Hydro One Reports Third Quarter Results

The Company advanced its transmission portfolio by reaching regulatory settlements-in-principle and securing a significant government approval.

TORONTO, November 7, 2024 - Hydro One Limited (Hydro One or the Company) today announced its financial and operating results for the third quarter ended September 30, 2024.

Third Quarter Highlights

- Third quarter basic earnings per share (EPS) of $0.62 compares to EPS of $0.60 for the same period in 2023.
- The change in EPS year-over-year was largely due to higher revenues resulting from Ontario Energy Board (OEB)-approved 2024 transmission and distribution rates, as well as higher average monthly peak demand and energy consumption, which were partially offset by higher income tax expense, higher depreciation, amortization and asset removal costs and higher financing charges.
- Subsequent to the quarter end, Hydro One filed settlement proposals with the OEB for the 5-year rate applications for its B2M Limited Partnership and the Niagara Reinforcement Limited Partnership and has also reached a settlement-in-principle for its Chatham to Lakeshore Transmission Line Project, with plans to file the proposal soon.
- Subsequent to quarter end, the government approved the Environmental Assessment Report for the Waasigan Transmission Line.
- Hydro One sent approximately 150 skilled employees and equipment to Georgia and Florida to help restore power alongside crews from local utilities following the devastating effects of Hurricane Helene and Milton, respectively.
- Hydro One employees donated generously and contributed more than 4,500 volunteer hours in their communities through the annual “Power to Give” campaign.
- Hydro One was also a recipient of the Powerline Safety Award from the Electrical Safety Authority in recognition for its role in the execution of a large-scale project in Southwestern Ontario.
- Hydro One has been recognized by Newsweek and Statista as one of Canada’s Most Responsible Companies for 2025.
- The Company priced an offering of $1.2 billion aggregate principal amount of Medium-Term Notes under its Sustainable Financing Framework.
- The Company's capital investments and in-service additions for the quarter were $773 million and $597 million, respectively, compared to $638 million and $699 million in 2023.
- Quarterly dividend declared at $0.3142 per share, payable December 31, 2024.

“Hydro One plays a critical role in supporting the electrification and economic growth in Ontario. Whether it's through our investments in transmission and distribution systems, or enhancing the energy storage solutions, we are building a stronger grid to power Ontario’s future. Together with industry and Indigenous communities, we will ensure a resilient and sustainable energy system for our children and grandchildren,” said David Lebeter, President and Chief Executive Officer of Hydro One.

Selected Consolidated Financial and Operating Highlights

(millions of Canadian dollars, except as otherwise noted)	Three months ended September 30 2024	Three months ended September 30 2023	Nine months ended September 30 2024	Nine months ended September 30 2023
Revenues	2,192	1,934	6,389	5,865
Purchased power	1,047	854	3,083	2,662
Revenues, net of purchased power[1]	1,145	1,080	3,306	3,203
Net income attributable to common shareholders	371	357	956	904
Basic EPS	$0.62	$0.60	$1.60	$1.51
Diluted EPS	$0.62	$0.59	$1.59	$1.51
Net cash from operating activities	623	642	1,831	1,644
Capital investments	773	638	2,264	1,786
Assets placed in-service	597	699	1,363	1,349
Transmission: Average monthly Ontario 60-minute peak demand (MW)	22,694	22,588	21,080	20,916
Distribution: Electricity distributed to Hydro One customers (GWh)	7,691	7,225	23,274	22,579

[1] "Revenues, net of purchased power" is a non-GAAP financial measure. Non-GAAP financial measures do not have a standardized meaning under United States (US) generally accepted accounting principles (US GAAP) used to prepare the Company's financial statements and might not be comparable to similar measures presented by other entities. See the section "Non-GAAP Financial Measures".

Key Financial Highlights

2024 Third Quarter Highlights

The Company reported net income attributable to common shareholders of $371 million during the quarter, compared to $357 million in the same period of 2023. This resulted in EPS of $0.62, compared to EPS of $0.60 in the prior year.

Revenues of $2,192 million for the third quarter were $258 million higher than revenues for the third quarter of 2023. Revenues, net of purchased power[1] of $1,145 million for the third quarter were $65 million higher than revenues, net of purchased power[1] for the third quarter of 2023. The increase is mainly attributable to higher revenues resulting from OEB-approved 2024 rates, higher average monthly peak demand and higher energy consumption.

Operation, maintenance and administration costs in the third quarter of 2024 were comparable to the prior year, primarily due to higher work program expenditures, partially offset by regulatory adjustments, including the forecasted regulatory recovery of certain costs in accordance with the OEB-approved Getting Ontario Connected Act Variance Account, and lower corporate support costs.

Financing charges in the third quarter of 2024 were higher than the prior year primarily due to higher interest on long-term debt, partially offset by lower average volume of short-term notes outstanding and higher capitalized interest.

Depreciation, amortization and asset removal costs for the third quarter of 2024 were higher than the prior year mainly due to growth in capital assets as the Company continues to place new assets in-service, consistent with its ongoing capital investment program.

Income tax expense for the third quarter of 2024 was higher than the prior year primarily due to lower deductible timing differences and higher pre-tax earnings.

[1] Revenues, net of purchased power, is a non-GAAP financial measure. Non-GAAP financial measures do not have a standardized meaning under US GAAP used to prepare the Company's financial statements and might not be comparable to similar measures presented by other entities. See the section "Non-GAAP Financial Measures".

Hydro One continues to invest in the reliability and performance of Ontario's electricity transmission and distribution systems by addressing aging power system infrastructure, facilitating connectivity to new load customers and generation sources, and improving service to customers. The Company made capital investments of $773 million during the third quarter of 2024 and placed $597 million of new assets in-service.

Selected Operating Highlights

Hydro One Inc. received approval from the Ministry of the Environment, Conservation and Parks on the final Environmental Assessment Report for the Waasigan Transmission Line project. The approval paves the way for construction of the line that will be completed in two phases. Phase one is a new double-circuit 230 kilovolt (kV) transmission line from the Lakehead Transmission Station (TS) in Shuniah to Mackenzie TS in Atikokan, with planned in service as close to the end of 2025 as possible. Phase two is a new single-circuit 230 kV transmission line from Mackenzie TS to Dryden TS in Dryden which is targeted to be in service in 2027. The project is being built in partnership with nine First Nations that have agreements in place to invest in a 50 per cent equity stake in the transmission line component of the project. The project is expected to bring an additional 350 megawatts of electricity to the region to meet the current and future energy needs of Ontario's northwest communities.

Approximately 150 Hydro One employees and equipment were dispatched to Georgia and Florida to help restore power, alongside crews from various utilities in the United States (U.S.), following the devastating effects of Hurricane Helene and Milton. The storms caused widespread destruction and power outages across the southeastern U.S. As part of the North Atlantic Mutual Assistance Group, Hydro One has a reciprocal agreement in place with North American utilities to provide assistance during significant power outages.

Hydro One's wholly-owned subsidiary, Hydro One Inc. completed an offering of $1.2 billion of Medium-Term Notes consisting of $700 million aggregate principal amount of 4.25% Medium-Term Notes, Series 60, due 2035 and an additional $500 million aggregate principal amount of 4.85% Medium-Term Notes, Series 58, due 2054. The net proceeds from the issuance of the Notes represent the issuance of Medium-term notes pursuant to Hydro One's Sustainable Financing Framework. Hydro One Inc. intends to allocate an amount equal to the net proceeds from the sale of the Notes to finance and/or refinance, in whole or in part, new and/or existing eligible green projects that meet the eligibility criteria described in the 2024 Framework.

Common Share Dividends

Following the conclusion of the third quarter, on November 6, 2024, the Company declared a quarterly cash dividend to common shareholders of $0.3142 per share to be paid on December 31, 2024 to shareholders of record on December 11, 2024.

Supplemental Segment Information

(millions of Canadian dollars)	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Revenues				
Transmission	628	594	1,764	1,708
Distribution	1,551	1,329	4,592	4,123
Other	13	11	33	34
Total revenues	**2,192**	**1,934**	**6,389**	**5,865**
Revenues, net of purchased power[1]				
Transmission	628	594	1,764	1,708
Distribution	504	475	1,509	1,461
Other	13	11	33	34
Total revenues, net of purchased power[1]	**1,145**	**1,080**	**3,306**	**3,203**
Operation, maintenance and administration costs				
Transmission	113	111	347	358
Distribution	155	162	517	535
Other	26	20	71	64
Total operation, maintenance and administration costs	**294**	**293**	**935**	**957**
Income (loss) before financing charges and income tax expense				
Transmission	378	351	1,013	964
Distribution	224	199	623	572
Other	(14)	(11)	(45)	(37)
Total income (loss) before financing charges and income tax expense	**588**	**539**	**1,591**	**1,499**
Capital investments				
Transmission	461	384	1,384	1,055
Distribution	309	249	872	714
Other	3	5	8	17
Total capital investments	**773**	**638**	**2,264**	**1,786**
Assets placed in-service				
Transmission	323	331	677	659
Distribution	270	350	675	665
Other	4	18	11	25
Total assets placed in-service	**597**	**699**	**1,363**	**1,349**

[1] Revenues, net of purchased power, is a non-GAAP financial measure. Non-GAAP financial measures do not have a standardized meaning under US GAAP used to prepare the Company's financial statements and might not be comparable to similar measures presented by other entities. See the section "Non-GAAP Financial Measures".

This press release should be read in conjunction with the Company's third quarter 2024 unaudited consolidated financial statements and MD&A. These financial statements and MD&A together with additional information about Hydro One, including the audited consolidated financial statements and MD&A for the year ended December 31, 2023 can be accessed at www.HydroOne.com/Investors and www.sedarplus.com.

Quarterly Investment Community Teleconference

The Company's third quarter 2024 results teleconference with the investment community will be held on November 7, 2024 at 8 a.m. ET, a webcast of which will be available at www.HydroOne.com/Investors. Members of the financial community wishing to ask questions during the call should go to this link (https://register.vevent.com/register/BIbaf24d0a06d641b3b7b02e2cb884ab33) prior to the scheduled start time to access Hydro One's third quarter 2024 results call. Media and other interested parties are welcome to participate on a listen-only basis. A webcast of the teleconference will be available at the same link following the call. Additionally, investors should note that, from time to time Hydro One management presents at brokerage sponsored investor conferences. Most often, but not always, these conferences are webcast by the hosting brokerage firm, and when they are webcast, links are made available on Hydro One's website at www.HydroOne.com/Investors and are posted generally at least two days before the conference.

Hydro One Limited (TSX: H)

Hydro One Limited, through its wholly-owned subsidiaries, is Ontario's largest electricity transmission and distribution provider with approximately 1.5 million valued customers, approximately $32.8 billion in assets as at December 31, 2023, and annual revenues in 2023 of approximately $7.8 billion.

Our team of approximately 9,700 skilled and dedicated employees proudly build and maintain a safe and reliable electricity system which is essential to supporting strong and successful communities. In 2023, Hydro One invested approximately $2.5 billion in its transmission and distribution networks, and supported the economy through buying approximately $2.5 billion of goods and services.

We are committed to the communities where we live and work through community investment, sustainability and diversity initiatives.

Hydro One Limited's common shares are listed on the TSX and certain of Hydro One Inc.'s medium term notes are listed on the NYSE. Additional information can be accessed at www.hydroone.com, www.sedarplus.com or www.sec.gov.

For More Information

For more information about everything Hydro One, please visit www.hydroone.com where you can find additional information including links to securities filings, historical financial reports, and information about the Company's governance practices, corporate social responsibility, customer solutions, and further information about its business.

Non-GAAP Financial Measures

Hydro One uses a number of financial measures to assess its performance. The Company presents revenues, net of purchased power to reflect revenues net of the cost of purchased power, which is a non-GAAP financial measure. Non-GAAP financial measures do not have a standardized meaning under GAAP used to prepare the Company's financial statements and might not be comparable to similar measures presented by other entities. They should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under US GAAP.

Revenues, Net of Purchased Power

Revenues, net of purchased power is defined as revenues less the cost of purchased power. Revenues, net of purchased power is used internally by management to assess the impacts of revenue on net income and is considered useful because it excludes the cost of power that is fully recovered through revenues and therefore net income neutral.

The following table provides a reconciliation of GAAP (reported) Revenues to non-GAAP (adjusted) Revenues, Net of Purchased Power on a consolidated basis.

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	**2024**	**2023**	**2024**	**2023**
Revenues	2,192	1,934	6,389	5,865
Less: Purchased power	1,047	854	3,083	2,662
Revenues, net of purchased power	1,145	1,080	3,306	3,203

Forward-Looking Statements and Information

This press release contains “forward-looking information” within the meaning of applicable Canadian securities laws and “forward-looking statements” within the meaning of applicable U.S. securities laws (collectively, “forward-looking information”). Statements containing forward-looking information are made pursuant to the “safe harbour” provisions of applicable Canadian and U.S. securities laws. Such information includes, but is not limited to, statements related to: expectations regarding the Company’s role in ensuring a resilient and sustainable energy system; the Medium-Term Notes program; expectations regarding the Company's financing activities; the Company’s plans to invest in reliability and performance of Ontario’s electricity transmission and distribution systems, including facilitating connectivity for new load customers and generation sources; the Company's ongoing and planned projects and expected capital investments and plan, including anticipated outcomes, impacts, OEB approvals, and in-service dates; and payment of dividends. Words such as “expect,” “anticipate,” “intend,” “attempt,” “may,” “plan,” “will,” “can,” “believe,” “seek,” “estimate,” and variations of such words and similar expressions are intended to identify such forward-looking information. In particular, the forward-looking information contained in this press release is based on a variety of factors and assumptions including, but not limited to: no unforeseen changes in the legislative and operating framework for Ontario’s electricity market or for Hydro One specifically; favourable decisions from the OEB and other regulatory bodies concerning outstanding and future rate and other applications; no unexpected delays in obtaining required approvals; no unforeseen changes in rate orders or rate setting methodologies for Hydro One’s distribution and transmission businesses; the continued use and availability of US GAAP; no unfavourable changes in environmental regulation; a stable regulatory environment; no significant changes to Hydro One’s current credit ratings; no unforeseen impacts of new accounting pronouncements; no changes to expectations regarding electricity consumption; no unforeseen changes to economic and market conditions; completion of operating and capital projects that have been deferred; and no significant event occurring outside the ordinary course of business. We caution that all forward-looking information is inherently subject to change and uncertainty and that actual results may differ materially from those expressed or implied by the forward-looking information. A number of risks, uncertainties and other factors could cause actual results and events to differ materially from those expressed or implied in the forward-looking information or could cause our current objectives, strategies and intentions to change, and many of these factors are beyond our control and current expectation or knowledge. These statements are not guarantees of future performance or actions 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. Some of the factors that could cause actual results or outcomes to differ materially from the results expressed, implied or forecasted by such forward-looking information, including some of the assumptions used in making such statements, are discussed more fully in Hydro One’s filings with the securities regulatory authorities in Canada, which are available on SEDAR+ at www.sedarplus.com. 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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The following Management's Discussion and Analysis (MD&A) of the financial condition and results of operations should be read together with the unaudited condensed interim consolidated financial statements and accompanying notes thereto (Consolidated Financial Statements) of Hydro One Limited (Hydro One or the Company) for the three and nine months ended September 30, 2024, as well as the Company's audited consolidated financial statements and MD&A for the year ended December 31, 2023. The Consolidated Financial Statements have been prepared in accordance with United States (US) Generally Accepted Accounting Principles (GAAP). All financial information in this MD&A is presented in Canadian dollars, unless otherwise indicated.

The Company has prepared this MD&A in accordance with National Instrument 51-102 - Continuous Disclosure Obligations of the Canadian Securities Administrators. Under the US/Canada Multijurisdictional Disclosure System, the Company is permitted to prepare this MD&A in accordance with the disclosure requirements of Canadian securities laws and regulations, which can vary from those of the US. This MD&A provides information as at and for the three and nine months ended September 30, 2024, based on information available to management as of November 6, 2024.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND STATISTICS

	Three months ended September 30			Nine months ended September 30		
(millions of dollars, except as otherwise noted)	2024	2023	Change	2024	2023	Change
Revenues	2,192	1,934	13.3%	6,389	5,865	8.9%
Purchased power	1,047	854	22.6%	3,083	2,662	15.8%
Revenues, net of purchased power[1]	1,145	1,080	6.0%	3,306	3,203	3.2%
Operation, maintenance and administration (OM&A) costs	294	293	0.3%	935	957	(2.3%)
Depreciation, amortization and asset removal costs	263	248	6.0%	780	747	4.4%
Financing charges	158	143	10.5%	463	423	9.5%
Income tax expense	56	36	55.6%	164	165	(0.6%)
Net income attributable to common shareholders of Hydro One	**371**	**357**	**3.9%**	**956**	**904**	**5.8%**
Basic earnings per common share (EPS)	$0.62	$0.60	3.3%	$1.60	$1.51	6.0%
Diluted EPS	$0.62	$0.59	5.1%	$1.59	$1.51	5.3%
Net cash from operating activities	623	642	(3.0%)	1,831	1,644	11.4%
Funds from operations (FFO)[1]	639	622	2.7%	1,764	1,676	5.3%
Capital investments	773	638	21.2%	2,264	1,786	26.8%
Assets placed in-service	597	699	(14.6%)	1,363	1,349	1.0%
Transmission: Average monthly Ontario 60-minute peak demand *(MW)*	22,694	22,588	0.5%	21,080	20,916	0.8%
Distribution: Electricity distributed to Hydro One customers *(GWh)*	7,691	7,225	6.4%	23,274	22,579	3.1%

As at	September 30, 2024	December 31, 2023
Debt to capitalization ratio[2]	58.0%	57.2%

[1] The Company prepares and presents its financial statements in accordance with US GAAP. The Company also utilizes non-GAAP financial measures to assess its business and measure overall underlying business performance. Revenues, net of purchased power, and FFO are non-GAAP financial measures. Non-GAAP financial measures do not have a standardized meaning under GAAP, which is used to prepare the Company's Consolidated Financial Statements and might not be comparable to similar financial measures presented by other entities. See section "Non-GAAP Financial Measures" for a discussion of these non-GAAP financial measures and a reconciliation of such measures to the most directly comparable GAAP measure.

[2] Debt to capitalization ratio is a non-GAAP ratio. Non-GAAP ratios do not have a standardized meaning under GAAP, which is used to prepare the Company's Consolidated Financial Statements and might not be comparable to similar financial measures presented by other entities. See section "Non-GAAP Financial Measures" for a discussion of this non-GAAP ratio and its component elements.

OVERVIEW

The Company's transmission business consists of the electricity transmission system operated by subsidiaries of Hydro One Inc. (a wholly-owned subsidiary of the Company), which include Hydro One Networks Inc. (Hydro One Networks) and Hydro One Sault Ste. Marie LP, as well as an approximate 66% interest in B2M Limited Partnership (B2M LP) and an approximate 55% interest in Niagara Reinforcement Limited Partnership (NRLP).

Hydro One's distribution business consists of the electricity distribution system operated by Hydro One Inc.'s subsidiaries, Hydro One Networks and Hydro One Remote Communities Inc. (Hydro One Remotes).

The other segment consists primarily of Hydro One's subsidiary, Acronym Solutions Inc., which provides telecommunications support for the Company's transmission and distribution businesses, as well as a comprehensive suite of Information Communication Technology solutions. The other segment also consists of other investments, including a joint venture that owns and operates electric vehicle fast charging stations across Ontario under the Ivy Charging Network brand, as well as certain corporate activities, and is not rate-regulated.

For the nine months ended September 30, 2024 and 2023, Hydro One's segments accounted for the Company's total revenues, as follows:

Nine months ended September 30	2024	2023
Transmission	28%	29%
Distribution	71%	70%
Other	1%	1%

When adjusted for the recovery of purchased power costs, Hydro One's segments accounted for the Company's total revenues, net of purchased power,[1] for the nine months ended September 30, 2024 and 2023 as follows:

Nine months ended September 30	2024	2023
Transmission	53%	53%
Distribution	46%	46%
Other	1%	1%

As at September 30, 2024 and December 31, 2023, Hydro One's segments accounted for the Company's total assets as follows:

As at	September 30, 2024	December 31, 2023
Transmission	60%	60%
Distribution	38%	39%
Other	2%	1%

RESULTS OF OPERATIONS

Net Income

Net income attributable to common shareholders of Hydro One for the quarter ended September 30, 2024 of $371 million is an increase of $14 million, or 3.9%, compared to the same period in 2023. Significant influences on the change in net income attributable to common shareholders of Hydro One included:

- higher revenues, net of purchased power,[1] resulting from an increase in transmission and distribution revenues due to Ontario Energy Board (OEB) approved 2024 rates as well as higher average monthly peak demand and higher energy consumption.
- higher income tax expense primarily due to lower deductible timing differences and higher pre-tax earnings, adjusted for net income neutral items.
- higher financing charges attributable to higher interest on long-term debt, partially offset by lower average volume of short-term notes outstanding and higher capitalized interest.
- higher depreciation, amortization and asset removal costs primarily due to growth in capital assets as the Company continues to place new assets in-service and higher asset removal costs, partially offset by lower amortization of regulatory assets.

Net income attributable to common shareholders of Hydro One for the nine months ended September 30, 2024 of $956 million is $52 million, or 5.8%, higher compared to the same period in 2023. Year-to-date results were impacted by similar factors as noted above. While net income neutral, the year-to-date results were also impacted by the cessation of the OEB-approved recovery of deferred tax asset (DTA) amounts previously shared with ratepayers (DTA Recovery Amounts) on June 30, 2023 (see section "Regulation - Deferred Tax Asset" for further details) which resulted in a decrease in revenue that has been offset by lower income tax expense.

EPS

EPS of $0.62 and $1.60 for the three and nine months ended September 30, 2024, respectively, compares to EPS of $0.60 and $1.51 in the same periods of 2023. The increase in EPS was primarily driven by the impact of higher earnings year-over-year, as discussed above.

[1] Revenues, net of purchased power, is a non-GAAP financial measure. See section "Non-GAAP Financial Measures".

Revenues

	Three months ended September 30			Nine months ended September 30		
(millions of dollars, except as otherwise noted)	2024	2023	Change	2024	2023	Change
Transmission	628	594	5.7%	1,764	1,708	3.3%
Distribution	1,551	1,329	16.7%	4,592	4,123	11.4%
Other	13	11	18.2%	33	34	(2.9%)
Total revenues	2,192	1,934	13.3%	6,389	5,865	8.9%
Transmission	628	594	5.7%	1,764	1,708	3.3%
Distribution revenues, net of purchased power[1]	504	475	6.1%	1,509	1,461	3.3%
Other	13	11	18.2%	33	34	(2.9%)
Total revenues, net of purchased power[1]	1,145	1,080	6.0%	3,306	3,203	3.2%
Transmission: Average monthly Ontario 60-minute peak demand *(MW)*	22,694	22,588	0.5%	21,080	20,916	0.8%
Distribution: Electricity distributed to Hydro One customers *(GWh)*	7,691	7,225	6.4%	23,274	22,579	3.1%

[1] Revenues, net of purchased power, is a non-GAAP financial measure. See section "Non-GAAP Financial Measures".

Transmission Revenues

Transmission revenues increased by 5.7% compared to the quarter ended September 30, 2023, primarily due to:

- higher revenues resulting from OEB-approved 2024 rates; and
- higher average monthly peak demand; partially offset by
- net income neutral items, including lower revenue related to the OEB-approved recovery of regulatory assets in the prior period which is offset in OM&A.

Transmission revenues increased by 3.3% compared to the nine months ended September 30, 2023, primarily due to similar factors as noted above, partially offset by lower revenues associated with the cessation of the DTA Recovery period which is offset in income tax expense, and therefore net income neutral.

Distribution revenues

Distribution revenues increased by 16.7% compared to the quarter ended September 30, 2023, primarily due to:

- higher purchased power costs, which are fully recovered from ratepayers and thus net income neutral;
- higher revenues resulting from OEB-approved 2024 rates; and
- higher energy consumption.

Distribution revenues increased by 11.4% compared to the nine months ended September 30, 2023, primarily due to similar factors as noted above, partially offset by lower revenues associated with the cessation of the DTA Recovery period and lower revenue of Hydro One Remotes, which are offset in income tax expense and OM&A, respectively, and therefore net income neutral.

Distribution revenues, net of purchased power,[2] increased by 6.1% and 3.3% compared to the three and nine months ended September 30, 2023, respectively, primarily due to the reasons noted above, adjusted for the recovery of purchased power costs.

[2] Revenues, net of purchased power, is a non-GAAP financial measure. See section "Non-GAAP Financial Measures".

OM&A Costs

	Three months ended September 30			Nine months ended September 30		
(millions of dollars, except as otherwise noted)	2024	2023	Change	2024	2023	Change
Transmission	113	111	1.8%	347	358	(3.1%)
Distribution	155	162	(4.3%)	517	535	(3.4%)
Other	26	20	30.0%	71	64	10.9%
	294	293	0.3%	935	957	(2.3%)

Transmission OM&A Costs

Transmission OM&A costs were 1.8% higher than the quarter ended September 30, 2023, primarily due to:

- higher work program expenditures mainly attributable to stations and lines maintenance and vegetation management; partially offset by
- lower OM&A associated with the OEB-approved recovery of historical cost deferrals, which is offset in revenue and therefore net income neutral.

Transmission OM&A costs were 3.1% lower than the nine months ended September 30, 2023, primarily due to the factors noted above further offset by insurance proceeds received in 2024 and lower corporate support costs.

Distribution OM&A Costs

Distribution OM&A costs were 4.3% lower than the quarter ended September 30, 2023, primarily due to:

- lower corporate support costs;
- regulatory adjustments, including the forecasted regulatory recovery of certain costs in accordance with the OEB-approved Getting Ontario Connected Act Variance Account; and
- higher allowance for doubtful accounts; partially offset by
- higher work program expenditures mainly attributable to customer programs and emergency power restoration.

Distribution OM&A costs were 3.4% lower than the nine months ended September 30, 2023, primarily due to similar factors to those noted above, as well as lower fuel costs of Hydro One Remotes, which are fully recovered through revenue and therefore net income neutral.

Depreciation, Amortization and Asset Removal Costs

Depreciation, amortization and asset removal costs increased by $15 million and $33 million for the three and nine months ended September 30, 2024, respectively, compared to the same periods in 2023. The year-over-year increase in each period is primarily due to the growth in capital assets as the Company continues to place new assets in-service, consistent with its ongoing capital investment program, and higher asset removal costs, which are partially offset by lower amortization of regulatory assets.

Financing Charges

Financing charges increased by $15 million and $40 million for the three and nine months ended September 30, 2024, respectively, primarily due to higher interest on long-term debt as a result of higher weighted-average interest rates and higher average debt levels, partially offset by lower average volume of short-term notes outstanding and higher capitalized interest.

Income Tax Expense

Income tax expense of $56 million for the three months ended September 30, 2024 compares to $36 million for the same period in 2023. The $20 million year-over-year increase was primarily due to:

- lower deductible timing differences; and
- higher pre-tax earnings, adjusted for the net income neutral items; partially offset by
- net income neutral items, including OEB-approved recovery of cost deferrals recognized as regulatory assets in prior periods, that are offset by a corresponding reduction in revenue and therefore net income neutral.

Income tax expense of $164 million for the nine months ended September 30, 2024 compares to $165 million for the same period in 2023. The year-over-year change was primarily due to similar factors to those noted above, as well as lower tax expense associated with the cessation of the DTA Recovery period on June 30, 2023, which is offset by a reduction in revenue and therefore net income neutral.

The Company realized an effective tax rate of approximately 13.0% and 14.5% for the three and nine months ended September 30, 2024, respectively, compared to approximately 9.1% and 15.3% in the same periods of 2023. The increase of 3.9% and the decrease of 0.8% in the respective periods was primarily attributable to the factors noted above.

SHARE CAPITAL

The common shares of Hydro One are publicly traded on the Toronto Stock Exchange (TSX) under the trading symbol "H". Hydro One is authorized to issue an unlimited number of common shares. The amount and timing of any dividends payable by Hydro One is at the discretion of the Hydro One's Board of Directors (Board) and is established on the basis of Hydro One's results of operations, maintenance of its deemed regulatory capital structure, financial condition, cash requirements, the satisfaction of solvency tests imposed by corporate laws for the declaration and payment of dividends and other factors that the Board may consider relevant. As at November 6, 2024, Hydro One had 599,435,162 issued and outstanding common shares.

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. As at November 6, 2024, the Company had no preferred shares issued and outstanding.

The number of additional common shares of Hydro One that would be issued if all outstanding awards under the share grant plans and the Long-term Incentive Plan were vested and exercised as at November 6, 2024 was 1,720,740.

Common Share Dividends

In 2024, the Company declared and paid cash dividends to common shareholders as follows:

Date Declared	Record Date	Payment Date	Amount per Share	Total Amount *(millions of dollars)*
February 12, 2024	March 13, 2024	March 28, 2024	$0.2964	178
May 13, 2024	June 12, 2024	June 28, 2024	$0.3142	188
August 13, 2024	September 11, 2024	September 27, 2024	$0.3142	189
				555

Following the conclusion of the third quarter of 2024, the Company declared a cash dividend to common shareholders as follows:

Date Declared	Record Date	Payment Date	Amount per Share	Total Amount *(millions of dollars)*
November 6, 2024	December 11, 2024	December 31, 2024	$0.3142	$188

QUARTERLY RESULTS OF OPERATIONS

Quarter ended *(millions of dollars, except EPS and ratio)*	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Revenues	2,192	2,031	2,166	1,979	1,934	1,857	2,074	1,862
Purchased power	1,047	940	1,096	990	854	798	1,010	895
Revenues, net of purchased power[1]	1,145	1,091	1,070	989	1,080	1,059	1,064	967
Net income attributable to common shareholders	371	292	293	181	357	265	282	178
Basic EPS	$0.62	$0.49	$0.49	$0.30	$0.60	$0.44	$0.47	$0.30
Diluted EPS	$0.62	$0.49	$0.49	$0.30	$0.59	$0.44	$0.47	$0.30
Earnings coverage ratio[2]	2.8	2.8	2.8	2.9	3.0	3.1	3.2	3.3

[1] Revenues, net of purchased power, is a non-GAAP financial measure. See section "Non-GAAP Financial Measures".
[2] Earnings coverage ratio, which is calculated on a rolling 12-month basis, is a non-GAAP ratio. Non-GAAP ratios do not have a standardized meaning under GAAP, which is used to prepare the Company's Consolidated Financial Statements and might not be comparable to similar financial measures presented by other entities. See section "Non-GAAP Financial Measures" for a discussion of this non-GAAP ratio and its component elements.

Variations in revenues and net income over the quarters are primarily due to the impact of seasonal weather conditions on customer demand and market pricing, as well as timing of regulatory decisions.

CAPITAL INVESTMENTS

The Company makes capital investments to maintain the safety, reliability and integrity of its transmission and distribution system assets and to provide for the ongoing growth and modernization required to meet the expanding and evolving needs of its customers and the electricity market. This is achieved through a combination of sustaining capital investments, which are required to support the continued operation of Hydro One's existing assets, and development capital investments, which involve additions to both existing assets and large-scale projects such as new transmission lines and transmission stations.

Assets Placed In-Service

The following table presents Hydro One's assets placed in-service during the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30			Nine months ended September 30		
(millions of dollars)	2024	2023	Change	2024	2023	Change
Transmission	323	331	(2.4%)	677	659	2.7%
Distribution	270	350	(22.9%)	675	665	1.5%
Other	4	18	(77.8%)	11	25	(56.0%)
Total assets placed in-service	597	699	(14.6%)	1,363	1,349	1.0%

<u>Transmission Assets Placed In-Service</u>

Transmission assets placed in-service decreased by $8 million, or 2.4%, for the quarter ended September 30, 2024, compared to the same period in 2023, primarily due to:

- lower volume of line refurbishments; and
- timing of investments placed in service for information technology initiatives; partially offset by
- investment placed in-service for grid operating and control facilities;
- timing of investments placed in-service for customer-driven work;
- higher volume of wood pole replacements; and
- timing of assets placed in-service for station refurbishments and replacements primarily related to the Porcupine Transmission Station, partially offset by the Bridgman Transmission Station in the second quarter of 2023.

Transmission assets placed in-service increased by $18 million, or 2.7%, for the nine months ended September 30, 2024, compared to the same period in 2023, primarily due to similar factors noted above, as well as the timing of assets placed in-service for station refurbishments and replacements including the Wilson Transmission Station, the Sarnia Scott Transmission Station, and the Beck #2 Transmission Station, partially offset by the Arnprior Transmission Station, the Nanticoke Transmission Station, and assets placed in-service at the Lennox Transmission Station in 2023.

<u>Distribution Assets Placed In-Service</u>

Distribution assets placed in-service decreased by $80 million, or 22.9%, for the quarter ended September 30, 2024, compared to the same period in 2023, primarily due to:

- timing of investments placed in-service for information technology initiatives; and
- timing of assets placed in-service for system capability reinforcement projects; partially offset by
- higher spend on customer connections;
- higher volume of wood pole replacements; and
- higher spend on minor fixed assets.

Distribution assets placed in-service increased by $10 million, or 1.5%, for the nine months ended September 30, 2024, compared to the same period in 2023, primarily due to:

- higher volume of wood pole replacements;
- higher spend on customer connections;
- higher spend on minor fixed assets;
- timing of investments placed in-service for station refurbishments and replacement; and
- higher volume of storm related asset replacements; partially offset by
- timing of investments placed in-service for information technology initiatives.

<u>Other Assets Placed In-Service</u>

Other assets placed in-service decreased by $14 million for the quarter and nine months ended September 30, 2024, compared to the same periods in 2023. The year over year decrease was primarily associated with the replacement of Acronym Solutions Inc.'s information technology equipment in the prior year.

Capital Investments

The following table presents Hydro One's capital investments during the three and nine months ended September 30, 2024 and 2023:

	Three months ended September 30			Nine months ended September 30		
(millions of dollars)	2024	2023	Change	2024	2023	Change
Transmission						
Sustaining	338	293	15.4%	941	761	23.7%
Development	104	65	60.0%	353	232	52.2%
Other	19	26	(26.9%)	90	62	45.2%
	461	384	20.1%	1,384	1,055	31.2%
Distribution						
Sustaining	136	96	41.7%	402	289	39.1%
Development	145	121	19.8%	383	351	9.1%
Other	28	32	(12.5%)	87	74	17.6%
	309	249	24.1%	872	714	22.1%
Other	3	5	(40.0%)	8	17	(52.9%)
Total capital investments	773	638	21.2%	2,264	1,786	26.8%

Transmission Capital Investments

Transmission capital investments increased by $77 million, or 20.1%, in the third quarter of 2024 compared to the third quarter of 2023, primarily due to:

- investments in the Waasigan Transmission Line attributable to line development and station work;
- higher volume of work on customer connections;
- timing of work on the Third Line Transmission Station and Sault #3 Circuit;
- higher spend on specified equipment to support long-term projects; and
- higher spend on transformer purchases.

Transmission capital investments increased by $329 million, or 31.2%, in the nine months ended September 30, 2024, primarily due to the same factors as noted above, as well as higher volume of station refurbishments and equipment replacements, investments in the new St. Clair Transmission Line and Orillia Distribution Centre, higher volume of wood pole replacements, and higher spend on minor fixed assets.

Distribution Capital Investments

Distribution capital investments increased by $60 million, or 24.1%, in the third quarter of 2024 compared to the third quarter of 2023, primarily due to:

- higher spend on line refurbishments and wood pole replacements;
- higher spend on customer connections;
- investments in the Orillia Operation Centre, Orillia Distribution Center and Orleans Operation Centre;
- investments in Ontario's broadband initiative;
- higher spend on minor fixed assets; and
- investments in the Advanced Metering Infrastructure 2.0 system; partially offset by
- lower spend on information technology initiatives.

Distribution capital investments increased by $158 million, or 22.1%, in the nine months ended September 30, 2024, primarily due to similar factors noted above as well as higher spend on storm-related asset replacement.

Major Transmission Capital Investment Projects

The following table summarizes the status of significant transmission projects as at September 30, 2024:

Project Name	Location	Type	Anticipated In-Service Date	Estimated Cost[1]	Capital Cost To Date
Development Projects:			*(year)*	*(millions of dollars)*	
Chatham to Lakeshore Transmission Line[2]	Southwestern Ontario	New transmission line and station expansion	2024	237	202
East-West Tie Station Expansion[3]	Northern Ontario	New transmission connection and station expansion	2024	191	190
Barrie Area Transmission Upgrade[4]	Barrie-Innisfil Southern Ontario	Upgraded transmission line and stations	2024	125	123
Centennial Transmission Station[5]	Southwestern Ontario	New transmission station and connection	2025	229	37
Islington Transmission Station	Toronto Southern Ontario	New transmission station and connection	2025	109	37
Waasigan Transmission Line[6]	Thunder Bay-Atikokan-Dryden Northwestern Ontario	New transmission line and station expansion	2027	1,200	145
St. Clair Transmission Line[7]	Southwestern Ontario	New transmission line and station expansion	2028	472	69
Longwood to Lakeshore Transmission Line[8]	Southwestern Ontario	New transmission line and station expansion	TBD	TBD	TBD
Second Longwood to Lakeshore Transmission Line[8]	Southwestern Ontario	New transmission line and station expansion	TBD	TBD	TBD
Lakeshore to Windsor Transmission Line[8]	Southwestern Ontario	New transmission line and station expansion	TBD	TBD	TBD
North Shore Link[9]	Northeastern Ontario	New transmission line and station expansion	TBD	TBD	TBD
Northeast Power Line[9]	Northeastern Ontario	New transmission line and station expansion	TBD	TBD	TBD
Durham Kawartha Power Line[9]	Eastern Ontario	New transmission line and station expansion	TBD	TBD	TBD
Sustainment Projects:					
Beck #2 Transmission Station Circuit Breaker Replacement[10]	Niagara area Southwestern Ontario	Station sustainment	2024	135	131
Bruce B Switching Station Circuit Breaker Replacement[11]	Tiverton Southwestern Ontario	Station sustainment	2025	185	174
Middleport Transmission Station Circuit Breaker Replacement	Middleport Southwestern Ontario	Station sustainment	2025	184	159
Lennox Transmission Station Circuit Breaker Replacement	Napanee Southeastern Ontario	Station sustainment	2026	152	139
Esplanade x Terauley Underground Cable Replacement	Toronto Southern Ontario	Line sustainment	2026	117	53
Bridgman Transmission Station Refurbishment	Toronto Southern Ontario	Station sustainment	2026	108	77
Bruce A Transmission Station Switchyard Replacement	Tiverton Southwestern Ontario	Station sustainment	2027	555	273
Otto Holden Transmission Station Refurbishment	Mattawa Northeast Ontario	Station sustainment	2028	113	22
Merivale Transmission Station Replacement and Upgrades[12]	Ottawa Eastern Ontario	Station sustainment and upgrade	2029	271	80

[1] Estimated costs are presented gross of any potential contribution from external parties.
[2] The Chatham to Lakeshore Transmission Line Project includes the line and associated facilities and is further discussed in the section "Regulation" and "Other Developments - Supporting Critical Infrastructure in Southwestern Ontario."
[3] The East-West Tie Station Expansion Project has been placed in-service in phases, with significant portions of the project placed in-service over the 2021-23 period, and final project in-service expected in 2024.
[4] Major portions of the Barrie Area Transmission Upgrade was completed and placed in-service.
[5] This Project is part of a two-phase project, which includes the construction of a transmission station and a transmission line to meet the needs of, and is anticipated to be largely funded by, an industrial customer. The Centennial Transmission Station Project, phase 1, includes a new transmission station in St. Thomas and an approximately 2 km, 230 kV double-circuit transmission line between the new transmission station and an existing transmission station in the city. This phase of the project is anticipated to be in service by 2025. Scope and timing of the second phase, an approximately 20 km, 230 kV double-circuit transmission line from London to St. Thomas, is currently under review.
[6] The Waasigan Transmission Line Project includes both Phase 1 and Phase 2, inclusive of necessary stations enhancements to support energization of the new lines. The estimated cost relates to the development and construction phases of the project and the anticipated in-service date reflects the anticipated completion of Phase 2 in 2027. The first phase of the project is expected to be in-serviced as close to the end of 2025 as possible and is further discussed in the section "Other Developments - Supporting Critical Transmission Infrastructure in Northwestern Ontario".
[7] The St. Clair Transmission Line Project includes the line and associated facilities and is further discussed in the section "Other Developments - Supporting Critical Infrastructure in Southwestern Ontario."
[8] The scope and timing of these Southwestern Ontario transmission reinforcements are currently under review.
[9] The scope and timing of these Northeastern and Eastern Ontario transmission reinforcements are currently under review. Durham Kawartha Power Line was previously referred to as the Greater Toronto Area East Line. Northeast Power Line was previously referred to as the Hanmer to Mississagi Line. North Shore Link was previously referred to as the Mississagi to Third Line Line.
[10] Major portions of Beck #2 Transmission Station Circuit Breaker Replacement was completed and placed in-service in September 2024. Work on certain minor portions of the project is expected to continue in the fourth quarter of 2024.
[11] Major portions of the Bruce B Switching Station Circuit Breaker Replacement were completed and placed in-service.
[12] The coordinated project includes both an asset replacement and station expansion. The anticipated in-service dates are between 2026 to 2029.

Future Capital Investments

The Company estimates future capital investments based on management's expectations of the amount of capital expenditures that will be required to provide transmission and distribution services that are efficient, reliable, and provide value for customers, consistent with the OEB's Renewed Regulatory Framework. The Company includes projects when there is a high degree of confidence that the project will go forward and when there is a thorough estimate of the expected expenditures.

The 2024 to 2027 capital estimates were updated during the second quarter of 2024 to reflect the estimated costs of the St. Clair Transmission Line Project that was filed with the OEB on May 28, 2024 through a leave-to-construct application, as well as to reflect the estimated cost of the Chatham to Lakeshore Transmission Line Project submitted as part of the Revenue Requirement Application filed with the OEB on July 12, 2024 (see section "Other Developments - Supporting Critical Transmission Infrastructure in Southwestern Ontario" for further details).

The following tables summarize Hydro One's annual projected capital investments for 2024 to 2027 by business segment and by category:

By business segment: *(millions of dollars)*	2024	2025	2026	2027
Transmission[1]	2,039	2,041	1,714	1,464
Distribution	1,093	1,060	938	884
Other	20	18	15	14
Total capital investments[2]	3,152	3,119	2,667	2,362

By category: *(millions of dollars)*	2024	2025	2026	2027
Sustainment	1,760	1,618	1,452	1,221
Development[1]	1,116	1,271	1,024	965
Other[3]	276	230	191	176
Total capital investments[2]	3,152	3,119	2,667	2,362

[1] Figures include investments in certain development projects of Hydro One Networks not included in the investment plan approved by the OEB in the JRAP decision.

[2] On March 31, 2022, the then Minister of Energy (Minister) directed the OEB to amend Hydro One Networks' transmission licence to require it to develop and seek approvals for the St. Clair Transmission Line and three other priority transmission lines to meet growing demand in Southwestern Ontario (see section "Other Developments - Supporting Critical Transmission Infrastructure in Southwestern Ontario"). On October 23, 2023, the Minister further directed the OEB to amend Hydro One Networks' licence to require it to develop and seek approvals for three priority transmission line projects to meet growing electricity demand in Northeastern and Eastern Ontario. The future capital investments presented do not include capital expenditures of the six additional lines, as Hydro One is currently evaluating the scope and timing of this work.

[3] "Other" capital expenditures include investments in fleet, real estate, IT, and operations technology and related functions.

SUMMARY OF SOURCES AND USES OF CASH

Hydro One's primary sources of cash flows are funds generated from operations, capital market debt issuances and bank credit facilities that are used to satisfy Hydro One's capital resource requirements, including the Company's capital expenditures, servicing and repayment of debt, and dividend payments.

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	2024	2023	2024	2023
Net cash from operating activities	623	642	1,831	1,644
Net cash from (used in) financing activities	350	70	671	(243)
Net cash used in investing activities	(799)	(677)	(2,333)	(1,872)
Net change in cash and cash equivalents	174	35	169	(471)

Net cash from operating activities

Net cash from operating activities decreased by $19 million for the three months ended September 30, 2024, compared to the same period in 2023. The decrease was impacted by various factors, including the following:

- decrease in net working capital deficiency primarily attributable to higher accounts receivable balances, lower cost of power payable to the Independent Electricity System Operator (IESO) driven by lower commodity rates charges, partially offset by lower receivables from the IESO due to lower transmission revenues and higher accrued liabilities; and
- changes in regulatory account balances; partially offset by
- higher pre-tax earnings.

Net cash from operating activities increased by $187 million for the nine months ended September 30, 2024, compared to the same period in 2023. The increase was mainly attributable to:

- increase in net working capital deficiency primarily attributable to higher accrued liabilities, higher cost of power payable to the IESO due to higher purchased volumes, and higher accounts receivable;
- changes in regulatory balances; and
- higher pre-tax earnings.

Net cash from (used in) financing activities

Net cash from financing activities increased by $280 million and $914 million for the three and nine months ended September 30, 2024, respectively, compared to the same periods in 2023. This was impacted by various factors, including the following:

Sources of cash

- the Company issued $1,216 million and $2,016 million of long-term debt in the three and nine months ended September 30, 2024, respectively, compared to $425 million and $1,475 million issued in the same periods last year.
- the Company received proceeds of $705 million and $2,300 million from the issuance of short-term notes in the three and nine month periods ended September 30, 2024, respectively, compared to $2,120 million and $5,480 million received in the same periods last year.

Uses of cash

- the Company repaid $1,375 million and $2,370 million of short-term notes in the three and nine month periods ended September 30, 2024, respectively, compared to $2,295 million and $5,930 million repaid in the same periods last year.
- the Company repaid $nil and $700 million of long-term debt in the three and nine month periods ended September 30, 2024, compared to $nil and $731 million paid in the same periods last year.
- common share dividends paid in the three and nine month periods ended September 30, 2024 were $189 million and $555 million, respectively, compared to dividends of $177 million and $522 million paid in the same periods last year.

Net cash used in investing activities

Net cash used in investing activities increased by $122 million and $461 million for the three and nine months ended September 30, 2024, respectively, compared to the same periods in 2023 primarily due to higher capital investments. See section "Capital Investments" for comparability of capital investments made by the Company during the three and nine months ended September 30, 2024 compared to the prior year.

LIQUIDITY AND FINANCING STRATEGY

Short-term liquidity is provided through FFO,[3] Hydro One Inc.'s commercial paper program, and the Company's consolidated bank credit facilities. Under the commercial paper program, Hydro One Inc. is authorized to issue up to $2,300 million in short-term notes with a term to maturity of up to 365 days.

As at September 30, 2024, Hydro One Inc. had $210 million in commercial paper borrowings outstanding, compared to $279 million outstanding at December 31, 2023. The Company also has committed, unsecured, and revolving credit facilities (Operating Credit Facilities) with a total available balance of $3,300 million as at September 30, 2024. The Operating Credit Facilities include a pricing adjustment which can increase or decrease Hydro One's cost of funding based on its performance on certain Sustainability Performance Measures, which are related to Hydro One's sustainability goals. On June 1, 2024, Hydro One increased the committed amount under the Operating Credit Facilities by $750 million and the maturity date was extended from 2028 to 2029. No amounts were drawn on the Operating Credit Facilities as at September 30, 2024 or December 31, 2023. The Company may use the Operating Credit Facilities for working capital and general corporate purposes. The short-term liquidity under the commercial paper program, the Operating Credit Facilities, available cash on hand and anticipated levels of FFO[3] are expected to be sufficient to fund the Company's operating requirements.

As at September 30, 2024, the Company had long-term debt outstanding in the principal amount of $16,745 million, which included $425 million of long-term debt issued by Hydro One and $16,320 million of long-term debt issued by Hydro One Inc. The long-term debt issued by Hydro One was issued under a previous short form base shelf prospectus. The majority of long-term debt issued by Hydro One Inc. has been issued under its Medium-Term Note (MTN) Program, as further described below. The Company's total long-term debt consists of notes and debentures that mature between 2025 and 2064, and as at September 30, 2024, had a weighted-average term to maturity of approximately 13.7 years (December 31, 2023 - 13.7 years) and a weighted-average coupon rate of 4.2% (December 31, 2023 - 4.1%).

In February 2024, Hydro One Inc. filed a short form base shelf prospectus in connection with its MTN Program, which expires in March 2026. Upon issuance of the short form base shelf prospectus in February 2024, the Company does not qualify for the distribution of any additional notes under the previous MTN Program prospectus that was filed in June 2022.

[3] FFO is a non-GAAP financial measure. See section "Non-GAAP Financial Measures".

On August 19, 2024, Hydro One filed the Universal Base Shelf Prospectus with securities regulatory authorities in Canada. The short form base shelf prospectus (Universal Base Shelf Prospectus) allows Hydro One to offer, from time to time in one or more public offerings, debt, equity or other securities, or any combination thereof, during the 25-month period ended on September 19, 2026. As at September 30, 2024, no securities have been issued under the Universal Base Shelf Prospectus.

On November 22, 2022, Hydro One Holdings Limited (HOHL) filed a short form base shelf prospectus (US Debt Shelf Prospectus) with securities regulatory authorities in Canada and the US to replace a previous prospectus that would otherwise have expired in January 2023. The US Debt Shelf Prospectus allows HOHL to offer, from time to time in one or more public offerings, up to US$3,000 million of debt securities, unconditionally guaranteed by Hydro One, expiring in December 2024. As at September 30, 2024, no securities have been issued under the US Debt Shelf Prospectus. A new US Debt Shelf Prospectus is expected to be filed in the fourth quarter of 2024.

Compliance

As at September 30, 2024, the Company was in compliance with all financial covenants and limitations associated with the outstanding borrowings and credit facilities.

Credit Ratings

On June 10, 2024, S&P Global Ratings upgraded the Company’s long-term debt rating to "A-" from "BBB+", Hydro One Inc.’s long-term debt rating to "A" from "A-", and Hydro One Inc.’s commercial paper rating to "A-1 (Mid)" from "A-1 (Low)". In addition, the outlook on the ratings was revised to stable from positive.

OTHER OBLIGATIONS

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on the Company’s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Summary of Contractual Obligations and Other Commercial Commitments

The following table presents a summary of Hydro One’s debt and other major contractual obligations and commercial commitments:

As at September 30, 2024 *(millions of dollars)*	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual obligations *(due by year)*					
Long-term debt - principal repayments	16,745	750	1,325	1,725	12,945
Long-term debt - interest payments	9,975	700	1,297	1,193	6,785
Short-term notes payable	210	210	—	—	—
Pension contributions[1]	475	81	180	189	25
Environmental and asset retirement obligations	108	23	10	2	73
Outsourcing and other agreements	134	67	42	12	13
Capital agreements	257	67	183	7	—
Lease obligations	60	17	29	13	1
Long-term software/meter agreement	30	8	20	2	—
Total contractual obligations	27,994	1,923	3,086	3,143	19,842
Other commercial commitments *(by year of expiry)*					
Operating Credit Facilities	3,300	—	—	3,300	—
Letters of credit[2]	171	171	—	—	—
Guarantees[3]	512	512	—	—	—
Total other commercial commitments	3,983	683	—	3,300	—

[1] Contributions to the Hydro One Pension Plan are based on actuarial reports, including valuations performed at least every three years, and actual or projected levels of pensionable earnings, as applicable. The most recent actuarial valuation was performed effective December 31, 2023 and filed on September 23, 2024.

[2] Letters of credit consist of $157 million letters of credit related to retirement compensation arrangements, a $7 million letter of credit provided to the IESO for prudential support, and $7 million in letters of credit for various operating purposes.

[3] Guarantees consist of $475 million prudential support provided to the IESO by Hydro One Inc. on behalf of its subsidiaries, as well as guarantees provided by Hydro One to the Minister of Natural Resources (Canada) and ONroute of $2 million and $30 million, respectively, relating to OCN LP (OCN Guarantee) and $5 million relating to Aux Energy Inc., the Company's indirect subsidiary.

REGULATION

DTA

On April 8, 2021, the OEB rendered a decision approving the recovery of the DTA amounts allocated to ratepayers and included in customer rates for the 2017 to 2021 period, plus carrying charges, over a two-year recovery period from July 1, 2021 to June 30, 2023 (DTA Recovery period). In addition, the DTA Implementation Decision required that Hydro One adjust transmission revenue requirement and the base distribution beginning January 1, 2022 to eliminate any further tax savings flowing to customers. The DTA Implementation Decision had no impact on FFO[4] for the three and nine months ended September 30, 2024 (2023 - increase of $nil and $67 million, respectively) as the DTA Recovery period ceased on June 30, 2023.

Incremental Cloud Computing Implementation Costs Deferral Account

On November 2, 2023, the OEB established an industry-wide generic deferral account, effective December 1, 2023. This account allows rate-regulated entities, including electricity distributors and transmitters, to record cloud computing implementation costs incurred that are incremental to amounts embedded in base rates as well as any related offsetting savings, if applicable, in a regulatory account for future recovery subject to the approval of the OEB. On March 6, 2024, the OEB commenced a hearing that will consider matters related to the Incremental Cloud Computing Implementation Costs deferral account, including what type of interest rate, if any, should apply. As at September 30, 2024, the Company has not recorded any amounts in this account, however it is assessing the potential impact of establishing the account for future periods.

B2M LP

On May 23, 2024, Hydro One Networks, on behalf of B2M LP, submitted B2M LP's five-year Transmission Revenue Requirement Application for the period of 2025 to 2029. B2M LP is seeking an average revenue requirement of $37.9 million per year over the 5-year period. On October 21, 2024, a settlement proposal was filed with the OEB and is currently awaiting OEB approval. The settlement proposal accepted the rate making framework proposed by B2M LP but includes a 3% reduction in the proposed OM&A along with a compounding 0.15% OM&A reduction factor.

NRLP

On May 23, 2024, Hydro One Networks, on behalf of NRLP, submitted NRLP's five-year Transmission Revenue Requirement Application for the period of 2025 to 2029. NRLP is seeking an average revenue requirement of $8.9 million per year over the 5-year period. On October 21, 2024, a settlement proposal was filed with the OEB and is currently awaiting OEB approval. The settlement proposal accepted the rate making framework proposed by NRLP but includes a 3% reduction in the proposed OM&A along with a compounding 0.15% OM&A reduction factor.

Chatham x Lakeshore Limited Partnership

On July 12, 2024, Hydro One Networks, on behalf of Chatham x Lakeshore Limited Partnership (CLLP), submitted CLLP's five-year Transmission Revenue Requirement Application for the period of 2025 to 2029, seeking an average revenue requirement of $16.6 million per year over the 5-year period.

Building Broadband Faster Act, 2021

In March 2021, the Province introduced Bill 257, Supporting Broadband and Infrastructure Expansion Act, 2021, to create a new act entitled the Building Broadband Faster Act, 2021 (BBFA) that is aimed at supporting the timely deployment of broadband infrastructure within unserved and underserved rural Ontario communities. Bill 257 received Royal Assent on April 12, 2021. Bill 257 amended the *Ontario Energy Board Act, 1998* (OEBA) to provide the Province with regulation-making authority regarding the development of, access to, or use of electricity infrastructure for non-electricity purposes. The BBFA Guideline and two regulations informing the legislative changes were also published in 2021, with a third regulation on annual wireline attachment rate for telecommunications carriers issued in December 2021. The most recent Order and Decision from the OEB in November 2022 adjusts the annual wireline attachment rate to $36.05 per attacher per pole.

In March 2022, the Province introduced Bill 93 (Getting Ontario Connected Act, 2022). Bill 93 received Royal Assent on April 14, 2022. Bill 93 amends the BBFA to ensure that organizations that own underground utility infrastructure near a designated high-speed internet project provide timely access to their infrastructure data, which would allow internet service providers to quickly start work on laying down underground high-speed internet infrastructure.

A regulation regarding electricity infrastructure and designated broadband projects under the OEBA (O.Reg. 410/22) came into force on April 21, 2022. On July 7, 2022, the OEB established a deferral account for rate-regulated distributors to record incremental costs associated with carrying out activities pertaining to designated broadband projects. In September 2022, the Company launched its choice-based operating model to provide internet service providers with choices on how to access the Company's infrastructure in order to effectively execute designated broadband projects. On March 28, 2023, the Province amended the OEBA (O.Reg. 410/22) with respect to performance timelines associated with designated broadband projects.

[4] FFO is a non-GAAP financial measure. See section "Non-GAAP Financial Measures".

On August 14, 2023, the third edition of the BBFA Guideline was issued with amendments providing additional guidance to support the implementation of legislative and regulatory requirements, including a framework to support cost sharing for pole attachments and make-ready work.

The Company, in conjunction with the OEB and other stakeholders, has developed and implemented an appropriate regulatory framework that meets the government's objectives, including arrangements to sustain the Company's revenues and recovery of reasonable associated costs.

On October 31, 2024, the Ministry of Infrastructure announced that it has developed a program to deliver up to $400 million in subsidies to internet service providers (ISPs) for work associated with designated broadband projects. The program is intended to enable ISPs to successfully and safely attach their material and equipment to the Company's poles to bring connectivity to rural communities as part of a designated broadband project. A portion of the subsidies is expected to be used to reimburse Hydro One Networks on behalf of ISPs for their share of enablement costs incurred to facilitate the program to date.

OTHER DEVELOPMENTS

Northern Ontario Voltage Study

In December 2023, the IESO published its Northern Ontario Voltage Study Report (Bulk System Reactive Requirements in Northern Ontario), which recommended installation of reactive compensation devices at several stations in Northern Ontario to address both current and future system conditions that are expected once new Northern transmission lines are in-service. This study includes projects being developed by Hydro One, including: the East-West Tie Station Expansion, the Waasigan Transmission Line, the Northeast Power Line (previously referred to as the Hanmer to Mississagi Line), and the North Shore Link (previously referred to as Mississagi to Third Line Line).

In March 2024, the Company received a letter from the IESO recommending Hydro One proceed with the implementation of the reactive devices, in line with the timelines identified by the IESO. The Company is currently assessing the impact of this letter.

Chapleau Public Utilities Corporation (Chapleau Hydro) Purchase Agreement

On April 18, 2024, the OEB issued its decision approving Hydro One Networks' application to acquire Chapleau Hydro, an electricity distribution company located in the Township of Chapleau. On July 31, 2024, Hydro One Networks completed the acquisition of the business and distribution assets of Chapleau Hydro for a purchase price of approximately $2.3 million, subject to adjustments. The final closing adjustments are expected to be finalized within approximately 120 days after completion of the acquisition.

Supporting Critical Transmission Infrastructure in Southwestern Ontario

<u>Chatham to Lakeshore Transmission Line Project</u>

On November 24, 2022, the OEB issued its Decision and Order granting Hydro One Networks leave to construct the Chatham to Lakeshore Transmission Line Project, with standard conditions of approval.

On April 22, 2024, CLLP was formed to own and operate the transmission line. On April 26, 2024, Hydro One Networks, on behalf of CLLP, filed an application with the OEB requesting certain approvals, including obtaining an electricity transmission licence and approval to sell assets related to the Chatham to Lakeshore Transmission Line Project to CLLP. On July 25, 2024, the OEB issued its Decision and Order approving this application.

<u>St. Clair Transmission Line Project</u>

In March 2022, the Province issued an Order in Council with a directive from the Minister to the OEB, requiring Hydro One Networks to develop and seek approvals for the St. Clair Line, a 230 kV line from Lambton Transmission Station to Chatham Switching Station. In response to the directive, the OEB amended Hydro One Networks' transmission license in April 2022 to develop and seek approval for the St. Clair Transmission Line Project. On May 28, 2024, Hydro One Networks filed a leave-to-construct application seeking OEB approval of the project. The total project is expected to cost approximately $472 million, with $335 million attributable to transmission line work and $137 million attributable to station costs. The project is expected to be in service by 2028.

Supporting Critical Transmission Infrastructure in Northwestern Ontario

In 2013, the Province issued an Order in Council with a directive from the Minister to the OEB, requiring Hydro One Networks to develop and seek approvals for the Northwest Bulk Transmission Line (now the Waasigan Transmission Line). In response to the 2013 directive, the OEB amended Hydro One Networks' transmission license in 2014 to develop and seek approval for the project.

On April 25, 2023, the Company received a letter from the IESO confirming the need for reliable electricity in Northwestern Ontario. In this letter, the IESO recommends that Phase 2 of the Waasigan Transmission Line Project, a single-circuit 230 kV transmission line between Mackenzie Transmission Station in the Town of Atikokan and Dryden Transmission Station in the City of Dryden, should be in-serviced as soon as practically possible following Phase 1 of the project. This follows an IESO letter received in May 2022 in which it recommended construction of Phase 1 to proceed with an in-service date as close to the end of 2025 as possible.

On July 31, 2023, Hydro One Networks filed a leave-to-construct application seeking OEB approval for the Waasigan Transmission Line Project. On November 9, 2023, an Environmental Assessment was filed with the Ministry of Environment Climate and Parks for review and approval, which incorporated both phases of the project. On April 16, 2024, the OEB issued its Decision and Order granting leave to construct as requested in the application, with standard conditions of approval.

Hydro One has agreements with nine First Nation communities providing them the opportunity to acquire 50% ownership in the transmission line component of the project.

On September 26, 2024, Hydro One received approval from the Ministry of Environment, Conservation and Parks on the final Environmental Assessment Report for the Waasigan Transmission Line project.

Supporting Critical Transmission Infrastructure in Northeastern and Eastern Ontario

On July 10, 2023, the then Ministry of Energy announced a proposal to take certain actions to facilitate the timely development of three transmission projects across Northeastern and Eastern Ontario (see section "Major Transmission Capital Investment Projects"). On October 23, 2023, the Minister directed the OEB to amend Hydro One Networks' licence to require it to develop and seek approvals for the three priority transmission line projects noted above. On November 14, 2023, further to the Minister's Directive, the OEB amended Hydro One's electricity transmission licence to require it to develop and seek approvals for these projects in accordance with the recommendations of the IESO.

The Ministry of Energy and Electrification (Ministry) is proposing, subject to required approvals, to declare the Wawa to Porcupine line as a priority project and designate Hydro One Networks, in partnership with the Wabun Tribal Council, its members and Missanabie Cree First Nation, as the transmitter. These actions are intended to facilitate the timely development of a new 230 kV, 260 km transmission line in Northeastern Ontario from the Wawa Transformer Station to the Porcupine Transformer Station to be in service for 2030. The Ministry posted the proposal on August 1, 2024 and the proposal was open for a 45 day consultation period ending September 15, 2024. Comments received from the consultation period will help inform the Ministry's decision regarding the proposal to designate Hydro One Networks, in partnership with the Wabun Tribal Council, its members and Missanabie Cree First Nation.

Sustainability Report

The Hydro One 2023 Sustainability Report entitled "A Better and Brighter Future For All: Enabling the Energy Transition" is available on the Company's website at www.hydroone.com/sustainability.

The 2023 Sustainability Report highlights Hydro One's role in enabling the energy transition in Ontario and electrifying the province. The report discloses the Company's environmental, social and governance performance, along with disclosures related to its public sustainability commitments.

HYDRO ONE EXECUTIVE LEADERSHIP TEAM

On March 20, 2024, Hydro One announced the appointment of Renée McKenzie as Executive Vice President (EVP), Digital and Technology Solutions, effective March 25, 2024.

On June 3, 2024, Hydro One announced the appointment of Harry Taylor as EVP, Chief Financial and Regulatory Officer (CFRO), effective June 10, 2024. On June 9, 2024, Chris Lopez resigned from his role as EVP, CFRO of Hydro One. Chris Lopez remained with Hydro One as a Senior Advisor until June 30, 2024.

NON-GAAP FINANCIAL MEASURES

Hydro One uses a number of financial measures to assess its performance. The Company presents FFO or "funds from operations" to reflect a measure of the Company's cash flow, and revenues, net of purchased power, to reflect revenues net of the cost of purchased power. FFO and revenues, net of purchased power, are non-GAAP financial measures which do not have a standardized meaning prescribed by GAAP and might not be comparable to similar measures presented by other entities. They should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under GAAP.

Hydro One also uses financial ratios that are non-GAAP ratios such as debt to capitalization ratio and earnings coverage ratio. Non-GAAP ratios do not have a standardized meaning prescribed by GAAP and might not be comparable to similar measures presented by other entities. They should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under US GAAP.

FFO

FFO is defined as net cash from operating activities, adjusted for (i) changes in non-cash balances related to operations, (ii) dividends paid on preferred shares, and (iii) distributions to noncontrolling interest. Management believes that FFO is helpful as a supplemental measure of the Company's operating cash flows as it excludes timing-related fluctuations in non-cash operating working capital and cash flows not attributable to common shareholders. As such, management believes that FFO provides a consistent measure of the cash generating performance of the Company's assets.

The following table provides a reconciliation of GAAP (reported) results to non-GAAP (adjusted) results on a consolidated basis.

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	2024	2023	2024	2023
Net cash from operating activities	623	642	1,831	1,644
Changes in non-cash balances related to operations	18	(18)	(59)	40
Distributions to noncontrolling interest	(2)	(2)	(8)	(8)
FFO	639	622	1,764	1,676

Revenues, Net of Purchased Power

Revenues, net of purchased power, is defined as revenues less the cost of purchased power; distribution revenues, net of purchased power, is defined as distribution revenues less the cost of purchased power. These measures are used internally by management to assess the impacts of revenue on net income and are considered useful because they exclude the cost of power that is fully recovered through revenues and therefore net income neutral.

The following tables provide a reconciliation of GAAP (reported) revenues to non-GAAP (adjusted) revenues, net of purchased power, on a consolidated basis.

Quarter ended *(millions of dollars)*	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Revenues	2,192	2,031	2,166	1,979	1,934	1,857	2,074	1,862
Less: Purchased power	1,047	940	1,096	990	854	798	1,010	895
Revenues, net of purchased power	1,145	1,091	1,070	989	1,080	1,059	1,064	967

Quarter ended *(millions of dollars)*	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Distribution revenues	1,551	1,436	1,605	1,459	1,329	1,285	1,509	1,371
Less: Purchased power	1,047	940	1,096	990	854	798	1,010	895
Distribution revenues, net of purchased power	504	496	509	469	475	487	499	476

Debt to Capitalization Ratio

The Company believes that the debt to capitalization ratio is an important non-GAAP ratio in the management of its debt levels. This non-GAAP ratio does not have a standardized meaning under US GAAP and may not be comparable to similar measures presented by other entities. Debt to capitalization ratio 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.

As at *(millions of dollars)*	September 30, 2024	December 31, 2023
Short-term notes payable	210	279
Less: cash and cash equivalents	(248)	(79)
Long-term debt (current portion)	750	700
Long-term debt (long-term portion)	15,967	14,710
Total debt (A)	**16,679**	**15,610**
Shareholders' equity (excluding noncontrolling interest)	12,083	11,680
Total debt plus shareholders' equity (B)	**28,762**	**27,290**
Debt-to-capitalization ratio (A/B)	**58.0 %**	**57.2 %**

Earnings Coverage Ratio

Earnings coverage ratio is defined as earnings before income taxes and financing charges attributable to shareholders, divided by the sum of financing charges and capitalized interest, and is calculated on a rolling twelve-month basis. The Company believes that the earnings coverage ratio is an important non-GAAP measure in the management of its liquidity. This non-GAAP ratio does not have a standardized meaning under US GAAP and may not be comparable to similar measures presented by other entities.

Quarter ended *(millions of dollars)*	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Net income attributable to common shareholders	371	292	293	181	357	265	282	178
Income tax expense	56	57	51	13	36	65	64	41
Financing charges	158	157	148	147	143	144	136	128
Earnings before income taxes and financing charges attributable to common shareholders	585	506	492	341	536	474	482	347

Twelve months ended *(millions of dollars)*	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Earnings before income taxes and financing charges attributable to common shareholders (A)	**1,924**	**1,875**	**1,843**	**1,833**	**1,839**	**1,832**	**1,800**	**1,824**

Quarter ended *(millions of dollars)*	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Financing charges	158	157	148	147	143	144	136	128
Capitalized interest	24	22	19	19	20	18	15	16
Financing charges and capitalized interest	182	179	167	166	163	162	151	144

Twelve months ended *(millions of dollars)*	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022
Financing charges and capitalized interest (B)	**694**	**675**	**658**	**642**	**620**	**595**	**568**	**549**
Earnings coverage ratio = A/B	**2.8**	**2.8**	**2.8**	**2.9**	**3.0**	**3.1**	**3.2**	**3.3**

RELATED PARTY TRANSACTIONS

The Province is a shareholder of Hydro One with approximately 47.1% ownership as at September 30, 2024. The IESO, Ontario Power Generation Inc. (OPG), Ontario Electricity Financial Corporation (OEFC), and the OEB are related parties to Hydro One because they are controlled or significantly influenced by the Ministry. OCN LP is a joint-venture limited partnership between OPG and a subsidiary of Hydro One. The following is a summary of the Company's related party transactions during the three and nine months ended September 30, 2024 and 2023:

(millions of dollars)		Three months ended September 30		Nine months ended September 30	
Related Party	Transaction	2024	2023	2024	2023
Province	Dividends paid	89	83	262	246
IESO	Power purchased	616	451	1,917	1,596
	Revenues for transmission services	625	589	1,754	1,694
	Amounts related to electricity rebates	301	199	908	628
	Distribution revenues related to rural rate protection	64	63	190	187
	Distribution revenues related to Wataynikaneyap Power LP	29	14	89	41
	Distribution revenues related to supply of electricity to remote northern communities	12	12	36	35
	Funding received related to Conservation and Demand Management programs	—	—	1	1
OPG	Power purchased	3	5	14	12
	Distribution revenues related to provision of services and supply of electricity	1	1	4	4
	Other revenues related to provision of services and supply of electricity	—	1	1	1
	Transmission revenues related to provision of services and supply of electricity	—	—	1	1
	Capital contribution received from OPG	1	1	2	4
	Costs related to the purchase of services	1	—	1	1
OEFC	Power purchased from power contracts administered by the OEFC	—	—	1	1
OEB	OEB fees	3	3	9	9
OCN LP[1]	Investment in OCN LP	—	—	5	—

[1] OCN LP owns and operates electric vehicle fast charging stations across Ontario, under the Ivy Charging Network brand.

RISK MANAGEMENT AND RISK FACTORS

Hydro One is subject to numerous risks and uncertainties. Critical to Hydro One's success is the identification, management, and to the extent possible, mitigation of these risks. Hydro One's Enterprise Risk Management program assists decision-makers throughout the organization with the management of key business risks, including new and emerging risks and opportunities.

A discussion of the material risks relating to Hydro One and its business that the Company believes would be the most likely to influence an investor's decision to purchase Hydro One's securities can be found under the heading "Risk Management and Risk Factors" in the 2023 MD&A.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings. Internal control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and due to its inherent limitations, may not prevent or detect all misrepresentations.

There were no changes in the Company's internal control over financial reporting during the three months ended September 30, 2024 that materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures and internal control over financial reporting.

NEW ACCOUNTING PRONOUNCEMENTS

The following table presents Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board (FASB) that are applicable to Hydro One:

Accounting Guidance To Be Adopted In 2024

Guidance	Date issued	Description	ASU Effective Date	Impact on Hydro One
ASU 2023-07	November 2023	The amendments improve the disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses.	Fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024.	The Company will disclose the title and position of its Chief Operating Decision Maker (CODM), and elaborate on how the CODM uses information provided to assess segment performance and allocate resources.

Recently Issued Accounting Guidance Not Yet Adopted

Guidance	Date issued	Description	ASU Effective Date	Impact on Hydro One
ASU 2023-06	October 2023	The amendments represent changes to clarify or improve disclosure or presentation requirements of a variety of subtopics in the FASB Accounting Standards Codification (Codification). Many of the amendments allow users to more easily compare entities subject to the US Securities and Exchange's (SEC) existing disclosures with those entities that were not previously subject to the SEC's requirements. Also, the amendments align the requirements in the Codification with the SEC's regulations. Applicable to all entities, if by June 30, 2027 the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity.	Two years subsequent to the date on which the SEC's removal of that related disclosure becomes effective.	Under assessment
ASU 2023-09	December 2023	The amendments address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information.	Annual periods beginning after December 15, 2024.	Under assessment
ASU 2024-02	March 2024	The amendments contain modifications to the codification that remove various concept statements which may be extraneous and not required to understand or apply the guidance or references used in prior statements to provide guidance in certain topical areas.	Fiscal years beginning after December 15, 2024.	Under assessment

HYDRO ONE HOLDINGS LIMITED - CONSOLIDATING SUMMARY FINANCIAL INFORMATION

Hydro One Limited fully and unconditionally guarantees the payment obligations of its wholly-owned subsidiary HOHL issuable under the short form base shelf prospectus dated November 22, 2022. Accordingly, the following consolidating summary financial information is provided in compliance with the requirements of section 13.4 of National Instrument 51-102 - *Continuous Disclosure Obligations* providing for an exemption for certain credit support issuers. The tables below contain consolidating summary financial information as at September 30, 2024 and December 31, 2023 and for the three and nine months ended September 30, 2024 and September 30, 2023 for: (i) Hydro One Limited; (ii) HOHL; (iii) the subsidiaries of Hydro One Limited, other than HOHL, on a combined basis, (iv) consolidating adjustments, and (v) Hydro One Limited and all of its subsidiaries on a consolidated basis, in each case for the periods indicated. Such summary financial information is intended to provide investors with meaningful and comparable financial information about Hydro One Limited and its subsidiaries. This summary financial information should be read in conjunction with Hydro One Limited's most recently issued annual and interim financial statements. This summary financial information has been prepared in accordance with US GAAP, as issued by the FASB.

Three months ended September 30 *(millions of dollars)*	**Hydro One Limited**		**HOHL**		**Subsidiaries of Hydro One Limited, other than HOHL**		**Consolidating Adjustments**		**Total Consolidated Amounts of Hydro One Limited**	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Revenue	203	178	—	—	2,464	2,132	(475)	(376)	2,192	1,934
Net Income (Loss) Attributable to Common Shareholders	213	178	—	—	592	549	(434)	(370)	371	357

Nine months ended September 30 *(millions of dollars)*	**Hydro One Limited**		**HOHL**		**Subsidiaries of Hydro One Limited, other than HOHL**		**Consolidating Adjustments**		**Total Consolidated Amounts of Hydro One Limited**	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Revenue	570	523	—	—	7,114	6,496	(1,295)	(1,154)	6,389	5,865
Net Income (Loss) Attributable to Common Shareholders	581	521	—	—	1,574	1,456	(1,199)	(1,073)	956	904

As at September 30, 2024 and December 31, 2023 *(millions of dollars)*	**Hydro One Limited**		**HOHL**		**Subsidiaries of Hydro One Limited, other than HOHL**		**Consolidating Adjustments**		**Total Consolidated Amounts of Hydro One Limited**	
	Sept. 2024	**Dec. 2023**	**Sept. 2024**	**Dec. 2023**	**Sept. 2024**	**Dec. 2023**	**Sept. 2024**	**Dec. 2023**	**Sept. 2024**	**Dec. 2023**
Current Assets	976	125	—	—	3,328	2,868	(2,667)	(1,639)	1,637	1,354
Non-Current Assets	3,193	3,486	—	—	53,216	49,487	(22,923)	(21,475)	33,486	31,498
Current Liabilities	1,060	532	—	—	4,393	3,815	(2,640)	(1,627)	2,813	2,720
Non-Current Liabilities	425	425	—	—	35,167	32,433	(15,450)	(14,491)	20,142	18,367

FORWARD-LOOKING STATEMENTS AND INFORMATION

The Company's oral and written public communications, including this document, often contain "forward-looking information" within the meaning of applicable Canadian securities laws and "forward-looking statements" within the meaning of applicable U.S. securities laws (collectively, "forward-looking information"). Statements containing forward-looking information are made pursuant to the "safe harbour" provisions of applicable Canadian and U.S. securities laws. Forward-looking information in this document is based on current expectations, estimates, forecasts and projections about the Company's business, the industry, regulatory and economic environments in which it operates, and includes beliefs and assumptions made by the management of the Company. Such statements include, but are not limited to, statements regarding: the Company's transmission and distribution rate and revenue requirement applications including the JRAP and its proposed investment plan, resulting and related decisions including the DTA Implementation Decision, as well as resulting rates, recovery and expected impacts and timing; expectations about the Company's liquidity and capital resources and operational requirements; sustainability goals; the Operating Credit Facilities; expectations regarding the Company's financing activities; expectations for Hydro One to file a new US Debt Shelf Prospectus in the fourth quarter of 2024; the Company's maturing debt; the Company's ongoing and planned projects, initiatives and expected capital investments, including expected approvals, results, costs, funding sources and in-service and completion dates; contractual obligations and other commercial commitments; the BBFA and expected impacts; expectations regarding the Ministry of Infrastructure's subsidies program to ISPs and its results; the Company's assessment of recovery and impacts related to the OEB-established generic variance and deferral accounts; expectations regarding the OEB hearing related to the Incremental Cloud Computing Implementation Costs deferral account; future pension plan contributions, including estimates of total Company pension contributions beyond 2024 up to 2029; dividends; non-GAAP financial measures; internal controls over financial reporting and disclosure; the MTN Program; the Universal Base Shelf Prospectus; the US Debt Shelf Prospectus; recent accounting-related guidance and expected impacts; and the Company's acquisitions and final closing adjustments. Words such as "expect," "anticipate," "intend," "attempt," "may," "plan," "will," "would," "believe," "seek," "estimate," "goal," "aim," "target," and variations of such words and similar expressions are intended to identify such forward-looking statements. 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 statements. Hydro One does not intend, and it disclaims any obligation, to update any forward-looking statements, except as required by law.

These forward-looking statements are based on a variety of factors and assumptions including, but not limited to, the following: no unforeseen changes in the legislative and operating framework for Ontario's electricity market or for Hydro One specifically; favourable decisions from the OEB and other regulatory bodies concerning outstanding and future rate and other applications; no unexpected delays in obtaining required regulatory approvals; no unforeseen changes in rate orders or rate setting methodologies for the Company's distribution and transmission businesses; no unfavourable changes in environmental regulation; continued use of US GAAP; a stable regulatory environment; no significant changes to the Company's current credit ratings; no unforeseen impacts of new accounting pronouncements; no changes to expectations regarding electricity consumption; no unforeseen changes to economic and market conditions; completion of operating and capital projects that have been deferred; and no significant event occurring outside the ordinary course of business. These assumptions are based on information currently available to the Company, including information obtained from third-party sources. Actual results may differ materially from those predicted by such forward-looking statements. While Hydro One does not know what impact any of these differences may have, the Company's business, results of operations, financial condition and credit stability may be materially adversely affected if any such differences occur. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking statements include, among other things:

- regulatory risks and risks relating to Hydro One's revenues, including risks relating to actual performance against forecasts, competition with other transmitters and other applications to the OEB, the rate-setting models for transmission and distribution, the recoverability of capital expenditures, obtaining rate orders or recoverability of total compensation costs;
- risks associated with the Province's share ownership of Hydro One and other relationships with the Province, including potential conflicts of interest that may arise between Hydro One, the Province and related parties, risks associated with the Province's exercise of further legislative and regulatory powers, risks relating to the ability of the Company to attract and retain qualified executive talent or the risk of a credit rating downgrade for the Company and its impact on the Company's funding and liquidity;
- risks relating to the location of the Company's assets on Reserve lands, that the company's operations and activities may give rise to the Crown's duty to consult and potentially accommodate Indigenous communities, and the risk that Hydro One may incur significant costs associated with transferring assets located on Reserves;
- the risk that the Company may be unable to comply with regulatory and legislative requirements or that the Company may incur additional costs for compliance that are not recoverable through rates;
- the risk of exposure of the Company's facilities to the effects of severe weather conditions, natural disasters, man-made events or other unexpected occurrences for which the Company is uninsured or for which the Company could be subject to claims for damage;
- risks associated with information system security and maintaining complex IT and operational technology (OT) system infrastructure, including system failures or risks of cyber-attacks or unauthorized access to corporate IT and OT systems;

- the risk of non-compliance with environmental regulations and inability to recover environmental expenditures in rate applications and the risk that assumptions that form the basis of the Company's recorded environmental liabilities and related regulatory assets may change;
- the risk of labour disputes and inability to negotiate or renew appropriate collective agreements on acceptable terms consistent with the Company's rate decisions;
- the risk that the Company may not be able to execute plans for capital projects necessary to maintain the performance of the Company's assets or to carry out projects in a timely manner or the risk of increased competition for the development of large transmission projects or legislative changes affecting the selection of transmitters;
- risks associated with asset condition, capital projects and innovation, including public opposition to or delays or denials of the requisite approvals and accommodations for the Company's planned projects;
- risks related to the Company's work force demographic and its potential inability to attract and retain qualified personnel;
- the risk that the Company is not able to arrange sufficient cost-effective financing to repay maturing debt and to fund capital expenditures, the risk of a downgrade in the Company's credit ratings or risks associated with investor interest in ESG performance and reporting;
- risks associated with fluctuations in interest rates and failure to manage exposure to credit and financial instrument risk;
- risks associated with economic uncertainty and financial market volatility;
- the risk of failure to mitigate significant health and safety risks;
- the risk of not being able to recover the Company's pension expenditures in future rates and uncertainty regarding the future regulatory treatment of pension, other post-employment benefits and post-retirement benefits costs;
- the impact of the ownership by the Province of lands underlying the Company's transmission system;
- the risk associated with legal proceedings that could be costly, time-consuming or divert the attention of management and key personnel from the Company's business operations;
- the impact if the Company does not have valid occupational rights on third-party owned or controlled lands and the risks associated with occupational rights of the Company that may be subject to expiry;
- risks relating to adverse reputational events or political actions relating to Hydro One and the electricity industry;
- the potential that Hydro One may incur significant expenses to replace functions currently outsourced if agreements are terminated or expire before a new service provider is selected;
- risks relating to acquisitions, including the failure to realize the anticipated benefits of such transactions at all, or within the time periods anticipated, and unexpected costs incurred in relation thereto;
- risks relating to an outbreak of infectious disease, including the COVID-19 pandemic (including a significant expansion in length or severity of the COVID-19 pandemic, including the spread of its variants, restricting or prohibiting the Company's operations or significantly impacting the Company's supply chain or workforce; severity of mitigation measures relating to the COVID-19 pandemic and delays in completion of and increases in costs of operating and capital projects; and the regulatory and accounting treatment of incremental costs and lost revenues of the Company related to the COVID-19 pandemic);
- the inability to continue to prepare financial statements using U.S. GAAP; and
- the risk related to the impact of any new accounting pronouncements.

Hydro One cautions the reader that the above list of factors is not exhaustive. Some of these and other factors are discussed in more detail in the section entitled "Risk Management and Risk Factors" in this MD&A.

In addition, Hydro One cautions the reader that information provided in this MD&A regarding the Company's outlook on certain matters, including potential future investments, is provided in order to give context to the nature of some of the Company's future plans and may not be appropriate for other purposes.

Additional information about Hydro One, including the Company's Annual Information Form, is available on SEDAR+ at www.sedarplus.com, the US Securities and Exchange Commission's EDGAR website at www.sec.gov/edgar.shtml, and the Company's website at www.HydroOne.com/Investors.

HYDRO ONE LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (unaudited)
For the three and nine months ended September 30, 2024 and 2023

	Three months ended September 30		Nine months ended September 30	
(millions of Canadian dollars, except per share amounts)	**2024**	**2023**	**2024**	**2023**
Revenues				
Distribution (includes related party revenues of $106 and $319 (2023 - $90 and $267) for the three and nine months ended September 30, respectively) *(Note 23)*	1,551	1,329	4,592	4,123
Transmission (includes related party revenues of $625 and $1,755 (2023 - $589 and $1,695) for the three and nine months ended September 30, respectively) *(Note 23)*	628	594	1,764	1,708
Other	13	11	33	34
	2,192	1,934	6,389	5,865
Costs				
Purchased power (includes related party costs of $619 and $1,932 (2023 - $456 and $1,609) for the three and nine months ended September 30, respectively) *(Note 23)*	1,047	854	3,083	2,662
Operation, maintenance and administration *(Note 23)*	294	293	935	957
Depreciation, amortization and asset removal costs *(Note 4)*	263	248	780	747
	1,604	1,395	4,798	4,366
Income before financing charges and income tax expense	**588**	**539**	**1,591**	**1,499**
Financing charges *(Note 5)*	158	143	463	423
Income before income tax expense	**430**	**396**	**1,128**	**1,076**
Income tax expense *(Note 6)*	56	36	164	165
Net income	**374**	**360**	**964**	**911**
Other comprehensive loss *(Note 7)*	(6)	—	(3)	(12)
Comprehensive income	**368**	**360**	**961**	**899**
Net income attributable to:				
Noncontrolling interest	3	3	8	7
Common shareholders	371	357	956	904
	374	**360**	**964**	**911**
Comprehensive income attributable to:				
Noncontrolling interest	3	3	8	7
Common shareholders	365	357	953	892
	368	**360**	**961**	**899**
Earnings per common share *(Note 21)*				
Basic	$0.62	$0.60	$1.60	$1.51
Diluted	$0.62	$0.59	$1.59	$1.51
Dividends per common share declared *(Note 20)*	$0.32	$0.30	$0.93	$0.87

See accompanying notes to Condensed Interim Consolidated Financial Statements (unaudited).

HYDRO ONE LIMITED
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS (unaudited)
As at September 30, 2024 and December 31, 2023

As at *(millions of Canadian dollars)*	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	248	79
Accounts receivable *(Note 8)*	878	830
Due from related parties	327	313
Other current assets *(Note 9)*	184	132
	1,637	1,354
Property, plant and equipment *(Note 10)*	28,524	26,874
Other long-term assets:		
Regulatory assets *(Note 12)*	3,470	3,260
Deferred income tax assets	123	119
Intangible assets *(Note 11)*	672	656
Goodwill	373	373
Other assets *(Note 13)*	324	216
	4,962	4,624
Total assets	**35,123**	**32,852**
Liabilities		
Current liabilities:		
Short-term notes payable *(Note 16)*	210	279
Long-term debt payable within one year *(Notes 16, 17)*	750	700
Accounts payable and other current liabilities *(Note 14)*	1,687	1,439
Due to related parties	166	302
	2,813	2,720
Long-term liabilities:		
Long-term debt *(Notes 16, 17)*	15,967	14,710
Regulatory liabilities *(Note 12)*	1,076	908
Deferred income tax liabilities	1,384	1,067
Other long-term liabilities *(Note 15)*	1,715	1,682
	20,142	18,367
Total liabilities	**22,955**	**21,087**
Contingencies and Commitments (Notes 25, 26)		
Subsequent Events (Note 28)		
Noncontrolling interest subject to redemption	20	20
Equity		
Common shares *(Note 19)*	5,713	5,706
Additional paid-in capital	28	30
Retained earnings	6,348	5,947
Accumulated other comprehensive loss	(6)	(3)
Hydro One shareholders' equity	12,083	11,680
Noncontrolling interest	65	65
Total equity	**12,148**	**11,745**
	35,123	**32,852**

See accompanying notes to Condensed Interim Consolidated Financial Statements (unaudited).

HYDRO ONE LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)
For the nine months ended September 30, 2024 and 2023

Nine months ended September 30, 2024 *(millions of Canadian dollars)*	Common Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Hydro One Shareholders' Equity	Non-controlling Interest	Total Equity
January 1, 2024	5,706	30	5,947	(3)	11,680	65	11,745
Net income	—	—	956	—	956	6	962
Other comprehensive loss *(Note 7)*	—	—	—	(3)	(3)	—	(3)
Distributions to noncontrolling interest	—	—	—	—	—	(6)	(6)
Dividends on common shares *(Note 20)*	—	—	(555)	—	(555)	—	(555)
Common shares issued	7	(7)	—	—	—	—	—
Stock-based compensation	—	5	—	—	5	—	5
September 30, 2024	**5,713**	**28**	**6,348**	**(6)**	**12,083**	**65**	**12,148**

Nine months ended September 30, 2023 *(millions of Canadian dollars)*	Common Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Hydro One Shareholders' Equity	Non-controlling Interest	Total Equity
January 1, 2023	5,699	34	5,562	11	11,306	66	11,372
Net income	—	—	904	—	904	5	909
Other comprehensive loss *(Note 7)*	—	—	—	(12)	(12)	—	(12)
Distributions to noncontrolling interest	—	—	—	—	—	(6)	(6)
Dividends on common shares *(Note 20)*	—	—	(522)	—	(522)	—	(522)
Common shares issued	7	(7)	—	—	—	—	—
Stock-based compensation	—	2	—	—	2	—	2
September 30, 2023	**5,706**	**29**	**5,944**	**(1)**	**11,678**	**65**	**11,743**

See accompanying notes to Condensed Interim Consolidated Financial Statements (unaudited).

HYDRO ONE LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
For the three and nine months ended September 30, 2024 and 2023

	Three months ended September 30		Nine months ended September 30	
(millions of Canadian dollars)	2024	2023	2024	2023
Operating activities				
Net income	374	360	964	911
Environmental expenditures	(2)	(3)	(9)	(27)
Adjustments for non-cash items:				
Depreciation and amortization *(Note 4)*	229	215	674	651
Regulatory assets and liabilities	2	26	17	1
Deferred income tax expense	42	22	130	128
Other	(4)	4	(4)	20
Changes in non-cash balances related to operations *(Note 24)*	(18)	18	59	(40)
Net cash from operating activities	**623**	**642**	**1,831**	**1,644**
Financing activities				
Long-term debt issued	1,216	425	2,016	1,475
Long-term debt repaid	—	—	(700)	(731)
Short-term notes issued	705	2,120	2,300	5,480
Short-term notes repaid	(1,375)	(2,295)	(2,370)	(5,930)
Dividends paid *(Note 20)*	(189)	(177)	(555)	(522)
Distributions paid to noncontrolling interest	(2)	(2)	(8)	(8)
Costs to obtain financing	(5)	(1)	(12)	(7)
Net cash from (used in) financing activities	**350**	**70**	**671**	**(243)**
Investing activities				
Capital expenditures *(Note 24)*				
Property, plant and equipment	(712)	(581)	(2,067)	(1,643)
Intangible assets	(14)	(36)	(62)	(95)
Additions to future use assets	(77)	(59)	(206)	(133)
Capital contributions received	—	—	2	2
Other	4	(1)	—	(3)
Net cash used in investing activities	**(799)**	**(677)**	**(2,333)**	**(1,872)**
Net change in cash and cash equivalents	174	35	169	(471)
Cash and cash equivalents, beginning of period	74	24	79	530
Cash and cash equivalents, end of period	**248**	**59**	**248**	**59**

See accompanying notes to Condensed Interim Consolidated Financial Statements (unaudited).

1. DESCRIPTION OF THE BUSINESS

Hydro One Limited (Hydro One or the Company) was incorporated on August 31, 2015, under the *Business Corporations Act* (Ontario). On October 31, 2015, the Company acquired Hydro One Inc., a company previously wholly-owned by the Province of Ontario (Province). As at September 30, 2024, the Province held approximately 47.1% (December 31, 2023 - 47.1%) of the common shares of Hydro One. The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario.

Earnings for interim periods may not be indicative of results for the year due to the impact of seasonal weather conditions on customer demand and market pricing, as well as the timing of regulatory decisions.

The Company's transmission business consists of the electricity transmission system operated by Hydro One Inc.'s subsidiaries, which include Hydro One Networks Inc. (Hydro One Networks) and Hydro One Sault Ste. Marie LP, as well as an approximate 66% interest in B2M Limited Partnership and an approximate 55% interest in Niagara Reinforcement Limited Partnership.

Hydro One's distribution business consists of the electricity distribution system operated by Hydro One Inc.'s subsidiaries, Hydro One Networks and Hydro One Remote Communities Inc.

Rate Setting

Deferred Tax Asset (DTA)

On April 8, 2021, the Ontario Energy Board (OEB) rendered a decision and order (DTA Implementation Decision), approving the recovery of the DTA amounts allocated to ratepayers and included in rates for the 2017 to 2021 period, plus carrying charges, over a two-year period, from July 1, 2021 to June 30, 2023. In addition, the DTA Implementation Decision required that Hydro One adjust transmission revenue requirement and the base distribution rates beginning January 1, 2022 to eliminate any further tax savings flowing to customers.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation and Presentation

These unaudited condensed interim consolidated financial statements (Consolidated Financial Statements) include the accounts of the Company and its subsidiaries. Inter-company transactions and balances have been eliminated.

Basis of Accounting

These Consolidated Financial Statements are prepared and presented in accordance with United States (US) Generally Accepted Accounting Principles for interim financial statements and in Canadian dollars.

The accounting policies applied are consistent with those outlined in Hydro One's annual audited consolidated financial statements for the year ended December 31, 2023, with the exception of the adoption of new accounting standards as described in Note 3 - New Accounting Pronouncements. These Consolidated Financial Statements reflect adjustments, that are, in the opinion of management, necessary to reflect fairly the financial position and results of operations for the respective periods. These Consolidated Financial Statements do not include all disclosures required in the annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2023.

3. NEW ACCOUNTING PRONOUNCEMENTS

The following table presents Accounting Standard Updates (ASUs) issued by the Financial Accounting Standards Board (FASB) that are applicable to Hydro One:

Accounting Guidance To Be Adopted In 2024

Guidance	Date issued	Description	ASU Effective Date	Impact on Hydro One
ASU 2023-07	November 2023	The amendments improve the disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses.	Fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024.	The Company will disclose the title and position of its Chief Operating Decision Maker (CODM), and elaborate on how the CODM uses information provided to assess segment performance and allocate resources.

Recently Issued Accounting Guidance Not Yet Adopted

Guidance	Date issued	Description	ASU Effective Date	Impact on Hydro One
ASU 2023-06	October 2023	The amendments represent changes to clarify or improve disclosure or presentation requirements of a variety of subtopics in the FASB Accounting Standards Codification (Codification). Many of the amendments allow users to more easily compare entities subject to the US Securities and Exchange's (SEC) existing disclosures with those entities that were not previously subject to the SEC's requirements. Also, the amendments align the requirements in the Codification with the SEC's regulations. Applicable to all entities, if by June 30, 2027 the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity.	Two years subsequent to the date on which the SEC's removal of that related disclosure becomes effective.	Under assessment
ASU 2023-09	December 2023	The amendments address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information.	Annual periods beginning after December 15, 2024.	Under assessment
ASU 2024-02	March 2024	The amendments contain modifications to the codification that remove various concept statements which may be extraneous and not required to understand or apply the guidance or references used in prior statements to provide guidance in certain topical areas.	Fiscal years beginning after December 15, 2024.	Under assessment

4. DEPRECIATION, AMORTIZATION AND ASSET REMOVAL COSTS

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	2024	2023	2024	2023
Depreciation of property, plant and equipment	206	194	606	568
Amortization of intangible assets	21	18	59	56
Amortization of regulatory assets	2	3	9	27
Depreciation and amortization	229	215	674	651
Asset removal costs	34	33	106	96
	263	248	780	747

5. FINANCING CHARGES

(millions of dollars)	Three months ended September 30 2024	2023	Nine months ended September 30 2024	2023
Interest on long-term debt	169	144	496	426
Interest on regulatory accounts	6	4	20	13
Interest on short-term notes	7	14	19	36
Other	6	3	15	12
Less: Interest capitalized on construction and development in progress	(24)	(20)	(65)	(53)
Interest earned on cash and cash equivalents	(5)	(2)	(18)	(9)
Realized gain on cash flow hedges (interest-rate swap agreements) *(Notes 7, 17)*	(1)	—	(4)	(2)
	158	143	463	423

6. INCOME TAXES

As a rate-regulated utility company, the Company recovers income taxes from its ratepayers based on estimated current income tax expense in respect of its regulated business. The amounts of deferred income taxes related to regulated operations which are considered to be more likely-than-not to be recoverable from, or refundable to, ratepayers in future periods are recognized as deferred income tax regulatory assets or deferred income tax regulatory liabilities, with an offset to deferred income tax recovery or deferred income tax expense, respectively. The Company's consolidated income tax expense or income tax recovery for the period includes all current and deferred income tax expenses net of the regulated accounting offset to deferred income tax expense arising from temporary differences to be recovered from, or refunded to, customers in future rates. Thus, the Company's income tax expense or income tax recovery differs from the amount that would have been recorded using the combined Canadian federal and Ontario statutory income tax rate.

The reconciliation between the statutory and the effective tax rates is provided as follows:

(millions of dollars)	Three months ended September 30 2024	2023	Nine months ended September 30 2024	2023
Income before income tax expense	430	396	1,128	1,076
Income tax expense at statutory rate of 26.5% (2023 - 26.5%)	114	105	299	285
Increase (decrease) resulting from:				
Net temporary differences recoverable in future rates charged to customers:				
Capital cost allowance in excess of depreciation and amortization	(25)	(42)	(66)	(103)
Impact of DTA Implementation Decision[1]	—	—	—	48
Overheads capitalized for accounting but deducted for tax purposes	(22)	(17)	(42)	(35)
Interest capitalized for accounting but deducted for tax purposes	(6)	(7)	(17)	(16)
Pension and post-retirement benefit contributions in excess of expense	(3)	1	(5)	(4)
Environmental expenditures	(1)	(2)	(3)	(6)
Other	(1)	(2)	(2)	(5)
Net temporary differences attributable to regulated business	(58)	(69)	(135)	(121)
Net permanent differences	—	—	—	1
Total income tax expense	56	36	164	165
Effective income tax rate	13.0%	9.1%	14.5%	15.3%

[1] Pursuant to the DTA Implementation Decision, the amounts represent the recovery of DTA amounts that were previously shared with ratepayers.

7. OTHER COMPREHENSIVE LOSS

(millions of dollars)	Three months ended September 30 2024	2023	Nine months ended September 30 2024	2023
Loss on cash flow hedges (interest-rate swap agreements) *(Notes 5, 17)*[1]	(6)	—	(4)	(4)
Loss on transfer of other post-employment benefits (OPEB)	—	—	—	(8)
Other	—	—	1	—
	(6)	—	(3)	(12)

[1] Includes $1 million before-tax realized gain (2023 - $nil) and $1 million after-tax realized gain (2023 - $nil) for the three months ended September 30, 2024, and $4 million before-tax realized gain (2023 - $2 million) and $3 million after-tax gain (2023- $2 million) for the nine months ended September 30, 2024 on cash flow hedges reclassified to financing charges.

8. ACCOUNTS RECEIVABLE

As at *(millions of dollars)*	September 30, 2024	December 31, 2023
Accounts receivable - billed	518	405
Accounts receivable - unbilled	419	482
Accounts receivable, gross	937	887
Allowance for doubtful accounts	(59)	(57)
Accounts receivable, net	878	830

The following table shows the movements in the allowance for doubtful accounts for the nine months ended September 30, 2024 and the year ended December 31, 2023:

(millions of dollars)	September 30, 2024	December 31, 2023
Allowance for doubtful accounts – beginning	(57)	(63)
Write-offs	11	20
Additions to allowance for doubtful accounts	(13)	(14)
Allowance for doubtful accounts – ending	(59)	(57)

9. OTHER CURRENT ASSETS

As at *(millions of dollars)*	September 30, 2024	December 31, 2023
Prepaid expenses and other assets	111	51
Regulatory assets *(Note 12)*	43	46
Materials and supplies	30	35
	184	132

10. PROPERTY, PLANT AND EQUIPMENT

As at *(millions of dollars)*	September 30, 2024	December 31, 2023
Property, plant and equipment	40,473	39,376
Less: accumulated depreciation	(14,367)	(14,007)
	26,106	25,369
Construction in progress	2,418	1,505
	28,524	26,874

11. INTANGIBLE ASSETS

As at *(millions of dollars)*	September 30, 2024	December 31, 2023
Intangible assets	1,467	1,394
Less: accumulated depreciation	(855)	(819)
	612	575
Development in progress	60	81
	672	656

12. REGULATORY ASSETS AND LIABILITIES

Regulatory assets and liabilities arise as a result of the rate-setting process. Hydro One has recorded the following regulatory assets and liabilities:

As at *(millions of dollars)*	September 30, 2024	December 31, 2023
Regulatory assets:		
Deferred income tax regulatory asset	3,209	3,021
Post-retirement and post-employment benefits - non-service cost	78	93
Broadband deferral	77	37
Environmental	44	53
Rural and remote rate protection variance	24	30
Stock-based compensation	24	29
Getting Ontario Connected Act variance	21	9
DTA sharing	5	5
Other	31	29
Total regulatory assets	3,513	3,306
Less: current portion	(43)	(46)
	3,470	3,260
Regulatory liabilities:		
Post-retirement and post-employment benefits	398	398
Pension benefit regulatory liability	197	99
Retail settlement variance	150	84
Earnings sharing mechanism deferral	109	109
Distribution rate riders	55	99
Capitalized overhead tax variance	37	26
Tax rule changes variance	34	32
Asset removal costs cumulative variance	30	29
OPEB asymmetrical carrying charge variance	30	20
External revenue variance	25	19
Pension cost differential	17	9
Deferred income tax regulatory liability	4	4
Other	36	31
Total regulatory liabilities	1,122	959
Less: current portion	(46)	(51)
	1,076	908

Getting Ontario Connected Act Variance

On October 31, 2023, the OEB issued its Decision and Order approving the establishment of a generic sector-wide variance account, effective April 1, 2023. The account was established to record incremental costs of locating underground infrastructure resulting from the implementation of Provincial legislation: Bill 93, *Getting Ontario Connected Act, 2022*.

13. OTHER LONG-TERM ASSETS

As at *(millions of dollars)*	September 30, 2024	December 31, 2023
Deferred pension assets	197	99
Right-of-Use assets	54	49
Investments	45	43
Other long-term assets	28	25
	324	216

14. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

As at *(millions of dollars)*	September 30, 2024	December 31, 2023
Accrued liabilities	1,091	855
Accounts payable	339	334
Accrued interest	173	149
Regulatory liabilities *(Note 12)*	46	51
Environmental liabilities	20	38
Lease obligations	14	12
Derivative liabilities *(Note 17)*	4	—
	1,687	1,439

15. OTHER LONG-TERM LIABILITIES

As at *(millions of dollars)*	September 30, 2024	December 31, 2023
Post-retirement and post-employment benefit liability	1,563	1,531
Lease obligations	39	37
Asset retirement obligations	36	36
Environmental liabilities	33	41
Derivative liabilities *(Note 17)*	4	2
Other long-term liabilities	40	35
	1,715	1,682

16. DEBT AND CREDIT AGREEMENTS

Short-Term Notes and Credit Facilities

Hydro One meets its short-term liquidity requirements in part through the issuance of commercial paper under Hydro One Inc.’s Commercial Paper Program which has a maximum authorized amount of $2,300 million. These short-term notes are denominated in Canadian dollars with varying maturities up to 365 days. The Commercial Paper Program is supported by Hydro One Inc.’s $3,050 million revolving standby credit facilities.

As at September 30, 2024, Hydro One’s consolidated committed, unsecured, and revolving credit facilities (Operating Credit Facilities) were $3,300 million, comprised of Hydro One Inc.'s credit facilities of $3,050 million and Hydro One's credit facilities of $250 million. On June 1, 2024, Hydro One increased the committed amount under the Operating Credit Facilities by $750 million and the maturity date was extended from 2028 to 2029. As at September 30, 2024, no amounts have been drawn on the Operating Credit Facilities.

The Company may use the Operating Credit Facilities for working capital and general corporate purposes. If used, interest on the Operating Credit Facilities would apply based on Canadian benchmark rates. The Operating Credit Facilities include a pricing adjustment which can increase or decrease Hydro One’s cost of funding based on its performance on certain Sustainability Performance Measures, which are related to Hydro One's sustainability goals. The obligation of each lender to extend credit under its credit facility is subject to various conditions including that no event of default has occurred or would result from such credit extension.

Subsidiary Debt Guarantee

Hydro One Holdings Limited (HOHL) is an indirect wholly-owned subsidiary of Hydro One that may offer and sell debt securities. Any debt securities issued by HOHL are fully and unconditionally guaranteed by the Company. As at September 30, 2024, no debt securities have been issued by HOHL.

Long-Term Debt

The following table presents long-term debt outstanding as at September 30, 2024 and December 31, 2023:

As at *(millions of dollars)*	September 30, 2024	December 31, 2023
Hydro One Inc. long-term debt (a)	16,320	15,020
Hydro One long-term debt (b)	425	425
	16,745	15,445
Add: Net unamortized debt premiums	26	12
Add: Realized mark-to-market gain[1]	3	6
Less: Unamortized deferred debt issuance costs	(57)	(53)
Total long-term debt	16,717	15,410
Less: Long-term debt payable within one year	(750)	(700)
	15,967	14,710

[1] In October 2023, Hydro One Inc. entered into a $400 million fixed-to-floating interest-rate swap agreement to convert the $400 million Medium-Term Note (MTN) Series 57 notes maturing October 20, 2025, into a variable rate debt. This swap was accounted for as a fair value hedge. In December 2023, this swap was terminated with a payment received of $6 million on settlement, which is being amortized over the term of the related note.

(a) Hydro One Inc. long-term debt

As at September 30, 2024, long-term debt of $16,320 million (December 31, 2023 - $15,020 million) was outstanding, the majority of which was issued under Hydro One Inc.'s MTN Program. In June 2022, Hydro One Inc. filed a short form base shelf prospectus in connection with its MTN Program, which has a maximum authorized principal amount of $4,000 million and expired in July 2024. In February 2024, Hydro One Inc. filed a short form base shelf prospectus in connection with its MTN Program, which expires in March 2026. Upon issuance of the short form base shelf prospectus in February 2024, the Company does not qualify for the distribution of any additional notes under the previous MTN Program prospectus that was filed in June 2022. During the three and nine months ended September 30, 2024, $1,200 million and $2,000 million long-term debt was issued, respectively (2023 - $425 million and $1,475 million) and $nil and $700 million long-term debt was repaid (2023 - $nil and $600 million).

(b) Hydro One long-term debt

As at September 30, 2024, long-term debt of $425 million (December 31, 2023 - $425 million) was outstanding. On August 19, 2024, Hydro One filed a short form base shelf prospectus (Universal Base Shelf Prospectus) with securities regulatory authorities in Canada. The Universal Base Shelf Prospectus allows Hydro One to offer, from time to time in one or more public offerings, debt, equity or other securities, or any combination thereof, during the 25-month period ended on September 19, 2026. As at September 30, 2024, no securities have been issued under the Universal Base Shelf Prospectus. During the three and nine months ended September 30, 2024 and 2023, no long-term debt was issued or repaid.

Principal and Interest Payments

As at September 30, 2024, future principal repayments, interest payments, and related weighted-average interest rates were as follows:

	Long-Term Debt Principal Repayments *(millions of dollars)*	Interest Payments *(millions of dollars)*	Weighted-Average Interest Rate *(%)*
Year 1	750	700	2.3
Year 2	1,325	668	4.4
Year 3	—	629	—
Year 4	1,175	607	3.6
Year 5	550	586	3.0
	3,800	3,190	3.5
Years 6-10	4,085	2,417	4.4
Thereafter	8,860	4,368	4.4
	16,745	9,975	4.2

17. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Non-Derivative Financial Assets and Liabilities

As at September 30, 2024 and December 31, 2023, the Company's carrying amounts of cash and cash equivalents, accounts receivable, due from related parties, short-term notes payable, accounts payable, and due to related parties are representative of fair value due to the short-term nature of these instruments.

Fair Value Measurements of Long-Term Debt

The carrying values and fair values of the Company's long-term debt as at September 30, 2024 and December 31, 2023 are as follows:

	September 30, 2024		December 31, 2023	
As at *(millions of dollars)*	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, including current portion	16,717	16,693	15,410	15,235

Fair Value Measurements of Derivative Instruments

Fair Value Hedges

As at September 30, 2024 and December 31, 2023, Hydro One Inc. had no fair value hedges.

Cash Flow Hedges

As at September 30, 2024 and December 31, 2023, Hydro One Inc. had a $425 million, pay-fixed, receive-floating interest-rate swap agreement designated as a cash flow hedge. This cash flow hedge is intended to offset the variability of interest rates between December 21, 2023 and September 21, 2026.

As at September 30, 2024 and December 31, 2023, the Company had no derivative instruments classified as undesignated contracts.

Fair Value Hierarchy

The fair value hierarchy of financial assets and liabilities as at September 30, 2024 and December 31, 2023 is as follows:

As at September 30, 2024 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Long-term debt, including current portion	16,717	16,693	—	16,693	—
Derivative instruments *(Note 14 & 15)*					
Cash flow hedges, including current portion	8	8	—	8	—
	16,725	16,701	—	16,701	—

As at December 31, 2023 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Liabilities:					
Long-term debt, including current portion	15,410	15,235	—	15,235	—
Derivative instruments *(Note 15)*					
Cash flow hedges, including current portion	2	2	—	2	—
	15,412	15,237	—	15,237	—

The fair value of the interest rate swaps designated as cash flow hedges is determined using a discounted cash flow method based on period-end swap yield curves.

The fair value of the long-term debt is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

There were no transfers between any of the fair value levels during the nine months ended September 30, 2024 or the year ended December 31, 2023.

Risk Management

Exposure to market risk, credit risk and liquidity risk arises in the normal course of the Company's business.

Market Risk

Market risk refers primarily to the risk of loss which results from changes in values, foreign exchange rates and interest rates. The Company is exposed to fluctuations in interest rates, as its regulated return on equity is derived using a formulaic approach that takes anticipated interest rates into account. The Company is not currently exposed to material commodity price risk or material foreign exchange risk.

The Company uses a combination of fixed and variable-rate debt to manage the mix of its debt portfolio. The Company also uses derivative financial instruments to manage interest-rate risk. The Company may utilize interest-rate swaps designated as fair value hedges as a means to manage its interest rate exposure to achieve a lower cost of debt. The Company may also utilize interest-rate derivative instruments, such as cash flow hedges, to manage its exposure to short-term interest rates or to lock in interest-rate levels on forecasted financing.

A hypothetical 100 basis points increase in interest rates associated with variable-rate debt would have resulted in an increase to financing charges for the three and nine months ended September 30, 2024 of $1 million and $4 million (2023 - $3 million and $7 million), respectively.

For derivative instruments that are designated and qualify as cash flow hedges, the unrealized gain or loss, after tax, on the derivative instrument is recorded as other comprehensive income (OCI) or other comprehensive loss (OCL) and is reclassified to results of operations in the same period during which the hedged transaction affects results of operations. During the three months ended September 30, 2024, a $5 million after-tax unrealized loss (2023 - $nil), $8 million before-tax loss (2023 - $nil), was recorded in OCL, and a $1 million before-tax realized gain (2023 - $nil), $1 million after-tax gain (2023 - $nil), was reclassified to financing charges. During the nine months ended September 30, 2024, a $2 million before-tax unrealized loss (2023 - $3 million), $1 million after-tax loss (2023 - $2 million), was recorded in OCL, and a $4 million before-tax realized gain (2023 - $2 million), $3 million after-tax gain (2023 - $2 million), was reclassified to financing charges. This resulted in an accumulated other comprehensive loss (AOCL) of $5 million related to cash flow hedges as at September 30, 2024 (December 31, 2023 - less than $1 million AOCL). The Company estimates that the amount of AOCL, after tax, related to cash flow hedges to be reclassified to results of operations in the next 12 months is approximately $3 million. Actual amounts reclassified to results of operations depend on the interest rate in effect until the derivative contracts mature. For all forecasted transactions, at September 30, 2024, the maximum term over which the Company is hedging exposures to the variability of cash flows is approximately two years.

The Pension Plan manages market risk by diversifying investments in accordance with the Pension Plan's Statement of Investment Policies and Procedures. Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of the Pension Plan's financial instruments. In addition, changes in interest rates can also impact discount rates which impact the valuation of the pension and post-retirement and post-employment liabilities. Currency risk is the risk that the value of the Pension Plan's financial instruments will fluctuate due to changes in foreign currencies relative to the Canadian dollar. Other price risk is the risk that the value of the Pension Plan's investments in equity securities will fluctuate as a result of changes in market prices, other than those arising from interest risk or currency risk. All three factors may contribute to changes in values of the Pension Plan investments. See Note 18 - Pension and Post-Retirement and Post-Employment Benefits for further details.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. As at September 30, 2024 and 2023, there were no significant concentrations of credit risk with respect to any class of financial assets. The Company's revenue is earned from a broad base of customers. As a result, Hydro One did not earn a material amount of revenue from any single customer. As at September 30, 2024 and 2023, there was no material accounts receivable balance due from any single customer.

As at September 30, 2024, the Company's allowance for doubtful accounts was $59 million (December 31, 2023 - $57 million). The allowance for doubtful accounts reflects the Company's current expected credit loss for all accounts receivable balances, which are based on historical overdue balances, customer payments and write-offs. As at September 30, 2024, approximately 6% (December 31, 2023 - 5%) of the Company's net accounts receivable were outstanding for more than 60 days.

Hydro One manages its counterparty credit risk through various techniques including (i) entering into transactions with highly rated counterparties, (ii) limiting total exposure levels with individual counterparties, (iii) entering into master agreements which enable net settlement and the contractual right of offset, and (iv) monitoring the financial condition of counterparties. The Company monitors current credit exposure to counterparties on both an individual and an aggregate basis. The Company's credit risk for accounts receivable is limited to the carrying amounts on the consolidated balance sheets.

Derivative financial instruments result in exposure to credit risk since there is a risk of counterparty default. The maximum credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts in an asset position at the reporting date. As at September 30, 2024, Hydro One's credit exposure for all derivative instruments and applicable payables was with one financial institution with investment grade credit ratings as counterparty. As at September 30, 2023, there was no counterparty risk.

The Pension Plan manages its counterparty credit risk with respect to bonds by investing in investment-grade corporate and government bonds and with respect to derivative instruments by transacting only with highly rated financial institutions and by ensuring that exposure is diversified across counterparties.

Liquidity Risk

Liquidity risk refers to the Company's ability to meet its financial obligations as they come due. Hydro One meets its short-term operating liquidity requirements using cash and cash equivalents on hand, funds from operations, the issuance of commercial paper, and the Operating Credit Facilities. The short-term liquidity under the commercial paper program, the Operating Credit Facilities, and anticipated levels of funds from operations are expected to be sufficient to fund the Company's operating requirements.

On November 22, 2022, HOHL filed a short form base shelf prospectus (US Debt Shelf Prospectus) with securities regulatory authorities in Canada and the US to replace a previous prospectus that would otherwise have expired in January 2023. The US Debt Shelf Prospectus allows HOHL to offer, from time to time in one or more public offerings, up to US$3,000 million of debt securities, unconditionally guaranteed by Hydro One, expiring in December 2024. As at September 30, 2024, no securities have been issued under the US Debt Shelf Prospectus.

The Pension Plan's short-term liquidity is provided through cash and cash equivalents, contributions, investment income and proceeds from investment transactions. In the event that investments must be sold quickly to meet current obligations, the majority of the Pension Plan's assets are invested in securities that are traded in an active market and can be readily disposed of as liquidity needs arise.

18. PENSION AND POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

The following table provides the components of the net periodic benefit (recovery) costs for the three and nine months ended September 30, 2024 and 2023:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Three months ended September 30 *(millions of dollars)*	**2024**	**2023**	**2024**	**2023**
Current service cost	33	24	14	13
Interest cost	101	98	19	19
Expected return on plan assets, net of expenses[1]	(151)	(141)	—	—
Amortization of prior service (credit) cost	—	(1)	3	3
Amortization of actuarial losses (gains)	3	(4)	(5)	(7)
Net periodic benefit (recovery) costs	(14)	(24)	31	28
Charged to results of operations[2]	6	1	21	14

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Nine months ended September 30 *(millions of dollars)*	**2024**	**2023**	**2024**	**2023**
Current service cost	101	74	42	39
Interest cost	301	296	56	56
Expected return on plan assets, net of expenses[1]	(453)	(425)	—	—
Amortization of prior service (credit) cost	(2)	(2)	7	7
Amortization of actuarial losses (gains)	11	(14)	(15)	(21)
Net periodic benefit (recovery) costs	(42)	(71)	90	81
Charged to results of operations[2]	18	14	64	50

[1] The expected long-term rate of return on pension plan assets for the year ending December 31, 2024 is 7.00% (2023 - 7.00%).
[2] The Company accounts for pension costs consistent with their inclusion in OEB-approved rates. During the three and nine months ended September 30, 2024, pension costs of $19 million (2023 - $2 million) and $54 million (2023 - $48 million), respectively, were attributed to labour, of which $6 million (2023 - $1 million) and $18 million (2023 - $14 million), respectively, was charged to operations, and $13 million (2023 - $1 million) and $36 million (2023 - $34 million), respectively, was capitalized as part of the cost of property, plant and equipment and intangible assets.

19. SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares. As at September 30, 2024, the Company had 599,435,162 (December 31, 2023 - 599,077,067) common shares issued and outstanding.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. As at September 30, 2024 and December 31, 2023, the Company had no preferred shares issued and outstanding.

20. DIVIDENDS

During the three months ended September 30, 2024, common share dividends in the amount of $189 million (2023 - $177 million) were declared and paid.

During the nine months ended September 30, 2024, common share dividends in the amount of $555 million (2023 - $522 million) were declared and paid. See Note 28 - Subsequent Events for dividends declared subsequent to September 30, 2024.

21. EARNINGS PER COMMON SHARE

Basic earnings per common share (EPS) is calculated by dividing net income attributable to common shareholders of Hydro One by the weighted-average number of common shares outstanding.

Diluted EPS is calculated by dividing net income attributable to common shareholders of Hydro One by the weighted-average number of common shares outstanding adjusted for the effects of potentially dilutive stock-based compensation plans, including the share grant plans and the Long-term Incentive Plan (LTIP), which are calculated using the treasury stock method.

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
Net income attributable to common shareholders *(millions of dollars)*	371	357	956	904
Weighted-average number of shares				
Basic	599,433,448	599,076,945	599,311,097	598,956,102
Effect of dilutive stock-based compensation plans	1,214,523	1,500,464	1,357,100	1,617,264
Diluted	600,647,971	600,577,409	600,668,197	600,573,366
EPS				
Basic	$0.62	$0.60	$1.60	$1.51
Diluted	$0.62	$0.59	$1.59	$1.51

22. STOCK-BASED COMPENSATION

Share Grant Plans

Hydro One has two share grant plans (Share Grant Plans), one for the benefit of certain members of the Power Workers' Union (the PWU Share Grant Plan) and one for the benefit of certain members of the Society of United Professionals (the Society Share Grant Plan). A summary of share grant activity under the Share Grant Plans during the three and nine months ended September 30, 2024 and 2023 is presented below:

	Three months ended September 30		Nine months ended September 30	
(number of share grants)	2024	2023	2024	2023
Share grants outstanding - beginning	1,434,186	1,827,666	1,782,376	2,189,616
Granted	—	339	—	339
Vested and issued[1]	—	(339)	(348,190)	(362,289)
Share grants outstanding - ending	1,434,186	1,827,666	1,434,186	1,827,666

[1] During the three and nine months ended September 30, 2024, Hydro One issued nil and 348,190 (2023 - 339 and 362,289) common shares from treasury to eligible employees in accordance with provisions of the PWU and the Society Share Grant Plans.

Directors' Deferred Share Unit (DSU) Plan

A summary of DSU awards activity under the Directors' DSU Plan during the three and nine months ended September 30, 2024 and 2023 is presented below:

	Three months ended September 30		Nine months ended September 30	
(number of DSUs)	2024	2023	2024	2023
DSUs outstanding - beginning	106,189	92,418	94,624	99,939
Granted	5,223	5,303	16,788	27,886
Paid	—	—	—	(30,104)
DSUs outstanding - ending	111,412	97,721	111,412	97,721

As at September 30, 2024, a liability of $5 million (December 31, 2023 - $4 million) related to Directors' DSUs has been recorded at the closing price of the Company's common shares of $46.88 (December 31, 2023 - $39.70). This liability is included in other long-term liabilities on the consolidated balance sheets.

Management DSU Plan

A summary of DSU awards activity under the Management DSU Plan during the three and nine months ended September 30, 2024 and 2023 is presented below:

	Three months ended September 30		Nine months ended September 30	
(number of DSUs)	2024	2023	2024	2023
DSUs outstanding - beginning	149,487	138,081	134,370	118,505
Granted	565	1,063	15,995	20,639
Paid	(64,435)	(5,778)	(64,748)	(5,778)
DSUs outstanding - ending	85,617	133,366	85,617	133,366

As at September 30, 2024, a liability of $4 million (December 31, 2023 - $5 million) related to Management DSUs has been recorded at the closing price of the Company's common shares of $46.88 (December 31, 2023 - $39.70). This liability is included in other long-term liabilities on the consolidated balance sheets.

LTIP

Performance Share Units (PSU) and Restricted Share Units (RSU)

A summary of PSU and RSU awards activity under the LTIP during the three and nine months ended September 30, 2024 and 2023 is presented below:

	PSUs		RSUs	
Three months ended September 30 *(number of units)*	2024	2023	2024	2023
Units outstanding - beginning	273,093	142,067	323,056	188,013
Granted	16,222	1,007	5,856	3,608
Forfeited	(2,125)	(1,312)	(5,931)	(2,623)
Vested	(636)	—	(852)	—
Units outstanding - ending	286,554	141,762	322,129	188,998

	PSUs		RSUs	
Nine months ended September 30 *(number of units)*	2024	2023	2024	2023
Units outstanding - beginning	142,925	—	186,971	—
Granted	189,104	143,074	156,638	191,621
Forfeited	(24,918)	(1,312)	(20,377)	(2,623)
Vested	(20,557)	—	(1,103)	—
Units outstanding - ending	286,554	141,762	322,129	188,998

The grant date total fair value of the awards granted during the three and nine months ended September 30, 2024 was $1 million and $14 million (2023 - $nil and $12 million). The compensation expense related to these awards recognized by the Company during the three and nine months ended September 30, 2024 was $3 million and $7 million (2023 – $1 million and $2 million).

Society of United Professionals (Society) RSU Plan

A summary of RSU awards activity under the Society RSU Plan during the three and nine months ended September 30, 2024 and 2023 is presented below:

	Three months ended September 30		Nine months ended September 30	
(number of RSUs)	2024	2023	2024	2023
RSUs outstanding - beginning	—	—	—	36,124
Vested and issued	—	—	—	(33,031)
Settled	—	—	—	(2,964)
Forfeited	—	—	—	(129)
RSUs outstanding - ending	—	—	—	—

23. RELATED PARTY TRANSACTIONS

The Province is a shareholder of Hydro One with approximately 47.1% (2023 - 47.1%) ownership as at September 30, 2024. The Independent Electricity System Operator (IESO), Ontario Power Generation Inc. (OPG), Ontario Electricity Financial Corporation (OEFC), and the OEB are related parties to Hydro One because they are controlled or significantly influenced by the Ministry of Energy and Electrification. Ontario Charging Network (OCN LP) is a joint-venture limited partnership between OPG and a subsidiary of Hydro One. The following is a summary of the Company's related party transactions during the three and nine months ended September 30, 2024 and 2023:

(millions of dollars)		Three months ended September 30		Nine months ended September 30	
Related Party	**Transaction**	**2024**	**2023**	**2024**	**2023**
Province	Dividends paid	89	83	262	246
IESO	Power purchased	616	451	1,917	1,596
	Revenues for transmission services	625	589	1,754	1,694
	Amounts related to electricity rebates	301	199	908	628
	Distribution revenues related to rural rate protection	64	63	190	187
	Distribution revenues related to Wataynikaneyap Power LP	29	14	89	41
	Distribution revenues related to supply of electricity to remote northern communities	12	12	36	35
	Funding received related to Conservation and Demand Management programs	—	—	1	1
OPG	Power purchased	3	5	14	12
	Distribution revenues related to provision of services and supply of electricity	1	1	4	4
	Other revenues related to provision of services and supply of electricity	—	1	1	1
	Transmission revenues related to provision of services and supply of electricity	—	—	1	1
	Capital contribution received from OPG	1	1	2	4
	Costs related to the purchase of services	1	—	1	1
OEFC	Power purchased from power contracts administered by the OEFC	—	—	1	1
OEB	OEB fees	3	3	9	9
OCN LP[1]	Investment in OCN LP	—	—	5	—

[1] OCN LP owns and operates electric vehicle fast charging stations across Ontario, under the Ivy Charging Network brand.

Sales to and purchases from related parties are based on the requirements of the OEB's Affiliate Relationships Code. Outstanding balances at period end are interest-free and settled in cash. Invoices are issued monthly, and amounts are due and paid on a monthly basis.

24. CONSOLIDATED STATEMENTS OF CASH FLOWS

The changes in non-cash balances related to operations consist of the following:

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	**2024**	**2023**	**2024**	**2023**
Accounts receivable *(Note 8)*	(83)	2	(48)	19
Due from related parties	32	(3)	(14)	(17)
Materials and supplies *(Note 9)*	2	8	5	(9)
Prepaid expenses and other assets *(Note 9)*	(19)	1	(56)	(20)
Other long-term assets	(1)	1	(2)	(1)
Accounts payable	(34)	(53)	(2)	(77)
Accrued liabilities *(Note 14)*	61	37	236	152
Due to related parties	(11)	(1)	(136)	(176)
Accrued interest *(Note 14)*	18	8	24	27
Long-term accounts payable and other long-term liabilities *(Note 15)*	5	1	5	2
Post-retirement and post-employment benefit liability	12	17	47	60
	(18)	18	59	(40)

Capital Expenditures

The following tables reconcile investments in property, plant and equipment and intangible assets and the amounts presented in the consolidated statements of cash flows for the three and nine months ended September 30, 2024 and 2023. The reconciling items include net change in accruals, transfers, and capitalized depreciation.

	Three months ended September 30, 2024			Nine months ended September 30, 2024		
(millions of dollars)	Property, Plant and Equipment	Intangible Assets	Total	Property, Plant and Equipment	Intangible Assets	Total
Capital investments	(758)	(15)	(773)	(2,199)	(65)	(2,264)
Reconciling items	46	1	47	132	3	135
Cash outflow for capital expenditures	(712)	(14)	(726)	(2,067)	(62)	(2,129)

	Three months ended September 30, 2023			Nine months ended September 30, 2023		
(millions of dollars)	Property, Plant and Equipment	Intangible Assets	Total	Property, Plant and Equipment	Intangible Assets	Total
Capital investments	(599)	(39)	(638)	(1,690)	(96)	(1,786)
Reconciling items	18	3	21	47	1	48
Cash outflow for capital expenditures	(581)	(36)	(617)	(1,643)	(95)	(1,738)

Supplementary Information

	Three months ended September 30		Nine months ended September 30	
(millions of dollars)	2024	2023	2024	2023
Net interest paid	161	149	463	421
Income taxes paid	2	10	27	43

25. CONTINGENCIES

Hydro One is involved in various lawsuits and claims in the normal course of business. In the opinion of management, the outcome of such matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

26. COMMITMENTS

The following table presents a summary of Hydro One's commitments under outsourcing and other agreements due in the next five years and thereafter:

As at September 30, 2024 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Outsourcing and other agreements	67	31	11	10	2	13
Capital agreements	67	132	51	7	—	—
Long-term software/meter agreement	8	18	2	1	1	—

Outsourcing and other agreements

In February 2021, Hydro One entered into a three-year agreement for information technology services with Capgemini Canada Inc., which expired on February 29, 2024 and included an option to extend for two additional one-year terms at Hydro One's discretion. In June 2023, Hydro One provided Capgemini Canada Inc. with notice to extend the agreement, effective March 1, 2024 and to expire March 1, 2026.

Capital Agreements

In the course of business, Hydro One has entered into agreements committing to the purchase of specified equipment from various suppliers upon successful completion of certain milestones.

The following table presents a summary of Hydro One's other commercial commitments by year of expiry in the next five years and thereafter:

As at September 30, 2024 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Operating Credit Facilities	—	—	—	—	3,300	—
Letters of credit[1]	171	—	—	—	—	—
Guarantees[2]	512	—	—	—	—	—

[1] Letters of credit consist of $157 million letters of credit related to retirement compensation arrangements, a $7 million letter of credit provided to the IESO for prudential support, and $7 million in letters of credit for various operating purposes.
[2] Guarantees consist of $475 million prudential support provided to the IESO by Hydro One Inc. on behalf of its subsidiaries, as well as guarantees provided by Hydro One to the Minister of Natural Resources (Canada) and ONroute of $2 million and $30 million, respectively, relating to OCN LP (OCN Guarantee) and $5 million relating to Aux Energy Inc., the Company's indirect subsidiary.

27. SEGMENTED REPORTING

Hydro One has three reportable segments:

- The Transmission Segment, which comprises the transmission of high voltage electricity across the province, interconnecting local distribution companies and certain large directly connected industrial customers throughout the Ontario electricity grid;
- The Distribution Segment, which comprises the delivery of electricity to end customers and certain other municipal electricity distributors; and
- Other Segment, which includes certain corporate activities, investments including a joint venture that owns and operates electric vehicle fast charging stations across Ontario under the Ivy Charging Network brand, and the operations of the Company's telecommunications business. The Other Segment includes a portion of the DTA which arose from the revaluation of the tax bases of Hydro One's assets to fair market value when the Company transitioned from the provincial payments in lieu of tax regime to the federal tax regime at the time of Hydro One's initial public offering in 2015. This DTA is not required to be shared with ratepayers, the Company considers it not to be part of the regulated transmission and distribution segment assets, and it is included in the other segment.

The designation of segments has been based on a combination of regulatory status and the nature of the services provided. Operating segments of the Company are determined based on information used by the chief operating decision-maker in deciding how to allocate resources and evaluate the performance of each of the segments. The Company evaluates segment performance based on income before financing charges and income tax expense from continuing operations (excluding certain allocated corporate governance costs).

Three months ended September 30, 2024 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	628	1,551	13	2,192
Purchased power	—	1,047	—	1,047
Operation, maintenance and administration	113	155	26	294
Depreciation, amortization and asset removal costs	137	125	1	263
Income (loss) before financing charges and income tax expense	378	224	(14)	588
Capital investments	461	309	3	773

Three months ended September 30, 2023 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	594	1,329	11	1,934
Purchased power	—	854	—	854
Operation, maintenance and administration	111	162	20	293
Depreciation, amortization and asset removal costs	132	114	2	248
Income (loss) before financing charges and income tax expense	351	199	(11)	539
Capital investments	384	249	5	638

Nine months ended September 30, 2024 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,764	4,592	33	6,389
Purchased power	—	3,083	—	3,083
Operation, maintenance and administration	347	517	71	935
Depreciation, amortization and asset removal costs	404	369	7	780
Income (loss) before financing charges and income tax expense	1,013	623	(45)	1,591
Capital investments	1,384	872	8	2,264

Nine months ended September 30, 2023 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,708	4,123	34	5,865
Purchased power	—	2,662	—	2,662
Operation, maintenance and administration	358	535	64	957
Depreciation, amortization and asset removal costs	386	354	7	747
Income (loss) before financing charges and income tax expense	964	572	(37)	1,499
Capital investments	1,055	714	17	1,786

Total Assets by Segment:

As at *(millions of dollars)*	September 30, 2024	December 31, 2023
Transmission	21,069	19,819
Distribution	13,480	12,696
Other	574	337
Total assets	35,123	32,852

Total Goodwill by Segment:

As at *(millions of dollars)*	September 30, 2024	December 31, 2023
Transmission	157	157
Distribution	216	216
Total goodwill	373	373

All revenues, assets and substantially all costs are earned, held or incurred in Canada.

28. SUBSEQUENT EVENTS

Designated Broadband Projects

On October 31, 2024, the Ministry of Infrastructure announced that it has developed a program to deliver up to $400 million in subsidies to internet service providers (ISPs) for work associated with designated broadband projects. The program is intended to enable ISPs to successfully and safely attach their material and equipment to the Company's poles to bring connectivity to rural communities as part of a designated broadband project as defined under *Building Broadband Faster Act* (Ontario). A portion of the subsidies is expected to be used to reimburse Hydro One Networks on behalf of ISPs for their share of enablement costs incurred to facilitate the program to date.

Dividends

On November 6, 2024, common share dividends of $188 million ($0.3142 per common share) were declared.