

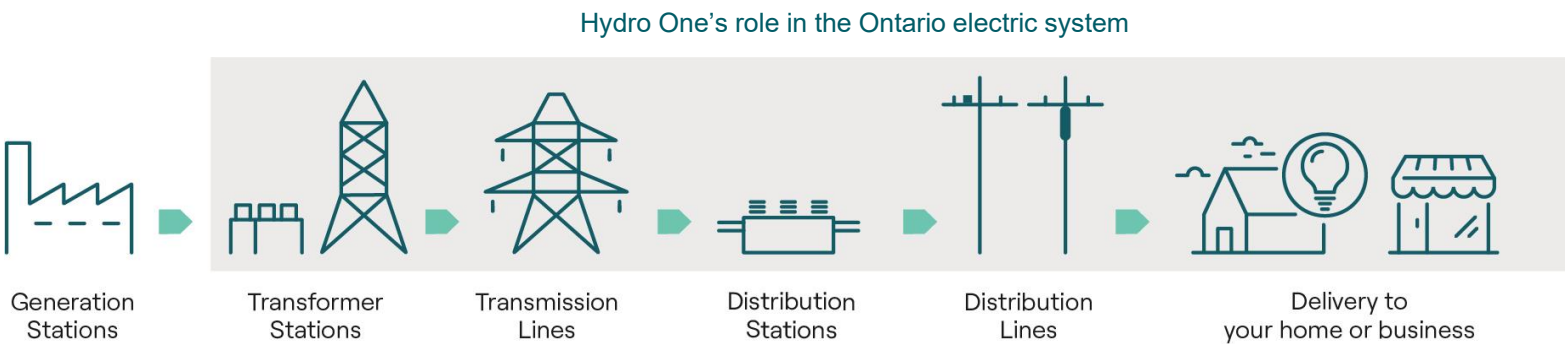
# Investor overview

Post second quarter 2021

# Why invest in Hydro One

A unique low-risk opportunity to participate in the transformation of a premium, large scale regulated electric utility

- One of the largest electric utilities in North America with significant scale and leadership position across Canada's most populated province.
- One of the strongest investment grade balance sheets in the North American utility sector.
- Unique combination of pure-play electric power transmission and local distribution, with no generation or material exposure to commodity prices.
- Stable and growing cash flows with 99% of business fully rate-regulated in a constructive, transparent and collaborative regulatory environment.
- Predictable self-funding organic growth profile with expanding rate base and strong cash flows, together with broad support for refurbishment of aging infrastructure and with ~6% expected rate base CAGR<sup>1</sup>. No external equity required to fund planned growth.
- Transparency in our Environmental, Social and Governance (ESG) reporting.
- Increased \$1.0652 annualized dividend with 70% - 80% target payout ratio.
- Opportunity for continued dividend growth with rate base expansion, continued consolidation and efficiency realization.



~6%	Rate base growth <sup>1</sup>
4-7%	EPS growth over 2019-2022 <sup>2</sup>
~5%	Average annual dividend growth

<sup>1</sup> Subject to change upon approval of Joint Transmission and Distribution Rate Application for 2023 -2027.  
<sup>2</sup> Future guidance to be updated post approval of the Joint Transmission and Distribution Rate Application



# Recent developments

## Organization Priorities

### Second Quarter Highlights

- Second quarter earnings per share (EPS) and adjusted EPS was \$0.40, compared to EPS of \$1.84 and adjusted EPS of \$0.39, for the same period in 2020. The decrease in EPS was due to the impacts of the Ontario Divisional Court's decision on the deferred tax asset appeal recorded in the second quarter in 2020. The increase in adjusted EPS as compared to the same quarter last year was due mainly to approved rates for the transmission and distribution segments, higher demand, and lower COVID-19 related expenses. This was partially offset by one-time revenues for the transmission segment in the second quarter in 2020, higher operation, maintenance and administration costs (OM&A), and higher depreciation, amortization and asset removal costs.
- Subsequent to the quarter, on August 5, 2021, Hydro One Networks Inc. filed with the Ontario Energy Board (OEB) its Joint Rate Application (JRAP) which included its 2023-2027 transmission and distribution investment plan.
- Hydro One released its sustainability targets along with its annual sustainability report that demonstrates continued progress in setting and meeting its sustainability goals.
- The Company announced that members of the Society of United Professionals ratified the renewal of the collective agreement.
- Hydro One received multiple awards including its 11th Emergency Response Award from the Edison Electric Institute for its restoration efforts, Environmental Excellence award from the Electricity Distributors Association for its Pollinator Program, and was recognized again by Corporate Knights as a Best 50 Corporate Citizen in Canada.
- The Company's capital investments and in-service additions for the quarter were \$553 million and \$300 million, respectively, compared to \$429 million and \$165 million in 2020.
- Quarterly dividend declared at \$0.2663 per share, payable September 30, 2021.



# The value of Hydro One

## ABOUT THE COMPANY


### Transmission & Distribution

 ~30,000 circuit KMs of transmission lines

 Largest Local Distribution Company in Ontario with approximately 1.4 million customers

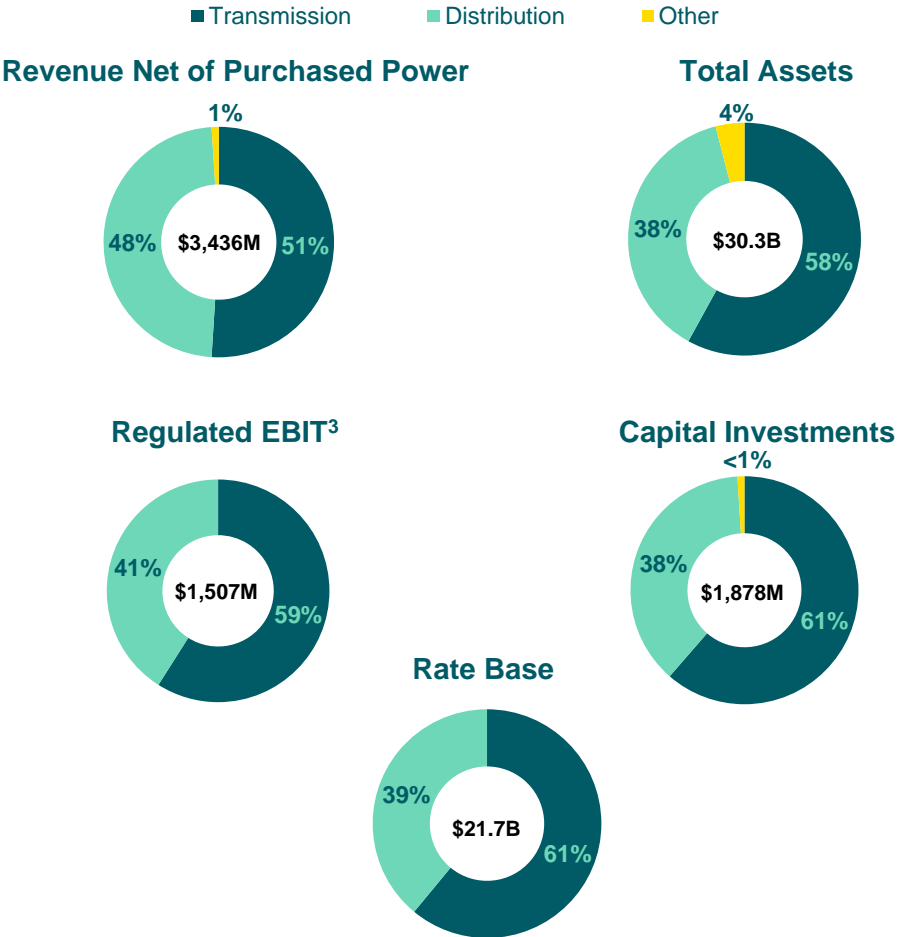
 Combined 2021 Transmission & Distribution Rate Base of \$22.6B<sup>2</sup>  
Market Capitalization of ~\$17.9<sup>1</sup> billion

### Regulated and Privatized Operations

 99% of revenue from regulated operations


 Privatization initiative by Province of Ontario to divest majority stake in Hydro One largely complete with post November 2015 IPO (15%), April 2016 secondary (15%), and May 2017 secondary (20%) offerings


## HOW WE DID IN 2020




## WHY INVEST


### Stable Operations


 Stable and growing cash flows with 99% of overall business fully rate-regulated


 No generation or material exposure to commodity prices

### Financial Performance

 Predictable self-funding organic growth profile with ~6%<sup>4</sup> expected rate base CAGR

 Attractive 70% - 80% target dividend payout ratio

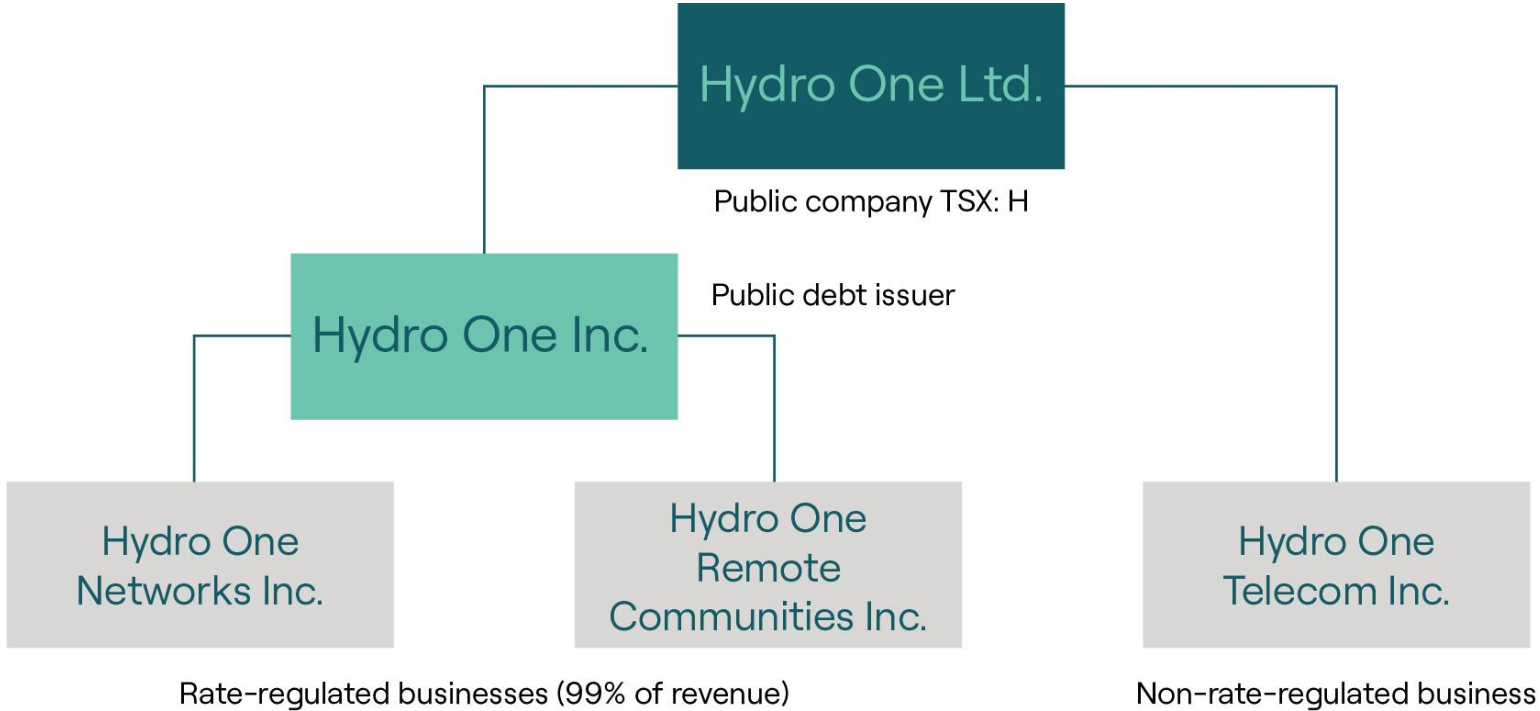
 Annualized dividend of \$1.0652 per share

 Strong balance sheet with investment grade credit ratings

1) Based on closing share price on June 30<sup>th</sup>, 2021  
2) Company estimates subject to change  
3) Income (loss) before financing charges and income tax expense  
4) Subject to change upon approval of the Joint Transmission and Distribution Rate Application for 2023-2027

# A look at the organization

Corporate structure



# Executive leadership team

A leadership team with strong operational experience committed to achieving efficiencies at Hydro One



**Mark Poweska**  
President and CEO



**Brad Bowness**  
Chief Information  
Officer



**Jason Fitzsimmons**  
Chief Corporate Affairs  
& Customer Care Officer



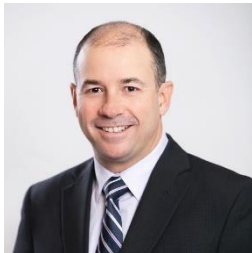
**Lyla Garzouzi**  
Chief Safety Officer



**Paul Harricks**  
Chief Legal Officer



**David Lebeter**  
Chief Operating Officer



**Chris Lopez**  
Chief Financial Officer



**Megan Telford**  
Chief Human  
Resources Officer



# Hydro One's strategy



# Hydro One's strategy

An Ontario focus, and a plan to enhance value

## Strategic priorities

Plan, design, and build a grid for the future



Be the safest and most efficient utility



Be a trusted partner



Advocate for our customers and help them make informed decisions



Innovate and grow the business



## Business outcomes

Improved safety culture where Hydro One employees go home safely every single day

Improved reliability above average performance of Canadian utilities

High satisfaction for Hydro One customers

Sustainable business practices and lower environmental footprint

Enhance Shareholder Value

"The roll out of our corporate strategy will involve sticking to our strengths and continuing to champion for our customers and the electricity sector in Ontario. Our main focus has been and will remain operational excellence as we continue to drive performance. We are a leader in Ontario and continue to build relationships with all partners in our region. We are taking a focused lens on creating a brighter, sustainable future for Ontarians, and are steadfast in improving the safety, reliability, affordability, and environmental impacts of our operations."

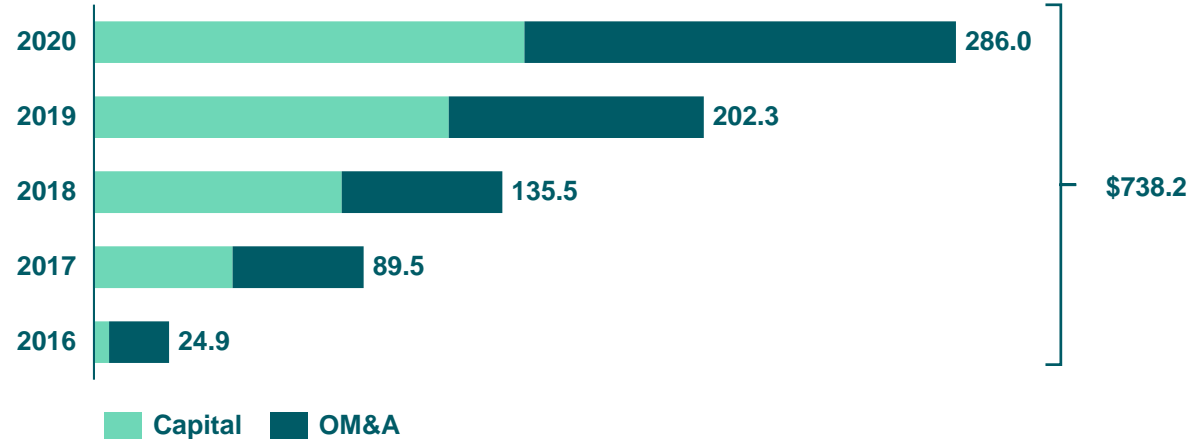
-Mark Poweska, President and Chief Executive Officer





# Achievements and efficiencies

## Paving New Paths in Productivity Savings (\$M)



Generated productivity savings of \$286.0 million in 2020 comprised of \$143.2 million in OM&A and \$142.8 million in capital and totaling approximately three quarters of a billion dollars since 2015



Forestry transformed work execution by streamlining overhead lines and pole inspections – eliminating the cost of the historical line patrol program



Strategic sourcing initiatives led to price reduction for materials and services as a result of consolidating spend across Hydro One and increasing competition among vendors

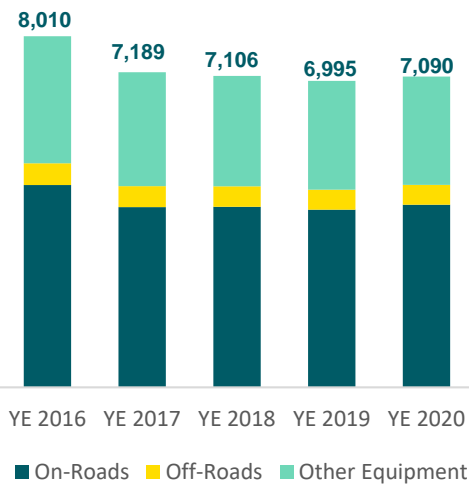
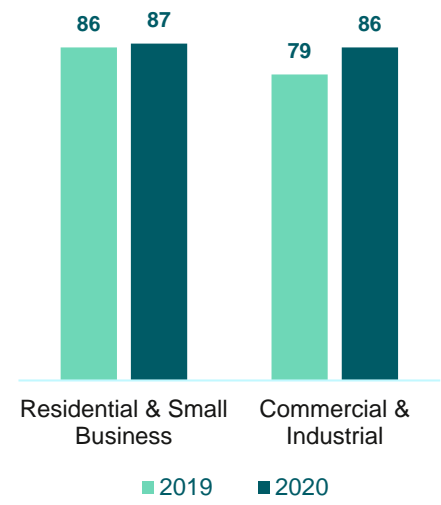


Hydro One leveraged telematics data to identify underutilized fleet equipment leading to fleet optimization



Managed contract cost reduction in IT services. Hydro One leveraged negotiated rate reductions to optimize IT project delivery

## High Customer Satisfaction (%)    Reduced the Fleet



# The regulated business

## Transmission

- Transmission produces reliable cash flow with low volatility under the OEB Custom IR framework
- Hydro One filed a 5-year Custom IR application for Transmission from 2023-2027
- Growing rate base with planned annual capital investments of ~\$1,240 - ~\$1,565 million till 2027<sup>2</sup>
- Current allowed ROE of 8.52% with 40% / 60% deemed equity/debt capital structure through 2022
- Hydro One owns and operates 98% of Ontario's transmission capacity<sup>1</sup>
- Emerging industries and system requirements helping drive expansion of transmission network

**38** LDC customers

**82** Large directly connected industrial customers

**~30,000** Transmission lines (circuit km)

**307** Transmission stations in service

## Distribution

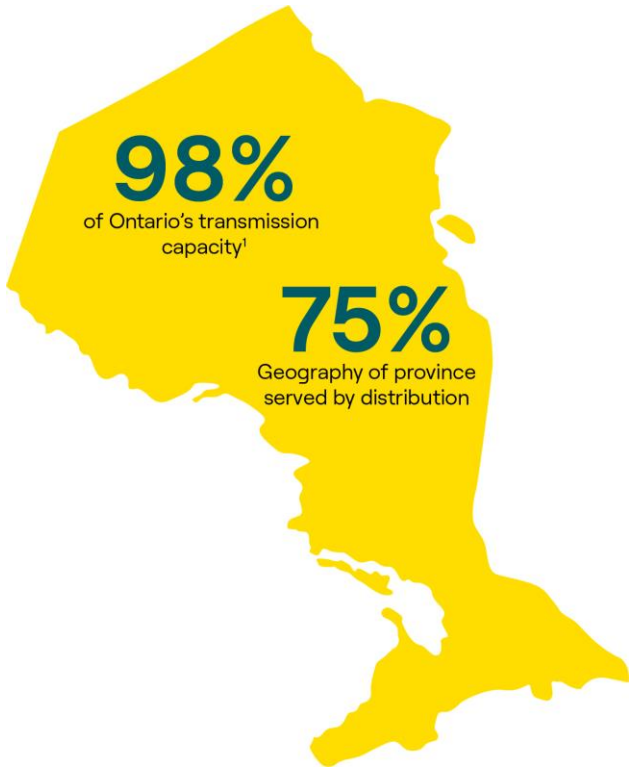
- Distribution is a stable, rate-regulated business operating under OEB's Custom IR framework
- Hydro One filed a 5-year Custom IR application for Distribution from 2023-2027
- Growing rate base with planned annual capital investments of ~\$695 - ~\$1,130 million till 2027<sup>2</sup>
- Current allowed ROE of 9.00% with 40% / 60% deemed equity/debt capital structure through 2022
- OEB decision in place transitioning residential distribution rates to fully fixed
- Orillia, Peterborough, Haldimand, Woodstock, Norfolk LDC acquisitions

over **90** LDC's consolidated since 1999

**~124,000** Distribution lines (circuit KM)

**~1.4M** Distribution end customers

**~1,000** Distribution and regulating stations



1) Based on revenue approved by the OEB  
2) Subject to change upon approval of the Joint Transmission and Distribution Rate Application for 2023-2027

# Electric Local Distribution Company (LDC) consolidation



## Consolidator of choice

- Hydro One is the largest LDC in Ontario; 55 LDCs are Tx or Dx Hydro One customers
- Hydro One has significant scale in Ontario and serves customers through a distribution system spanning 124,000 circuit kilometers

## Historical acquisitions

- Hydro One has acquired more than 90 LDCs in Ontario since the year 2000
- Recent acquisitions include Peterborough and Orillia (2020), Woodstock and Haldimand (2015) and Norfolk (2014)

## Synergy potential

- Hydro One can offer Ontario's fragmented distribution sector significant synergies
- Peterborough, Orillia, Woodstock, Haldimand and Norfolk are anticipated or have realized OM&A savings over 50%

## Addressable market

- 55 LDCs<sup>1</sup> in Ontario
- Total rate base of approximately \$12B<sup>1</sup>, of which top 5 LDCs account for approximately \$9B

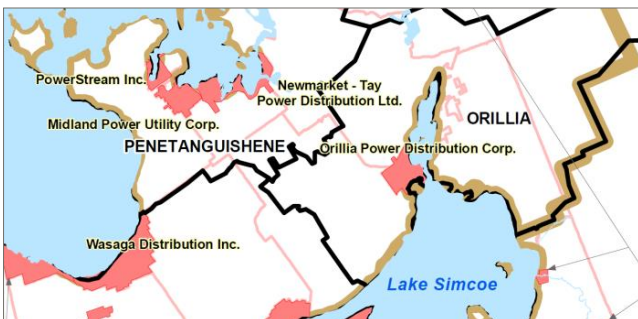
## Consolidation strategy

- Hydro One is focused on engaging communities, municipalities and LDCs as partners in a number of ways
- Hydro One will likely realize greater synergies than other potential acquirers, especially if a target is contiguous to Hydro One's existing service territory

1. Excluding Hydro One Networks Inc.

## Recently completed transactions

### Orillia Power Distribution Corporation



#### Key Points

- The purchase price of \$28 million, including closing adjustments
- In September 2020, Hydro One repaid \$20 million of short-term debt assumed as part of the Orillia Power acquisition
- Serves approximately 14,000 customers located in Simcoe County, and is surrounded by existing Hydro One service territory
- Transaction closed on September 1, 2020, integrated in June 2021

### Peterborough Distribution Inc.



#### Key Points

- Hydro One acquired the business and distribution assets of Peterborough Distribution Inc. (PDI)
- \$104 million purchase price, including the assumption of agreed upon liabilities and closing adjustments
- Approximately 37,000 customers in Peterborough, Lakefield and Norwood
- Separate agreement with the City of Peterborough to construct an operations centre and fleet maintenance facility within the city
- Transaction closed on August 1, 2020, integrated in June 2021



# Growth opportunities for the telecom business focus on value-added services

## Managed & professional telecommunications services

Outsourced consultative and operative processes and functions that simplify operations and reduce expenses by leveraging the knowledge and resources of industry experts

- Telecommunications Consulting and Digital Transformation Journey Mapping
- Legacy and Hybrid Technology Integration
- Network Engineering

## Cloud services

Outsourced platforms, applications and storage pools.

- Secure SD-WAN
- Backup-as-a-Service (BaaS)
- Infrastructure-as-a-Service (IaaS)
- Managed Security Services and Unified Communications

## Telecommunications operations services

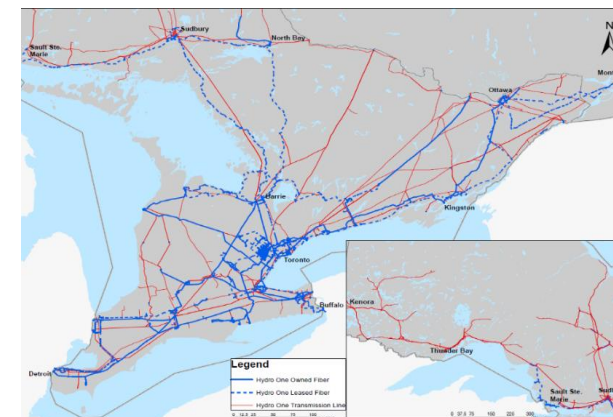
Outsourced operational services that leverage highly specific expertise, resources and manpower to simplify operations and reduce operating expenses

- Network Operations-as-a-Service (NOS)
- Field Operations-as-a-Service (FOS)
- Equipment Spares Management and Network Planning

## Core broadband services

Network connectivity and access in order to improve the efficiency and security of Client data telecommunications

- High Performance Network Broadband Connectivity
- Internet Transit
- Data Centre access
- Microwave Tower space leasing



## The market

- Core connectivity revenues declining; a shift towards cloud connectivity, managed services & security-based services with increasing bandwidth demand
- Canadian telecom market is approx. \$53B (2020) – Enterprise and Wholesale segments represent nearly \$22B of the addressable market with Ontario 43% of the national total

# Sustainability at Hydro One

At Hydro One, we are committed to operating safely in an environmentally and socially responsible manner and to partnering with our customers and community stakeholders to build a brighter future for all.

## Approach to sustainability

As a transmission and distribution company, we are focused on three priority areas where we believe we can make the greatest impact.

### People



#### Diversity, Equity and Inclusion

##### PRIORITIES

- Set broader diversity and inclusion hiring goals
- Identify, eliminate and prevent systemic barriers in the workplace

##### GOALS

- Hydro One signed the BlackNorth Initiative Pledge and is committed to achieving 3.5% Black executives and board directors, and 5% Black student hires by 2025.
- As a signatory to the Catalyst Accord, Hydro One is committed to achieving at least 30% female executives and board members.

### Planet



#### Climate Change Mitigation and Adaptation

##### PRIORITIES

- Achieve established targets for GHG reductions
- Continue to include climate change considerations in decisions and plans to ensure grid resiliency

##### GOALS

- Hydro One is committed to achieving net-zero GHG emissions by 2050. We have established a target to achieve a 30% GHG reduction by 2030.
- We plan to convert 50% of our fleet of sedans and SUVs to electric vehicles or hybrids by 2025 and 100% by 2030.

### Community



#### Indigenous and Community Partnerships

##### PRIORITIES

- Continue to support the Ontario economy through partnerships
- Build safe communities by supporting youth initiatives that promote safety training and safe play

##### GOALS

- Hydro One is committed to increasing our Indigenous procurement spend to 5% of the company's purchases of materials and services by 2026.
- As part of our community investment program, we are committed to ensuring that 20% of our corporate donations and sponsorships support Indigenous communities.





# Sustainability at Hydro One

At Hydro One, we are committed to operating safely in an environmentally and socially responsible manner and to partnering with our customers and community stakeholders to build a brighter future for all.

## A Sustainable Future for All

- 50% Board of Directors are women (Independent Non-Executive), 10% Indigenous, and 10% have a disability
- In 2020 ~\$1.9 billion in capital investments to expand electricity grid and renew and modernize existing infrastructure
- Recognized by the Canadian Electricity Association for leadership in providing Indigenous procurement opportunities
- Hydro One transmits and distributes electricity that is approximately 96%<sup>1</sup> carbon emission-free and our GHG emissions are estimated to account for only 0.2% of Ontario's total GHG emissions.
- In 2020, Hydro One avoided approximately 7,560 tCO<sub>2</sub>e of emissions as a result of renewable energy technology, conservation programs, the expansion of the Ivy network and the increase of customers choosing the e-billing option on their bill.
- These avoided emissions are equivalent to a year's exhaust from approximately 2,316 passenger vehicles
- Designated as a Sustainable Electricity Company by the Canadian Electricity Association
- ~\$42 million total procurement spending with Indigenous businesses – our highest ever spend in 2020
- 87% customer satisfaction with our residential and small business customers in 2020
- ~\$3.1 million in sponsorships and donations in communities where we live and work in 2020
- Hydro One recognized as one of the Best 50 Corporate Citizens in Canada by Corporate Knights in 2020

1. As determined by the Canadian Energy Regulator

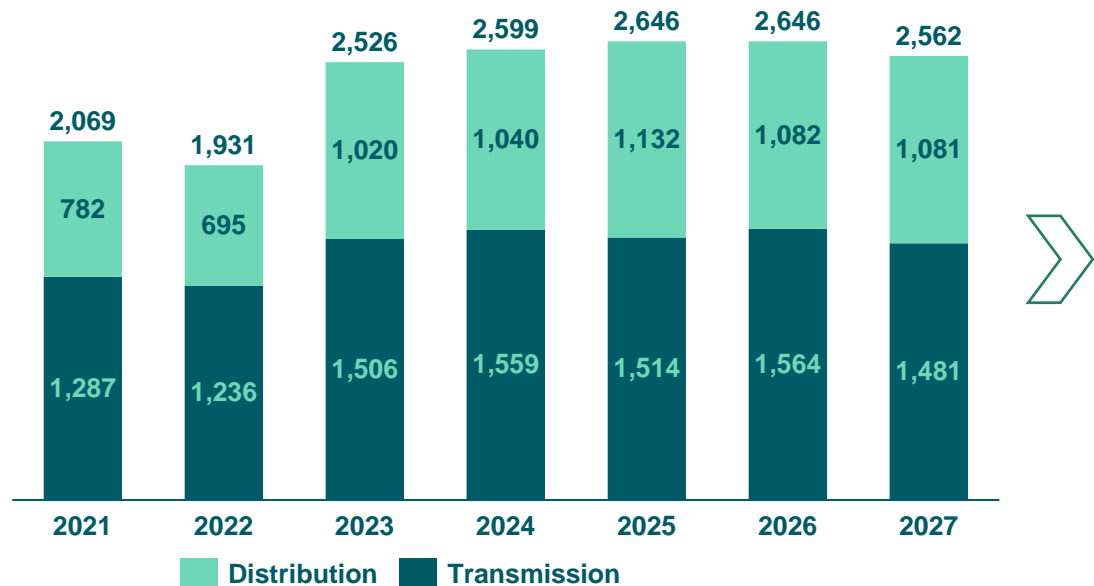




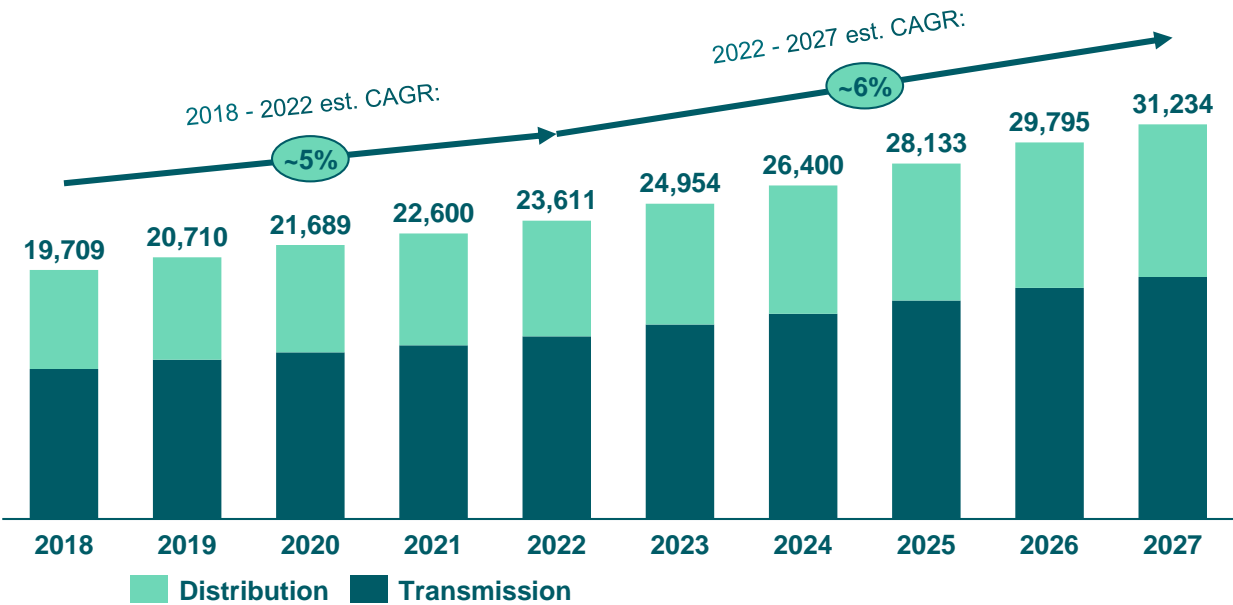
# Capital investment driving rate base growth

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

Projected Regulated Capital Investments\* (\$M)



Historical and Projected Rate Base Growth\* (\$M)

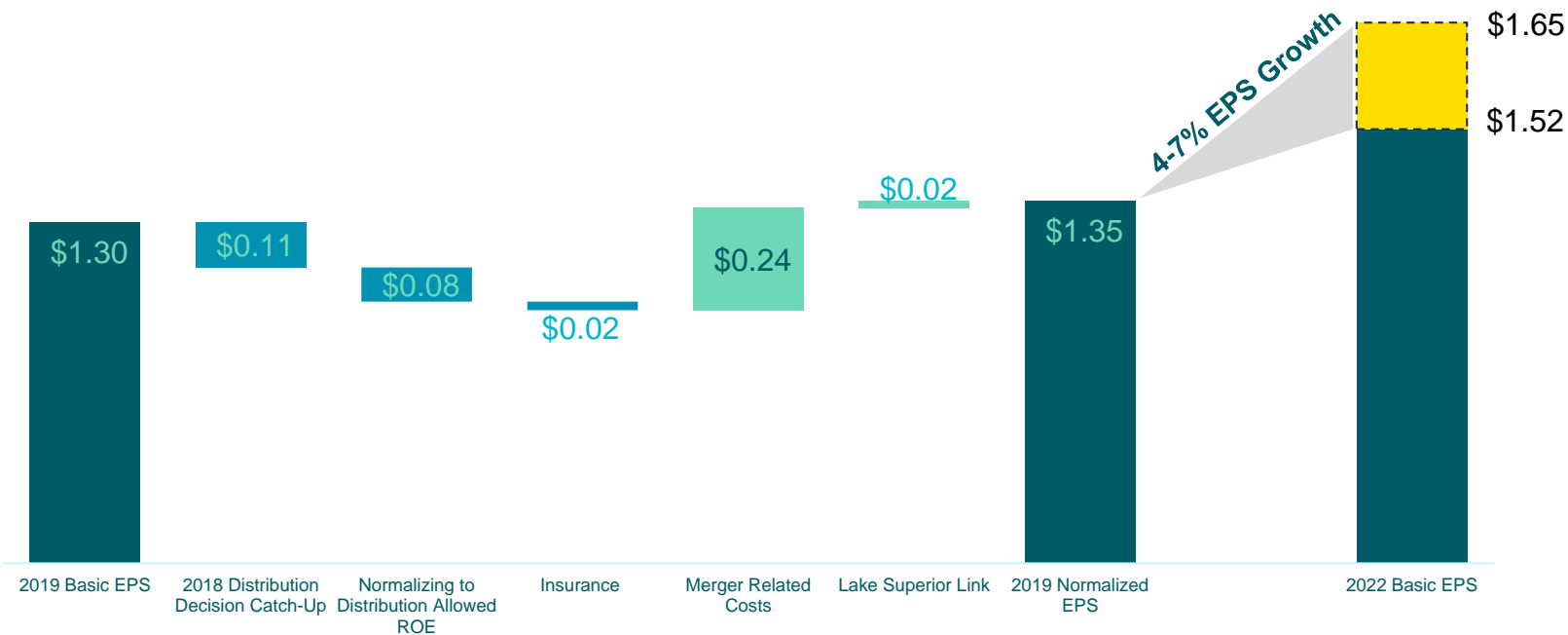


\* Subject to change upon OEB approval of Joint Rate Application for 2023 -2027.  
\* Figures include investments in certain development projects of Hydro One Networks not included in the investment plan filed with the JRAP.

## Comments

- Organic growth underpinned by continued rate base expansion to both renew and modernize the grid
- Material amounts of deteriorated, end-of-service life infrastructure must be upgraded or replaced
- Customers supportive of replacing aging infrastructure that is in poor condition
- Equity issuance not anticipated for planned capital investment program which is self-funded

# Affirmed 2022 guidance



• Company estimates subject to change and include amounts from 2018-2022 Approved Distribution Rate Order, and 2020-2022 Approved Transmission Rate Order.  
• The forward-looking information in this presentation is based on a variety of factors and assumptions, as described in the 2020 Year End and 2020 Fourth Quarter financial statements and management's discussion and analysis. Actual results may differ materially from those predicted by such forward-looking information.



# Capital investment driving rate base growth

## Leamington Area Transmission Reinforcement<sup>1,2</sup>



Estimated Total Project Cost: \$525 million

Capital Cost To Date: \$114 million

Anticipated In-Service Date: 2026

The Leamington Area Transmission Reinforcement project consists of the construction of a new double-circuit line between Chatham and Lakeshore and associated transmission stations and connections.

## Ontario Grid Control Centre<sup>3</sup>



Estimated Capital Investment: \$85 million (2021)

Anticipated In-Service Date: 2021

The Ontario Grid Control Centre, will accommodate the following functions: Primary Transmission and Distribution Operating, Telecommunication Management Centre; Security Operations; and general back office

## Richview Transmission Station



Estimated Total Project Cost: \$120 million

Capital Cost To Date: \$119 million

Anticipated In-Service Date: 2021

Replacement of 50 year old end-of-life equipment at Richview Transformer Station to ensure the secure and reliable power supply to the City of Toronto and surrounding communities

<sup>1</sup> The Leamington Area Transmission Reinforcement project consists of the construction of a new double-circuit line between Chatham and Lakeshore and associated transmission stations and connections. The project is currently in the development stage and as such the estimated cost is subject to change. The anticipated in-service dates for the line and stations are between 2022 and 2026.

<sup>2</sup> On March 29, 2021, the Independent Electricity System Operator (IESO) requested Hydro One initiate work to develop and construct a new transmission line between Chatham and Lambton to support agricultural growth in Southwest Ontario; Hydro One is currently evaluating the scope and timing of this work.

<sup>3</sup> Total capital investments for 2021 include \$85 million related to a new Ontario grid control centre with an anticipated in-service date of 2021.



# Hydro One responds to COVID-19

## How our customers are being supported

We announced a Pandemic Relief Fund to assist customers affected by the COVID-19 pandemic and offer financial assistance as well as increased payment flexibility to customers.

Support with a Small Business Pandemic Relief Program to connect struggling businesses with up to \$3,000 in financial assistance and government relief.

Launched Connected for Life: a promise to help customers stay connected

A dedicated fund to help communities respond to new and urgent challenges presented by the COVID-19 pandemic.

We **returned ~\$5 million** in security deposits, collected from newly connected customers, to **over 4,000 eligible commercial businesses**.

Providing critical aid to First Nation and Métis communities, scholarships for young Indigenous leaders and supporting the Indigenous economy.

We support choice and provide online tools to help customers. We launched a portal to make it easy for customers who want to make the switch to tiered pricing.

We launched a **Free Early Payment program** to support our Indigenous and small & medium sized business suppliers in Ontario.

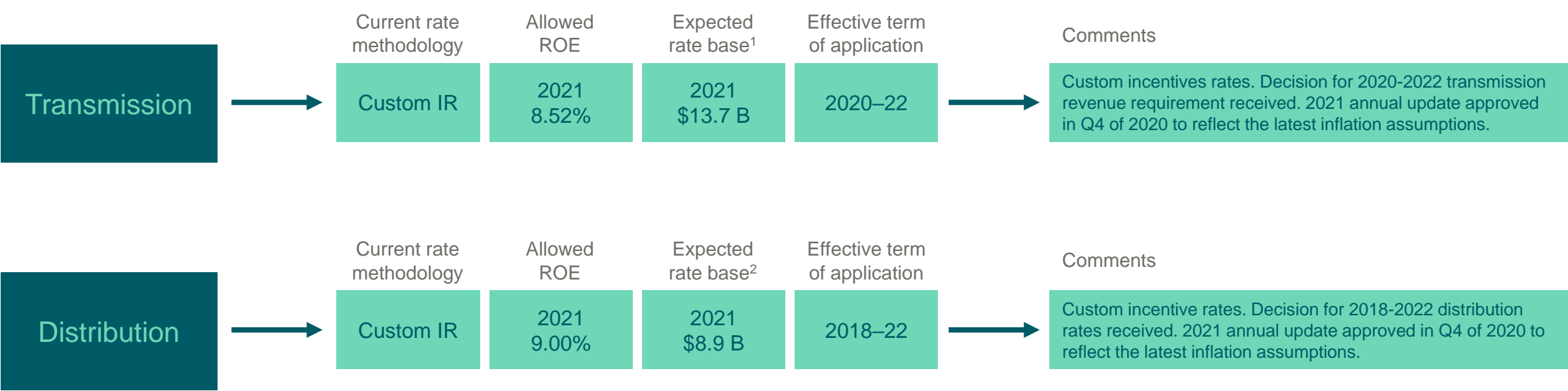
For more information: [www.HydroOne.com/ReliefFund](http://www.HydroOne.com/ReliefFund)



# Constructive rate regulator (OEB)

Consistent, independent regulator with a transparent rate-setting process

- Transmission and Distribution businesses rate-regulated by the OEB
- Deemed debt / equity ratio of 60% / 40% for both transmission and distribution segments
- Reduced regulatory lag through forward-looking test years, revenue decoupling and adjustment mechanisms
- Received a decision for distribution rates under the OEB’s Custom Incentive Rate Making model on March 7, 2019 for 2018 – 2022 (5-year term)
- Received a decision on transmission revenue requirement under the OEB’s Custom Incentive Rate Making model on April 23, 2020, for 2020 – 2022 (3-year term)



1. Transmission rate base includes 100% of B2M LP, Niagara Reinforcement Limited Partnership and Hydro One Sault Ste. Marie Limited Partnership.  
2. Distribution rate base includes recent LDC acquisitions (Peterborough Distribution Inc., Orillia Power Distribution Corporation) and Hydro One Remote Communities

# Segmented incentive regulatory construct

The transition from cost of service to incentive based regulatory model coincident with transformation of business will create value for both customers and shareholders

	Distribution OEB Approved 2018-2022						Transmission OEB Approved 2020-2022			
Rebasing Year	2018						2020			
Revenue Requirement Determined By <sup>1,2,3,4,5</sup> :	Custom Revenue Cap Index (RCI) by Component (%) (A) Inflation Adjustment Factor <sup>6</sup> (B) Less: Productivity Stretch Factor Offset (C) Add: Capital Factor (D) Equals: Custom Revenue Cap Index Total						Custom Revenue Cap Index (RCI) by Component (%) (A) Inflation Adjustment Factor <sup>6</sup> (B) Less: Productivity Stretch Factor Offset (C) Add: Capital Factor (D) Equals: Custom Revenue Cap Index Total			
		2018	2019	2020	2021	2022		2020	2021	2022
	(A)	2018 revenue requirement of \$1,459 million	1.50%	2.00%	2.20%	1.50%	(A)	2020 revenue requirement of \$1,630 million	2.00%	1.80%
	(B)		(0.45%)	(0.45%)	(0.45%)	(0.45%)	(B)		(0.30%)	(0.30%)
	(C)		1.65%	1.21%	1.95%	1.85%	(C)		2.88%	2.70%
	(D)		2.70%	2.76%	3.70%	2.90%	(D)		4.58%	4.20%
Earnings Sharing Method	50% of earnings that exceed allowed ROE by more than 100 basis points in any year of the term of the filing shared with customers									
Allowed ROE	9.00% through test years (2018-2022)						8.52% through test years (2020-2022)			
Effective Rate Setting	May 1, 2018						January 1, 2020			

1. Source: Distribution RCI as filed in Hydro One's Draft Rate Order dated April 2019, as updated in the 2020 Annual Update dated August 2019.

2. Source: Transmission RCI as filed in Hydro One's Draft Rate Order dated May 28, 2020.

3. Source: Distribution RCI for 2020 based on annual update dated November 2019.

4. Source: Distribution RCI for 2021 based on annual update dated November 2020.

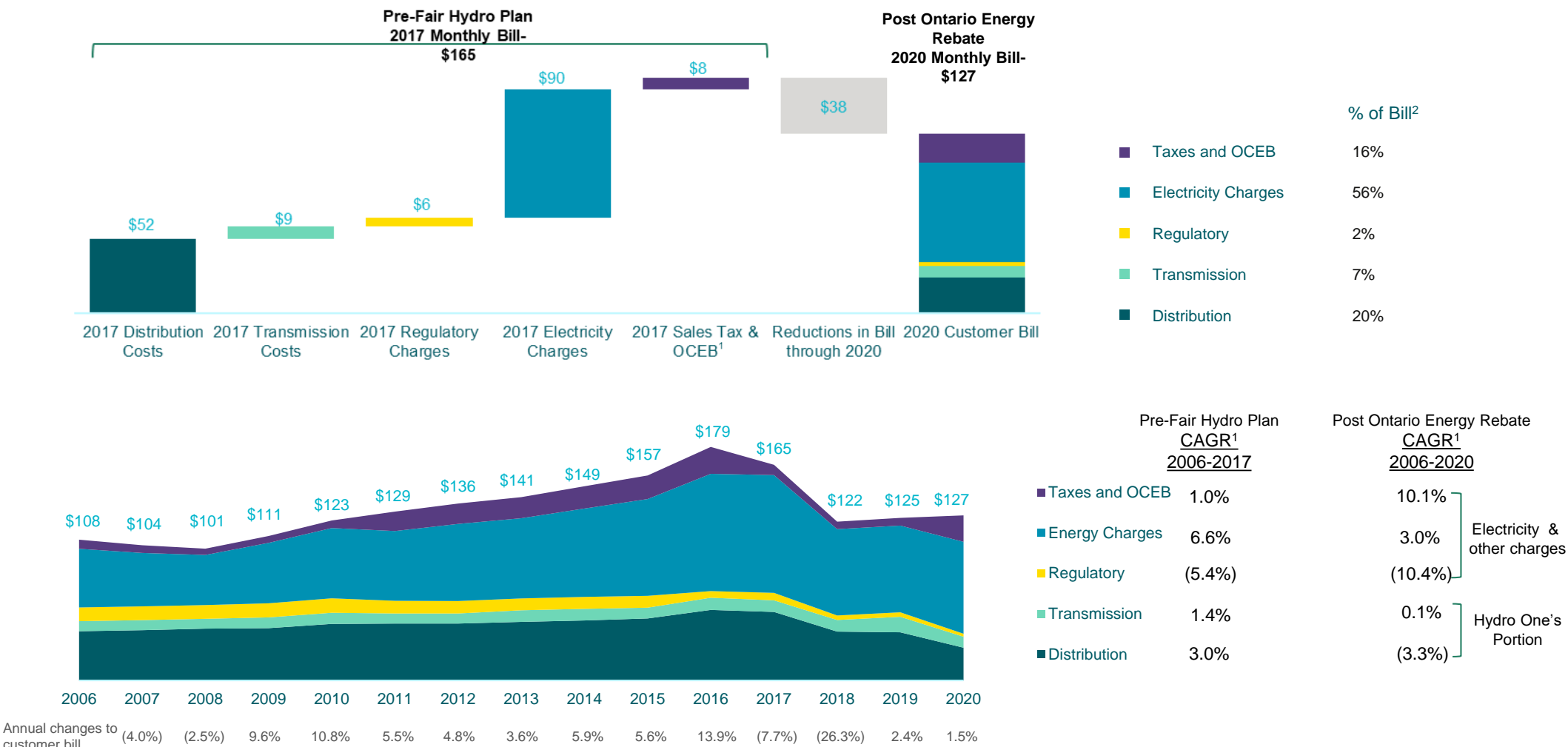
5. Source: Transmission RCI for 2021 based on annual update dated November 2020.

6. Inflation Adjustment Factor is updated annually for Transmission and Distribution.



# Reducing our customer bills

Since 2017, typical Hydro One residential customer bills have decreased on average from \$165 to \$127 per month



Note: The charts represent the breakdown of a typical bill for a Hydro One medium-density residential local distribution end customer using 750 kWh a month. Subject to update upon effective rate setting.

1) OCEB is an abbreviation for the Ontario Clean Energy Benefit

2) Bill composition total to more than 100% due to rounding

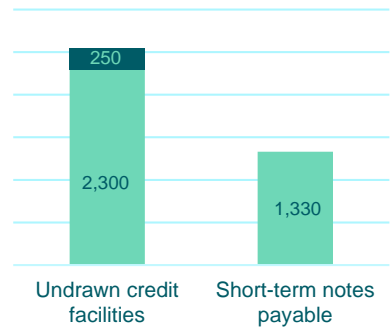
3) Compounded Annual Growth Rate

# Strong balance sheet and liquidity (as at June 30, 2021)



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

## Significant available liquidity (\$M)



## Strong investment grade debt ratings (long-term/short-term/outlook)

	Hydro One Ltd. (HOL)	Hydro One Inc. (HOI)
S&P	BBB+ / n/a / stable	A- / A-1 (low) / stable
DBRS	A / n/a / stable	A (high) / R-1 (low) / stable
Moody's	n/a	A3 / Prime-2 / stable

## Shelf registrations

HOL Universal shelf <sup>1</sup> \$2.0B
HOI Medium term note shelf <sup>2</sup> \$4.0B

## Debt maturity schedule (\$M)



Weighted-average coupon rate of long-term debt: 3.9%  
Weighted-average term of long-term debt (years): 14.9  
Debt to Capitalization<sup>4</sup>: 56.6%  
FFO to Net Debt<sup>5</sup>: 14.0%

1. In August 2020, HOL filed the Universal Base Shelf Prospectus with securities regulatory authorities in Canada, which allows it to offer, from time to time in one or more public offerings, up to \$2.0 billion of debt, equity or other securities, or any combination thereof, and expires in September 2022. At June 30, 2021, \$1.575 billion remained available for issuance under the Universal Base Shelf Prospectus.

2. In April 2020, HOI filed a Medium Term Note (MTN) Program prospectus, which has a maximum authorized principal amount of notes issuable of \$4.0 billion, expiring in May 2022. At June 30, 2021, \$2.8 billion remained available for issuance under the MTN Program prospectus.

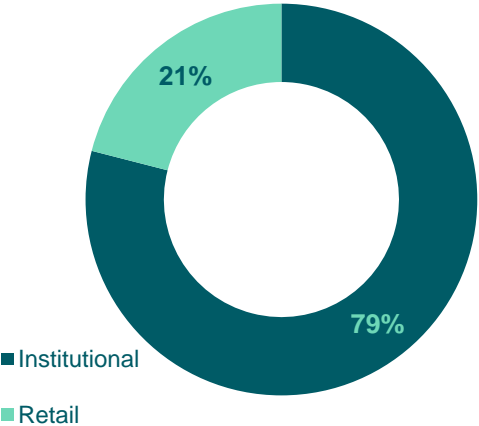
3. Includes long-term debt of Hydro One Sault Ste. Marie LP, a subsidiary of Hydro One Inc., in the principal amount of \$136 million due in 2023.

4. Debt to capitalization ratio is a non-GAAP measure and has been calculated as total debt (including total long-term debt, and short-term borrowings, net of cash and cash equivalents) divided by total debt plus total shareholders' equity, but excluding any amounts related to noncontrolling interest. Management believes that the debt to capitalization ratio is helpful as a measure of the proportion of debt in the Company's capital structure.

5. FFO to Net Debt for the last twelve months ending June 30, 2021.

# Equity market cap overview

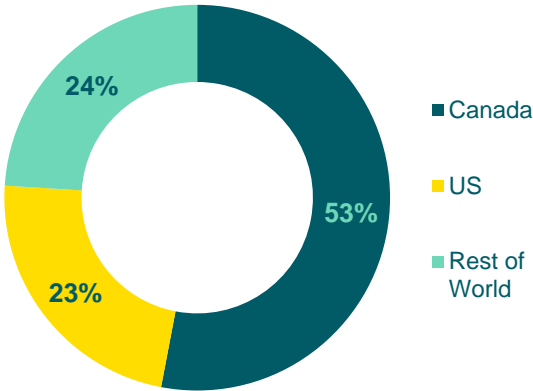
## Approximate Ownership of Public Float<sup>2</sup>



## Equity Index Inclusions

S&P/TSX Composite Index	FTSE All-World (Canada)
MSCI World (Canada)	S&P/TSX Composite Low Volatility Index
Dow Jones Canada Select Utilities	S&P/TSX Utilities Index
S&P/TSX Composite Dividend Index	S&P/TSX Composite High Dividend Index

## Approximate Geographic Dispersion of Public Float



### Comments

- ~598.2 million common shares outstanding, listed on Toronto Stock Exchange (TSX: H)
- Equity market capitalization of ~\$17.9 billion<sup>1</sup> and public float of ~\$9.4 billion<sup>1</sup>
- Equity market capitalization amongst the top 60 of all listed Canadian companies

(1) Based on closing share price on June 30<sup>th</sup> 2021  
(2) Provincial Government ownership as at June 30<sup>th</sup> 2021 was 47.2%



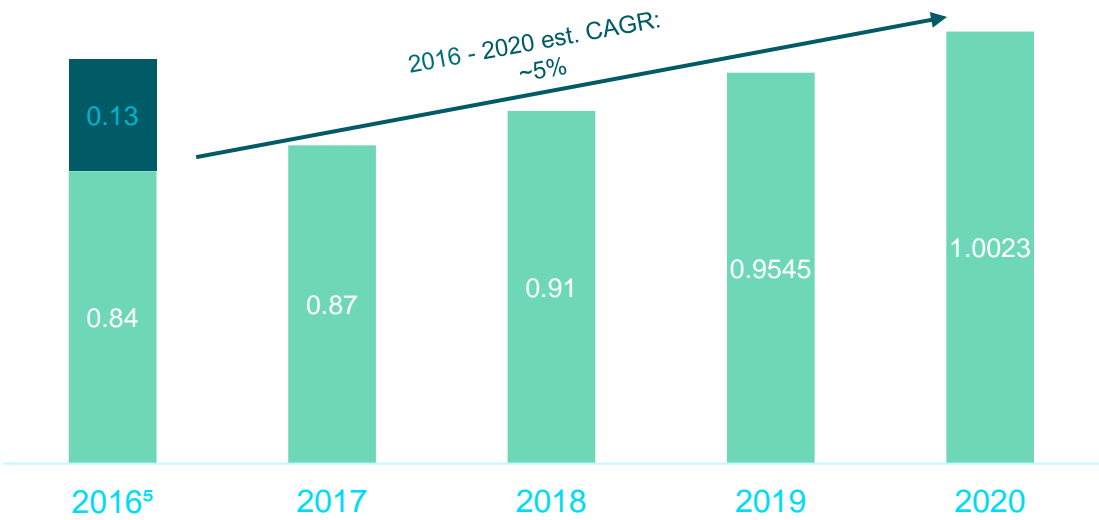
# Common share dividends

## Key Points

- Quarterly dividend declared at \$0.2663 per common share (\$1.0652 annualized)
- Targeted dividend payout ratio remains at 70% - 80% of net income
- Attractive and growing dividend supported by stable, regulated cash flows and planned rate base growth
- No equity issuance anticipated to fund planned capital investment program
- Non-dilutive dividend reinvestment plan (DRIP) was implemented post IPO (shares purchased on open market, not issued from treasury)

Dividend Statistics	
Yield <sup>1</sup>	3.6%
Annualized Dividend <sup>2 3</sup>	\$1.0652 / share

## A Growing and Sustainable Dividend<sup>4</sup>

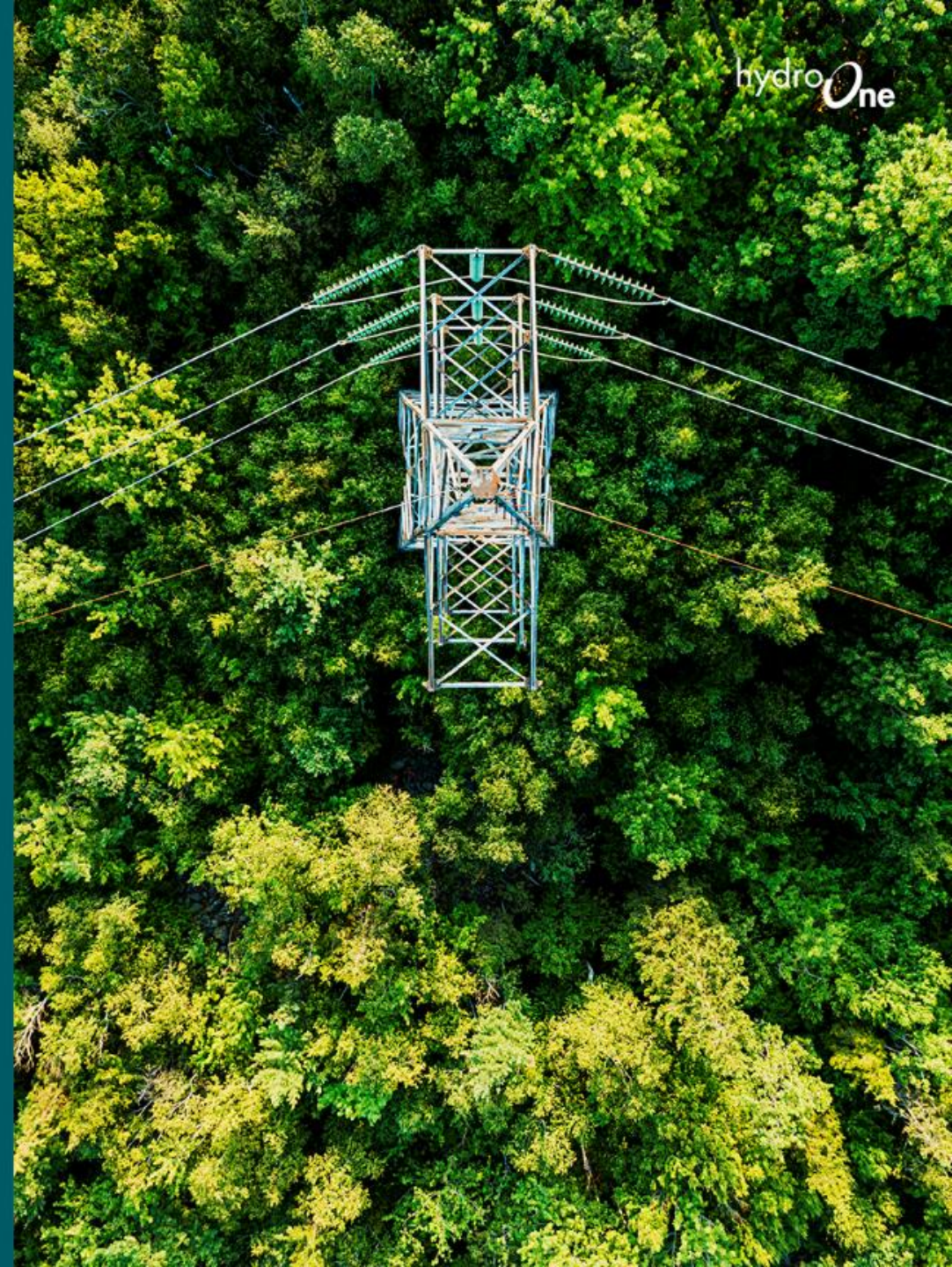


Expected Quarterly Dividend Dates<sup>3</sup>

Declaration date	Record date	Payment date
August 9, 2021	September 8, 2021	September 30, 2021
November 8, 2021	December 8, 2021	December 31, 2021

1. Based on closing share price on June 30<sup>th</sup>, 2021  
2. Unless indicated otherwise, all common share dividends are designated as "eligible" dividends for the purpose of the Income Tax Act (Canada)  
3. All dividend declarations and related dates are subject to Board approval.  
4. Denotes annual cash dividends paid  
5. The first common share dividend declared by Hydro One Ltd. following the November 5, 2015 initial public offering of its common stock included 13 cents for the post IPO fourth quarter period of November 5 through December 31 2015.

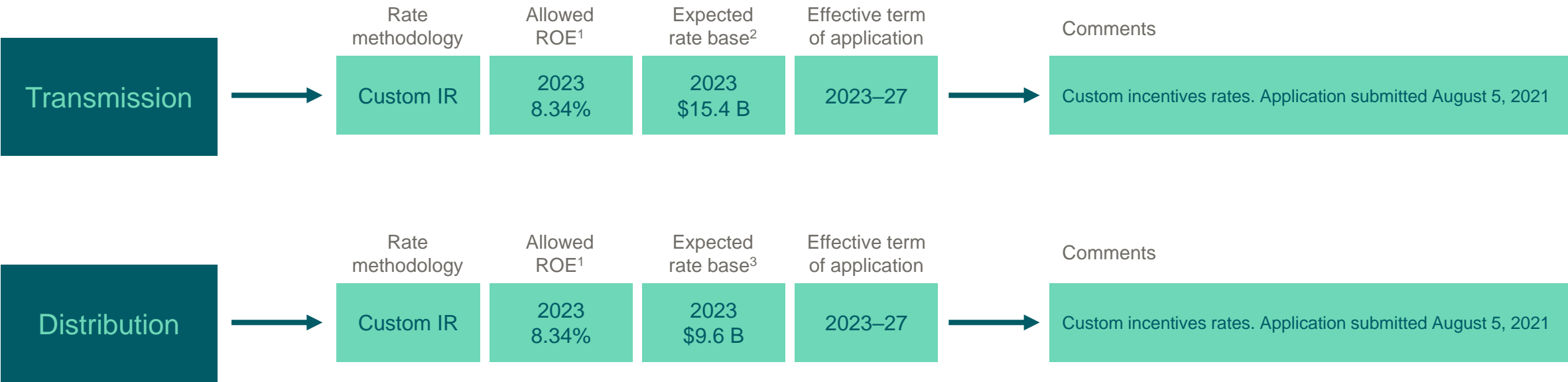
# Appendix



# Constructive Rate Regulator (OEB) 2023-27

Consistent, independent regulator with a transparent rate-setting process

- Transmission and Distribution businesses rate-regulated by the OEB
- Deemed debt / equity ratio of 60% / 40% for both transmission and distribution segments
- Reduced regulatory lag through forward-looking test years, revenue decoupling and adjustment mechanisms
- Application submitted August 5, 2021 for transmission and distribution under the OEB’s Custom Incentive Rate Making model for 2023 – 2027 (5-year term)



1. Allowed ROE for 2023 for Transmission and Distribution is a placeholder as submitted in the Application until Q4 of 2022 when the OEB will release the final ROE.  
2. Transmission rate base includes 100% of B2M LP, Niagara Reinforcement Limited Partnership and Hydro One Sault Ste. Marie Limited Partnership.  
3. Distribution Rate Base includes recent LDC acquisitions (Peterborough Distribution Inc., Orillia Power Distribution Corporation) and Hydro One Remote Communities



# Segmented incentive regulatory construct 2023-27

The transition from cost of service to incentive based regulatory model coincident with transformation of business will create value for both customers and shareholders

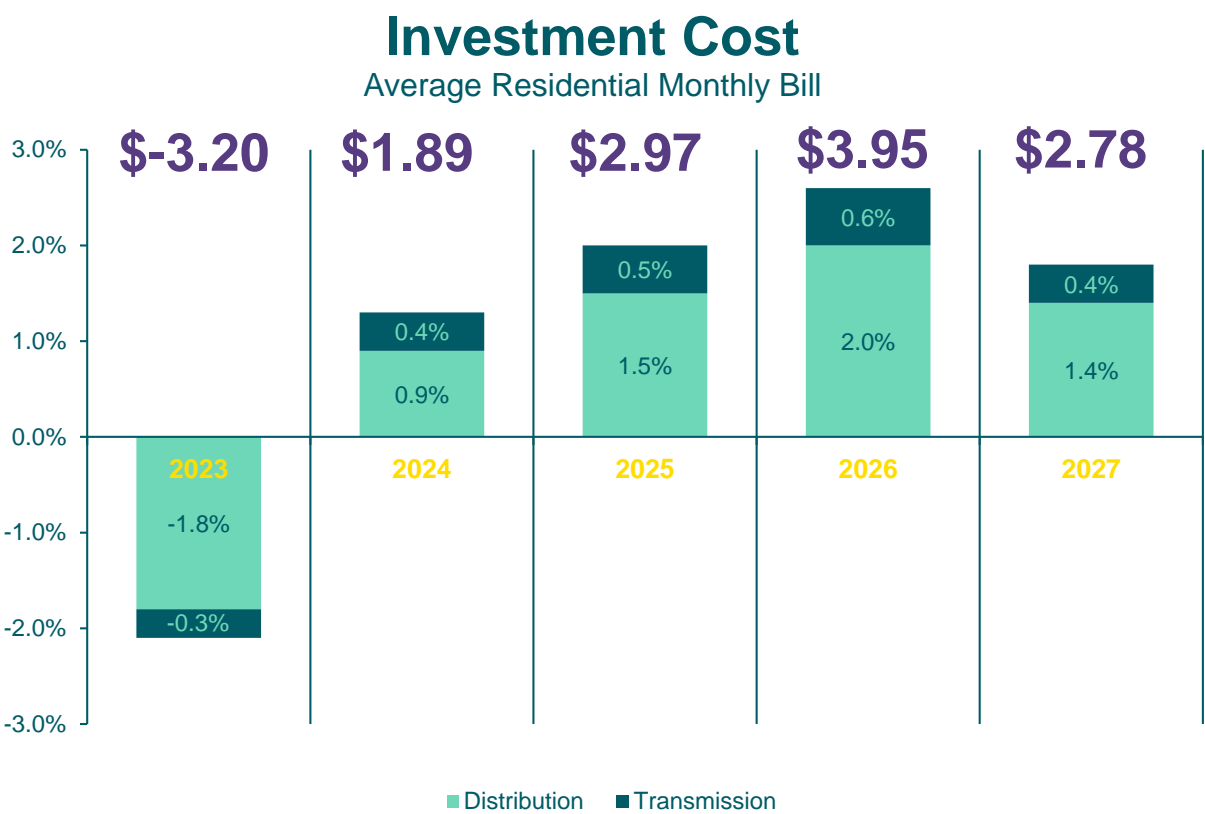
	Distribution Proposed <sup>1</sup> 2023-2027					Transmission Proposed <sup>1</sup> 2023-2027						
Rebasing Year	2023					2023						
Revenue Requirement Determined By	Custom Revenue Cap Index (RCI) by Component (%) (A) Inflation Adjustment Factor (B) Less: Productivity Stretch Factor Offset (C) Add: Capital Factor (D) Equals: Custom Revenue Cap Index Total					Custom Revenue Cap Index (RCI) by Component (%) (A) Inflation Adjustment Factor (B) Less: Productivity Stretch Factor Offset (C) Add: Capital Factor (D) Equals: Custom Revenue Cap Index Total						
		2023	2024	2025	2026	2027		2023	2024	2025	2026	2027
	(A)	2023 revenue requirement of \$1,632 million	2.20%	2.20%	2.20%	2.20%	(A)	2023 revenue requirement of \$1,823 million	2.00%	2.00%	2.00%	2.00%
	(B)		(0.30%)	(0.30%)	(0.30%)	(0.30%)	(B)		(0.00%)	(0.00%)	(0.00%)	(0.00%)
	(C)		2.93%	2.41%	3.48%	2.56%	(C)		4.29%	2.63%	3.56%	1.68%
	(D)		4.83%	4.31%	5.38%	4.46%	(D)		6.29%	4.63%	5.56%	3.68%
Earnings Sharing Method	50% of earnings that exceed allowed ROE by more than 100 basis points in any year of the term of the filing shared with customers											
Allowed ROE	8.34% through test years (2023-2027)					8.34% through test years (2023-2027)						
Effective Rate Setting	January 1, 2023					January 1, 2023						

1. Source: 2023-2027 Distribution and Transmission Revenue Requirement, Custom Revenue Cap Index Parameters and ROE as proposed in the joint Transmission and Distribution Application submitted on August 5, 2021

# Cost of plan

Hydro One’s plan will see the typical customer’s bill increase by **less than expected inflation.**

A typical residential customer’s monthly bill will increase by an average of **\$1.68** each year over the five-year period.



# 2Q21 Financial summary

## Second Quarter

## Year-to-Date

(millions of dollars, except EPS)	2021	2020	% Change	2021	2020	% Change
<b>Revenue</b>						
Transmission	448	459	(2.4)%	896	859	4.3%
Distribution	1,263	1,201	5.2%	2,617	2,640	(0.9)%
Distribution (Net of Purchased Power)	425	393	8.1%	885	825	7.3%
Other	11	10	10.0%	20	21	(4.8)%
Consolidated	1,722	1,670	3.1%	3,533	3,520	0.4%
Consolidated (Net of Purchased Power)	884	862	2.6%	1,801	1,705	5.6%
OM&A Costs	289	270	7.0%	571	535	6.7%
<b>Earnings before financing charges and income taxes (EBIT)</b>						
Transmission	229	236	(3.0)%	458	422	8.5%
Distribution	143	150	(4.7)%	336	336	-
Other	(2)	(7)	71.4%	(12)	(13)	7.7%
Consolidated	370	379	(2.4)%	782	745	5.0%
Net income <sup>1</sup>	238	1,103	(78.4)%	506	1,328	(61.9)%
Adjusted net income <sup>1,2</sup>	238	236	0.8%	506	461	9.8%
Basic EPS	\$0.40	\$1.84	(78.3)%	\$0.85	\$2.22	(61.7)%
Basic adjusted EPS <sup>1,2</sup>	\$0.40	\$0.39	2.6%	\$0.85	\$0.77	10.4%
Capital investments	553	429	28.9%	1,080	801	34.8%
<b>Assets placed in-service</b>						
Transmission	147	58	153.4%	195	187	4.3%
Distribution	150	107	40.2%	256	202	26.7%
Other	3	-	100.0%	6	1	500%
<b>Total assets placed in-service</b>	<b>300</b>	<b>165</b>	<b>81.8%</b>	<b>457</b>	<b>390</b>	<b>17.2%</b>

Financial Statements reported under U.S. GAAP

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

2. Adjusted Net Income excludes items related to the impacts related to the Ontario Divisional Court decision





# Top transmission capital projects underway

Development Project Name	Location	Type	Anticipated In-Service Date	Estimated Cost	Capital Cost To-Date
Wataynikaneyap Power LP Line Connection	Pickle Lake Northwestern Ontario	New stations and transmission connection	2022	\$33 million	\$11 million
East-West Tie Station Expansion	Northern Ontario	New transmission connection and station expansion	2023 <sup>1</sup>	\$181 million	\$150 million
Waasigan Transmission Line	Thunder Bay-Atikokan-Dryden Northwestern Ontario	New transmission line	2024 <sup>2</sup>	\$68 million <sup>2</sup>	\$12 million
Leamington Area Transmission Reinforcement <sup>3,4</sup>	Leamington Southwestern Ontario	New transmission line and stations	2026 <sup>3,4</sup>	\$525 million <sup>3,4</sup>	\$114 million

Sustainment Project Name	Location	Type	Anticipated In-Service Date	Estimated Cost	Capital Cost To-Date
Richview Transmission Station Circuit Breaker Replacement	Toronto Southwestern Ontario	Station sustainment	2021	\$120 million	\$119 million
Bruce A Transmission Station	Tiverton Southwestern Ontario	Station sustainment	2021	\$148 million	\$148 million
Beck #2 Transmission Station Circuit Breaker Replacement	Niagara area Southwestern Ontario	Station sustainment	2023	\$135 million	\$95 million
Cherrywood Transmission Station Circuit Breaker Replacement	Pickering Central Ontario	Station sustainment	2023	\$115 million	\$76 million
Bruce B Switching Station Circuit Breaker Replacement	Tiverton Southwestern Ontario	Station sustainment	2024	\$144 million	\$111 million
Middleport Transmission Station Circuit Breaker Replacement	Middleport Southwestern Ontario	Station sustainment	2025	\$113 million	\$83 million
Lennox Transmission Station Circuit Breaker Replacement	Napanee Southeastern Ontario	Station sustainment	2026	\$152 million	\$99 million

1. Due to a revised timeline of project activities, the majority of the East-West Tie Station Expansion project, enabling the connection and energization of the new East-West Tie transmission line, is expected to be placed in-service partially in 2021 and 2022, with final project in-service in 2023.

2. The estimated cost of the Waasigan Transmission Line relates to the development phase of the project and the anticipated in-service date reflects the anticipated completion date of the development phase.

3. The Leamington Area Transmission Reinforcement project consists of the construction of a new double-circuit line between Chatham and Lakeshore and associated transmission stations and connections. The project is currently in the development stage and as such the estimated cost is subject to change. The anticipated in-service dates for the line and stations are between 2022 and 2026.

4. On March 29, 2021, the Independent Electricity System Operator (IESO) requested Hydro One initiate work to develop and construct a new transmission line between Chatham and Lambton to support agricultural growth in Southwest Ontario; Hydro One is currently evaluating the scope and timing of this work.

# Regulatory stakeholders



**Who:** Provincial Government, Ministry of Energy  
**What:** Policy, legislation, regulations



**Who:** Ontario Energy Board (OEB)  
**What:** Independent electric utility price and service quality regulation



**Who:** Independent Electricity System Operator  
**What:** Wholesale power market rules, intermediary, North American reliability standards



**Who:** Canadian Energy Regulator  
**What:** Federal regulator, international power lines and substations



**Who:** North American Electric Reliability Corporation  
**What:** Continent-wide bulk power reliability standards, certification, monitoring



**Who:** Northeast Power Coordinating Council  
**What:** Northeastern North American grid reliability, standards, compliance





# Independent board of directors

## **Timothy Hodgson, MBA, FCPA, ICD.D**

Corporate Director, Chair of Hydro One Ltd, Chair of Sagicor Financial Company Limited, Director Public Sector Pension Investment Board (PSP Investments), Former Director Alignvest Acquisition II Corporation, retired Managing Partner Alignvest Management Corporation, Former Special Advisor to Bank of Canada Governor Mark Carney, Former CEO Goldman Sachs Canada

## **Cherie Brant, JD**

Partner, Borden Ladner Gervais LLP, Director Anishnawbe Health Foundation, Member Canadian Council for Aboriginal Business, Aboriginal Education Council for Centennial College, Aboriginal Energy Working Group-IESO

## **Blair Cowper-Smith, LLM, ICD.D**

Principal and founder Erin Park Business Solutions, Former Chief Corporate Affairs Officer OMERS

## **David Hay, LLB, ICD.D**

Managing Director Delgatie Incorporated, Former CEO New Brunswick Power Corporation, Former Vice-Chair and Managing Director of CIBC World Markets Inc., Director EPCOR, Council Member of the Council for Clean and Reliable Energy

## **Jessica McDonald, ICD.D**

Corporate Director, Former Chair Canada Post Corporation, Former President & CEO BC Hydro & Power Authority, Director Coeur Mining Inc., Former Chair Trevali Mining Corporation, Member Council of Sustainable Development Technology Canada and Greater Vancouver Board of Trade

## **Stacey Mowbray, MBA, BBA**

Corporate Director, Former President North America WW International (formerly Weight Watchers), Director Currency Exchange International, Director Sleep Country Canadian Holdings Inc., Director Bonnie O Holdings, Volunteer on the Operating Board of Trillium Health Partners

## **Russel Robertson, FCPA, FCA, ICD.D**

Corporate Director, Former EVP and Head, Anti-Money Laundering, BMO Financial Group, Former Vice-Chair, Deloitte & Touche LLP, Director Bausch Health Companies Inc., Director Turquoise Hill Resources

## **William Sheffield, BSC, MBA, ICD.D**

Corporate Director, Former CEO Sappi Fine Papers, Director Velan Inc., Former Board Member OPG

## **Melissa Sonberg, BSC, MHA, ICD.D**

Professor in Practice, McGill University, Desautels Faculty of Management, Director Exchange Income Corporation, Director Athenian, Director Group Touchette, Director Canadian Professional Sales Association, Director Women in Capital Markets, Former Senior Vice President, Human Resources & Corporate Affairs and Senior Vice President, Global Brands, Communications and External Affairs at AIMIA

## **Susan Wolburgh Jenah J.D., ICD.D**

Corporate Director, Director Laurentian Bank, Director Aecon Group Inc., and Humber River Hospital. Former Governor of the Financial Industry Regulatory Authority (FINRA), and member of the Independent Review Committee of Vanguard Investments Canada

## **Mark Poweska<sup>1</sup>**

President and CEO of Hydro One Ltd, Former Executive Vice President, Operations at BC Hydro, Chair of Ontario Energy Association, Director Western Energy Institute.

(1) Mark Poweska is an Executive Board Member





# Disclaimers

This presentation contains “forward-looking information” within the meaning of applicable Canadian securities laws that is based on current expectations, estimates, forecasts and projections about Hydro One’s business and the industry in which Hydro One operates and includes beliefs of and assumptions made by management of Hydro One. Such information includes, but is not limited to: statements related to Hydro One’s transmission and distribution regulatory applications, related decisions, and expected impacts and timing; expectations regarding regulatory recovery; expectations related to regulatory models; Hydro One’s projected rate base, cash flows, EPS and growth profile; expectations regarding equity issuances; expectations for organic growth underpinned by continued rate base expansion; expectations to replace end-of-service infrastructure including funding plans in respect thereof; statements regarding Hydro One’s anticipated capital investments, and related plans, funding and expectations; statements related to Hydro One’s ongoing and planned projects, including estimated cost and anticipated in-service dates of capital projects; statements related to the expected transition from a cost of service to an incentive based regulatory model; and expectations regarding the timing of review of Hydro One’s Joint Rate Application; expectations about the impact of delays on Hydro One’s transmission in-service additions; statements relating to Hydro One’s strategy, statements relating to growth opportunities for the telecom business; statements about Hydro One’s approach to sustainability; expectations relating to the Ontario Climate Change Action Plan; expectations regarding Hydro One’s maturing debt and standby credit facilities; statements related to the Universal Base Shelf Prospectus and the MTN Program; statements about the debt to capitalization ratio; statements related to dividends and Hydro One Limited’s targeted dividend payout ratio of 70-80% of net income; and statements related to credit ratings.

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