hydro One

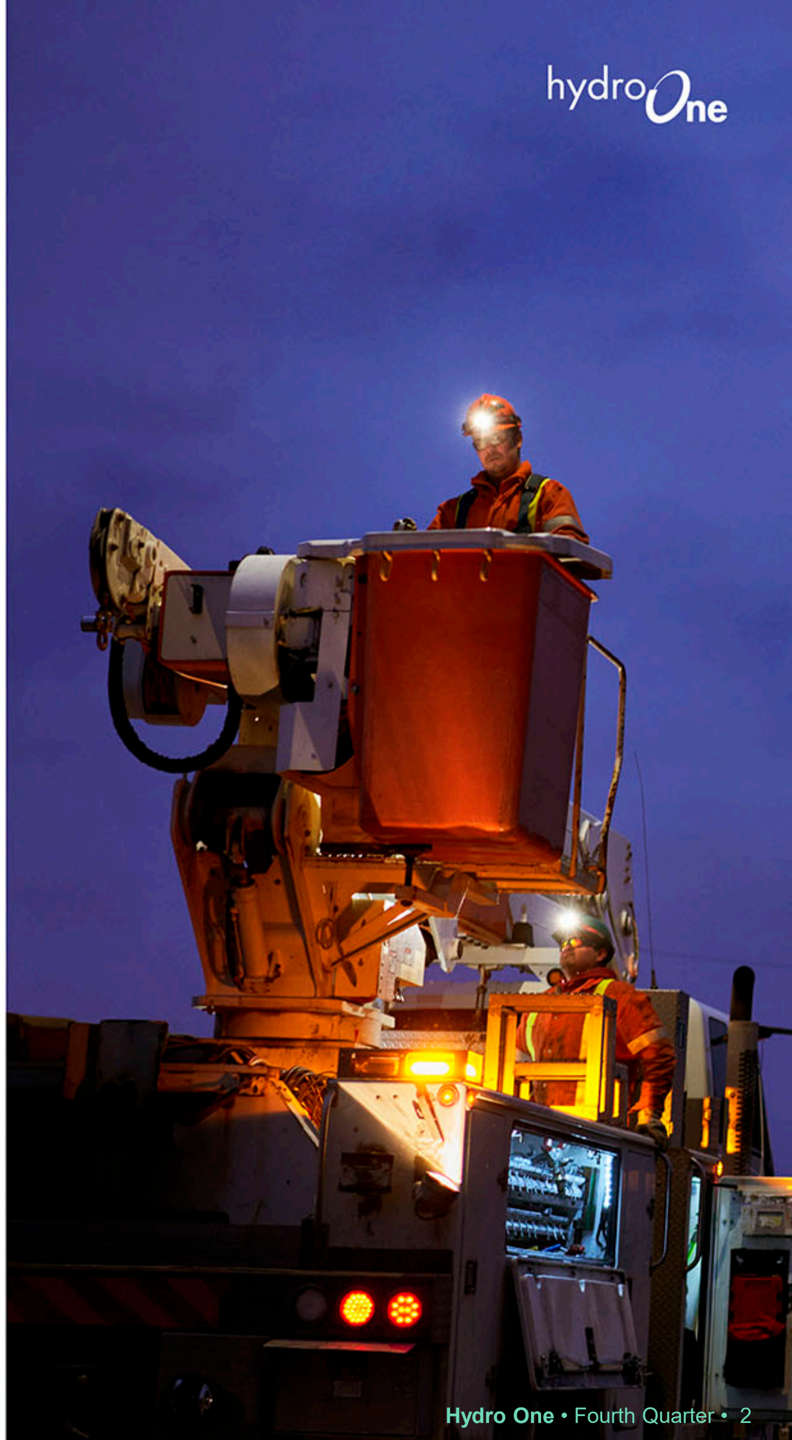
Fourth Quarter 2022

Earnings Teleconference
February 14, 2023

One of North America's largest electric utilities TSX:H

4Q22 Financial summary

	Fourth Quarter			Year to Date		
(millions of dollars, except earnings per share (EPS))	2022	2021	% Change	2022	2021	% Change
Revenues						
Transmission	480	421	14.0%	2,077	1,824	13.9%
Distribution	*1,371*	*1,347*	1.8%	*5,660*	*5,359*	5.6%
Distribution Revenues (Net of Purchased Power)[2]	476	433	9.9%	1,936	1,780	8.8%
Other	11	11	0.0%	43	42	2.4%
Consolidated	*1,862*	*1,779*	4.7%	*7,780*	*7,225*	7.7%
Consolidated (Net of Purchased Power)	967	865	11.8%	4,056	3,646	11.2%
OM&A Costs	388	279	39.1%	1,258	1,112	13.1%
Earnings before financing charges and income taxes (EBIT)						
Transmission	213	188	13.3%	1,123	942	19.2%
Distribution	149	158	(5.7%)	749	694	7.9%
Other	(14)	(7)	(100.0%)	(40)	(24)	(66.7%)
Consolidated	348	339	2.7%	1,832	1,612	13.6%
Net income[1]	178	159	11.9%	1,050	965	8.8%
Basic EPS	$0.30	$0.27	11.1%	$1.75	$1.61	8.7%
Capital investments	570	532	7.1%	2,132	2,125	0.3%
Assets placed in-service						
Transmission	761	526	44.7%	1,405	1,008	39.4%
Distribution	326	257	26.8%	853	738	15.6%
Other	3	3	0.0%	9	11	(18.2%)
Total assets placed in-service	1,090	786	38.7%	2,267	1,757	29.0%



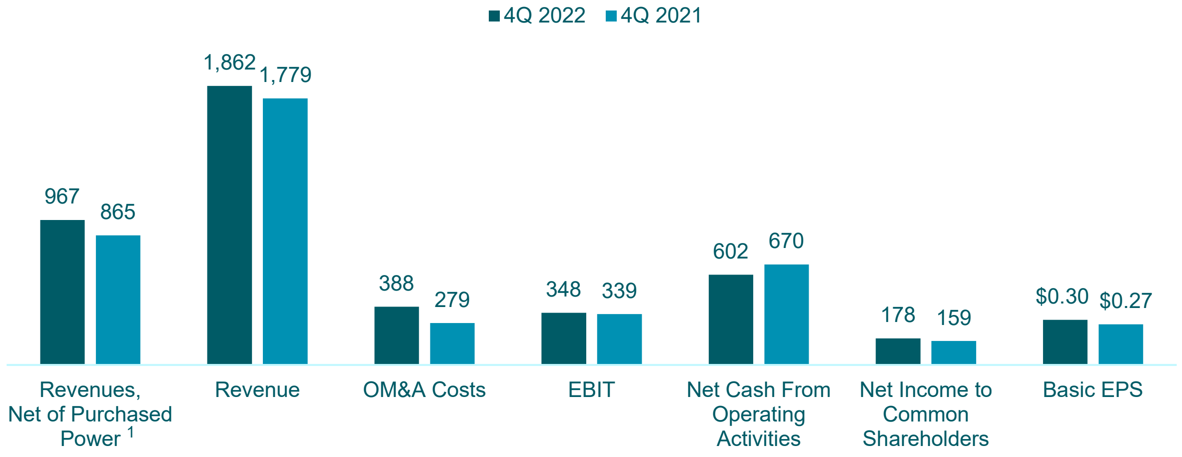
Financial Statements reported under United States (US) generally accepted accounting principles (GAAP).

1. Net Income is attributable to common shareholders and is after non-controlling interest.
2. Revenues, Net of Purchased Power is a non-GAAP financial measure. Non-GAAP financial measures do not have a standardized meaning under US GAAP, which is used to prepare the financial statements of Hydro One Limited (HOL, Hydro One or the Company) and accordingly, these measures might not be comparable to similar financial measures presented by other entities. Additional disclosure for this non-GAAP financial measure is incorporated by reference herein and can be found under the section titled "Non-GAAP Financial Measures" in the annual management's discussion and analysis of HOL for the year ended December 31, 2022 (Annual MD&A) on SEDAR under the Company's profile at www.sedar.com.

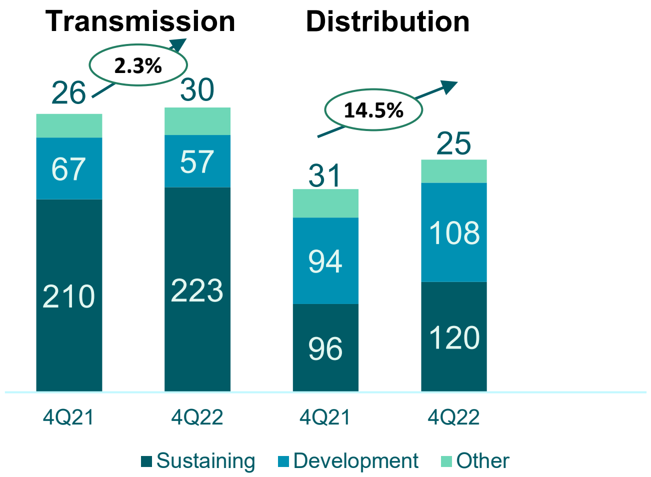
4Q22 Financial summary

The Company appointed David Lebeter as its President and Chief Executive Officer (CEO), demonstrating the depth of talent within the Company

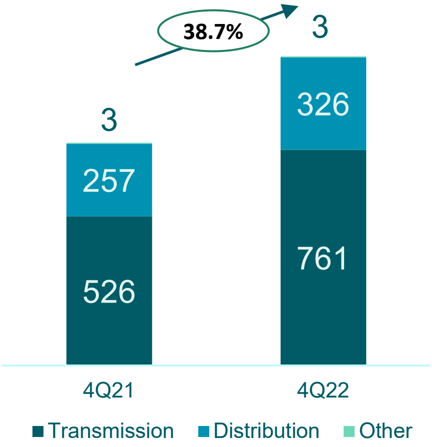
Financial Highlights ($M) – 4Q22 Year over Year Comparison



Regulated Capital Investments ($M)



Assets Placed in Service ($M)



1. Revenues, Net of Purchased Power is a non-GAAP financial measure.

Selected Quarterly Financial Highlights:

The year-over-year increase of $59 million or 14.0% in transmission revenues was primarily due to the following:

- Positive regulatory adjustments, including the recognition of CDM revenues following receipt of the JRAP Decision, partially offset by a deferred adjustment associated with the OEB-approved Earnings Sharing Mechanism; higher revenues resulting from OEB-approved 2022 rates; and the adjustment to transmission revenue requirement effective January 1, 2022 to cease sharing of DTA amounts pursuant to the DTA Implementation Decision, which is offset by income tax and therefore net income neutral.

The year-over-year increase of $43 million or 9.9% in distribution revenues, net of purchased power[1], was primarily due to the following:

- Higher revenues resulting from OEB-approved 2022 rates; the adjustment to base distribution rates effective January 1, 2022 to cease sharing of DTA amounts pursuant to the DTA Implementation Decision, which is offset by income tax and therefore net income neutral; and positive regulatory adjustments including a lower adjustment to the Earnings Sharing Mechanism in 2022.

The year-over-year increase of $40 million or 38.8% in transmission OM&A costs was primarily due to:
- Higher work program expenditures, including maintenance on station, lines and facilities.

The year-over-year increase of $61 million or 37.9% in distribution OM&A costs was primarily due to:
- Higher work program expenditures, including higher volume of emergency restoration, environmental management as well as higher spend associated with IT initiatives and customer programs.

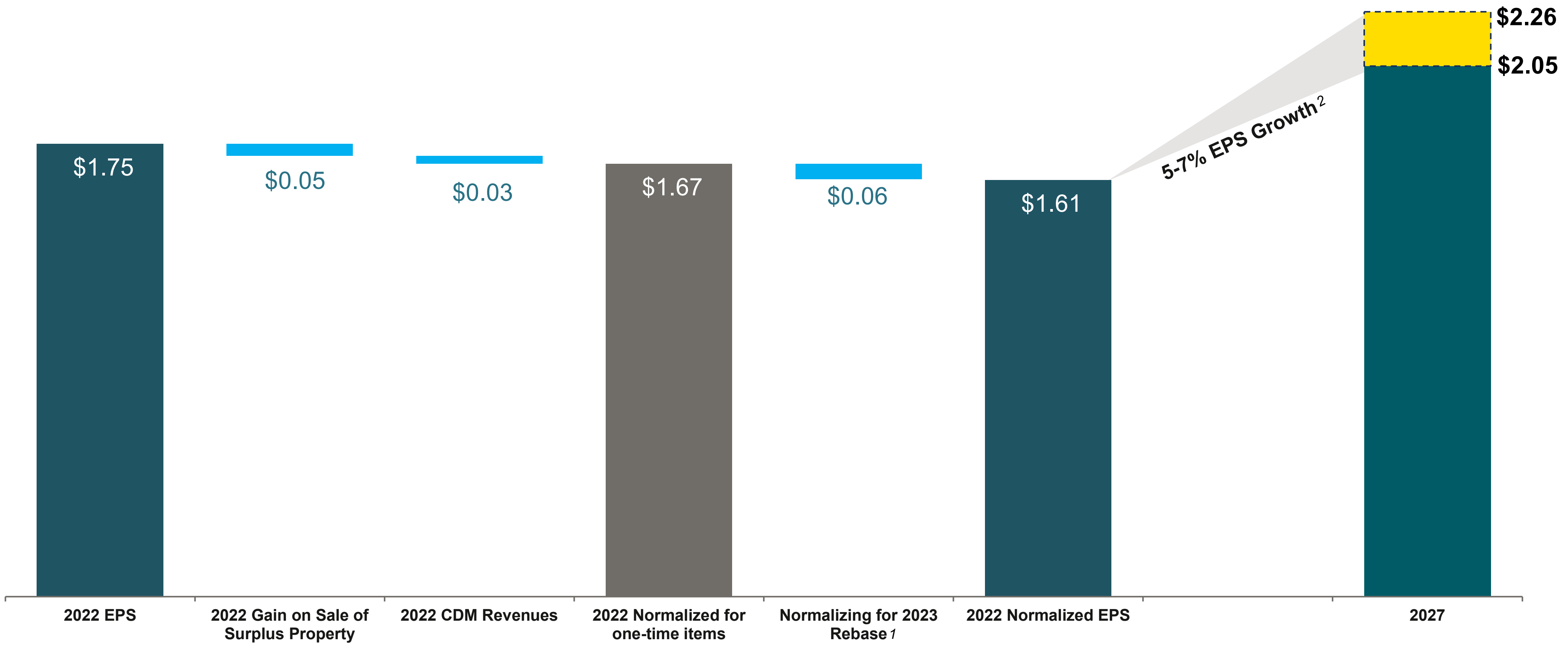
Income tax expense for the fourth quarter of 2022 decreased by $14 million compared to the same period in 2021. This resulted in a realized effective tax rate of approximately 18.6% in the fourth quarter of 2022, compared to approximately 25.5% in the fourth quarter of the prior year. The decrease was primarily due to:

- Higher deductible timing differences compared to prior year and a tax recovery relating to Capitalized Overhead Tax Variance, partially offset by tax expense resulting from the DTA Implementation Decision.

Hydro One made 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.

- Transmission capital investments increased by $7 million or 2.3% in the quarter ended December 31, 2022 compared to the quarter ended December 31, 2021.
- Distribution capital investments increased by $32 million or 14.5% in the quarter ended December 31, 2022 compared to the quarter ended December 31, 2021.

Guidance range



[1] Normalizing for 2023 rebase includes 100 basis points over-earn
[2] EPS growth does not include Broadband, Local Distribution Company Acquisitions, and 5 out of the 6 Transmission Lines (Chatham to Lakeshore Transmission Line included)
Note: The forward-looking information in this presentation is based on a variety of factors and assumptions described int eh Annual MD&A. Actual results may differ from those predicted by such forward-looking information.

Strong balance sheet and liquidity (as at December 31, 2022)

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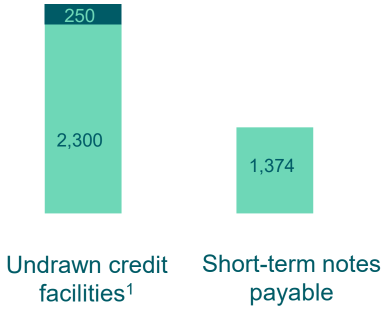
Investment grade balance sheet with one of lowest debt costs in utility sector

Significant available liquidity ($M)



Strong investment grade debt ratings (long-term/short-term/outlook)

	Hydro One Ltd. (HOL)	Hydro One Inc. (HOI)
S&P	BBB+ / n/a / stable	A- / A-1 (low) / stable
DBRS	A / n/a / stable	A (high) / R-1 (low) / stable
Moody's	n/a	A3 / Prime-2 / stable

Shelf registrations

HOL
Universal shelf[2]
$2.0B

HOI
Medium term note shelf[3]
$4.0B

Debt maturity schedule ($M)

Weighted-average coupon rate of long-term debt: 3.9%
Weighted-average term of long-term debt (years): 14.0
Debt to Capitalization[6]: 56.4%
FFO to Debt[7]: 15.0%

1. In January 2022, Hydro One successfully amended its Operating Credit Facilities to add Sustainability Linked Pricing to incorporate environmental, social and governance (ESG) targets.
2. In August 2022, HOL filed a universal short form base shelf prospectus (Universal Base Shelf Prospectus) with securities regulatory authorities in Canada, which allows it to offer, from time to time in one or more public offerings, up to $2.0 billion of debt, equity or other securities, or any combination thereof, and expires in September 2024. At December 31, 2022, $2.0 billion remained available for issuance under the Universal Base Shelf Prospectus.
3. In June 2022, HOI filed a short form base shelf prospectus in connection with its Medium Term Note (MTN) Program, which has a maximum authorized principal amount of notes issuable of $4.0 billion and expires in July 2024. On January 27, 2023, Hydro One Inc. issued long-term debt totaling $1,050 million, resulting in $2,200 million remaining available for issuance under the MTN Program prospectus.
4. Includes Hydro One Inc.'s three-tranche $1,050 million Medium-Term Note Sustainable issue, which closed on January 27, 2023.
5. Includes long-term debt of Hydro One Sault Ste. Marie LP, a subsidiary of Hydro One Inc., in the principal amount of $133 million due in 2023.
6. Debt to capitalization is a non-GAAP ratio. Non-GAAP ratios do not have a standardized meaning under US GAAP used to prepare the Company's financial statements and might not be comparable to similar financial 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. See the section titled "Non-GAAP Financial Measures" in the Annual MD&A which is incorporated by reference, for a discussion of this non-GAAP ratio and its component elements.
7. FFO to Debt is a non-GAAP ratio. Non-GAAP ratios do not have a standardized meaning under US GAAP used to prepare the Company's financial statements and might not be comparable to similar financial measures presented by other entities. FFO to Debt has been calculated as: FFO for the last twelve months ending December 31, 2022 divided by total debt (including total long-term debt, and short-term borrowings, net of cash and cash equivalents). Management believes this is a helpful ratio because 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. See the section titled "Non-GAAP Financial Measures" in the Annual MD&A which is incorporated by reference, for a discussion of these component elements.

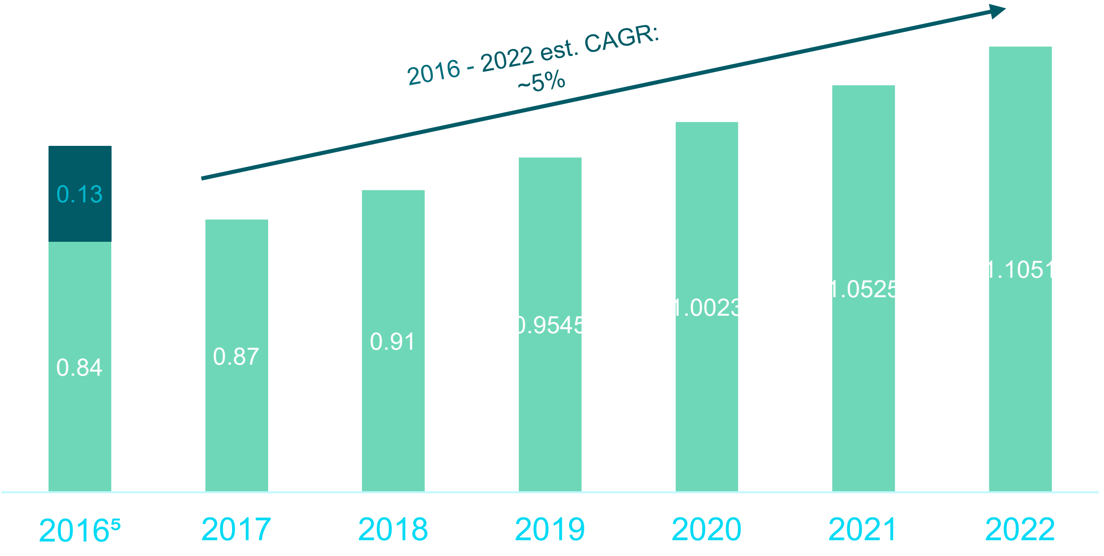
Common share dividends

Key Points

- Quarterly dividend declared at $0.2796 per common share ($1.1184 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 capital investment program
- Non-dilutive dividend reinvestment plan (DRIP) was implemented post initial public offering (IPO) (shares purchased on open market, not issued from treasury)

Dividend Statistics	
Yield[1]	3.1%
Annualized Dividend[2,3]	$1.1184 / share

A Growing and Sustainable Dividend[4]



Expected Quarterly Dividend Dates[3]

Declaration date	Record date	Payment date
February 13, 2023	March 15, 2023	March 31, 2023
May 4, 2023	June 7, 2023	June 30, 2023
August 8, 2023	September 13, 2023	September 29, 2023
November 7, 2023	December 13, 2023	December 29, 2023

1. Based on closing share price of the common shares of Hydro One Limited on December 30, 2022. Yield is based on annualized dividend.
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.
4. Denotes annual cash dividends paid.
5. The first common share dividend declared by Hydro One Limited following the November 5, 2015 initial public offering of its common stock included 13 cents for the post IPO fourth quarter period of November 5 through December 31, 2015.

Disclaimers

Forward Looking Information

This presentation contains “forward-looking information” within the meaning of applicable Canadian securities laws that 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 of Hydro One. Such information includes, but is not limited to: statements regarding Hydro One’s projected rate base and cash flows; statements and expectations regarding Hydro One’s maturing debt and standby credit facilities; expectations regarding future equity issuances; statements related to dividends, including expected dividend growth and Hydro One Limited’s targeted dividend payout ratio of 70-80%; statements related to credit ratings; statements and guidance relating to EPS growth from 2023 to 2027, relative to a normalized 2022 earnings.

Words such as “aim”, “could”, “would”, “expect”, “anticipate”, “intend”, “attempt”, “may”, “plan”, “will”, “believe”, “seek”, seek”, “estimate”, “goal”, “target” and variations of such words and similar expression 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. In particular, the forward-looking information contained in this presentation is based on a variety of factors and assumptions including, but not limited to: the scope of the COVID-19 pandemic and duration thereof as well as the effect and severity of corporate and other mitigation measures on Hydro One’s operations, supply chain or employees; 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; recoverability of costs and expenses related to the COVID-19 pandemic, including the costs of customer defaults resulting from the pandemic; 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 Hydro One including information obtained by Hydro One from third-party sources. 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, 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 information are discussed in more detail in the sections entitled “Forward-Looking Information” and “Risk Factors” in Hydro One Limited’s most recent annual information form and the sections entitled “Risk Management and Risk Factors” and “Forward-Looking Statements and Information” in the Annual MD&A. Hydro One does not intend, and it disclaims any obligation to update any forward-looking information, except as required by law.

In this presentation, Hydro One presents information about guidance in respect of 2027 basic earnings per share. The purpose of providing information about financial guidance is to give context to the nature of some of Hydro One’s future plans and may not be appropriate for other purposes. Information about future financial guidance, including the various assumptions underlying it, should be read in conjunction with “Forward-Looking Information” above and as may be found in Hydro One's filings with the securities regulatory authorities in Canada, which are available under its profile on SEDAR at www.sedar.com. Hydro One does not intend to update the information about future guidance about 2027 EPS except as required by applicable securities laws.