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Corporate Speakers:
- Wassem Khalil; Hydro One Inc.; Director of Investor Relations
- Megan Telford; Hydro One Inc.; President, Chief Executive Officer
- Harry Taylor; Hydro One Inc.; Chief Financial and Regulatory Officer

Participants:
- Michael Lonegan; Barclays; Analyst
- Maurice Choy; RBC Capital Markets; Analyst
- Mark Jarvi; CIBC; Analyst
- Robert Hope; Scotia Bank; Analyst
- Benjamin Pham; BMO; Analyst
- John Mould; TD Securities; Analyst
- Patrick Kenny; National Bank Capital Markets; Analyst

PRESENTATION

Operator^ Good morning, ladies and gentlemen. Welcome to Hydro One Limited's Second Quarter 2026 Analyst Teleconference. (Operator Instructions) As a reminder, the call is being recorded.

I would now like to introduce your host for today's conference, Mr. Wassem Khalil, Director of Investor Relations at Hydro One. Please go ahead.

Wassem Khalil^ Good morning. Thank you for joining us for our quarterly earnings call. Joining me on the call today are our new President and CEO Megan Telford, and our Chief Financial and Regulatory Officer Harry Taylor.

On the call today we'll provide an overview of our quarterly results. Then we'll answer as many questions as time permits during our question-and-answer session.

As a reminder, today's discussion will likely touch on estimates and other forward-looking information. Listeners should review the cautionary language in today's earnings release and our MD&A which we filed this morning regarding the various factors, assumptions and risks that could cause our actual results to differ as they all apply to this call.

With that, I turn the call over to our President and CEO, Megan Telford.

Megan Telford^ Thank you very much, Wassem. Good morning, everyone. Thank you for joining us for our second quarter results call. I am pleased to be releasing this call my first as President and CEO of Hydro One. This morning, I will provide an update on our recent activities and key accomplishments during the quarter. Following my remarks, Harry will take you through our financial results.

I am deeply honored to take on the role of President and CEO of Hydro One. It's an important moment for our company and for the utility sector broadly. David Lebeter's leadership leaves a strong legacy, one defined by unwavering focus on safety, performance, and people, which has positioned Hydro One well for the future. I am deeply grateful for his contributions and for the enduring foundation he has built. I am proud to lead an organization with such a strong history and even more energized by the opportunities ahead. to build on our momentum and seize the opportunities that we see before us.

Together, we have achieved great success executing on our strategy which is built on four key pillars: customers, growth solutions and partnerships. We will build on this momentum by responding to the changing landscape where appropriate, continuing to improve execution, further enhancing our performance and strengthening the position of the company for long-term success.

We will continue to make critical strategic investments in our system to deliver safe, reliable and resilient services. This means investing in grid stability, storm preparedness and system modernization to keep the lights on, restore power quickly after major storm and to continue to deliver major projects on time and on budget. We also continue to implement programs and tools for our customers to make it easier to do business with us and show them that we care.

At the same time we will continue to build strong relationships in track with many of our partners including indigenous communities, municipalities, residents and the governments. These are foundational elements that have made Hydro One successful. I have a deep appreciation for the work we do and the responsibility we carry with the customers and communities we serve, particularly at a time when the role of electricity in our economy in daily lives has never been more important. I intend to build on this strong foundation and look forward to delivering on our products to our customers, partners and stakeholders.

CET remains our highest priority. Our focus on achieving zero life-altering injuries and fatalities is unwavering. A strong safety culture is the foundation of operational excellence, and we will continue reinforcing our safety principles and expectations. So every employee and contractor return home safely at the end of each day.

As electricity demand continues to grow across Ontario, aging infrastructure and changing weather patterns are placing increased demand on the electricity system. Hydro One is advancing the transmission infrastructure required to provide reliable, cost-effective and resilient power home businesses and communities. These investments not only address today's needs but also help prepare the provincial electricity grid for future growth by replacing aging assets reducing congestion and enabling increased electrification and clean energy integration.

On April 23, 2026, Hydro One was designated to develop and obtain all necessary approvals for the Red Lake Transmission Line in Northwestern Ontario, north of Dryden. This priority project will include new double circuit transmission line extending from a dried-in transformer station to the year falls transformer station including associated station facilities and connecting to the Red Lake switching station. The project is expected to be in service in the early 2030s and will support reliability and economic development across the region.

Consisting of Hydro One's long-standing approach to indigenous partnerships, the project will follow the company's 50-50 First Nation equity partnership model, enabling participating First Nations along the route to share directly in the long-term value created by the infrastructure. We've announced several critical investments in our transmission and distribution systems to modernize strengthen and expand the grid in support of economic development and increased electrification across the province.

During the quarter, Hydro One submitted lead to construct applications to the Ontario Energy Board for three major transmission projects. First, Northeast power line, a single circuit 500 kV transmission line connecting the Greater Sudbury area to the Wharncliffe area. Second, Longwood to Lakeshore line, a single circuit 500 kV transmission line connecting the Municipality of Strathroy-Caradoc and Municipality of Lakeshore. Third, durum Corsa line, a double-circuit 230 kV transmission line connecting the Municipality of Clarington and Peterborough County. Collectively, these projects represent more than $3.4 billion in planned investments and are expected to enter service between 2029 and 2030.

Hydro One also filed a lead to construct application for the Orleans area reinforcement project in the Greater Ottawa area. The project includes a new 115 kV transmission line and the conversion of an existing 115 kV line to 230 kV. With an investment of approximately $100 million, the project will increase regional capacity, improve transfer capability and strength and reliability. The project is expected to be in service by 2029.

As many of you are aware, Ontario is experiencing an unusually active wildfire season this year. I would like to briefly address the situation and its potential implications for our business. We are seeing a higher number of fires this year. In fact, the number of wildfires in Ontario this year is 54% above last year's and 56% above the 10-year average. Our highest priority remains the safety and well-being of our employees, contractors and the communities we serve. At this time wildfire activity has not had a major impact in our operations and no fires have been attributed to our assets or infrastructure. We continue to work proactively with our teams. Customers and local authorities to monitor conditions, mitigate potential risks and maintain operational readiness. We remain committed to supporting our employees and communities throughout this period while continuing to deliver safe, reliable and resilient service.

Meeting Ontario's growing electricity needs will require a skilled, diverse and future-ready workforce. To support this objective, Hydro One renewed its long-standing university partnerships with Toronto Metropolitan University, University of Waterloo, Ontario Tech University and Western University. The renewed partnership includes a $1.2 million investment over three years and is expected to benefit more than 60,000 students across Ontario, building in more than a decade of collaboration, the program will expand to 12 outreach, mentorship opportunities, student awards and career development initiatives, helping strengthen the talent pipeline for Ontario electricity sector. Through these investments, Hydro One is helping prepare the next generation of engineers and energy professionals who will support a safe, reliable and sustainable electricity system.

Hydro One's success is driven by the dedication, professionalism and expertise of our employees. Their focus on safety, customer service and excellence is what makes this company successful and these efforts continue to be recognized by respected organizations across Canada and internationally.

During the quarter, Hydro One earned several notable recognitions including being named among Corporate Knight's 50 best corporate citizens in Canada, recognizing leadership and sustainability and responsible business practices.

We were included in Time Magazine and Statista Canada's best companies 2026 based on employee satisfaction, sustainability, transparency and financial performance. We were recognized by Forbes as one of Canada's Best Employers for Company Culture, reflecting strong performance in areas such as fairness, inclusion, opportunity and workplace culture. These achievements are a testament to our values, our culture and the outstanding work our teams deliver every day. They reflect our focus on building a workplace where employees feel valued, empowered and connected to our purpose.

With that, I will turn the call over to Harry to go over through the financial results. Over to you, Harry.

Harry Taylor^ Good morning. Thank you for joining us today. Before discussing our financial results, I would like to take a moment to welcome Megan to her first earnings call as President and CEO of Hydro One. Welcome, Megan.

Having worked closely with median over the past 2 years, I have seen firsthand her strong leadership, deep understanding of our business and unwavering focus on delivering for customers, employees and shareholders. Megan's combination of strategic thinking, and focus on operational discipline will serve us well as our growth accelerates and our sector evolves.

Turning to the quarter. Net income attributable to common shareholders in the quarter was higher by 13.1% compared to the same period for a year ago. The key drivers behind the result this quarter include higher revenues net of purchased power due to higher OEB-approved 2026 rates higher average monthly transmission peak demand, a higher distribution customer count and more electricity distributed to our distribution customers. lower depreciation, amortization and asset removal costs primarily due to lower asset removal costs resulting from reduced storm restoration efforts also contributed to our earnings growth. These profit drivers were partially offset by higher OM&A costs primarily due to higher work program expenditures including emergency power restoration and line maintenance work.

A higher interest expense due to an increase in long-term debt outstanding, partially offset by higher capitalized interest and higher income tax expense due to higher pretax earnings, partially offset by higher deductible timing differences. This resulted in second quarter basic earnings per share of $0.62 compared to $0.54 in the second quarter of 2025.

Our second quarter revenue, net of purchase power, increased year-over-year by 5.5%. Transmission revenues increased by 7.2%, primarily due to higher revenues from OEB-approved 2026 rates and 0.5% higher average monthly peak demand. Distribution revenues net of purchased power increased by 2.4%, mainly due to increased revenues from OEB-approved 2026 rates, 4% higher energy distributed to 0.8% more customers.

On the cost front, operating maintenance and administration expenses in the quarter increased by approximately 3.4% year-over-year. In the Transmission segment, costs were higher by 4.7%, mainly due to higher corporate support costs and a higher spend on vegetation management, partially offset by a onetime reduction to the property tax provision.

In the Distribution segment, costs increased by 3.7% and mainly due to higher work program expenditures including emergency power restoration and lines maintenance work as well as higher corporate support costs. These were partially offset by net income neutral items which are offset in revenue. Depreciation, amortization and asset removal expenses during the quarter were lower by 2.8%. The decrease was primarily due to lower asset removal costs resulting from reduced storm restoration efforts compared to the prior year. This was partially offset by higher depreciation expenses due to growth in capital assets as the company continues to place new assets in service.

With respect to our financing activities, we saw a 7.1% increase in interest expense year-over-year. This was mainly due to the increase in our outstanding long-term debt. Following the additional issuances we executed in Q4 2025, and our inaugural U.S. dollar issuance during the quarter, partially offset by higher capitalized interest.

During the quarter, Hydro One issued USD 1.0 billion of senior 4.75% notes due in 2031. The issuance was well received by U.S. fixed income investors, and we were pleased with the demand for the product. We entered into a swap arrangement on the day of issue that resulted in a Canadian fixed equivalent rate of 3.835%.

We intend to become regular issuers in the U.S. fixed income market as having the ability to access two markets provides us with flexibility to fund our future capital needs and growth opportunities. The net proceeds from the offering will be used to repay some maturing long-term debt and certain short-term indebtedness including commercial paper as well as for other general corporate purposes. Our balance sheet continues to be in excellent shape, along with our creditworthiness. Our FFO to net debt ratio as at June 30, 2026, was 14.1% and remains well above the threshold limits the rating agencies use to trigger a credit rating review.

Turning to taxes. Our income tax expense in the quarter was $69 million compared to $61 million in the same quarter last year. The increase year-over-year was primarily due to higher pretax earnings. This was partially offset by higher deductible timing differences than the prior year including additional tax deductions from the reintroduction of accelerated capital cost allowance that are offset by a corresponding reduction in revenue and therefore net income neutral. As a result, our effective tax rate this quarter was 15.6% which was similar to a year ago.

Looking at our capital expenditures. In the second quarter, we invested $812 million which was a decrease of 11.1% from the same period in 2025. The decrease resulted from a lower volume of station refurbishments and equipment replacements, as well as a lower investment in the Washington, St. Clair and the Northeast power line projects, coupled with a lower spend on storm-related asset replacements. These were partially offset by an increase in investments relating to Ontario's broadband initiative the advanced metering infrastructure or AMI 2.0 system and a higher spend on other major development projects.

Looking at our assets placed in service. In the first quarter, we placed $644 million in service for our customers which was an increase of 9.0% compared to the prior year. In the transmission segment, we saw an increase of 147.6% year-over-year, primarily due to timing of assets placed in service for station refurbishments and replacements. These were partially offset by the absence of in-service additions relating to the Orillia distribution warehouse that occurred in the prior year.

In the Distribution segment, in-service additions decreased by 36.9% from the prior year, mainly due to the lower volume of storm-related asset replacements. The absence of in-service additions relating to the Orillia distribution warehouse in the prior year. and the timing of investments placed in service for system capability reinforcement projects. These were partially offset by higher investments in the broadband initiative and the AMI 2.0 system.

I am pleased to report that our Board of Directors declared a dividend of $0.3531 per share payable to common shareholders of record on September 9, 2026. Looking ahead, we continue to expect earnings per share to grow between 6% and 8% annually for this rate period using the normalized 2022 EPS of $1.61 as a base. Looking even further ahead, I know many of you are interested in our joint rate application for 2028 to 2032. We expect to file the application in October. While I cannot provide specific details in advance of the filing, I can assure you that the application contains compelling proposals to further enhance the reliability and resilience of our transmission and distribution systems, support the electrification and economic growth of Ontario and deliver good value for money to our customers while providing appropriate returns for our shareholders. We believe these investments will help ensure the energy system remains well positioned to meet the province's evolving needs and support long-term growth for all stakeholders.

With that, we will open the phone lines and be happy to take questions.

Wassem Khalil^ Thank you, Megan and Harry. We'll now open the call for questions. The operator will explain the Q&A polling process. (Operator Instructions) Please go ahead, [Shannon].

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from the line of Michael Lonegan with Barclays.

Michael Lonegan^ Congrats, Megan, on starting the new role. So as we think about the upcoming JRAP application, I know Harry, you said you can't provide details, but anything high level you can preview in terms of what we could expect aside from a substantial increase in the capital program? Like could we expect you to ask for a higher equity thickness and increased earnings sharing threshold, for example?

Harry Taylor^ Michael, I'm afraid I can't give any of those at this point. The trailer in my prepared remarks is as much as we can say. It's around the corner, and you'll see it very shortly.

Michael Lonegan^ Okay. Great. Then obviously expectation is a substantial increase in capital requested. You've talked about needing equity in the next JRAP period. Anything you could say about what portion -- what percentage of incremental CapEx could be financed with equity? Would it be an ATM program? And also, what would your FFO to debt target be?

Harry Taylor^ I can make a couple of comments there. We're committed to our credit rating. Our -- we're very proud of our A credit rating, and so we want to maintain that. The FFO to debt, our downgrade threshold is 11%, and we want to make sure that we don't violate nor even really approach too closely that level. Therefore the equity needs will be sold to preserve that credit rating.

In terms of the vehicles we'll use, we'll look at hybrid debt first because we get 50% equity credit for hybrid debt. But inevitably, equity will be required in the next period. An ATM program is very attractive because it's almost just in time. to minimize dilution for our shareholders. But if market conditions were right, and we had significant capital needs, a bigger issue could also be considered.

So we're keeping our options open -- as wait until the application is approved, and we know with clarity, what we need to fund through '28 through '32, and then we'll develop our -- and communicate our financing plan at that point. But we are thinking of all the avenues that you outlined. We're in a very strong position to start and seeing the success of ATM programs, the success of hybrid debt. We don't need to innovate, if you will, we can follow tried and true solutions for ourselves.

Operator^ Our next question comes from the line of Maurice Choy with RBC Capital Markets.

Maurice Choy^ My first question perhaps is for Megan. In your prepared remarks, you highlighted the four key pillars of customers' growth solutions and partnerships. When you think about your next 12 months which of these four key pillars do you think requires more attention for you and why?

Megan Telford^ Well first of all, thanks very much for the question. And really, I think what's interesting is before taking on this role under my COO mandate, I had strategy as part of my area. So -- but I think the customers grow solutions and partnerships for me, they're equally balanced. What I would say and you heard Harry talk about our upcoming rate application, is, obviously we're not going to talk about the details what's in there. But when you think of what's happening right now in our sector, you have aging infrastructure you have obviously inclement weather that we can all feel and we have increased electrification in Ontario.

Those are all things at the end of the day that we need to for the province and for our customers. So they're all important. But at the end of the day a utility like Hydro One served the customers and we've got our customers' needs as a part of what we do.

Maurice Choy^ When you think about the customers, I think your engagement for the JRAP has recently ended. And just curious whether or not since then, have you heard more in terms of how they've looked to the upcoming JRAP, how they're engaging with you or how are you engaging with them as you approach your primarization of your application?

Megan Telford^ Sure. So first of all, as you can appreciate in the first eight weeks of the row, I've been out meeting of all sort of people, stakeholders and many people, and we're always sort of listening to the point of the customer. On the specific regulatory engagement, we of course engage customers, I'm going to turn to Harry as it is his portfolio.

Harry Taylor^ Maurice, we have completed our customer engagement as part of our filing and have very strong sort for the proposals that we will be filing in October which was refreshing to see. At the same time, we are aware of the cost of living issues that have risen to the top of Ontarians agendas. We've seen some polling that indicates for the first time in a long time cost of living is the number one issue on Ontario voters mines. It has exceeded housing, that so-called housing crisis, and healthcare which are usually number one or number two.

So we are being responsive to that. At the same time, we're making what we think our responsible proposals to invest in the infrastructure to enable growth improve reliability and resiliency, but also mitigate bill and rate impacts because we're not tone deaf and you'll see that in the application. We'll talk explicitly about that.

Maurice Choy^ And maybe just finishing off on a question on the balance sheet. Harry, you did mention that you ended the quarter at 14.1% FFO to debt. As you mentioned, that's materially above the 11% downgrade (inaudible). Philosophically speaking, how do you think about what is the appropriate cushion versus the downgrade threshold for unexpected circumstances. And as you think about where you would be at the end of the next five years versus where you were or you will be ending in this 5-year period. Like is there a potential for this metric to progressively build back to 14% at the end of that.

Harry Taylor^ It's an interesting question, Maurice. In the early part of the rate period, we will be under pressure, and that's where we'll need to support the balance sheet with equity, because the amount of capital expenditures that we'll have are very significant. And as you know it takes a particular for transmission lines, but even distribution investments there's a lag between the investment then the move into rate base and earning the returns and generating funds from operations. the pressure will be early in the rate period and then will normalize.

So that's something that we are watching specifically 100 basis points above 11% is a flatting yellow light and 50 basis point is a flashing red light. And so we will be monitoring our performance and using our forecast and outlook to make sure that we don't end up flirting with reaching the threshold.

Maurice Choy^ Congrats, Megan, on your start of your CEO tenure.

Megan Telford^ Thank you, appreciate that.

Operator^ Our next question comes from the line of Mark Jarvi with CIBC.

Mark Jarvi^ Megan, I sort of communicated that it's going to be much of the same with the CEO transition, and I see no real need for big changes you're part of the strategy, obviously. But how would you compare and contrast your management style with David? I guess how does that influence anything in terms of whether it's customer engagement, procurement, growth, project execution, just anything that might feel that are seeming a bit different with you at the helm now.

Megan Telford^ Well first of all, Mark, good to hear from you. I would be remiss in answering that question if I didn't say a thoughtful thank you to my previous boss, David Lebeter, obviously an incredible mentor to me. I imagine right now he's doing something delightful in retirement, so we're thinking of them. So I would say clearly, David and I are different people, very different background. But we are very similar from a value perspective. And that's what I appreciate most, although he had a very, very deep expertise in forestry considerable time of BC Hydro, et cetera, I come from law and banking. But actually, the heart of why I joined Hydro One is the same.

I come from a small town, I think of either one's footprint across the province. Our employees live and work in these communities. Then for those of you who are from environments like that, you'll know how deeply personal it is to really think about electricity and the growth across the province is what we need right now. So I don't think you'll see much change from that.

In my first eight weeks, I had a very, very fortunate opportunity to get out and have listening to or speaking to people trying to get out and talk to our employees directly. So that is very much similar to what David had been doing. He's very on the ground leader, I'm a very on-the-ground leader, and I think leading an organization like Hydro One.

The only thing I would say from a difference perspective is not really a difference between David and I. You heard me mention in the previous comments that when you look at what the province needs that we're focusing on, again these increased storms, obviously wildfires as you can see what's changing the province continued push for electrification.

As I imagine, over my tenure, those things are going to intensify. That's why we're focused on delivering for customers. That's why you hear us talk about those themes for JRAP. So really, it's a continuation of what David did, but I imagine tool be even more pronounced in or my leadership just by the nature what's going on the world right now.

Mark Jarvi^ That's very helpful. Then just on your listening tour, just case in terms of the different constituent and types of customers out there, whether it's industrial, small commercial or residential. Anything kind of surprise in terms of the feedback or what's their pinch points more recently? And is there any tension between what some customers need and want in terms of growth and demand for electricity versus others who are feeling a little bit of the pain in terms of customer affordability? Just wondering whether there's some challenges to mesh all the needs that are out there from your constituents.

Megan Telford^ Yes. I think what's really interesting is that we obviously participate in a lot of different associations. Just talking yesterday we were speaking to show on (inaudible) major power producers. When you listen to a group like that and they have a fantastic leader (inaudible), but what they'll say is they're very supportive for what we want to do.

I mean if you're thinking if you're an industrial organization in Ontario right now it's not really been up front of time in the last year with tariffs, obviously increased pressure. And as a very proud Canadian, as I know we are in this call we need the companies to thrive. So they're really looking at the thing Harry already spoke about, what is affordability and how can they make sure that we keep those businesses in Ontario.

So I think from an industrial perspective, they're really trying to understand will the better be there when they need it. They're looking for increased reliability because obviously it has a big impact on their business. And of course they're really looking to ride out this very usual time in our -- in what's happening, I guess economically, especially on with tariffs, et cetera.

On the residential piece, again I just have to leverage what Harry said, those customers are really feeling on everyday pocketbook issue. You can see the price of food. You can see the things you're wrestling with. So that's why we're being so mindful about affordability, the rate in Paco. It's a similar theme, but I would say just different nuances. And of course the individual customers is a little less fluent particularly on what we're building in the province and industrial customers are very engaged. But what is united between them is they want to see Ontario prosper, and they know that we need to continue to electrify and we know we need to be thoughtful about bills to make both those things happen.

So just Harry, do you have anything you'd like to add to that from your regulatory perspective?

Harry Taylor^ No. I think you've summarized it well.

Mark Jarvi^ Maybe, Harry, I'll just ask you a follow-up. Just in terms of the last things that need sort of ironed out on the JRAP submission, like where are you spending with your time? Is it scope of work? Is it refining cost estimates? Is it trying to find some relief on the affordability front. Like where is the last sort of effort here now to the finish line?

Harry Taylor^ At this point, Mark, we are just finalizing all the documentation that we put together, we have mountains of expert evidence, expert reports analysis. We're trying to bring it all together to tell the full story to support the proposals that we're making bring the customer perspective in reflect what we know our customers are feeling, but also what we know the grid needs in terms of reliability and resilience and what will support the economic growth of the province and at the same time ensure that we can deliver decent returns for our shareholders. So it's putting it all together, all the hard work has been done. Now it is bringing it together, putting it into the documents that we need to file in a way that's logical, understandable and makes sense.

Megan Telford^ One thing I would add there, Mark, just from my perspective, is that you can imagine yourself in my situation, I think I've been here. But we're all using this leadership transition. I mean we have the beauty of benefits, excuse me, of a very smooth leadership transition from a governance perspective which we're all very grateful for.

So when you come into the seat like mine, we're taking the time here and I just sort of try to look at it with fresh eyes. Very good proud of our regulatory team. I mean they are really an incredible group you can imagine an application of this magnitude, the level of engagement across the organization. So what I can tell you on behalf of Harry and I is that, yes, we're in the refining period of when that extra application goes in, I would tell you, we will have gone for every line been super diligent and we'll know it's out to the right things people of Ontario.

Mark Jarvi^ Great to hear. Looking forward to the update this fall.

Operator^ Our next question comes from the line of Robert Hope with Scotia Bank.

Robert Hope^ I want to go back to the balance sheet and the funding plan. So how are you thinking about the increasing kind of capital requirements over the next couple of years? Then how do you balance that with the fact that you will get some capital back for a number of these larger projects at completion, just given the 50-50 First Nations partnership. So how are you thinking about kind of the near term versus kind of the, we'll call it, medium- to longer-term requirements there?

Harry Taylor^ Rob, it's something we're working through is supporting both the rate application and our long-term financial projections. And as I was saying a little earlier, there is this lag, as you point out, when we think of transmission, the transmission lines that we will be building between now and 2032. We fund all the construction once the launch energize the rate application has been approved for that line then our First Nations partners have the next year from the date of energization to buy in that recycle some capital.

So it's the early pressure that we are building the scenario. So we build the funding plan to support that, protect our credit rating, not issue too much equity because we are also conscious of dilution and that's why an ATM program worked well. The pressure comes in the early part of rate period, and then we normalize mid- to end of the rate period.

One of the things that we will do once we have an approved application is we'll have an Investor Day we'll lay out the plans for the next what will be 6-ish years because it will be in advance of the rate period starting. That includes the funding outlines how we see it developing and the tools that we will be using to minimize dilution, protect our credit rating and fund what we need to fund.

Robert Hope^ All right. Appreciate that. Then maybe just keeping on the transmission increasing spend there. How is the organization positioned to execute on this increasing plan? And any supply chain challenges that you see as you're ramping up spend?

Harry Taylor^ I'd say we're -- we -- between our ops teams and our procurement team -- they have great visibility into the knees. Human resources, material, et cetera, and the timing. So the planning is underway. I'd love to say we've got a bow tie on it, and we have no concerns, but that would be misleading. As we look ahead, the entire world is electrifying.

It's not just Ontario. The manufacturers of equipment are seeing unprecedented demand. They're adding capacity. There was an article in the globe about Hitachi, one of our strategic suppliers, adding capacity in Quebec. We recently added some capacity in Grigsby, Ontario as well. And so we're working with our vendors and our HR team as well as we think about both procurement but also resourcing.

We use a lot of contractors to support us. We're giving them visibility for some of the bigger projects like transmission lines. We have an early contractor involvement initiative to bring them in early, commit to them so they can commit resources. They see our order book, if you will, and understand that, hey, this isn't one and done. This is a series projects, investments that are being made. So this is a customer from their point of view, we want to support because we've got a great runway business ahead. So we're trying to consolidate as best we can with them.

So they have visibility not to just the next project, but the next years of projects. So we will secure what we need. We are not hesitant on the material side to make commitments for long lead time. We have production slots for some of the scarcest resources as many as three and four years out, with some pricing contracts and governors, et cetera, not fixed price, but parameters, et cetera. So we're doing everything we can to look ahead, stay ahead, consolidate relationships so that we are not someone who's suffering from a lack of supply of either material or human resources.

Operator^ Our next question comes from the line of Benjamin Pham with BMO.

Benjamin Pham^ I wanted to -- you mentioned the wildfire acceleration in Canada. I know you mentioned there's no current impact on Hydro One. But can you talk practically how it plays out with wildfire damages to your infrastructure? Is that factor filing? And you also comment, any conversations you had with respect to credit rating agencies and how they're thinking about broader Canadian (inaudible) for utilities?

Megan Telford^ So I'm happy -- first of all, thanks for the question. I'm -- well (inaudible) probably take this one in tandem. So first of all, yes, we can all see it's been a very unusual wildfire season, obviously one of the works that people have seen in Canada, and indeed, I'm sure people are also monitoring the top pan Europe. So it has impacted some of our infrastructure in Northern Ontario. But we actually spend, as you imagine, in our line of work, a great deal of time preparing for this.

We have very, very strong preparedness programs run by our ops team with very close coordination with our fire management partners, the Ministry of National Resources, and we have very dedicated crews. So where we are allowed and work at the government decision to make sure that the area is safe.

We obviously can respond very quickly and restore power. So our main focus at all times in wildfires is protecting the people that live there, protecting our employees, really supporting the communities and of course we want to get the power up as quickly as possible to the customers. So that's what we're doing right now. Harry, do you want to speak about the particularly potential regulatory recovery?

Harry Taylor^ Yes. Ben, any wildfire recovery or restoration work that we would incur. We would add into rate base the way that we do normal storm restoration, not a storm (inaudible). I guess on fire storm, not a ice or wind storm. That's normal course. You mentioned Z factor. There's very specific conditions Thankfully, we are not anywhere close to meeting the conditions for Z factor because that would be very destructive in terms of equipment losses infrastructure losses, et cetera. We don't anticipate that the Z factor filing from the ice storm of March 2025, gave us a better understanding of how the OEB interprets the qualification. But we're nowhere close to incurring any of those restoration costs and capital expenditures, but we're watchful.

So all the great work our ops teams do to prepare for in advance should fires start approaching any of our infrastructure will hopefully minimize if that were to happen any damage and also minimize restoration. But I have no concerns that any incremental capital expenditures we incur would have any issues, the regulator would not have any issues with us adding it into rate base and recovering our earning revenue over time.

Benjamin Pham^ Okay. Got it. You've been quite active on OEB filings on a couple of prior transition line. So thanks for that update. So can you talk about maybe the timeline for the remaining TBD, there's another eight to nine projects. Do you think that you can file a material (inaudible) before the next JRAP filing? I know it's not included in that, but just more curious about the timing.

Harry Taylor^ We use a next rate application filing, not October, you mean the next one for 2033 to 2037?

Benjamin Pham^ Yes. Sticking more, there's a couple of priority transmission projects that you haven't filed separate to filings. Are you able to have those CapEx numbers as I would think it has maybe more indirect impact on how you think about the JRAP?

Harry Taylor^ Well there are two things. The one rate application is for Hydro on Networks, Inc. So the future transmission lines will be their own rate application because they are partnerships with the First Nations. But when I -- when we present at our Investor Day after the investor -- after the rate application is approved, we'll lay out the Hydro One Limited outlook and expectations, so you can get a sense of that.

We will not -- we won't file Section 92 lead to construct applications in a hurry. We'll file them as we require, once we've done all the work to get the credible estimates to file. So we don't want to rush them because some of these lines will not be in service until 2031, 2032. We want to make sure that we are not front running in a way that may cause us challenges from either a pricing or availability of resources. We may have one or two more that are filed in advance of the filing, and we will communicate as we file each lead to construct application once it's filed with the OEB.

Operator^ (Operator Instructions) Our next question comes from the line of John Mould with TD Securities.

John Mould^ Maybe just starting with competitive transmission procurement. Hydro One was added to the ISO's transmitter selection framework registry. Earlier this year, there's five other entities on that list. At a higher level, how are you as an organization thinking about broader competition for some portion of future transmission needs in the province. Then more specifically, the upcoming competitive RFP for Toronto third line.

Megan Telford^ John, thanks for the question. So first of all, I would say it's a very interesting process because, of course the ISO is developing new rules in real time I'm sure you've been following it. So for the third line, I would say is, look, Hydro One is very, very well positioned to compete. We are a competitive organization, an innovative organization, and we have a winning team. The other thing I would state just to remind people is that there is actually already incredible amount of competition in the building of transmission lines in Ontario because we obviously contract with a number of firms.

We don't do the whole thing ourselves. So in the procurement, and Harry talked about supply chain and a number of things that go into building the line, those entities compete against each other through our RFPs to win the right to assist us in building those lines. So first of all, I just want to start with the actual competition that exists today.

On the third line, I would say obviously we're very interested in this under ACVC cable line. So what we're really doing is participating in the process, as we mentioned, we're registered. What we're doing is really evaluating the opportunity as it comes along. So that one needs to come into a bit sharper focus as the ISO develops their roles in terms of what we would do, and I'm sure at that time I would update you on our participation. But right now we're full participating.

The last thing I would comment about is that we really appreciate the ISO's approach because, of course they're consulting with people. And every time they ask for consultative leases, of course submit our views on how that line should be competed. So very interested, and I'm sure like you will be watching it very closely.

John Mould^ Okay. Then maybe just one potential investments outside of Ontario. As an organization, you said in the past that those would need to not distract from what you're doing in the province being consistent with the existing asset base? And and be relatively closed geographically. Can you just give us an update on what anything you've seen in terms of potential opportunities along those lines?

Megan Telford^ I guess what I'd say is, look, we're not chasing growth outside of Ontario just for the sake of chasing something. I mean we are very clear on what we're great at, and that's really serving the people's Ontario making sure there's great reliability and making sure there's a strong future in terms of energy here. So obviously again as I mentioned, proud Canadian watching very closely what's happening right now in the world. You can see the federal government level that people are exploring all sorts of projects across Canada, and we have a very unique relationship and partnership with First Nation.

So look, we would never say no to consider something in the right set of circumstances. But again, as you said, it would not distract we would have to be very, very specific in terms of many things. I'm sure my excellent partner CFO here is going to talk to you about the other financial conditions. But really for us, we want to deliver the projects we have safely on time and on budget. Any consideration beyond that would have to be in the mix, as you said, of what making sure we can deliver what we've already brought in.

Harry, anything you would like to add to that?

Harry Taylor^ No. Well yes, I'll say as we look ahead, we have a great growth agenda here in the province. So we don't need to look outside to generate great growth while still delivering great value for our customers and meeting all of the needs of all our constituents. So our conditions are still the same, John. We certainly want to contribute to the extent we can to the national agenda, but it can't distract or dilute either our activity or our performance in the pursuit of that.

John Mould^ Okay. Then maybe just a quick one on the U.S. debt issuance. Harry, you said earlier on the call you intend to become regular issuers in the U.S. market. How are you thinking about that pacing? And what percentage of annual issuances might you eventually want to raise in the U.S.?

Harry Taylor^ It will be a bit, John, -- a bit market conditions specific. We're going to be active in Canada as well. So we don't have a specific target. We're going to look at the all-in interest rate that will ultimately pay on the debt sometimes that's more favorable in Canada, sometimes U.S. based on different conditions. But we can easily see at least a third, if not more, of our debt in the medium term being placed in the U.S. Could be more, could be less, obviously if the U.S. market turns quite expensive. But it is situational. We view it as optionality and flexibility rather than being dogmatic about a third, 40%, 50% will be U.S. versus Canada.

Operator^ Our next last question comes from Patrick Kenny of National Bank Capital Markets.

Patrick Kenny^ I just wanted to check in on the data center front here, and things might be a little slow to get off the ground, but still expect it to be, call it, 8% to 10% of Ontario demand growth through 2050. So I was just curious how your discussions with the province or with proponents have been developing. If there's been any more clarity on where the incremental generation might come from to support the build-out and where you might be exploring other new lines or new expansions in order to foster data center growth in the province?

Megan Telford^ So yes, this is the question in the world right now about data center growth. Of course we're following it very closely. So the first thing I would say is prior, as you know doesn't make policy. So we are naturally watching and seeing what the government is going to do. They've talked very openly. We were at an announcement, a public announcement with the Minister a couple of weeks ago.

He was very clear about a couple of things. First of all, that they are looking on rules on this to make it clear for municipalities and for providers like us. And second of all, very,

very focused on making sure that there's a fair and equitable payment scheme, meaning not passing on all the cost to under repair. So I can't -- obviously I'm just sitting in the same position you are in terms of not knowing what that's going to say but we expect there to be guidelines coming out. We do engage with data centers, of course but mainly their roots in Ontario is through the ISO where they file up stations. So right now it's very much like any provider. They're in a queue. And if the ISO deems it's necessary, we, of course have an obligation to enact.

So don't have much more insider information turning to you from a regulatory perspective to the thing you want to add, but we monitor it closely, obviously as you planned out, there is a certain degree of slow growth in the province is course that we are monitoring. But I would say one thing I'm proud about in Ontario is that we've managed to really look at the lessons learned in the United States. I think we will really benefit from watching the things that went well there and that didn't go so well. And hopefully, we'll expect a much more thoughtful and planned approach in Ontario.

Patrick Kenny^ Okay. That's great. Then maybe just a follow-up for Harry, on the U.S. bond offering and the attractive swap rate there. And as you mentioned, looking to add future offerings to the debt stack here especially longer duration paper over time. Just how you might be thinking about this cadence as another lever to accelerate EPS growth relative to accessing capital solely in Canada? Or is it just more of simply diversifying your sources of capital as you continue to expand the capital plan over time?

Harry Taylor^ Pat, the strategy was more diversification lowered cost, lower interest costs, always an objective. The way we timed it quite well in retrospect in terms of both the underlying, the spreads and where the swap market was for us at that time which gave us a very attractive rate, kind of exceeded our expectations going into it. But the primary driver is diversification, sources of capital, but we're always trying to manage our interest expense to minimize because we recover those in rates and to minimize that impact for our customers.

As we look ahead, our capital needs will be more significant than we have seen even in this rate period given, and you'll see that when we file our rate application. So we wanted to make sure that we're availing ourselves of the biggest pools of capital and not waiting until we need it to get out in front establish our brand for lack of a better term with fixed income investors outside the country. We are not leaving the country. We will be issuing in Canada. But just diversifying those sources so that no one will ever say I've got too much Hydro One paper in my portfolio.

Operator^ And that does conclude our Q&A session for today. I'd like to turn the call back over to Wassem Khalil for any further remarks.

Wassem Khalil^ Thank you, Shannon. The management team at Hydro One, thanks everyone for their time with us this morning. We appreciate your interest and your continued support. If you have any questions that weren't addressed on the call please feel free to reach out and we'll get them answered for you. We look forward to seeing everyone at our third quarter conference call in November. Thank you, again. And enjoy the rest of your day.

Operator^ Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program. And you may all disconnect. Have a great day.