hydro One

First Quarter 2019

Earnings Teleconference

May 9th, 2019

One of North America's largest electric utilities

TSX: H

1Q19 FINANCIAL SUMMARY

(millions of dollars, except EPS)	First Quarter 2019	First Quarter 2018	% Change	YE 2018	YE 2017	% Change
Revenue						
Transmission	$428	$421	1.7%	$1,686	$1,578	6.8%
Distribution	*1,321*	*1,145*	*15.4%*	*4,422*	*4,366*	*1.3%*
Distribution (Net of Purchased Power)	514	394	30.5%	1,523	1,491	2.2%
Other	10	10	0.0%	42	46	(8.7%)
Consolidated	*1,759*	*1,576*	*11.6%*	*6,150*	*5,990*	*2.7%*
Consolidated (Net of Purchased Power)	952	825	15.4	3,251	3,115	4.4%
OM&A Costs	416	270	54.1%	1,105	1,066	3.7%
Earnings Before Financing Charges and Income Taxes (EBIT)						
Transmission	216	213	1.4%	842	783	7.5%
Distribution	270	157	72.0%	526	508	3.5%
Other	(162)	(12)	-	(59)	(59)	0.0%
Consolidated	324	358	(9.5%)	1,309	1,232	6.3%
Net Income (Loss) [1]	171	222	(23.0%)	(89)	658	-
Adjusted Net Income (Loss) [1,2]	311	210	48.1%	807	694	16.3%
Basic EPS	$0.29	$0.37	(21.6%)	($0.15)	1.11	-
Basic Adjusted EPS[1]	$0.52	$0.35	48.6%	$1.35	$1.17	15.4%
Capital Investments	311	305	2.0%	1,575	1,567	0.5%
Assets Placed In Service						
Transmission	54	38	42.1%	1,164	889	30.9%
Distribution	88	105	(16.2%)	642	689	(6.8%)
Other	3	2	-	7	14	-
Consolidated	145	145	0.0%	1,813	1,592	13.9%

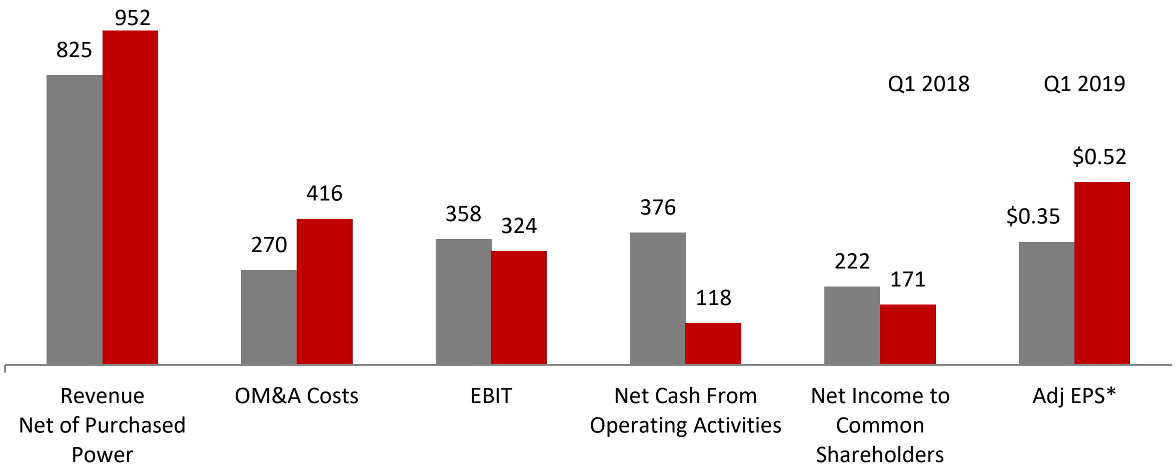
Financial Statements reported under U.S. GAAP

(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 Avista Corporation acquisition and the impact related to the OEB's deferred tax asset decision on HONI's Dx and Tx businesses

1Q19 FINANCIAL HIGHLIGHTS

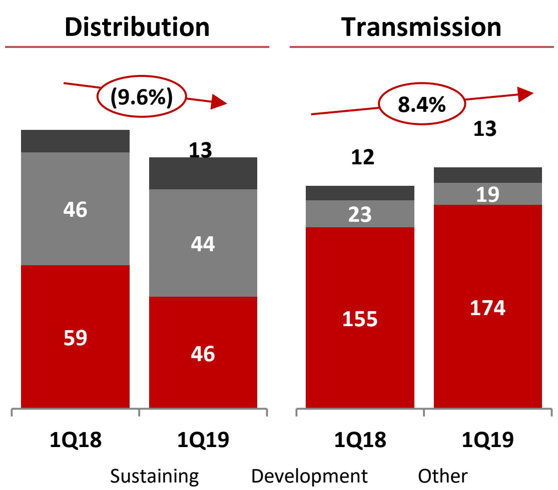
Renewed leadership and strong fundamentals continue to drive momentum while receipt of the distribution rates decision results in earnings catch up

Financial Highlights ($M) – 1Q19 Year over Year Comparison

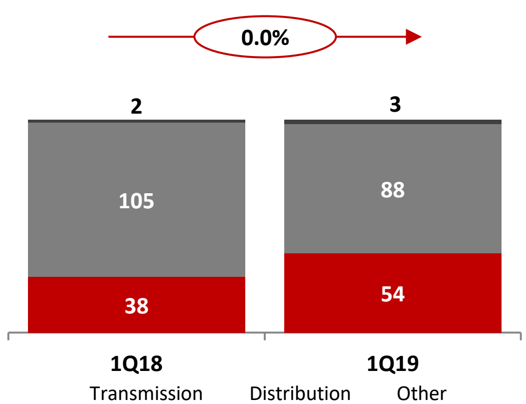


** Adjusted EPS exclude items related to the Avista Corporation acquisition*

Regulated Capital Investments ($M)



Assets Placed in Service ($M)



Financial Highlights:

Revenues Net of Power increased 15.4% during the quarter ended March 31, 2019, primarily due to the following:

- Impacts relating to the 2018 and 2019 distribution rates OEB decision received in March 2019; and
- Higher average monthly Ontario 60-minute peak demand driven by colder January and March in 2019

OM&A increased 54.1% during the quarter ended March 31, 2019 , primarily due to:

- The payment of $138 million Merger termination fee and higher project write-offs related to the regulatory decision on Lake Superior Link project.
- Partially offset by; Lower volume of grid sustainment work; and
- Lower corporate support costs.

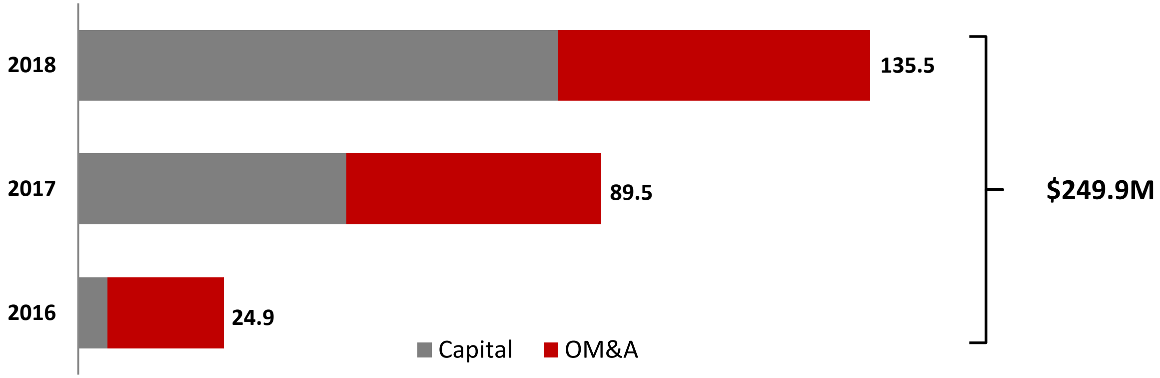
The following amounts related to the termination of the Merger agreement were recorded by the Company in its 2019 first quarter financial statements:

- $138 million for payment of the US$103 million Merger termination fee recorded in OM&A costs;
- $22 million financing charges, due to reversal of previously recorded unrealized gains upon termination of the foreign-exchange contract;
- redemption of $513 million convertible debentures and payments of related interest of $7 million; and
- $24 million financing charges, due to derecognition of the deferred financing costs related to convertible debentures.

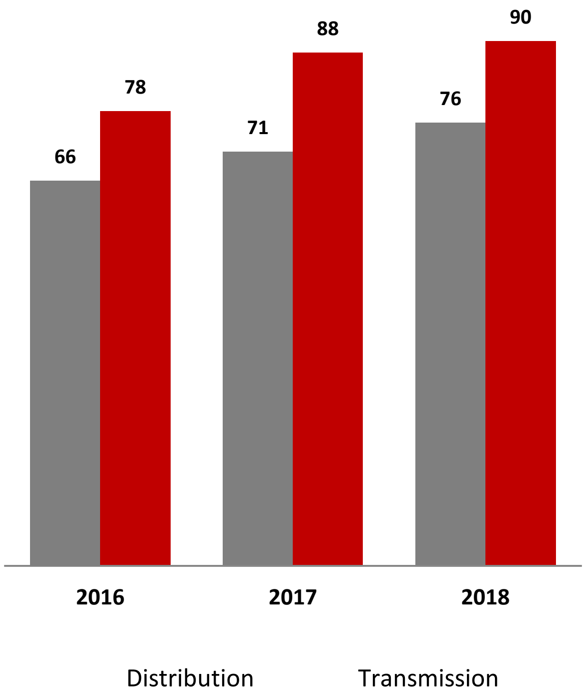
Income tax recovery was $16 million for the quarter ended March 31, 2019, compared to an expense of $42 million for the first quarter of 2018. The Company realized an effective tax rate (ETR) of approximately (9.9%) in the quarter, compared to approximately 15.6% realized in the same period of 2018.

ACHIEVEMENTS AND EFFICIENCIES

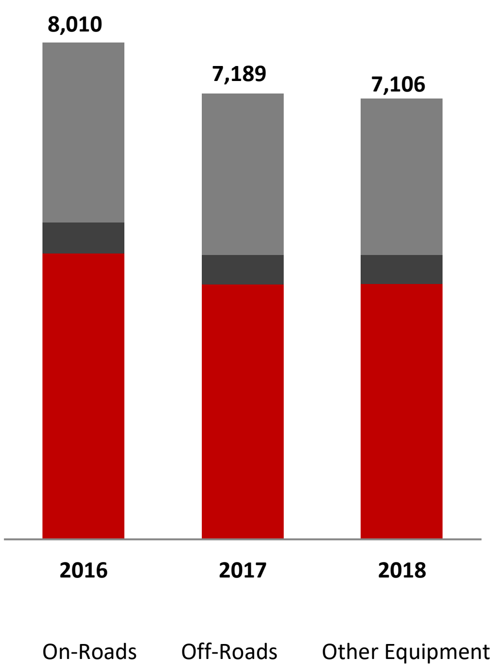
Paving New Paths in Productivity Savings ($M)



Improving Customer Satisfaction (%)



Reducing the Fleet by 10%



- Generated productivity savings of $135.5 million in 2018 comprised of $53.3 million in OM&A and $82.2 million in capital and totaling a quarter of a billion dollars since 2015
- Move to Mobile transformed work processes and implemented technology that automated the scheduling & dispatching functions
- 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 causing a reduction of fleet size by 10%
- Optimal Cycle Protocol (OPC) is a state-of-the-art vegetation management program that was implemented in October 2017. OCP will shorten tree clearing and trimming cycle to 3 years from 10 years

REGULATORY UPDATE

2018 – 2022 Distribution Rate Application

- On March 7, 2019, the OEB issued its decision, to be implemented on July 1, 2019.
- The OEB made reductions to 2018 OM&A ($32.3M or ~6%) and 2018-2022 Capital Expenditures ($300M or ~8%).
- Additional capital reductions were made in respect of pension contributions and capital costs to integrate the Acquired Utilities.
- Hydro One filed a Motion to Review and Vary the OEB's decision as well as an appeal to the Divisional Court (held in abeyance) with respect to reductions to pension contributions on the basis that Financial Services Commission of Ontario does not permit Hydro One to take contribution holidays, and as a result, Hydro One should be allowed to recover these legally required pension contributions.

2019 Transmission Rate Application

- On April 25, 2019, the OEB issued its decision, awarding an inflationary index of 1.4% and an effective date of May 1, 2019.

2020 - 2022 Transmission Rate Application

- On March 21, 2019, Hydro One filed a 3-year Custom Incentive Rate (CIR) application.

Overall Regulatory Scan

	Current Rate Methodology	Expected Rate base[1]	Effective term of next application	Comments
Transmission	Inflationary	2019 $ 12.6 billion[3]	May 1, 2019	One-year inflationary adjustment to transmission rates for 2019. Custom incentive rates framework for 2020-2022 filed March 21, 2019

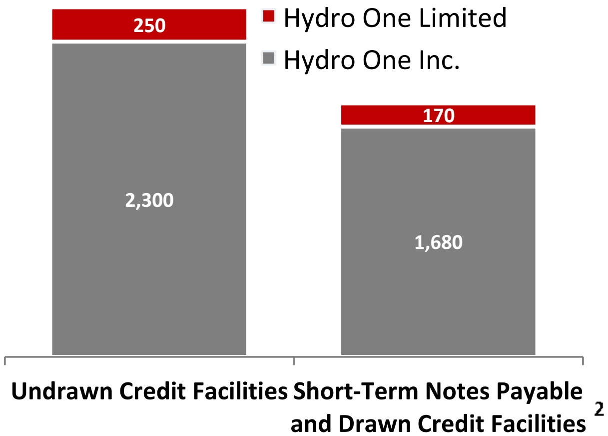
	Current Rate Methodology	Expected Rate base[2]	Effective term of next application	Comments
Distribution	Custom IR	2019 $ 8.1 billion	2018 - 2022	Custom incentive rates. Decision for 2018-2022 distribution rates received on March 7th, 2019

(1) Transmission rate base includes 100% of B2M JV and Hydro One Sault Ste. Marie
(2) Distribution Rate Base includes recent LDC acquisitions and Hydro One Remote Communities
(3) Company estimates subject to change and include amounts from March 2019 filed transmission rate application which is subject to OEB approval

STRONG BALANCE SHEET AND LIQUIDITY

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

Significant Available Liquidity ($M)



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

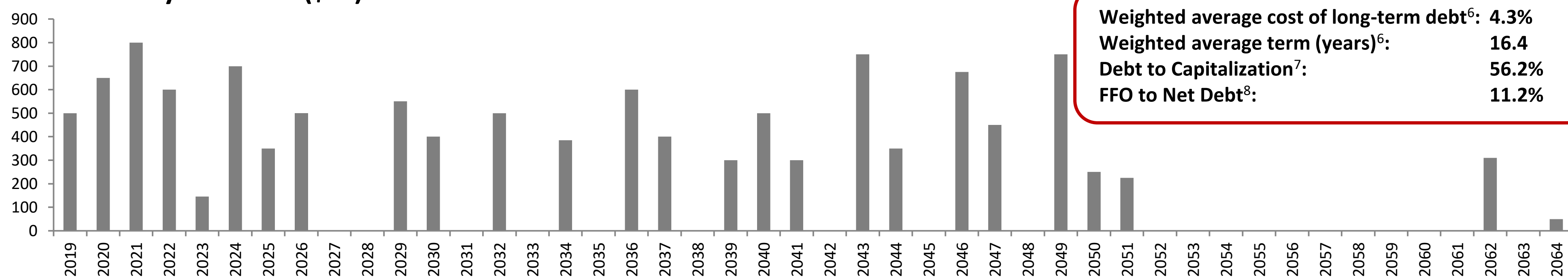
Hydro One Inc. (HOI)	
S&P	A- / A-1 (low) / negative[3]
DBRS	A (high) / R-1 (low) / stable
Moody's	Baa1 / Prime-2 / stable

Shelf Registrations

HOL:
Universal Shelf[4]: $4.0B

HOI:
Medium Term Note Shelf[5]:
$4.0B

Debt Maturity Schedule ($M)[1]



Weighted average cost of long-term debt[6]:	4.3%
Weighted average term (years)[6]:	16.4
Debt to Capitalization[7]:	56.2%
FFO to Net Debt[8]:	11.2%

(1) On April 5, 2019, Hydro One Inc. closed an offering of $1.5 billion of Medium Term Notes ("MTNs"), consisting of $700 million 2.54% MTNs due 2024, $550 million 3.02% MTNs due 2029 and $250 million 3.64% MTNs due 2050. The Debt Maturity Schedule includes these MTNs.

(2) On March 25, 2019, Hydro One Inc. increased the authorized aggregate principal amount issuable under its commercial paper program from $1.5 billion to $2.3 billion. On February 1, 2019, Hydro One entered into a credit agreement for a $170 million unsecured demand operating credit facility for the purpose of funding the payment of the termination fee payable to Avista Corporation as a result of the termination of the Merger Agreement and other Merger related costs.

(3) On December 10, 2018, S&P removed Hydro One's ratings from CreditWatch with negative implications due to S&P's revised assumption that the Merger is unlikely to close as expected, following the Washington Utilities and Transportation Commission decision on December 5, 2018 to deny the Merger. Also on this date, S&P placed the issuer credit rating on Hydro One and the issue-level rating on Hydro One Inc.'s senior unsecured debt on negative outlook due to uncertainty about Hydro One's ability to convert its strategy into constructive actions that support the Company's financial performance, broader concerns related to Hydro One's governance, and uncertainty regarding the Company's strategic direction.

(4) On June 18, 2018, Hydro One Limited filed a short form base shelf prospectus (Universal Shelf) with securities regulatory authorities in Canada to replace the universal shelf that expired on April 30, 2018. The Universal Shelf allows Hydro One Limited to offer, from time to time in one or more public offerings, up to $4.0 billion of debt, equity or other securities, or any combination thereof, during the 25-month period ending on July 18, 2020. Hydro One Limited filed the Universal Shelf to provide the Company with financing flexibility going forward.

(5) At March 31, 2019, $2.6 billion was available for issuance by Hydro One Inc. On April 5, 2019, $1.5 billion was drawn from the Medium Term Note Shelf, leaving $1.1 billion available for issuance until April 2020.

(6) At April 5, 2019, including $1.5 billion MTNs that closed on April 5, 2019, weighted average cost of debt was 4.1% and the weighted average term (years) was 15.8.

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

(8) FFO to Net Debt for the last twelve months ending Q1 2019 has not been adjusted for one-time costs related to the termination of the Avista Corporation acquisition.

INCREASED COMMON SHARE DIVIDENDS

Consecutive annual 5% increase announced on May 9th, 2019

Dividend Statistics	
Yield[1]	4.7%
Annualized Dividend[2,3]	$0.966 / share

(1) Based on closing share price on March 29th, 2019
(2) Unless indicated otherwise, all common share dividends are designated as "eligible" dividends for the purpose of the Income Tax Act (Canada)

Expected Upcoming Quarterly Dividend Dates[3]

Declaration Date	Record Date	Payment Date
May 8, 2019	June 12, 2019	June 28, 2019
August 8, 2019	September 12, 2019	September 30, 2019
November 6, 2019	December 11, 2019	December 31, 2019

Key Points

- Quarterly dividend declared at $0.2415 per common share ($0.966 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 five year capital investment program
- Non-dilutive dividend reinvestment plan (DRIP) was implemented post IPO (shares purchased on open market, not issued from treasury)

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

DISCLAIMERS

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

Forward-Looking Information

This presentation contains “forward-looking information” within the meaning of applicable Canadian securities laws. Forward-looking information in this presentation 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. Such statements include, but are not limited to: statements about senior management transition; statements related to vegetation management; statements about consolidation; statements regarding ongoing and planned projects and initiatives; statements related to dividends; statements regarding future equity issuances; expectations regarding planned or expected capital investments; statements related to rate applications, proceedings, anticipated regulatory decisions, and impacts; statements related to the Universal Shelf and the Medium Term Note Shelf; statements related to credit ratings; statements related to the Ontario Climate Change Action Plan; and statements and projections regarding rate base, cash flows, and borrowings.

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

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Non-GAAP Measures

Hydro One prepares and presents its financial statements in accordance with U.S. GAAP. “Funds from Operations” or “FFO”, “Adjusted Net Income”, “Revenue Net of Purchased Power” and “Adjusted Earnings Per Share” are not recognized measures under U.S. GAAP and do not have standardized meanings prescribed by U.S. GAAP. These are therefore unlikely to be comparable to similar measures presented by other companies. Funds from Operations should not be considered in isolation nor as a substitute for analysis of Hydro One’s financial information reported under U.S. GAAP. “Funds from Operations” or “FFO” is defined as net cash from operating activities, adjusted for the following: (i) changes in non-cash balances related to operations, (ii) dividends paid on preferred shares, and (iii) non-controlling interest distributions. Management believes that these measures will be helpful as a supplemental measure of the Company’s operating cash flows and earnings. For more information, see “Non-GAAP Measures” in Hydro One’s 2018 full year MD&A.