



Fourth Quarter 2016 Earnings Teleconference

February 10, 2017

One of North America's largest electric utilities

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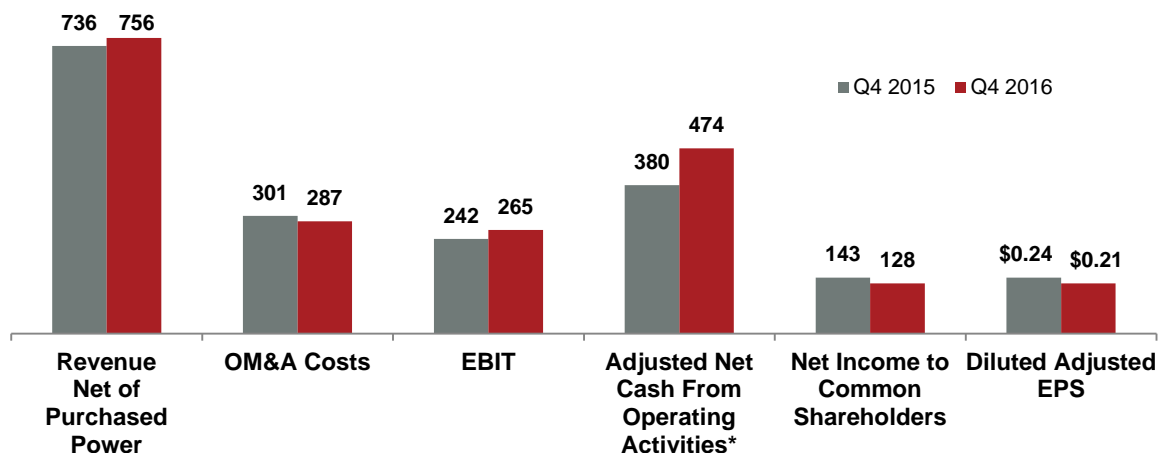


Hydro One Limited – Fourth Quarter Financial Summary

| (\$ millions) | Fourth Quarter | | | Full Year | | |
|--|----------------|---------------|----------------|---------------|---------------|-------------|
| | 2016 | 2015 | % Change | 2016 | 2015 | % Change |
| Revenue | | | | | | |
| Transmission | \$373 | \$361 | 3.3% | \$1,584 | 1,536 | 3.1% |
| <i>Distribution</i> | 1,228 | 1,148 | 7.0% | 4,915 | 4,949 | (0.7%) |
| Distribution (Net of Purchased Power) | 370 | 362 | 2.2% | 1,488 | 1,499 | (0.7%) |
| Other | 13 | 13 | - | 53 | 53 | - |
| <i>Consolidated</i> | 1,614 | 1,522 | 6.0% | 6,552 | 6,538 | 0.2% |
| Consolidated (Net of Purchased Power) | 756 | 736 | 2.7% | 3,125 | 3,088 | 1.2% |
| Earnings Before Financing Charges and Income Taxes (EBIT) | | | | | | |
| Transmission | 170 | 140 | 21.4% | 812 | 748 | 8.6% |
| Distribution | 111 | 119 | (6.7%) | 501 | 486 | 3.1% |
| Other | (16) | (17) | 5.9% | (35) | (40) | 12.5% |
| Consolidated | 265 | 242 | 9.5% | 1,278 | 1,194 | 7.0% |
| Net Income¹ | 128 | 143 | (10.5%) | 721 | 690 | 4.5% |
| Basic Adjusted EPS | \$0.22 | \$0.24 | (8.3%) | \$1.21 | \$1.16 | 4.3% |
| Diluted Adjusted EPS | \$0.21 | \$0.24 | (12.5%) | \$1.21 | \$1.16 | 4.3% |
| Capital Investments | | | | | | |
| Transmission | 274 | 251 | 9.2% | 988 | 943 | 4.8% |
| Distribution | 201 | 198 | 1.5% | 703 | 711 | (1.1%) |
| Other | 2 | 2 | - | 6 | 9 | (33.3%) |
| Consolidated | 477 | 451 | 5.8% | 1,697 | 1,663 | 2.0% |
| <i>Financial Statements reported under U.S. GAAP</i> | | | | | | |
| <i>(1) Net Income is attributable to common shareholders and is after non-controlling interest and dividends to preferred shareholders</i> | | | | | | |

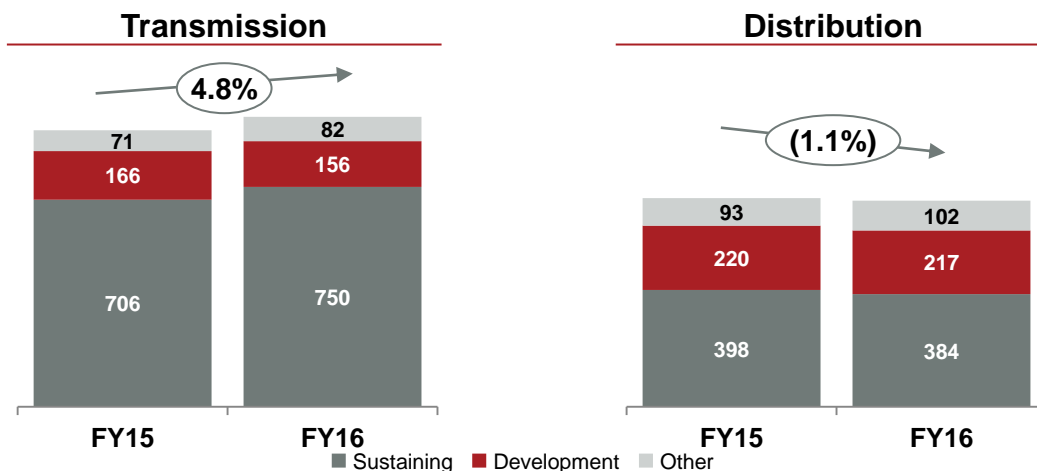
2016 Fourth Quarter Financial Highlights

Financial Highlights (\$M) – 4Q16 Year over Year Comparison



* Excludes \$2,810 million non-cash impact of IPO-related tax adjustments in 4Q15

Regulated Capital Investments (\$M) – Full Year Comparison



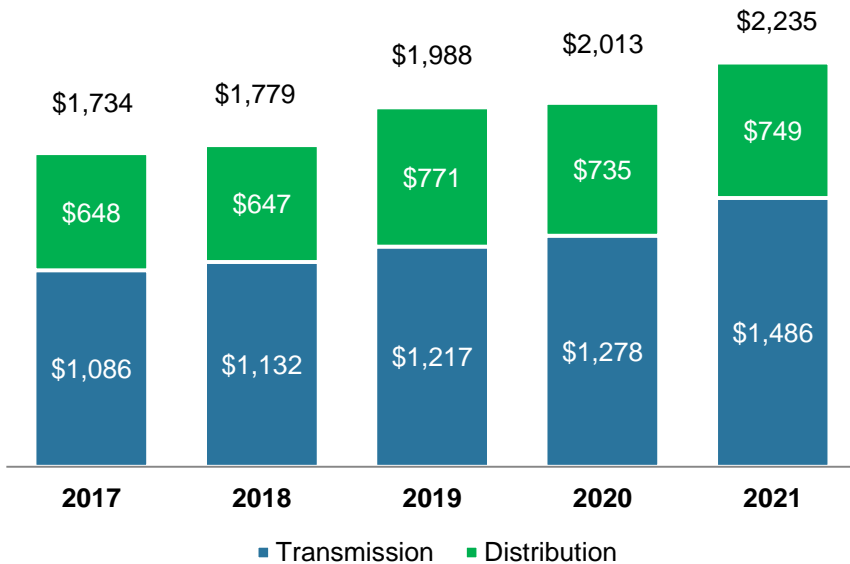
Key drivers

- Revenue, net of power costs, for 4Q16 and full year increased 2.7% and 1.2%, respectively:
- For the 4Q16, revenues increases reflect:
 - Higher average monthly Ontario 60-minute peak demand from several cold days that offset overall milder weather for the quarter;
 - OEB approved changes to transmission and distribution rates
- Operating cost improvements in 4Q16 from:
 - Lower maintenance costs relating to certain transformer and station equipment;
 - Lower costs related to restoring power services and storm response;
 - Lower project and inventory write-downs
- 4Q16 results were partially offset by:
 - Higher tax expense relating to one-time \$19M benefit recorded 4Q15 associated with IPO related tax adjustment;
 - Higher volume of line corridor vegetation management activities
- 4Q16 capital investments up 5.8% YoY to \$477 million with assets placed in service up 15.2%
- Full year assets placed in service of \$1,605 million together with acquisitions grew rate base 5.4% YoY to \$17.83 billion

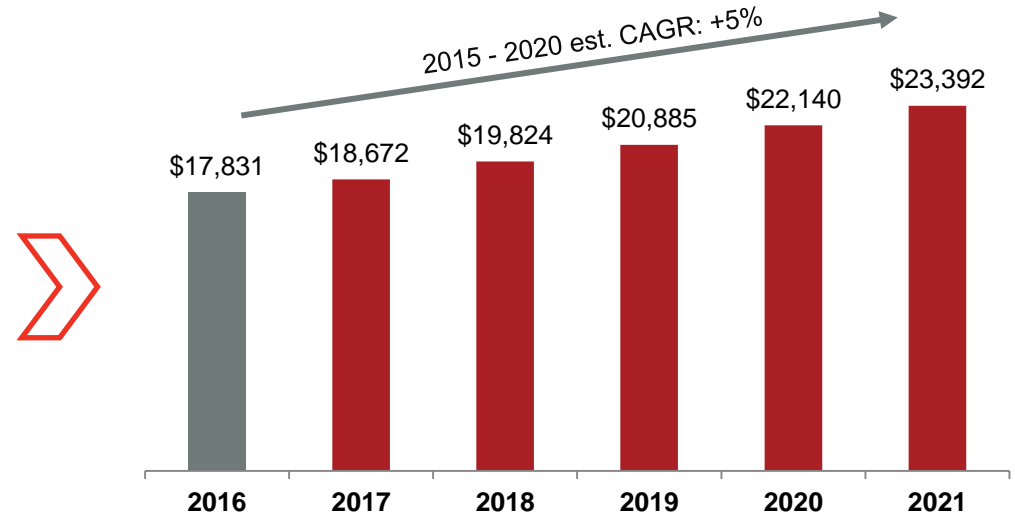
Excluding IPO related impacts (recapitalization, Brampton divestiture and tax adjustment) underlying net income growth was positive for both the quarter and full year 2016

Updated Regulated Capital Investment Program

Projected Capital Investments* (\$M)



Projected Rate Base Growth*



* Company estimates subject to change and include amounts from 2016 filed transmission and expected upcoming distribution rate applications which are both subject to OEB approval

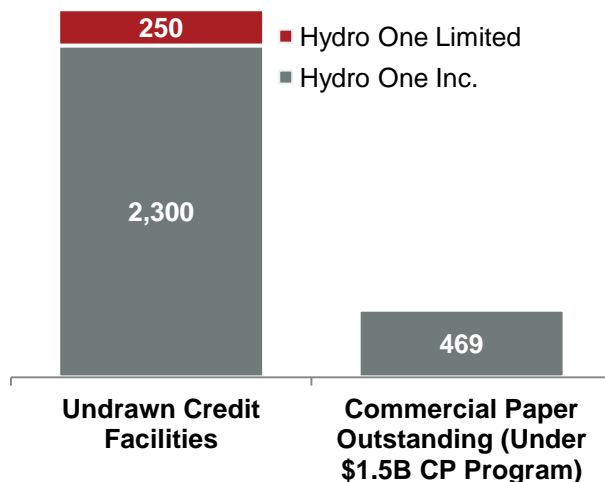
Comments

- Organic growth underpinned by continued rate base expansion
- Material amounts of deteriorated, end-of-service life infrastructure must be upgraded or replaced
- Estimated annual capital investments expected to reach over \$2 billion
- Little concentration risk as most projects within capex envelope are small to medium relative to total
- Capital expenditures generally not undertaken without reasonable assurance of regulatory recovery
- Equity issuance not anticipated for self-funded planned capital investment program

Consistent and predictable organic growth profile underpinned by required replacement of aging infrastructure

Strong Balance Sheet and Liquidity at 12/31/2016

Significant Available Liquidity (\$M)



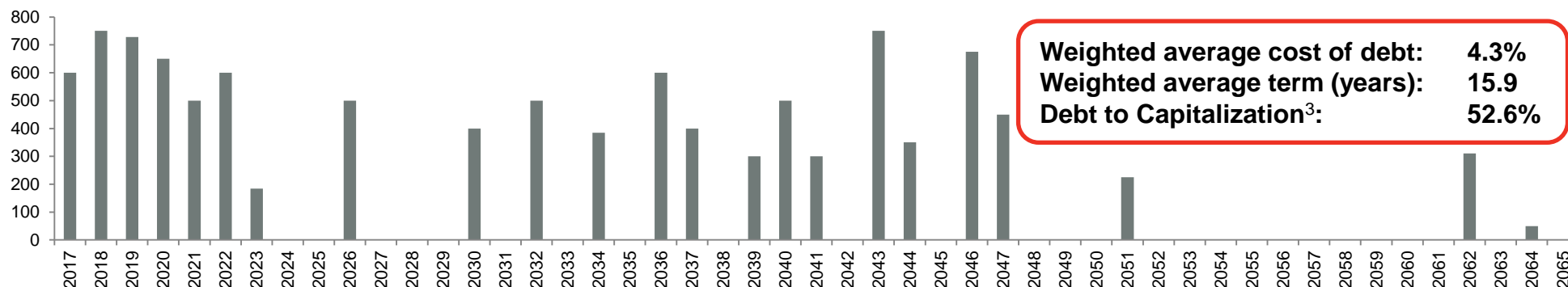
Strong Investment Grade Credit Ratings (LT/ST/Outlook)

| 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: Universal Shelf ¹ \$8B |
| HOI: Medium Term Note Shelf ² \$3.5B |

Debt Maturity Schedule (\$M)



Weighted average cost of debt: 4.3%
Weighted average term (years): 15.9
Debt to Capitalization³: 52.6%

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) \$950 million was drawn from the Medium Term Note Shelf during November 2016, leaving \$1,200 million remaining available until January 2018.
 (3) Debt to capitalization ratio has been calculated as net debt divided by net debt plus total shareholder's equity, including preferred shares but excluding any amounts related to non-controlling interest.

2017 – 2018 Transmission Rate Application

- Oral hearing phase concluded in December
- Final intervener submissions completed February 1
- Final Hydro One reply submissions due in late February
- Decision expected late in the first half of 2017

2018 – 2022 Distribution Rate Application

- Filing planned for end of first quarter 2017
- Application to be made under the Incentive Rate Mechanism
- Capital investment program updated to reflect customer engagement process and asset condition studies

Annual Adjustment to Allowed ROE for 2017

- Allowed ROE for 2017 formulaically adjusted by OEB for utilities to 8.78% from 9.19% based upon combination of:
 - Decrease in the Canada bond rate/yield forecast from prior year
 - Tighter “A” rated utility bond yield spreads versus prior year
- Allowed ROE will be formulaically readjusted in 4Q17 for both Transmission and Distribution for 2018

Overall Regulatory Scan

| | <u>Current Rate Methodology</u> | <u>Expected Rate base¹</u> | <u>Effective term of next application</u> | <u>Comments</u> |
|---------------------|---------------------------------|---------------------------------------|---|--|
| Transmission | Cost of Service | <u>2017</u> \$11.28 billion | Filed May 31, 2016 for 2017-18 | Two-year cost of service filing made May 31, 2016 incorporating OEB’s Renewed Regulatory Framework for Electricity (RRFE). Incentive based rate model to become effective in 2019. |
| Distribution | Cost of Service | <u>2017</u> \$7.39 billion | File in first half of 2017 for 2018-22 | Five-year incentive based rate filing anticipated late first quarter of 2017. Decision for phased transition to fixed residential rates (decoupling) already in place. |

(1) Transmission Rate Base includes 100% of B2M JV Rate Base and GLPT (2) Distribution Rate Base includes recent acquisitions and Hydro One Remote Communities

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