

hydro **One**

51st EEI Financial Conference

November 8, 2016

One of North America's largest electric utilities

TSX: H



Disclaimers

DISCLAIMERS

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 entities 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.

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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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Non-GAAP Measures

Hydro One prepares and presents its financial statements in accordance with U.S. GAAP. “Funds from Operations” or “FFO” and “Adjusted Earnings Per Share” are not recognized measures under U.S. GAAP and do not have a standardized meanings prescribed by U.S. GAAP. This is 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 2015 full year MD&A.

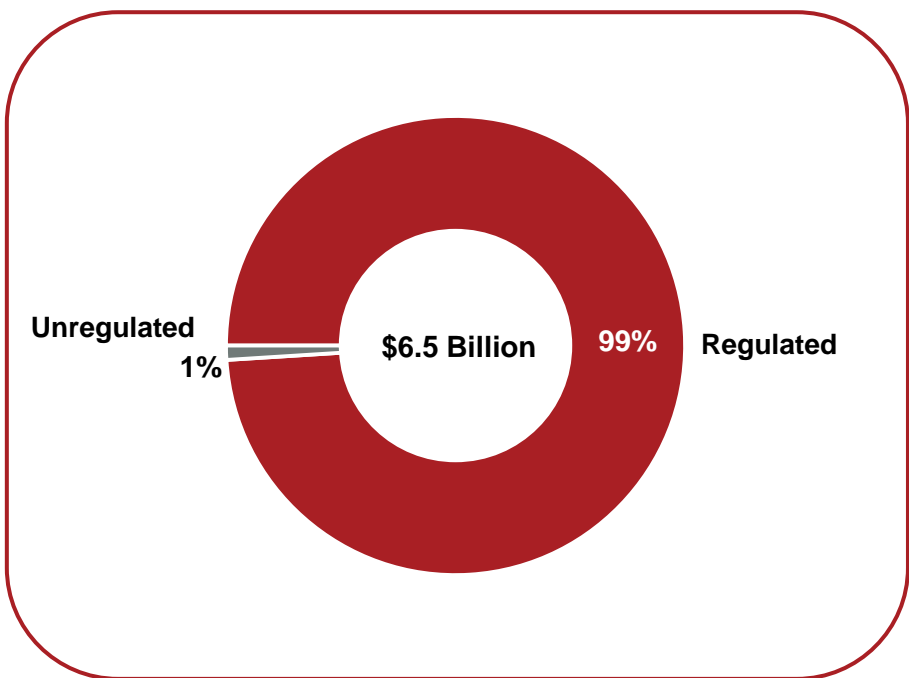
Investment Overview

- One of the largest electric utilities in North America, with a market capitalization of +\$15 billion
- Significant scale and leadership position in Ontario, home to ~38% of Canada's population
- Transmission network serves 98% of Ontario, together with a local distribution network serving ~25% of end customers in the Province
- Privatization initiative by Province of Ontario to divest 60% of Hydro One well underway post November 2015 IPO (15%) and April 2016 secondary (15%) offering
- Blue chip independent Board together with legislated governance agreement ensure autonomous commercial operations with Province as an investor and not a manager
- Stable and growing cash flows with 99% of overall business fully rate-regulated
- Predictable self-funding growth profile with ~5% expected rate base expansion exceeding depreciation under multi-year capital investment plan to upgrade aging infrastructure
- No material exposure to commodity prices or generation as the cost of electricity is passed directly to consumers
- Strong balance sheet with "A" investment grade credit ratings and significant available liquidity
- 70% - 80% target dividend payout ratio with annualized dividend of \$0.84 per share

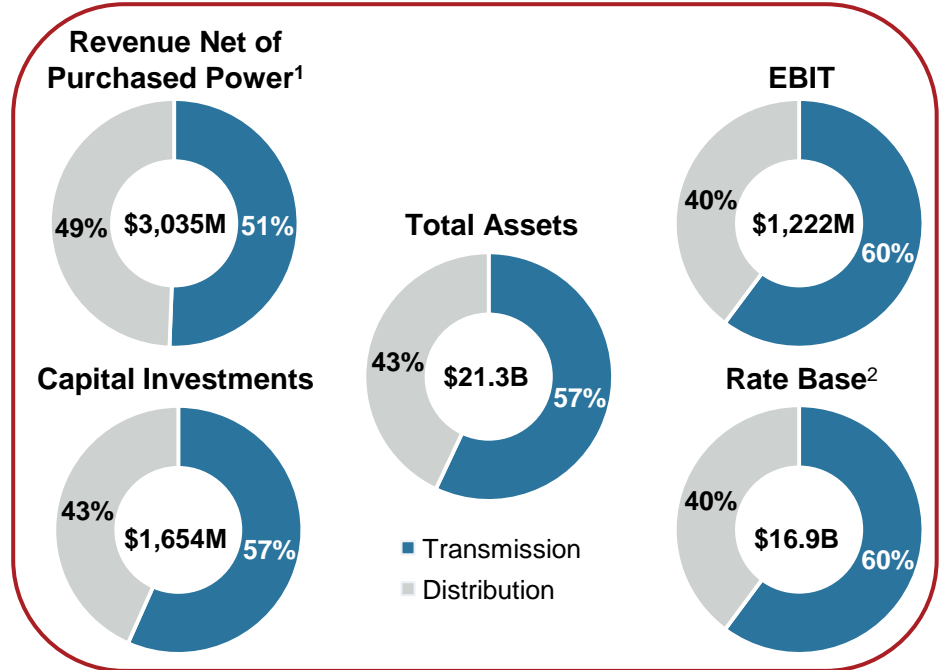
A unique opportunity to invest in the transformation of a premium, large scale, stable electric utility

Hydro One at a Glance (Full Year 2015)

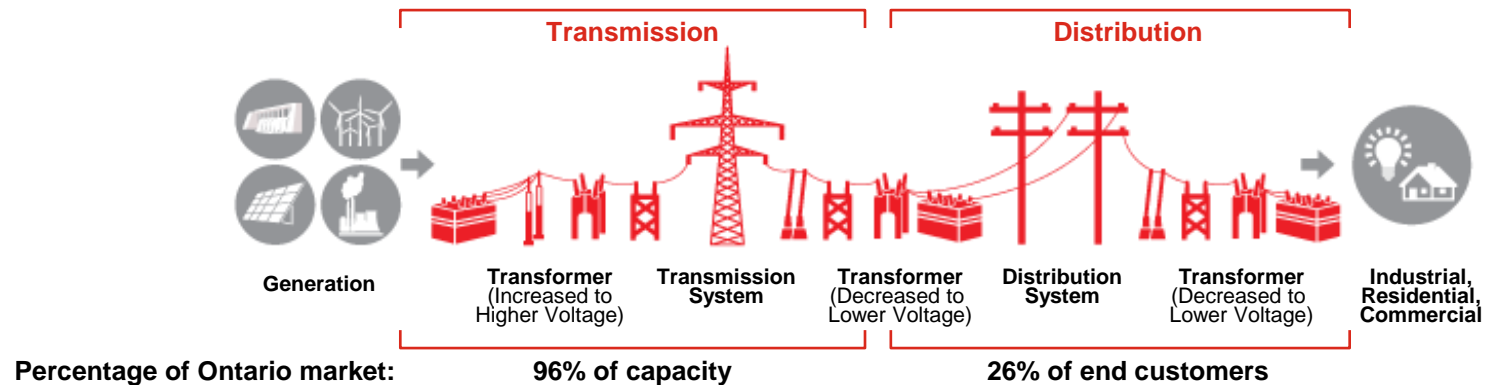
Total Revenue (Hydro One Limited)



Overview of Regulated Business (Hydro One Inc.)



Hydro One's Role in the Electric System



A large scale, pure-play electric transmission and distribution utility

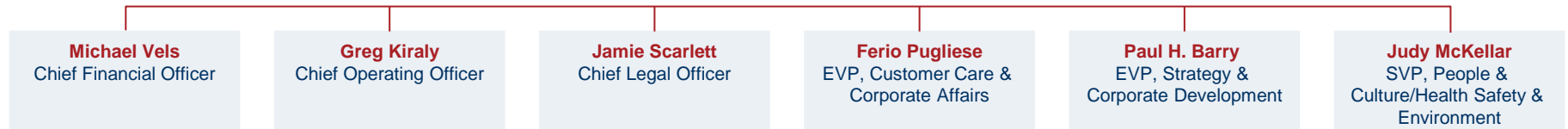
(1) Purchased power is a flow through to customers; (2) Transmission Rate Base Includes 100% of B2M JV Rate Base and excludes pending GLPT acquisition

Preparing to Accelerate Growth

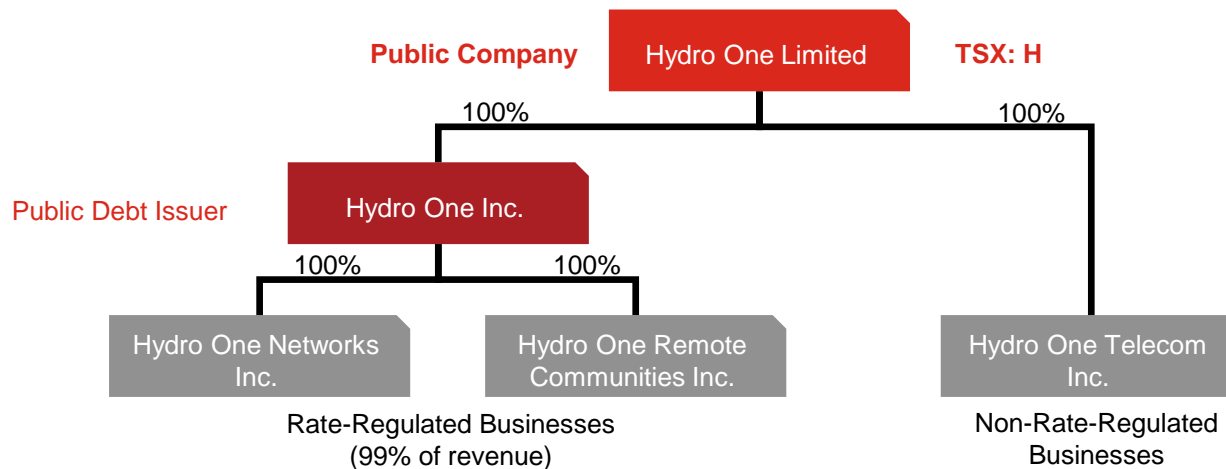
Management Structure



Mayo Schmidt
President and CEO



Corporate Structure



Proven leadership with demonstrated experience transforming organizations and growing shareholder value

Strategic Focus



- Reinvigorated focus on integrating customer needs into business decision making
- Increased concentration on efficiency and productivity
- Accelerating effectiveness and efficiency of capital deployment as stewards of the grid
- Making Hydro One a more rewarding and safer place to work for employees
- Deliver best in class operating metrics and position Hydro One for accelerated growth
- Successfully transition from cost of service to incentive based rate regulation
- Continue to consolidate fragmented Ontario electric local distribution market
- Adapt to the emerging industry technology landscape

Building commercial excellence to transform Hydro One from good to great

Transmission Business

Electric Transmission Network



Local Distribution Company (LDC) customers	47
Large directly connected industrial customers	90
Transmission lines (<i>circuit KMs</i>)	29,355
Transmission stations	292
Interconnections	25

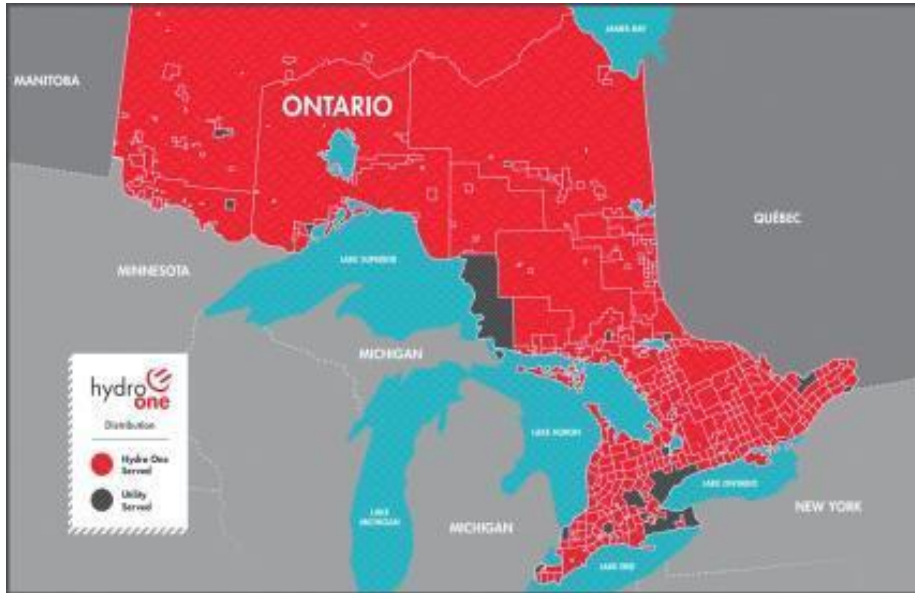
Key Points

- One of North America's largest electric transmitters, owning and operating 98% of Ontario's transmission capacity
- Transmission produces reliable cash flow with low volatility under Ontario Energy Board (OEB) cost of service regulation
- Growing rate base with planned annual capital investments of ~\$900 - \$1,000 million through 2020 with focus on refurbishing aging assets.
- Shift to renewable generation sources driving expansion of transmission network.
- 20,344 mega-watts of average monthly 60-minute peak demand in 2015
- 2016 allowed ROE of 9.19% with 40% / 60% deemed equity / debt capital structure
- No meaningful exposure to generation or commodity costs which are passed through to end customers
- Acquisition of Great Lakes Power Transmission completed on October 31, 2016

One of Canada's largest electric transmission providers

Local Distribution Business (LDC)

Electric Distribution Footprint



Individual LDCs consolidated since 2000	~90
Distribution lines (KMs)	123,425
Distribution poles	1.6 million
Distribution end customers	1.3 million
LDC wholesale customers	55
Generation assets / exposure to power costs	None

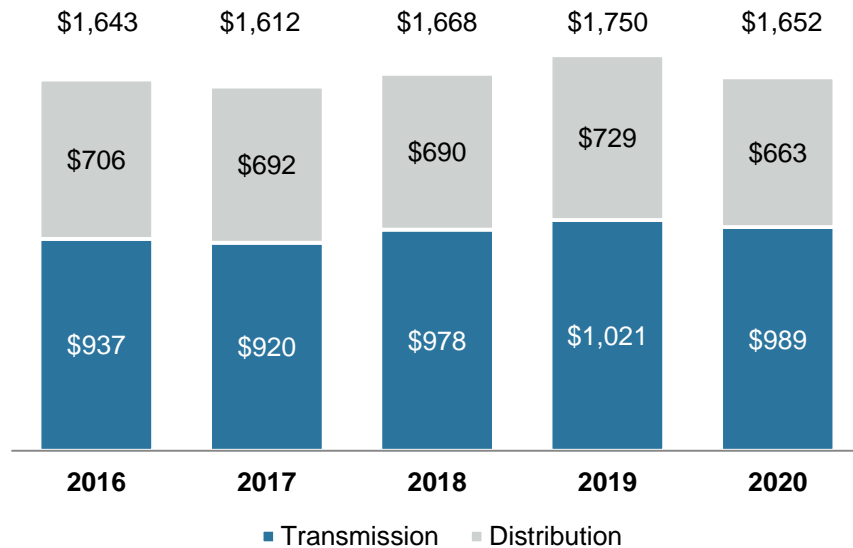
Key Points

- The largest electric distributor in Ontario, with 1.3 million residential and business customers, and 55 LDC wholesale customers
- Distribution is a stable, rate-regulated business operating under OEB cost of service framework with transition to performance based model in 2018
- Growing rate base with planned annual capital investments of ~\$650 - \$750 million through 2020
- 2016 allowed ROE of 9.19% with 40% / 60% deemed equity/debt capital structure
- Recent OEB decision in place to transition residential LDC rates to fully fixed (decoupling)
- 28.9 terawatt-hours of electricity distributed to customers in 2015
- Recent Haldimand, Woodstock, Norfolk LDC acquisitions grew customer base by ~5%
- Drivers of growth include rate base expansion, productivity improvements and continued consolidation of LDC's

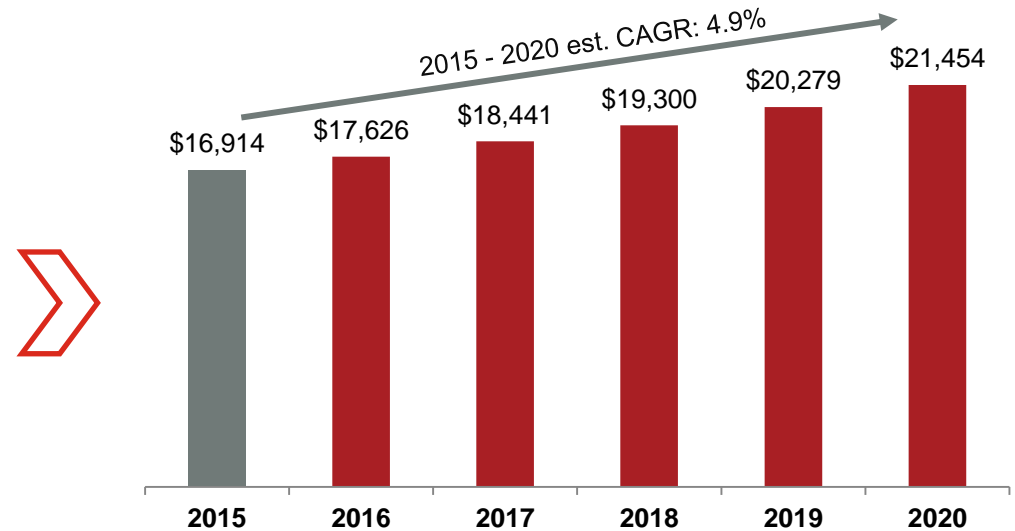
The largest LDC in Ontario with further expansion opportunities

Regulated Capital Investment

Projected Capital Investments* (\$M)



Projected Rate Base Growth*



* Company estimates subject to change and exclude upward impact of 5/31/16 transmission rate filing until approved

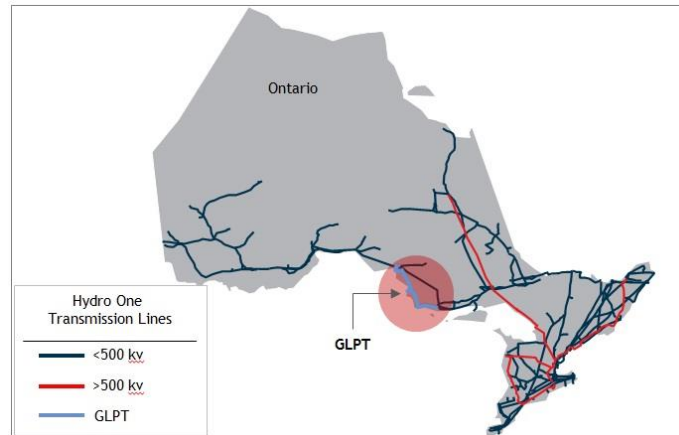
Comments

- Organic growth underpinned by continued rate base expansion
- Material amounts of end-of-service life infrastructure must be upgraded or replaced
- Estimated average annual capital investments of over ~\$1.6 billion per year over the next five years
- Little concentration risk as most projects within capex envelope are small to medium relative to total
- Capital expenditures generally not undertaken prior to reasonable assurance of regulatory recovery
- Equity issuance not anticipated to fund planned five year self-funded capital investment program

Robust and predictable organic growth profile driven by required replacement of aging infrastructure

Merger and Acquisition Update

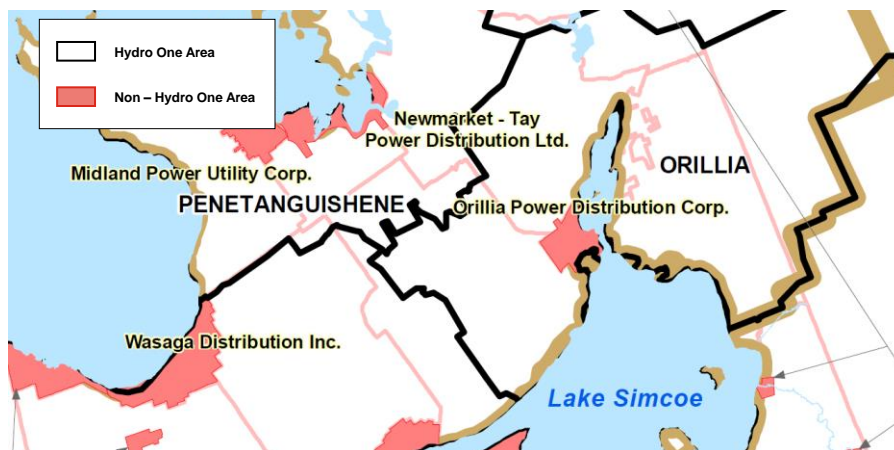
Great Lakes Power Transmission



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



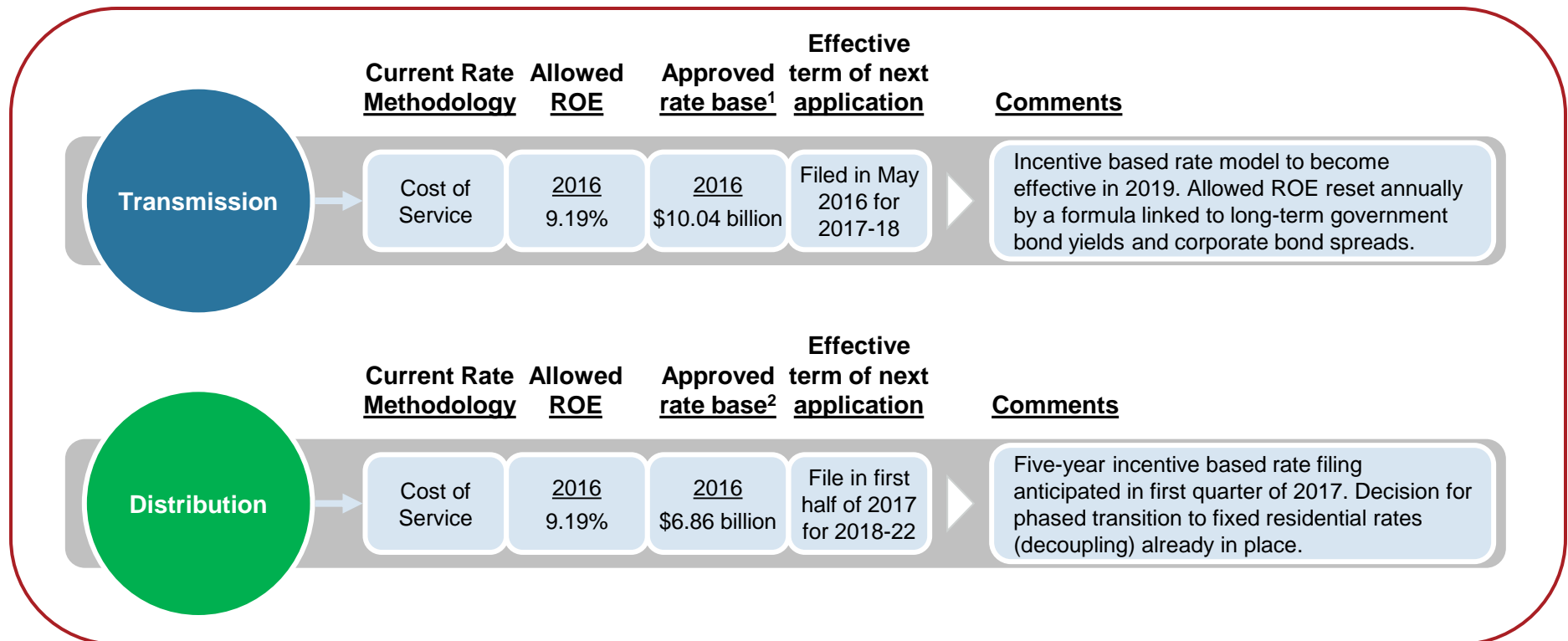
Key points

- Transaction announced August 15, 2016
- \$41.3 million purchase price, including approximately \$14.9 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
- Separate conditional agreements to build backup grid control center and additional facilities following closing
- Closing subject to OEB approval

Continuing to consolidate the fragmented Ontario electrical utility market

Constructive Rate Regulator (OEB)

- Transmission and distribution businesses rate-regulated by the Ontario Energy Board (OEB)
- Deemed debt / equity ratio of 60% / 40% for both transmission and distribution segments
- Hydro One has earned or exceeded its allowed ROE on a consolidated basis over past five years



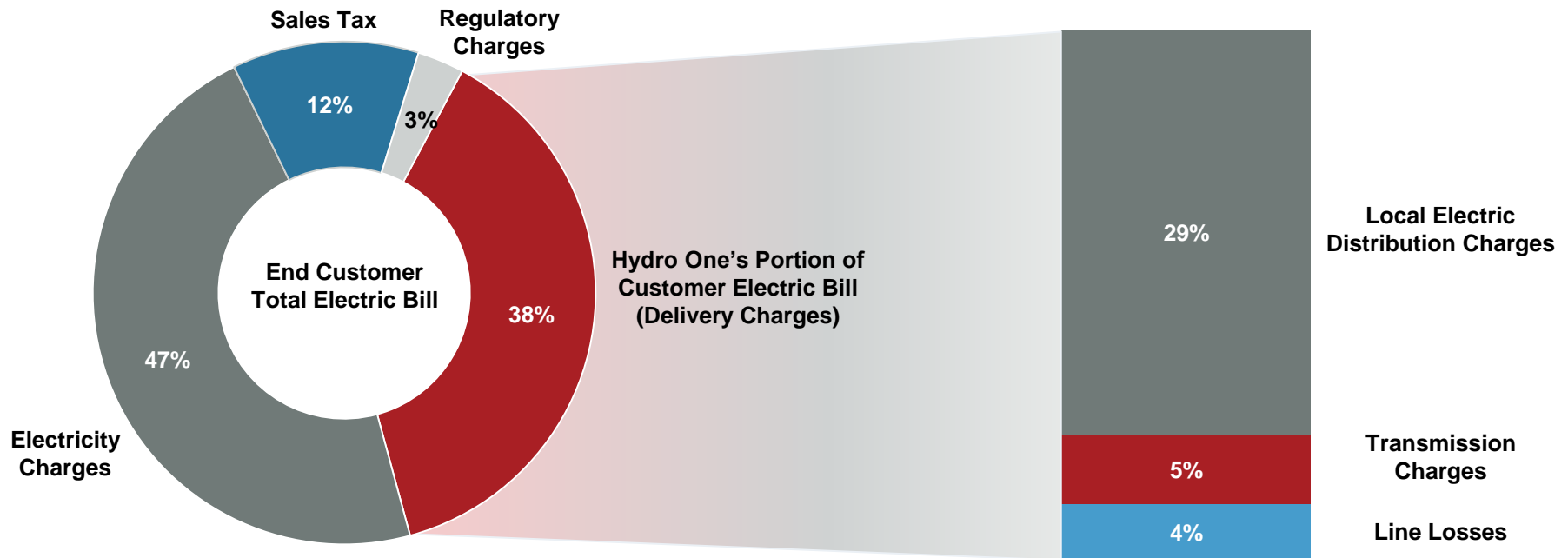
“The Ontario Energy Board’s mandate is embodied in provincial legislation, regulation and directives. The Board’s mission is to promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services that are cost effective.”

Consistent, independent regulator with a transparent, predictable rate setting process

(1) Transmission Rate Base excludes 100% of B2M JV Rate Base and excludes pending GLPT acquisition (2) Distribution Rate Base excludes recent acquisitions and Remotes

The Typical Residential Hydro One End Customer Bill

End Customer Monthly Electric Bill Breakdown¹



2016 Changes To Typical End Customer Bill

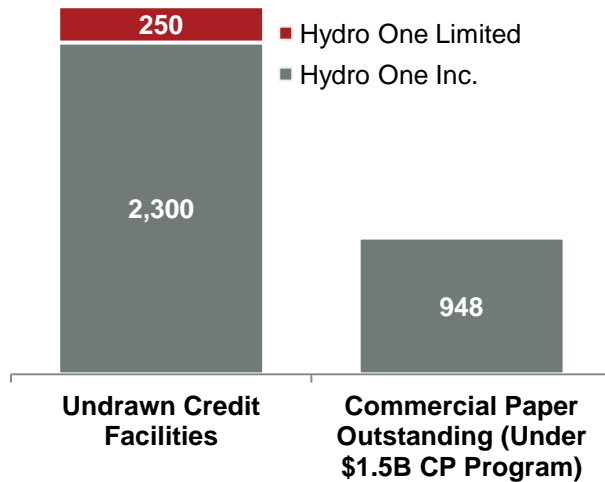
Change	Customer Bill Impact	Hydro One's Portion
Cancellation of Ontario Clean Energy Benefit	Increase of 11%	Nil
Cancellation of Debt Retirement Charge	Decrease of 3.4%	Nil
New Distribution Rates and Decoupling ²	Increase of 0.7%	Increase of 0.4%
	Total Bill Change: ~ 8.3%	Impact Resulting From Hydro One: 0.4%

(1) The pie chart represents the breakdown of a typical bill for a Hydro One medium-density residential local distribution end customer using 800 kWh a month with a typical consumption profile (18% of electricity used during on-peak, 18% used mid-peak and 64% used off-peak);

(2) Includes impact of both the new 2016 Distribution revenue requirement, and five year transition to fixed monthly distribution charge for residential customers (decoupling)

Strong Balance Sheet and Liquidity

Significant Available Liquidity (\$M)



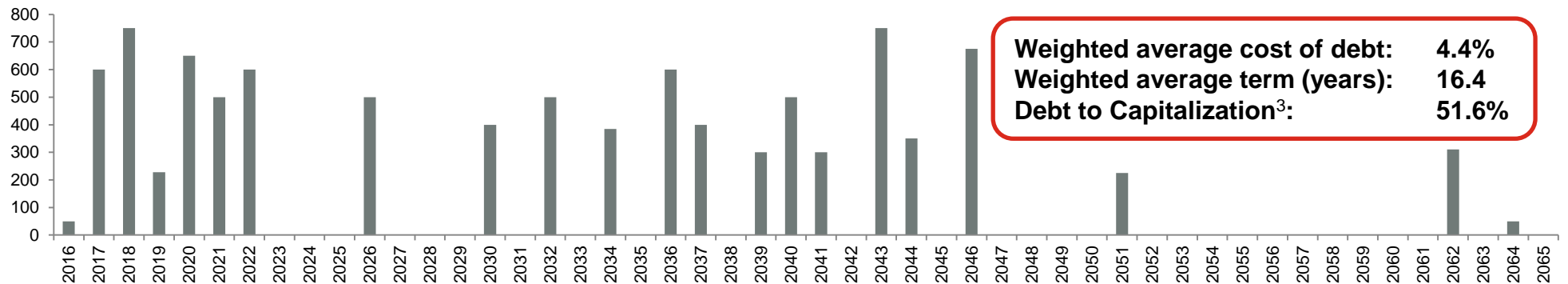
Strong Investment Grade Credit Ratings (LT/ST/Outlook)

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: Universal Shelf ¹ \$8B
HOI: Medium Term Note Shelf ² \$3.5B

Debt Maturity Schedule (\$M)



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

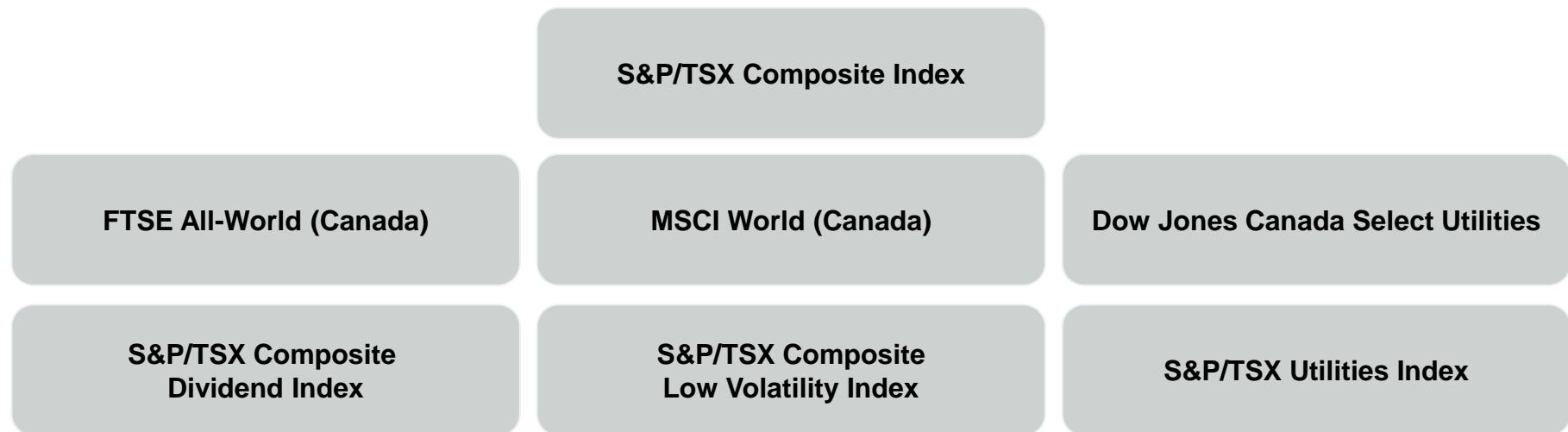
(1) \$1,970 million was drawn from the Universal Shelf during April 2016 with respect to a secondary share offering by the Province, leaving \$6,030 million remaining available until April 2018.

(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.

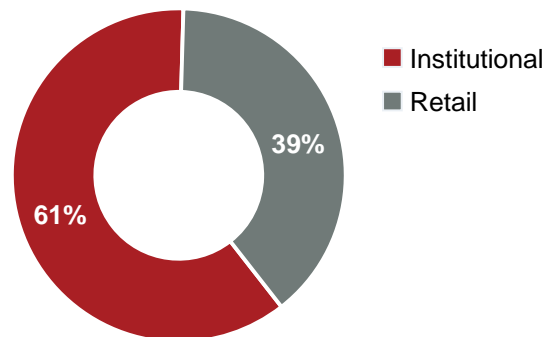
(3) Debt to capitalization ratio has been calculated as total debt (includes total long-term debt and short-term borrowings, net of cash) divided by total debt plus total shareholder's equity, including preferred shares but excluding any amounts related to non-controlling interest.

Equity Market Cap Overview

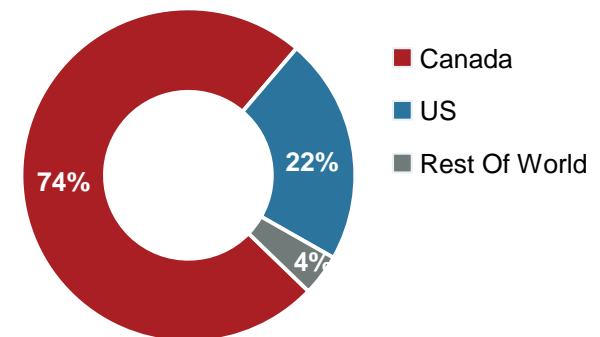
- 595 million common shares outstanding, listed on Toronto Stock Exchange (TSX:H)
- Equity market capitalization of ~\$15 billion and public float of ~\$4.5 billion
- Equity market capitalization amongst the top 30 of all listed Canadian companies
- Secondary offerings by Province increase liquidity without diluting public shareholders
- Equity index inclusions to date:



Approximate Ownership of Public Float



Approximate Geographic Dispersion of Public Float



Common Share Dividend

Dividend Statistics

Yield ¹	3.24%
Annualized Dividend ²	\$0.84 / share

(1) Based on closing share price on June 30, 2016

(2) Unless indicated otherwise, all dividends paid by Hydro One Limited to common shareholders are designated as "eligible" dividends for the purpose of the Income Tax Act (Canada)

2016 Expected Quarterly Dividend Dates³

Declaration Date	Record Date	Payment Date
February 11, 2016	March 17, 2016	March 31, 2016
May 5, 2016	June 14, 2016	June 30, 2016
August 11, 2016	September 14, 2016	September 30, 2016
November 10, 2016	December 14, 2016	December 30, 2016

(3) All dividend declarations and related dates are subject to Board approval.

Key Points

- Quarterly dividend of \$0.21 per share (\$0.84 annualized) declared August 11, 2016
- The target payout ratio for 2016 is 70% - 80% of net income
- Non-dilutive dividend reinvestment plan (DRIP) implemented post IPO
- Continued rate base expansion driven by capital investments expected to support future dividend growth
- No equity issuance anticipated to fund planned five year capital investment program

Attractive dividend supported by stable, regulated cash flows

Delivering Sustainable Energy

- Ontario was the first North American jurisdiction to fully eliminate coal electricity generation, and is home to ~40% of all installed wind capacity and ~99% of all solar capacity in Canada
- Electricity now generated by: nuclear 58%, hydro 23%, natural gas 10%, wind 7%, solar 2%
- One of only four utilities in Canada to achieve the Sustainable Energy Company designation from the Canadian Electrical Association
- Ranked as the top utility in Corporate Knights Canada's 2016 Best Corporate Citizens on a set of 12 sustainability metrics, including carbon productivity and gender diversity in leadership
- Environmental stewards of thousands of kilometers of transmission grid corridor lands, including management of vegetation for habitat preservation and protection of species at risk
- Recently announced five year Ontario Climate Change Action Plan will further accelerate province's leadership in reduction of greenhouse gas emissions
- ISO 14001 Compatible Environmental Management System to identify and proactively manage environmental risks for continual improvement
- Greener Choices program actively engages employees in sustainability improvement efforts for energy efficiency, recycling and waste reduction at work

Transmitting and delivering some of the cleanest energy in North America

Why Invest in Hydro One

- One of the largest electric utilities in North America with significant scale and leadership position in Canada's most populated province
- Unique combination of electric transmission and local distribution, with no material exposure to commodity prices or generation
- 99% of business is rate-regulated in a constructive, stable, transparent and collaborative regulatory environment
- Predictable growth profile with expanding rate base and cash flows, together with broad support for refurbishment of aging infrastructure
- Opportunities to transform to a performance driven culture, capture productivity improvements and transition to incentive based regulatory model
- One of the strongest investment grade balance sheets in the utility sector
- \$0.84 annualized dividend with 70% - 80% target payout ratio and opportunity for dividend growth with rate base expansion, continued consolidation, and efficiency realization
- Float and liquidity increasing without dilution as phased privatization by Province of Ontario progresses
- Fully independent blue chip board together with legislated governance structure allow company to operate autonomously, transform culture and drive shareholder value creation on multiple fronts
- Proven management team with demonstrated experience transforming organizations, accelerating performance and creating significant shareholder value

A unique opportunity to participate in the transformation of a premium, large scale electric utility

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