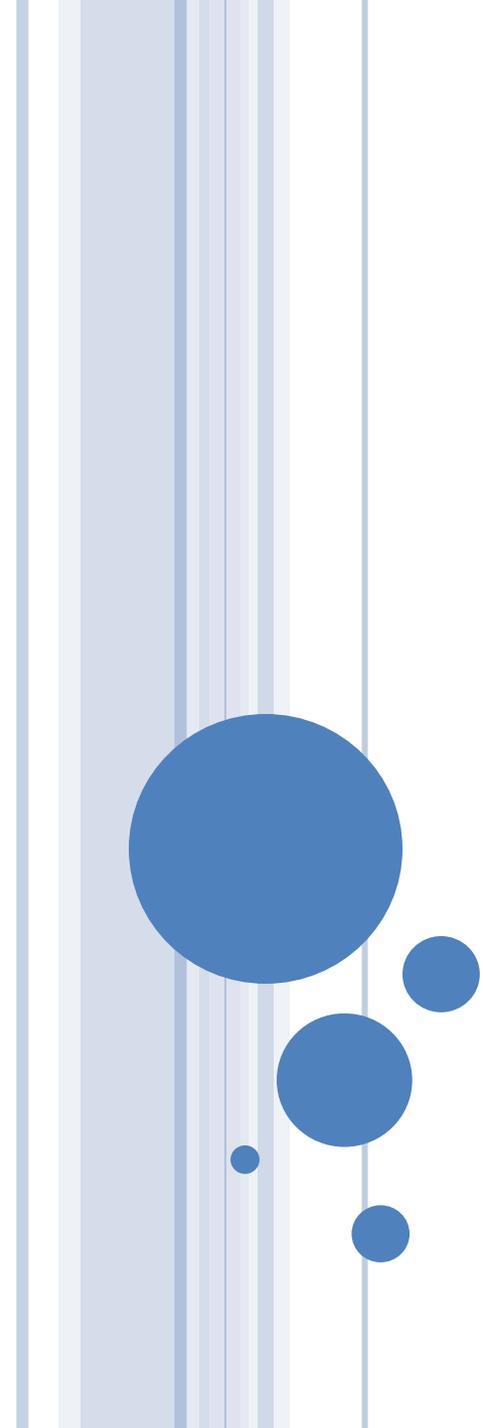
Improving customer service such as billing accuracy  
and answering customer questions

15%

# Controlling Costs:

- **Pacing Expenditures**
- **Vegetation Management**
- **Move-to-Mobile**

# Questions & Answers



# HYDRO ONE'S DISTRIBUTION RATES APPLICATION (2018-2022)

**Oded Hubert**

Vice President – Regulatory Affairs

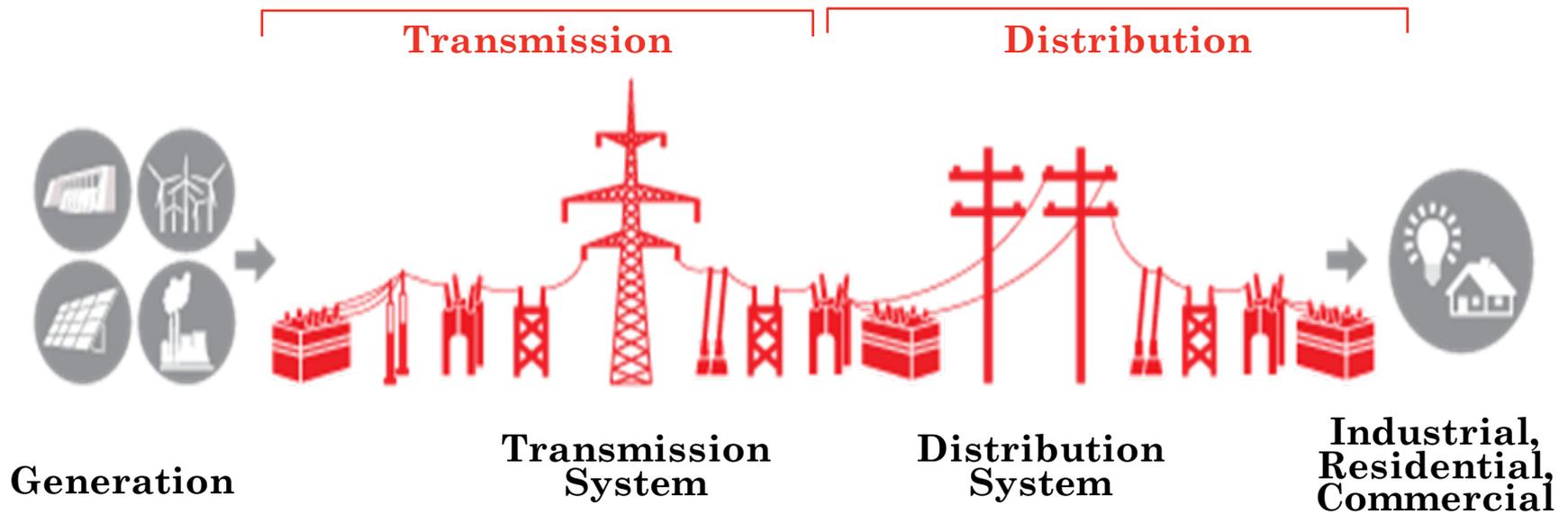
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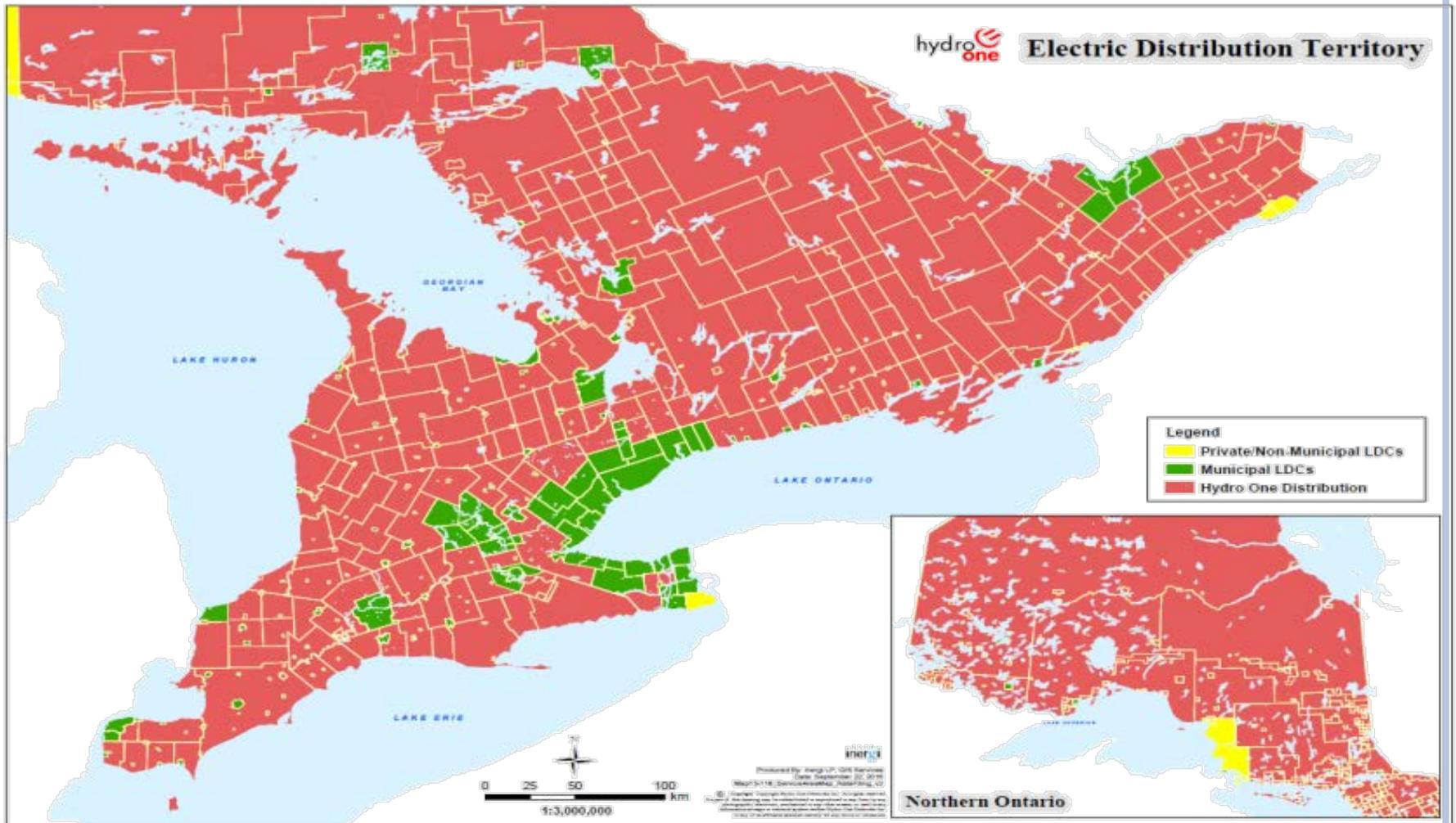
# Hydro One Limited (Hydro One)

- Hydro One is Ontario's largest electricity delivery company
- We are owned 70% by the province of Ontario and 30% by public shareholders
- We have three businesses:
  - Transmission;
  - Distribution; and
  - Telecommunications

# Hydro One's Role in the Ontario Electricity System



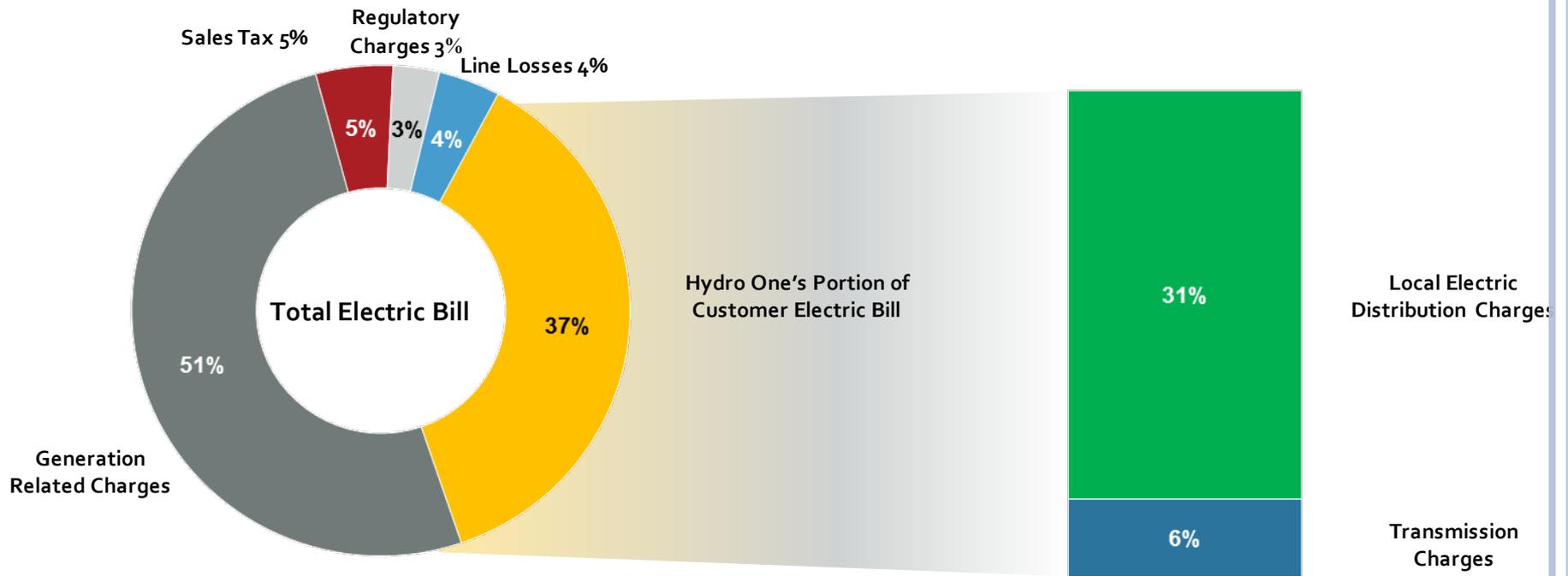
# Distribution System Map



# Distribution System Stats

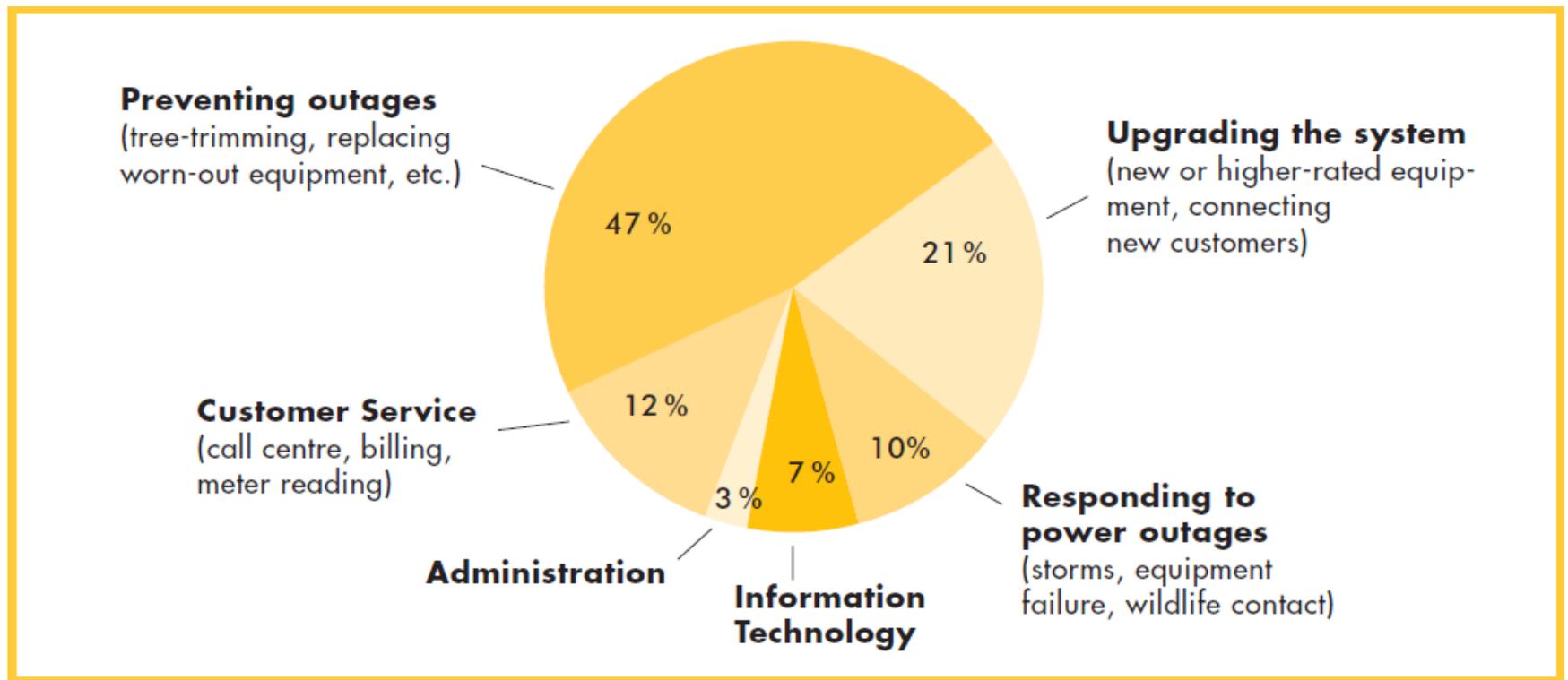
<b>Service Territory</b>	Rural Service Area - 960,123 sq. km Urban Service Area - 677 sq. km
<b>Customers</b>	1.3 million residential and business customers as well as 55 local distribution companies
<b>Distributed Generation</b>	Approximately 13,400 small, mid-size and large embedded generators connected to Hydro One's distribution network, including approximately 12,600 generators with capacities of up to 10 kW and 1,600 generators pending connection
<b>Stations</b>	Approximately 1,000 distribution and regulating stations
<b>Circuit Length</b>	123,000 kilometres of primary low voltage distribution lines

# Breakdown of Electricity Costs to Customers



# How Distribution Charges are Spent by Hydro One

- Hydro One receives a distribution charge which pays for a broad range of distribution system costs:



## How Distribution Rates are Set

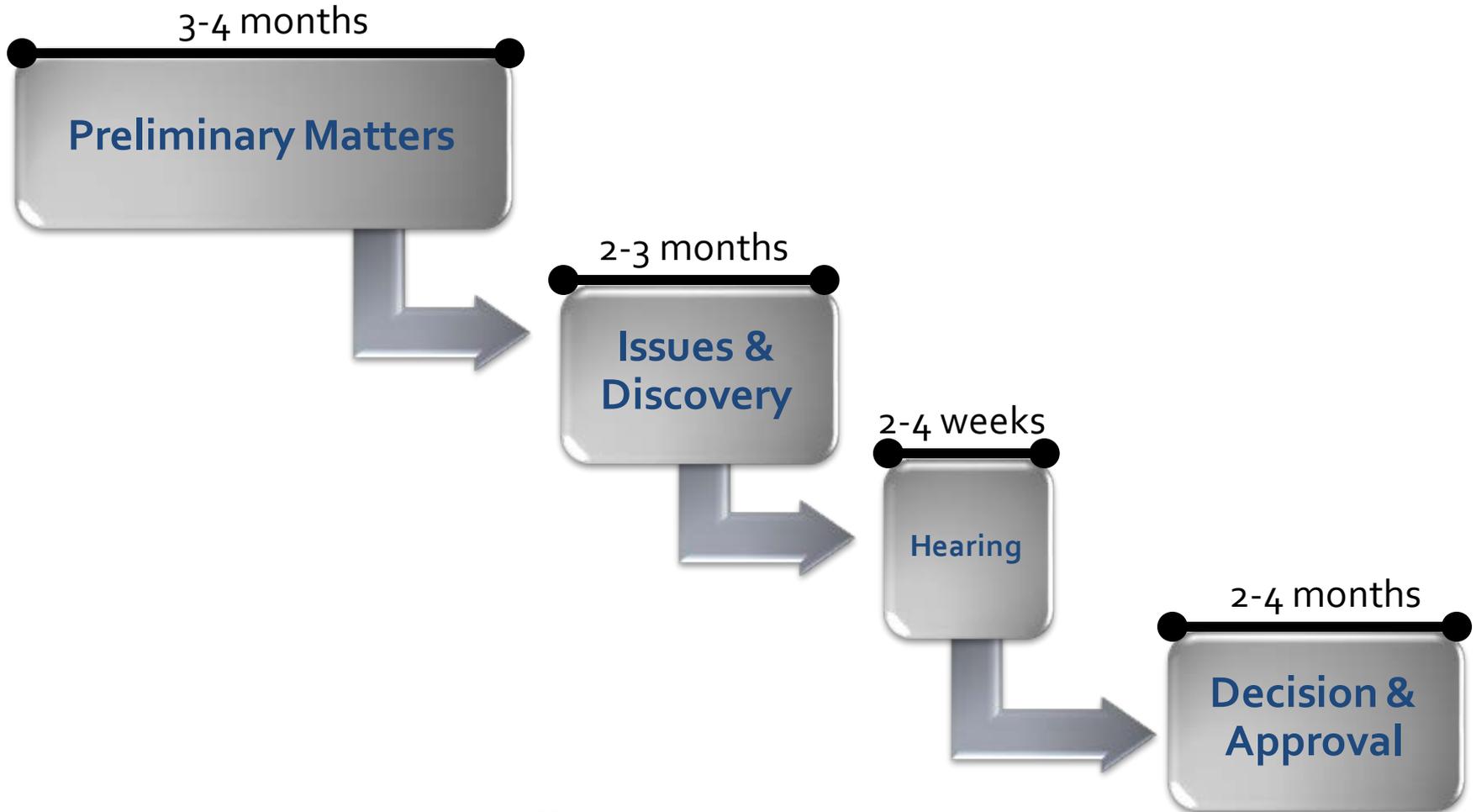
- Electricity distribution rates are set by the Ontario Energy Board (OEB), an independent public agency.
- The OEB sets rates following a public hearing based on evidence.
- Hydro One will be applying to the OEB to set our distribution rates for the period 2018-2022 in March 2017.

# Objectives of the OEB

1. Protect the interests of consumers
2. Promote economic efficiency and cost effectiveness... maintain a financially viable electricity industry
3. Promote conservation & demand management
4. Facilitate the smart grid
5. Promote generation from renewable energy sources:
  - consistent with the policies of Government; and
  - expansion or reinforcement of transmission and distribution systems.



# Stages of an Application



Usually takes 8 – 12 months

# Balancing Key Considerations



# Hydro One's Application

Our proposal is focused on addressing customer needs and preferences including:

- **Keeping Costs Low**

Keep costs as low as possible is customers' top priority

- **Maintain Reliable Service**

Maintaining reliable electricity service is consistently second priority to cost

- **Large Customers**

Large customers are more concerned with reliability and capacity

- **Manage Rate Impacts**

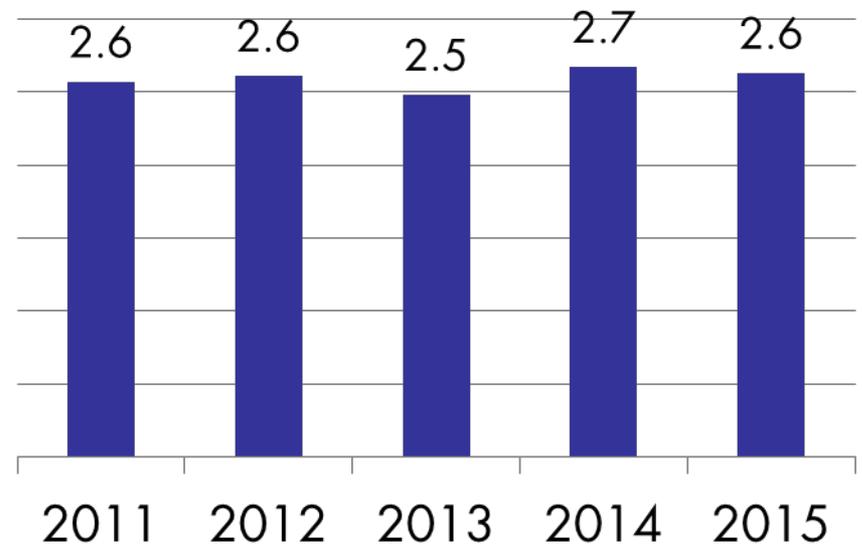
Willingness to accept a rate increase to improve service level is limited

## Service Enhancements Hydro One Will Deliver

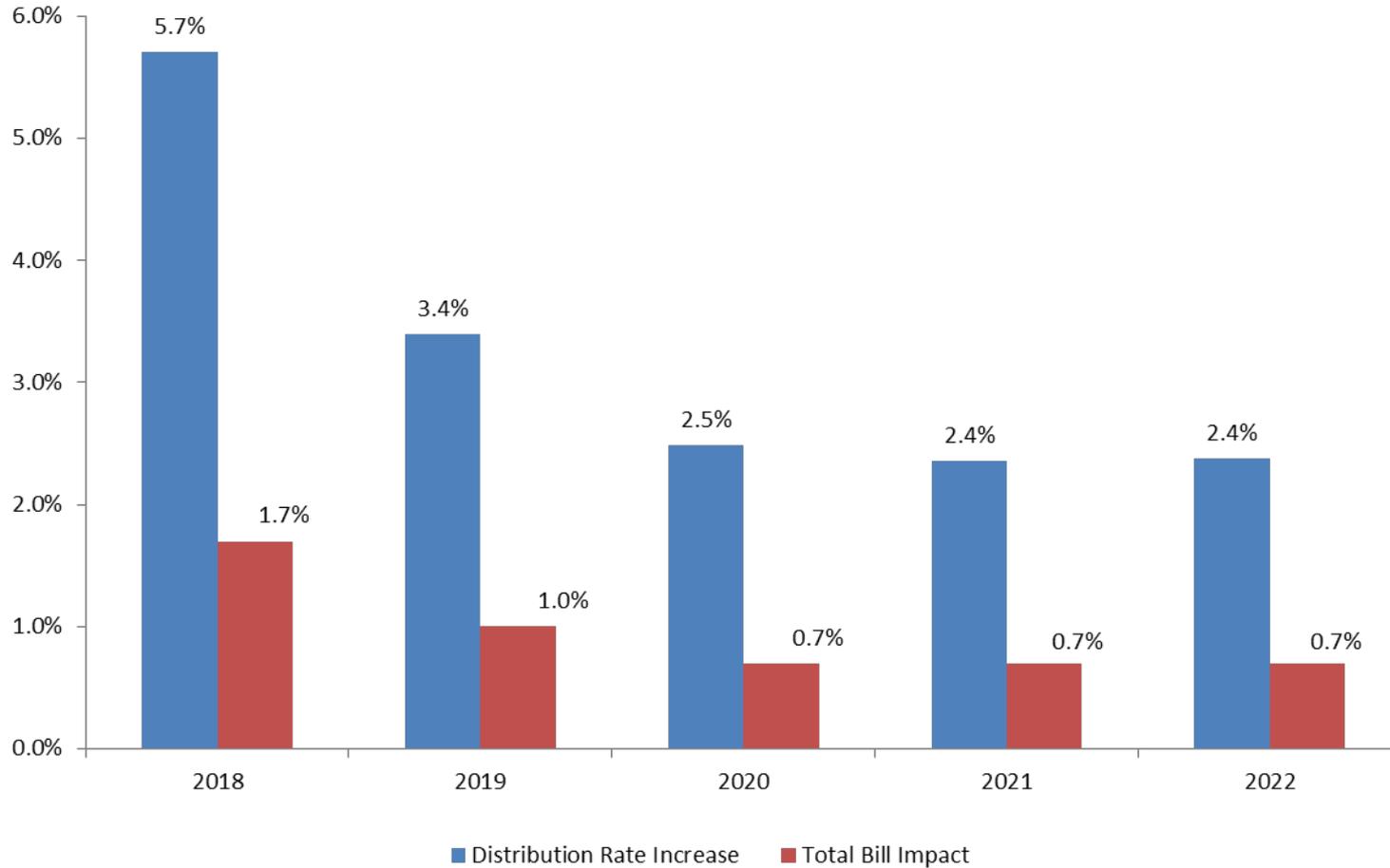
Hydro One's overall business plan was optimized such that asset condition and reliability will not deteriorate

### LDC Scorecard SAIFI

5 year average



# Proposed Distribution Rate Increases And Total Bill Impact



# Main Areas of Hydro One Rate Increases

<b>Cost Drivers</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Operations, Maintenance and Administration	-0.1%	0.5%	0.5%	1.2%	0.5%
Capital Related (e.g., poles, wires and transformers)	2.0%	2.9%	2.6%	3.3%	2.5%
Taxes	0.7%	0.2%	0.1%	0.4%	0.1%
Load Impact	2.0%	-0.2%	-0.7%	-2.5%	-0.6%
Other Revenue and Rate Riders	1.1%	0.0%	0.0%	-0.1%	0.0%
<b>Total</b>	<b>5.7%</b>	<b>3.4%</b>	<b>2.5%</b>	<b>2.4%</b>	<b>2.4%</b>

# Additional Cost from Declining Electricity Use (Load Impact)

- The cost of distribution services is spread out among all Hydro One customers based on total electricity consumption.
- Total electricity consumption has been decreasing since rates were last set, so the cost of serving each individual customer will increase by 2% in 2018.
- This is a one-time adjustment and will not lead to increases in 2019-2022.

# On-Reserve First Nations Electricity Customers

- Minister of Energy asked the OEB to examine and provide advice for an appropriate electricity rate or rate assistance program
- Hydro One has been supportive of this initiative and has provided input to the OEB
- January 1, 2017 OEB submitted its report to the Minister of Energy and now waiting for next steps to be announced.

# Questions & Answers

**THANK YOU FOR  
ATTENDING!**

