



# First Quarter 2016 Earnings Teleconference

May 6, 2016

One of North America's largest electric utilities

TSX: H



# Hydro One Limited – First Quarter Financial Summary

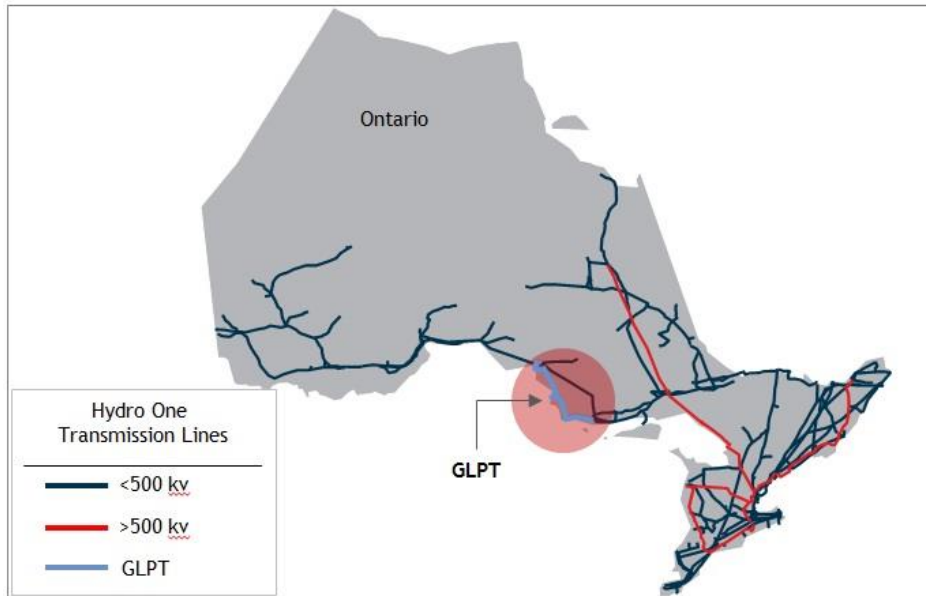


| (\$ millions)  | First Quarter |               | Change        |
|--|---------------|---------------|---------------|
|  | 2016          | 2015          |               |
| <b>Revenue</b>   |               |               |               |
| Transmission   | \$386         | \$406         | (4.9%)        |
| <i>Distribution (Gross)</i>                                      | 1,286         | 1,389         | (7.4%)        |
| Distribution (Net of Power)                                      | 390           | 419           | (6.9%)        |
| Other  | 14            | 13            | 7.7%          |
| <i>Consolidated (Gross)</i>                                      | 1,686         | 1,808         | (6.7%)        |
| <b>Consolidated (Net of Power)</b>                               | <b>790</b>    | <b>838</b>    | <b>(5.7%)</b> |
| <b>Earnings Before Financing Charges and Income Taxes (EBIT)</b> |               |               |               |
| Transmission   | 195           | 213           | (8.5%)        |
| Distribution   | 156           | 161           | (3.1%)        |
| Other  | (7)           | (1)           | --            |
| <b>Consolidated</b>  | <b>344</b>    | <b>373</b>    | <b>(7.8%)</b> |
| <b>Capital Investments</b>                                       |               |               |               |
| Transmission   | 235           | 211           | 11.4%         |
| Distribution   | 143           | 132           | 8.3%          |
| Other  | 1             | 2             | (50.0%)       |
| <b>Consolidated</b>  | <b>379</b>    | <b>345</b>    | <b>9.9%</b>   |
| <b>Net Income<sup>1</sup></b>                                    | <b>208</b>    | <b>228</b>    | <b>(8.8%)</b> |
| <b>Adjusted EPS</b>  | <b>\$0.35</b> | <b>\$0.38</b> | <b>(8.8%)</b> |

Financial Statements reported under U.S. GAAP

(1) Net Income is attributable to common shareholders and is after non-controlling interest and dividends to preferred shareholders

## GLPT Relative to Hydro One Transmission Operations



## Key Points

- Rare opportunity to expand already significant transmission footprint in Ontario
- Increases Hydro One's transmission coverage to ~98% of province-wide total capacity
- Expected to be earnings accretive in first year
- 560km of high voltage transmission lines, towers and stations
- \$222 million cash purchase price plus \$151 million of assumed debt
- Targeted transaction closing late 2016 subject to OEB and Competition Board approvals

**A contiguous and already interconnected strategic transmission asset**

## Dividend Statistics

|                                  |                |
|----------------------------------|----------------|
| Yield <sup>1</sup>               | 3.5%           |
| Annualized Dividend <sup>2</sup> | \$0.84 / Share |

(1) Based on closing share price on March 31, 2016

(2) Unless indicated otherwise, all dividends paid by Hydro One Limited to common shareholders are designated as "eligible" dividends for the purpose of the Income Tax Act (Canada)

## 2016 Expected Quarterly Dividend Dates<sup>3</sup>

| Declaration Date  | Record Date        | Payment Date       |
|-------------------|--------------------|--------------------|
| February 11, 2016 | March 17, 2016     | March 31, 2016     |
| May 5, 2016       | June 14, 2016      | June 30, 2016      |
| August 11, 2016   | September 14, 2016 | September 30, 2016 |
| November 10, 2016 | December 14, 2016  | December 30, 2016  |

(3) All dividend declarations and related dates are subject to Board approval.

## Key Points

- Hydro One Limited paid its first quarterly dividend on March 31<sup>st</sup>, 2016 comprised of:
  - \$0.13 proportionate dividend from November 5, 2015 date of IPO to end of 4Q15; plus
  - \$0.21 dividend for 1Q16
- Quarterly dividend of \$0.21 per share (\$0.84 annualized) declared May 5, 2016
- The target payout ratio for 2016 is between 70% - 80% of net income
- Non-dilutive dividend reinvestment plan (DRIP) implemented in first quarter
- Continued rate base expansion driven by capital investments expected to support future dividend growth
- No equity issuance anticipated to fund planned five year capital investment program

Attractive dividend supported by stable, regulated cash flows

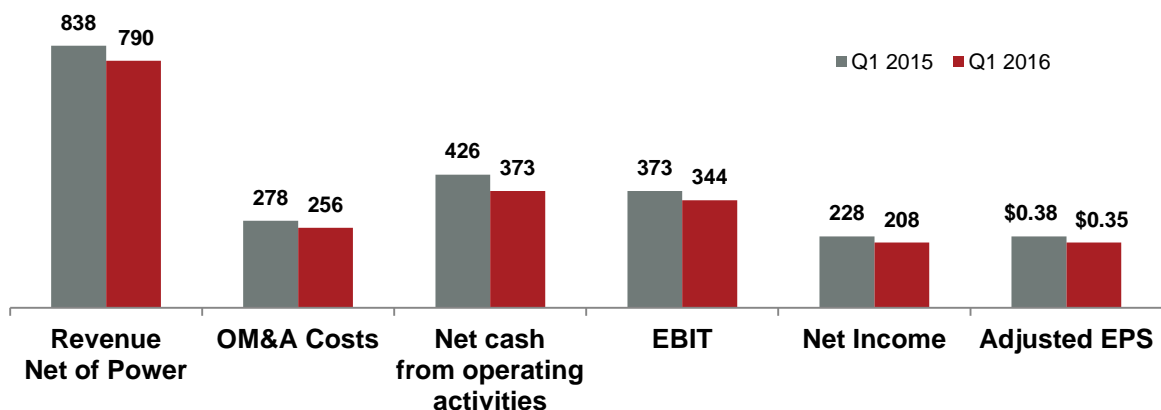


- Greater focus on and integration of customers' needs into business decision making
- Continuous focus on increased efficiency and productivity
- Accelerate effectiveness and efficiency of capital deployment
- Make Hydro One a rewarding and safe place to work for our employees
- Deliver best in class operating metrics and position Hydro One for accelerated future growth
- Adapt to the emerging technology landscape in our industry and position our business appropriately to succeed

Powering up to take Hydro One from good to great

# 2016 First Quarter Financial Highlights

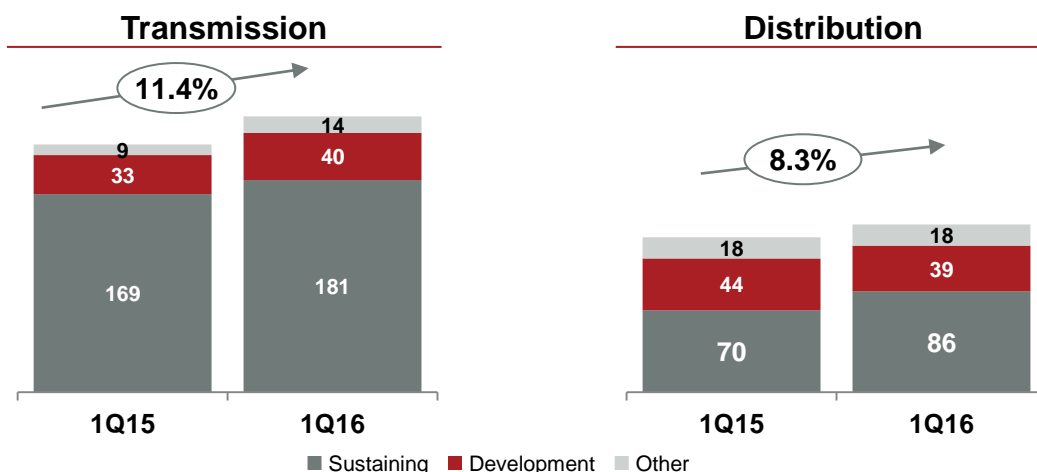
## Financial Highlights (C\$M) – 1Q16 Year over Year Comparison



### Key Points

- Unusually mild winter temperatures in 1Q16
- Ice storm related costs in March 2016
- Brampton Hydro divestiture as of August 31, 2015 and IPO recapitalization
- Partially offset by OEB approved rate changes
- Effective tax rate of 13.3% in 1Q16 compared to 16.1% in 1Q15

## Regulated Capital Investments (C\$M) – 1Q16 Year over Year Comparison



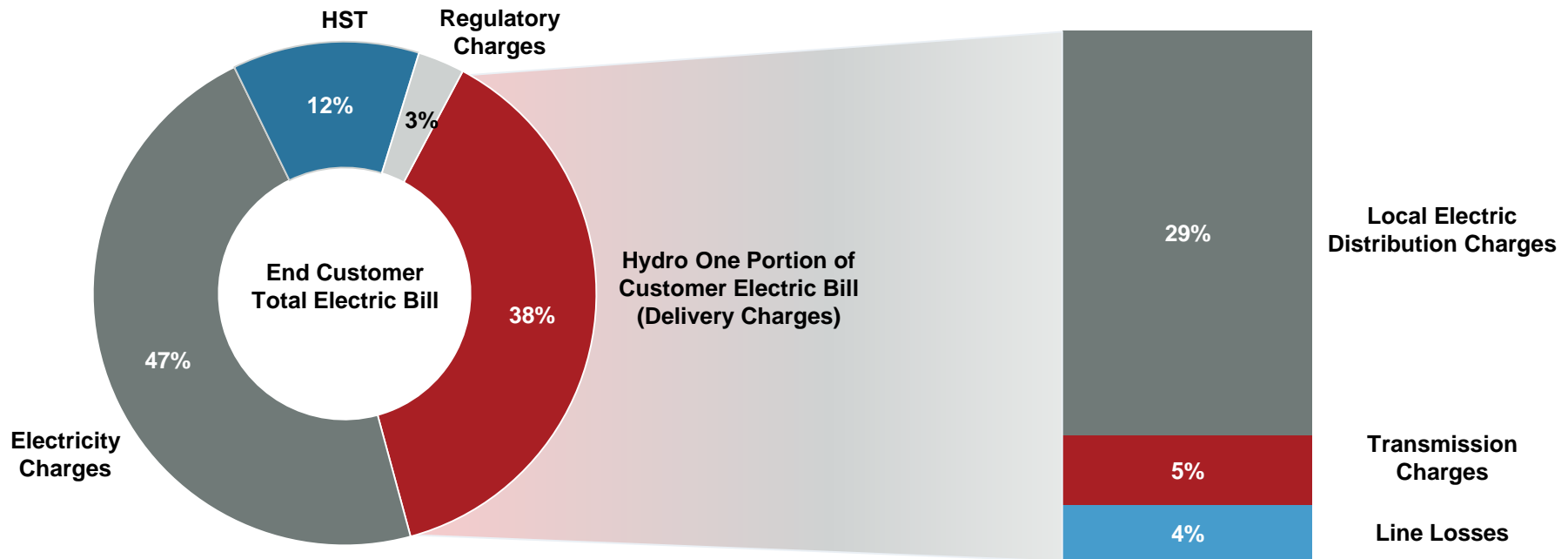
### Key Points

- Capital investments increased by 9.9% to \$379M
- Continued work on major inter-area network development / sustaining projects and investments in cyber security systems
- Increased utility wood pole replacements to take advantage of milder weather
- Customer service operations efficiency enhancements

**Core operations remain consistent despite impact of unseasonably warm winter weather**

# Understanding the Typical Hydro One End Customer Bill

## End Customer Monthly Electric Bill Breakdown<sup>1</sup>



## 2016 Changes To End Customer Bills

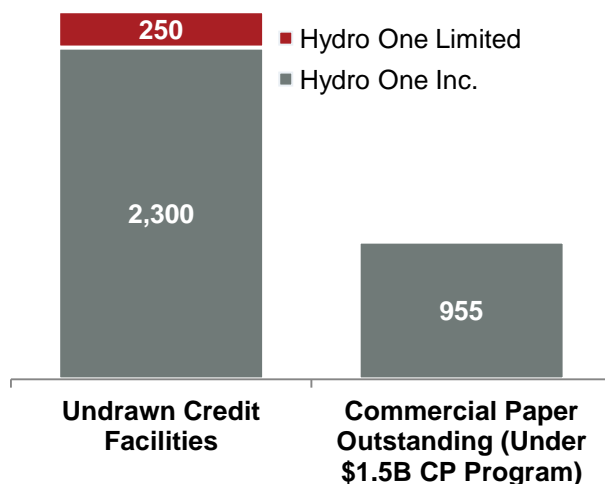
| Change   | Customer Bill Impact             | Hydro One's Portion                          |
|--|----------------------------------|--|
| Cancellation of Ontario Clean Energy Benefit       | Increase of 11%                  | Nil  |
| Cancellation of Debt Retirement Charge             | Decrease of 3.4%                 | Nil  |
| New Distribution Rates and Decoupling <sup>2</sup> | Increase of 0.7%                 | Increase of 0.4%                             |
|  | <b>Total Bill Change: ~ 8.3%</b> | <b>Impact Resulting From Hydro One: 0.4%</b> |

(1) The pie chart represents the breakdown of a typical bill for a Hydro One medium-density residential local distribution end customer using 800 kWh a month with a typical consumption profile (18% of electricity used during on-peak, 18% used mid-peak and 64% used off-peak);

(2) Includes impact of both the new 2016 Distribution revenue requirement, and five year transition to fixed monthly distribution charge for residential customers (decoupling)

# Strong Balance Sheet and Liquidity

## Significant Available Liquidity (\$M)



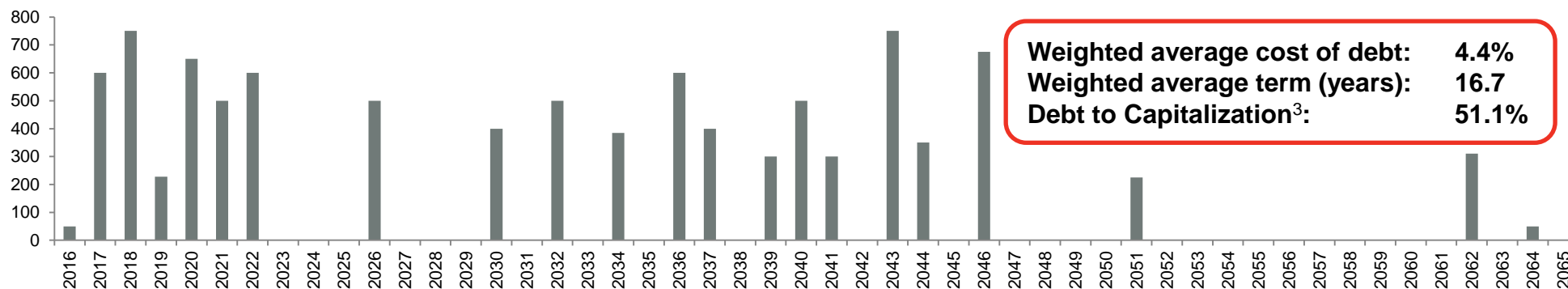
## Strong Investment Grade Credit Ratings (LT/ST/Outlook)

| Hydro One Inc. (HOI) |                               |
|----------------------|-------------------------------|
| S&P                  | A / A-1/ stable               |
| DBRS                 | A (high) / R-1 (low) / stable |
| Moody's              | A3 / Prime-2 / stable         |

## Shelf Registrations

|  |
|--|
| HOL:<br>Universal Shelf <sup>1</sup><br>\$8B             |
| HOI:<br>Medium Term<br>Note Shelf <sup>2</sup><br>\$3.5B |

## Debt Maturity Schedule (\$M)



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

(1) \$1,970 million was drawn from the Universal Shelf during April 2016 with respect to a secondary share offering by the Province, leaving \$6,030 million remaining available until April 2018.

(2) \$1,350 million was drawn from the Medium Term Note Shelf on February 24, 2016, leaving \$2,150 million remaining available until January 2018.

(3) Debt to capitalization ratio has been calculated as total debt (includes total long-term debt and short-term borrowings, net of cash) divided by total debt plus total shareholder's equity, including preferred shares but excluding any amounts related to non-controlling interest.

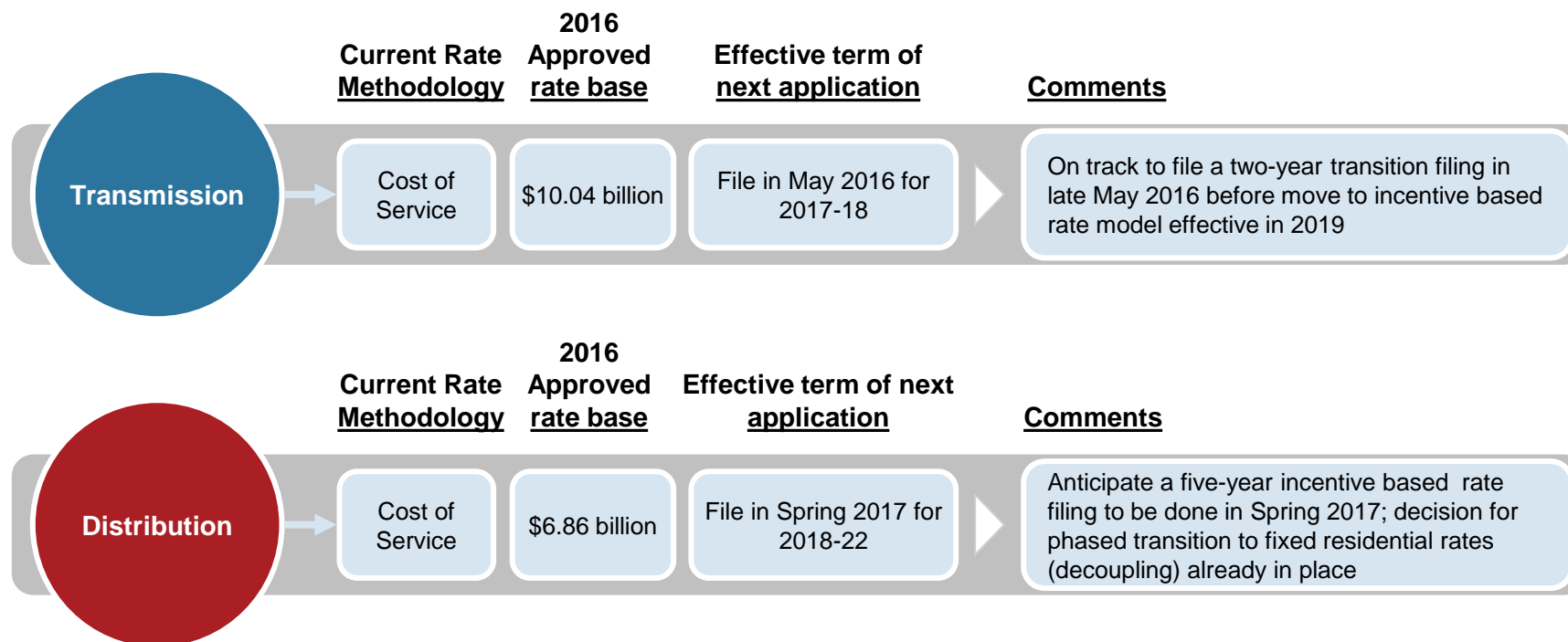


# Successful \$1.35B Debt Offering

| Offering Specifics |                   |                   |                   |
|--------------------|-------------------|-------------------|-------------------|
|                    | 5 Year Tranche    | 10 Year Tranche   | 30 Year Tranche   |
| Amount:            | \$500,000,000     | \$500,000,000     | \$350,000,000     |
| Spread:            | +125 bps          | +157 bps          | +200 bps          |
| Coupon:            | 1.84%             | 2.77%             | 3.91%             |
| Maturity:          | February 24, 2021 | February 24, 2026 | February 23, 2046 |

- On February 19, 2016, fully-owned subsidiary Hydro One Inc. successfully completed a \$1.35 billion three tranche bond offering in the Canadian debt capital markets
- The transaction consisted of \$500M five year notes, \$500M ten year notes and \$350M thirty year notes
- Garnered significant investor interest across the curve, was well subscribed and resulted in historically attractive coupon rates
- The largest non-financial corporate credit offering of 2016 year to date
- Proceeds of the transaction were used to repay a \$450M debt maturity in March, maturing commercial paper and for general corporate purposes

# Anticipated Regulatory Rate Filings



- Deemed debt / equity capital structure of 60% / 40% in both transmission and distribution segments
- Allowed ROE for 2016 at 9.19% for both Transmission and Distribution.
- ROE reset annually by a formula linked to long-term government bond yields and corporate bond spreads

**Road map for transitions to incentive based regulatory model now set for both Transmission and Distribution segments**

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