



# Third Quarter 2016 Earnings Teleconference

November 11, 2016

One of North America's largest electric utilities

TSX: H



# Hydro One Limited – Third Quarter Financial Summary



| (\$ millions)  | Third Quarter |               |               | Year to Date  |               |             |
|--|---------------|---------------|---------------|---------------|---------------|-------------|
|  | 2016          | 2015          | % Change      | 2016          | 2015          | % Change    |
| <b>Revenue</b>   |               |               |               |               |               |             |
| Transmission   | \$444         | \$405         | 9.6%          | 1,211         | 1,175         | 3.1%        |
| <i>Distribution</i>  | 1,249         | 1,227         | 1.8%          | 3,687         | 3,801         | (3.0%)      |
| Distribution (Net of Purchased Power)  | 379           | 371           | 2.2%          | 1,118         | 1,137         | (1.7%)      |
| Other  | 13            | 13            | 0.0%          | 40            | 40            | 0.0%        |
| <i>Consolidated</i>  | 1,706         | 1,645         | 3.7%          | 4,938         | 5,016         | (1.6%)      |
| <b>Consolidated (Net of Purchased Power)</b>   | <b>836</b>    | <b>789</b>    | <b>6.0%</b>   | <b>2,369</b>  | <b>2,352</b>  | <b>0.7%</b> |
| <b>Earnings Before Financing Charges and Income Taxes (EBIT)</b>   |               |               |               |               |               |             |
| Transmission   | 247           | 213           | 16.0%         | 637           | 598           | 6.5%        |
| Distribution   | 126           | 121           | 4.1%          | 390           | 367           | 6.3%        |
| Other  | 8             | (8)           | -             | (14)          | (13)          | (7.7%)      |
| <b>Consolidated</b>  | <b>381</b>    | <b>326</b>    | <b>16.9%</b>  | <b>1,013</b>  | <b>952</b>    | <b>6.4%</b> |
| <b>Net Income<sup>1</sup></b>  | <b>233</b>    | <b>188</b>    | <b>23.9%</b>  | <b>593</b>    | <b>547</b>    | <b>8.4%</b> |
| <b>Adjusted EPS</b>  | <b>\$0.39</b> | <b>\$0.32</b> | <b>21.9%</b>  | <b>\$1.00</b> | <b>\$0.92</b> | <b>8.7%</b> |
| <b>Diluted Adjusted EPS</b>  | <b>\$0.39</b> | <b>\$0.32</b> | <b>21.9%</b>  | <b>\$0.99</b> | <b>\$0.92</b> | <b>7.6%</b> |
| <b>Capital Investments</b>   |               |               |               |               |               |             |
| Transmission   | 241           | 247           | (2.4%)        | 714           | 692           | 3.2%        |
| Distribution   | 181           | 189           | (4.2%)        | 502           | 513           | (2.1%)      |
| Other  | 2             | 2             | -             | 4             | 7             | (42.9%)     |
| <b>Consolidated</b>  | <b>424</b>    | <b>438</b>    | <b>(3.2%)</b> | <b>1,220</b>  | <b>1,212</b>  | <b>0.7%</b> |
| <i>Financial Statements reported under U.S. GAAP</i>   |               |               |               |               |               |             |
| <i>(1) Net Income is attributable to common shareholders and is after non-controlling interest and dividends to preferred shareholders</i> |               |               |               |               |               |             |

## Senior Leadership Team



**Mayo Schmidt**  
President and CEO



**Michael Vels**  
Chief Financial Officer



**Greg Kiraly**  
Chief Operating Officer



**Jamie Scarlett**  
Chief Legal Officer



**Ferio Pugliese**  
EVP, Customer Care &  
Corporate Affairs



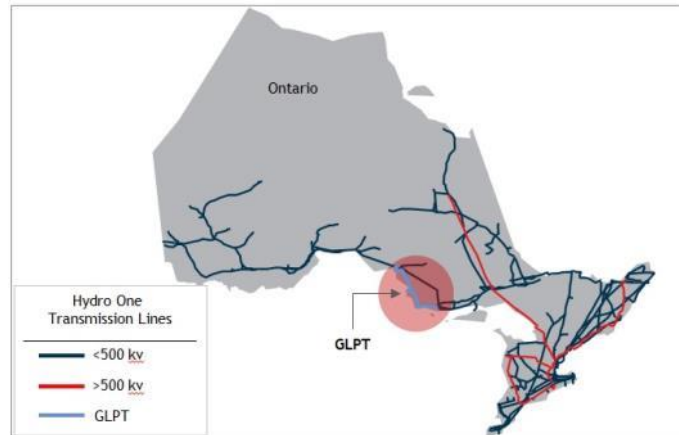
**Paul H. Barry**  
EVP, Strategy &  
Corporate Development



**Judy McKellar**  
SVP, People &  
Culture/Health Safety &  
Environment

Executive leadership team complete and executing strategic priorities

## Great Lakes Power Transmission



### Key points

- Ontario Energy Board (OEB) Approval received October 13, 2016 and transaction closed October 31, 2016
- Increases Hydro One's transmission coverage to ~98% of province-wide capacity
- Expected to be earnings accretive in first full year
- 560km of high voltage transmission lines, towers and stations
- \$376 million purchase price, including approximately \$150 million of assumed debt, subject to closing adjustments

## Orillia Power Distribution



### Key points

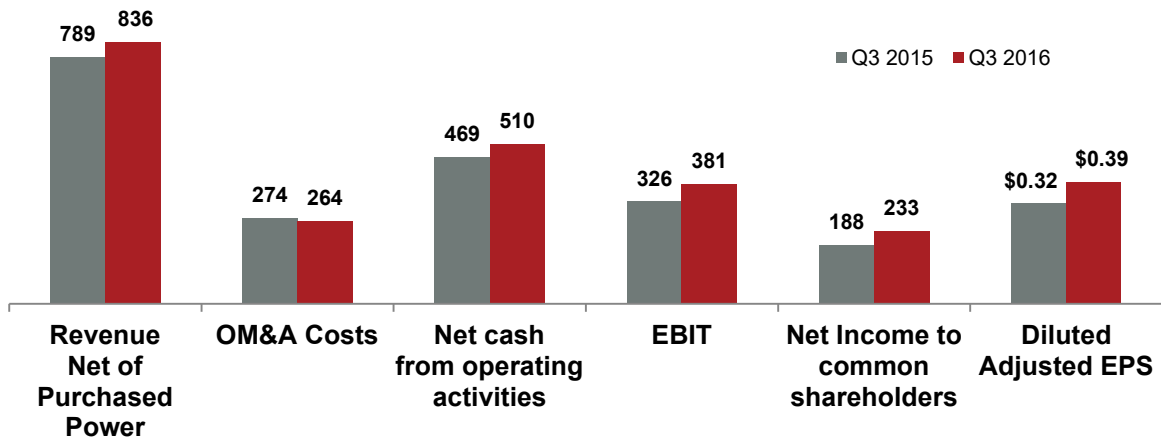
- Transaction announced August 15, 2016
- \$41 million purchase price, including approximately \$15 million of assumed debt and regulatory liabilities, subject to closing adjustments
- Serves 14,000 customers, located in Simcoe County and surrounded by existing Hydro One facilities
- Conditional agreements to build backup grid control center and additional facilities following closing
- Closing subject to OEB approval

Continuing to consolidate the fragmented Ontario electric utility market



# 2016 Third Quarter Financial Highlights

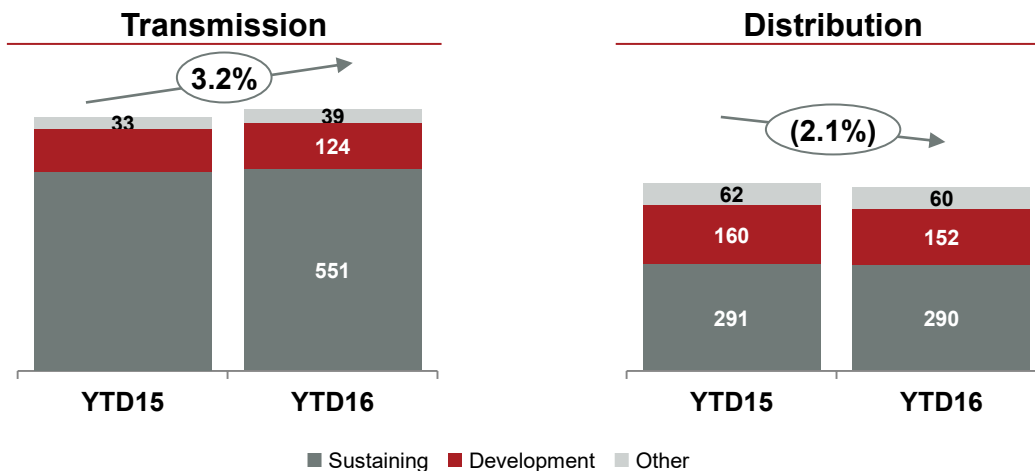
## Financial Highlights (\$M) 3Q16 Year over Year Comparison



## Key drivers

- Revenue, net of power costs, for the third quarter and year-to-date grew by 6.0% and 0.7% respectively:
  - Higher average monthly Ontario 60-minute peak demand;
  - Cumulative revenue adjustment for shared-use revenues
  - Revenues in 3Q15 were reduced by conservation and demand management regulatory adjustment;
- Operating cost improvements year-to-date from:
  - Lower bad debt costs;
  - Lower support services costs;
  - Lower transformer refurbishment and station maintenance costs;
- 3Q16 results were partially offset by:
  - Hydro One Brampton divestiture (rev. net of purchased power: -\$12 million, net income: -\$7 million);
  - Higher interest expense associated with IPO recapitalization;
- Capital investments of \$424 million made during 3Q16 and \$1,220 million in year-to-date
- Over \$900 million of assets placed in service during 2016 vs. \$869 million in 2015

## Regulated Capital Investments (\$M) Year to Date Comparison



Revenue, efficiencies and earnings all positive year over year

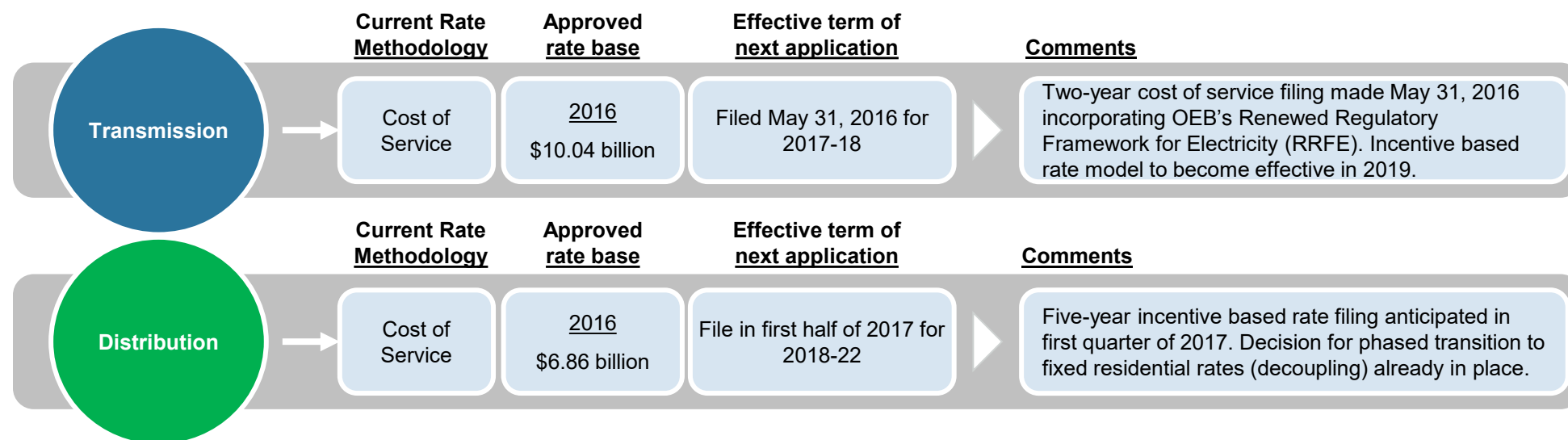
## 2017 – 2018 Transmission Rate Application

- Interrogatory phase completed following responses to ~1,300 questions in August 2016
- Senior executive presentation of rate application to the OEB panel in early September 2016
- 2-day Technical Conference in September 2016 for additional intervener questions and follow-ups
- Oral hearing phase starts in November 2016
- Decision expected first quarter 2017

## Annual Adjustment to Allowed ROE for 2017

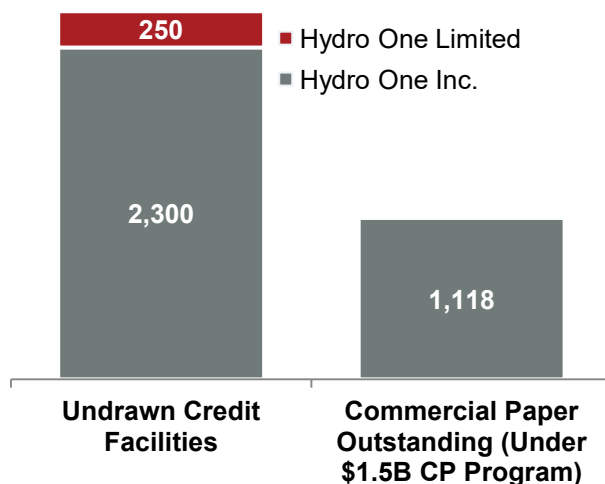
- Allowed ROE for 2017 formulaically adjusted by OEB to 8.78% from 9.19% based upon:
  - Decrease in the Long Canada Bond Forecast from prior year
  - Tighter “A” rated Utility Bond Yield Spreads versus prior year

## Overall Regulatory Scan



# Strong Balance Sheet and Liquidity

## Significant Available Liquidity (\$M)



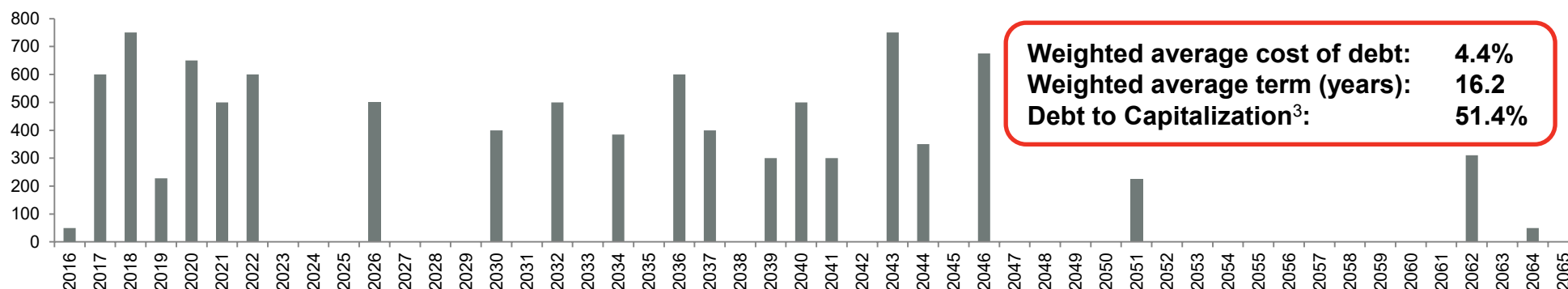
## Strong Investment Grade Credit Ratings (LT/ST/Outlook)

| Hydro One Inc. (HOI) |                               |
|----------------------|-------------------------------|
| S&P                  | A / A-1/ stable               |
| DBRS                 | A (high) / R-1 (low) / stable |
| Moody's              | A3 / Prime-2 / stable         |

## Shelf Registrations

|  |
|--|
| HOL:<br>Universal Shelf <sup>1</sup><br>\$8B             |
| HOI:<br>Medium Term<br>Note Shelf <sup>2</sup><br>\$3.5B |

## Debt Maturity Schedule (\$M)



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

(1) \$1,970 million was drawn from the Universal Shelf during April 2016 with respect to a secondary share offering by the Province, leaving \$6,030 million remaining available until April 2018.

(2) \$1,350 million was drawn from the Medium Term Note Shelf on February 24, 2016, leaving \$2,150 million remaining available until January 2018.

(3) Debt to capitalization ratio has been calculated as net debt divided by net debt plus total shareholder's equity, including preferred shares but excluding any amounts related to non-controlling interest.

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

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