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EDITED TRANSCRIPT

H.TO - Hydro One Ltd Annual Shareholders Meeting

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CORPORATE PARTICIPANTS

David F. Denison *Hydro One Limited - Chairman of the Board*

Maureen Wareham *Hydro One Limited - Corporate Secretary*

Mayo M. Schmidt *Hydro One Limited - President, CEO & Director*

CONFERENCE CALL PARTICIPANTS

Ava Hill

David Hill

Dana McDonald

Jane Albert

Matt Jamieson

Neil Power

Robert Globocki

PRESENTATION

David F. Denison - *Hydro One Limited - Chairman of the Board*

Good morning, everyone. My name is David Denison. I'm a Director and Chair of the Board of Hydro One Limited. And it gives me great pleasure to welcome all of you to the company's 2018 Annual General Meeting of Shareholders. On behalf of my fellow directors and management, we first thank you for your ownership and your interest in being with us here today. Before proceeding, I'd like to acknowledge that we are on the traditional territory of the Mississaugas of the New Credit and the Hood in the Shawnee.

At the outset of this meeting, I'd first like to say a word about the tragic loss the Hydro One family suffered in December with the deaths of 4 of our employees, Jeff Howes, Kyle Shorrocks, Darcy Jansen and James Baragar. The response to that accident has demonstrated the incredible strength and unity of the entire Hydro One organization. As employees came together both to mourn (technical difficulty) each other moving forward. It's also led to a reaffirmation of the paramount importance of safety to our organization.

I'll now call the meeting to order. In accordance with Hydro One Limited's bylaws, I will act as Chair of the Meeting.

On the podium with me this morning are Mayo Schmidt, President and CEO and a Director of the company; Paul Dobson, the Chief Financial Officer; and Maureen Wareham, the Corporate Secretary. I'd also like to introduce my other fellow directors who are present today. I'll ask each of them to please stand and remain standing as they are introduced. Joining us today are Ian Bourne, Charles Brindamour, Marc Caira, Chris Clark, George Cooke, Marianne Harris, Jim Hinds, Roberta Jamieson, Francis -- I'm sorry, Philip Orsino, Jane Peverett and Gale Rubenstein. And unfortunately, Frances Lankin could not join us today. Ladies and gentlemen, your Board of Directors.

On our agenda today, we'll first turn to the formal business of the meeting, following which our President and CEO will say a few words about the company. And after Mayo's remarks, there will be time for shareholder questions from the floor.

Before we begin, please take a moment to read the slide behind me regarding forward-looking information.

Maureen Wareham, the Corporate Secretary of the company will serve as secretary and record the proceedings of the meeting. Daniela Munoz and [Jamie Basic], both of Computershare Trust Company of Canada, our transfer agent, will act as scrutineers.

I'll now ask Maureen to review the rules of conduct for transacting the business of the meeting.



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Maureen Wareham - *Hydro One Limited - Corporate Secretary*

Thank you, David. Good morning, everyone.

First, an important housekeeping item. In the case of an emergency, the evacuation procedure is as follows: if you are seated towards the back of the room, please exit through the back doors and proceed down the stairwell. And for those of you seated in the front half of the room, please exit through the entrance doors, turn left and proceed down to the stairwell.

The rules of the meeting are as follows. To facilitate the formal business of the meeting, the company has asked certain employee shareholders to propose and second the formal motions. Shareholders or proxy holders may speak with respect to each motion by coming up to the microphones. To be respectful of everyone's time, shareholders are asked to limit their comments to no more than 2 minutes. Shareholders will also have an opportunity to ask questions about the company's business after Mayo's remarks. We will be conducting a formal vote by ballot on each motion. You may only complete a ballot today if you are a proxy holder or if you are a registered shareholder who has not already returned a proxy form or who wishes to change his or her vote. Ballots were provided to such proxy holders and registered shareholders upon registration with Computershare this morning. However, if you did not receive your ballot, please raise your hands now and the scrutineers will give them to you.

Following the meeting, we will post the final voting results on the Investor Relations page of the company's website. The results will also be filed on SEDAR. We have been advised by our transfer agent, Computershare, that based on the proxies already deposited with them, enough votes have been cast to carry each of the motion.

Mr. Chairman, those are the rules of conduct for the meeting.

David F. Denison - *Hydro One Limited - Chairman of the Board*

Thank you, Maureen.

And we'll now proceed with the business of the meeting. The notice of the meeting in the form of proxy or voting instruction form was mailed to all shareholders of record as of the close of business on April 3, 2018. The Management Information Circular for the meeting, together with our 2017 annual report containing the audited annual financial statements for the year ended December 31, 2017, and the related auditor's report were made available through the notice and access system of the Canadian securities regulator. We have received an affidavit from Computershare as to the proper mailing of the notice of this meeting and form of proxy to shareholders, and a copy of that affidavit will be kept with the minutes of this meeting.

Maureen Wareham - *Hydro One Limited - Corporate Secretary*

(inaudible) provided a report regarding shareholder attendance at this meeting. Based on the preliminary tabulation of proxies received to date, the scrutineers report that there are present, at this meeting in person or represented by proxy, 395 shareholders, holding or representing by proxy 479,631,216 of the common shares of the company.

David F. Denison - *Hydro One Limited - Chairman of the Board*

So I accept the scrutineers' report and declare that a quorum of shareholders is present. As a quorum is present and proper notice of the meeting has been given, this meeting is now duly and properly constituted for the transaction of business.

The scrutineers' report will be incorporated into the meeting's minutes. Now our first item of business is for the shareholders to receive the company's audited consolidated financial statements for the year ended December 31, 2017, together with the auditor's report, both of which can be found

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in our 2017 Annual Report. The 2017 Annual Report is accessible by all shareholders through the Investor Relations page of the company's website and on SEDAR. I ask that the Secretary place the 2017 Annual Report before the meeting and keep it with the records of the meeting.

The next item of business is the election of the Directors of the company. The Management Information Circular for the meeting lists the 14 Director nominees. And the nominees identified in the circular for election as Directors, in addition to myself, are Ian Bourne, Charles Brindamour, Marc Cairn, Chris Clark, George Cooke, Marianne Harris, Jim Hinds, Frances Lankin, Roberta Jamieson, Philip Orsino, Jane Peverett, Gale Rubenstein and Mayo Schmidt.

I'll now turn to Dana McDonald, Senior Legal Counsel and Manager Corporate Ethics, to make the nomination.

Dana McDonald

Thank you, Mr. Chairman.

I nominate each of the Director nominees named in the 2018 Management Information Circular for this meeting for election as a Director of Hydro One Limited to serve until the next Annual Meeting of Shareholders or until their respective successor is elected or appointed.

David F. Denison - *Hydro One Limited - Chairman of the Board*

Thank you. And I'll now turn to [Kenol Big] to -- Manager of Financial, Reporting and Accounting Policy, to second the nomination.

Unidentified Participant

Mr. Chairman, I second the nomination.

David F. Denison - *Hydro One Limited - Chairman of the Board*

Thank you. As no notice of additional Director nominees was received in accordance with the company's bylaws. I declare nominations closed. Are there any questions from shareholders on the election of Directors? Seeing none, we'll proceed with the ballot vote on this matter, and I'll ask Maureen to provide instructions on the ballot.

Maureen Wareham - *Hydro One Limited - Corporate Secretary*

Under item #1 on your ballot, you will find listed the names of the 14 nominees for election to the Board of Directors listed in the Management Information Circular. For each nominee, please mark with an x in the box labeled vote for if you are in favor of the nominated individual, or in the box labeled withhold if you are not in favor of the nominated individual. Then, please indicate the shareholder's name on the ballot and the number of shares to be voted. This is for identification and verification purposes. Please do not insert any other names on the ballot or your ballot will be spoiled and the scrutineers will not be able to count your vote.

David F. Denison - *Hydro One Limited - Chairman of the Board*

Thank you, Maureen. So I'll just give a minute to complete item #1.

(Voting)



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David F. Denison - *Hydro One Limited - Chairman of the Board*

So as Maureen noted earlier, based on the proxies received by management, each of the Director nominees has received a -- an overwhelming majority of votes cast in favor of their election as a Director. So I confirm that the 14 Director nominees named in the 2018 Management Information Circular have been elected as Directors.

Our next item of business is the appointment of the company's external auditors for the next year and authorizing the Board of Directors of the company to fix their remuneration.

I'll now turn to Neil Power, Director, Information Systems Audit, to make the motion.

Neil Power

Thank you, Mr. Chairman. I move that KPMG LLP be appointed as the company's external auditors until the next Annual Meeting of Shareholders or until a successor is appointed and that the Board of Directors be authorized to fix the auditor's remuneration.

David F. Denison - *Hydro One Limited - Chairman of the Board*

Thank you, Neil. And I'll -- now I ask Jane Albert, Chief of Staff, Operations, to second the motion.

Jane Albert

Thank you, Mr. Chairman. I second the motion.

David F. Denison - *Hydro One Limited - Chairman of the Board*

Thank you, Jane. Are there any questions from shareholders or comments on this motion? Seeing none, we'll proceed with the ballot vote on this matter. And I'll turn it back to you once again, Maureen.

Maureen Wareham - *Hydro One Limited - Corporate Secretary*

Under item #2 on your ballot, please mark your ballot with an x either in the box under the word for if you are in favor of the motion, or in the box under the word withhold if you're not in favor of this appointment. You may not vote for any accounting firm other than KPMG LLP.

David F. Denison - *Hydro One Limited - Chairman of the Board*

Thank you, Maureen. Let's give them a minute.

(Voting)

David F. Denison - *Hydro One Limited - Chairman of the Board*

Okay. As the company has received a sufficient number of proxies in favor of the appointment of the auditors, the motion is carried. Therefore, KPMG LLP has been reappointed as the company's external auditors and the Board of Directors is authorized to fix their remuneration.

We'll now move to the last item of business for the shareholders meeting and that is to consider the advisory vote on executive compensation, otherwise known as a say-on-pay resolution. As described in the Management Information Circular for this meeting, Hydro One's executive



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compensation program seeks to provide total compensation opportunities that are market competitive relative to peer companies and that are predominantly performance-based in order to attract, retain, motivate and reward management. In 2017, with the support of external compensation consultants, executive compensation was benchmarked against the size and industry appropriate comparator group and targeted at the market medium. This group included core utility peers such as Emera Inc. and Fortis Inc. as well as other Canadian publicly traded companies from which Hydro One attracts and competes for talent. The board believes the compensation paid to Mr. Schmidt and other senior executives is appropriate for their roles in overseeing an enterprise with \$25 billion of assets, annual revenue of almost \$6 billion and the strategy to expand the company's capabilities, both with inside Ontario and outside the province as evidenced by our pending acquisition of Avista Corporation in the United States. I should also note that for the purposes of setting electricity rates, only that portion of executive salaries equivalent to what was paid prior to the initial public offering is included. In other words, our ratepayers bear the very same compensation costs as they did when Hydro One was wholly owned by the province of Ontario. This shareholder say-on-pay vote forms an important part of the ongoing process and engagement with our shareholders.

And I'll now ask [Greg Lane], Vice President, Change and Culture, to make the motion.

Unidentified Participant

Mr. Chairman, I move on an advisory basis and not to diminish the role and responsibility of the Board of Directors that the shareholders accept the approach to executive compensation disclosed in the Management Information Circular for this meeting.

David F. Denison - *Hydro One Limited - Chairman of the Board*

Thank you, Greg. And I'll now ask Robert Globocki, Director, Customer Care, to second the motion.

Robert Globocki

Mr. Chairman, I second the motion.

David F. Denison - *Hydro One Limited - Chairman of the Board*

Thank you, Robert. Are there any questions from shareholders on this motion? Seeing none, I'll -- we'll proceed with the ballot. And I'll turn it back to you, Maureen.

Maureen Wareham - *Hydro One Limited - Corporate Secretary*

Thank you. Under item #3 on your ballot, please mark the ballot with an x either in the box under the words for the motion if you are in favor of the motion, or in the box under the words against the motion if you are not in favor of this motion.

(Voting)

David F. Denison - *Hydro One Limited - Chairman of the Board*

Once again, as the company has received a sufficient number of proxies in favor of the say-on-pay advisory vote, the motion is carried. As such, the advisory vote on the company's approach to executive compensation as disclosed in the Management Information Circular for this meeting has been approved.



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Now notwithstanding the strong show of support from our shareholders, over 92% of whom voted in favor of our executive compensation practices, I note that the Province of Ontario, the company's largest shareholders, has abstained from voting on this motion. As previously disclosed, Hydro One has decided to conduct supplementary shareholder engagement and obtained additional independent advice on its executive compensation practices, including its change of control and severance provisions. When we have completed that process, we will then review our current practices in light of the feedback we received. Ensuring that we have alignment of our compensation practices with the interest of our shareholders is a primary goal for the Board of Directors.

Maureen Wareham - *Hydro One Limited - Corporate Secretary*

The polls are now closed with respect to voting on all the motions. As this is the final item of business, would everyone who received a ballot, please return it to the scrutineers now. Would the scrutineers please collect the ballots.

The final report on voting results provided by the scrutineers after the meeting will be incorporated into the minutes of this meeting. We will also post the final voting results on the Investor Relations page on the company's website and we'll file the results on SEDAR.

David F. Denison - *Hydro One Limited - Chairman of the Board*

Thank you, Maureen.

As there are no other matters of business to come before the formal part of the meeting, I declare the meeting concluded and terminated.

I'd now like to turn the podium over to Mayo Schmidt, who will offer some remarks about the company and our business, following which, we will open the floor to questions from shareholders. Mayo?

(presentation)

Mayo M. Schmidt - *Hydro One Limited - President, CEO & Director*

I've got to tell you that makes me so proud to be part of this team. Ladies and gentlemen, I'd like to welcome you to our Annual General Meeting, and thank you for being here with us today.

Let me also acknowledge some special guests that have joined us: Chief Ava Hill of the Six Nations of the Grand River, Chief Stacey Laforme of the Mississaugas of the New Credit First Nation. Welcome, and thank you for being here. We enjoy deepened respect for working relationships with you. I also want to welcome the leadership of our employee representatives from our unions today. I also would like to acknowledge, as David has, we are on traditional territories of the Mississaugas of the New Credit and the Hood of Shawnee as well.

The purpose of this meeting is to look back at the past year and highlight on the successes and headwinds that we faced. I cannot help but be proud of the accomplishments and the extraordinary future that we have created not only in the past year, but in fact, in the last 3. I've had the great pleasure of visiting our employees in the field and in the communities where they live and work. They'd certainly been an inspiration to me as you've evidenced by this video today.

Like all of us, I'm no stranger to hard work. I've been working building bridges and roads, driving trucks across the country, washing dishes for \$1 an hour as a young man, working to get through school. And when the day was done, I worked on the farm alongside of my father. From him, I learned that if there was something needs building, you build it. When someone needs help, you help them. When something needs fixing and it's broken, you fix it. In our teams, I see that same wholesome value, work ethic and integrity that's ingrained in the people of Hydro One. The work environment that we work in can be harsh, dangerous, unforgiving. Each and every member of our team takes great pride in making sure our customers can count on the power that they need to drive their lives.



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When I was approached to take on a leadership role at Hydro One, I jumped at the opportunity knowing that this company and the people had the power to change the lives of the people of Ontario for the better. My personal commitment and the collective commitment is to work tirelessly until we make sure that, that vision comes true. What we're achieving at Hydro One is indeed special. We seized on the opportunity to take this company with over 110 years of history and reinvent a future and grow its impact beyond our current borders. The journey we are on elevates us to a North American leader and a proud Canadian energy champion. It's a journey epitomized by countless achievements, but none more evident in my mind than the recent storms when we saw our brave people responding to calls to action in fierce wind, freezing rain and piling snow that ravaged parts of our province in both April and May. More than half a million customers from Windsor to the Québec border lost electricity in their homes and places of work. Our linemen, our forestry crews, our call centers and our administration responded by the thousands. Crews worked in treacherous conditions around-the-clock to reconnect our customers in record time. And I'd like to thank our teams and I'd ask you for a moment to just please stand up and be recognized and accept my deep appreciation, and I offer you the sincere thanks of both the Board of Directors and your colleagues. If you just rise for a moment, please. Team, please. I know you're shy. Thank you. And it's obvious how reluctant they are to take credit, but they are indeed someone that we are proud of and grateful to be on your team.

Before I continue, let me also take a moment, as our Chairman, David Denison, did, to recognize a major event that shook all of Hydro One to our core. On December 14, we tragically lost 4 of our teammates, 3 powerline construction workers, Jeff Howe (sic) [Jeff Howes], Kyle Shorrock and Darcy Jansen; and their pilot, James Baragar, in a helicopter accident. These 4 men will forever live in our hearts and we'll never forget them. And we'll continue to support the ongoing support for their loved ones. We have no greater responsibility than protecting the lives of our teams and making sure each and every one returns home every night safely.

In every respect, 2017 was a transformational year for us. It was a year of tremendous effort and determination. Our strategy continued to be implemented, our financial and operational goals and targets were set higher than ever before and expert leadership was secured for our future.

Now let me illustrate what has been achieved. We have led customer service for our industry. We build an extraordinary alliance with Avista, an independent company for 129 years, to create one of the largest energy companies in North America. We executed over 200 capital projects on our transmission system within 1% of budget. We submitted regulatory applications for over \$8 billion in capital covering the next 5 years, which is executing a capital program of over \$135 million per month, all acquiring approval by our provincial regulator. We also eliminated \$89 million in costs from our business in 2017, totaling cost reductions of \$114 million to date. This led to reduced costs for our customers, a commitment that we will continue each and every year.

Having said that, I want to take a moment to talk about what's outside of the responsibilities of Hydro One. We do not set the price of electricity. We do not have contract authority over the Feed-in Tariff programs, and we do not have pricing or contracting authority over the global adjustment. Our responsibilities are we transmit and distribute hydro for the customers over \$6 billion per year, that's job 1. We issue over \$14 million bills annually. With our logo on the bill, we collect payments on behalf of Hydro One electricity generators, the Ontario Energy Board and the independent electricity system operator. We own and our stewards of a \$25.7 billion system of assets across a province larger than the country of France. That's over 150,000 kilometers of power lines, 1.6 million poles in over 1,500 transformer stations. We do this today on behalf of 1.3 million customers in retail in addition to 200 industrial customers supported by third-party nuclear hydroelectric, gas, wind and solar powered facilities. Our shareholders are largely Ontario residents. In the organization, we possess the professional skills, the expertise, the leadership and governance to stand tall in the face of consolidation of our sector. We will emerge as a leading North American utility. On that front, we're working to complete the regulatory approvals in 5 U.S. states that will deliver the single largest accomplishment to our system since Sir Adam Beck envisioned, bringing hydro power from the mighty Niagara River to the people of Ontario. We do so by extending our impact beyond the provincial and Canadian borders. We are growing a Canadian company into a North American powerhouse. The \$6.7 billion transaction with Avista will diversify our regulatory exposure, resulting in a stronger Ontario company with improved returns. Timing is critical. Our industry in North America is consolidating rapidly from over 150 public companies 10 years ago to now less than 46 with multiple transactions taking place annually. The window of opportunity is closing rapidly. And we have acted thoughtfully, boldly, with discipline, rigorous analysis and planning that we're known for. The Hydro One of the future will be a much stronger company with capabilities that allow us to both contribute greater earnings for shareholders while measurably reducing costs for our customers.

In the Avista close, we anticipate serving over 2 million customers across North America. Our strategies, execution and planning were key in 2017 to achieving solid results through a period of rising interest rates in U.S. and Canada, which penalized all North American electric companies. 3



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financial quarters in 2017 of unseasonable weather patterns reduced the demand for electricity, causing a \$100 million impairment to earnings, which this team almost entirely recaptured through cost reduction actions. We experienced a reduction in our return on equity ratings from the government loan bonds. The Ontario Energy Board ruling to divert Hydro One shareholders deferred tax asset of \$385 million, which we're appealing to the OEB, and of course, the political uncertainty in an election year.

We responded to the headwinds by tackling each challenge while driving a stronger increase in productivity. Our distribution customer satisfaction is at a 4-year high, up by remarkable 6 points year-over-year. We sought and achieved the reduction in our customer hydro bills of 31%, which was effective in August 2017. Hydro One leadership, supported fully by our Board of Directors, took bold action, reconnecting power to the least fortunate customers during the coldest winter months of the year. Our reconstruct connection and customer service actions led to remarkable reduction in overdue accounts. Now accounts receivable stand at the lowest level in recent history. With customer contact center employees, Hydro One increased direct employment by over 400 jobs in 2017 while reducing overall costs. Our billing accuracy is now market-leading 99.7%, an all-time high for this company. This turnaround on a weak performance prior to the IPO is a result of a new approach to execution. Since 2015, customer satisfaction and billing accuracy has jumped 17%. In this environment, we have set our incentive compensation at stretch targets, which means incentives will be 0 for performance below threshold goals as set and measured by our independent Board of Directors. Performance must meet stringent criteria.

In 2018, we will execute on a carefully constructed strategy with a critical path line to reduce costs materially by tens of millions of dollars; improve the Ontario distribution system, which is in the state of decline; realize the full potential of the combination of Avista and Hydro One. We have achieved numerous key regulatory approvals to close the Avista transaction. And while we have some distance to go, with the stable environment and our continued strong financial performance, we believe we can achieve the closing of this transaction at second half of 2018. Our investors see this acquisition generating tremendous value for our organization and for shareholders. Upon completion, Hydro One's total pro forma asset value will grow by more than third to \$34.9 billion. We intend to further develop new technologies and areas of growth such as microgrid, solar generation, energy storage and advanced metering for electricity, gas and water. In Ontario, our teams will leverage the existing telecommunications infrastructure to expand the services of 6,000 kilometers of our fiber-optic's network through the Hydro One telecom.

Now I would like to introduce to you the leadership team that we have assembled to share this vision, who have made their commitment to shareholders to execute on our plans. So I'd ask you to please stand. And as I introduce each and every one of you and stay standing for a moment. Paul Dobson, Chief Financial Officer; Greg Kiraly, Chief Operating Officer; Judy McKellar, Executive Vice President, Chief Human Resource Officer; Patrick Meneley, Executive Vice President, Chief Development Officer; Ferio Pugliese, Executive Vice President, Customer Care, Corporate Affairs; and Jaime Scarlett, Executive Vice President and Chief Legal Officer. Thank you all. My deepest gratitude to each of you and your respective teams and your ongoing commitments to achieve outstanding results at Hydro One.

Born out of the dedication and continuous improvement, our commitment extends years into the future. To say that I'm proud to say that our teams and their achievements would be an understatement. We want our customers and communities to know that we stand ready to assist them in their dreams to build a stronger economy and expand -- extend Ontario's influence in North America. We rise to the challenge of building and managing a stronger network, and we'll attract new industry investment to strengthen our economy. The potential of Hydro One is being realized and the future is incredibly bright. And I want to thank you for your attendance today.

David F. Denison - *Hydro One Limited - Chairman of the Board*

So I thank you, Mayo.

At this time, we'd like to open our meeting to other questions or any questions that shareholders or proxy holders may have relating to the company. And I'll ask Maureen Wareham to review the guidelines for our shareholder Q&A session.

Maureen Wareham - *Hydro One Limited - Corporate Secretary*

Thank you, Mr. Chairman.

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If shareholders wish to ask a question or make a comment, please proceed to the microphone and state your name and whether you are shareholder or a proxy holder. If you are not asking a question, we ask that you remain seated at this time. If you are a proxy holder, please state the name of the shareholder who gave you the proxy. As mentioned, to be respectful of everyone's time, please limit your question or comments to no more than 2 minutes. We may have to interrupt any comment or question that continue for an unreasonable amount of time to allow everyone to have us -- ask their question. Thank you.

David F. Denison - *Hydro One Limited - Chairman of the Board*

Thank you, Maureen. And we'll open the mic for first question.

David Hill

(foreign language) My name is David Hill. I'm the elected Chief of the Six Nations of the Grand River. And on behalf of the Hood in Shawnee, I welcome to the land of many nations who came together under the Dish With One Spoon Treaty. Mayo, greetings to you and to your board. Since I have 2 gentlemen with me, so I'm going to have to speak quickly to use my 2 minutes up. I just want to say that I am one of the First Nations, along with the 128, who are now shareholders in the Hydro One. And we're very happy to be there. And one of the board members, who is going to represent our interest, is Ron Jamieson, who has a question as soon as I'm done. I just wanted to very quickly say that the relationship between Hydro One and indigenous people in this country and in this province has certainly improved in the last few years and under Mayo's leadership and the leadership of his team. I met Mayo, I think, a couple of years ago when he was a -- one of his first meetings at the Roundtable in [Kimmins] where Bob Chiarelli as the Minister of Energy. And I was hammering away at him on the high costs of hydro bills for First Nations residents, and Mayo sat there and never said a word and let him take it. But it was good -- it turned out well, anyway. We did a lot of work in our community with Hydro One. They come in to our community, they meet with our staff, they meet with our community members to help reduce their bills, and they certainly helped, that's expanded to other First Nations communities. And then that's helped our people decide whether they can pay for their food or pay their Hydro bill. And we really appreciated with that relationship that has happened. It's also led to a big work -- with a lot of work with the Ontario Energy Board and looking at how we can help reduce the Hydro bills and when Minister Trudeau came in, one of the first things he said is that he wanted the Ontario Energy Board to come up with the First Nations own reserve Hydro plant. And as a result of that, we were able to work jointly together and to ensure that every First Nations resident on every First Nations community in this province that they do not have to pay the delivery charge. And it is because of our relationship with Hydro One, which continues to this day and as well, they have been holding sessions with aboriginal communities and they've hold 2 sessions with the Chief around the country. And I think it has established the relationship that we really enjoy and look forwarding to. We appreciate the sponsorship for our youth and all the activities that they are doing. And I just wanted to put that on the record that we are this new team. I know I can reach Mayo whenever I need to. I find them all very accessible, which I think is important to all shareholders and to all people in this conference. And I just want to very quickly pass the mic to Ron Jamieson, who is our Board Member on the -- for our participation on Hydro One and Matt Jamieson. They happen to be father and son, both brilliant, who -- and Matt is just going to talk quickly about one project we're involved in with Hydro, which is very important.

Ava Hill

Thank you, Chief. Good morning, David, Mayo, nice to see you both. As the Chief mentioned, I am representing a First Nations' sovereign well fund, which hold almost 15 million shares of Hydro One. So it's a very important thing for the First Nations who are involved in it. My question is to Mayo. He talked about Avista. I read the information on Avista on the various PR publications that came out. On the surface of it, it seems like a very astute investment, which will close, as you mentioned, Mayo, later in 2018. My question is simply I assume that it will be accretive to the performance of Hydro One. If so, when? Thank you.

Mayo M. Schmidt - *Hydro One Limited - President, CEO & Director*

So thank you for the -- thank you very much for that very good question. And I would start with saying that Chief Ava Hill, you've been a champion and remarkable leader for your community, and thank you very much for your early engagement with us to enlighten us as to the needs of the



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community. And we continue to stand ready to respond, and so thank you for being here today because I know you've got a very tight schedule. I would also say, Mr. Jamieson, regarding Avista. So Avista was recognized to be mid-single-digit accretive in the first full year of operation. However, with some of the changes in interest rates and other events that have occurred outside of the company's control, we've generally seen a reduction in that by about \$0.04 to \$0.05. So generally, about 0 to \$0.01. Now that's in the early days with pre-due diligence. We're in negotiation and closing with 5 states in the U.S., so a bit of a negotiation and discussion. Concluding that, we're going to have the opportunity to do an integration with their fine team. We certainly expect as we look back at Hydro One's performance over the last year and \$89 million in productivity savings is using the skills of Avista and Hydro One to find the savings to drive that accretion to the levels that we originally committed to. So -- and you said by when, we expect after the first full year of operation, we should be well on the way to realizing the full potential of the business, but it generally takes about 12 months because of the size of the business. It's a \$6.7 billion acquisition coming together with a \$25 billion balance sheet here. So that will be led by our teams and by the teams at Avista. And thank you for that question.

Matt Jamieson

I am Matt Jamieson. I am the CEO of Six Nations Grand River Development Corporation. I don't really have a question, more of a comment. I just want to express my gratitude and thanks to Mayo, who I met a couple of years ago when he first joined Hydro One. Six Nations Development Corporation, our shareholders are our community members. And we've got a great leadership team in Chief Hill, and I think that we've been focused in our efforts to partner and find solutions that create value not only for our shareholders and our community, but for our neighbors as well. My comment is I want to say thank you to Mayo because 2 years ago, when we sat down at the board room table in Hydro One, we presented an opportunity, which was to finally complete a stranded transmission line, being the Niagara Reinforcement Project in our backyard. And I'm pleased to say that in the last several months, we've been able to work with Hydro One and with the Ministry of Energy to finally arrive at a conclusion for that transmission line. And in the coming months, we look forward to completing that through our own labor force at Six Nations and a new partnership between our construction company and Hydro One. So thank you very much for seizing what the real opportunity is with the indigenous business people in partnership. Thank you.

Mayo M. Schmidt - *Hydro One Limited - President, CEO & Director*

Matt, I just would like to respond. Well, one is, thank you for bringing that opportunity to Hydro One. And for the purposes of our shareholders, that was an asset referred to as a stranded asset. For 10 years, \$100 million of investment has sat idle. And Matt and Chief Hill have brought to the attention of Hydro One when we first arrived and we've worked diligently together, hand-in-hand to work through that, and we fully expect to complete that line, which will be the -- and with -- as Matt mentioned, his construction group to complete that line, which is, of course, as I mentioned, sat idle for 10 years and \$100 million investment. So thank you.

Unidentified Participant

Excellent. Mayo, my question is the Ontario Energy Board has issued some negative decisions recently, examples being the Orillia Power acquisition as well as the deferred tax asset on the transmission case. Could you describe how you perceive your relationship or the company's relationship with the regulator?

Mayo M. Schmidt - *Hydro One Limited - President, CEO & Director*

Sure. Thanks for those good questions. And I might just use the moment to note that Mayor Steve Clarke from Orillia is here in the crowd today, so I want to thank him for attending our Annual General Meeting. You're absolutely correct is that we're 540 days now into the application to close Orillia. We certainly are going to continue to work on that. I would say also on the deferred tax asset that we've taken the view and with the support of expert tax advice that in fact, the shareholders have purchased that tax structure, so we'll continue to work through that. I would say we're working constructively with the Ontario Energy Board and providing every -- on every request, providing the information necessary to work through that. And we would anticipate that both Orillia and the deferred tax asset, we will successfully conclude in 2018 would be our goal. And that's what we'll continue to work forward in a constructive manner. And as you might also know that we have distribution and a transmission, which is about



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-- 2 filings which are -- each 5 year on a performance-based incentive, which total about \$8 billion. So we have volumes of daily interactions and exchange thousands of documents over the course of the weeks. Thank you for your question.

Unidentified Participant

Good morning. I'm [Kathy Macaise]. My question is for Mayo. You mentioned that you have reduced costs by almost \$90 million. And I'd like to understand what initiatives led to cost reductions and whether or not we can expect these numbers to continue.

Mayo M. Schmidt - Hydro One Limited - President, CEO & Director

Yes. Thank you. That's a great question. Yes. So \$89 million in 2017, \$114 million since we started, following the IPO. Those productivity savings are really in the areas of -- one area particularly is procurement under Rob Berardi and Greg Kiraly's leadership have identified significant savings. And that's using our leverage in the volume of buying that we have on whether it's poles, wires, insulators, computer technology, even bringing in-house, the customer service group reintroducing 400 employees back into the country that have been in the company, that have been outsourced or contracted out over the course of 10 years has led to significant synergies and savings. And there's many other areas. And I'll give you other example. In the operations group, through our analytics, which are in our vehicles, we've been able to look at the movement of our vehicles and the idle times and the use, and we've been able to reduce our fleet by over 1,000 vehicles this year and still maintain the level of productivity and efficiency. And I would confirm that yes, we do intend to continue that same effort with the expected same results, which is part of the structure, objectives that the Board of Directors holds us to year-over-year, and we are going to continue on that line.

Unidentified Shareholder

Good morning, Mr. Schmidt, Hydro workers and Board of Directors, thank you for having me here. My name is [Christopher Dean]. I've held shares since the IPO allocation. Quick comment. I reviewed your circular this morning on the way in. Loved the LTIP policy, the STIP policy, your corporate governance, your work for the aboriginal people. So in general, I think you're doing a great job. My quick question is, so with the government of Ontario selling down at the IPO, they, obviously, get a reduced dividend. So in terms of your growth, I guess it goes to your capital allocation strategy, how long will it take do you think before the government of Ontario returns to getting the same amount of dividend from H1 that they did before the sell down?

Mayo M. Schmidt - Hydro One Limited - President, CEO & Director

Interesting question. The -- and the metrics are that the province has sold down the 49%. Subsequently, transacted with 2%. The Avista transaction will take them down to about 42%. Over the course of our growth, we expect compound annual growth rate to be 5%, so that's a trajectory that we've produced and -- or identified in our net income. And of course, the acquisition and transaction with Avista will complement into the accretive nature of that transaction over the course of the years. We'll, of course, allow also increase in dividends. So with that, I can't just off-hand project the trajectory of when they'll return to sort of that same level of dividend that they may have received when they were 100% owners. But

(technical difficulty) model that on a 5% annual growth rate plus adding the work that we do on Avista and the work we do on cost reductions and the work that we're going to be doing on the innovation side of the business on an unregulated side, which is going to add to our earning streams. So thank you.

Unidentified Shareholder

My name is Aaron, a shareholder and (inaudible) of -- on Hydro One. So my question has come from the billboard. So it's either for Mayo or for Mr. Dobson. So I see there, we have a \$12 million deposit that you'll return to the customer. So I understand that is a great burden relief for our customers. But however, that -- I think that might increase our expense -- [debt] expense and thus impact -- that would impact our earnings. So how does

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Hydro One make decisions on those kinds of activities? I see there's a few accept that, let's say, reconnected customer, who will (inaudible) all the money. So how would Hydro One make a decision between the shareholders opinion and our customer experience?

Mayo M. Schmidt - *Hydro One Limited - President, CEO & Director*

Thank you. That's an interesting question. So the \$12 million were deposits that we were holding over the course of many years that our good customers that have been paying regularly and just based on the system that we had prior to the IPO. As this team looked at the idleness of that \$12 million and to return it to the customer, so that they could grow their business. So it really happens in a couple of ways. One is, that money gets returned to the customer and they are able to grow their business and of course, grow the demand on the load. And it's not indifferent than when I think about the brave and bold decisions this organization made to turn the power back on for those in need. And the question might be how can you possibly give away free power. But what we found is, we went door-to-door and worked with each of the customers that were in real serious need that they found that if they could get on a program with payments that they in fact, could keep up with their bills. And what we found is our accounts receivable -- even by turning on the power for those in difficult situations, they started paying their bills again what they could and when they could. And we actually took our receivables down 25% year-over-year to the lowest level in many years of the organization. So we really model these things to say what are the net benefits to shareholders and customers while also being a good corporate citizen in the communities we live and work. So thank you for your question.

Unidentified Shareholder

Thank you, Mayo.

Unidentified Shareholder

My name is [John Rankin]. I'm a shareholder. Mayo, I first met you when I was an employee at the Conference Board. And I observed your leadership in our board and your integrity and business savvy. Based on that, actually no other information and who the CEO of Viterra was, I purchased shares in Viterra. So first, I want to thank you for a significant amount of income that I gained from that purchase. And again, based on that experience and your leadership, I was very pleased when you were appointed CEO of Hydro One. And as a Hydro One customer and Ontario citizen and now a shareholder, I bought shares again. And up until recently, I had a lot of hope for their future. My question and I understand the political nature of this, but for far too long, politicians have used Hydro One as a political football. There are problems as an organization go back many decades based on poor political decisions in fighting and over the years, questionable management. We finally have a great CEO, we finally have a Board of Directors that have the kind of experience that we require to move forward. I would not be so worried about the current political environment if indeed the leading candidate to be our next premier from a position of either ignorance or pure political gain has committed to termination of the CEO and the board. My questions to you. I understand again why you have been quiet other than the one piece of communication that (inaudible) early in the process. My question to you though is what can you do or should you do or should we do to ensure that horrible idea of terminating the CEO and this excellent board is carried through to fruition should we get a change of government?

Mayo M. Schmidt - *Hydro One Limited - President, CEO & Director*

Well, thank you very much for your comments and your kind reference to years in my life and global agricultural food that I very much enjoy. I'm very passionate, as our Board of Directors are, about the work that we do. Not only the fact that we get to work with the amazing teams that are here in the room today, but have been producing tremendous results. And we really do believe and feel and expect that calmer heads will prevail and that they'll recognize the true nature of what's been accomplished here at the organization, which we all came together today to celebrate. There's been a remarkable improvement in this organization, and I just can't -- as I think about the future, is so bright for this organization. We haven't even really unlocked the full potential as we start thinking about the areas of innovation and the impact that we're having in the communities. And Avista, tremendous leadership team is going to join this team and deepen the maturity of the leadership across both companies. We are standing ready to provide and we have, as you saw today, a fact sheet that demonstrates up here the work that's occurred, and we really do have -- and stand ready to communicate and when asked what we do, appropriately so, we don't get involved in the politics of the day, but we're happy



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to talk about every metric and every action that this company has taken and also illustrate what is possible here. And we expect and anticipate that, that will be fully realized and that the activities that occur around the political environment will quiet themselves after the June 7.

David F. Denison - *Hydro One Limited - Chairman of the Board*

Any other questions from shareholders? So seeing none, I think it's appropriate to conclude the question period now. So on behalf of the entire Board of Directors and management team of Hydro One, thank you for your ownership, interest and presence here today. We control a lot of things, we don't seem to control the temperature in this room all that well. So apologies for the heat level. But once again, we're very grateful for the time that you've taken to be with us and your questions and comments, which are very supportive of a highly competent, high-performing management team and workforce throughout Hydro One. Thank you.

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