hydro One

Second Quarter 2019

Earnings Teleconference
August 9th, 2019

One of North America's largest electric utilities

TSX:H

HYDRO ONE LIMITED

2Q19 FINANCIAL SUMMARY

Revenue	Second Quarter			YTD		
(millions of dollars, except EPS)	**2019**	**2018**	**% Change**	**2019**	**2018**	**% Change**
Transmission	$374	$430	(13.0%)	$802	$851	(5.8%)
Distribution	*1,029*	*1,036*	(0.7%)	*2,350*	*2,181*	(7.7%)
Distribution (Net of Purchased Power)	376	362	3.9%	890	756	17.7%
Other	10	11	(9.1%)	20	21	(4.8%)
Consolidated	*1,413*	*1,477*	(4.3%)	*3,172*	*3,053*	3.9%
Consolidated (Net of Purchased Power)	760	803	(5.4%)	1,712	1,628	5.2%
OM&A Costs	267	256	4.3%	683	526	29.8%
Earnings Before Financing Charges and Income Taxes (EBIT)						
Transmission	159	228	(30.3%)	375	441	(15.0%)
Distribution	118	120	(1.7%)	388	277	40.1%
Other	(5)	(11)	(54.5%)	(167)	(23)	-
Consolidated	272	337	(19.3%)	596	695	(14.2%)
Net Income (Loss) [1]	155	200	(22.5%)	326	422	(22.7%)
Adjusted Net Income (Loss) [1,2]	155	194	(20.1%)	466	404	15.3%
Basic EPS	$0.26	$0.34	(23.5%)	$0.55	0.71	(22.5%)
Basic Adjusted EPS[1]	$0.26	$0.33	(21.2%)	$0.78	$0.68	14.7%
Capital Investments	370	401	(7.7%)	681	706	(3.5%)
Assets Placed In Service						
Transmission	161	316	(49.1%)	215	354	(39.3%)
Distribution	114	158	(27.8%)	202	263	(23.2%)
Other	1	3	-	4	5	-
Consolidated	276	477	(42.1%)	421	622	(32.3%)

Financial Statements reported under U.S. GAAP

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

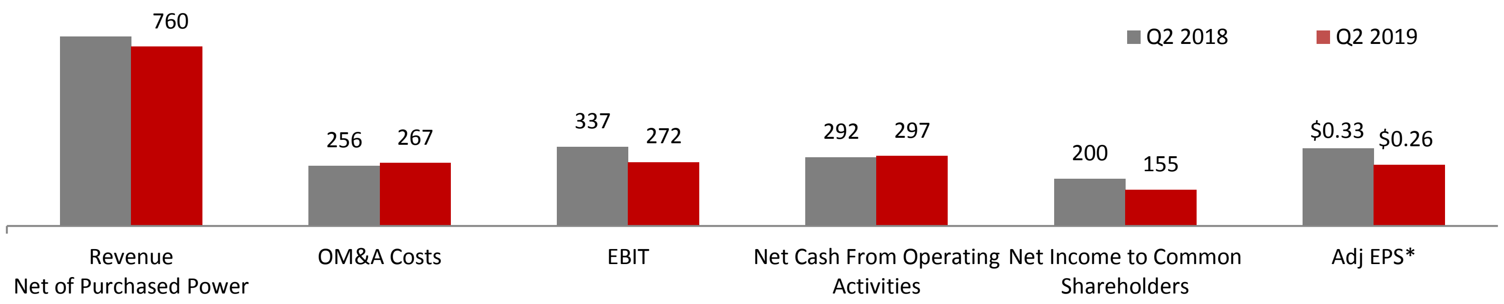
(2) Adjusted Net Income excludes items related to the Avista Corporation acquisition and the impact related to the OEB's deferred tax asset decision on HONI's Distribution and Transmission businesses

HYDRO ONE LIMITED

2Q19 FINANCIAL HIGHLIGHTS

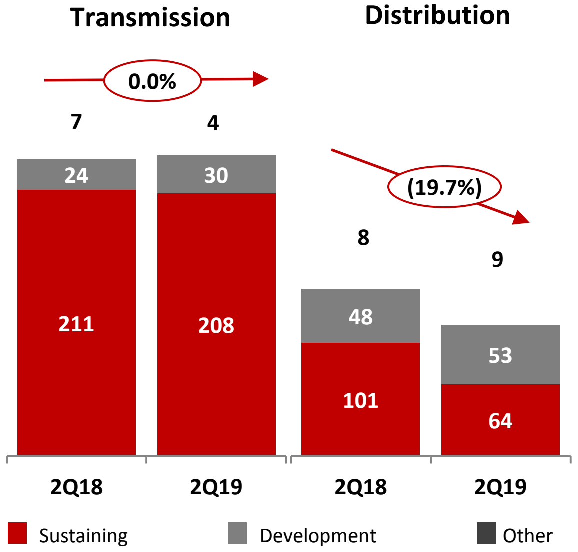
A renewed focus and mild weather led to increased effort on the work program

Financial Highlights ($M) – 2Q19 Year over Year Comparison

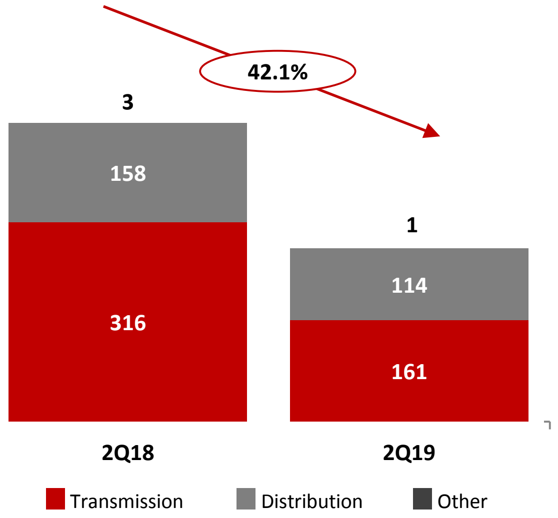


** Adjusted EPS exclude items related to the Avista Corporation acquisition*

Regulated Capital Investments ($M)



Assets Placed in Service ($M)



Financial Highlights:

Revenues Net of Power decreased 5.4% during the quarter ended June 30th, 2019, primarily due to the following:

- Lower average monthly Ontario 60-minute peak demand driven by cooler weather in the second quarter of 2019; and
- Deferred tax regulatory adjustment related to Accelerated CCA which will flow through to customers and is offset in lower taxes, with no impact on regulated ROE.

OM&A increased 4.3% during the quarter ended June 30th, 2019 , primarily due to:

- Higher vegetation management coverage compared to prior year; and
- Higher emergency power restoration costs due to a higher volume of non-storm related emergency calls.

The increase of $18 million or 18.2% in financing charges for the quarter ended June 30, 2019 was primarily due to the following:

- No amounts were recognized in 2019, compared to unrealized gain on the foreign-exchange contract recorded in the second quarter of 2018; and
- An increase in interest expense on long-term debt driven by higher weighted-average long-term debt balance outstanding in 2019, mainly due to the issuance of $1.5 billion long-term debt on April 5, 2019; partially offset by
- A decrease in interest expense related to convertible debentures redeemed in February 2019, following termination of the Merger agreement.

The decrease in income tax expense for the three months ended June 30, 2019 was primarily attributable to lower income before taxes in the three months ended June 30, 2019 compared to the same period last year, incremental tax deductions from deferred tax asset sharing mandated by the OEB and Accelerated CCA resulting from the enactment of certain 2019 federal and Ontario budget measures in the second quarter of 2019.

REGULATORY UPDATE

2019 Transmission Rate Application

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

2020 - 2022 Transmission Rate Application

- On March 21, 2019, Hydro One filed a 3-year Custom Incentive Rate (CIR) application.
- On August 12 and 13, witnesses will attend a technical conference with OEB Staff and intervenors to answer questions arising from the company's responses to interrogatories.
- The OEB has not set a hearing date yet. We anticipate the matter may be heard in Q4 2019 and that a decision may be issued in 2020

Peterborough and Orillia Applications

- April 26, 2019: Submitted supplemental evidence on rate impacts to customers at the end of the deferred rebasing period.
- June 14, 2019: Filed responses to interrogatories for both applications.
- October 3 and 4, 2019: Technical conference for both applications
- Next steps (anticipated):
  - Q4 2019 – Decision (for each application)

2018 – 2022 Distribution Rate Application

- On March 7, 2019, the OEB issued its decision, which included reductions to 2018 OM&A ($32M or ~6%) and 2018-2022 Capital Expenditures ($300M or ~8%). Rates were awarded effective May 1, 2018 and were implemented July 1, 2019
- Additional capital reductions were made in respect of pension contributions and capital costs to integrate the Acquired Utilities.
- Hydro One filed a Motion to Review and Vary the OEB's decision as well as an appeal to the Divisional Court (held in abeyance) with respect to reductions to pension contributions on the basis that Hydro One is not legally permitted to take contribution holidays, and as a result, Hydro One should be allowed to recover these legally required pension contributions.

Overall Regulatory Scan

	Current Rate Methodology	Expected Rate base[1]	Effective term of next application	Comments
Transmission	Inflationary	2019 $ 12.6 billion[3]	May 1, 2019	One-year inflationary adjustment to transmission rates for 2019. On March 21, 2019, Hydro One filed a 3-year Custom Incentive Rate (CIR) application for period 2020-2022

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

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

SUSTAINABILITY AT HYDRO ONE

In 2018, Hydro One conducted a formal materiality assessment to identify the sustainability issues that matter most to our business, stakeholders and partners

Approach to Sustainability

In 2018, we focused on developing the groundwork to build a successful sustainability program through the completion of a detailed materiality assessment.

A Matrix of 10 Material Issues Identified[1]

Featured Outcomes of the 2018 Sustainability Report

In 2018, the representation of visible minorities in executive positions increased to 15.6% from 11.4%

We improved restoration time following a storm by 33% since a similar-sized event five years ago

Injected $1.3 billion into Ontario's economy through procurement, with 85 % spent on Ontario suppliers

Strengthened ties with Indigenous leaders, businesses and communities across the province

Approximately $2.6 million in investments to community initiatives

Capital investments of $1.6 billion to renew and modernize Ontario's electricity system

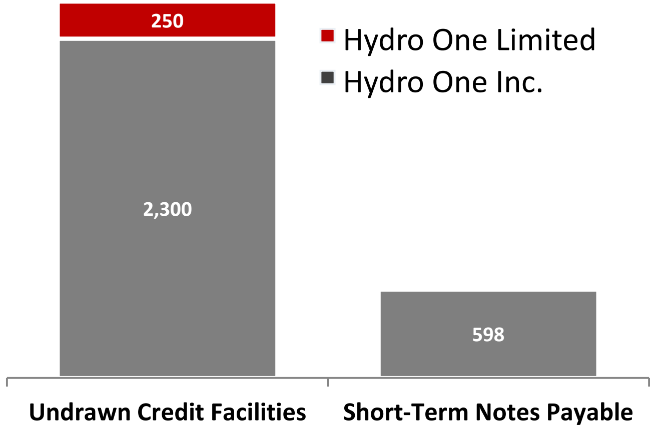
Transmission customer satisfaction reached an all-time high at 90 per cent

(1) Material issues identified are found in the top right unshaded corner of Matrix

STRONG BALANCE SHEET AND LIQUIDITY

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

Significant Available Liquidity ($M)



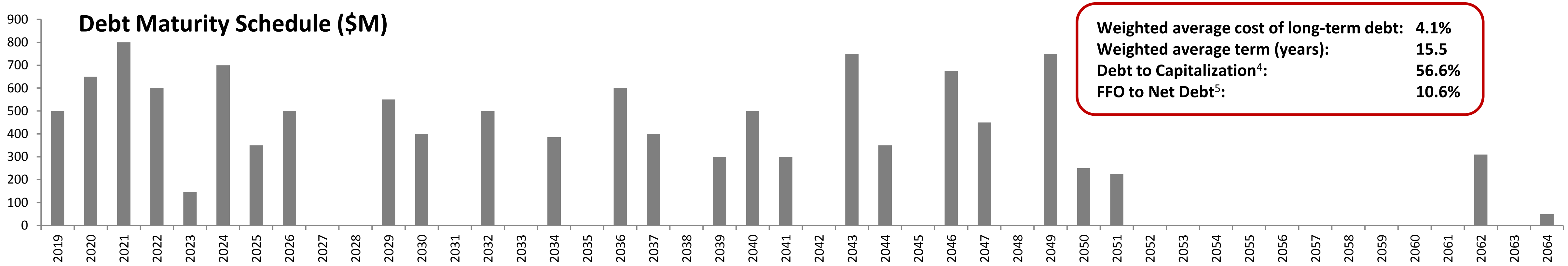
Strong Investment Grade Credit Ratings (LT/ST/Outlook)

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

Shelf Registrations

HOL:
Universal Shelf[2]: $4.0B

HOI:
Medium Term Note Shelf[3]:
$4.0B



Weighted average cost of long-term debt:	4.1%
Weighted average term (years):	15.5
Debt to Capitalization[4]:	56.6%
FFO to Net Debt[5]:	10.6%

(1) On December 10, 2018, S&P placed the issuer credit rating on Hydro One and the issue-level rating on Hydro One Inc.'s senior unsecured debt on negative outlook due to uncertainty about Hydro One's ability to convert its strategy into constructive actions that support the Company's financial performance, broader concerns related to Hydro One's governance, and uncertainty regarding the Company's strategic direction.

(2) The Universal Base Shelf Prospectus allows Hydro One to offer, from time to time in one or more public offerings, up to $4.0 billion of debt, equity or other securities, or any combination thereof, during the 25-month period ending on July 18, 2020. At June 30, 2019, no securities have been issued under the Universal Base Shelf Prospectus. Hydro One Limited filed the Universal Base Shelf Prospectus to provide the Company with financing flexibility going forward.

(3) At June 30, 2019, $2.9 billion was drawn from the Medium Term Note Shelf, leaving $1.1 billion available for issuance until April 2020.

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

(5) FFO to Net Debt for the last twelve months ending Q2 2019 has not been adjusted for one-time costs related to the termination of the Avista Corporation acquisition.

COMMON SHARE DIVIDENDS

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

Dividend Statistics	
Yield[1]	4.2%
Annualized Dividend[2,3]	$0.966 / share

Expected Upcoming Quarterly Dividend Dates[3]

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

(1) Based on closing share price on June 28th, 2019
(2) Unless indicated otherwise, all common share dividends are designated as "eligible" dividends for the purpose of the Income Tax Act (Canada)
(3) All dividend declarations and related dates are subject to Board approval.

Key Points

- Quarterly dividend declared at $0.2415 per common share ($0.966 annualized)
- Targeted dividend payout ratio remains at 70% - 80% of net income
- Attractive and growing dividend supported by stable, regulated cash flows and planned rate base growth
- No equity issuance anticipated to fund planned five year capital investment program
- Non-dilutive dividend reinvestment plan (DRIP) was implemented post IPO (shares purchased on open market, not issued from treasury)

DISCLAIMERS

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

Forward-Looking Information
This presentation contains “forward-looking information” within the meaning of applicable Canadian securities laws. Forward-looking information in this presentation is based on current expectations, estimates, forecasts and projections about Hydro One’s business and the industry in which Hydro One operates and includes beliefs of and assumptions made by management. Such statements include, but are not limited to: statements about senior management transition; statements related to vegetation management; statements about consolidation; statements regarding ongoing and planned projects and initiatives; statements related to dividends; statements regarding future equity issuances; expectations regarding planned or expected capital investments; statements related to rate applications, proceedings, anticipated regulatory decisions, and impacts; statements related to the Universal Shelf and the Medium Term Note Shelf; statements related to credit ratings; statements related to the Ontario Climate Change Action Plan; and statements and projections regarding rate base, cash flows, and borrowings.

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

The forward-looking information in this presentation is based on a variety of factors and assumptions, as described in the financial statements and management’s discussion and analysis. Actual results may differ materially from those predicted by such forward-looking information. While Hydro One does not know what impact any of these differences may have, Hydro One’s business, results of operations and financial condition 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 information are described in the financial statements and management’s discussion and analysis.

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