SECURITIES AND EXCHANGE COMMISSION

FORM 40-F

Annual reports filed by certain Canadian issuers pursuant to Section 15(d) and Rule 15d-4

Filing Date: **2019-03-28** | Period of Report: **2018-12-31**
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FILER

Hydro One Ltd	Mailing Address	Business Address
CIK:**1712356**| IRS No.: **000000000** | State of Incorp.:**A6** | Fiscal Year End: **1231** Type: **40-F** | Act: **34** | File No.: **333-225519-01** | Film No.: **19710121** SIC: **4911** Electric services	*483 BAY STREET, 8TH FLOOR, SOUTH TOWER TORONTO A6 M5G 2P5*	*483 BAY STREET, 8TH FLOOR, SOUTH TOWER TORONTO A6 M5G 2P5 416-345-1366*

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018 **Commission File Number 333-225519-01**

Hydro One Limited

(Exact name of Registrant as specified in its charter)

Ontario, Canada	**4911**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

483 Bay Street
South Tower, 8th Floor
Toronto, Ontario M5G 2P5
Canada
(416) 345-1366
(Address and telephone number of Registrant's principal executive offices)

CT Corporation System
28 Liberty St., New York, NY 10005
(212) 894-8940
(Name, address, (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act: Not applicable

Securities registered or to be registered pursuant to Section 12(g) of the Act: Not applicable

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Title of Class: Debt Securities

Information filed with this Form:

☒ **Annual Information Form** ☒ **Audited annual financial statements**

Number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2018:
595,938,975 Common Shares outstanding
16,720,000 Series 1 Preferred Shares
(Nil) Series 2 Preferred Shares

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are defined in Rule 13a-15(e) under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), to mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the United States Securities and Exchange Commission's (the "Commission") rules and forms.

At the direction of the Registrant's Acting Chief Executive Officer and Acting Chief Financial Officer, management evaluated disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, management concluded that the Registrant's disclosure controls and procedures were effective as at December 31, 2018.

See the disclosure provided under the heading "Disclosure Controls and Procedures and Internal Control over Financial Reporting" on page 41 of Exhibit 99.3, the Registrant's Amended Management's Discussion and Analysis (the "Amended MD&A") which is incorporated by reference herein.

Management's Annual Report on Internal Control over Financial Reporting and Attestation Report of the Registered Public Accounting Firm

Management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal control over financial reporting as described in the annual Amended MD&A. Management evaluated the effectiveness of the design and operation of internal control over financial reporting based on the framework and criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, management concluded that the Registrant's internal control over financial reporting was effective as of December 31, 2018.

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. Furthermore, the effectiveness of internal control is affected by change and subject to the risk that internal control effectiveness may change over time.

This annual report does not include an attestation report of the Registrant's registered public accounting firm regarding internal control over financial reporting.

The report of management on our internal control over financial reporting is provided under the heading "Management's Report" in the Registrant's audited amended consolidated financial statements, which is filed as Exhibit 99.2 and is incorporated by reference herein.

Changes in Internal Control Over Financial Reporting

There were no significant changes in the design of the Registrant's internal control over financial reporting during the year ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the operation of the Registrant's internal control over financial reporting.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act (the "Audit Committee"). The Audit Committee comprises William Sheffield (Chair), Anne Giardini, David Hay, Jessica McDonald and Russel Robertson. The board of directors of the Registrant has determined that each member of the Audit Committee is "independent" as defined in the Exchange Act and the New York Stock Exchange's listing standards. Each of the Audit Committee members has an understanding of the accounting principles used to prepare the Registrant's financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors of the Registrant has determined that it has two audit committee financial experts serving on its audit committee. Russel Robertson and David Hay have each been designated as an audit committee financial expert and are each independent, as such term is defined in the New York Stock Exchange's listing standards. The Commission has indicated that the designation or identification of an audit committee financial expert does not deem an "expert" for any purpose, impose any duties, obligations or liability on such expert that are greater than those imposed on members of the audit committee and board of directors who do not carry this designation or identification, or affect the duties, obligations or liability of any other member of the audit committee or board of directors.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

The charter of the Audit Committee requires that the Audit Committee review and approve all policies and procedures for the pre-approval of services to be rendered by external auditors. All permissible non-audit services to be provided to the Registrant or any of its affiliates by external auditors or any of their affiliates that are not covered by pre-approval policies and procedures approved by the Audit Committee, are subject to pre-approval by the Audit Committee. During the fiscal year ended December 31, 2018, the waiver of pre-approval provisions set forth in the applicable rules of the Commission were not utilized for any services related to Audit-Related Fees, Tax Fees or All Other Fees and the Audit Committee did not approve any such fees subject to the waiver of pre-approval provisions.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed by KPMG LLP to Hydro One Limited and its subsidiaries in 2018 and 2017 for professional services are presented below (in Canadian dollars):

	Year ended December 31, 2018	Year ended December 31, 2017
Audit Fees[1]	$ 1,911,815	$ 1,559,514
Audit-Related Fees[2]	$ 485,608	$ 1,171,700
Tax Fees[3]:		
Tax Compliance and SR&ED Tax Credit Claim	$ 57,500	$ 161,000
General Tax Advice	-	$ 100,000
Tax advice on Avista acquisition	$ 58,000	$ 311,300
Hydro One Pension Fund Tax Service	$ 35,000	-
Total	**$ 2,547,923**	**$ 3,303,514**

Notes:

(1) The nature of the services rendered was: audit of annual financial statements of the Registrant and its subsidiaries, statutory and regulatory filings including IFRS reporting to the Province.

(2) The nature of the services rendered was: due diligence related to the Avista acquisition, translations, audit of the Hydro One Pension Plan, and related services reasonably related to the performance of the audit or review of the Registrant's financial statements that are not reported under Audit Fees.

(3) The nature of the services rendered was: procedures in connection with a scientific research, experimental development ("SR&ED") investment tax credit claim, tax compliance services for Hydro One's Pension Funds, general tax advice and tax advice on the acquisition of Avista Corporation.

CODE OF ETHICS

The Registrant has adopted a Code of Business Conduct (the "Code") that applies to all directors, officers and employees of the Registrant, including the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions. A copy of the Code has been posted on the Registrant's website at https://www.hydroone.com/about/corporate-information/governance and has also been filed as Exhibit 99.9 hereto. A copy of the Code is available in print to any person, without charge, upon written request to Investor Relations at the executive office address of the Registrant shown above.

OFF BALANCE SHEET ARRANGEMENTS

The disclosure provided under the heading "Other Obligations-Off Balance Sheet Arrangements" on page 12 of Exhibit 99.3, the Amended MD&A, is incorporated by reference herein.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The tabular disclosure provided under the heading "Other Obligations-Summary of Contractual Obligations and Other Commercial Commitments" on page 13 of Exhibit 99.3, the Amended MD&A, is incorporated by reference herein.

INTERACTIVE DATA FILE

Concurrent with this filing, the Registrant has submitted to the Commission and posted on its corporate website an Interactive Data File.

MINE SAFETY DISCLOSURE

Not applicable.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

Undertaking

Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises.

Consent to Service of Process

The Registrant has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

Any change to the name or address of the agent for service of process of the Registrant shall be communicated promptly to the Commission by an amendment to the Form F-X referencing the file number of the Registrant.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

DATED this 28 day of March, 2019.

HYDRO ONE LIMITED

By: /s/ Paul Dobson

Name: Paul Dobson

Title: Acting President and Chief Executive Officer

EXHIBIT INDEX

Exhibit Number	Description
99.1	2018 Annual Information Form dated March 27, 2019 for the fiscal year ended December 31, 2018.
99.2	Amended Consolidated Financial Statements as at December 31, 2018 and December 31, 2017 and for the years then ended, and the accompanying auditors' report.
99.3	Amended Management's Discussion and Analysis for the fiscal year ended December 31, 2018.
99.4	Consent of KPMG LLP.
99.5	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934, as amended.
99.6	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the U.S. Securities Exchange Act of 1934, as amended.
99.7	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.8	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.9	Code of Business Conduct of Hydro One Limited
101	Interactive Data File.

ANNUAL INFORMATION FORM

FOR HYDRO ONE LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2018

March 27, 2019

TABLE OF CONTENTS

GLOSSARY

When used in this annual information form, the following terms have the meanings set forth below unless expressly indicated otherwise:

"**$**" or "**dollar**" means Canadian Dollars, unless otherwise indicated.

"**2017 Long-Term Energy Plan**" has the meaning given to it under "The Electricity Industry in Ontario – Key Legislative Amendments Affecting the Electricity Industry Generally and Related Issues – 2017 Long-Term Energy Plan".

"**Amended Annual MD&A**" means the amended management's discussion and analysis for Hydro One Limited for the year ended December 31, 2018, as filed on SEDAR under Hydro One Limited's profile at www.sedar.com.

"**Auditor General Act**" means the *Auditor General Act*, RSC 1985, c A-17.

"**Bill C-69**" means Bill C-69, An Act to enact the *Impact Assessment Act* and the *Canadian Energy Regulator Act*, to amend the *Navigation Protection Act* and to make consequential amendments to other Acts, 1st Sess, 42nd Parl, 2018.

"**Board**" means the Board of Directors of Hydro One Limited.

"**Bridge Facilities**" has the meaning given to it under "General Development of the Business – Chronological Development of the Business – 2017 – Agreement to Acquire Avista Corporation".

"**Cap and Trade Cancellation Act, 2018**" means the *Cap and Trade Cancellation Act, 2018*, SO 2018, c 13.

"**CCAA**" means the *Companies' Creditors Arrangement Act,* RSC 1985, c. C-36.

"**CDM**" means conservation and demand management.

"**CEO**" means Chief Executive Officer.

"**CFO**" means Chief Financial Officer.

"**Climate Change Mitigation and Low-carbon Economy Act**" means the *Climate Change Mitigation and Low-carbon Economy Act, 2016*, SO 2016, c 7.

"**common shares**" means the common shares in the capital of Hydro One Limited.

"**Convertible Debenture Offering**" has the meaning given to it under "Recent Developments at Hydro One – Redemption of Convertible Debentures Represented by Instalment Receipts".

"**Custom IR Method**" has the meaning given to it under "Business of Hydro One – Transmission Business – Regulation – Transmission Rate Setting".

"**Debentures**" has the meaning given to it under "Description of Capital Structure – Convertible Debentures and Instalment Receipts".

"**DMS**" has the meaning given to it under "Business of Hydro One – Distribution Business – Regulation – Capital Expenditures".

"**Electricity Act**" means the *Electricity Act, 1998*, SO 1998, c 15, Schedule A.

"**Energy Statute Law Amendment Act**" means the *Energy Statute Law Amendment Act, 2016*, SO 2016, c 10.

"**Environmental Assessment Act**" means the *Environmental Assessment Act*, RSO 1990, c E-18.

"**Environmental Protection Act**" means the *Environmental Protection Act*, RSO 1990, c E-19.

"**Final Instalment**" has the meaning given to it under "Description of Capital Structure – Convertible Debentures and Instalment Receipts".

"**Final Instalment Date**" has the meaning given to it under "Description of Capital Structure – Convertible Debentures and Instalment Receipts".

"**Financial Administration Act**" means the *Financial Administration Act*, RSC 1985, c F-11.

"**Governance Agreement**" means the governance agreement dated November 5, 2015 between Hydro One Limited and the Province.

"**Great Lakes Power**" means Great Lakes Power Transmission LP.

"**Green Energy Act**" means the *Green Energy Act, 2009*, SO 2009, c 12, Schedule A.

"**Green Energy Repeal Act**" means the *Green Energy Repeal Act, 2018,* SO 2018, C-16.

"**GWh**" means gigawatt-hours.

"**Haldimand Hydro**" means Haldimand County Utilities Inc.

"**HOHL**" means Hydro One Holdings Limited, a wholly-owned subsidiary of Hydro One Limited.

"**HOHL Indenture**" has the meaning given to it under "General Development of Business – Chronological Development of the Business – 2018 – Financing the Merger".

"**Hydro One**" or the "**Company**" have the meanings given to such terms set out under "Presentation of Information".

"**Hydro One Accountability Act**" means the *Hydro One Accountability Act, 2018*, SO 2018, c 10, Schedule 1.

"**Hydro One Inc.**" has the meaning given to it under "Presentation of Information".

"**Hydro One Limited**" has the meaning given to it under "Presentation of Information".

"**ICD.D**" means the "Institute of Corporate Directors, Director" designation.

"**IESO**" means the Independent Electricity System Operator.

“**Income Tax Act**” means the *Income Tax Act*, RSC 1985, c 1 (5th Supp).

“**Indian Act**” means the *Indian Act*, RSC 1985, c I-5.

“**kV**” means kilovolt.

“**kW**” means kilowatt.

“**Letter Agreement**” means the agreement dated July 11, 2018 between Hydro One Limited and the Province.

“**MAAD application**” means an OEB Mergers, Acquisitions, Amalgamations and Divestitures application.

“**management**” has the meaning given to it under “Presentation of Information”.

“**Market Rules**” means the rules made under section 32 of the Electricity Act that are administered by the IESO.

“**Merger**” has the meaning given to it under “Recent Developments at Hydro One – Termination of Merger Agreement with Avista Corporation”.

“**Merger Agreement**” has the meaning given to it under “Recent Developments at Hydro One – Termination of Merger Agreement with Avista Corporation”.

“**Minister of Energy**” means the Minister of Energy, Northern Development and Mines for the Province or the Minister of Energy for the Province, as applicable at the relevant time.

“**National Energy Board Act**” means the *National Energy Board Act*, RSC 1985, c N-7.

“**NERC**” means the North American Electric Reliability Corporation”.

“**Net Metering Regulation**” means the *Net Metering*, O Reg 541/05, enacted pursuant to the Ontario Energy Board Act.

“**Norfolk Power**” means Norfolk Power Inc.

“**NPCC”** means the Northeast Power Coordinating Council Inc.

“**Nuclear Fuel Waste Act**” means the *Nuclear Fuel Waste Act*, SC 2002, c 23.

“**OBCA**” means the *Business Corporations Act*, RSO 1990, c B-16.

“**OEB**” means the Ontario Energy Board.

“**Ontario**” or the “**province**” has the meaning given to it under “Presentation of Information”.

“**Ontario Energy Board Act**” means the *Ontario Energy Board Act, 1998*, SO 1998, c 15, Schedule B.

“**Ontario Fair Hydro Plan**” has the meaning given to it under “The Electricity Industry in Ontario – Key Legislative Amendments Affecting the Electricity Industry Generally and Related Issues – Ontario Fair Hydro Plan”.

“**OPEBs**” means other post-employment benefits.

“**Operating Credit Facility**” has the meaning given to it under “Description of Capital Structure – Convertible Debentures and Instalment Receipts”.

“**Orillia Power**” means Orillia Power Distribution Corporation.

“**PCBs**” means polychlorinated biphenyls.

“**Planning Act**” means the *Planning Act*, RSO 1990, c P-13.

“**Protecting Vulnerable Energy Consumers Act**” means the *Protecting Vulnerable Energy Consumers Act,* 2017, SO 2017, c 1 - Bill 95.

“**Province**” has the meaning given to it under “Presentation of Information”.

“**Registration Rights Agreement**” means the registration rights agreement dated November 5, 2015 between Hydro One Limited and the Province.

“**Removal Notice**” has the meaning given to it under “Agreements with Principal Shareholder – Governance Agreement – Governance Matters – Election and Replacement of Directors – Province’s Right to Replace the Board”.

“**Reserve**” means a “reserve” as that term is defined in the Indian Act.

“**Revenue Cap Index**” has the meaning given to it under “Business of Hydro One – Transmission Business – Regulation – Transmission Rate Setting”.

“**RRF**” has the meaning given to it under “Business of Hydro One – Distribution Business – Regulation – Distribution Rates”.

“**Selling Debentureholder**” has the meaning given to it under “Recent Developments at Hydro One – Redemption of Convertible Debentures Represented by Instalment Receipts”.

“**Share Ownership Restrictions**” has the meaning given to it under “The Electricity Industry in Ontario – Legislative Provisions Specific to Hydro One – 10% Ownership Restriction”.

“**shares**” has the meaning given to it under “Agreements with Principal Shareholder – Registration Rights Agreement – Demand Registration”.

“**Special Board Resolution**” has the meaning given to it under “Agreements with Principal Shareholder – Governance Agreement – Governance Matters – Board Approvals Requiring a Special Resolution of the Directors”.

“**Specified Provincial Entity**” has the meaning given to it under “Agreements with Principal Shareholder – Governance Agreement – Governance Matters – Nomination of Directors – Independence”.

“**Taxation Act**” means the *Taxation Act, 2007*, SO 2007, c 11, Schedule A.

“**Termination Agreement**” has the meaning given to it under “Material Contracts”.

“**trust assets**” has the meaning given to it under “Interest of Management and Others in Material Transactions – Relationships with the Province and Other Parties – Transfer Orders”.

“**TS**” means transmission station.

“**TSX**” means the Toronto Stock Exchange.

“**TWh**” means terawatt-hours.

“**U.S.**” means the United States of America.

“**U.S. GAAP**” means United States Generally Accepted Accounting Principles.

“**Urgent Priorities Act**” means the *Urgent Priorities Act, 2018*, SO 2018, c 10.

“**Voting Securities**” means a security of Hydro One Limited carrying a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

“**Woodstock Hydro**” means Woodstock Hydro Holdings Inc.

PRESENTATION OF INFORMATION

Unless otherwise specified, all information in this annual information form is presented as at December 31, 2018.

Capitalized terms used in this annual information form are defined under "Glossary". Words importing the singular number include the plural, and vice versa, and words importing any gender include all genders. The Amended Annual MD&A and the audited amended consolidated financial statements of Hydro One Limited as at and for the year ended December 31, 2018, are specifically incorporated by reference into and form an integral part of this annual information form. Copies of these documents have been filed with the Canadian securities regulatory authorities and are available on SEDAR at www.sedar.com.

Unless otherwise noted or the context otherwise requires, references to "Hydro One" or the "Company" refer to Hydro One Limited and its subsidiaries taken together as a whole. References to "Hydro One Inc." refer only to Hydro One Inc. and references to "Hydro One Limited" refer only to Hydro One Limited.

In addition, "Province" refers to the Province of Ontario as a provincial government entity, and "Ontario" or the "province" in lower case type refers to the Province of Ontario as a geographical area. References to "management" in this annual information form mean the persons who are identified as executive officers of Hydro One Limited and its subsidiaries, as applicable, in this annual information form. Any statements made by or on behalf of management are made in such persons' respective capacities as executive officers of Hydro One Limited and its subsidiaries, as applicable, and not in their personal capacities. See "Directors and Officers" for more information.

This annual information form refers to certain terms commonly used in the electricity industry, such as "rate-regulated", "rate base" and "return on equity". Rate base is an amount that a utility is required to calculate for regulatory purposes, and refers to the net book value of the utility's assets for regulatory purposes. Return on equity is a percentage that is set or approved by a utility's regulator and represents the rate of return that a regulator allows the utility to earn on the equity component of the utility's rate base. See also "Rate-Regulated Utilities".

In this annual information form, all dollar amounts are expressed in Canadian dollars unless otherwise indicated. All references to "$" or "dollars" refers to Canadian dollars, unless otherwise indicated. Hydro One Limited and Hydro One Inc. prepare and present their financial statements in accordance with U.S. GAAP.

FORWARD-LOOKING INFORMATION

Certain information in this annual information form contains “forward-looking information” within the meaning of applicable Canadian securities laws. Forward-looking information in this annual information form 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 related to: the Company’s transmission and distribution rate applications, and resulting rates and impacts; expected impacts of changes to the electricity industry; the Company’s maturing debt and standby credit facilities; expectations regarding the Company’s financing activities; credit ratings; ongoing and planned projects and/or initiatives, including expected results and timing; expected future capital expenditures, the nature and timing of these expenditures, including the Company’s plans for sustaining and development capital expenditures for its distribution and transmission systems; expectations regarding allowed return on equity; expectations regarding the ability of the Company to recover expenditures in future rates; expectations regarding the deferred tax asset; the OEB; the appeal in respect of the OEB’s September 2017 decision; future pension contributions, the pension plan and valuations; impacts of OEB treatment of pension and OPEB costs; expectations regarding the ability to negotiate collective agreements consistent with rate orders; expectations related to work force demographics; expectations regarding taxes; expectations regarding load growth; the regional planning process; expectations related to Hydro One’s CDM requirements and targets; new legislation and regulatory initiatives relating to the electricity industry and the expected impacts of such; expectations regarding the Company’s Distribution Management System; the Company’s customer focus and related initiatives; statements related to the Company’s relationships with Indigenous communities; statements related to environmental matters, and the Company’s expected future environmental and remediation expenditures; expectations related to the effect of interest rates; the Company’s reputation; cyber and data security; the Company’s relationship with the Province; future sales of shares of Hydro One Limited; acquisitions and consolidation opportunities and other strategic initiatives, including the Company’s acquisition of Orillia Power and the business and distribution assets of Peterborough Distribution Inc.; the operational status of Hydro One Sault Ste. Marie LP following its integration into Hydro One Networks Inc.; expectations regarding the Governance Agreement and other agreements with the Province; expected outcomes and impacts relating to the termination of the Merger; the status of litigation, including litigation relating to the Merger; expectations regarding the manner in which Hydro One will operate; expectations regarding Hydro One’s dividend policy and the Company’s intention to declare and pay dividends, including the target payout ratio of 70% to 80% of net income; implementation of the 2017 Long-Term Energy Plan and the Fair Hydro Plan, including expected outcomes and impacts; potential conflicts of interest; and legal proceedings in which Hydro One is currently involved.

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 annual information form 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; favourable decisions from the OEB and other regulatory bodies concerning outstanding and future rate and other applications; no unexpected delays in obtaining the required approvals; no unforeseen changes in rate orders or rate setting methodologies for Hydro One's distribution and transmission businesses; no unfavourable changes in environmental regulation; continued use of U.S. GAAP; a stable regulatory environment; no significant changes to the Company's current credit ratings; no unforeseen impacts of new accounting pronouncements; 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 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 include, among other things:

- 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;
- regulatory risks and risks relating to Hydro One's revenues, including risks relating to rate orders, actual performance against forecasts and capital expenditures, or denials of applications;
- 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 or other unexpected occurrences for which the Company is uninsured or for which the Company could be subject to claims for damage;
- public opposition to and delays or denials of the requisite approvals and accommodations for the Company's planned projects;
- risks associated with the Province exercising further legislative and regulatory powers in the implementation of the Urgent Priorities Act and the Hydro One Accountability Act;
- the risk that Hydro One may incur significant costs associated with transferring assets located on Reserves;

- the risks associated with information system security and maintaining a complex information technology system infrastructure, including risks of cyber-attacks or unauthorized access to corporate and information technology systems;

- the risk of labour disputes and inability to negotiate appropriate collective agreements on acceptable terms consistent with the Company's rate decisions;

- the risks related to the Company's work force demographic and its potential inability to attract and retain qualified personnel;

- 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 credit rating downgrade and its impact on the Company's funding and liquidity;

- risks associated with fluctuations in interest rates and failure to manage exposure to credit risk;

- 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;

- the risk of non-compliance with environmental regulations or failure to mitigate significant health and safety risks and inability to recover environmental expenditures in rate applications;

- the risk that assumptions that form the basis of the Company's recorded environmental liabilities and related regulatory assets may change;

- 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 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;

- the risks associated with economic uncertainty and financial market volatility;

- the inability to prepare financial statements using U.S. GAAP;

- the impact of the ownership by the Province of lands underlying the Company's transmission system; and

- the risk related to the impact of the 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 under the heading “Risk Management and Risk Factors” in the Amended Annual MD&A. You should review such section in detail, including the matters referenced therein.

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

ELECTRICITY INDUSTRY OVERVIEW

General Overview

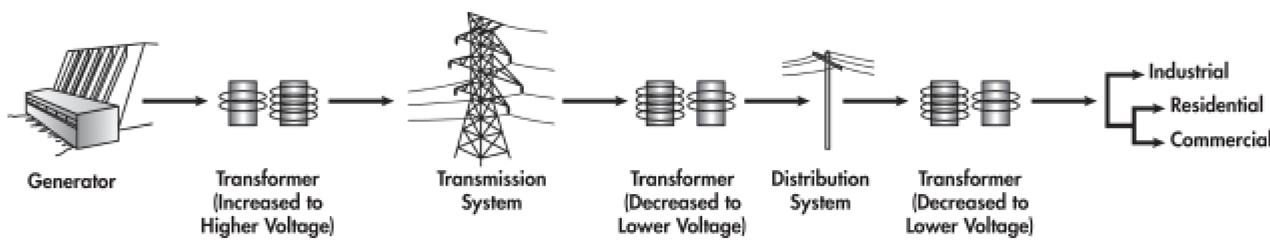
The electricity industry is made up of businesses that generate, transmit, distribute and sell electricity. While traditionally a mature and stable industry, innovation and technological change are expected to have a significant impact on the industry in the foreseeable future. Hydro One's business is focused on the transmission and distribution of electricity.

- Transmission refers to the delivery of electricity over high voltage lines, typically over long distances, from generating stations to local areas and large industrial customers.

- Distribution refers to the delivery of electricity over low voltage power lines to end users such as homes, businesses and institutions.

Overview of an Electricity System

The basic configuration of a typical electricity system showing electricity generation, transmission and distribution is illustrated in the following diagram:



Notes:

(1) The above image shows a typical electricity system with transmission-connected generation.

Transmission and distribution networks are sometimes referred to as the "electricity grid" or simply "the grid". For simplicity, the diagram above does not show customers directly connected to the transmission system or distributed generation sources or other distributors that may be connected to the distribution system.

THE ELECTRICITY INDUSTRY IN ONTARIO

Regulation of Transmission and Distribution

General

The Electricity Act and the Ontario Energy Board Act establish the general legislative framework for Ontario's electricity market. The activities of transmitters and distributors in Ontario are overseen by three main regulatory authorities: (i) the OEB, (ii) the IESO, and (iii) the National Energy Board. The Minister of Energy is responsible for developing long-term energy plans and has the power to issue directives to the IESO and the OEB regarding implementation of such plans.

Ontario Energy Board

The OEB is an independent regulatory agency. The Ontario Energy Board Act provides the OEB with the authority to regulate Ontario's electricity market, including the activities of transmitters and distributors.

The OEB has the following legislated objectives in relation to the electricity industry:

- to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service,
- to promote the education of consumers,
- to promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry,
- to promote electricity conservation and demand management in a manner consistent with the policies of the Province, including having regard to the consumer's economic circumstances,
- to facilitate the implementation of a smart grid in Ontario, and
- to promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Province, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

The OEB is responsible for, among other things, approving transmission and distribution rates in Ontario. It also approves the construction, expansion, or reinforcement of transmission lines greater than two kilometres in length, as well as mergers, acquisitions, amalgamations and divestitures involving distributors, transmitters and other entities which it licenses. The activities of transmitters and distributors are subject to the conditions of their licenses and a number of industry codes issued by the OEB. These codes and other

requirements prescribe minimum standards of conduct and service for licensed participants in the electricity market.

In December 2017, the OEB posted its Strategic Blueprint: Keeping Pace with the Evolving Energy Sector ("Strategic Blueprint"), setting out the OEB's commitment to modernize its approach to regulation over the next five years. The OEB established the Advisory Committee on Innovation ("ACI") to identify steps to develop a modern regulatory framework in response to technological changes occurring in the energy sector. The ACI presented its report to the OEB in November 2018. The report focused on electricity distribution and identified four broad actions for the OEB to take to create an environment that supports innovation that brings value to customers: provide a transparent and level playing field; remove disincentives to innovative solutions; encourage market-based solutions and customer choice; and embrace simplified regulation.

In December 2017, the Province established a panel to modernize the OEB. The panel's mandate included reviewing how the OEB can continue to protect consumers in a rapidly changing sector, how the OEB can support innovation and new technologies, and how the OEB should be structured and resourced to deliver on its changing role. The panel's mandate was narrowed by the Province in August 2018 to focus on the OEB's governance operations. In March 2019, the panel released its report. Also in March 2019, the Province announced legislation and other regulatory initiatives which are intended to, if passed, among other things, change the OEB's governance structure and mandate, and require the OEB to accept the outcomes of the IESO's competitive procurement process (respecting transmission systems) as it relates to price and include the related costs in transmission rates.

IESO

The IESO delivers key services across the electricity sector including managing the power system in real-time, planning for Ontario's future energy needs, enabling conservation and designing a more efficient electricity marketplace to support sector evolution. It is governed by a board whose chair and directors are appointed by the Province. The IESO also coordinates province-wide conservation efforts. On March 20, 2019, the Province directed the IESO to assume accountability for centralized delivery of conservation programs, as opposed to a local distribution company delivery model. The March 20, 2019 announcement also directed the IESO to discontinue the current 2015-2020 CDM framework and to implement a new interim framework. See "Business of Hydro One - Distribution Business - Regulation - Conservation and Demand Management" for more details.

Transmitters and other wholesale market participants must comply with the Market Rules issued by the IESO. The Market Rules require transmitters to comply with mandatory North American reliability standards for transmission issued by the North American Electric Reliability Corporation ("NERC") and the Northeast Power Coordinating Council, Inc. ("NPCC"). The IESO enforces these reliability standards and coordinates with system operators and reliability agencies in other jurisdictions to ensure energy adequacy and security across the interconnected bulk electricity system in North America.

National Energy Board

The National Energy Board is an independent federal regulatory agency. Most of the National Energy Board's responsibilities are set out in the National Energy Board Act and it has jurisdiction over the construction and operation of international power lines, as well as interprovincial lines that are designated as being under federal jurisdiction (of which there are currently none). As Hydro One owns and operates 11 active international power lines connecting Ontario's transmission system with transmission systems in Michigan, Minnesota and New York, Hydro One is required to hold several certificates and permits issued by the National Energy Board and is subject to its mandatory electricity reliability standards and reporting requirements.

In February 2018, the federal government introduced Bill C-69. If enacted, Bill C-69 would repeal the National Energy Board Act, eliminate the National Energy Board and introduce the Canadian Energy Regulator Act, which establishes the Canadian Energy Regulator as the replacement for the National Energy Board.

Transmission

Transmission companies own and operate transmission systems that deliver electricity over high voltage lines. Hydro One's transmission system accounts for approximately 98% of Ontario's electricity transmission capacity based on the revenues approved by the OEB. The Company's transmission system is interconnected to systems in Manitoba, Michigan, Minnesota, New York and Quebec and is part of the North American electricity grid's Eastern Interconnection. The Eastern Interconnection is a contiguous electricity transmission system that extends from Manitoba to Florida and from east of the Rocky Mountains to the North American east coast. Being part of the Eastern Interconnection provides benefits to Ontario, such as greater security and stability for Ontario's transmission system, emergency support when there are generation constraints or shortages in Ontario, and the ability to exchange electricity with other jurisdictions.

Distribution

Distributors own and operate distribution systems that deliver electricity over power lines at voltages of 50kV or less to end users. In Ontario, as per the OEB's 2017 Yearbook of Electricity Distributors, as at December 31, 2017, 65 local distribution companies provided electricity to approximately five million customers. The distribution industry in Ontario is fragmented, with the 15 largest local distribution companies accounting for approximately 83% of the province's customers.

Through its wholly-owned subsidiary Hydro One Inc., Hydro One owns the largest local distribution business in Ontario, which serves over 1.3 million predominantly rural customers, or approximately 26% of the total number of customers in Ontario.

A local distribution company is responsible for distributing electricity to customers in its OEB-licensed service territory, and in some cases to other distributors. A service territory may cover large portions or all of a particular municipality, or an otherwise-defined geographic area. Distribution customers include homes, commercial and industrial businesses and institutions such as governments, schools and hospitals.

Key Legislative Amendments Affecting the Electricity Industry Generally and Related Issues

Tax Incentives

Tax incentives were included in the 2015 Ontario Budget to promote consolidation in the electricity distribution sector. The 2015 Ontario Budget announced a reduction in the tax rate for transfers of electricity assets from 33% to 22% and to nil for distributors with fewer than 30,000 customers. In addition, the budget also introduced a capital gains exemption where capital gains arise as a result from exiting the payments in lieu of corporate taxes regime. These incentives were put in place for the period of January 1, 2016, to December 31, 2018. In November 2018, the Province announced its intention to extend the existing relief to December 31, 2022.

Recent Government Electricity Sector Changes

In March 2019, the Province announced legislation and other regulatory initiatives which are intended to, if passed:

- refocus and upload electricity conservation programs to the IESO*;*
- change the OEB's governance structure and mandate;
- hold increases to the average residential electricity bill to the rate of inflation; and
- wind down and replace the Ontario Fair Hydro Plan with a new structure for electricity bill relief.

See also "The Electricity Industry In Ontario - Regulation of Transmission and Distribution - Ontario Energy Board", "The Electricity Industry In Ontario - Regulation of Transmission and Distribution - IESO", and "Business of Hydro One - Distribution Business - Regulation - Conservation and Demand Management" for more details.

Ontario 2017 Long-Term Energy Plan

In October 2017, the Province released its 2017 Long-Term Energy Plan, which sets out a number of initiatives for Ontario's energy system, including: ensuring affordable and accessible energy, ensuring a flexible energy system, innovating to meet the future, improving value and performance for consumers, strengthening our commitment to energy conservation and efficiency, responding to the challenge of climate change, supporting First Nation and Métis capacity and leadership, and supporting regional solutions and infrastructure. The IESO and the OEB developed implementation plans in support of the objectives of the 2017 Long-Term Energy Plan and each implementation plan was approved by the Minister of Energy in February 2018.

Certain aspects of the 2017 Long-Term Energy Plan are detailed below in "Ontario Fair Hydro Plan" and "Expanded Net Metering".

Ontario Fair Hydro Plan

In March 2017, the Province introduced the Ontario Fair Hydro Plan. The intent of the legislation was to reduce electricity bills by an average of 25% for residential customers, as well as to provide initiatives to

reduce costs for businesses, to limit rate increases to inflation for four years, and to grant greater reductions to eligible lower-income households.

In March 2019, the Province announced legislation and other regulatory initiatives which are intended to, if passed, among other things, wind down the Ontario Fair Hydro Plan and replace it with a new structure for electricity bill relief.

Expanded Net Metering

As part of the commitment in the 2017 Long-Term Energy Plan to give customers new ways to participate in renewable electricity generation, amendments were made to the Net Metering Regulation. Net metering is a billing arrangement with a local distribution company that allows customers to offset the electricity they buy from their local distribution company with electricity generated by their own renewable energy systems, and receive credits on their electricity bill for the electricity they send to the grid, reducing their total bill charges.

Effective July 1, 2017, the amendments expanded the net metering rules to include renewable generators of any size as eligible for net metering, provided that electricity is generated primarily for the generator's own use, and provided that the generator is not party to any agreement other than a net metering agreement for the sale of electricity into the distribution system. The amendments also allow generators to use energy storage systems in combination with conveying their excess generated electricity into the distribution system.

Protecting Vulnerable Energy Consumers Act

The Protecting Vulnerable Energy Consumers Act impacts a distributor's ability to disconnect customers by broadening the power of the OEB to prescribe, as a condition of a distributor's licence, periods during which disconnections of low-volume consumers may not take place. In November 2017, the OEB issued a decision and order banning licensed electricity distributors from disconnecting homes for non-payment during the winter. See "General Development of the Business – Customer Focus – Winter Moratorium" for more information.

OEB Treatment of Pension and Other Post-Employment Benefits

In May 2015, the OEB initiated a consultation on the regulatory treatment of pension and OPEBs in the electricity industry. In September 2017, the OEB concluded that the default method would be the accrual accounting method to set rates for pension and OPEBs amounts. The OEB will permit another method if that method results in just and reasonable rates and it will adopt certain practices in its treatment of pension and OPEBs costs. The OEB also concluded that utilities must establish a variance account to track the differences between forecasted accrual amount in rates and actual cash payments made with carrying charges at rates determined by OEB to be applied to the differences in favour of ratepayers.

Green Energy Repeal Act

In December 2018, the Green Energy Repeal Act repealed the Green Energy Act and amended the Planning Act and the Environmental Protection Act, among other things. These changes broadened the ability of the Province and municipalities to reject renewable energy projects where demand for the electricity that would be generated by the project was not satisfactorily demonstrated.

Legislative Provisions Specific to Hydro One

In addition to legislation in Ontario that impacts all transmitters and distributors, there is legislation that is specific to Hydro One. Specifically, the Electricity Act requires Hydro One's head office and principal grid control centre to be maintained in Ontario, restricts the disposition of substantially all of its OEB-regulated transmission or distribution business, prohibits any change to its jurisdiction of incorporation, requires the Company to have an ombudsman, contains a 10% ownership restriction with respect to Voting Securities and restricts the Province from selling Voting Securities if it would own less than 40% of the Voting Securities of any class or series as a result of the sale.

Ombudsman

The Electricity Act requires the Company to have an ombudsman to act as a liaison with customers and to establish procedures for the ombudsman to inquire into and report to the Board on matters raised with the ombudsman by or on behalf of customers. See "Business of Hydro One – Ombudsman" for more information.

10% Ownership Restriction

The Electricity Act imposes share ownership restrictions on the Voting Securities. These restrictions provide that no person or company (or combination of persons or companies acting jointly or in concert) may beneficially own or exercise control or direction over more than 10% of any class or series of Voting Securities, including common shares of the Company (the "Share Ownership Restrictions"). The Share Ownership Restrictions do not apply to Voting Securities held by the Province, nor to an underwriter who holds Voting Securities solely for the purpose of distributing those securities to purchasers who comply with the Share Ownership Restrictions. The articles of Hydro One Limited provide for comprehensive enforcement mechanisms that are applicable in the event of a contravention of the Share Ownership Restrictions.

Maintenance of 40% Ownership

As of December 31, 2018, the Province owned approximately 47.4% of Hydro One Limited's common shares. See the Amended Annual MD&A under the heading "Risk Management and Risk Factors" for more information.

The Electricity Act restricts the Province from selling Voting Securities (including common shares of Hydro One Limited) if it would own less than 40% of the outstanding number of Voting Securities of that class or series after the sale. If as a result of the issuance of additional Voting Securities by Hydro One Limited, the Province owns less than 40% of the outstanding number of Voting Securities of any class or series, the Province must, subject to the approval of the Lieutenant Governor in Council and the necessary appropriations from the Legislature, take steps to acquire as many Voting Securities of that class or series as are necessary

to increase the Province's ownership to not less than 40% of the outstanding number of Voting Securities of that class or series. The manner in which, and the time by which, the Province must acquire these additional Voting Securities will be determined by the Lieutenant Governor in Council.

The Province has been granted pre-emptive rights by Hydro One Limited to assist it in meeting its ownership requirements under the Electricity Act as described under "Agreements with Principal Shareholder – Governance Agreement – Other Matters – Pre-emptive Rights".

Urgent Priorities Act

In July 2018, the Province introduced the Urgent Priorities Act, which introduced the Hydro One Accountability Act and amended the Ontario Energy Board Act.

Hydro One Accountability Act

The Hydro One Accountability Act came into force in August 2018. The Hydro One Accountability Act requires the Board to establish a new compensation framework for the Board, the CEO and other executives, in consultation with the Province and the other five largest shareholders of Hydro One Limited (which framework must include policies governing severance and other entitlements in connection with any termination of employment). The new compensation framework is not effective until approved by Management Board of Cabinet. In addition, the Management Board of Cabinet of the Province has the authority to issue directives governing the compensation of directors and certain executives of Hydro One and its subsidiaries (excluding subsidiaries incorporated outside Canada). See "Recent Developments at Hydro One – Executive Compensation Framework" for more information.

The Hydro One Accountability Act also requires Hydro One to annually provide public disclosure concerning compensation paid to certain executives.

Ontario Energy Board Act

The Ontario Energy Board Act was amended to preclude the OEB from approving or fixing rates for Hydro One or any of its subsidiaries that include any amount in respect of compensation paid to the CEO and other executives.

Elimination of Certain Legislation With Respect to Hydro One

In 2015 and 2016, Hydro One Inc. and its subsidiaries ceased to be subject to a number of Ontario statutes that apply to entities owned by the Province. Hydro One Limited is similarly not subject to those statutes. Notwithstanding the elimination of certain legislation with respect to Hydro One, the Company is required under the Financial Administration Act and the Auditor General Act to provide financial information to the Province for the Province's public reporting purposes.

RECENT DEVELOPMENTS AT HYDRO ONE

Termination of Merger Agreement with Avista Corporation

On January 23, 2019, Hydro One Limited and Avista Corporation announced that they mutually agreed to terminate the agreement and plan of merger dated July 19, 2017 (the "Merger Agreement") between Hydro One Limited, Avista Corporation, Olympus Holding Corp. and Olympus Corp. in respect of the proposed acquisition of Avista Corporation by Hydro One Limited (the "Merger"). This decision to terminate the Merger Agreement follows the recent orders by the Washington Utilities and Transportation Commission and the Idaho Public Utilities Commission which denied approval of the Merger. After careful consideration and analysis of the likelihood of achieving a timely reversal of those orders, the boards of directors of Hydro One Limited and Avista Corporation each individually determined that termination of the Merger Agreement was the best course of action for the companies and their respective shareholders.

As required under the Merger Agreement, Hydro One Limited paid Avista Corporation a U.S. $103 million termination fee as a result of the termination of the Merger Agreement. A copy of the Termination Agreement is available on SEDAR at www.sedar.com.

Redemption of Convertible Debentures Represented by Instalment Receipts

On January 23, 2019, Hydro One Limited announced that as a result of the termination of the Merger Agreement, it would redeem on February 8, 2019 (the "Redemption") all of its outstanding $1,540,000,000 aggregate principal amount of 4.00% convertible unsecured subordinated debentures (the "Debentures") represented by instalment receipts. On February 8, 2019, the Redemption occurred pursuant to the terms of the trust indenture pursuant to which the Debentures were issued, along with the terms of the instalment receipt and pledge agreement governing the instalment receipts. On February 8, 2019, the instalment receipts, which were listed and posted for trading on the Toronto Stock Exchange under the symbol "H.IR", were delisted.

The Debentures were originally issued in August 2017 (the "Convertible Debenture Offering") to fund a portion of the cash purchase price for the acquisition of Avista Corporation and were sold by 2582764 Ontario Inc. (the "Selling Debentureholder"), a wholly-owned subsidiary of Hydro One Limited, on an instalment basis at a price of $1,000 per Debenture, of which $333 was paid as a first instalment on the closing of the offering of the Debentures and the remaining $667 was to be paid as a final instalment on a date to be fixed by Hydro One Limited following satisfaction of all conditions precedent to the closing of the acquisition of Avista Corporation.

Upon the occurrence of the Redemption, holders of instalment receipts received $333 per $1,000 principal amount of Debentures (or approximately $513,000,000 in aggregate) plus accrued and unpaid interest on the Debentures to, but excluding, the date of Redemption. The Selling Debentureholder received the remaining $667 per $1,000 principal amount of Debentures (being approximately $1,027,000,000 in aggregate) in satisfaction of the obligation of the holders of instalment receipts to pay the final instalment. Upon Redemption, the Debentures and instalment receipts ceased to be outstanding.

Executive Compensation Framework

On August 15, 2018, the Province passed the Hydro One Accountability Act. The Hydro One Accountability Act required the new Board to establish a new compensation framework for the Board, CEO, and other executives in consultation with the Province and the other five largest shareholders of Hydro One Limited by no later than February 15, 2019. The new executive compensation framework, and any amendments to it, would not be effective until approved by the Province. The Company's proposed compensation framework was not approved and, on February 21, 2019, under the authority granted through the Hydro One Accountability Act, the Province issued a directive to Hydro One regarding executive compensation. The directive set out certain compensation-related requirements for the CEO, other executives and the Board which Hydro One must follow when developing its board and executive compensation framework. On February 28, 2019, Hydro One submitted to the Province a new compensation framework in compliance with the directive, which was approved on March 7, 2019. Key highlights of the new compensation framework include, among other things, a maximum total direct compensation for the CEO and other executives, and a cap on annual board compensation. See "Legislative Provisions Specific to Hydro One – Urgent Priorities Act – Hydro One Accountability Act" for information on the Hydro One Accountability Act.

Recent Ontario Energy Board Applications and Decisions

On March 7, 2019, Hydro One Networks Inc. received a decision from the OEB on its 2018-2022 distribution rates application. See "Business of Hydro One - Distribution Business - Regulation - Recent Distribution Rate Applications - Hydro One Networks Inc." for more information.

Also on March 7, 2019, the OEB upheld its original decision on the handling of the deferred tax asset that arose from the payment of a departure tax at the time of Hydro One Limited's transition to an investor-owned company.

On March 21, 2019, Hydro One Networks Inc. filed a transmission rate application with the OEB for its 2020-2022 revenue requirements. See "Business of Hydro One - Transmission Business - Regulation - Recent Transmission Rate Applications - Hydro One Networks Inc." for more information.

Increase to Commercial Paper Program

On March 25, 2019, Hydro One Inc. increased the authorized aggregate principal amount issuable under its commercial paper program from $1.5 billion to $2.3 billion. The commercial paper program is supported by Hydro One Inc.'s committed revolving credit facilities totaling $2.3 billion. The short-term liquidity made available under this program is expected to be used by Hydro One Inc. for general corporate purposes.

Collective Agreements

On March 25, 2019, Hydro One and the Society of United Professionals ("Society") announced the achievement of a tentative settlement of a two-year collective agreement, which is subject to ratification by members of the Society. The current collective agreement with the Society expires March 31, 2019.

Recent Government Electricity Sector Changes

See "The Electricity Industry in Ontario - Key Legislative Amendments Affecting the Electricity Industry Generally and Related Issues - Recent Government Electricity Sector Changes".

RATE-REGULATED UTILITIES

Rate Applications in Ontario

Framework

The term "rate-regulated" is used to refer to an electricity business whose rates for transmission, distribution or other services are subject to approval by a regulator. The rate base of a rate-regulated utility refers to the net book value of the utility's assets for regulatory purposes, plus an allowance for working capital. Rate base differs from a utility's total assets for accounting purposes, primarily because it includes the regulated assets of a utility. The OEB is the regulator that approves electricity transmission and distribution rates in Ontario. Transmission and distribution rates have historically been determined using either a cost-of-service model or a performance-based model, which typically includes a cost-of-service base year. These models are reviewed and modified by the OEB from time to time.

In a cost-of-service model, a utility charges rates for its services that allow it to recover the costs of providing its services and earn an allowed return on equity. A utility's return on equity or "ROE" is the rate of return that a regulator allows the utility to earn on the equity portion of the utility's rate base. The costs of providing its services must be prudently incurred. Cost savings are typically passed on to customers in the form of lower rates reflected in future rate decisions.

Cost of Service ($)	+	Return on Equity ($)	=	Revenue Requirement ($)

In a performance-based model, a utility also charges rates for its services that allow it to recover the costs of providing its services and earn an allowed return on equity. However, rates are adjusted formulaically in years subsequent to the initial rebasing of costs. The formulaic adjustments in a performance-based model consider inflation and expectations regarding productivity. They assume that the utility becomes increasingly efficient over time, and therefore, the adjustments typically result in increases to rates that are below the level of inflation. If a utility achieves cost savings in excess of those established by the regulator, the utility may retain some or all of the benefits of those cost savings, which may permit the utility to earn more than its allowed return on equity. In Ontario, transmission and distribution rates are generally now determined using a performance-based model.

CORPORATE STRUCTURE

Incorporation and Office

Hydro One Limited was incorporated on August 31, 2015, under the OBCA. Its registered office and head office is located at 483 Bay Street, 8th Floor, South Tower, Toronto, Ontario M5G 2P5.

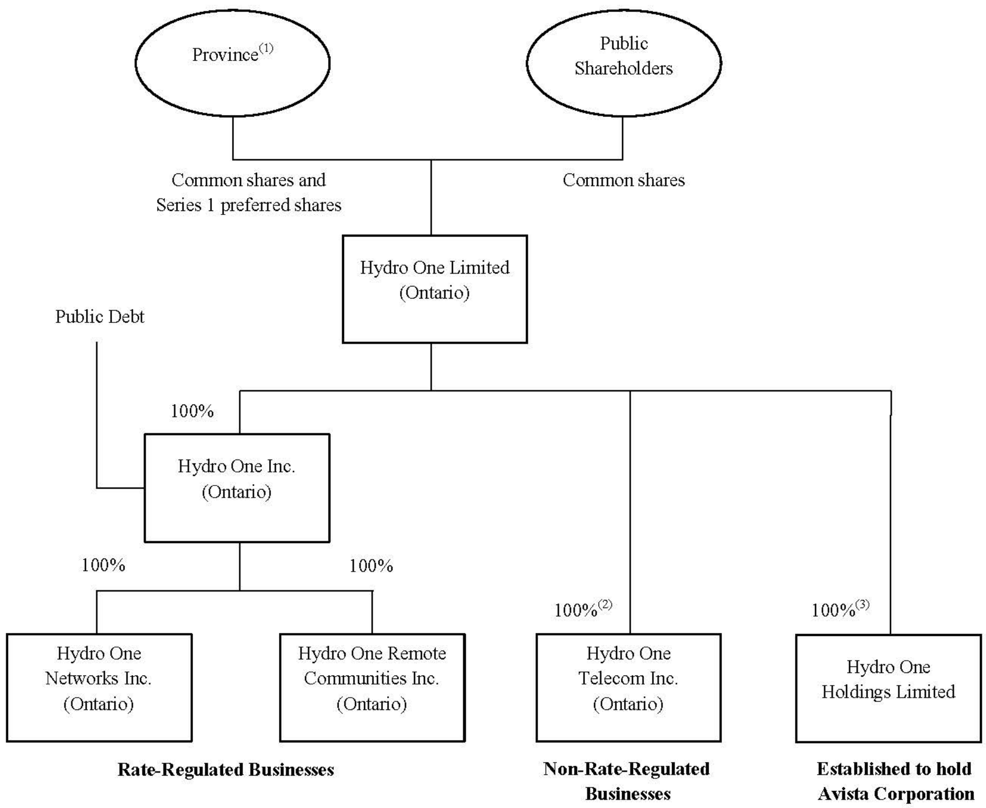
On October 30, 2015, the articles of Hydro One Limited were amended to authorize the creation of an unlimited number of Series 1 preferred shares and an unlimited number of Series 2 preferred shares, with the Series 1 preferred shares to be issued to the Province.

On October 31, 2015, all of the issued and outstanding shares of Hydro One Inc. were acquired by Hydro One Limited from the Province in exchange for the issuance to the Province of common shares and Series 1 preferred shares of Hydro One Limited.

On November 4, 2015, the articles of Hydro One Limited were amended to authorize the consolidation of its outstanding common shares such that 595,000,000 common shares of Hydro One Limited were issued and outstanding.

Corporate Structure and Subsidiaries

The following is a simplified chart showing the organizational structure of Hydro One and the name and jurisdiction of incorporation of certain of its subsidiaries. This chart does not include all legal entities within Hydro One's organizational structure. Hydro One Limited owns, directly or indirectly, 100% of the voting securities of all of the subsidiaries listed below.



Notes:

(1) As of December 31, 2018, the Province directly owned approximately 47.4% of Hydro One Limited's outstanding common shares and 100% of the outstanding Series 1 preferred shares.

(2) Indirectly held through a wholly-owned subsidiary of Hydro One Limited that acts as a holding company for Hydro One's non-rate-regulated businesses.

(3) Indirectly held through a wholly-owned subsidiary of Hydro One Limited.

Certain of Hydro One's subsidiaries are described below:

- **Hydro One Inc**. – acts as a holding company for Hydro One's rate-regulated businesses. Its publicly-issued debt continues to be outstanding.

- **Hydro One Networks Inc**. – the principal operating subsidiary that carries on Hydro One's rate-regulated transmission and distribution businesses.

- **Hydro One Remote Communities Inc.** – generates and supplies electricity to remote communities in northern Ontario.

- **Hydro One Telecom Inc**. – carries on Hydro One's non-rate-regulated telecommunications business.

- **Hydro One Holdings Limited** – established to hold Avista Corporation.

GENERAL DEVELOPMENT OF THE BUSINESS

Chronological Development of the Business

Background

In August 2015, Hydro One Limited was incorporated by the Province as its sole shareholder. On November 5, 2015, Hydro One Limited completed its initial public offering on the TSX by way of a secondary offering of 81,100,000 common shares by the Province. Hydro One Limited did not receive any proceeds from the initial public offering. Prior to the closing of the initial public offering, all of the issued and outstanding common shares of Hydro One Inc. were acquired by Hydro One Limited.

The following key events occurred from 2016 to 2018 in respect of Hydro One.

2016

2016 Secondary Common Share Offering

In April 2016, the Province completed a secondary offering of 72,434,800 common shares of Hydro One Limited at a price of $23.65 per share for aggregate gross proceeds to the Province of $1,713,083,020. On April 29, 2016, the underwriters in the secondary offering exercised their option to purchase an additional 10,865,200 common shares from the Province at a price of $23.65 per share for additional aggregate gross proceeds to the Province of $256,961,980. Following the completion of this offering, the Province held approximately 70.1% of Hydro One's total issued and outstanding common shares. Hydro One Limited did not receive any proceeds from the sale of the common shares by the Province.

Agreement to Acquire Orillia Power

In August 2016, Hydro One Inc. reached an agreement to acquire Orillia Power, an electricity distribution company located in Simcoe County, Ontario, from the Corporation of the City of Orillia for approximately $41 million, including the assumption of approximately $15 million in outstanding indebtedness and regulatory liabilities, subject to closing adjustments. The acquisition is subject to the satisfaction of customary closing conditions as well as approval by the OEB. See "Business of Hydro One – Distribution Business – Acquisitions – Agreement to Acquire Orillia Power" for more information.

Integration of Haldimand Hydro and Woodstock Hydro

In September 2016, the Company successfully completed the integration of Haldimand Hydro and Woodstock Hydro, two Ontario-based local distribution companies acquired by the Company in 2015, including the integration of employees, customer and billing information, business processes, and operations.

Acquisition of Great Lakes Power

In October 2016, following receipt of approval of the transaction by the OEB, Hydro One completed the acquisition of Great Lakes Power, an Ontario regulated electricity transmission business operating along the eastern shore of Lake Superior, north and east of Sault Ste. Marie, Ontario. The total purchase price for Great Lakes Power was approximately $376 million, including the assumption of approximately $150 million in outstanding indebtedness. In January 2017, Great Lakes Power's name was changed to Hydro One Sault Ste. Marie LP.

2017

2017 Secondary Common Share Offering

In May 2017, the Province completed a secondary offering of 120,000,000 common shares of Hydro One Limited at a price of $23.25 per share for aggregate gross proceeds to the Province of approximately $2.79 billion. Following completion of this offering, the Province held approximately 49.9% of Hydro One's total issued and outstanding common shares. Hydro One did not receive any of the proceeds from the sale of the common shares by the Province.

Exemptive Relief – Disclosure of Ownership by the Province

In June 2017, the Canadian securities regulatory authorities granted (i) the Minister of Energy, (ii) Ontario Power Generation Inc. (on behalf of itself and the segregated funds established as required by the Nuclear Fuel Waste Act) and (iii) agencies of the Crown, provincial Crown corporations and other provincial entities (collectively, the "Non-Aggregated Holders") exemptive relief, subject to certain conditions, to enable each Non-Aggregated Holder to treat securities of Hydro One that it owns or controls separately from securities of Hydro One owned or controlled by the other Non-Aggregated Holders for purposes of certain takeover bid, early warning reporting, insider reporting and control person distribution rules and certain distribution restrictions under Canadian securities laws. Hydro One was also granted relief permitting it to rely solely on insider reports and early warning reports filed by Non-Aggregated Holders when reporting beneficial ownership or control or direction over securities in an information circular or annual information form in respect of securities beneficially owned or controlled by any Non-Aggregated Holder subject to certain conditions.

Agreement to Acquire Avista Corporation

In July 2017, Hydro One reached an agreement to acquire Avista Corporation for approximately U.S. $5.3 billion in an all-cash transaction, comprised of an equity purchase price of U.S. $3.4 billion and the assumption of U.S. $1.9 billion of debt. Avista Corporation is an investor-owned utility providing electric generation, transmission and distribution services. It is headquartered in Spokane, Washington, with service areas in Washington, Idaho, Oregon, Montana and Alaska. The closing of the Merger was subject to receipt of certain regulatory and government approvals, and the satisfaction of customary closing conditions.

In September 2017, Hydro One and Avista Corporation filed applications with state utility commissions in Washington, Idaho, Oregon, Montana, and Alaska, as well as with the Federal Energy Regulatory Commission, requesting regulatory approval of the Merger on or before August 14, 2018. On November 21, 2017, the Merger was approved by the shareholders of Avista Corporation. In January 2018, the Federal Energy Regulatory Commission approved the Merger, and in June 2018 and July 2018 the state utility commissions for Alaska and Montana, respectively, did the same. However, in December 2018 and January 2019, the state utility commissions for Washington and Idaho, respectively, denied the Merger. In January 2019, Hydro One and Avista Corporation mutually terminated the Merger Agreement. See "Recent Developments at Hydro One – Termination of Merger Agreement with Avista Corporation" for more information.

The cash purchase price of the Merger and the Merger-related costs was expected to be financed at the closing of the Merger with a combination of some or all of the following sources: (i) net proceeds of the first instalment from the Convertible Debenture Offering (described above under "Recent Developments at Hydro One – Redemption of Convertible Debentures Represented by Instalment Receipts"); (ii) net proceeds of any subsequent bond or other debt offerings; (iii) amounts drawn under the Operating Credit Facility; (iv) amounts drawn under a $1.0 billion non-revolving equity bridge credit facility and a U.S. $2.6 billion non-revolving debt bridge credit facility obtained by the Company in June 2018 (the "Bridge Facilities"); and (v) existing cash on hand and other sources available to Hydro One. As a result of the termination of the Merger, the Bridge Facilities were cancelled and the Debentures issued pursuant to the Convertible Debenture Offering were redeemed. See "Recent Developments at Hydro One – Termination of Merger Agreement with Avista Corporation" for more information.

Convertible Debenture Offering

In August 2017, in connection with the acquisition of Avista Corporation, Hydro One Limited and the Selling Debentureholder completed the Convertible Debenture Offering. See "Recent Developments at Hydro One – Redemption of Convertible Debentures Represented by Instalment Receipts" and "Description of Capital Structure – Convertible Debentures and Instalment Receipts" for more information.

First Nations and Hydro One Limited Shares

In December 2017, the Province sold approximately 14 million common shares of Hydro One Limited to OFN Power Holdings LP, a limited partnership wholly-owned by Ontario First Nations Sovereign Wealth LP, which is in turn owned by 129 First Nations in Ontario. This represented approximately 2.4% of the outstanding common shares of Hydro One Limited owned by the Province. Following this transaction, the Province owns approximately 47.4% common shares of the Company. Hydro One Limited was not a party to this transaction. Hydro One Limited did not receive any proceeds from the sale of the shares by the Province.

2018

Directors and Executive Officers

Effective March 1, 2018, Paul Dobson was appointed CFO, and Patrick Meneley was appointed Executive Vice President and Chief Corporate Development Officer.

On July 11, 2018, Hydro One Limited, on behalf of itself and its wholly-owned subsidiary, Hydro One Inc., announced that it had entered into an agreement with the Province for the purpose of the orderly replacement of the boards of directors of Hydro One Limited and Hydro One Inc. and the retirement of Mayo Schmidt as the CEO effective July 11, 2018. Hydro One Limited also announced the appointment of Paul Dobson as Acting President and CEO of Hydro One Limited and Hydro One Inc. effective July 11, 2018.

On August 14, 2018, Hydro One Limited announced a new board of directors. The directors of Hydro One Limited and Hydro One Inc. are the same in accordance with the provisions of the Governance Agreement. Four directors were nominated by the Province, Hydro One Limited's largest shareholder, and six directors were nominated by an ad hoc nominating committee of Hydro One Limited's three largest shareholders excluding the Province. Each of the directors is independent of both Hydro One Limited and the Province in accordance with the Governance Agreement. See "Agreements with Principal Shareholder – Governance Agreement" for more information.

On July 10, 2018, Ferio Pugliese tendered his resignation as Executive Vice President, Customer Care and Corporate Affairs; Jason Fitzsimmons was appointed Chief Corporate Affairs and Customer Care Officer and assumed many of the responsibilities previously held by Mr. Pugliese.

Effective September 6, 2018, Chris Lopez was appointed as Acting CFO of Hydro One Limited and Hydro One Inc. and Tom Woods was appointed as Chair of the boards of directors of Hydro One Limited and Hydro One Inc. See "Directors and Officers" for more information.

The Avista Corporation Merger

In January 2018, the Merger was approved by the Federal Energy Regulatory Commission. The Merger received clearances in April 2018 under the *Hart-Scott-Rodino Antitrust Improvements Act of 1976*, a closing condition of the transaction, and in May 2018 under the Committee on Foreign Investment in the United

States. Further, in May 2018, the Federal Communications Commission provided consent for the transfer of control of the wireless licenses held by Avista Corporation and one of its subsidiaries to Hydro One as a result of the Merger.

From March to May 2018, all-issues, all-parties settlement agreements were filed with the Oregon Public Utility Commission, the Idaho Public Utilities Commission, and the Washington Utilities and Transportation Commission.

The Merger was approved by the Regulatory Commission of Alaska in June 2018 and by the Montana Public Service Commission in July 2018, both subject to certain conditions.

Following the announcement on July 11, 2018 of the resignation of Hydro One's Board and the retirement of its President and CEO, regulatory authorities in Washington and Oregon extended the timetable for arriving at a decision in Hydro One's proposed acquisition of Avista Corporation to mid-December 2018. Additionally, the Idaho Public Utilities Commission rescheduled its hearing from July 2018 to November 2018.

In December 2018, the Washington Utilities and Transportation Commission denied the Merger. Hydro One and Avista filed a petition requesting reconsideration of the denial, but in January 2019 the Washington Utilities and Transportation Commission declined to hear the petition. In January 2019, the Idaho Public Utilities Commission also denied the Merger. In January 2019, Hydro One and Avista Corporation mutually terminated the Merger Agreement. See "Recent Developments at Hydro One – Termination of Merger Agreement with Avista Corporation" for more information.

Financing the Merger

On November 23, 2018, Hydro One Holdings Limited ("HOHL"), an indirect wholly-owned subsidiary of Hydro One Limited, filed a U.S. debt short form base shelf prospectus with securities regulatory authorities in Canada and the United States for the purposes of, but not limited to, funding a portion of the cash purchase price of the Merger ("U.S. Debt Prospectus"). The U.S. Debt Prospectus allows HOHL to offer, from time to time in one or more public offerings, up to U.S. $3.0 billion of debt securities, unconditionally guaranteed by Hydro One Limited, during the 25-month period ending December 23, 2020. In order to facilitate funding for the Merger, on June 8, 2018, HOHL, as issuer, and Hydro One Limited, as guarantor, entered into a trust indenture (the "HOHL Indenture") with Computershare Company, N.A., as United States trustee, and Computershare Company of Canada, as Canadian trustee, governing the issuance by HOHL of unsecured debentures, notes or other evidences of indebtedness in one or more series, unconditionally guaranteed as to payment by Hydro One Limited. To date, no debt has been issued under the HOHL Indenture.

In June 2018, for the purpose of financing the acquisition of Avista Corporation, the Company secured a $1.0 billion non-revolving equity bridge credit facility, and a U.S. $2.6 billion non-revolving debt bridge credit facility (the "Bridge Facilities"). As a result of the termination of the Merger Agreement, the Bridge Facilities were cancelled.

In February 2019, the Debentures issued pursuant to the Convertible Debenture Offering were redeemed. See "Recent Developments at Hydro One – Redemption of Convertible Debentures Represented by Instalment Receipts" for more information.

Universal Base Shelf Prospectus

On June 18, 2018, Hydro One Limited filed a universal short form base shelf prospectus in Canada to replace the universal base shelf prospectus that expired in April 2018. The universal short form base shelf prospectus allows Hydro One Limited 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 July 18, 2020.

Exemptive Relief – U.S. GAAP

In March 2018, Hydro One Limited was granted exemptive relief by securities regulators in each province and territory of Canada, allowing Hydro One to continue reporting its financial results in accordance with U.S. GAAP. This exemptive relief will remain in effect until the earlier of: (i) January 1, 2024; (ii) the first day of Hydro One Limited's financial year that commences after Hydro One Limited ceases to have activities subject to rate regulation; and (iii) the effective date prescribed by the International Accounting Standards Board for the mandatory application of a standard within International Financial Reporting Standards specific to entities with activities subject to rate regulation.

Agreement to Acquire Orillia Power

In April 2018, the OEB issued a decision denying Hydro One Inc.'s proposed acquisition of Orillia Power. In May 2018, Hydro One Inc. and Orillia Power filed a motion to review and vary the OEB's decision, and in August 2018, the OEB upheld its April 2018 decision denying the acquisition. In September 2018, Hydro One Inc. filed a new MAAD application with the OEB to acquire Orillia Power. The acquisition is subject to the satisfaction of customary closing conditions as well as approval by the OEB. See "Business of Hydro One – Distribution Business – Acquisitions – Agreement to Acquire Orillia Power" for more information.

Agreement to Acquire Peterborough Distribution Inc.

In July 2018, Hydro One Inc. reached an agreement to acquire the business and distribution assets of Peterborough Distribution Inc., an electricity distribution company located in the County of Peterborough, from the Corporation of the City of Peterborough. Hydro One Inc. will pay the Corporation of the City of Peterborough approximately $105 million, subject to closing adjustments. The acquisition is subject to the satisfaction of customary closing conditions as well as approval by the OEB. See "Business of Hydro One – Distribution Business – Acquisitions – Agreement to Acquire Peterborough Distribution Inc." for more information.

Integration of Hydro One Sault Ste. Marie LP

In October 2018, Hydro One Sault Ste. Marie LP (formerly Great Lakes Power) was operationally integrated into Hydro One Networks Inc., including its employees and transmission customers. Hydro One Sault Ste. Marie LP will exist as a separate affiliate until 2023.

East-West Tie/Lake Superior Link Project

In February 2018, Hydro One Networks Inc. filed a leave to construct application with the OEB to construct the east-west tie transmission line in northwestern Ontario ("Lake Superior Link Project"), which competed with an application filed by Upper Canada Transmission Inc., operating as NextBridge Infrastructure LP ("NextBridge").

A combined OEB oral hearing for Hydro One Networks Inc.'s Lake Superior Link Project application, the Hydro One Networks Inc. east-west tie station expansion application, and the NextBridge east-west tie transmission line application was held in October 2018. In December 2018, the OEB approved Hydro One Networks Inc.'s east-west tie station expansion application.

On January 30, 2019, the Minister of Energy issued a directive to the OEB to amend NextBridge's electricity transmission licence and allow it to proceed with the construction of the east-west tie transmission line, effectively ending Hydro One Networks Inc.'s competitive bid to build the east-west tie transmission line. On February 11, 2019, the OEB issued its decision awarding the construction of the east-west tie transmission line to NextBridge.

Niagara Reinforcement Limited Partnership

In September 2018, the Niagara Reinforcement Limited Partnership ("NRLP") was formed to operate a new 230 kV transmission line in the Niagara region that will enable generators in the Niagara area to connect to load centres of the greater Toronto and Hamilton areas. NRLP is designed to include minority participation of local First Nations partners in a structure similar to B2M Limited Partnership. See "Business of Hydro One – Transmission Business – Regulation – Recent Transmission Rate Applications – Niagara Reinforcement Limited Partnership" for more information.

General Development of the Business

In addition to the chronological development of the business, the following general developments in the business have occurred and continue to be relevant.

Acquisitions Generally

The Company intends to continue to evaluate local distribution company consolidation opportunities in Ontario and intends to pursue those acquisitions which deliver value to the Company and its shareholders. Over time, the Company may also consider larger-scale, vertically integrated acquisition opportunities or other strategic initiatives outside of Ontario to diversify its asset base and leverage its strong operational expertise. These acquisition opportunities may include other providers of electrical transmission, distribution and other similar services in Canada and in the United States.

Customer Focus

Hydro One remains in transition from a government-owned entity to an industry leading investor owned utility. Our continued focus on customer service remains a critical aspect of our success as a Company. Greater corporate accountability for performance outcomes, and company-wide improvements in productivity and efficiency, align with our customers' expectations of how Hydro One should operate.

Customer Service

Hydro One is committed to delivering value to its customers by becoming easier to do business with, being available when customers need assistance, and always staying connected. This includes specific, measurable commitments that encompass all areas of service. Hydro One's billing system continues to outperform its previous system in terms of timeliness, accuracy and reliability. In 2018, Hydro One fully implemented its redesigned bill, which is aimed at improving customer understanding of their energy consumption. In addition, Hydro One is committed to improving customer engagement and satisfaction. In March 2018, the customer contact centre was transitioned from a third-party provider back to Hydro One. Further, Hydro One has placed a greater focus on expanding engagement with its large account customers, and continues to offer a number of energy savings programs to a variety of its customers. A focus on customer service resulted in improved satisfaction survey scores in 2018. Residential and small business customer satisfaction scores were the highest in five years at 76%, while transmission customer satisfaction reached an all-time high of 90%, reflecting a company-wide dedication to improving customer service.

Review of Operations

Hydro One has been focused on the identification of opportunities for improved corporate performance and the development of strategies to drive more efficient, cost-effective operations. Hydro One conducts regular reviews of key corporate activities and programs, covering areas such as construction services and project management practices, asset deployment and controls, information technology and cybersecurity, vegetation management practices, fleet services and utilization, supply chain management and business continuity planning. Operational and cost improvements across work planning and execution have already been observed and implemented. Hydro One has embedded cost efficiencies into its OEB rate applications.

Winter Moratorium

Since December 2016, Hydro One has voluntarily implemented a winter disconnection moratorium and winter relief program to reconnect customers who are facing extreme hardship. In November 2017, the OEB issued a decision and order banning licensed electricity distributors in Ontario from disconnecting homes for non-payment during the winter. Between November 15 and April 30 of each year, electricity distributors cannot disconnect or threaten to disconnect homes for non-payment, and homes already disconnected for non-payment must be reconnected without charge.

Business Segments

Through its wholly-owned subsidiary Hydro One Inc., Hydro One is Ontario's largest electricity transmission and distribution utility with approximately $25.7 billion in assets and 2018 revenues of approximately $6.2 billion. Hydro One owns and operates substantially all of Ontario's electricity transmission network and is the largest electricity distributor in Ontario by number of customers. The Company's regulated transmission and distribution operations are owned by Hydro One Inc. Hydro One delivers electricity safely and reliably to over 1.3 million customers across the province of Ontario, and to large industrial customers and municipal utilities. Hydro One Inc. owns and operates approximately 30,000 circuit kilometres of high-voltage transmission lines and approximately 123,000 circuit kilometres of primary low-voltage distribution lines.

Hydro One has three business segments: (i) transmission; (ii) distribution; and (iii) other business. Each of the three segments is described below.

Hydro One's transmission and distribution businesses are both operated primarily through Hydro One Networks Inc. This allows both businesses to utilize common operating platforms, technology, work processes, equipment and field staff and thereby take advantage of operating efficiencies and synergies. For regulatory purposes, Hydro One Networks Inc. files separate rate applications with the OEB for each of its licensed transmission and distribution businesses.

Transmission Business

Overview

Hydro One's transmission business consists of owning, operating and maintaining Hydro One's transmission system, which accounts for approximately 98% of Ontario's transmission capacity based on revenue approved by the OEB. All of the Company's transmission business is carried out through Hydro One Networks Inc., a wholly-owned subsidiary of Hydro One Inc., and through other wholly-owned subsidiaries of Hydro One Inc. that own and control Hydro One Sault Ste. Marie LP (formerly Great Lakes Power), as well as through the Company's approximately 66% interest in B2M Limited Partnership. Hydro One's transmission business represented approximately 55% of its total assets as at December 31, 2018, and accounted for approximately 52% of its total revenue in 2018, net of purchased power and 51% of its total revenue in 2017, net of purchased power.

The Company's transmission business is a rate-regulated business that earns revenues mainly from charging transmission rates that are subject to approval by the OEB. The Company's transmission rates are generally determined using a performance-based model, which typically includes a cost-of-service base year. Transmission rates are collected by the IESO and are remitted by the IESO to Hydro One on a monthly basis, which means that Hydro One's transmission business has no direct exposure to end-customer counterparty risk.

Transmission rates are based on monthly peak electricity demand across Hydro One's transmission network. This gives rise to seasonal variations in Hydro One's transmission revenues, which are generally higher in the summer and winter due to increased demand, and lower during other periods of reduced demand. Hydro

One's transmission revenues also include revenues associated with exporting energy to markets outside of Ontario. Ancillary revenue includes revenues from providing maintenance services to generators and from third-party land use.

Business

The Company's transmission system serves substantially all of Ontario and transported approximately 137 TWh of energy throughout the province in 2018. Hydro One's transmission customers consist of 42 local distribution companies (including Hydro One's own distribution business) and 84 large industrial customers connected directly to the transmission network, including automotive, manufacturing, chemical and natural resources businesses. Electricity delivered over the Company's transmission network is supplied by 130 generators in Ontario and electricity imported into the province through interties. Interties are transmission interconnections between neighbouring electric systems that allow power to be imported and exported.

The high voltage power lines in Hydro One's transmission network are categorized as either lines which form part of the "bulk electricity system" or "area supply lines". Power lines which form part of the bulk electricity system typically connect major generation facilities with transmission stations and often cover long distances, while area supply lines serve a local region. Ontario's transmission system is connected to the transmission systems of Manitoba, Michigan, Minnesota, New York and Quebec through the use of interties, allowing for the import and export of electricity to and from Ontario.

Hydro One's transmission assets were approximately $14 billion as at December 31, 2018 and include transmission stations, transmission lines, a control centre and telecommunications facilities. Hydro One has approximately 309 in-service transmission stations and approximately 30,000 circuit kilometres of high voltage lines whose major components include cables, conductors and wood or steel support structures. All of these lines are overhead power lines except for approximately 265 circuit kilometres of underground cables located in certain urban areas.

Hydro One's transmission network is managed from a central location. This centre monitors and controls the Company's entire transmission network, and has the capability to remotely monitor and operate transmission equipment, respond to alarms and contingencies and restore and reroute interrupted power. There is also a backup facility which would be staffed in the event of an evacuation of the centre.

Hydro One uses telecommunications systems for the protection and operation of its transmission and distribution networks. These systems are subject to very stringent reliability and security requirements, which help the Company meet its reliability obligations and facilitate the restoration of power following service interruptions.

B2M Limited Partnership is Hydro One's partnership with the Saugeen Ojibway Nation with respect to the Bruce-to-Milton transmission line. B2M Limited Partnership owns the transmission line assets relating to two circuits between Bruce TS and Milton TS, while Hydro One owns the transmission stations where the lines terminate. Hydro One maintains and operates the Bruce-to-Milton line. Hydro One has an approximately 66% economic interest in the partnership.

Hydro One acquired Great Lakes Power in October 2016 for approximately $376 million, including the assumption of approximately $150 million in outstanding indebtedness. In January 2017, Great Lakes Power's name was changed to Hydro One Sault Ste. Marie LP. In 2018, Hydro One completed the operational integration of Hydro One Sault Ste. Marie LP (formerly Great Lakes Power). See "General Development of the Business – Chronological Development of the Business – 2016 – Acquisition of Great Lakes Power" and "– 2018 – Integration of Hydro One Sault Ste. Marie LP" for more information.

Regulation

Transmission Rate Setting

The OEB provides two revenue plan options for transmission rates in Ontario: the Custom Incentive Rate Setting Plan (the "Custom IR Method") and the Incentive-Based Revenue Index Rate Setting Plan (the "Revenue Cap Index").

Under the Revenue Cap Index the first year's revenue requirement reflects the transmitter's cost of service, and annually thereafter, this amount is subject to a formulaic increase reflecting inflation, partially offset by a productivity factor. The revenue requirement in these subsequent years is set on the assumption that the transmitter will achieve efficiency or productivity improvements to offset the productivity factor imposed by the regulator. Under the Custom IR Method, a similar methodology to the Revenue Cap Index may be used; however applications are multi-year and are designed to reflect a transmitter-specific revenue trend for the application term. For example, a transmitter may request incremental capital funding beyond amounts established in the base year revenue requirement.

The OEB sets transmission rates based on a two-step process. First, all transmitters apply to the OEB for the approval of their revenue requirements. Second, the OEB aggregates the total revenue requirements of all transmitters in Ontario and applies a formula to arrive at a single set of rates that are charged to ratepayers for the three types of transmission services applicable in Ontario, namely: network services, line connection services and transformation connection services. The three separate rates charged for these services are the same for all transmitters and are referred to as "uniform transmission rates". Uniform transmission rates for all transmitters are set by the OEB on an annual basis, using the revenue requirements set out in the most recent rate decision issued for each transmitter.

The filing requirements for transmitters mandate the integration of core RRF (defined below under "Business of Hydro One – Distribution Business – Regulation – Distribution Rates") concepts into revenue requirement applications. Transmitters applying for revenue requirements under the Custom IR Method or Revenue Cap Index must include (i) evidence of the continuous improvement and efficiency gains anticipated to be achieved over the rate term; (ii) a mechanism to protect ratepayers in the event of earnings significantly in excess of the regulatory net income supported by the return on equity established in the approved revenue requirement; and (iii) proposed performance metrics applicable to their individual circumstances. A key component of rate–setting under the RRF is benchmarking evidence to support cost forecasts and system planning proposals.

Recent Transmission Rate Applications

Hydro One Networks Inc., B2M Limited Partnership and Hydro One Sault Ste. Marie LP (formerly Great Lakes Power) file separate applications to the OEB for the approval of their transmission revenue requirement for transmission services.

Hydro One Networks Inc.

In May 2016, Hydro One Networks Inc. filed a transmission revenue requirement application with the OEB for its 2017-2018 transmission revenue requirement on a cost-of-service basis, electing to take advantage of the transition period available to transmitters before the OEB requires transmitters to choose between the two incentive-based revenue plan options. In its application, Hydro One Networks Inc. requested the OEB's approval of a transmission revenue requirement of $1,505 million for 2017 and $1,586 million for 2018.

In September 2017, the OEB issued its decision on Hydro One Networks Inc.'s application for 2017-2018 transmission revenue requirement. Key changes arising out of the OEB's decision included: (i) reductions in planned capital expenditures of $126 million and $122 million respectively for 2017 and 2018, (ii) reductions in operations, maintenance and administration expenses of $15 million each year related to compensation expenses, and (iii) reductions in estimated tax savings from the initial public offering of Hydro One Limited of $24 million and $26 million for 2017 and 2018, respectively. In October 2017, Hydro One Networks Inc. filed a draft rate order reflecting the changes outlined in the OEB's decision.

In its September 2017 decision, the OEB concluded that the net deferred tax asset resulting from the transition from the payments in lieu of tax regime under the Electricity Act to the federal and provincial tax regimes in connection with the Company's initial public offering should not accrue entirely to the Company's shareholders, but rather a portion should be shared with Hydro One Networks Inc.'s ratepayers. The OEB proposed a basis for sharing a portion of the tax savings resulting from the deferred tax asset with Hydro One Networks Inc.'s ratepayers by reducing the amount of taxes approved for recovery in Hydro One Networks Inc.'s 2017-2018 transmission revenue requirement. In November 2017, the OEB issued a decision and order that established the portion of the tax savings that should be shared with Hydro One Networks Inc.'s ratepayers.

In October 2017, Hydro One Networks Inc. filed with the OEB a motion to review and vary the OEB's decision, and filed an appeal with the Ontario Divisional Court. The motion, among other things, sought allocation to the Company's shareholders of the full amount of the future tax savings arising from the deferred tax asset. In both the motion and the appeal, Hydro One Networks Inc.'s position was that the OEB made errors of fact and law in its determination of the allocation of the tax savings between the Company's shareholders and Hydro One Networks Inc.'s ratepayers. An OEB hearing of the merits of the motion was held in February 2018. In August 2018, the OEB granted the motion and returned the portion of the decision relating to the deferred tax asset to an OEB panel for reconsideration. In March 2019, the OEB upheld its original decision on the allocation of the deferred tax asset between the Company's shareholders and Hydro One Networks Inc.'s ratepayers. As a result, the Company has recorded an $867 million one-time decrease in net income as a reversal of revenues of $68 million, and a charge to deferred tax expense of $799 million, which is expected to result in an annual decrease to funds from operations in the range of $50 million to $60

million. Hydro One Networks Inc. intends to appeal to the Ontario Divisional Court with respect to the OEB's decision upholding its original finding on the handling of the deferred tax asset and to discontinue its original appeal to the Ontario Divisional Court. See the Amended Annual MD&A under the subheading "Risk Management and Risk Factors - Risks Relating to Hydro One's Business - Risks Relating to Regulatory Treatment of Deferred Tax Asset" for a description of related risks.

In March 2018, the OEB issued a letter requesting Hydro One Networks Inc. to file the transmission revenue requirement application for a four-year test period from 2019 to 2022, rather than the minimum five-year period allowed under existing OEB policy. The OEB indicated that it is more appropriate to consider rates for Hydro One Networks Inc.'s distribution and transmission businesses in a single application, and stated that it expected Hydro One Networks Inc. to file a single application for distribution rates (including Hydro One Remote Communities Inc.) and transmission revenue requirement for the period from 2023 to 2027. See also "Business of Hydro One – Distribution Business – Regulation – Recent Distribution Rate Applications – Hydro One Networks Inc.".

A one-year inflation-based application for 2019 transmission revenue requirement was filed with the OEB in October 2018. In December 2018, the OEB issued a decision declaring Hydro One Networks Inc.'s 2018 transmission revenue requirement of approximately $1,521 million and specifying the 2019 uniform transmission rates, both interim and effective as of January 1, 2019.

On March 21, 2019, Hydro One Networks Inc. filed a transmission rate application with the OEB for its 2020-2022 revenue requirements. In its application, Hydro One Networks Inc. requested the OEB's approval of revenue requirements of $1,623 million for 2020.

B2M Limited Partnership

In December 2015, the OEB approved B2M Limited Partnership's revenue requirement for years 2015 to 2019, subject to annual updates in each of 2016, 2017, 2018 and 2019 to adjust its revenue requirement for the following year consistent with the OEB's updated cost of capital parameters. In May 2018, the OEB issued its decision and rate order on B2M Limited Partnership's 2018 transmission application reflecting revenue requirement of $36 million, effective January 1, 2018.

On November 23, 2018, a revised 2019 revenue requirement using the updated cost of capital parameters was filed with the OEB. On December 20, 2018, the OEB issued its decision on uniform transmission rates effective January 1, 2019, approving the requested 2019 revenue requirement of approximately $33 million.

Hydro One Sault Ste. Marie LP

Hydro One Sault Ste. Marie LP is under a ten-year deferred rebasing period for years 2017-2026, following receipt of approval by the OEB of Hydro One's acquisition of Hydro One Sault Ste. Marie LP in October 2016. In September 2017, the OEB issued its decision and order in Hydro One Sault Ste. Marie LP's 2017 transmission rates application, denying the requested increase to the revenue requirement. Hydro One Sault Ste. Marie LP's 2016 approved revenue requirement of $41 million remained in effect for 2017 and 2018.

In July 2018, Hydro One Sault Ste. Marie LP filed a 2019 application to allow for inflationary increase ("Revenue Cap Escalator factor") to its previously approved revenue requirement. The Revenue Cap Escalator factor is designed to add inflationary increases to the revenue requirement on an annual basis. The proceeding continues and a decision is expected in the second quarter of 2019.

Niagara Reinforcement Limited Partnership

In September 2018, the Niagara Reinforcement Limited Partnership ("NRLP") was formed to own and operate a new 230 kV transmission line in the Niagara region that will enable generators in the Niagara region to connect to the load centres of the greater Toronto and Hamilton area. NRLP is designed to include minority participation of local First Nations partners in a structure similar to B2M Limited Partnership.

In September 2018, Hydro One Networks Inc. filed a transmission licence application with the OEB for NRLP. In October 2018, Hydro One Networks Inc. filed two other applications with the OEB relating to NRLP, requesting approval for Hydro One Networks Inc. to sell the applicable assets to NRLP and for approval of interim rates to include in the 2019 uniform transmission rates.

In December 2018, the OEB issued a decision finding that the request for approval for an interim revenue requirement effective January 1, 2019 was premature, but indicated that there would be an opportunity to adjudicate the matter at a later date. NRLP expects the OEB to decide on this application later in 2019.

Construction of the new 230kv transmission line was voluntarily ceased on January 21, 2019, to consider concerns raised by the Haudenosaunee Confederacy Chiefs Council (HCCC). The HCCC asserts it was not properly consulted about this project prior to construction commencement. We are working with our partner, Six Nations of the Grand River, to determine appropriate steps to be taken to resume construction.

Reliability Standards for Transmission

The Company's transmission business is required to comply with various mandatory regulations for transmission reliability, including mandatory standards, directories and market rules established by NERC, NPCC, and the IESO, which are international, regional and Ontario reliability regulatory authorities, respectively, involved in regulating, promoting and otherwise improving the reliability of transmission networks in North America. Hydro One's compliance with these reliability regulations is enforced by both the IESO and the National Energy Board.

Among the various regulations, NERC has established a set of currently enforced standards and continues to issue new and revised standards to ensure that utilities and other users, owners and operators of the bulk electricity system in North America implement and sustain preventive, detective and corrective measures to mitigate cyber and physical security risks to critical infrastructure. Hydro One's physical, electronic and information security measures have been and are being upgraded to meet these revised requirements. Hydro One expects to continue to perform additional work and incur further costs to comply with these and other reliability requirements. Hydro One anticipates that these costs will be incurred annually over a number of years and will be recovered in rates. See the Amended Annual MD&A under the subheadings "Risk

Management and Risk Factors – Risks Relating to Hydro One's Business – Compliance with Laws and Regulations", "Risk Management and Risk Factors – Risks Relating to Hydro One's Business – Risk Associated with Information Technology Infrastructure and Data Security" and "Risk Management and Risk Factors – Risks Relating to Hydro One's Business – Risks Relating to Asset Condition and Capital Projects" for more information.

Regional Planning

The OEB oversees regional planning processes to ensure that transmission and distribution investments are coordinated at a regional level. One of the OEB objectives for regional planning is to review and/or rely on regional planning studies and reports to support rate applications submitted by transmitters and distributors and "leave to construct" applications submitted by transmitters. In Ontario, the first phase of the regional planning process is led by the transmitter responsible for a particular geographic region. For this purpose, the province is divided into 21 regions. As the largest transmitter in Ontario, Hydro One plays a key role in the regional planning process and is responsible for leading the regional planning process in 20 of the 21 designated regions. The first cycle of the regional planning process was completed in 2017. The second cycle of the regional planning process is currently in progress. Once the transmission and distribution infrastructure plan is finalized, the transmitter responsible for each region will take steps to implement the recommended transmission investments and distributors in the region will implement the recommended distribution investments in their respective service territories.

In conducting regional planning, Hydro One works closely with the IESO and all distributors in the region through study teams to jointly identify needs and develop transmission and distribution investment options. Hydro One also coordinates with the IESO on its Integrated Regional Resource Planning which is another phase of the regional planning process.

Capital Expenditures

The Company anticipates that it will spend in the range of approximately $1,049 million to $1,381 million per year, over the next five years, on capital expenditures relating to its transmission business. The Company's capital expenditure plans are included in Hydro One's applications to the OEB for transmission rates and are subject to approval by the OEB. See "Capital Investments – Future Capital Investments" and "Capital Investments – Major Transmission Capital Investment Projects" in the Amended Annual MD&A for more information on future capital expenditures.

The Company incurs both sustaining capital expenditures and development capital expenditures. Sustaining capital expenditures are those investments required to replace or refurbish our assets and facilities to ensure that the transmission system continues to function as originally designed. Hydro One's plans to maintain, refurbish or replace existing assets are based upon risk assessments, asset condition assessments and end-of-service life criteria specific to each type of asset. Priorities are assigned to each type of investment based upon the extent of the risks that it mitigates.

Investments to sustain Hydro One's transmission assets are critical to maintain the safety, reliability and integrity of its existing transmission network. Hydro One's sustainment capital plan is designed to maintain

Hydro One's transmission reliability performance, as determined by measures such as the average length (in minutes) of unplanned interruptions per delivery point. The Company expects that significant investments will be required to sustain its existing infrastructure over the long term.

The Company's development capital expenditure plan is designed to address Ontario's expected change in the generation profile, accommodate load growth in areas throughout Ontario and support the economic growth in Ontario including industrial and agricultural growth and connection of the remote communities in the northern part of the province. Development capital expenditures include those investments required to develop and build new large-scale projects such as new transmission lines and stations as well as smaller projects such as transmission line or station reinforcements, extensions or additions to connect generation or serve load.

The Company engages with various stakeholders, including its customers, as it develops its capital plans. It also engages affected communities and parties who may be impacted by individual projects. The Company also consults with Indigenous communities whose rights may be affected by its projects.

Competitive Conditions

Within our principal market of Ontario, the Company operates and maintains substantially all of the transmission system. Competition for transmission services in Ontario is currently limited. The adoption by the OEB of uniform transmission rates that apply to all transmitters also reduces the financial incentive for customers to seek alternative transmission providers, since each transmitter in Ontario charges the same uniform rate for transmission services. Hydro One competes with other transmitters for the opportunity to build new large-scale transmission facilities in Ontario. The competitive process was amended in 2016 by the proclamation of the Energy Statute Law Amendment Act to allow for the selection of a transmitter outside the existing competitive process. The 2017 Long-Term Energy Plan directed the IESO to develop a transmission procurement process that is clear, cost-effective, efficient and able to respond to changing policy, market and system needs. This process is currently underway.

Hydro One does not compete with other transmitters with respect to investments which are made to sustain or develop its existing transmission infrastructure.

Distribution Business

Overview

Hydro One's distribution business consists of owning, operating and maintaining Hydro One's distribution system, which Hydro One, through Hydro One Inc., owns primarily through its wholly-owned subsidiary, Hydro One Networks Inc., the largest local distribution company in Ontario. The Company's distribution system is also the largest in Ontario. The Company's distribution business is a rate-regulated business that earns revenues mainly by charging distribution rates that are subject to approval by the OEB. The Company's distribution rates are generally determined using a performance-based model, except for the distribution rates of Hydro One Remote Communities Inc., which are set on a cost-recovery basis and do not include a return on equity.

Hydro One's distribution business represented approximately 36% of its total assets as at December 31, 2018, and accounted for approximately 47% of its total revenue in 2018, net of purchased power and 48% of its total revenue in 2017, net of purchased power. Hydro One's distribution business also includes the business of its wholly-owned subsidiary, Hydro One Remote Communities Inc., which supplies electricity to customers in remote communities in northern Ontario. Distribution revenues include distribution rates approved by the OEB and amounts to reimburse Hydro One for the cost of purchasing electricity delivered to its distribution customers. Distribution revenues also include minor ancillary service revenues, such as fees related to the joint use of the Company's distribution poles by participants in the telecommunications and cable television industries, as well as miscellaneous charges such as charges for late payments.

As at December 31, 2018, Hydro One's distribution assets were approximately $9 billion.

Business

Hydro One delivers electricity through its distribution network to over 1.3 million residential and business customers, most of whom are located in rural areas, as well as 49 local distribution companies (including Hydro One's own distribution business).

Hydro One's distribution system includes approximately 123,000 circuit kilometres of primary low-voltage distribution lines and approximately 1,000 distribution and regulating stations. Other distribution assets include poles, transformers, service centres and equipment.

Hydro One's distribution system services a predominantly rural territory. As a result of the lower population density in the Company's service territory, the Company's costs to provide distribution services may be higher than those of distributors who service urban areas. Furthermore, unlike the distribution systems found in urban areas, most of Hydro One's distribution system was not designed with redundancy, to be interconnected in loops with other distribution lines, with the result that interruptions experienced at any point along a distribution line in Hydro One's network can cause all customers downstream of the interruption point to lose power. Accordingly, the reliability of Hydro One's distribution system is lower than that of local distribution companies which service urban territories that typically have redundancy built into their systems. The Company engages in vegetation management activities to maintain the reliability of Hydro One's distribution system on a preventive basis and to protect public health and safety. This consists of the trimming or removal of trees to lower the risk of contact with distribution lines, thereby reducing the risk of power outages, and preventing potential injury to the public or employees. The Company's monitoring systems assist with determining areas of priority and with system restoration. The Company relies on its local line crews for these restoration activities.

Hydro One's distribution business is involved in the connection of new sources of electricity generation, including renewable energy. Hydro One invests in upgrades and modifications to its distribution system to accommodate these new sources of generation and ensure the continued reliability of its distribution network. As at December 31, 2018, there were approximately 16,000 small, mid-size and large embedded generators connected to Hydro One's distribution network, including approximately 15,000 generators with capacities of up to 10 kW. As at December 31, 2018, Hydro One also had approximately 1,100 generators pending connection.

Hydro One has played a significant role in the installation of smart meters and the migration of distribution customers to time of use pricing in Ontario. Smart meters are regarded as an integral means of promoting a culture of conservation, and they allow customers to change their electricity consumption patterns and reduce their costs. Hydro One has completed all material activities associated with the implementation of smart meters, and has transitioned the vast majority of its customers to time of use pricing.

Acquisitions

Agreement to Acquire Orillia Power

In August 2016, Hydro One Inc. reached an agreement to acquire Orillia Power, an electricity distribution company located in Simcoe County, Ontario, from the Corporation of the City of Orillia for approximately $41 million, including the assumption of approximately $15 million in outstanding indebtedness and regulatory liabilities, subject to closing adjustments. The acquisition is subject to the satisfaction of customary closing conditions as well as approval by the OEB. In April 2018, the OEB issued a decision denying Hydro One Inc.'s proposed acquisition of Orillia Power. The decision indicated that with the exception of pricing, the transaction met the no harm test. Additionally, the OEB indicated that it required additional evidence on the overall cost structure following the deferral period and the impact on Orillia Power customers. In May 2018, Hydro One Inc. and Orillia Power filed a motion to review and vary the OEB's decision, and in August 2018, the OEB issued a decision upholding its April 2018 decision to deny Hydro One Inc.'s proposed acquisition of Orillia Power. In September 2018, Hydro One Inc. filed a new MAAD application with the OEB to acquire Orillia Power. The evidence in this MAAD application is similar to that provided in the MAAD application filed in 2016, with the exception of updates to reflect current variables to costs and other metrics, as well as future cost structures pertaining to the acquired entity. A decision by the OEB is pending.

Agreement to Acquire Peterborough Distribution Inc.

In July 2018, Hydro One Inc. reached an agreement to acquire the business and distribution assets of Peterborough Distribution Inc., an electricity distribution company located in the County of Peterborough, from the Corporation of the City of Peterborough. Hydro One Inc. will pay the Corporation of the City of Peterborough approximately $105 million, subject to closing adjustments. The acquisition is subject to the satisfaction of customary closing conditions as well as approval by the OEB and the Competition Bureau. In October 2018, Hydro One Inc. filed a MAAD application with the OEB for approval of the acquisition. In November 2018, the Competition Bureau issued a no-action letter, stating that it does not intend to take action against the acquisition. The decision of the OEB is still pending.

Regulation

Distribution Rates

Distribution rates in Ontario are determined using a performance-based model set out in the OEB's *Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach*, which is sometimes referred to as the "RRF". Under the RRF, distributors in Ontario may choose one of three rate-setting methods,

depending on their capital requirements: 4th Generation Incentive Rate-Setting (now known as "Price Cap IR"), Custom Incentive Rate-Setting ("Custom IR"), or Annual Incentive Rate-Setting Index.

The RRF contemplates that under the Price Cap IR method, a distributor will apply for the approval of its revenue requirement for an initial base year, reflecting the distributor's cost of service. The revenue requirement for subsequent years is determined based on a formula that accounts for inflation and certain productivity factors set by the regulator. The revenue requirement in these subsequent years is set on the assumption that the distributor will achieve efficiency or productivity improvements to offset the productivity factor imposed by the regulator.

Under the Custom IR method, a similar methodology to the Price Cap IR may be used, however applications are multi-year and are designed to reflect a distributor-specific revenue trend for the application term. For example, a distributor may request incremental capital funding beyond amounts established in the base year revenue requirement.

The scope of applications under the Annual Incentive Rate-Setting Index option is limited to formulaic adjustments to prior year OEB approved rates. The adjustment provides an increase based on inflation, partially offset by a productivity factor. Distributors under this plan do not have access to mechanisms for additional capital funding beyond the formulaic adjustment.

The RRF allows the distributor to retain all or a portion of the cost savings achieved in excess of the estimate established by the regulator during the period covered by the rate decision, subject to any sharing mechanisms that may be required by the OEB, as indicated in the decision of each rate application. This approach allows the distributor an ability to earn more than its allowed return on equity. The RRF also requires distributors to demonstrate certain performance outcomes, namely: customer focus, operational effectiveness, public policy responsiveness and financial performance. The OEB has indicated that customer focused outcomes and continuous performance improvements by distributors are central to the RRF framework objectives and are considered as part of a distributor rate application.

Performance measures are an important part of the RRF and the OEB has established a standard performance scorecard for all distributors which is reported annually. Distributors may also propose additional performance measures for approval by the OEB. In its most recent distribution application, Hydro One submitted additional measures relating to areas that are of particular interest, such as customer service and reliability, as well as operational efficiency in key areas like pole replacements, distribution station refurbishments and vegetation management. Distributors are required to report to the OEB on their performance against the performance measures approved, in subsequent rate applications.

The OEB's review process of the anticipated cost of service for providing distribution services under the RRF follows a process similar to that of a transmission rate application. Once the revenue requirement for distribution services is determined, it is allocated across the distributor's customer rate classes using a methodology approved by the OEB resulting in the setting of individual rates for distribution services based on each customer rate class. Hydro One currently has 13 customer rate classes. Distribution rates in Ontario are not the same for all distributors and reflect the particular circumstances of each distributor, including its own costs of providing electricity service to its own particular customers. The OEB policy, *A New Distribution*

Rate Design for Residential Electricity Customers, changes the current distribution rate design for residential customers (a combination of a fixed monthly rate and a variable charge) to a fixed monthly charge only. In December 2015, the OEB increased the transition period for certain customer classes of Hydro One Networks Inc. to eight years to mitigate bill impacts. Implementation will be completed over the next one to five years for Hydro One Networks Inc.'s residential customers, depending on rate class.

The OEB has also initiated a working group to consider possible changes to the design of rates for commercial industrial customers. Changes to rate design will not impact the total revenue to be collected from these customer classes.

<u>Recent Distribution Rate Applications</u>

The Company's distribution rates, other than the distribution rates of Hydro One Remote Communities Inc., are determined by using a performance-based model.

Hydro One Networks Inc.

In March 2017, Hydro One Networks Inc. filed a custom application with the OEB for its 2018-2022 distribution rates. The application reflects the level of capital investments required to minimize degradation in overall system asset condition, to meet regulatory requirements, and to maintain current reliability levels. In November 2017, Hydro One Networks Inc. filed with the OEB a request for interim rates based on current OEB-approved rates, adjusted for an updated load forecast. In December 2017, the OEB denied this request and set interim rates based on current OEB-approved rates with no adjustments.

In an update to its 2018-2022 distribution application filed in December 2017, Hydro One Networks Inc. described the impact on the proposed revenue requirement of various developments since initially filing its application. These included, without limitation, the updated cost of capital parameters and inflation factor for 2018 issued by the OEB, and reductions in the 2018 operating, maintenance and administrative forecast and 2018-2022 capital forecasts.

In April 2018, the OEB approved the continuation of the transition towards fully fixed distribution rates for residential customers, updates to the rates used to recover transmission charges and clearance of balances in certain deferral and variance accounts for the former Haldimand Hydro, Woodstock Hydro and Norfolk Power. Hydro One Networks Inc. will be filing a rate order which reflects the findings of the OEB's decision approving the 2018 rates.

In March 2018, the OEB issued a letter stating that the OEB expected Hydro One Networks Inc. to file (i) a four-year transmission rate application in 2019-2022; and (ii) a joint distribution-transmission rate application for 2023-2027, including rates for Hydro One Remote Communities Inc. See "Business of Hydro One – Transmission Business – Regulation – Recent Transmission Rate Applications – Hydro One Networks Inc." for more information.

The OEB oral hearing related to Hydro One Networks Inc.'s application for 2018-2022 distribution rates was held in June 2018. The OEB issued a procedural order in October 2018, outlining the next steps in the process throughout the fourth quarter of 2018. As part of these steps, in December 2018, Hydro One Networks Inc. made its final submission on matters relating to the Hydro One Accountability Act and impacts on its distribution revenue requirement. See “Legislative Provisions Specific to Hydro One – Urgent Priorities Act – Hydro One Accountability Act” for more information on the Hydro One Accountability Act.

On March 7, 2019, Hydro One Networks Inc. received the OEB’s decision on its 2018-2022 distribution rates application, which included reductions to Hydro One’s capital and operating costs. On March 26, 2019, Hydro One Networks Inc. filed a motion to review and vary the OEB’s decision on Hydro One Networks Inc.’s 2018-2022 distribution rates application with respect to reductions to pension contributions. Hydro One Networks Inc. also intends to appeal to the Ontario Divisional Court for the above-mentioned pension findings.

Hydro One Remote Communities Inc.

In August 2017, Hydro One Remote Communities Inc. filed an application seeking approval of the 2018-2022 revenue requirements and customer rates for the distribution and generation of electricity in the Hydro One Remote Communities service area. New rates were implemented on May 1, 2018.

In November 2018, Hydro One Remote Communities filed an application with the OEB seeking approval for increased base rates effective May 1, 2019. In February 2019, the OEB issued a draft decision approving the requested increase.

Hydro One Remote Communities Inc.’s business is exempt from a number of sections of the Electricity Act which relate to the competitive market. For example, Hydro One Remote Communities Inc. continues to apply bundled rates to customers in remote communities. Hydro One Remote Communities Inc.’s business is operated on a break-even basis, without a return on equity included in rates. As a result, any net income or loss in the year related to the regulated operations of Hydro One Remote Communities Inc. is recorded in a regulatory variance account for inclusion in the calculation of future customer rates. See the Amended Annual MD&A under the heading “Regulation – Electricity Rates Applications – Hydro One Remote Communities” for more information.

Conservation and Demand Management

CDM requirements in Ontario require distributors to achieve specific energy savings targets by encouraging their customers to reduce their energy usage. Distributors seek to achieve these targets through a number of different initiatives, including by offering customers energy saving devices for use at home, cash rebates for the purchase of energy efficient light bulbs and other products. Incentive programs are also offered to small, medium, and large businesses, as well as industrial customers. Distributors are responsible for developing and submitting CDM plans and reporting on their progress towards achieving specific energy-savings targets. The IESO oversees compliance with CDM requirements in Ontario and also reimburses distributors for the costs of complying with CDM requirements. Hydro One expects that its costs of complying with CDM requirements will be fully reimbursed by the IESO. As a result, CDM-related costs that are reimbursed by the IESO are not included in Hydro One’s rate applications to the OEB.

Distributors in Ontario are collectively required to achieve a total of 7 TWh of electricity savings by December 31, 2020, with each local distribution company being allocated individual energy-savings targets and budgets.

Hydro One Networks Inc.'s 2015-2020 CDM energy savings target is 1,255 GWh.

In February 2017, Hydro One entered into a joint CDM plan submission with another local distribution company which allows each utility to achieve a bonus rate of 1.5 cent/kWh if they achieve or exceed their combined allocated targets, as compared to only 1 cent/kWh if each local distribution company achieved its full allocated target without a joint submission.

On March 20, 2019, the Province directed the IESO to assume accountability for centralized delivery of conservation programs, as opposed to a local distribution company delivery model. The March 20, 2019 announcement also directed the IESO to discontinue the current 2015-2020 CDM framework and to implement a new interim framework, under which the IESO is intended to be directly responsible for delivery, focusing on commercial, institutional and industrial consumers, low-income residential consumers, and on-Reserve First Nation communities. The IESO has been directed to deliver a CDM plan to the Ministry of Energy, Northern Development and Mines within one month of the issuance of this directive.

Capital Expenditures

Hydro One's asset sustainment activities are based on an assessment of asset condition. Distribution asset renewals are undertaken when assessments indicate there is a high risk of failure and where further maintenance activities are not appropriate. Capital expenditures for the Company's distribution business in the near term are anticipated to focus on new load connections, storm damage, wood pole replacement, and system capability reinforcement. In addition, the Company expects to continue to construct new distribution lines and stations in the future in response to system growth forecasts, continued suburban community development, high load relief requirements and requirements to connect new sources of generation. The Company expects that it will spend in the range of approximately $714 million to $814 million per year over the next five years on capital expenditures relating to its distribution business. The projections are subject to approval by the OEB.

Hydro One is continuing to modernize its distribution system through the deployment of smart devices (including remotely controllable switches and breakers as well as faulted circuit indicators) as power system assets are renewed. Hydro One has implemented a new Distribution Management System ("DMS") at its Ontario Grid Control Centre. The DMS has enabled distribution components to be monitored and controlled, perform real-time analysis and determine, with greater precision, the location of equipment failures. Additional functionality is planned, in future, to allow field staff to view system conditions remotely in real-time. Smart metering data will also be used to deliver operational and asset management benefits such as better notification of outages and their scope, asset loading information and other data. See the Amended Annual MD&A under the subheading "Capital Investments – Future Capital Investments" for more information on future capital expenditures.

Competitive Conditions

Hydro One's distribution service area is described in its distribution licence issued by the OEB. Only one distributor is permitted to provide distribution services in a service territory, and distributors have exclusive rights to provide service to new customers located within their service territory. As a result, there is very little direct competition for distribution services in Ontario, except near the borders of adjoining service territories, where a distributor may apply to the OEB to claim the right to serve new customers or new loads not currently connected to its distribution grid.

To create more efficiency in the distribution sector, the Province continues to endorse the need for faster consolidation among local distribution companies in Ontario, resulting in competition for acquisition or merger opportunities. Potential acquirers may include strategic and financial buyers, in addition to other local distribution companies. Hydro One believes that it is well-positioned to continue to pursue consolidation opportunities that are beneficial to all stakeholders. Within Ontario consolidation continues.

Other Business

Hydro One's other business segment consists principally of its telecommunications business, which provides telecommunications support for the Company's transmission and distribution businesses, as well as certain corporate activities including a deferred tax asset. The telecommunication business is carried out by its wholly-owned subsidiary Hydro One Telecom Inc. It also offers communications and information technology solutions to organizations with broadband network requirements utilizing Hydro One Telecom Inc.'s fibre optic network to provide diverse, secure and highly reliable connectivity, in a competitive commercial market.

Hydro One Telecom Inc. is not regulated by the OEB. However, Hydro One Telecom Inc. is registered with the Canadian Radio-television and Telecommunications Commission as a non-dominant, facilities-based carrier, providing broadband telecommunications services in Ontario with connections to Montreal, Quebec; Buffalo, New York; and Detroit, Michigan.

The other business segment represented approximately 9% of Hydro One's total assets as at December 31, 2018, and accounted for approximately 1% of its total revenue in 2018, net of purchased power and approximately 1% of its total revenue in 2017, net of purchased power. The deferred tax asset arose on the transition from the provincial payments in lieu of tax regime to the federal tax regime in connection with the Company's initial public offering and reflects the revaluation of the tax basis of Hydro One's assets to fair market value.

Indigenous Communities

Hydro One believes that building and maintaining respectful, positive and mutually beneficial relationships with Indigenous communities across the province is important to achieving the Company's corporate objectives. Hydro One is committed to working with Indigenous communities in a spirit of cooperation, partnership and shared responsibility. Hydro One's equity partnership with the Saugeen Ojibway Nation in respect of the Bruce-to-Milton transmission line demonstrates the

Company's commitment to these principles. In keeping with the Company's Indigenous Relations Policy, Hydro One's Indigenous Relations team provides guidance and advice to support the Company in developing and advancing positive relationships. Hydro One also has several programs related to Indigenous communities and their citizens. These include educational and training opportunities which provide opportunities for work terms, Indigenous procurement partnership agreements along with community investments, customer support and outreach. Together, Hydro One Networks Inc. and Hydro One Remote Communities Inc. serve approximately 100 First Nation communities.

The Company's Health, Safety, Environment and Indigenous Peoples Committee of the Board is responsible for assisting the Board in discharging the Board's oversight of responsibilities relating to effective occupational health and safety and environmental policies and practices at Hydro One, and its relationship with Indigenous communities.

Outsourced Services

Hydro One has outsourced certain non-core functions, including facilities management services with respect to its stations and other facilities, and certain back-office services such as information technology, payroll, supply chain and accounting services. The Company's back-office services are provided by a third-party service provider under an agreement that expires on February 28, 2021 for information technology services, on October 31, 2021 for supply chain services, and on December 31, 2019 for other back-office services. The agreement relating to the Company's information technology services was amended effective March 1, 2018, and extended for 14 months. The agreement relating to the Company's supply chain services was amended effective November 1, 2018, and extended for 22 months. The Company has an option to renew the agreement in relation to the non-information technology and non-supply chain services for two additional terms of approximately one year each. The Company's call centre services were previously provided by a third-party service provider under an agreement that expired on February 28, 2018. Effective March 1, 2018, Hydro One insourced these call centre services. The Company's facilities management services are provided by a third-party service provider under an agreement that expires on December 31, 2024, with an option for the Company to renew the agreement for an additional term of three years.

Employees

As at December 31, 2018, Hydro One had approximately 7,900 regular and non-regular employees province-wide comprised of a mix of skilled trades, engineering, professional, managerial and executive personnel. The average number of Hydro One employees in 2018 was approximately 8,600, consisting of approximately 5,650 regular employees and approximately 2,950 non-regular employees. Hydro One's regular employees are supplemented primarily by accessing a large external labour force available through arrangements with the Company's trade unions for variable workers, sometimes referred to as "hiring halls", and also by access to contract personnel. The hiring halls offer Hydro One the ability to access highly trained and appropriately skilled workers on a project-by-project basis. This provides the Company with more flexibility to address seasonal needs and unanticipated changes to its budgeted work programs. The Company also offers apprenticeship and technical training programs to ensure that future staffing needs will continue to be met.

See the Amended Annual MD&A under the heading "Hydro One Work Force" for more information on employees.

Health, Safety and Environmental Management

Hydro One has an integrated Health, Safety and Environment Management System that includes key elements for the successful minimization of risk and continued performance improvements. Health, safety and environmental hazards and risks are identified and assessed, and controls are implemented to mitigate significant risks. The Company has policies in place regarding Health and Safety, Environment, Workplace Violence and Harassment and Public Safety.

Hydro One Networks Inc. is a designated "Sustainable Electricity Company" by the Canadian Electricity Association. The brand demonstrates Hydro One's commitment to responsible environmental, social and economic practices, and to the principles of sustainable development.

Given the nature of the work undertaken by Hydro One employees, health and safety remains one of the Company's top priorities. 'Safety comes first' is one of Hydro One's core values. The Company has developed and is continuing to develop a number of programs and initiatives for accident prevention and to minimize the risk of injury to the public associated with its facilities and operations.

Since 2004, the evolution of Hydro One's recordable rate, its key health and safety performance measure, has seen a reduction of approximately 85% in the number of recordable incidents. All measures are monitored by management and by the Health, Safety, Environment and Indigenous Peoples Committee, a committee of the Board. Management compensation has been tied, in part, to success in achieving annual health and safety performance targets. A program allowing for an effective early and safe return to work has allowed the Company to ensure that, when injuries occur, employees recover and return to the workplace as soon as possible.

Hydro One continues with its "Journey to Zero" safety initiative that began in 2009. This initiative compares Hydro One to other companies to identify performance gaps. Safety perception assessments were completed in 2009, 2013, 2015 and 2017. The assessment identified opportunities for improvement and forms the development of new health and safety initiatives using cross-functional teams from across the Company.

Environmental Regulation

Hydro One is subject to extensive federal, provincial and municipal regulation relating to the protection of the environment that governs, among other things, environmental assessments, discharges to water and land and the generation, storage, transportation, disposal and release of various hazardous substances. Estimated environmental liabilities are reviewed annually or more frequently if significant changes in regulation or other relevant factors occur. Estimated changes are accounted for prospectively.

Permits and Approvals

The Company is required to obtain and maintain specified permits and approvals from federal, provincial and municipal authorities relating to the design, construction and operation of new and upgraded transmission and distribution facilities.

Examples include environmental assessment approvals, permits for facilities to be located in parks or other regulated areas, water crossing permits, and approvals to discharge to air and water. Some projects may require environmental approvals from the federal government. Interconnections with neighbouring utilities in other provinces and states also require federal approval and will be subject to federal regulatory review.

In general, larger projects are subject to an individual environmental assessment process, pursuant to the Environmental Assessment Act. The majority of approvals fall under a class environmental assessment process which provides for more streamlined approvals. The scope, timing and cost of environmental assessments are dependent on the scale and type of project, the location (urban versus rural), the environmental sensitivity of affected lands and the significance of potential environmental effects.

Regulation of Releases

Federal, provincial and municipal environmental legislation regulates the release of specific substances into the environment through the prohibition of discharges that will or may have an adverse effect on the environment, which can include liquids, gasses and noise. Releases occur in the course of the Company's normal operations. Accordingly, Hydro One has spill, leak prevention and leak mitigation programs involving the testing, replacement, repair and installation of containment systems including re-gasketting of transformers and sulphur-hexafluoride-filled equipment. In addition, the Company has an emergency response capability which the Company believes is sufficient to minimize the environmental impact of spills and to comply with its legal obligations.

In January 2017, the Province introduced a cap and trade program in Ontario that capped the amount of greenhouse gas emissions for Ontario homes and businesses and lowered that limit over time, pursuant to the Climate Change Mitigation and Low-carbon Economy Act. Hydro One Networks Inc. was deemed a mandatory participant in this cap and trade program based on its annual carbon dioxide equivalent emissions. In July 2018, the Province revoked this cap and trade program and subsequently introduced the Cap and Trade Cancellation Act, 2018, which repealed the Climate Change Mitigation and Low-carbon Economy Act. In June 2018, the federal government introduced a federal carbon pricing system. Hydro One does not believe that the federal program applies to the Company.

Hazardous Substances

Hydro One manages a number of hazardous substances, such as PCBs, herbicides, and wood preservatives. In addition, some facilities have substances present which are designated for special treatment under occupational health and safety legislation, such as asbestos, lead and mercury. The Company has environmental management programs in place to deal with PCBs, herbicides, asbestos, and other hazardous substances.

Land Assessment and Remediation

Hydro One has a pro-active land assessment and remediation program in place to identify and, where necessary, remediate historical contamination that has resulted from past operational practices and uses of certain long-lasting chemicals at the Company's facilities. These programs involve the systematic identification of contamination at or from these facilities and, where necessary, the development of

remediation plans for the Company's properties and affected adjacent private properties. As at December 31, 2018, future expenditures related to Hydro One's land assessment and remediation program were estimated at approximately $58 million. These expenditures are expected to be spent over the period ending 2044. Additional acquisitions could add to land assessment and remediation expenditures. The expenditures on this program for 2018 were approximately $6 million. These costs are expected to be recovered in the Company's transmission and distribution rates.

Insurance

Hydro One maintains insurance coverage, including liability, all risk property, boiler and machinery and directors' and officers' insurance. The Company also maintains other insurance coverage that is required by law, covering risks such as automobile liability, pesticide liability and aircraft liability. The Company does not have insurance for damage to its transmission and distribution wires, poles or towers located outside transmission and distribution stations, including damage caused by severe weather, other natural disasters or catastrophic events or for environmental remediation costs. The OEB has generally permitted the recovery of costs associated with extreme weather events, such as the ice storm that occurred in 1998.

Ombudsman

The Electricity Act requires that the Company have an ombudsman to act as a liaison with customers and to establish procedures for the ombudsman to inquire into and report to the Board on matters raised with the ombudsman by or on behalf of customers. These procedures are set out in a written mandate and terms of reference.

The role of the ombudsman is to facilitate resolution of complaints by customers of the Company that remain unresolved after having been processed through the Company's complaints handling process. The ombudsman is an impartial and independent investigator, who makes recommendations to facilitate the resolution of both individual and systemic issues with a view to achieving a resolution that is fair to both the customer and the Company. The main purposes of the ombudsman are to address procedural and substantive unfairness, handle unresolved complaints, conduct systemic reviews that will lead to improvements in programs and systems, support the Company in holding its employees accountable for carrying out the Company's directives and their responsibilities, and support the Board in its mandate to govern in a just, fair, and equitable manner. The ombudsman is mandated to work with the OEB to maintain integrated procedures for liaising with the Company and inquiring into matters raised by customers with the ombudsman. The ombudsman is an office of last resort within the Company.

RISK FACTORS

A discussion of Hydro One Limited’s risk factors can be found under the heading “Risk Management and Risk Factors” in the Amended Annual MD&A.

DIVIDENDS

The Company declared and paid cash dividends to common shareholders and holders of Series 1 preferred shares in 2016 and beyond as follows:

Common Shares				
Fiscal Year	**Date Declared**	**Record Date**	**Payment Date**	**Amount per Common Share**
2016	February 11[(1)]	March 17	March 31	$0.34
	May 5	June 14	June 30	$0.21
	August 11	September 14	September 30	$0.21
	November 10	December 14	December 30	$0.21
2017	February 9	March 14	March 31	$0.21
	May 3	June 13	June 30	$0.22
	August 8	September 12	September 29	$0.22
	November 9	December 12	December 29	$0.22
2018	February 12	March 13	March 29	$0.22
	May 14	June 12	June 29	$0.23
	August 13	September 11	September 28	$0.23
	November 7	December 11	December 31	$0.23
2019	February 20	March 13	March 29	$0.23
Series 1 Preferred Shares				
2016	February 11	N/A	February 22	$0.32602739
	May 5	N/A	May 20	$0.265625
	August 11	N/A	August 22	$0.265625
	November 10	N/A	November 21	$0.265625
2017	February 9	N/A	February 21	$0.265625
	May 3	N/A	May 23	$0.265625
	August 8	N/A	August 21	$0.265625
	November 9	N/A	November 20	$0.265625
2018	February 12	N/A	February 20	$0.265625
	May 14	N/A	May 22	$0.265625
	August 13	N/A	August 20	$0.265625
	November 7	N/A	November 20	$0.265625
2019	February 20	N/A	February 20	$0.265625

Note:

(1) This was the first common share dividend declared by the Company following the completion of its initial public offering in November 2015. The $0.34 per share dividend included $0.13 for the post-IPO period from November 5 to December 31, 2015, and $0.21 for the quarter ended March 31, 2016.

Dividend Policy

The Board has established a dividend policy pursuant to which Hydro One Limited expects to pay an annualised dividend amount on its common shares, based on a target payout ratio of 70% to 80% of net income. The amount and timing of any dividends payable by Hydro One Limited will be at the discretion of the Board and will be 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.

The preferred shares of Hydro One Limited are entitled to a preference over the common shares with respect to the payment of dividends. Other than the foregoing, there is currently no restriction that would prevent the Company from paying dividends at current levels.

For more information on dividends, see the notes to the audited amended consolidated financial statements of Hydro One Limited as at and for the years ended December 31, 2018 and 2017.

Dividend Reinvestment Plan

In February 2016, the Board approved the creation of a Dividend Reinvestment Plan which is currently in place. The Dividend Reinvestment Plan enables eligible shareholders to have their regular quarterly cash dividends automatically reinvested in additional Hydro One common shares acquired on the open market.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The following description may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of Hydro One Limited's articles, as they may be amended from time to time.

Hydro One Limited's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. As at December 31, 2018, there were 595,938,975 common shares, 16,720,000 Series 1 preferred shares and no Series 2 preferred shares issued and outstanding.

Common Shares

Holders of common shares are entitled to receive notice of and to attend all meetings of shareholders, except meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series, and holders of common shares are entitled to one vote per share at all such meetings of shareholders. Hydro One Limited's common shares are not redeemable or retractable. Subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares, including the Series 1 preferred shares and Series 2 preferred shares, holders of common shares are entitled to receive dividends if, as, and when declared by the Board. Subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares, including the Series 1 preferred shares and Series 2 preferred shares, holders of common shares are also entitled to receive the remaining assets of Hydro One Limited upon its liquidation, dissolution or winding-up or other distribution of Hydro One Limited's assets for the purposes of winding-up its affairs. See “Dividends – Dividend Policy” for a description of Hydro One Limited’s dividend policy.

The Voting Securities of Hydro One Limited, which include the common shares, are subject to share ownership restrictions under the Electricity Act and certain other provisions contained in the articles of Hydro One Limited related to the enforcement of those share ownership restrictions. The share ownership restrictions provide that no person or company (or combination of persons or companies acting jointly or in concert), other than the Province or an underwriter who holds Voting Securities solely for the purposes of distributing them to purchasers who comply with the share ownership restrictions, may beneficially own or exercise control or direction over more than 10% of any class or series of Voting Securities of Hydro One Limited.

Preferred Shares

Hydro One Limited may from time to time issue preferred shares in one or more series. Prior to issuing shares in a series, the Board is required to fix the number of shares in the series and determine the designation, rights, privileges, restrictions and conditions attaching to that series of preferred shares.

Subject to the OBCA, holders of Hydro One Limited’s preferred shares or a series thereof are not entitled to receive notice of, to attend or to vote at any meeting of the shareholders of Hydro One Limited except that votes may be granted to a series of preferred shares when dividends have not been paid on any one or more series as determined by the applicable series provisions. Each series of preferred shares ranks on parity with every other series of preferred shares with respect to dividends and the distribution of assets and return of capital in the event of the liquidation, dissolution or winding up of Hydro One Limited. The preferred shares are entitled to a preference over the common shares and any other shares ranking junior to the preferred shares with respect to payment of dividends and the distribution of assets and return of capital in the event of the liquidation, dissolution or winding up of Hydro One Limited.

Series 1 Preferred Shares and Series 2 Preferred Shares

For the period commencing from October 31, 2015, and ending on and including November 19, 2020, the holders of Series 1 preferred shares will be entitled to receive fixed cumulative preferential dividends of $1.0625 per share per year, if and when declared by the Board, payable quarterly on the 20th day of November, February, May and August in each year. The dividend rate will reset on November 20, 2020 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.53%. The Series 1 preferred shares will not be redeemable by Hydro One Limited prior to November 20, 2020, but will be redeemable by Hydro One Limited on November 20, 2020 and on November 20 every fifth year thereafter at a redemption price equal to $25.00 for each Series 1 preferred share redeemed, plus any accrued or unpaid dividends. The holders of Series 1 preferred shares will have the right, at their option, on November 20, 2020 and on November 20 every fifth year thereafter, to convert all or any of their Series 1 preferred shares into Series 2 preferred shares on a one-for-one basis, subject to certain restrictions on conversion.

The holders of Series 2 preferred shares will be entitled to receive quarterly floating rate cumulative dividends, if and when declared by the Board, at a rate equal to the sum of the then three-month Government of Canada treasury bill rate and 3.53% as reset quarterly. The Series 2 preferred shares will be redeemable by Hydro

One Limited at a redemption price equal to $25.00 for each Series 2 preferred share redeemed if redeemed on November 20, 2025, or on November 20 every fifth year thereafter or $25.50 for each Series 2 preferred share redeemed if redeemed on any other date after November 20, 2020, in each case plus any accrued or unpaid dividends. The holders of Series 2 preferred shares will have the right, at their option, on November 20, 2025, and on November 20 every fifth year thereafter, to convert all or any of their Series 2 preferred shares into Series 1 preferred shares on a one-for-one basis, subject to certain restrictions on conversion.

In the event of the liquidation, dissolution or winding-up of Hydro One Limited, or any other distribution of assets of Hydro One Limited for the purpose of winding-up its affairs, the holders of Series 1 preferred shares and Series 2 preferred shares will be entitled to receive $25.00 for each Series 1 preferred share and each Series 2 preferred share held by them, plus any unpaid dividends, before any amounts are paid or any assets of Hydro One Limited are distributed to holders of common shares and any shares ranking junior to the Series 1 preferred shares and Series 2 preferred shares. After payment of those amounts, the holders of Series 1 preferred shares and Series 2 preferred shares will not be entitled to share in any further distribution of the property or assets of Hydro One Limited.

Except as required by the OBCA, neither the holders of Series 1 preferred shares nor the holders of Series 2 preferred shares shall be entitled to receive notice of, or to attend meetings of shareholders of Hydro One Limited and shall not be entitled to vote at any such meeting, unless Hydro One Limited fails for eight quarters, whether or not consecutive, to pay in full the dividends payable on the Series 1 preferred shares or Series 2 preferred shares, as applicable, whereupon the holders of Series 1 preferred shares and Series 2 preferred shares, as applicable, shall become entitled to receive notice of and attend all meetings of shareholders, except class meetings of any other class of shares, and shall have one vote for each Series 1 preferred share or Series 2 preferred share held at such meetings, as applicable.

Convertible Debentures and Instalment Receipts

On August 9, 2017, in connection with the acquisition of Avista Corporation, Hydro One Limited and its wholly owned subsidiary, the Selling Debentureholder completed the sale of $1.54 billion aggregate principal amount of 4.00% convertible unsecured subordinated debentures represented by instalment receipts.

The Debentures were redeemed and the instalment receipts satisfied on February 8, 2019 such that they are no longer outstanding. See “Recent Developments at Hydro One – Redemption of Convertible Debentures Represented by Instalment Receipts” for more information.

CREDIT RATINGS

See the Amended Annual MD&A under the heading “Liquidity and Financing Strategy” for a description of Hydro One Limited’s credit ratings.

MARKET FOR SECURITIES

Trading Price and Volume

The common shares are listed on the TSX under the symbol "H". The following table sets forth the high and low reported trading prices and the trading volume of the common shares on the TSX for each month commencing January 2018:

Period	High ($)	Low ($)	Volume
January 2018	22.45	21.55	11,826,805
February 2018	22.20	20.10	19,043,774
March 2018	21.18	20.46	14,512,648
April 2018	21.30	20.31	10,378,921
May 2018	20.68	18.93	18,942,396
June 2018	20.25	19.33	20,839,317
July 2018	20.35	18.57	19,038,753
August 2018	19.65	18.82	14,273,003
September 2018	20.06	18.99	13,477,193
October 2018	19.89	18.95	13,489,002
November 2018	19.90	19.06	15,743,061
December 2018	21.60	19.43	20,705,734
January 2019	20.76	19.90	17,018,692
February 2019	21.20	20.02	16,117,205
March 1 to March 26, 2019	20.77	20.11	16,974,603

The Series 1 preferred shares and Series 2 preferred shares of Hydro One Limited are not listed or quoted on any marketplace.

Until February 8, 2019, the date the instalment receipts were delisted from the TSX, the instalment receipts were listed on the TSX under the symbol "H.IR". The following table sets forth the high and low reported trading prices and the trading volume of the instalment receipts on the TSX for each month beginning in January 2018 up to February 8, 2019:

Period	High ($)	Low ($)	Volume
January 2018	37.40	33.75	48,324,500
February 2018	35.50	27.80	42,732,170
March 2018	32.60	30.01	15,389,000
April 2018	32.40	28.00	15,973,000
May 2018	29.49	21.01	38,728,500
June 2018	27.97	23.20	18,566,300
July 2018	28.00	22.00	28,791,300
August, 2018	26.00	23.00	30,490,500
September 2018	29.25	23.34	23,392,200
October 2018	26.75	24.00	42,608,000
November 2018	25.75	22.45	49,320,700
December 2018	32.40	24.25	141,802,000
January 2019	33.35	31.40	86,447,000
February 1 to February 8, 2019	33.35	33.25	271,000

DIRECTORS AND OFFICERS

Directors and Executive Officers

Effective March 1, 2018, Paul Dobson was appointed CFO, and Patrick Meneley was appointed Executive Vice President and Chief Corporate Development Officer.

In May 2018, Kathryn Jackson declined to seek re-election as a director.

On July 11, 2018, Hydro One Limited, on behalf of itself and its wholly-owned subsidiary, Hydro One Inc., announced that it had entered into an agreement with the Province (the “Letter Agreement”) for the purpose of the orderly replacement of the boards of directors of Hydro One Limited and Hydro One Inc. and for the retirement of Mayo Schmidt as the CEO effective July 11, 2018. Paul Dobson was also appointed as Acting President and CEO of Hydro One Limited and Hydro One Inc. effective July 11, 2018.

On August 13, 2018, Roberta Jamieson, Frances Lankin, Gale Rubenstein, Jane Peverett, Philip S. Orsino, Margaret (Marianne) Harris, Charles Brindamour, Christie Clark, Marcello (Marc) Caira, James Hinds, George Cooke and Ian Bourne resigned as directors. On August 14, 2018, David F. Denison resigned as a director and as chair of the boards of directors of Hydro One Limited and Hydro One Inc.

On August 14, 2018, Hydro One Limited and Hydro One Inc. announced that Cherie Brant, Blair Cowper-Smith, Anne Giardini, David Hay, Timothy Hodgson, Jessica McDonald, Russel Robertson, William Sheffield, Melissa Sonberg and Tom Woods had been appointed as directors, and Tom Woods had been appointed as interim Chair of the boards of directors.

In accordance with the Governance Agreement between Hydro One Limited and the Province, the directors of Hydro One Limited and Hydro One Inc. are the same, and each of the directors are independent of both

Hydro One Limited and the Province. See "Agreements with Principal Shareholder – Governance Agreement" for more information.

On July 10, 2018, Ferio Pugliese tendered his resignation as Executive Vice President, Customer Care and Corporate Affairs; Jason Fitzsimmons was appointed Chief Corporate Affairs and Customer Care Officer and assumed many of the responsibilities previously held by Mr. Pugliese.

Effective September 6, 2018, Chris Lopez was appointed as Acting CFO of Hydro One Limited and Hydro One Inc. and Tom Woods was appointed as Chair of the boards of directors of Hydro One Limited and Hydro One Inc. The boards of directors of Hydro One Limited and Hydro One Inc. have yet to appoint a permanent CEO of Hydro One Limited and Hydro One Inc. Patrick Meneley, Executive Vice President and Chief Corporate Development Officer resigned effective March 1, 2019.

The following table sets forth information regarding the directors and executive officers of Hydro One Limited and Hydro One Inc. as of December 31, 2018. Each of the directors was first appointed effective August 14, 2018. Each director is elected annually to serve until the earlier of his or her resignation or until his or her successor is elected or appointed.

Name, Province or State and Country of Residence	Age	Position/Title	Independent Board Member	Principal Occupation	Committees
Paul Dobson Texas, USA	52	Acting President and CEO		Acting President and CEO	
Jason Fitzsimmons Ontario, Canada	48	Chief Corporate Affairs and Customer Care Officer		Chief Corporate Affairs and Customer Care Officer	
Gregory Kiraly Arizona, USA	54	Chief Operating Officer		Chief Operating Officer	
Chris Lopez Alberta, Canada	44	Acting CFO		Acting CFO	
Judy McKellar[(2)] Ontario, Canada	62	Executive Vice President, Chief Human Resources Officer		Executive Vice President, Chief Human Resources Officer	
Patrick Meneley[(2)] Ontario, Canada	55	Executive Vice President and Chief Corporate Development Officer		Executive Vice President and Chief Corporate Development Officer	
James Scarlett Ontario, Canada	65	Executive Vice President and Chief Legal Officer		Executive Vice President and Chief Legal Officer	
Tom Woods[(1)(4)] Ontario, Canada		Director and Chair of the Board	Yes	Director	

Name, Province or State and Country of Residence	Age	Position/Title	Independent Board Member	Principal Occupation	Committees
Cherie Brant[(1)] Ontario, Canada		Director	Yes	Partner, Borden Ladner Gervais LLP	Governance Committee; Health, Safety, Environment and Indigenous Peoples Committee
Blair Cowper-Smith[(1)] Ontario, Canada		Director	Yes	Director	Governance Committee (Chair); Human Resources Committee
Anne Giardini British Columbia, Canada		Director	Yes	Director	Audit Committee; Health, Safety, Environment and Indigenous Peoples Committee (Chair)
David Hay New Brunswick, Canada		Director	Yes	Managing Partner, Delgatie Incorporated	Audit Committee; Health, Safety, Environment and Indigenous Peoples Committee
Timothy Hodgson Ontario, Canada		Director	Yes	Managing Partner and Director, Alignvest Management Corporation	Governance Committee; Human Resources Committee; CEO Selection Committee (Chair) [(3)]
Jessica McDonald British Columbia, Canada		Director	Yes	Interim President and CEO, Canada Post Corporation	Audit Committee; Human Resources Committee; CEO Selection Committee[(3)]
Russel Robertson[(1)] Ontario, Canada		Director	Yes	Director	Audit Committee; Human Resources Committee
William Sheffield Ontario, Canada		Director	Yes	Director	Audit Committee (Chair); Health, Safety, Environment and Indigenous Peoples Committee; CEO Selection Committee[(3)]
Melissa Sonberg Québec, Canada		Director	Yes	Adjunct Professor, McGill University	Governance Committee; Human Resources Committee (Chair); CEO Selection Committee[(3)]

Note:

(1) These directors have been designated as the Province's nominees to the board of directors of Hydro One for the purpose of the Governance Agreement.

(2) Mr. Meneley resigned as an executive officer effective March 1, 2019 and Ms. McKellar has informed the Company of her plans to retire effective April 1, 2019.

(3) The CEO Selection Committee is not a standing committee of the Board. The Board established a CEO Selection Committee composed of independent directors to identify and select the best candidate to serve as Hydro One's new President and CEO.

(4) Mr. Woods is an ex-officio member of the CEO Selection Committee.

The following includes a brief profile of each of the executive officers and directors of Hydro One, which includes a description of their present occupation and their principal occupations for the past five years:

Paul Dobson – Acting President and CEO

Effective July 11, 2018, Mr. Dobson was appointed as Acting President and CEO of Hydro One. He is responsible for providing the company with overall strategic oversight and executive leadership. As CEO, Mr. Dobson is charged with executing the company's business strategy, managing risk, monitoring financial and operational performance and creating value for our shareholders.

Mr. Dobson joined the Company as Chief Financial Officer on March 1, 2018 responsible for finance, treasury, controller, internal audit, technology and regulatory affairs. He continued in this role until September 6, 2018. Prior to joining Hydro One in 2018, Mr. Dobson served as CFO for Direct Energy Ltd. (Direct Energy), Houston, Texas, where he was responsible for overall financial leadership of a $15 billion revenue business with three million customers in Canada and the United States. Since 2003, Mr. Dobson has held senior leadership positions in finance, operations, information technology and customer service across the Centrica Group, the parent company of Direct Energy. Prior to Direct Energy, Mr. Dobson worked at CIBC for 10 years in finance, strategy and business development roles in both Canada and the United States. Mr. Dobson also brings considerable experience in mergers and acquisitions and integrating acquired companies across North America and in the United Kingdom.

Mr. Dobson is a dual Canadian-U.S. citizen who holds an honours bachelor's degree from the University of Waterloo as well as an MBA from the University of Western Ontario and is a CPA, CMA.

Jason Fitzsimmons – Chief Corporate Affairs and Customer Care Officer

Jason Fitzsimmons was promoted to Chief Corporate Affairs and Customer Care Officer in August 2018, with oversight of the customer service, corporate affairs, marketing and Indigenous relations functions. With more than 25 years of experience in the electricity sector, Mr. Fitzsimmons is a highly-regarded leader with a proven track record for successfully executing large-scale transformations and building strong relationships with key stakeholders. In his previous role as Vice President, Labour Relations at Hydro One, Mr. Fitzsimmons played an instrumental role in bringing the company's 400-employee Customer Contact Centre in-house as the company continuously strives to deliver best-in-class customer service. Prior to joining the company in 2016, Mr. Fitzsimmons was the Chief Negotiations Officer at the Ontario Hospital Association and also held a number of executive roles at Ontario Power Generation, including Vice President of Human Resources for the Nuclear division. He is a Certified Human Resource Executive known for his broad experience in labour management as well as his passion for health and safety in the workplace. He was a prior member of the Advisory Board for Ryerson University's Centre for Labour Management Relations and has served on the Board of Directors for the Electrical Power Sector Construction Association.

Gregory Kiraly – Chief Operating Officer

Effective September 12, 2016, Gregory Kiraly was appointed to the role of Chief Operating Officer ("COO") of Hydro One. As COO, Mr. Kiraly oversees the complete transmission and distribution value chain including Planning, Engineering, Construction, Operations, Maintenance, and Vegetation Management/Forestry; Shared Services functions including

Facilities, Real Estate, Fleet, and Sourcing/Procurement; Health, Safety and Environment, Information Solutions, and the Remote Communities subsidiary. Prior to joining Hydro

One in 2016, Mr. Kiraly served as senior vice president of Electric Transmission and Distribution at Pacific Gas and Electric Company (PG&E) in San Francisco, which delivers safe and reliable energy to more than 16 million customers in northern and central California. Since joining PG&E in 2008, Mr. Kiraly led efforts that achieved the lowest employee injury rates ever, seven straight years of record electric reliability, and over $500 million in productivity improvements and efficiency savings. Before PG&E, Mr. Kiraly held executive-level positions in energy delivery at Commonwealth Edison (Exelon) in Chicago and leadership positions in both gas and electric distribution at Public Service Electric and Gas Company in Newark, New Jersey. Mr. Kiraly holds a bachelor's degree in industrial engineering from New Jersey Institute of Technology and a master's of business administration in finance from Seton Hall University. He is also a graduate of Harvard University's Advanced Management Program.

Chris Lopez – Acting CFO

Effective September 6, 2018, Mr. Lopez was appointed as Acting CFO for Hydro One. As Acting CFO, Mr. Lopez is responsible for corporate finance (including treasury and tax), internal audit, investor relations, risk and pensions.

Mr. Lopez joined Hydro One on November 14, 2016 when he was appointed as Senior Vice President of Finance, bringing almost 17 years of progressive experience in the utilities industry in Canada and Australia. Prior to joining Hydro One, Mr. Lopez was the Vice President, Corporate Planning and Mergers & Acquisitions at TransAlta Corporation from 2011 to 2015. Prior to that, Mr. Lopez was Director of Operations Finance at TransAlta in Calgary from 2007 to 2011, and he held senior financial roles up to and including Country Financial Controller for TransAlta in Australia, from 1999 to 2007. Mr. Lopez worked as a Senior Financial Accountant with Rio Tinto Iron Ore, in Australia from 1997 to 1999.

Mr. Lopez received a Bachelor of Business degree from Edith Cowan University in 1996, and a Chartered Accountant designation in Australia in 1999. He received a graduate diploma in corporate governance and directorships from the Australian Institute of Company Directors in 2007.

Judy McKellar – Executive Vice President, Chief Human Resources Officer

Judy McKellar is the Executive Vice President, Chief Human Resources Officer of Hydro One Inc. She was appointed to this position on November 11, 2016. Ms. McKellar has held various roles of increasing responsibility at Hydro One Networks Inc., an indirect subsidiary of Hydro One Limited, in the Human Resources department over her 30+ year career and was appointed VP of Human Resources in 2010. In 2014, she assumed the additional responsibility of Senior Vice President of People and Culture/Health, Safety and Environment and serves as the accountable executive for the Human Resources Committee of the Board of Directors. Ms. McKellar earned a Bachelor of Arts degree from Victoria College, University of Toronto and was recently named as one of 2015's 100 Most Powerful Women in Canada by PricewaterhouseCoopers in the "Public Sector" category.

Patrick Meneley – Executive Vice President and Chief Corporate Development Officer

Effective March 1, 2018, Patrick Meneley was appointed to the role of Executive Vice President and Chief Corporate Development Officer of Hydro One Limited. Mr. Meneley is responsible for leading strategy, innovation and mergers and acquisitions.

Prior to joining Hydro One in 2018, Mr. Meneley served as Executive Vice President, Wholesale Banking at TD Bank Group and Vice Chair and Head of Global Corporate and Investment Banking for TD Securities. Mr. Meneley spent 15 years building one of the leading corporate and investment banking businesses in Canada along with a profitable and growing franchise in the United States.

Mr. Meneley holds a Bachelor of Commerce (with honours) from the University of British Columbia and an MBA (with distinction) from the University of Western Ontario. Mr. Meneley resigned from Hydro One effective March 1, 2019.

James Scarlett – Executive Vice President and Chief Legal Officer

Effective September 1, 2016, James Scarlett was appointed as Executive Vice President and Chief Legal Officer of Hydro One. He has responsibility for the Company's General Counsel office comprising Corporate Secretariat, Regulatory Affairs and the Law Department. As well, Mr. Scarlett participates and leads a number of strategic initiatives and acts as the executive team's trusted advisor on a range of issues.

Prior to joining Hydro One, Mr. Scarlett was a Senior Partner at Torys LLP. He joined Torys in March 2000 and held a number of leadership roles at the firm, including head of Torys' Capital Markets Group, Mining Group and International Business Development Strategy. Mr. Scarlett was also a member of the firm's Executive Committee from 2009-2015. Prior to joining Torys, Mr. Scarlett was a partner at another major Canadian law firm. While at that firm Mr. Scarlett held leadership roles as head of its Corporate Group, Securities Group and as a member of its Board. Mr. Scarlett was also seconded to the Ontario Securities Commission in 1987 and was appointed as the first Director of Capital Markets in 1988, a position he held until his return to private law practice in 1990. Mr. Scarlett earned his law degree (J.D.) from the University of Toronto in 1981 and his Bachelor of Commerce Degree from the University of McGill in 1975. Mr. Scarlett also holds his ICD.D.

Thomas D. Woods – Board Chair

Mr. Woods is a corporate director. He previously had a 37-year career with CIBC and Wood Gundy, the predecessor firm of CIBC World Markets. He started in Investment Banking, advising companies raising financing in the equity and debt capital markets as well as mergers and acquisitions, and later was Head of Canadian Corporate Banking, Chief Financial Officer, Chief Risk Officer and served as Vice Chairman until his retirement in 2014.

Mr. Woods serves on the boards of Bank of America Corporation, Alberta Investment Management Corporation, Unity Health Toronto (Providence HealthCare, St. Joseph's Health Centre and St. Michael's Hospital) (Board Chair) and CIBC Children's Foundation. Previous directorships include TMX Group Inc., DBRS Limited, Jarislowsky Fraser Limited, Covenant House Toronto (Board Chair) and Covenant House International. Mr. Woods has a Bachelor of Applied Science in Industrial Engineering from the University of Toronto and an MBA from Harvard Business School and he holds his ICD.D.

Cherie L. Brant

Ms. Brant is a partner at Borden Ladner Gervais LLP. She has a commercial practice across a wide variety of sectors, including energy and transmission, land development and financing on First Nations lands, franchising, cannabis and economic development. She also provides strategic policy and governance counsel to Indigenous groups seeking to exercise their jurisdiction and authority. Prior to her joining Borden Ladner Gervais LLP, she was a partner at another major Canadian law firm where she had been practicing since 2013.

Ms. Brant is both Mohawk and Ojibway from the Mohawks of the Bay of Quinte and Wiikwemkoong Unceded Indian Territory. She also serves on the board of the Anishnawbe Health Foundation and is a member of the Canadian Council for Aboriginal Business, Research Advisory Board and the Aboriginal Energy Working Group of the Independent Electricity System Operator. Previous directorships include Women's College Hospital and Trillium Gift of Life.

Ms. Brant has a Bachelor of Environmental Studies, Urban and Regional Planning Program from the University of Waterloo and a Juris Doctor from the University of Toronto. She is a member of the Ontario Bar Association and the Law Society of Ontario.

Blair Cowper-Smith

Mr. Cowper-Smith is the principal and founder of Erin Park Business Solutions a Canadian advisory and consulting firm. Previously, he was Chief Corporate Affairs Officer of Ontario Municipal Employees Retirement System (OMERS) and served as a member of the Senior Executive Team from 2008 to 2017 where his responsibilities included regulatory affairs, law and governance and a role in a number of the plan's key investments. Prior to joining OMERS he was a Senior Partner at McCarthy Tetrault LLP where his practice focused on mergers and acquisitions, infrastructure, governance and private equity.

Mr. Cowper-Smith's board experience included numerous advisory assignments when at McCarthy Tetrault, including working closely with and advising boards of directors on material governance reviews, change of control transactions and creditor reorganizations. In addition to Hydro One, current or prior board appointments include companies like Porter Airlines, 407 ETR, the Financial Services Regulatory Authority of Ontario and Face the Future Foundation. He served until recently on the Public Policy Committee of the Canadian Coalition for Good Governance and on the Securities Advisory Committee of the Ontario Securities Commission. He co-founded The Canadian Council for Public and Private Partnerships as part of an interest in infrastructure policy and the delivery of public infrastructure projects and infrastructure based services to Canadians.

Mr. Cowper Smith has a Bachelor of Laws (LLB) and Master of Laws (LLM) from Osgoode Hall Law School at York University and holds his ICD.D. He is a regular faculty presenter for the Directors College.

Anne Giardini, O.C., O.B.C., Q.C.

Ms. Giardini has been a corporate director since 2014 and is the 11th Chancellor of Simon Fraser University. She previously had a 20-year career with Weyerhaeuser Company Limited, including as Canadian President until her retirement in 2014. Before her tenure as President, she was Vice President and General Counsel at Weyerhaeuser where she worked on corporate, legal, policy and strategic matters. Ms. Giardini has been a newspaper columnist and is the author of two novels.

Ms. Giardini also serves on the boards of Canada Mortgage & Housing Corporation, World Wildlife Fund (Canada), BC Achievement Foundation, TransLink and the Greater Vancouver Board of Trade. Previous directorships include Thompson Creek Metals Company, Inc., Nevsun Resources Ltd. and Weyerhaeuser Company Limited.

Ms. Giardini has a BA in Economics from Simon Fraser University, a Bachelor of Laws from the University of British Columbia and a Master of Law from the University of Cambridge (Trinity Hall). She is licensed to practice law in British Columbia where she is a member of the Law Society of British Columbia (and formerly the bars of Ontario and Washington State). In 2016, Ms. Giardini was appointed an Officer of the Order of Canada and in 2018 she was appointed to the Order of British Columbia.

David Hay

Mr. Hay is a corporate director and Managing Director of Delgatie Incorporated. He is the former Vice-Chair and Managing Director of CIBC World Markets Inc. with power, utilities and infrastructure as his major focus (2010 to 2015). From 2004 until 2010, he was President and Chief Executive Officer of New Brunswick Power Corporation and held senior investment banking roles, including Senior Vice-President and Director responsible for mergers and acquisitions with Merrill Lynch Canada and Managing Director of European mergers and acquisitions with Merrill Lynch International. Mr. Hay spent the early part of his career as a practicing lawyer and taught part-time at both the University of Toronto and University of New Brunswick. Mr. Hay was a Law Clerk to the Chief Justice of the High Court of the Supreme Court of Ontario (1981/82).

Mr. Hay also serves on the boards of EPCOR Utilities Inc., SHAD (Chair), the Council of Clean and Reliable Energy and as Chair of the Acquisition Committee of the Beaverbrook Art Gallery. Prior directorships include Toronto Hydro-Electric System Limited where he was Vice Chair.

Mr. Hay has a Bachelor of Laws from Osgoode Hall Law School, York University and a Bachelor of Arts from the University of Toronto (Victoria College) and holds his ICD.D.

Timothy E. Hodgson

Mr. Hodgson has been a Managing Partner of Alignvest Management Corporation since 2012. Mr. Hodgson was Special Advisor to Mr. Mark Carney, Governor of the Bank of Canada from 2010 to 2012. From 1990 to 2010, Mr. Hodgson held various positions in New York, London, Silicon Valley and Toronto with Goldman Sachs and served as Chief Executive Officer of Goldman Sachs Canada from 2005 to 2010 with overall responsibilities for the firm's operations, client relationships and regulatory matters in the region.

Mr. Hodgson currently sits on the boards of the Public Sector Pension Investment Board (PSP Investments), MEG Energy Corp., Alignvest Acquisition II Corporation and Next Canada. Mr. Hodgson's prior directorships include The Global Risk Institute, KGS-Alpha Capital Markets, the Richard Ivey School of Business and Bridgepoint Health.

Mr. Hodgson holds a Masters of Business Administration from The Richard Ivey School of Business at Western University and a Bachelor of Commerce from the University of Manitoba. He is a Fellow of the Institute of Chartered Professional Accountants (FCPA) and holds his ICD.D.

Jessica L. McDonald

Jessica McDonald serves as Chair of Canada Post, which includes in its Group of Companies a majority shareholding of Purolator Courier, and subsidiaries Innovapost and SCI Logistics. She has previously served as President and CEO of Canada Post from 2018 to 2019 on an interim basis. From 2014 to 2017 she served as President and Chief Executive Officer of British Columbia Hydro & Power Authority. Prior experience also includes: Chair of Powertech Labs, and Board Director of Powerex. She serves on the Member Council of Sustainable Development Technology Canada, and was previously a Visiting Fellow at Stanford's Center for Energy Policy and Finance. She is a Director of the Board of Trade of Greater Vancouver, as well as a Board Director at Coeur Mining (NYSE:CDE) and Board Chair at Trevali Mining (TSX:TV). She has long experience in Government including Deputy Minister to the Premier and Head of the Public Service of British Columbia. She has been named to Canada's Top 100 Most Powerful Women Hall of Fame, Canada's Diversity 50, and Canada's Top 40 Under 40.

Ms. McDonald holds her ICD.D.

Russel C. Robertson

Mr. Robertson is a corporate director and served as Executive Vice President and Head, Anti-Money Laundering, BMO Financial Group from 2014 to 2016. Mr. Robertson also served as Chief Financial Officer, BMO Financial Group from 2008 to 2011 and Executive Vice-President, Business Integration from 2011 to 2014, where he oversaw the integration of Harris Bank and Marshall & Ilsley Bank forming BMO Harris Bank. Before joining BMO, he spent over 35 years as a Chartered Professional Accountant holding various senior positions including the positions of Vice-Chair, Deloitte & Touche LLP (Canada) and Canadian Managing Partner, Arthur Andersen LLP (Canada).

Mr. Robertson also serves on the board of Bausch Health Companies Inc. since 2016 and on the Board of Turquoise Hill Resources Ltd. since 2012, where he chairs both audit committees. Previous directorships include Virtus Investment Partners, Inc.

Mr. Robertson has a Bachelor of Arts (Honours) in Business Administration from the Ivey School of Business at the University of Western Ontario. He is a Chartered Professional Accountant (FCPA, FCA) and a Fellow of the Institute of Chartered Accountants (Ontario). He is also a member of the Institute of Corporate Directors.

William H. Sheffield

Mr. Sheffield is a corporate director. He is the former Chief Executive Officer of Sappi Fine Papers, headquartered in South Africa. Previously, he held senior roles with Abitibi-Consolidated, Inc. and Abitibi-Price, Inc. He began his career in the steel industry and held General Manager, Industrial Engineering and Cold Mill Operating roles at Stelco, Inc.

Mr. Sheffield serves on the board of Houston Wire & Cable Company since 2006 where he acts as Chairman. Mr. Sheffield also serves on the boards of Velan Inc., Burnbrae Farms Ltd., Longview Aviation Capital, Family Enterprise Xchange and 4iiii Innovations Inc. Previous directorships include Canada Post Corporation, Ontario Power Generation, Corby Distilleries, Royal Group Technologies and SHAD.

Mr. Sheffield has a Bachelor of Science (Chemistry) from Carleton University and an MBA from McMaster University. Mr. Sheffield also holds his ICD.D and in 2015, he was awarded a Fellowship from the National Association of Corporate Directors in the U.S. He also completed the Family Enterprise Advisors Program (FEA) at the University of British Columbia.

Melissa Sonberg

Ms. Sonberg is a corporate director and has been Adjunct Professor and Executive-in-Residence at McGill University's Desautel Faculty of Management since 2014. She spent the early part of her career in the healthcare industry before joining Air Canada, where she held leadership positions in a range of customer facing, operational and corporate functions. Ms. Sonberg was part of the founding executive team of Aeroplan, which became part of AIMIA Inc. Ms. Sonberg held positions of Senior Vice President, Human Resources & Corporate Affairs and Senior Vice President, Global Brands, Communications and External Affairs at AIMIA from 2001 to 2013.

Ms. Sonberg also serves on the boards of Exchange Income Corporation, Canadian Professional Sales Association, Group Touchette and Women in Capital Markets and Equitas – International Centre for Human Rights. Previous directorships include MD Financial Holdings, Inc., Rideau, Inc., Via Rail Canada, University of Ottawa's International Advisory Board and the McGill University Health Centre.

Ms. Sonberg has a Bachelor of Science (Psychology) from McGill University and a Masters of Health Administration from the University of Ottawa. She is a Certified Human Resource Executive and holds her ICD.D.

Changes to Hydro One's Board of Directors and CEO Compensation

On July 11, 2018, Hydro One, on behalf of itself and Hydro One Inc., announced that it had entered into the Letter Agreement for the purpose of the orderly replacement of the boards of directors of Hydro One Limited and Hydro One Inc. and the retirement of Mayo Schmidt as the CEO effective July 11, 2018. In accordance with the Letter Agreement, Hydro One has agreed to consult with the Province in respect of future matters of executive compensation. In addition, the then-existing Hydro One Limited and Hydro One Inc. boards of directors volunteered and agreed to immediately reduce board compensation to the levels contemplated by

the pre-January 1, 2018 director compensation policy. The then-existing Hydro One Limited and Hydro One Inc. boards of directors also volunteered and agreed to forego any compensation for their service after June 30, 2018.

In connection with Mr. Schmidt's retirement, he received amounts consistent with Hydro One's retirement policies applicable to his outstanding equity awards and his employment agreement as previously disclosed and was not entitled to severance. Mr. Schmidt received a $400,000 lump sum payment in lieu of all post-retirement benefits and allowances.

The Board has also formed an ad-hoc CEO Selection Committee comprised of independent directors to identify and select the best candidate to serve as Hydro One's new President and CEO.

Information Regarding Certain Directors and Executive Officers

As at December 31, 2018, the directors and executive officers of Hydro One Limited beneficially owned, controlled or directed, directly or indirectly, as a group, 86,565 common shares, which represented approximately 0.015% of the outstanding common shares.

As at December 31, 2018, approximately 33% of the executives (those who hold a vice president role and above or equivalent) (11 out of 33) across Hydro One Limited, including 1 of 5 executive officers, are women.

Corporate Cease Trade Orders and Bankruptcies

Except as described below:

- none of the directors or executive officers of Hydro One Limited nor any shareholder holding shares sufficient to materially affect control of Hydro One Limited is, or within the last 10 years has served as, a director or executive officer of any company that, during such service or within a year after the end of such service, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

- none of the directors or executive officers of Hydro One Limited is, or within the last 10 years has served as, a director, CEO or CFO of any company that, during such service or as a result of an event that occurred during such service, was subject to an order (including a cease trade order, or similar order or an order that denied access to any exemption under securities legislation), for a period of more than 30 consecutive days; or

- none of the directors or executive officers of Hydro One Limited nor any shareholder holding shares sufficient to materially affect control of Hydro One Limited, within the last 10 years has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director.

Blair Cowper-Smith served as a Director of Golfsmith International Holdings GP Inc. and Golf Town Canada Inc. ("Golf Town") from 2016 to 2018. On September 14, 2016, Golf Town filed for and was granted Court bankruptcy protection under the CCAA. Golf Town emerged from Court protection after being sold to Fairfax Financial Holdings Limited and CI Investments Inc. in October 2016.

Penalties or Sanctions

None of the directors or executive officers of Hydro One Limited, nor any shareholder holding shares sufficient to materially affect control of Hydro One Limited, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

To the best of the Company's knowledge, there are no existing material potential conflicts of interest among the Company and the directors or executive officers of the Company as a result of their outside business interests as at the date of this annual information form. Certain of the directors and executive officers serve as directors and executive officers of other public companies. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Company. Where conflicts arise, they are managed through a variety of measures, including declaration of the conflict, recusal from meetings and/or portions of meetings, and the creation of separate board materials for the affected directors.

Indebtedness of Directors and Executive Officers

No director, executive officer, employee, former director, former executive officer or former employee or associate of any director or executive officer of Hydro One Limited or any of its subsidiaries had any outstanding indebtedness to Hydro One Limited or any of its subsidiaries except routine indebtedness or had any indebtedness that was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Hydro One Limited or any of its subsidiaries.

AUDIT COMMITTEE

The Audit Committee must consist of at least three directors, all of whom are persons determined by Hydro One to be both "independent" (within the meaning of all Canadian securities laws and stock exchange requirements and the Governance Agreement) and "financially literate" (within the meaning of other applicable requirements or guidelines for audit committee service under securities laws or the rules of any applicable stock exchange, including National Instrument 52-110 – *Audit Committees*). At least one member of the Audit Committee will qualify as an "audit committee financial expert" as defined by the applicable rules of the United States Securities and Exchange Commission. The Audit Committee comprises William Sheffield (Chair), Anne Giardini, David Hay, Jessica McDonald and Russel Robertson. Each of the audit committee members is independent and financially literate and each has an understanding of the accounting principles used to prepare Hydro One's financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. The Board has adopted a written mandate for the Audit Committee, in the form set out under Schedule "A" in this annual information form, which sets out the Audit Committee's responsibilities. Russel Robertson and David Hay each qualify as an audit committee financial expert.

Relevant Education and Experience

For a description of the relevant education and experience of each member of the Audit Committee, please refer to each member's profile under "Directors and Officers".

Pre-Approval Policies and Procedures

The Audit Committee Mandate requires that all non-audit services to be provided to Hydro One Limited or any of its subsidiaries by the external auditors or any of its affiliates are subject to pre-approval by the Audit Committee.

Auditors' Fees

The aggregate fees billed by KPMG LLP to Hydro One Limited and its subsidiaries in 2018 and 2017 for professional services are presented below (in Canadian dollars):

	Year ended December 31, 2018	**Year ended December 31, 2017**
Audit Fees(1)	$1,911,815	$1,559,514
Audit-Related Fees(2)	$485,608	$1,171,700
Tax Fees(3)**:**		
Tax Compliance and SR&ED Claim	$57,500	$161,000
General Tax Advice	-	$100,000
Tax advice on Avista acquisition	$58,000	$311,300
Hydro One Pension Fund Tax Service	$35,000	-
Total	**$2,547,923**	**$3,303,514**

Notes:

(1) The nature of the services rendered was: audit of annual financial statements of the Company and its subsidiaries, statutory and regulatory filings including IFRS reporting to the Province.

(2) The nature of the services rendered was: due diligence related to the Avista Corporation acquisition, translations, audit of the Hydro One Pension Plan, and related services reasonably related to the performance of the audit or review of the Company's financial statements that are not reported under Audit Fees.

(3) The nature of the services rendered was: procedures in connection with a scientific research, experimental development (“SR&ED”) investment tax credit claim, tax compliance services for Hydro One’s Pension Funds, general tax advice and tax advice on the acquisition of Avista Corporation.

AGREEMENTS WITH PRINCIPAL SHAREHOLDER

Hydro One Limited and the Province have entered into:

- the Governance Agreement on November 5, 2015 to address the Province's role in the governance of Hydro One Limited; and

- the Registration Rights Agreement on November 5, 2015 to provide the Province with the right to require Hydro One Limited to facilitate future secondary offerings of common shares or preferred shares owned or controlled by the Province on November 5, 2015; and,

- the Letter Agreement on July 11, 2018 for the purpose of the orderly replacement of the Board and the retirement of Mayo Schmidt as the CEO.

The Governance Agreement and the Registration Rights Agreement were entered into in connection with the completion of the initial public offering of Hydro One Limited in November 2015 and the Letter Agreement was entered into in connection with the retirement of the CEO and replacement of the Board in July 2018. The material terms of each are summarized below. A copy of each of the Governance Agreement, the Registration Rights Agreement and the Letter Agreement has been filed on SEDAR and is available under Hydro One Limited's profile at www.sedar.com. The discussion in this annual information form concerning the Governance Agreement, the Registration Rights Agreement and the Letter Agreement is not complete, and is qualified in its entirety to the text of the Governance Agreement, the Registration Rights Agreement and the Letter Agreement, each of which should be referred to. Not all of the terms of the Governance Agreement, the Registration Rights Agreement and the Letter Agreement are described in this annual information form.

Governance Agreement

Governance Matters

The Governance Agreement specifically addresses the following governance matters:

- The governance principles under which Hydro One Limited and its subsidiaries will be managed and operated.

- The nomination of directors, which includes: (i) the requirement for a fully independent board of directors (other than the CEO), and (ii) the maximum number of directors that may be nominated by the Province.

- The election and replacement of directors.

- Approvals requiring a special resolution of the directors.

Governance Principles

The Governance Agreement provides that the business and affairs of Hydro One Limited will be managed and operated in accordance with certain governance principles.

The governance principles provide that:

- Hydro One Limited will maintain corporate governance policies, procedures and practices consistent with the best practices of leading Canadian publicly listed companies, having regard to Hydro One Limited's ownership structure and the Governance Agreement.

- The board of directors of Hydro One Limited is responsible for the management of the business and affairs of Hydro One Limited.

- With respect to its ownership interest in Hydro One Limited, the Province will engage in the business and affairs of Hydro One Limited as an investor and not a manager, and the Province intends to achieve its policy objectives through legislation and regulation, as it would with respect to any other utility operating in Ontario.

Nomination of Directors

The Governance Agreement establishes qualification standards for director nominees, provides for the number of directors that may be nominated and establishes a process for confirming nominees. The Governance Agreement recognizes that the Board is to be a fully independent board (independent of both Hydro One and the Province), except the CEO, as described under the subheading "Independence" below.

Director Qualification Standards

Under the Governance Agreement, the Province and the Governance Committee (formerly the Nominating, Corporate Governance, Public Policy & Regulatory Committee) have agreed to nominate as directors, qualified individuals of high quality and integrity who have the experience, expertise and leadership appropriate to manage a business of the complexity, size and scale of the business of Hydro One Limited, on a basis consistent with the highest standards for directors of Canada's leading public companies.

In addition, a majority of the directors must be resident Canadians (as defined in the OBCA).

Independence

Each director nominee must, among other things:

- be independent of Hydro One Limited (other than the CEO) within the meaning of Ontario securities laws governing the disclosure of corporate governance practices;

- be independent of the Province (other than the CEO). A director will be independent of the Province if he or she would be independent of Hydro One Limited within the meaning of Ontario securities laws governing the disclosure of corporate governance practices if the Province and each Specified

Provincial Entity were treated as Hydro One Limited's parent under that definition. In addition, he or she may not be an employee or official of the Province or any Specified Provincial Entity, either: (i) currently or, (ii) within the last three years; and

- meet the requirements of applicable securities and other laws and any exchange on which the voting securities are listed.

A "Specified Provincial Entity" means (1)(a) the Ontario Financing Authority, (b) the IESO, (c) Ontario Power Generation Inc., (d) the Electrical Safety Authority, (e) Ontario Electricity Financial Corporation, (f) Infrastructure Ontario, or (g) a subsidiary of, or a person controlled by, any organization listed in (a) to (f); and (2) the OEB.

Number of Directors

Under the articles of Hydro One Limited and pursuant to the terms of the Governance Agreement, the Board will consist of no fewer than 10 and no more than 15 directors, with the initial Board consisting of 15 directors until the first annual meeting of shareholders following the completion of the initial public offering of Hydro One Limited.

Board Nominees

The nominees to be proposed for election to the Board by Hydro One Limited at annual meetings of shareholders will be determined as follows:

- The CEO will be nominated.

- The Province will be entitled to nominate that number of nominees equal to 40% of the number of directors to be elected (rounded to the nearest whole number), subject to certain exceptions.

- The Governance Committee will nominate the remaining directors.

Board Nomination Process

Under the Governance Agreement, the Province and representatives of the Governance Committee are to meet after each annual meeting of shareholders to discuss expected upcoming departures from the Board (whether due to resignation, retirement or otherwise) and the impact such departures will have on the Board, having regard to continued compliance with the Governance Agreement and the ability of the Board to satisfy the Board's skills matrix, diversity policy and other governance standards. Under the Governance Agreement, at this meeting the Governance Committee is to make recommendations to the Province respecting potential candidates for director, including potential candidates for nomination by the Province. The Province has no obligation to nominate any of the individuals recommended as one of its director nominees.

Not later than 60 days prior to the date by which proxy solicitation materials must be mailed for Hydro One's annual meeting of shareholders, each of the Province and the Governance Committee will notify the other

of its proposed director nominees. If a proposed nominee is not already a director of Hydro One or is then a director but whose circumstances have materially changed in a way that would affect whether she or he would continue to meet the director qualification standards under the Governance Agreement, then the Province or the committee, as the case may be, will have 10 business days to confirm that nominee or reject that nominee on the basis that the nominee does not meet those director qualification standards.

If a director nominee of the Province or the Governance Committee is rejected, then the Province or the committee will be entitled to nominate additional candidates until a nominee is confirmed by the other. If no replacement nominee is confirmed for a director who was expected to depart from the board and that director does not resign, that director shall be re-nominated. The Province and the committee will use commercially reasonable efforts to confirm director nominees prior to the date by which proxy solicitation materials must be mailed for the annual meeting of shareholders.

Election and Replacement of Directors

The Governance Agreement provides for how:

- the Province will vote with respect to director nominees, including its nominees and those of the Governance Committee,
- the Province may vote at contested elections,
- the Province may seek to replace the Board by withholding votes or voting for removal, and
- Board vacancies will be filled.

Voting on Director Elections

At any meeting of shareholders to elect directors, the Province is required to vote in favour of the nominees selected by the Province and the Governance Committee in accordance with the board nomination process set out in the Governance Agreement, except in the case of contested director elections or where the Province seeks to replace the Board in accordance with the Governance Agreement.

Contested Elections

At any meeting of shareholders to elect directors of Hydro One Limited at which there are more nominees for directors than there are directors to be elected, the Province may vote its Voting Securities in its sole discretion (including to vote in favour of other candidates instead of the Province's nominees), except that the Province will vote in favour of the election of the CEO as a director.

Right to Withhold Votes

The Province is required under the Governance Agreement to vote in favour of all director nominees of Hydro One Limited, subject to the Province's overriding right to withhold from voting in favour of all director nominees and its right to seek to remove and replace the entire Board, including in each case its own director nominees but excluding the CEO and, at the Province's discretion, the Chair. Depending on the number of withheld votes a director nominee receives at a meeting of shareholders at which directors are to be elected, that director nominee may be required to tender his or her resignation to the Board in accordance with Hydro One Limited's majority voting policy.

Province's Right to Replace the Board

The Province may at any time notify Hydro One Limited that it intends to request that Hydro One Limited hold a meeting of shareholders for the purposes removing all of the directors in office, including those nominated by the Province, with the exception of the CEO and, at the sole discretion of the Province, the Chair (a "Removal Notice"). If the Province gives Hydro One a Removal Notice, then the Chair shall coordinate the establishment of an ad hoc nominating committee comprising one representative of each of the five largest beneficial owners of Voting Securities known to the Company (or if at least three such owners are not willing to provide a representative, then the individuals the Province proposes to nominate as replacement directors). The Province and the ad hoc nominating committee will identify and confirm replacement directors to be nominated at the shareholders' meeting pursuant in accordance with the process set out in the Governance Agreement. Each replacement director nominee must meet the same qualification and independence standards under the Governance Agreement as for any director nominee. Hydro One Limited will call the shareholders' meeting once the replacement director nominees are confirmed pursuant to this process, and will hold the shareholders' meeting within 60 days of this confirmation. At the shareholders' meeting, the Province will vote in favour of removing the current directors with the exception of the CEO and, at the Province's discretion, the Chair, and will vote in favour of the new independent director nominees.

Board Approvals Requiring a Special Resolution of the Directors

The Governance Agreement provides that certain actions require approval by a resolution of the Board passed by at least two-thirds of the votes cast at a meeting of the directors, or consented to in writing by all of the directors (a "Special Board Resolution"). Matters requiring approval by a Special Board Resolution include:

- the appointment and annual confirmation of the Chair,
- the appointment and annual confirmation of the CEO, and
- changes to certain specified governance standards specified in the Governance Agreement to be "Hydro One's governance standards".

The governance standards subject to this special approval requirement include the Board's skills matrix, the Ombudsman's Mandate, the Diversity Policy and the Majority Voting Policy, the Corporate Governance Guidelines, the mandates of the Board and its committees, position descriptions for the CEO, the Chair, the directors and committee chairs, and the Stakeholder Engagement Policy.

Other Matters

In addition to the governance matters noted above, the Governance Agreement also addresses the following matters:

- Restrictions on the right of the Province to initiate fundamental changes.
- Pre-emptive rights provided to the Province with respect to future issuances of Voting Securities by Hydro One Limited.
- Acquisition limits with respect to the Province's acquisition of outstanding Voting Securities.

Restrictions on Province's Right to Initiate Fundamental Changes

The Province has agreed not to initiate a fundamental change to Hydro One Limited (as defined in Part XIV of the OBCA), including not to initiate any arrangement or amalgamation involving Hydro One Limited or any amendment to the articles of Hydro One Limited. The Province may, however, vote its Voting Securities as it sees fit in the event any fundamental change is initiated by Hydro One Limited or another shareholder of Hydro One Limited.

Pre-emptive Rights

Hydro One Limited has granted to the Province a pre-emptive right to acquire additional Voting Securities as part of future offerings by Hydro One Limited of Voting Securities. If Hydro One Limited proposes to issue Voting Securities in the future, whether pursuant to a public offering or a private placement, Hydro One Limited must notify the Province of the proposal and provide information in accordance with the provisions of the Governance Agreement at least 30 days in advance and must offer the Province the right to purchase up to 45% of the Voting Securities being offered. Any Voting Securities not purchased by the Province pursuant to the offer may be purchased by any other person pursuant to the proposed offering.

The pre-emptive right also applies with respect to any proposed issuance by Hydro One Limited of securities convertible into or exchangeable for Voting Securities except securities convertible into or exchangeable for Voting Securities: (i) pursuant to certain employee or director compensation plans; (ii) pursuant to any dividend re-investment arrangement of the Company that is consistent with dividend reinvestment arrangements of other publicly traded utilities in Canada (including as to discount rates) and that does not include a cash purchase option; (iii) pursuant to a rights offering that is open to all shareholders of Hydro One Limited; or (iv) pursuant to any business combination, take-over bid, arrangement, asset purchase transaction or other acquisition of assets or securities of a third-party.

45% Acquisition Limit

The Province has agreed in the Governance Agreement, subject to certain exceptions, not to acquire previously issued Voting Securities if after that acquisition, the Province would own more than 45% of any class or series of Voting Securities. This restriction does not limit the Province from acquiring Voting Securities on an issuance by Hydro One Limited, including pursuant to the exercise by the Province of its pre-emptive right. See “Agreements with Principal Shareholder – Governance Agreement – Other Matters – Pre-emptive Rights” above.

Registration Rights Agreement

Demand Registration

Pursuant to the Registration Rights Agreement, Hydro One Limited has granted the Province certain demand registration rights providing that, from time to time while the Province is a “control person” of Hydro One Limited within the meaning of applicable Canadian securities laws, the Province can require Hydro One Limited to file, at the expense of the Province (except for internal expenses of Hydro One Limited or other expenses that Hydro One Limited would have incurred in the absence of such a request), and subject to certain exceptions, one or more prospectuses and take other procedural steps as may be reasonably necessary to facilitate a secondary offering in Canada of all or any portion of the common shares or preferred shares (“shares”) held by the Province.

“Piggy-Back” Registration

If Hydro One Limited proposes to undertake a Canadian public offering by prospectus, the Province is entitled, while it is a “control person” of Hydro One Limited within the meaning of applicable Canadian securities laws, to include shares owned by it as part of that offering, provided that the underwriters may reduce the number of shares proposed to be sold if in their reasonable judgment all of the shares proposed to be offered by Hydro One Limited and the Province may not be sold in an orderly manner within a price range reasonably acceptable to Hydro One Limited. In that case, the shares to be sold will be allocated pro rata between Hydro One Limited and the Province based on their relative proportionate number of shares requested to be included in the offering. Hydro One Limited and the Province will share the expenses of the offering (except for internal expenses of Hydro One Limited) in proportion to the gross proceeds they each receive from the offering.

Private Placements

Hydro One Limited has also agreed to use commercially reasonable efforts to assist, at the Province’s expense, the Province in any sale by it of shares of Hydro One Limited pursuant to an exemption from the prospectus requirements, in the preparation of an offering memorandum and other documentation and by facilitating due diligence by the prospective buyer.

Customary Agreements

Hydro One Limited and the Province have also agreed to enter into customary agreements, including “lock-up” agreements, on customary market terms in connection with such transactions. Hydro One Limited also agreed to certain indemnification and contribution covenants in favour of the Province and any underwriters involved in such transactions.

Letter Agreement

The Letter Agreement sets out the agreement between Hydro One Limited and the Province with respect to the orderly replacement of the Company's Board and the retirement of Mr. Mayo Schmidt as the CEO effective July 11, 2018.

Other key highlights of the Letter Agreement include:

- Consistent in principle with the ability of the Province to remove the entire Board pursuant to the Governance Agreement, the Board agreed to facilitate the orderly resignation of each of the current directors of Hydro One Limited to be replaced by nominees identified as set out below;

- The Province and the Company agreed the new Board would initially consist of 10 members. Consistent with the Governance Agreement, the Province was entitled to nominate four replacement directors and the remaining six nominees were to be identified through an ad hoc nominating committee comprised of representatives of Hydro One Limited's largest shareholders, other than the Province;

- The Province and the Company agreed that the new Board will be responsible for appointing a new CEO who will also be appointed as the eleventh member of the new Board;

- Hydro One Limited agreed to consult with the Province in respect of future matters of executive compensation;

- The replacement directors will serve until Hydro One Limited's next annual meeting or until they otherwise cease to hold office;

- In connection with Mr. Schmidt's retirement, he will receive amounts consistent with Hydro One Limited's retirement policies and his employment agreement and will not be entitled to severance. Mr. Schmidt also received a $400,000 lump sum payment in lieu of all post-retirement benefits and allowances.

- The Province ratified and reaffirmed its obligations under the Governance Agreement and agreed that except as set out in the Letter Agreement, the Letter Agreement did not amend or modify the Governance Agreement and the Governance Agreement remained in full force and effect.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as noted below and elsewhere in this annual information form, there are no material interests, direct or indirect, of any director or executive officer of the Company, any shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of Hydro One Limited's outstanding voting securities, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date of this annual information form that has materially affected or is reasonably expected to materially affect the Company.

Relationships with the Province and Other Parties

Overview

The Province is Hydro One Limited's principal shareholder. The OEB is the principal regulator of Ontario's electricity industry. The Province appoints the board members of the OEB and fills any vacancies on the OEB. The OEB is obligated to implement approved directives of the Province concerning general policy and objectives to be pursued by the OEB and other directives aimed at addressing existing or potential abuses of market power by industry participants. The IESO, among other matters, directs the operation of the Ontario power system by balancing supply and demand of electricity and directing electricity flow and assumed the responsibility for forecasting supply and demand of electricity over the medium and long term to meet the needs of the province. The board of directors of the IESO, other than its CEO, is appointed by the Province in accordance with the regulations in effect from time to time under the Electricity Act.

In connection with the initial public offering of Hydro One Limited, the Company entered into the Governance Agreement and the Registration Rights Agreement with the Province. Following the election of a new government in Ontario in June 2018, the Company and the Province entered into the Letter Agreement. See "Agreements with Principal Shareholder".

Transfer Orders

The transfer orders pursuant to which Hydro One Inc. acquired Ontario Hydro's electricity transmission, distribution and energy services businesses as of April 1, 1999, did not transfer certain assets, rights, liabilities or obligations where the transfer would constitute a breach of the terms of any such asset, right, liability or obligation or a breach of any law or order (the "trust assets"). The transfer orders also did not transfer title to assets located on Reserves, which assets are held by the Ontario Energy Financial Corporation. For more information, see the Amended Annual MD&A under the subheading "Risk Management and Risk Factors - Risks Relating to Hydro One's Business - Risk from Transfer of Assets Located on Reserves".

Hydro One is obligated under the transfer orders to manage both the trust assets (until it has obtained all consents necessary to complete the transfer of title to these assets to Hydro One) and the assets otherwise retained by the Ontario Electricity Financial Corporation that relate to Hydro One's businesses. Hydro One has entered into an agreement with the Ontario Electricity Financial Corporation under which it is obligated, in managing these assets, to take instructions from the Ontario Electricity Financial Corporation if Hydro One's actions could have a material adverse effect on the Ontario Electricity Financial Corporation. The Ontario Electricity Financial Corporation has retained the right to take control of and manage the assets, although it must notify and consult with Hydro One before doing so and must exercise its powers relating to the assets in a manner that will facilitate the operation of Hydro One's businesses. The consent of the Ontario Electricity Financial Corporation is also required prior to any disposition of these assets.

The Province also transferred officers, employees, assets, liabilities, rights and obligations of Ontario Hydro in a similar manner to its other successor transferees. These transfer orders include a dispute resolution mechanism to resolve any disagreement among the various transferees with respect to the transfer of specific assets, liabilities, rights or obligations.

The transfer orders do not contain any representations or warranties from the Province or the Ontario Electricity Financial Corporation with respect to the transferred officers, employees, assets, liabilities, rights and obligations. Furthermore, under the Electricity Act, the Ontario Electricity Financial Corporation was released from liability in respect of all assets and liabilities transferred by the transfer orders, except for liability under Hydro One's indemnity from the Ontario Electricity Financial Corporation. The parties, with the consent of the Minister of Finance, agreed to terminate such indemnity effective October 31, 2015. By the terms of the transfer orders, each transferee indemnifies the Ontario Electricity Financial Corporation with respect to any assets and liabilities related to that transferee's business not effectively transferred, and is obligated to take all reasonable measures to complete the transfers where the transfers were not effective.

Hydro One has indemnified the Ontario Electricity Financial Corporation in respect of the damages, losses, obligations, liabilities, claims, encumbrances, penalties, interest, taxes, deficiencies, costs and expenses arising from matters relating to the Company's business and any failure by Hydro One to comply with its obligations to the Ontario Electricity Financial Corporation under agreements dated as of April 1, 1999. These obligations include obligations to employ the employees transferred to Hydro One under the transfer orders, make and remit employee source deductions (including tax withholding amounts, and employer contributions), manage the real and personal properties which the Ontario Electricity Financial Corporation continues to hold in trust or otherwise and take any necessary action to transfer all of these properties to the Company, to pay realty taxes and other costs, provide access to books and records and to assume other responsibilities in respect of the assets held by the Ontario Electricity Financial Corporation in trust for the Company.

Departure Taxes

By virtue of being wholly owned by the Province, Hydro One was exempt from tax under the federal Income Tax Act and the Province of Ontario Taxation Act (the Tax Acts). However, under the Electricity Act, Hydro One was required to make payments in lieu of tax to the Ontario Electricity Financial Corporation. The payments in lieu of tax were, in general, equivalent to the amount of tax that Hydro One would otherwise be liable to pay under the Tax Acts if it was not exempt from taxes under those statutes.

In connection with the initial public offering of Hydro One Limited, Hydro One's exemption from tax under the Tax Acts ceased to apply. Under the Tax Acts, Hydro One was deemed to have disposed of its assets immediately before it lost its tax exempt status resulting in Hydro One making payments in lieu of tax under the Electricity Act totalling $2.6 billion in respect thereof, calculated by reference to the federal Income Tax Act ("departure tax").

Hydro One Inc. also paid the Ontario Electricity Financial Corporation approximately $0.3 billion in additional payments in lieu of tax in connection with the period prior to the initial public offering.

For a discussion of the departure tax and the related financial implications on the Company, see "Business of Hydro One – Transmission Business – Regulation – Recent Transmission Rate Applications" as well as the Amended Annual MD&A under the heading "Risk Management and Risk Factors – Risks Relating to Hydro One's Business – Risks Relating to Regulatory Treatment of Deferred Tax Asset".

MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which Hydro One Limited has entered into since the beginning of the last financial year, or entered into prior to such date but which contract is still in effect:

(a) an agreement and plan of merger (the "Merger Agreement") dated July 19, 2017, by and among Hydro One Limited, Olympus Holding Corp., Olympus Corp. and Avista Corporation, providing for the direct or indirect acquisition by Olympus Holding Corp., an indirect, wholly-owned subsidiary of Hydro One Limited, of Avista Corporation for an aggregate purchase price of approximately U.S.$5,300,000,000, comprised of an equity purchase price of U.S. $3,400,000,000 and the assumption of U.S. $1,900,000,000 of debt;

(b) a termination of merger agreement (the "Termination Agreement") dated January 23, 2019, between Hydro One Limited, Olympus Holding Corp., Olympus Corp. and Avista Corporation, which terminated the Merger Agreement. The Termination Agreement provides that Hydro One Limited will pay Avista Corporation a U.S. $103 million termination fee, as required by the Merger Agreement;

(c) the Governance Agreement, described under "Agreements with Principal Shareholder";

(d) the Registration Rights Agreement, described under "Agreements with Principal Shareholder"; and

(e) the Letter Agreement, described under "Agreements with Principal Shareholder".

Copies of the foregoing material agreements have been filed with the Canadian securities regulatory authorities and are available on SEDAR at www.sedar.com. As of the date of this annual information form, HOHL has not issued any debt securities pursuant to the HOHL Indenture and accordingly the HOHL Indenture is not considered a material agreement. If and when such debt securities are issued pursuant to the HOHL Indenture, such agreement may be considered a material agreement.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is from time to time involved in legal proceedings of a nature considered normal to its business. Except as disclosed below, Hydro One believes that none of the litigation in which it is currently involved, or has been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to its consolidated financial condition or results of operations. The Company is not subject to any material regulatory actions.

Hydro One Inc., Hydro One Networks Inc., Hydro One Remote Communities Inc., and Norfolk Power are defendants in a class action suit in which the representative plaintiff is seeking up to $125 million in damages related to allegations of improper billing practices. The action was commenced in the Superior Court of Ontario on September 9, 2015. The plaintiff's motion for certification was dismissed by the court in November 2017. The plaintiff appealed the court's decision to the Ontario Divisional Court. The appeal was heard in

October 2018; the Ontario Divisional Court dismissed the appeal in December 2018; and in January 2019, the plaintiff applied for leave to appeal to the Ontario Court of Appeal. The plaintiff's application for leave to appeal was denied by the Ontario Court of Appeal in March 2019, which means that the lawsuit has effectively ended.

In connection with the reorganization of Ontario Hydro, Hydro One Inc. succeeded Ontario Hydro as a party to various pending legal proceedings relating to the businesses, assets, real estate and employees transferred to it. Hydro One Inc. also assumed responsibility for future claims relating to the businesses, assets, real estate and employees acquired by Hydro One Inc. and arising out of events occurring prior to, as well as after, April 1, 1999. In addition to claims assumed by the Company, it is, from time to time, named as a defendant in legal actions arising in the normal course of business. There are currently no actions that are outstanding which are expected to have a material adverse effect on the Company.

To date, four putative class action lawsuits have been filed by Avista Corporation shareholders in relation to the Merger. First, *Fink v. Morris, et al.*, was filed in Washington state court and the amended complaint names as defendants Avista Corporation's directors, Hydro One, Olympus Holding Corp., Olympus Corp., and Bank of America Merrill Lynch. The suit alleged that Avista Corporation's directors breached their fiduciary duties in relation to the Merger, aided and abetted by Hydro One, Olympus Holding Corp., Olympus Corp. and Bank of America Merrill Lynch. The Washington state court issued an order staying the litigation until after the Merger has closed. In light of the termination of the Merger, the plaintiffs filed a stipulation to dismiss their claims against the defendants and the lawsuit has been dismissed. Second, *Jenß v. Avista Corp., et al.*, *Samuel v. Avista Corp., et al.*, and *Sharpenter v. Avista Corp., et al.*, were each filed in the US District Court for the Eastern District of Washington and named as defendants Avista Corporation and its directors; *Sharpenter* also named Hydro One, Olympus Holding Corp., and Olympus Corp. The lawsuits alleged that the preliminary proxy statement omitted material facts necessary to make the statements therein not false or misleading. *Jenß*, *Samuel*, and *Sharpenter* were all voluntarily dismissed by the respective plaintiffs with no consideration paid by any of the defendants. See the Annual MD&A under the heading "Risk Management and Risk Factors – Litigation Risks" for more information.

INTEREST OF EXPERTS

KPMG LLP, Chartered Professional Accountants, located at 333 Bay Street, Suite 4600, Bay Adelaide Centre, Toronto, Ontario M5H 2S5, is the auditor of Hydro One Limited and has audited the amended consolidated financial statements of Hydro One Limited as at and for the years ended December 31, 2018 and December 31, 2017. KPMG LLP has confirmed that it is independent of Hydro One Limited within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation, and also that they are independent accountants with respect to Hydro One Limited under all relevant US professional and regulatory standards.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for Hydro One Limited's common shares is Computershare Trust Company of Canada at its principal office in Toronto, Ontario. Computershare Trust Company of Canada at its principal office in Toronto, Ontario also acted as the trustee for the Debentures and acted as custodian and security agent in respect of the instalment receipts. On February 8, 2019, the Debentures were redeemed as a result of the termination of the Merger, and the instalment receipts were delisted from the TSX.

ADDITIONAL INFORMATION

Additional information relating to Hydro One Limited may be found on SEDAR at www.sedar.com. Additional information, including with respect to directors' and officers' remuneration and indebtedness, principal holders of Hydro One Limited's securities and shares authorized for issuance under equity compensation plans, is contained in the Company's management information circular for its most recent annual meeting of shareholders that involves the election of directors.

Additional financial information is provided in the Amended Annual MD&A and in the amended consolidated financial statements and notes thereto of Hydro One Limited for 2018.

SCHEDULE "A"
HYDRO ONE LIMITED

AUDIT COMMITTEE MANDATE

Purpose

The Audit Committee (the "Committee") is a committee appointed by the board of directors (the "Board") of Hydro One Limited (including its subsidiaries, the "Company"). The Committee is established to fulfill applicable public company obligations and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting including responsibility to oversee:

(a) the independence, qualification and appointment of external auditors;

(b) the integrity of the Company's financial statements and financial reporting process, including the audit process and the Company's internal control over financial reporting, disclosure controls and procedures and compliance with other related legal and regulatory requirements;

(c) the performance of the Company's financial finance function, internal auditors and external auditors; and

(d) the auditing, accounting and financial reporting process.

The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members: (a) to plan or conduct audits; (b) to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles; or (c) to conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee, its Chair and its members with accounting or finance expertise are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Company, and are specifically not accountable or responsible for the day to day operation or performance of such activities.

Procedures

1. **Number of Members** – The members of the Committee shall be appointed by the Board. The Committee will be composed of not less than three (3) Board members.

2. **Independence** – The Committee shall be constituted at all times of directors who are "independent" (a) within the meaning of all Canadian securities laws and stock exchange requirements, each as in effect and applicable to Hydro One Limited from time to time; and (b) of the Province of Ontario within the meaning of the Governance Agreement between the Company and the Province of Ontario (as amended, revised or replaced from time to time, the "Governance Agreement").

3. **Financial Literacy** – Each member shall be "financially literate" within the meaning of other applicable requirements or guidelines for audit committee service under securities laws or the rules

of any applicable stock exchange, including NI 52-110. At least one member will otherwise qualify as an "audit committee financial expert" as defined by applicable rules of the Securities and Exchange Commission.

4. **Cross-Appointment** – No member may serve on the audit committee of more than two other public companies, unless the Board determined that this simultaneous service would not impair the ability of the member to serve effectively on the Committee.

5. **Appointment and Replacement of Committee Members** – Any member of the Committee may be removed or replaced at any time by the Board and shall automatically cease to be a member of the Committee upon ceasing to be a director. The Board shall fill any vacancy if the membership of the Committee is less than three directors. Whenever there is a vacancy on the Committee, the remaining members may exercise all its power as long as a quorum remains in office. Subject to the foregoing, the members of the Committee shall be appointed by the Board annually and each member of the Committee shall remain on the Committee until his or her successor shall be duly appointed and qualified or his or her earlier resignation or removal.

6. **Committee Chair –** Unless a Committee Chair is designated by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee. The Committee Chair shall be responsible for leadership of the Committee and reporting to the Board. If the Committee Chair is not present at any meeting of the Committee, one of the other members of the Committee who is present shall be chosen by the Committee to preside at the meeting. The Committee Chair shall also appoint a secretary who need not be a director.

7. **Conflicts of Interest** – If a Committee member faces a potential or actual conflict of interest relating to a matter before the Committee, other than matters relating to the compensation of directors, that member shall be responsible for alerting the Committee Chair. If the Committee Chair faces a potential or actual conflict of interest, the Committee Chair shall advise the Board Chair. If the Committee Chair, or the Board Chair, as the case may be, concurs that a potential or actual conflict of interest exists, the member faced with such conflict shall disclose to the Committee the member's interest and shall not be present for or participate in any discussion or other consideration of the matter and shall not vote on the matter.

8. **Meetings** – The Committee shall meet regularly and as often as it deems necessary to perform the duties and discharge its responsibilities as described herein in a timely manner, but not less than four (4) times a year. The Committee shall maintain written minutes of its meetings, which will be filed in the Company's corporate minute books. The Board Chair may attend and speak at all meetings of the Committee, whether or not the Board Chair is a member of the Committee.

9. **Separate Private Meetings** – The Committee shall meet regularly, but no less than quarterly, with the Chief Financial Officer, the head of the internal audit function (if other than the Chief Financial Officer) and the external auditors in separate private sessions to discuss any matters that the Committee or any of these groups believes should be discussed privately and such persons shall have access to the Committee to bring forward matters requiring its attention. The Committee shall

also meet at each meeting of the Committee without management or non-independent directors present, unless otherwise determined by the Committee Chair.

10. **Professional Assistance** – The Committee may require the external auditors to perform such supplemental reviews or audits as the Committee may deem desirable and may retain such special legal, accounting, financial or other consultants as the Committee may determine to be necessary to carry out the Committee's duties, in each case at the Company's expense and inform the Chair of the Governance Committee of any such retainer. The Company's external auditors will have direct access to the Committee at their own initiative.

11. **Reliance –** Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on: (a) the integrity of those persons or organizations within and outside the Company from which it receives information; (b) the accuracy of the financial and other information provided to the Committee by such persons or organizations; and (c) representations made by management and the external auditors as to any information technology, internal audit and other permissible non-audit services provided by the external auditors to the Company and its subsidiaries.

12. **Reporting to the Board** – The Committee will report through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Mandate.

Responsibilities

The principal responsibilities of the Committee are:

Selection and Oversight of the External Auditors

1. approve the terms of engagement and, if the shareholders authorize the Board to do so, the compensation to be paid by the Company to the external auditors with respect to the conduct of the annual audit. The external auditors are ultimately accountable to the Committee and the Board as the representatives of the shareholders of the Company and shall report directly to the Committee and the Committee shall so instruct the external auditors.

2. evaluate the quality of service, independence, objectivity, professional skepticism and performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Company to be proposed for shareholder approval and shall have authority to terminate the external auditors. If a change in external auditors is proposed by the Committee or management of the Company, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent external auditors, and enquire on the qualifications of the proposed external auditors before making its recommendation to the Board.

3. review and approve policies and procedures for the pre-approval of services to be rendered by the external auditors. All permissible non-audit services to be provided to the Company or any of its affiliates by the external auditors or any of their affiliates that are not covered by pre-approval policies and procedures approved by the Committee shall be subject to pre-approval by the Committee. The Committee shall have the sole discretion regarding the prohibition of the external auditor providing certain non-audit services to the Company and its affiliates. The Committee shall also review and approve disclosures with respect to permissible non-audit services.

4. review the independence and professional skepticism of the external auditors and make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the external auditors. In connection with such review, the Committee shall:

   (a) actively engage in a dialogue with the external auditors about all relationships or services that may impact the objectivity and independence of the external auditors, including whether there are any disputes, restrictions or limitations placed on their work;

   (b) obtain from external auditors at least annually, a formal written statement delineating all relationships between the Company and the external auditors and their affiliates;

   (c) ensure the rotation of the lead (and concurring) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by applicable law or professional practice; and

   (d) consider the auditor independence standards promulgated by applicable auditing regulatory and professional bodies.

5. review and approve policies for the hiring by the Company of employees or former employees of the external auditors.

6. require the external auditors to provide to the Committee, and review and discuss with the external auditors, all notices and reports which the external auditors are required to provide to the Committee or the Board under rules, policies or practices of professional or regulatory bodies applicable to the external auditors, and any other reports which the Committee may require. Such reports shall include:

   (a) a description of the external auditors' internal quality-control procedures, any material issues respecting the external auditors raised by the most recent internal quality-control review, peer review or review body with auditing oversight responsibility over the external auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with any such issues; and

   (b) a report describing: (i) the proposed audit plan and approach , (ii) all critical accounting policies and practices to be used by the Company; (iii) all alternative treatments of financial

information within generally accepted accounting principles related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; and (iv) other material written communication between the external auditors and management, such as any management letter or schedule of unadjusted differences.

7. meet periodically with the external auditors to discuss their audit plan for the year, progress of their activities, any significant findings stemming from the external audit, any changes required in the planned scope of their audit plan, whether there are any disputes or any restrictions or limitations on the external auditors.

8. review the experience and qualifications of the audit team and review the performance of the external auditors, including assessing their effectiveness and quality of service, annually and, every five (5) years, perform a comprehensive review of the performance of the external auditors over multiple years to provide further insight on the audit firm, its independence and application of professional standards.

Appointment and Oversight of Internal Auditors

9. review and approve the appointment, terms of engagement, compensation, replacement or dismissal of the internal auditors. When the internal audit function is performed by employees of the Company, the Committee may delegate responsibility for approving the employment, terms of employment, compensation and termination of employees engaged in such function other than the head of the Company’s internal audit function.

10. meet periodically with the internal auditors to review and approve their audit plan for the year, and discuss progress of their activities, any significant findings stemming from internal audits, any changes required in the planned scope of their audit plan and whether there are any disputes, restrictions or limitations on internal audit.

11. review summaries of the significant reports to management prepared by the internal auditors, or the actual reports if requested by the Committee, and management’s responses to such reports.

12. communicate with, as it deems necessary, the internal auditors with respect to their reports and recommendations, the extent to which prior recommendations have been implemented and any other matters that the internal auditor brings to the attention of the Committee. The head of the internal audit function shall have unrestricted access to the Committee.

13. evaluate, annually or more frequently as it deems necessary, the internal audit function, including its activities, organizational structure, independence and the qualifications, effectiveness and adequacy of the function.

Oversight and Review of Accounting Principles and Practices

14. review and discuss with management, the external auditors and the internal auditors (together and separately as it deems necessary), among other items and matters:

    (a) the quality, appropriateness and acceptability of the Company's accounting principles, practices and policies used in its financial reporting, its consistency from period to period, changes in the Company's accounting principles or practices and the application of particular accounting principles and disclosure practices by management to new transactions or events;

    (b) all significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the effects of alternative methods within generally accepted accounting principles on the financial statements and any "second opinions" sought by management from an external auditor with respect to the accounting treatment of a particular item;

    (c) any material change to the Company's auditing and accounting principles and practices as recommended by management, the external auditors or the internal auditors or which may result from proposed changes to applicable generally accepted accounting principles;

    (d) the extent to which any changes or improvements in accounting or financial practices, as approved by the Committee, have been implemented;

    (e) any reserves, accruals, provisions or estimates that may have a material effect upon the financial statements of the Company;

    (f) the use of any "pro forma" or "adjusted" information which is not in accordance with generally accepted accounting principles;

    (g) the effect of regulatory and accounting initiatives on the Company's financial statements and other financial disclosures; and

    (h) legal matters, claims and contingencies that could have a significant impact on the Company's financial statements.

15. review and resolve disagreements between management and the external auditors regarding financial reporting or the application of any accounting principles or practices.

Oversight and Monitoring of Internal Controls

16. exercise oversight of, review and discuss with management, the external auditors and the internal auditors (together and separately, as it deems necessary:

    (a) the adequacy and effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures designed to ensure compliance with applicable laws and regulations;

(b) any significant deficiencies or material weaknesses in internal control over financial reporting or disclosure controls and procedures, and the status of any plans for their remediation;

(c) the adequacy of the Company's internal controls and any related significant findings and recommendations of the external auditors and internal auditors together with management's responses thereto; and

(d) management's compliance with the Company's processes, procedures and internal controls.

Oversight and Monitoring of the Company's Financial Reporting and Disclosures

17. review with the external auditors and management and recommend to the Board for approval the audited annual financial statements and unaudited interim financial statements, and the notes and Managements' Discussion and Analysis accompanying all such financial statements, the Company's annual report and any other disclosure documents or regulatory filings containing or accompanying financial information of the Company, prior to the release of any summary of the financial results or the filing of such reports with applicable regulators.

18. discuss earnings press releases prior to their distribution, as well as financial information and earnings guidance prior to public disclosure, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Company gives earning guidance.

19. review with management the Company's disclosure controls and procedures and material changes to the design of the Company's disclosure controls and procedures.

20. receive and review the financial statements and other financial information of material subsidiaries of the Company and any auditor recommendations concerning such subsidiaries.

21. meet with management to review the adequacy of the process and systems in place for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information.

Oversight of Finance Matters

22. periodically review matters pertaining to the Company's material policies and practices respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the Company.

23. periodically review the Company's major financial risk exposures (including foreign exchange and interest rate) and management's initiatives to control such exposures, including the use of financial derivatives and hedging activities.

24. review and discuss with management all material off-balance sheet transactions, arrangements, obligations (including contingent obligations), leases and other relationships of the Company with unconsolidated entities or other persons, that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves, or significant components of revenues or expenses.

25. review and discuss with management any equity investments, acquisitions and divestitures that may have a material current or future effect on financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves, or significant components of revenues or expenses.

26. review and discuss with management the Company's effective tax rate, adequacy of tax reserves, tax payments and reporting of any pending tax audits or assessments, and material tax policies and tax planning initiatives.

27. review the organizational structure of the finance function and satisfy itself as to the qualifications, effectiveness and adequacy of the function.

28. review the work plan and progress on implementation of major information technology system changes and satisfy itself as to the adequacy of the information system infrastructure.

Regulatory Matters

29. review the financial impact to the Company of electrical regulatory initiatives.

30. review the financial impact to the Company of regulatory matters.

31. review the financial implications of Company initiatives which may have a material impact on transmission and distribution rate filing applications.

Code of Business Conduct, Whistleblower Policy and Fraud Risk Assessment Management Program

32. review and recommend to the Board for approval any changes to the Code of Business Conduct for employees, officers and directors of the Company.

33. review and approve changes to the whistleblower policy or other procedures for: (a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

34. oversee management's monitoring of, compliance with the Company's Code of Business Conduct and the Whistleblower Policy.

35. oversee the Company’s Fraud Risk Assessment Management Program and monitor management’s compliance with that Program.

Enterprise Risk Management

36. review the Enterprise Risk Management framework for the Company and assess the adequacy and completeness of the process for identifying and assessing the key risks facing the Company.

37. meet with the head of the Enterprise Risk Management function at least semi-annually.

38. ensure that primary oversight responsibility for each of the key risks identified in the Enterprise Risk Management framework is assigned to the Board or one of its Committees.

Additional Responsibilities

39. review the Company’s privacy and data security risk exposures and measures taken to protect the security and integrity of its management information systems and Company and customer data.

40. review and approve in advance any proposed related-party transactions and required disclosures of such in accordance with applicable securities laws and regulations and consistent with the Company’s related party transaction policy, and report to the Board on any approved transactions.

41. review on an annual basis reports on the expense accounts of the Chief Executive Officer and his or her direct reports.

42. review the directors’ and officers’ insurance policies of the Company and make recommendations to the Board for approval of renewal of such policies or amendment or the replacement of the insurer.

43. undertake on behalf of the Board such other initiatives as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting and perform such other functions as required by law, stock exchange rules or the Company’s constating documents.

44. review annually the adequacy of this Mandate and ensure that it is disclosed in compliance with applicable securities laws and stock exchange rules and posted on the Company’s website.

Approved by the Board on February 13, 2018.

hydroOne

NOTICE TO READER

Please be advised that Hydro One Limited (Hydro One or the Company) is filing Amended Consolidated Financial Statements and Amended Management's Discussion and Analysis (MD&A) for the period ended December 31, 2018, amending the documents previously filed to reflect the following changes:

1. The Consolidated Statements of Operations and Comprehensive Income, Consolidated Balance Sheets, Consolidated Statements of Changes in Equity and Consolidated Statements of Cash Flows and the relevant notes to the Consolidated Financial Statements for Income Taxes, Regulatory Assets and Liabilities, Segment Reporting, and Subsequent Events were updated to reflect the impact of the March 7, 2019 decision issued by the Ontario Energy Board (OEB) relating to the Deferred Tax Asset portion of the OEB's decision on Hydro One Networks' 2017 and 2018 transmission revenue requirement, for which the OEB previously granted a Motion to Review and Vary (DTA Decision) as disclosed in the Audited Consolidated Financial Statements Note 32(D) - Subsequent Events (OEB Regulatory Decisions) and Note 12 - Regulatory Assets and Liabilities.

2. MD&A was updated to reflect the impact of the DTA Decision, including the Consolidated Financial Highlights and Statistics, Overview, Results of Operations, Selected Annual Financial Statistics, Quarterly Results of Operations, Regulation, Non-GAAP Measures, Risk Management and Risk Factors, Summary of Fourth Quarter Results of Operations, Hydro One Holdings Limited - Unaudited Consolidating Summary Financial Information, and Forward-Looking Statements and Information.

The DTA Decision is a Type I subsequent event under United States Generally Accepted Accounting Principles (US GAAP) and as such the Company is required to update the Consolidated Financial Statements and MD&A to reflect the subsequent event in connection with filing its annual reports on Form 40-F with the US Securities and Exchange Commission, so that they contain the current information required at March 25, 2019, the date of approval of the annual report on Form 40-F.

Other than as expressly set forth above, the Amended Consolidated Financial Statements and Amended MD&A do not purport to update or restate the information in the original Consolidated Financial Statements and MD&A or reflect any events that occurred after the date of the filing of the original Consolidated Financial Statements and MD&A other than changes to the sections as expressly set forth above.

The Amended Consolidated Financial Statements and Amended MD&A have been filed electronically at www.sedar.com and at www.sec.gov/edgar.shtml, and also on the Company's website at www.HydroOne.com/Investors.

HYDRO ONE LIMITED
MANAGEMENT'S REPORT

The Amended Consolidated Financial Statements, Management's Discussion and Analysis (MD&A) and related financial information have been prepared by the management of Hydro One Limited (Hydro One or the Company). Management is responsible for the integrity, consistency and reliability of all such information presented. The Amended Consolidated Financial Statements have been prepared in accordance with United States Generally Accepted Accounting Principles and applicable securities legislation. The MD&A has been prepared in accordance with National Instrument 51-102.

The preparation of the Amended Consolidated Financial Statements and information in the MD&A involves the use of estimates and assumptions based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances, with critical analysis of the significant accounting policies followed by the Company as described in Note 2 to the Amended Consolidated Financial Statements. The preparation of the Amended Consolidated Financial Statements and the MD&A includes information regarding the estimated impact of future events and transactions. The MD&A also includes information regarding sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from the present assessment of this information because future events and circumstances may not occur as expected.

Management is responsible for establishing and maintaining adequate disclosure controls and procedures and internal control over financial reporting as described in the annual MD&A. Management evaluated the effectiveness of the design and operation of disclosure controls and procedures and internal control over financial reporting based on the framework and criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective at a reasonable level of assurance as of December 31, 2018. As required, the results of that evaluation were reported to the Audit Committee of the Hydro One Board of Directors and the external auditors.

The Amended Consolidated Financial Statements have been audited by KPMG LLP, independent external auditors appointed by the shareholders of the Company. The external auditors' responsibility is to express their opinion on whether the Consolidated Financial Statements are fairly presented in all material respects in accordance with United States Generally Accepted Accounting Principles. The Independent Auditors' Report outlines the scope of their examination and their opinion.

The Hydro One Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control over reporting and disclosure. The Audit Committee of Hydro One met periodically with management, the internal auditors and the external auditors to satisfy itself that each group had properly discharged its respective responsibility and to review the Amended Consolidated Financial Statements before recommending approval by the Board of Directors. The external auditors had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit findings.

On behalf of Hydro One's management:

Paul Dobson	Christopher Lopez
Acting President and Chief Executive Officer	Acting Chief Financial Officer

HYDRO ONE LIMITED
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Hydro One Limited

Opinion on the Amended Consolidated Financial Statements

We have audited the accompanying amended consolidated balance sheet of Hydro One Limited (the Company) as of December 31, 2018, the related amended consolidated statements of operations and comprehensive income, changes in equity, and cash flows for the year then ended, and the related amended notes (collectively, the amended consolidated financial statements). In our opinion, the amended consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with US generally accepted accounting principles.

Basis for Opinion

These amended consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these amended consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the amended consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the amended consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the amended consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

We have served as the Company's auditor since 2008

Toronto, Canada
March 25, 2019

HYDRO ONE LIMITED
INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Hydro One Limited

We have audited the accompanying consolidated financial statements of Hydro One Limited, which comprise the consolidated balance sheet as at December 31, 2017, the consolidated statements of operations and comprehensive income, changes in equity, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with US generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hydro One Limited as at December 31, 2017, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with US generally accepted accounting principles.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada
March 25, 2019

HYDRO ONE LIMITED
AMENDED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the years ended December 31, 2018 and 2017

Year ended December 31 *(millions of Canadian dollars, except per share amounts)*	**2018**	**2017**
Revenues		
Distribution (includes $280 related party revenues; 2017 - $284) *(Note 27)*	4,422	4,366
Transmission (includes $1,617 related party revenues; 2017 - $1,523) *(Note 27)*	1,686	1,578
Other	42	46
	6,150	5,990
Costs		
Purchased power (includes $1,648 related party costs; 2017 - $1,594) *(Note 27)*	2,899	2,875
Operation, maintenance and administration *(Note 27)*	1,105	1,066
Depreciation, amortization and asset removal costs *(Note 5)*	837	817
	4,841	4,758
Income before financing charges and income taxes	**1,309**	**1,232**
Financing charges *(Note 6)*	459	439
Income before income taxes	850	793
Income taxes *(Note 7)*	915	111
Net income (loss)	**(65)**	**682**
Other comprehensive income	4	1
Comprehensive income (loss)	**(61)**	**683**
Net income (loss) attributable to:		
Noncontrolling interest *(Note 26)*	6	6
Preferred shareholders	18	18
Common shareholders	(89)	658
	(65)	**682**
Comprehensive income (loss) attributable to:		
Noncontrolling interest *(Note 26)*	6	6
Preferred shareholders	18	18
Common shareholders	(85)	659
	(61)	**683**
Earnings per common share *(Note 24)*		
Basic	($0.15)	$1.11
Diluted	($0.15)	$1.10
Dividends per common share declared *(Note 23)*	$0.91	$0.87

See accompanying notes to Amended Consolidated Financial Statements.

HYDRO ONE LIMITED
AMENDED CONSOLIDATED BALANCE SHEETS
At December 31, 2018 and 2017

December 31 *(millions of Canadian dollars)*	**2018**	**2017**
Assets		
Current assets:		
Cash and cash equivalents	483	25
Accounts receivable *(Note 8)*	628	636
Due from related parties *(Note 27)*	255	253
Other current assets *(Note 9)*	125	105
	1,491	1,019
Property, plant and equipment *(Note 10)*	20,687	19,947
Other long-term assets:		
Regulatory assets *(Note 12)*	1,721	3,049
Deferred income tax assets *(Note 7)*	1,018	987
Intangible assets *(Note 11)*	410	369
Goodwill	325	325
Other assets	5	5
	3,479	4,735
Total assets	**25,657**	**25,701**
Liabilities		
Current liabilities:		
Short-term notes payable *(Note 15)*	1,252	926
Long-term debt payable within one year *(Notes 15, 17)*	731	752
Accounts payable and other current liabilities *(Note 13)*	956	905
Due to related parties *(Note 27)*	89	157
	3,028	2,740
Long-term liabilities:		
Long-term debt (includes $845 measured at fair value; 2017 – $541) *(Notes 15, 17)*	9,978	9,315
Convertible debentures *(Notes 16, 17)*	489	487
Regulatory liabilities *(Note 12)*	326	128
Deferred income tax liabilities *(Note 7)*	58	71
Other long-term liabilities *(Note 14)*	2,135	2,707
	12,986	12,708
Total liabilities	**16,014**	**15,448**
Contingencies and Commitments (Notes 29, 30)		
Subsequent Events (Notes 4, 12, 16, 17, 32)		
Noncontrolling interest subject to redemption *(Note 26)*	21	22
Equity		
Common shares *(Note 22)*	5,643	5,631
Preferred shares *(Note 22)*	418	418
Additional paid-in capital *(Note 25)*	56	49
Retained earnings	3,459	4,090
Accumulated other comprehensive loss	(3)	(7)

Hydro One shareholders' equity	9,573	10,181
Noncontrolling interest *(Note 26)*	49	50
Total equity	**9,622**	**10,231**
	25,657	**25,701**

See accompanying notes to Amended Consolidated Financial Statements.

On behalf of the Board of Directors:

Tom Woods

Chair

William Sheffield

Chair, Audit Committee

HYDRO ONE LIMITED
AMENDED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2018 and 2017

Year ended December 31, 2018 *(millions of Canadian dollars)*	Common Shares	Preferred Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Hydro One Shareholders' Equity	Non-controlling Interest *(Note 26)*	Total Equity
January 1, 2018	5,631	418	49	4,090	(7)	10,181	50	10,231
Net income (loss)	—	—	—	(71)	—	(71)	4	(67)
Other comprehensive income	—	—	—	—	4	4	—	4
Distributions to noncontrolling interest	—	—	—	—	—	—	(5)	(5)
Dividends on preferred shares	—	—	—	(18)	—	(18)	—	(18)
Dividends on common shares	—	—	—	(542)	—	(542)	—	(542)
Common shares issued	12	—	(12)	—	—	—	—	—
Stock-based compensation *(Note 25)*	—	—	19	—	—	19	—	19
December 31, 2018	**5,643**	**418**	**56**	**3,459**	**(3)**	**9,573**	**49**	**9,622**

Year ended December 31, 2017 *(millions of Canadian dollars)*	Common Shares	Preferred Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Hydro One Shareholders' Equity	Non-controlling Interest *(Note 26)*	Total Equity
January 1, 2017	5,623	418	34	3,950	(8)	10,017	50	10,067
Net income	—	—	—	676	—	676	4	680
Other comprehensive income	—	—	—	—	1	1	—	1
Distributions to noncontrolling interest	—	—	—	—	—	—	(4)	(4)
Dividends on preferred shares	—	—	—	(18)	—	(18)	—	(18)
Dividends on common shares	—	—	—	(518)	—	(518)	—	(518)
Common shares issued	8	—	(8)	—	—	—	—	—
Stock-based compensation *(Note 25)*	—	—	23	—	—	23	—	23
December 31, 2017	**5,631**	**418**	**49**	**4,090**	**(7)**	**10,181**	**50**	**10,231**

See accompanying notes to Amended Consolidated Financial Statements.

HYDRO ONE LIMITED
AMENDED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017

Year ended December 31 *(millions of Canadian dollars)*	**2018**	**2017**
Operating activities		
Net income (loss)	(65)	682
Environmental expenditures	(22)	(24)
Adjustments for non-cash items:		
Depreciation and amortization *(Note 5)*	747	727
Regulatory assets and liabilities	35	112
Deferred income taxes	890	85
Unrealized loss (gain) on foreign exchange contract	(25)	3
Other	38	18
Changes in non-cash balances related to operations *(Note 28)*	(23)	113
Net cash from operating activities	**1,575**	**1,716**
Financing activities		
Long-term debt issued	1,400	—
Long-term debt repaid	(753)	(602)
Short-term notes issued	4,242	3,795
Short-term notes repaid	(3,916)	(3,338)
Convertible debentures issued *(Note 16)*	—	513
Dividends paid	(560)	(536)
Distributions paid to noncontrolling interest	(8)	(6)
Other *(Note 16)*	(6)	(27)
Net cash from (used in) financing activities	**399**	**(201)**
Investing activities		
Capital expenditures *(Note 28)*		
Property, plant and equipment	(1,418)	(1,467)
Intangible assets	(120)	(80)
Capital contributions received *(Note 28)*	7	9
Other	15	(2)
Net cash used in investing activities	**(1,516)**	**(1,540)**
Net change in cash and cash equivalents	458	(25)
Cash and cash equivalents, beginning of year	25	50
Cash and cash equivalents, end of year	**483**	**25**

See accompanying notes to Amended Consolidated Financial Statements.

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). The acquisition of Hydro One Inc. by Hydro One was accounted for as a common control transaction and Hydro One is a continuation of business operations of Hydro One Inc. At December 31, 2018, the Province held approximately 47.4% (2017 - 47.4%) of the common shares of Hydro One.

The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario.

Rate Setting

The Company's transmission business consists of the transmission system operated by Hydro One Inc.'s subsidiaries, Hydro One Networks Inc. (Hydro One Networks) and Hydro One Sault Ste. Marie LP (HOSSM), as well as an approximately 66% interest in B2M Limited Partnership (B2M LP), a limited partnership between Hydro One and the Saugeen Ojibway Nation (SON) in respect of the Bruce-to-Milton transmission line. Hydro One's distribution business consists of the distribution system operated by Hydro One Inc.'s subsidiaries, Hydro One Networks and Hydro One Remote Communities Inc. (Hydro One Remote Communities).

<u>Ontario Energy Board (OEB) March 7, 2019 Decisions and Amended Consolidated Financial Statements</u>

Subsequent to year end, on March 7, 2019, the OEB issued a decision on its reconsideration of its decision and order on Hydro One Networks' 2017 and 2018 transmission rates revenue requirements dated September 28, 2017 (Original Decision) with respect to the rate-setting treatment of the benefits of the deferred tax asset resulting from transition from the payments in lieu of tax regime under the *Electricity Act* (Ontario) to tax payments under the federal and provincial tax regime which occurred when Hydro One Limited became a public company listed on the Toronto Stock Exchange.

The March 7, 2019 OEB decision has been determined to be a Type I subsequent event under United States (US) Generally Accepted Accounting Principles (GAAP) and as such the Company is required to update the consolidated financial statements previously issued on February 20, 2019, to reflect the subsequent event in connection with filing its annual report on Form 40-F with the US Securities and Exchange Commission, so that they reflect events to the date of approval of the Form 40-F. As a result, the financial impact of this OEB decision has been reflected in these amended consolidated financial statements, as more fully discussed in Note 12 - Regulatory Assets and Liabilities.

<u>Transmission</u>

In December 2017, the OEB approved Hydro One Networks' 2018 rates revenue requirement of $1,511 million. See Note 12 - Regulatory Assets and Liabilities for additional information.

In December 2015, the OEB approved B2M LP's 2015-2019 rates revenue requirements of $39 million, $36 million, $37 million, $38 million and $37 million for the respective years. On May 10, 2018, the OEB issued its decision and rate order on B2M LP's 2018 transmission application reflecting revenue requirement of $36 million, effective January 1, 2018.

HOSSM is under a 10-year deferred rebasing period for years 2017-2026, as approved in the OEB Mergers Acquisitions Amalgamations and Divestitures (MAAD) decision dated October 13, 2016. In September 2017, the OEB issued its decision and Order on HOSSM's 2017 transmission rate application, denying the requested revenue requirement. HOSSM's 2016 approved revenue requirement of $41 million remained in effect for 2017 and 2018.

<u>Distribution</u>

In March 2017, Hydro One Networks filed an application with the OEB for 2018-2022 distribution rates. The requested revenue requirements, updated in June 2018, are $1,514 million for 2018, $1,561 million for 2019, $1,607 million for 2020, $1,681 million for 2021, and $1,722 million for 2022. The OEB decision was received on March 7, 2019. See Note 32(D) - Subsequent Events - OEB Regulatory Decisions.

On November 17, 2017, Hydro One filed with the OEB a request for 2018 interim rates based on 2017 OEB-approved rates, adjusted for an updated load forecast. On December 1, 2017, the OEB denied this request and set interim 2018 rates based on 2017 OEB- approved rates with no adjustments.

On August 28, 2017, Hydro One Remote Communities filed an application with the OEB seeking approval of its 2018 revenue requirement of $57 million and electricity rates effective May 1, 2018. On March 19, 2018, the OEB approved the settlement agreement related to the 2018 rates application reached by Hydro One Remote Communities and the intervenors in the rate proceeding. On March 26, 2018, a draft rate order was filed with the OEB for 2018 rates. The OEB approved the draft rate order on April 12, 2018, and the new rates were implemented effective May 1, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These Amended Consolidated Financial Statements (Consolidated Financial Statements) include the accounts of the Company and its subsidiaries. Intercompany transactions and balances have been eliminated.

Basis of Accounting

These Consolidated Financial Statements are prepared and presented in accordance with US GAAP and in Canadian dollars.

Use of Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates on an ongoing basis based upon historical experience, current conditions, and assumptions believed to be reasonable at the time the assumptions are made, with any adjustments being recognized in results of operations in the period they arise. Significant estimates relate to regulatory assets and regulatory liabilities, environmental liabilities, pension benefits, post-retirement and post-employment benefits, asset retirement obligations, goodwill and asset impairments, contingencies, unbilled revenues, and deferred income tax assets and liabilities. Actual results may differ significantly from these estimates.

Regulatory Accounting

The OEB has the general power to include or exclude revenues, costs, gains or losses in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have been applied in an unregulated company. Such change in timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities that generally represent amounts that are refundable to future customers. The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will include its regulatory assets and liabilities in setting future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in setting future rates, the appropriate carrying amount would be reflected in results of operations prospectively from the date the Company's assessment is made, unless the change meets the requirements for a Type I subsequent event.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less.

Revenue Recognition

The Company adopted Accounting Standard Codification (ASC) 606 - *Revenue from Contracts with Customers* on January 1, 2018 using the retrospective method, without the election of any practical expedients. There was no material impact to the Company's revenue recognition policy as a result of adopting ASC 606, and no adjustments were made to prior period reported financial statements amounts.

Nature of Revenues

Transmission revenues predominantly consist of transmission tariffs, which are collected through OEB-approved Uniform Transmission Rates (UTR) and the monthly peak demand for electricity across Hydro One's high-voltage network. OEB-approved UTR is based on an approved revenue requirement that includes a rate of return. The transmission tariffs are designed to recover revenues necessary to support the Company's transmission system with sufficient capacity to accommodate the maximum expected demand which is influenced by weather and economic conditions. Transmission revenues are recognized as electricity is transmitted and delivered to customers.

Distribution revenues attributable to the delivery of electricity are based on OEB-approved distribution rates and are recognized on an accrual basis and include billed and unbilled revenues. Billed revenues are based on electricity delivered as measured from customer meters. At the end of each month, electricity delivered to customers since the date of the last billed meter reading is estimated, and the corresponding unbilled revenue is recorded. The unbilled revenue estimate is affected by energy consumption, weather, and changes in the composition of customer classes.

Revenues also include amounts related to sales of other services and equipment. Such revenue is recognized as services are rendered or as equipment is delivered. Revenues are recorded net of indirect taxes.

Accounts Receivable and Allowance for Doubtful Accounts

Billed accounts receivable are recorded at the invoiced amount, net of allowance for doubtful accounts. Unbilled accounts receivable are recorded at their estimated value. Overdue amounts related to regulated billings bear interest at OEB-approved rates. The allowance for doubtful accounts reflects the Company's best estimate of losses on billed accounts receivable balances. The Company estimates the allowance for doubtful accounts on billed accounts receivable by applying internally developed loss rates to the outstanding receivable balances by aging category. Loss rates applied to the billed accounts receivable balances are based on historical overdue balances, customer payments and write-offs. Accounts receivable are written-off against the allowance when they are deemed uncollectible. The allowance for doubtful accounts is affected by changes in volume, prices and economic conditions.

Noncontrolling interest

Noncontrolling interest represents the portion of equity ownership in subsidiaries that is not attributable to shareholders of Hydro One. Noncontrolling interest is initially recorded at fair value and subsequently the amount is adjusted for the proportionate share of net income and other comprehensive income (OCI) attributable to the noncontrolling interest and any dividends or distributions paid to the noncontrolling interest.

If a transaction results in the acquisition of all, or part, of a noncontrolling interest in a subsidiary, the acquisition of the noncontrolling interest is accounted for as an equity transaction. No gain or loss is recognized in consolidated net income or comprehensive income as a result of changes in the noncontrolling interest, unless a change results in the loss of control by the Company.

Income Taxes

Current and deferred income taxes are computed based on the tax rates and tax laws enacted as at the balance sheet date. Tax benefits associated with income tax positions are recorded only when the more-likely-than-not recognition threshold is satisfied and are measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon settlement. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant management judgment is required to determine recognition thresholds and the related amount of tax benefits to be recognized in the Consolidated Financial Statements. Management re-evaluates tax positions each period using new information about recognition or measurement as it becomes available.

Deferred Income Taxes

Deferred income taxes are provided for using the liability method. Under this method, deferred income tax assets and liabilities are recognized on all temporary differences between the tax bases and carrying amounts of assets and liabilities, including the carry forward unused tax credits and tax losses to the extent that it is more-likely-than-not that these deductions, credits, and losses can be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates and tax laws that have been enacted as at the balance sheet date. Deferred income taxes that are not included in the rate-setting process are charged or credited to the Consolidated Statements of Operations and Comprehensive Income.

Management reassesses the deferred income tax assets at each balance sheet date and reduces the amount to the extent that it is more-likely-than-not that the deferred income tax asset will not be realized. Previously unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more-likely-than-not that the tax benefit will be realized.

As approved by the regulator, the Company's Canadian subsidiaries recover income tax expense in customer rates based on income taxes that are currently payable, except for certain regulatory balances for which deferred income tax expense is recovered from, or refunded to, customers in current rates, as prescribed by the regulator. The Company records regulatory assets and liabilities associated with deferred income tax assets and liabilities that will be included in the rate-setting process.

Investment tax credits are recorded as a reduction of the related expenses or income tax expense in the current or future period to the extent it is more likely than not that the credits can be utilized.

Materials and Supplies

Materials and supplies represent consumables, small spare parts and construction materials held for internal construction and maintenance of property, plant and equipment. These assets are carried at average cost less any impairments recorded.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost, net of customer contributions, and any accumulated impairment losses. The cost of additions, including betterments and replacement asset components, is included on the Consolidated Balance Sheets as property, plant and equipment.

The original cost of property, plant and equipment includes direct materials, direct labour (including employee benefits), contracted services, attributable capitalized financing costs, asset retirement costs, and direct and indirect overheads that are related to the capital project or program. Indirect overheads include a portion of corporate costs such as finance, treasury, human resources, information technology and executive costs. Overhead costs, including corporate functions and field services costs, are capitalized on a fully allocated basis, consistent with an OEB-approved methodology.

Property, plant and equipment in service consists of transmission, distribution, communication, administration and service assets and land easements. Property, plant and equipment also includes future use assets, such as land, major components and spare parts, and capitalized project development costs associated with deferred capital projects.

Transmission

Transmission assets include assets used for the transmission of high-voltage electricity, such as transmission lines, support structures, foundations, insulators, connecting hardware and grounding systems, and assets used to step up the voltage of electricity from generating stations for transmission and to step down voltages for distribution, including transformers, circuit breakers and switches.

Distribution

Distribution assets include assets related to the distribution of low-voltage electricity, including lines, poles, switches, transformers, protective devices and metering systems.

Communication

Communication assets include fibre optic and microwave radio systems, optical ground wire, towers, telephone equipment and associated buildings.

Administration and Service

Administration and service assets include administrative buildings, personal computers, transport and work equipment, tools and other minor assets.

Easements

Easements include statutory rights of use for transmission corridors and abutting lands granted under the *Reliable Energy and Consumer Protection Act, 2002*, as well as other land access rights.

Intangible Assets

Intangible assets separately acquired or internally developed are measured on initial recognition at cost, which comprises purchased software, direct labour (including employee benefits), consulting, engineering, overheads and attributable capitalized financing charges. Following initial recognition, intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses. The Company's intangible assets primarily represent major computer applications.

Capitalized Financing Costs

Capitalized financing costs represent interest costs attributable to the construction of property, plant and equipment or development of intangible assets. The financing cost of attributable borrowed funds is capitalized as part of the acquisition cost of such assets. The capitalized financing costs are a reduction of financing charges recognized in the Consolidated Statements of Operations and Comprehensive Income. Capitalized financing costs are calculated using the Company's weighted average effective cost of debt.

Construction and Development in Progress

Construction and development in progress consists of the capitalized cost of constructed assets that are not yet complete and which have not yet been placed in service.

Depreciation and Amortization

The cost of property, plant and equipment and intangible assets is depreciated or amortized on a straight-line basis based on the estimated remaining service life of each asset category, except for transport and work equipment, which is depreciated on a declining balance basis.

The Company periodically initiates an external independent review of its property, plant and equipment and intangible asset depreciation and amortization rates, as required by the OEB. Any changes arising from OEB approval of such a review are implemented on a remaining service life basis, consistent with their inclusion in electricity rates. The most recent reviews resulted in changes to rates effective January 1, 2015 and January 1, 2017 for Hydro One Networks' distribution and transmission businesses, respectively. A summary of average service lives and depreciation and amortization rates for the various classes of assets is included below:

	Average	Rate	
	Service Life	Range	Average
Property, plant and equipment:			
Transmission	55 years	1% - 3%	2%
Distribution	46 years	1% - 7%	2%
Communication	16 years	1% - 15%	6%
Administration and service	20 years	1% - 20%	6%
Intangible assets	10 years	10%	10%

In accordance with group depreciation practices, the original cost of property, plant and equipment, or major components thereof, and intangible assets that are normally retired, is charged to accumulated depreciation, with no gain or loss being reflected in results of operations. Where a disposition of property, plant and equipment occurs through sale, a gain or loss is calculated based on proceeds and such gain or loss is included in depreciation expense.

Acquisitions and Goodwill

The Company accounts for business acquisitions using the acquisition method of accounting and, accordingly, the assets and liabilities of the acquired entities are primarily measured at their estimated fair value at the date of acquisition. Costs associated with pending acquisitions are expensed as incurred. Goodwill represents the cost of acquired companies that is in excess of the fair value of the net identifiable assets acquired at the acquisition date. Goodwill is not included in rate base.

Goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. The Company performs a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount. If the Company determines, as a result of its qualitative assessment, that it is not more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, no further testing is required. If the Company determines, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, a goodwill impairment assessment is performed using a two-step, fair value-based test. The first step compares the fair value of the applicable reporting unit to its carrying amount, including goodwill. If the carrying amount of the applicable reporting unit exceeds its fair value, a second step is performed. The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss is recorded as a reduction to goodwill and as a charge to results of operations.

Based on assessment performed as at September 30, 2018, the Company has concluded that goodwill was not impaired at December 31, 2018.

Long-Lived Asset Impairment

When circumstances indicate the carrying value of long-lived assets may not be recoverable, the Company evaluates whether the carrying value of such assets, excluding goodwill, has been impaired. For such long-lived assets, the Company evaluates whether impairment may exist by estimating future estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used to develop estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on the estimated future undiscounted cash flows, an impairment loss is recorded, measured as the excess of the carrying value of the asset over its fair value. As a result, the asset's carrying value is adjusted to its estimated fair value.

Within its regulated business, the carrying costs of most of Hydro One's long-lived assets are included in rate base where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable.

Hydro One regularly monitors the assets of its unregulated Hydro One Telecom subsidiary for indications of impairment. Management assesses the fair value of such long-lived assets using commonly accepted techniques. Techniques used to determine fair value include, but are not limited to, the use of recent third-party comparable sales for reference and internally developed discounted cash flow analysis. Significant changes in market conditions, changes to the condition of an asset, or a change in management's intent to utilize the asset are generally viewed by management as triggering events to reassess the cash flows related to these long-lived assets. As at December 31, 2018 and 2017, no asset impairment had been recorded for assets within either the Company's regulated or unregulated businesses.

Costs of Arranging Debt Financing

For financial liabilities classified as other than held-for-trading and for convertible debentures, the Company defers the external transaction costs related to obtaining financing and presents such amounts net of related debt or convertible debentures on the Consolidated Balance Sheets. Deferred issuance costs are amortized over the contractual life of the related debt or convertible debentures on an effective-interest basis and the amortization is included within financing charges in the Consolidated Statements of Operations and Comprehensive Income. Transaction costs for items classified as held-for-trading are expensed immediately.

Comprehensive Income

Comprehensive income is comprised of net income and OCI. Hydro One presents net income and OCI in a single continuous Consolidated Statement of Operations and Comprehensive Income.

Financial Assets and Liabilities

All financial assets and liabilities are classified into one of the following five categories: held-to-maturity; loans and receivables; held-for-trading; other liabilities; or available-for-sale. Financial assets and liabilities classified as held-for-trading are measured at fair value. All other financial assets and liabilities are measured at amortized cost, except accounts receivable and amounts due from related parties, which are measured at the lower of cost or fair value. Accounts receivable and amounts due from related parties are classified as loans and receivables. The Company considers the carrying amounts of accounts receivable and amounts due from related parties to be reasonable estimates of fair value because of the short time to maturity of these instruments. Provisions for impaired accounts receivable are recognized as adjustments to the allowance for doubtful accounts and are recognized when there is objective evidence that the Company will not be able to collect amounts according to the original terms. All financial instrument transactions are recorded at trade date.

Derivative instruments are measured at fair value. Gains and losses from fair valuation are included within financing charges in the period in which they arise. The Company determines the classification of its financial assets and liabilities at the date of initial recognition. The Company designates certain of its financial assets and liabilities to be held at fair value, when it is consistent with the Company's risk management policy disclosed in Note 17 - Fair Value of Financial Instruments and Risk Management.

Derivative Instruments and Hedge Accounting

The Company closely monitors the risks associated with changes in interest rates on its operations and, where appropriate, uses various instruments to hedge these risks. Certain of these derivative instruments qualify for hedge accounting and are designated as accounting hedges, while others either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undesignated contracts) as they are part of economic hedging relationships.

The accounting guidance for derivative instruments requires the recognition of all derivative instruments not identified as meeting the normal purchase and sale exemption as either assets or liabilities recorded at fair value on the Consolidated Balance Sheets. For derivative instruments that qualify for hedge accounting, the Company may elect to designate such derivative instruments as either cash flow hedges or fair value hedges. The Company offsets fair value amounts recognized on its Consolidated Balance Sheets related to derivative instruments executed with the same counterparty under the same master netting agreement.

For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, net of tax, is reported as a component of accumulated OCI (AOCI) and is reclassified to results of operations in the same period or periods during which the hedged transaction affects results of operations. Any gains or losses on the derivative instrument that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations. For fair value hedges, changes in fair value of both the derivative instrument and the underlying hedged exposure are recognized in the Consolidated Statements of Operations and Comprehensive Income in the current period. The gain or loss on the derivative instrument is included in the same line item as the offsetting gain or loss on the hedged item in the Consolidated Statements of Operations and Comprehensive Income. The changes in fair value of the undesignated derivative instruments are reflected in results of operations.

Embedded derivative instruments are separated from their host contracts and are carried at fair value on the Consolidated Balance Sheets when: (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract; (b) the hybrid instrument is not measured at fair value, with changes in fair value recognized in results of operations each period; and (c) the embedded derivative itself meets the definition of a derivative. The Company does not engage in derivative trading or speculative activities and had no embedded derivatives that required bifurcation at December 31, 2018 or 2017.

Hydro One periodically develops hedging strategies taking into account risk management objectives. At the inception of a hedging relationship where the Company has elected to apply hedge accounting, Hydro One formally documents the relationship between the hedged item and the hedging instrument, the related risk management objective, the nature of the specific risk exposure being hedged, and the method for assessing the effectiveness of the hedging relationship. The Company also assesses, both at the inception of the hedge and on a quarterly basis, whether the hedging instruments are effective in offsetting changes in fair values or cash flows of the hedged items.

Employee Future Benefits

Employee future benefits provided by Hydro One include pension, post-retirement and post-employment benefits. The costs of the Company's pension, post-retirement and post-employment benefit plans are recorded over the periods during which employees render service.

The Company recognizes the funded status of its defined benefit pension, post-retirement and post-employment plans on its Consolidated Balance Sheets and subsequently recognizes the changes in funded status at the end of each reporting year. Defined benefit pension, post-retirement and post-employment plans are considered to be underfunded when the projected benefit obligation (PBO) exceeds the fair value of the plan assets. Liabilities are recognized on the Consolidated Balance Sheets for any net underfunded PBO. The net underfunded PBO may be disclosed as a current liability, long-term liability, or both. The current portion is the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months exceeds the fair value of plan assets. If the fair value of plan assets exceeds the PBO of the plan, an asset is recognized equal to the net overfunded PBO. The post-retirement and post-employment benefit plans are unfunded because there are no related plan assets.

Hydro One recognizes its contributions to the defined contribution pension plan (DC Plan) as pension expense, with a portion being capitalized as part of labour costs included in capital expenditures. The expensed amount is included in operation, maintenance and administration (OM&A) costs in the Consolidated Statements of Operations and Comprehensive Income.

<u>Defined Benefit Pension</u>

Defined benefit pension costs are recorded on an accrual basis for financial reporting purposes. Pension costs are actuarially determined using the projected benefit method prorated on service and are based on assumptions that reflect management's best estimate of the effect of future events, including future compensation increases. Past service costs from plan amendments and all actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service period of active employees in the plan, and over the estimated remaining life expectancy of inactive employees in the plan. Pension plan assets, consisting primarily of listed equity securities as well as corporate and government debt securities, are fair valued at the end of each year. Hydro One records a regulatory asset equal to the net underfunded PBO for its pension plan. Defined benefit pension costs are attributed to labour costs and a portion directly related to acquisition and development of capital assets not exceeding the service cost component of accrual basis defined benefit pension costs is capitalized as part of the cost of property, plant and equipment and intangible assets. The remaining defined benefit pension costs are charged to results of operations (OM&A costs).

<u>Post-retirement and Post-employment Benefits</u>

Post-retirement and post-employment benefits are recorded and included in rates on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments are amortized to results of operations based on the expected average remaining service period.

For post-retirement benefits, all actuarial gains or losses are deferred using the "corridor" approach. The amount calculated above the "corridor" is amortized to results of operations on a straight-line basis over the expected average remaining service life of active employees in the plan and over the remaining life expectancy of inactive employees in the plan. The post-retirement benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

For post-employment obligations, the associated regulatory liabilities representing actuarial gains on transition to US GAAP are amortized to results of operations based on the "corridor" approach. The actuarial gains and losses on post-employment obligations that are incurred during the year are recognized immediately to results of operations. The post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

All post-retirement and post-employment benefit costs are attributed to labour costs and are either charged to results of operations (OM&A costs) or capitalized as part of the cost of property, plant and equipment and intangible assets for service cost component and to regulatory assets for all other components of the benefit costs, consistent with their inclusion in OEB-approved rates.

Stock-Based Compensation

<u>Share Grant Plans</u>

Hydro One measures share grant plans based on fair value of share grants as estimated based on the grant date common share price. The costs are recognized in the financial statements using the graded-vesting attribution method for share grant plans that have both a performance condition and a service condition. The Company records a regulatory asset equal to the accrued costs of share grant plans recognized in each period. Costs are transferred from the regulatory asset to labour costs at the time the share grants vest and are issued, and are recovered in rates. Forfeitures are recognized as they occur.

Deferred Share Unit (DSU) Plans

The Company records the liabilities associated with its Directors' and Management DSU Plans at fair value at each reporting date until settlement, recognizing compensation expense over the vesting period on a straight-line basis. The fair value of the DSU liability is based on the Company's common share closing price at the end of each reporting period.

Long-term Incentive Plan (LTIP)

The Company measures the awards issued under its LTIP, at fair value based on the grant date common share price. The related compensation expense is recognized over the vesting period on a straight-line basis. Forfeitures are recognized as they occur.

Loss Contingencies

Hydro One is involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of its Consolidated Financial Statements, management makes judgments regarding the future outcome of contingent events and records a loss for a contingency based on its best estimate when it is determined that such loss is probable and the amount of the loss can be reasonably estimated. Where the loss amount is recoverable in future rates, a regulatory asset is also recorded. When a range estimate for the probable loss exists and no amount within the range is a better estimate than any other amount, the Company records a loss at the minimum amount within the range.

Management regularly reviews current information available to determine whether recorded provisions should be adjusted and whether new provisions are required. Estimating probable losses may require analysis of multiple forecasts and scenarios that often depend on judgments about potential actions by third parties, such as federal, provincial and local courts or regulators. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the Consolidated Financial Statements may differ from the actual outcome once the contingency is resolved. Such differences could have a material impact on future results of operations, financial position and cash flows of the Company.

Provisions are based upon current estimates and are subject to greater uncertainty where the projection period is lengthy. A significant upward or downward trend in the number of claims filed, the nature of the alleged injuries, and the average cost of resolving each claim could change the estimated provision, as could any substantial adverse or favourable verdict at trial. A federal or provincial legislative outcome or structured settlement could also change the estimated liability. Legal fees are expensed as incurred.

Environmental Liabilities

Environmental liabilities are recorded in respect of past contamination when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated. Hydro One records a liability for the estimated future expenditures associated with contaminated land assessment and remediation (LAR) and for the phase-out and destruction of polychlorinated biphenyl (PCB)-contaminated mineral oil removed from electrical equipment, based on the present value of these estimated future expenditures. The Company determines the present value with a discount rate that produces an amount at which the environmental liabilities could be settled in an arm's length transaction with a third party. As the Company anticipates that the future expenditures will continue to be recoverable in future rates, an offsetting regulatory asset has been recorded to reflect the future recovery of these environmental expenditures from customers. Hydro One reviews its estimates of future environmental expenditures annually, or more frequently if there are indications that circumstances have changed.

Asset Retirement Obligations

Asset retirement obligations are recorded for legal obligations associated with the future removal and disposal of long-lived assets. Such obligations may result from the acquisition, construction, development and/or normal use of the asset. Conditional asset retirement obligations are recorded when there is a legal obligation to perform a future asset retirement activity but where the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. In such a case, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. This uncertainty is incorporated in the fair value measurement of the obligation.

When recording an asset retirement obligation, the present value of the estimated future expenditures required to complete the asset retirement activity is recorded in the period in which the obligation is incurred, if a reasonable estimate can be made. In general, the present value of the estimated future expenditures is added to the carrying amount of the associated asset and the resulting asset retirement cost is depreciated over the estimated useful life of the asset. The present value is determined with a discount rate that equates to the Company's credit-adjusted risk-free rate. Where an asset is no longer in service when an asset retirement obligation is recorded, the asset retirement cost is recorded in results of operations.

Some of the Company's transmission and distribution assets, particularly those located on unowned easements and rights-of-way, may have asset retirement obligations, conditional or otherwise. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Company expects to use the majority of its facilities in perpetuity, no asset retirement obligations have been recorded for these assets. If, at some future date, a particular facility is shown not to meet the perpetuity assumption, it will be reviewed to determine whether an estimable asset retirement obligation exists. In such a case, an asset retirement obligation would be recorded at that time.

The Company's asset retirement obligations recorded to date relate to estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities.

3. NEW ACCOUNTING PRONOUNCEMENTS

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

Recently Adopted Accounting Guidance

Guidance	Date issued	Description	Effective date	Impact on Hydro One
ASC 606	May 2014 – November 2017	ASC 606 *Revenue from Contracts with Customers* replaced ASC 605 *Revenue Recognition*. ASC 606 provides guidance on revenue recognition relating to the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.	January 1, 2018	On January 1, 2018, Hydro One adopted ASC 606 using the retrospective method, without the election of any practical expedients. Upon adoption, there was no material impact to the Company's revenue recognition policy and no adjustments were made to prior period reported financial statements amounts. The Company has included the disclosure requirements of ASC 606 for annual and interim periods in the year of adoption.
ASU 2017-07	March 2017	Service cost components of net benefit cost associated with defined benefit plans are required to be reported in the same line as other compensation costs arising from services rendered by the Company's employees. All other components of net benefit cost are to be presented in the income statement separately from the service cost component. Only the service cost component is eligible for capitalization where applicable.	January 1, 2018	Hydro One applied for a regulatory asset to maintain the capitalization of post-employment benefit related costs and as such, there is no material impact upon adoption. See Note 2 - Significant Accounting Policies and Note 12 - Regulatory Assets and Liabilities.

Recently Issued Accounting Guidance Not Yet Adopted

Guidance	Date issued	Description	Effective date	Anticipated impact on Hydro One
2016-02 2018-01 2018-10 2018-11 2018-20	February 2016 – December 2018	Lessees are required to recognize the rights and obligations resulting from operating leases as assets (right to use the underlying asset for the term of the lease) and liabilities (obligation to make future lease payments) on the balance sheet. ASU 2018-01 permits an entity to elect an optional practical expedient to not evaluate under ASC 842 land easements that exist or expired before the entity's adoption of ASC 842 and that were not previously accounted for as leases under ASC 840. ASU 2018-10 amends narrow aspects of ASC 842. ASU 2018-11 provides entities with an additional and option transition method in adopting ASC 842. ASU 2018-11 also permits lessors to elect an optional practical expedient to not separate non-lease components from the associated lease component by underlying asset classes. ASU 2018-20 provides relief to lessors that have lease contracts that either require lessees to pay lessor costs directly to a third party or require lessees to reimburse lessors for costs paid by lessors directly to third parties.	January 1, 2019	Hydro One reviewed its existing leases and other contracts that are within the scope of ASC 842. Apart from the existing leases, no other contracts contained lease arrangements. Upon adoption in the first quarter of 2019, the Company will utilize the modified retrospective transition approach using the effective date of January 1, 2019 as its date of initial application. As a result, comparatives will not be updated. The Company will elect the package of practical expedients and the land easement practical expedient upon adoption. The impact to Hydro One's financial statements will be the recognition of approximately $27 million Right-of-Use (ROU) assets and corresponding lease obligations on the Consolidated Balance Sheet. The ROU assets and lease obligations represent the present value of the Company’s remaining minimum lease payments for leases with terms greater than 12 months. Discount rates used in calculating the ROU assets and lease obligations correspond to the Company’s incremental borrowing rate.
2018-07	June 2018	Expansion in the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from non-employees. Previously, ASC 718 was only applicable to share-based payment transactions for acquiring goods and services from employees.	January 1, 2019	No impact upon adoption
2018-13	August 2018	Disclosure requirements on fair value measurements in ASC 820 are modified to improve the effectiveness of disclosures in financial statement notes.	January 1, 2020	Under assessment
2018-14	August 2018	Disclosure requirements related to single-employer defined benefit pension or other post-retirement benefit plans are added, removed or clarified to improve the effectiveness of disclosures in financial statement notes.	January 1, 2021	Under assessment
2018-15	August 2018	The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement is not affected by the amendment.	January 1, 2020	Under assessment

4. BUSINESS COMBINATIONS

Avista Corporation Purchase Agreement

In July 2017, Hydro One reached an agreement to acquire Avista Corporation (Merger) for approximately $6.7 billion in an all-cash transaction. Avista Corporation is an investor-owned utility providing electric generation, transmission, and distribution services. It is headquartered in Spokane, Washington, with service areas in Washington, Idaho, Oregon, Montana and Alaska. The closing of the Merger was subject to receipt of certain regulatory and government approvals, and the satisfaction of customary closing conditions.

The costs related to the acquisition totalling $69 million (2017 - $42 million) have been expensed through the consolidated statements of operations. These costs, net of unrealized gains on the foreign exchange contract of $25 million in the year ended December 31, 2018 and a loss of $3 million in the year ended December 31, 2017, resulted in net costs of $44 million and $45 million, respectively being included in earnings.

On December 5, 2018, the Washington Utilities and Transportation Commission (Washington UTC) issued an order denying the Merger. On December 17, 2018, Hydro One filed a petition requesting the Washington UTC to reconsider its December 5, 2018 order denying the Merger. On January 3, 2018, the Idaho Public Utilities Commission denied Hydro One's application to acquire Avista Corporation. On January 8, 2019, the Washington UTC issued a notice of denial of Hydro One's petition for reconsideration of Washington UTC's December 5, 2018 order denying the Merger. On January 14, 2019, the Oregon Public Utility Commission issued a notice of abeyance until Hydro One and Avista Corporation have sought a reversal of the two denial decisions.

On January 23, 2019, Hydro One and Avista Corporation announced that the companies have mutually agreed to terminate the Merger agreement. As a result of the termination of the Merger agreement, on January 24, 2019, Hydro One paid a US$103 million termination fee to Avista Corporation as required by the Merger agreement. On January 24, 2019, the Company cancelled the $1.0 billion non-revolving equity bridge credit facility and on January 25, 2019, Hydro One terminated the US$2.6 billion non-revolving debt bridge credit facility (Acquisition Credit Facilities). No amounts have been drawn on the Acquisition Credit Facilities. On February 1, 2019, Hydro One entered into a credit agreement for a $170 million unsecured demand operating credit facility (Demand Facility) for the purpose of funding the payment of the termination fee and other Merger related costs. On February 8, 2019, Hydro One redeemed the convertible debentures and paid the holders of the Instalment Receipts $513 million ($333 per $1,000 principal amount) plus accrued and unpaid interest of $7 million. The redemption of the convertible debentures was paid with cash on hand. As a result of the termination of the Merger agreement, no payment is due or receivable by Hydro One on the foreign exchange contract.

The following amounts related to the termination of the Merger agreement will be recorded by the Company in its 2019 first quarter financial statements:

- $138 million OM&A costs for payment of the US$103 million termination fee;
- $22 million financing charges, due to revaluation of the foreign-exchange contract to $nil and reversal of previously recorded gains;
- repayment of $513 million convertible debentures and related interest of $7 million; and
- $24 million financing charges, due to derecognition of the deferred financing costs related to convertible debentures.

See Note 16 - Convertible Debentures and Note 17 - Fair Value of Financial Instruments and Risk Management for details of the convertible debentures and the foreign exchange contract, respectively.

Orillia Power Purchase Agreement

In August 2016, the Company reached an agreement to acquire Orillia Power Distribution Corporation (Orillia Power), an electricity distribution company located in Simcoe County, Ontario, from the City of Orillia for approximately $41 million, including the assumption of approximately $15 million in outstanding indebtedness and regulatory liabilities, subject to closing adjustments and regulatory approval by the OEB. In September 2016, Hydro One filed an application with the OEB to acquire Orillia Power, which was denied by the OEB on April 12, 2018. On September 26, 2018, Hydro One filed a new application with the OEB for approval to acquire Orillia Power.

Peterborough Distribution Purchase Agreement

On July 31, 2018, Hydro One reached an agreement to acquire the business and distribution assets of Peterborough Distribution Inc. (Peterborough Distribution), an electricity distribution company located in east central Ontario, from the City of Peterborough for approximately $105 million. The acquisition is conditional upon the satisfaction of customary closing conditions and approval by the OEB and the Competition Bureau. On October 12, 2018, the Company filed an application with the OEB for approval of the acquisition. On November 14, 2018, the Competition Bureau issued no action letter, meaning that transaction can proceed from the Competition Bureau's position.

5. DEPRECIATION, AMORTIZATION AND ASSET REMOVAL COSTS

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Depreciation of property, plant and equipment	654	641
Amortization of intangible assets	71	62
Amortization of regulatory assets	22	24
Depreciation and amortization	747	727
Asset removal costs	90	90
	837	817

6. FINANCING CHARGES

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Interest on long-term debt	447	450
Interest on convertible debentures	62	24
Interest on short-term notes	14	6
Unrealized loss (gain) on foreign exchange contract *(Note 17)*	(25)	3
Other	21	14
Less: Interest capitalized on construction and development in progress	(53)	(56)
Interest earned on cash and cash equivalents	(7)	(2)
	459	439

7. INCOME TAXES

As a rate regulated utility company, the Company's effective tax rate excludes temporary differences that are recoverable in future rates charged to customers. Income tax expense 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:

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Income before income taxes	850	793
Income taxes at statutory rate of 26.5% (2017 - 26.5%)	225	210
Increase (decrease) resulting from:		
Net temporary differences recoverable in future rates charged to customers:		
Capital cost allowance in excess of depreciation and amortization	(68)	(55)
Overheads capitalized for accounting but deducted for tax purposes	(20)	(17)
Interest capitalized for accounting but deducted for tax purposes	(14)	(15)
Pension contributions in excess of pension expense	(11)	(13)
Environmental expenditures	(6)	(6)
Other	(9)	3
Net temporary differences	(128)	(103)
Net permanent differences	1	4
Write-off of unregulated deferred income tax asset *(Notes 12, 32)*	885	—
Non-recurring tax recovery relating to deferred tax asset sharing[1] *(Notes 12, 32)*	(68)	—
Total income taxes	915	111
Effective income tax rate	107.6%	14.0%

[1] This represents the reversal of cumulative deferred tax expenses recorded in 2017 and 2018 relating to temporary differences that are now being allocated to ratepayers. For rate-setting purposes, the deferred income tax expenses or recovery relating to temporary differences that will be included in the rate-setting process are recorded as regulatory assets and liabilities on the balance sheet.

The major components of income tax expense are as follows:

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Current income taxes	25	26

Deferred income taxes	890	85
Total income taxes	915	111

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities expected to be included in the rate-setting process are offset by regulatory assets and liabilities to reflect the anticipated recovery or disposition of these balances within future electricity rates. Deferred income tax assets and liabilities arise from differences between the tax basis and the carrying amounts of the assets and liabilities. At December 31, 2018 and 2017, deferred income tax assets and liabilities consisted of the following:

December 31 *(millions of dollars)*	**2018**	**2017**
Deferred income tax assets		
Post-retirement and post-employment benefits expense in excess of cash payments	526	561
Non-capital losses	302	255
Non-depreciable capital property	271	271
Pension obligations	197	354
Investment in subsidiaries	86	84
Tax credit carryforwards	71	49
Environmental expenditures	59	71
Depreciation and amortization in excess of capital cost allowance	20	125
Other	24	23
	1,556	1,793
Less: valuation allowance	(366)	(364)
Total deferred income tax assets	1,190	1,429
Deferred income tax liabilities		
Capital cost allowance in excess of depreciation and amortization	9	75
Regulatory amounts that are not recognized for tax purposes	188	411
Goodwill	10	10
Other	23	17
Total deferred income tax liabilities	230	513
Net deferred income tax assets	960	916

The net deferred income tax assets are presented on the Consolidated Balance Sheets as follows:

December 31 *(millions of dollars)*	**2018**	**2017**
Long-term:		
Deferred income tax assets	1,018	987
Deferred income tax liabilities	(58)	(71)
Net deferred income tax assets	960	916

The valuation allowance for deferred tax assets as at December 31, 2018 was $366 million (2017 - $364 million). The valuation allowance primarily relates to temporary differences for non-depreciable assets and investments in subsidiaries. As of December 31, 2018 and 2017, the Company had non-capital losses carried forward available to reduce future years' taxable income, which expire as follows:

Year of expiry *(millions of dollars)*	**2018**	**2017**
2034	2	2
2035	221	222
2036	551	560
2037	172	175

2038	192	—
Total losses	1,138	959

8. ACCOUNTS RECEIVABLE

December 31 *(millions of dollars)*	**2018**	**2017**
Accounts receivable – billed	292	298
Accounts receivable – unbilled	357	367
Accounts receivable, gross	649	665
Allowance for doubtful accounts	(21)	(29)
Accounts receivable, net	628	636

The following table shows the movements in the allowance for doubtful accounts for the years ended December 31, 2018 and 2017:

Year ended December 31 *(millions of dollars)*	2018	2017
Allowance for doubtful accounts – beginning	(29)	(35)
Write-offs	25	25
Additions to allowance for doubtful accounts	(17)	(19)
Allowance for doubtful accounts – ending	(21)	(29)

9. OTHER CURRENT ASSETS

December 31 *(millions of dollars)*	2018	2017
Regulatory assets *(Note 12)*	42	46
Prepaid expenses and other assets	41	41
Derivative instrument - foreign exchange contract *(Note 17)*	22	—
Materials and supplies	20	18
	125	105

10. PROPERTY, PLANT AND EQUIPMENT

December 31, 2018 *(millions of dollars)*	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Transmission	16,559	5,449	766	11,876
Distribution	10,580	3,561	75	7,094
Communication	1,306	922	48	432
Administration and service	1,548	893	58	713
Easements	647	75	—	572
	30,640	10,900	947	20,687

December 31, 2017 *(millions of dollars)*	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Transmission	15,509	5,162	989	11,336
Distribution	10,213	3,513	149	6,849
Communication	1,266	853	31	444
Administration and service	1,561	857	46	750
Easements	638	70	—	568
	29,187	10,455	1,215	19,947

Financing charges capitalized on property, plant and equipment under construction were $51 million in 2018 (2017 - $54 million).

11. INTANGIBLE ASSETS

December 31, 2018 *(millions of dollars)*	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	790	440	60	410
Other	5	5	—	—
	795	445	60	410

December 31, 2017 *(millions of dollars)*	Intangible Assets	Accumulated Amortization	Development in Progress	Total
Computer applications software	698	370	41	369
Other	5	5	—	—
	703	375	41	369

Financing charges capitalized to intangible assets under development were $2 million in 2018 (2017 - $2 million). The estimated annual amortization expense for intangible assets is as follows: 2019 - $67 million; 2020 - $50 million; 2021 - $48 million; 2022 - $46 million; and 2023 - $35 million.

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:

December 31 *(millions of dollars)*	2018	2017
Regulatory assets:		
Deferred income tax regulatory asset	908	1,762
Pension benefit regulatory asset	547	981
Environmental	165	196
Foregone revenue deferral	—	23
Stock-based compensation	43	40
Post-retirement and post-employment benefits non-service cost	39	—
Debt premium	22	27
Distribution system code exemption	10	10
B2M LP start-up costs	2	4
Post-retirement and post-employment benefits	—	36
Other	27	16
Total regulatory assets	1,763	3,095
Less: current portion	(42)	(46)
	1,721	3,049
Regulatory liabilities:		
Post-retirement and post-employment benefits	130	—
Pension cost differential	55	23
Green Energy expenditure variance	52	60
Retail settlement variance account	39	—
External revenue variance	26	46
2015-2017 rate rider	6	6
Deferred income tax regulatory liability	86	5
Conservation and Demand Management (CDM) deferral variance	—	28
Other	23	17
Total regulatory liabilities	417	185
Less: current portion	(91)	(57)
	326	128

Deferred Income Tax Regulatory Asset and Liability

Deferred income taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. The Company has recognized regulatory assets and liabilities that correspond to deferred income taxes that flow through the rate-setting process. In the absence of rate-regulated accounting, the Company's income tax expense would have been recognized using the liability method and there would be no regulatory accounts established for taxes to be recovered through future rates. As a result, the 2018 income tax expense would have been lower by approximately $686 million (2017 - higher by $113 million).

On September 28, 2017, the OEB issued its decision and order on Hydro One Networks' 2017 and 2018 transmission rates revenue requirements (Original Decision). In its Original Decision, the OEB concluded that the net deferred tax asset resulting from transition from the payments in lieu of tax regime under the *Electricity Act* (Ontario) to tax payments under the federal and provincial tax regime should not accrue entirely to Hydro One shareholders and that a portion should be shared with ratepayers. On November 9, 2017, the OEB issued a decision and order that calculated the portion of the tax savings that should be shared with ratepayers. The OEB's calculation would result in an impairment of a portion of Hydro One Networks' transmission deferred income tax regulatory asset. If the OEB were to apply the same calculation for sharing in Hydro One Networks' 2018-2022 distribution rates, it would also result in an additional impairment of a portion of Hydro One Networks' distribution deferred income tax regulatory asset. In October 2017, the Company filed a Motion to Review and Vary (Motion) the Original Decision and filed an appeal with the Divisional Court of Ontario (Appeal). In both cases, the Company's position is that the OEB made errors of fact and law in its determination of allocation of the tax savings between the shareholders and ratepayers. On December 19, 2017, the OEB granted a hearing of the merits of the Motion which was held on February 12, 2018. On August 31, 2018, the OEB granted the Motion and returned the portion of the Decision relating to the deferred tax asset to an OEB panel for reconsideration.

Subsequent to year end, on March 7, 2019, the OEB issued its reconsideration decision and concluded that their Original Decision was reasonable and should be upheld. Also, on March 7, 2019 the OEB issued its decision for Hydro One Networks’ 2018-2022 distribution rates, in which it directed the Company to apply the Original Decision to Hydro One Networks’ distribution rates. As a result of this subsequent event that requires adjustment in the 2018 financial statements, the Company has recognized an impairment charge of Hydro One Networks' distribution deferred income tax regulatory asset of $474 million and Hydro One Networks' transmission deferred income tax regulatory asset of $558 million, an increase in deferred income tax regulatory liability of $81 million, and a decrease in the foregone revenue deferral regulatory asset of $68 million. After recognition of the related $314 million deferred tax asset, the Company has recorded an $867 million one-time decrease in net income as a reversal of revenues of $68 million, and charge to deferred tax expense of $799 million. Notwithstanding the recognition of the effects of the decision in the financial statements, the Company is currently considering its options under the Appeal.

Pension Benefit Regulatory Asset

In accordance with OEB rate orders, pension costs are recovered on a cash basis as employer contributions are paid to the pension fund in accordance with the *Pension Benefits Act* (Ontario). The Company recognizes the net unfunded status of pension obligations on the Consolidated Balance Sheets with an offset to the associated regulatory asset. A regulatory asset is recognized because management considers it to be probable that pension benefit costs will be recovered in the future through the rate-setting process. The pension benefit obligation is remeasured to the present value of the actuarially determined benefit obligation at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment. In the absence of rate-regulated accounting, OCI would have been higher by $435 million (2017 - lower by $80 million) and OM&A expenses would have been higher by $1 million (2017 - $1 million).

Environmental

Hydro One records a liability for the estimated future expenditures required to remediate environmental contamination. A regulatory asset is recognized because management considers it to be probable environmental expenditures will be recovered in the future through the rate-setting process. The Company has recorded an equivalent amount as a regulatory asset. In 2018, the environmental regulatory asset decreased by $15 million (2017 - increased by $8 million) to reflect related changes in the Company’s PCB and LAR environmental liabilities. The environmental regulatory asset is amortized to results of operations based on the pattern of actual expenditures incurred and charged to environmental liabilities. The OEB has the discretion to examine and assess the prudency and the timing of recovery of all of Hydro One’s actual environmental expenditures. In the absence of rate-regulated accounting, 2018 OM&A expenses would have been lower by $15 million (2017 - higher by $8 million). In addition, 2018 amortization expense would have been lower by $22 million (2017 - $24 million), and 2018 financing charges would have been higher by $6 million (2017 - $8 million).

Foregone Revenue Deferral

As part of its September 2017 decision on Hydro One Networks’ transmission rate application for 2017 and 2018 rates, the OEB approved the foregone revenue account to record the difference between revenue earned under the rates approved as part of the decision, effective January 1, 2017, and revenue earned under the interim rates until the approved 2017 rates were implemented. The OEB approved a similar account for B2M LP in June 2017 to record the difference between revenue earned under the newly approved rates, effective January 1, 2017, and the revenue recorded under the interim 2017 rates. The balances of these accounts were returned to or recovered from ratepayers, respectively, over a one-year period ending December 31, 2018. As part of its May 2018 decision, the OEB also directed B2M LP to record in this account any revenue collected in 2018 in excess of the final approved 2018 B2M LP revenue requirement.

Stock-based Compensation

The Company recognizes costs associated with share grant plans in a regulatory asset as management considers it probable that share grant plans' costs will be recovered in the future through the rate-setting process. In the absence of rate-regulated accounting, 2018 OM&A expenses would have been higher by $1 million (2017 - $8 million). Share grant costs are transferred to labour costs at the time the share grants vest and are issued, and are recovered in rates in accordance with recovery of said labour costs.

Post-Retirement and Post-Employment Benefits

The Company recognizes the net unfunded status of post-retirement and post-employment obligations on the Consolidated Balance Sheets with an incremental offset to the associated regulatory assets. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process. The post-retirement and post-employment benefit obligation is remeasured to the present value of the actuarially determined benefit obligation at each year end based on an annual actuarial report, with an offset to the associated regulatory liability, to the extent of the remeasurement adjustment. In the absence of rate-regulated accounting, 2018 OCI would have been higher by $166 million (2017 - $207 million).

Post-Retirement and Post-Employment Benefits - Non-Service Cost

Hydro One applied to the OEB for a regulatory asset to record the components other than service costs relating to its post-retirement and post-employment benefits that would have previously been capitalized to property, plant and equipment and intangible assets prior to adoption of ASU 2017-07. In May 2018, the OEB approved the regulatory asset for Hydro One Networks' Transmission Business. It is expected that the regulatory asset application for Hydro One Networks' Distribution business will be considered as part of Hydro

One Networks' application for 2018-2022 distribution rates, OEB approval of which is currently pending. Hydro One has recorded the components other than service costs relating to its post-retirement and post-employment benefits that would have been capitalized to property, plant and equipment and intangible assets, in the Post-Retirement and Post-Employment Benefits Non-Service Cost Regulatory Asset.

Debt Premium

The value of debt assumed in the acquisition of HOSSM has been recorded at fair value in accordance with US GAAP - Business Combinations. The OEB allows for recovery of interest at the coupon rate of the Senior Secured Bonds and a regulatory asset has been recorded for the difference between the fair value and face value of this debt. The debt premium is recovered over the remaining term of the debt.

Distribution System Code (DSC) Exemption

In June 2010, Hydro One Networks filed an application with the OEB regarding the OEB's new cost responsibility rules contained in the OEB's October 2009 Notice of Amendment to the DSC, with respect to the connection of certain renewable generators that were already connected or that had received a connection impact assessment prior to October 21, 2009. The application sought approval to record and defer the unanticipated costs incurred by Hydro One Networks that resulted from the connection of certain renewable generation facilities. The OEB ruled that identified specific expenditures can be recorded in a deferral account subject to the OEB's review in subsequent Hydro One Networks distribution applications. In 2015, the OEB also approved Hydro One's request to discontinue this deferral account. There were no additions to this regulatory account in 2018 or 2017. The remaining balance in this account at December 31, 2016, including accrued interest, was requested for recovery through the 2018-2022 distribution rate application.

B2M LP Start-up Costs

In December 2015, OEB issued its decision on B2M LP's application for 2015-2019 and as part of the decision approved the recovery of $8 million of start-up costs relating to B2M LP. The costs are being recovered over a four-year period which began in 2016, in accordance with the OEB decision.

Pension Cost Differential

A pension cost differential account was established for Hydro One Networks' transmission and distribution businesses to track the difference between the actual pension expenses incurred and estimated pension costs approved by the OEB. In September 2017, the OEB approved the disposition of the transmission business portion of the total pension cost differential account as at December 31, 2015, including accrued interest, which was recovered over a two-year period ended December 31, 2018. The distribution business portion of the balance as at December 31, 2016, including accrued interest, was requested for recovery through the 2018-2022 distribution rate application. In the absence of rate-regulated accounting, 2018 revenue would have been higher by $29 million (2017 - $24 million).

Green Energy Expenditure Variance

In April 2010, the OEB requested the establishment of deferral accounts which capture the difference between the revenue recorded on the basis of Green Energy Plan expenditures incurred and the actual recoveries received.

Retail Settlement Variance Account (RSVA)

Hydro One has deferred certain retail settlement variance amounts under the provisions of Article 490 of the OEB's Accounting Procedures Handbook. The balance as at December 31, 2014, including accrued interest, was requested for recovery through the 2018-2022 distribution rate application.

External Revenue Variance

In May 2009, the OEB approved forecasted amounts related to export service revenue, external revenue from secondary land use, and external revenue from station maintenance and engineering and construction work. In November 2012, the OEB again approved forecasted amounts related to these revenue categories and extended the scope to encompass all other external revenues. In September 2017, the OEB approved the disposition of the external revenue variance account as at December 31, 2015, including accrued interest, which was returned to customers over a two-year period ended December 31, 2018. The external revenue variance account balance reflects the excess of actual external revenues compared to the OEB-approved forecasted amounts.

2015-2017 Rate Rider

In March 2015, as part of its decision on Hydro One Networks' distribution rate application for 2015-2019, the OEB approved the disposition of certain deferral and variance accounts, including RSVAs and accrued interest. The 2015-2017 Rate Rider account included the balances approved for disposition by the OEB and was disposed of in accordance with the OEB decision over a 32-month period ended December 31, 2017. The balance remaining in the account represents an over-collection to be returned to ratepayers in a future rate application and has not been requested in the current distribution rate application.

CDM Deferral Variance Account

As part of Hydro One Networks' application for 2013 and 2014 transmission rates, Hydro One agreed to establish a new regulatory deferral variance account to track the impact of actual CDM and demand response results on the load forecast compared to the estimated load forecast included in the revenue requirement. The balance in the CDM deferral variance account related to the actual 2013 and 2014 CDM and demand response results on load forecasts, which are inputs in the UTR, compared to the amounts included in 2013 and 2014 revenue requirements, respectively. The balance of the account at December 31, 2015, including interest, was approved for disposition in the 2017-2018 transmission rate decision and returned to customers over a 2-year period ended December 31, 2018.

13. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

December 31 *(millions of dollars)*	**2018**	**2017**
Accounts payable	179	177
Accrued liabilities	590	572
Accrued interest	96	99
Regulatory liabilities *(Note 12)*	91	57
	956	905

14. OTHER LONG-TERM LIABILITIES

December 31 *(millions of dollars)*	**2018**	**2017**
Post-retirement and post-employment benefit liability *(Note 19)*	1,417	1,519
Pension benefit liability *(Note 19)*	547	981
Environmental liabilities *(Note 20)*	139	168
Long-term accounts payable	12	13
Asset retirement obligations *(Note 21)*	10	9
Other liabilities	10	17
	2,135	2,707

15. 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 $1.5 billion. 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 committed revolving credit facilities totalling $2.3 billion.

At December 31, 2018, Hydro One's consolidated committed, unsecured and undrawn credit facilities (Operating Credit Facilities) totalling $2,550 million consisted of the following:

(millions of dollars)	**Maturity**	**Total Amount**	**Amount Drawn**
Hydro One Inc.			
Revolving standby credit facility	June 2022	2,300	—
Hydro One			
Five-year senior, revolving term credit facility	November 2021	250	—
Total		2,550	—

The Company may use the credit facilities for working capital and general corporate purposes. If used, interest on the credit facilities would apply based on Canadian benchmark rates. The obligation of each lender to make any credit extension 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. At December 31, 2018, no debt securities have been issued by HOHL.

Long-Term Debt

The following table presents long-term debt outstanding at December 31, 2018 and 2017:

December 31 *(millions of dollars)*	**2018**	**2017**
2.78% Series 28 notes due 2018	—	750
Floating-rate Series 31 notes due 2019[1]	228	228
1.48% Series 37 notes due 2019[2]	500	500
4.40% Series 20 notes due 2020	300	300
1.62% Series 33 notes due 2020[2]	350	350
1.84% Series 34 notes due 2021	500	500
2.57% Series 39 notes due 2021[2]	300	—
3.20% Series 25 notes due 2022	600	600
2.97% Series 40 notes due 2025	350	—
2.77% Series 35 notes due 2026	500	500
7.35% Debentures due 2030	400	400
6.93% Series 2 notes due 2032	500	500
6.35% Series 4 notes due 2034	385	385
5.36% Series 9 notes due 2036	600	600
4.89% Series 12 notes due 2037	400	400
6.03% Series 17 notes due 2039	300	300
5.49% Series 18 notes due 2040	500	500
4.39% Series 23 notes due 2041	300	300
6.59% Series 5 notes due 2043	315	315
4.59% Series 29 notes due 2043	435	435
4.17% Series 32 notes due 2044	350	350
5.00% Series 11 notes due 2046	325	325
3.91% Series 36 notes due 2046	350	350
3.72% Series 38 notes due 2047	450	450
3.63% Series 41 notes due 2049	750	—
4.00% Series 24 notes due 2051	225	225
3.79% Series 26 notes due 2062	310	310
4.29% Series 30 notes due 2064	50	50
Hydro One Inc. long-term debt (a)	10,573	9,923
6.6% Senior Secured Bonds due 2023 (Principal amount - $107 million)	129	136
4.6% Note Payable due 2023 (Principal amount - $36 million)	39	40
HOSSM long-term debt (b)	168	176
	10,741	10,099
Add: Net unamortized debt premiums	13	14
Add: Unrealized mark-to-market gain[2]	(5)	(9)
Less: Deferred debt issuance costs	(40)	(37)
Total long-term debt	10,709	10,067

[1] The interest rates of the floating-rate notes are referenced to the three-month Canadian dollar bankers' acceptance rate, plus a margin.

[2] The unrealized mark-to-market net gain relates to $50 million of the Series 33 notes due 2020, $500 million Series 37 notes due 2019, and $300 million Series 39 notes due 2021. The unrealized mark-to-market net gain is offset by a $5 million (2017 - $9 million) unrealized mark-to-market net loss on the related fixed-to-floating interest-rate swap agreements, which are accounted for as fair value hedges.

(a) Hydro One Inc. long-term debt

At December 31, 2018, long-term debt of $10,573 million (2017 - $9,923 million) was outstanding, the majority of which was issued under Hydro One Inc.'s Medium Term Note (MTN) Program. The maximum authorized principal amount of notes issuable under the current MTN Program prospectus filed in March 2018 is $4.0 billion. At December 31, 2018, $2.6 billion remained available for issuance until April 2020.

In 2018, Hydro One Inc. issued long-term debt totalling $1.4 billion (2017 - $nil) and repaid long-term debt of $750 million (2017 - $600 million) under its MTN Program.

(b) HOSSM long-term debt

At December 31, 2018, long-term debt of $168 million (2017 - $176 million), with a principal amount of $143 million (2017 - $146 million) was issued by HOSSM. In 2018, no long-term debt was issued (2017 - $nil), and $3 million (2017 - $2 million) of long-term debt was repaid.

The total long-term debt is presented on the consolidated balance sheets as follows:

December 31 *(millions of dollars)*	**2018**	**2017**
Current liabilities:		
Long-term debt payable within one year	731	752
Long-term liabilities:		
Long-term debt	9,978	9,315
Total long-term debt	10,709	10,067

Principal and Interest Payments

Principal repayments, interest payments, and related weighted-average interest rates are summarized by year in the following table:

Years	**Long-term Debt Principal Repayments** *(millions of dollars)*	**Interest Payments** *(millions of dollars)*	**Weighted Average Interest Rate** *(%)*
2019	731	448	1.9
2020	653	429	2.9
2021	803	411	2.1
2022	603	393	3.2
2023	131	379	6.1
	2,921	2,060	2.6
2024-2028	850	1,806	2.9
2029 and thereafter	6,945	4,315	5.1
	10,716	8,181	4.2

16. CONVERTIBLE DEBENTURES

As a result of the termination of the Merger agreement (see Note 4 - Business Combinations), on February 8, 2019, Hydro One redeemed the Convertible Debentures and paid the holders of the instalment receipts $513 million ($333 per $1,000 principal amount) plus accrued and unpaid interest of $7 million.

The following table presents the change in convertible debentures during the years ended December 31, 2018 and 2017:

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Carrying value - beginning	487	—
Receipt of Initial Instalment, net of deferred financing costs	—	486
Amortization of deferred financing costs	2	1
Carrying value - ending	489	487
Face value - ending	513	513

On August 9, 2017, in connection with the Merger (see Note 4 - Business Combinations), the Company completed the sale of $1,540 million aggregate principal amount of 4.00% convertible unsecured subordinated debentures (Convertible Debentures) represented by instalment receipts, which included the exercise in full of the over-allotment option granted to the underwriters to purchase an additional $140 million aggregate principal amount of the Convertible Debentures (Debenture Offering).

The Convertible Debentures were sold on an instalment basis at a price of $1,000 per Convertible Debenture, of which $333 (Initial Instalment) was paid on closing of the Debenture Offering and the remaining $667 (Final Instalment) was payable on a date (Final Instalment Date) to be fixed by the Company following satisfaction of conditions precedent to the closing of the acquisition of Avista Corporation. The gross proceeds received from the Initial Instalment were $513 million. The Company incurred financing costs of $27 million, which were being amortized to financing charges over approximately 10 years, the contractual term of the Convertible Debentures, using the effective interest rate method.

The Convertible Debentures maturity date was September 30, 2027. A coupon rate of 4% was paid on the $1,540 million aggregate principal amount of the Convertible Debentures, and based on the carrying value of the Initial Instalment, this translated into an effective annual yield of 12%. After the Final Instalment Date, the interest rate would be 0%. The interest expense recorded in 2018 was $62 million (2017 - $24 million).

At the option of the holders and provided that payment of the Final Instalment had been made, each Convertible Debenture would be convertible into common shares of the Company at any time on or after the Final Instalment Date, but prior to the earlier of maturity or redemption by the Company, at a conversion price of $21.40 per common share, being a conversion rate of 46.7290 common shares per $1,000 principal amount of Convertible Debentures.

The conversion feature met the definition of a Beneficial Conversion Feature (BCF), with an intrinsic value of approximately $92 million at the date of issuance. Due to the contingency associated with the debentureholders' ability to exercise the conversion, the BCF has not been recognized, and as a result of the subsequent redemption of the Convertible Debentures on February 8, 2019, there will be no recognition.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received in the sale of an asset or the amount that would be paid to transfer a liability.

Hydro One classifies its fair value measurements based on the following hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that Hydro One has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs are those other than quoted market prices that are observable, either directly or indirectly, for an asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest-rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 inputs are any fair value measurements that include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

Non-Derivative Financial Assets and Liabilities

At December 31, 2018 and 2017, 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 fair values and carrying values of the Company's long-term debt at December 31, 2018 and 2017 are as follows:

December 31 *(millions of dollars)*	2018 Carrying Value	2018 Fair Value	2017 Carrying Value	2017 Fair Value
Long-term debt measured at fair value:				
$50 million of MTN Series 33 notes	49	49	49	49
$500 million MTN Series 37 notes	495	495	492	492
$300 million MTN Series 39 notes	301	301	—	—
Other notes and debentures	9,864	10,820	9,526	11,027
Long-term debt, including current portion	10,709	11,665	10,067	11,568

Fair Value Measurements of Derivative Instruments

At December 31, 2018, Hydro One Inc. had interest-rate swaps with a total notional amount of $850 million (2017 – $550 million) that were used to convert fixed-rate debt to floating-rate debt. These swaps are classified as fair value hedges. Hydro One Inc.'s fair value hedge exposure was approximately 8% (2017 – 6%) of its total long-term debt. At December 31, 2018, Hydro One Inc. had the following interest-rate swaps designated as fair value hedges:

- a $50 million fixed-to-floating interest-rate swap agreement to convert $50 million of the $350 million MTN Series 33 notes maturing April 30, 2020 into three-month variable rate debt;

- two $125 million and one $250 million fixed-to-floating interest-rate swap agreements to convert the $500 million MTN Series 37 notes maturing November 18, 2019 into three-month variable rate debt; and
- a $300 million fixed-to-floating interest-rate swap agreement to convert the $300 million MTN Series 39 notes maturing June 25, 2021 into three-month variable rate debt.

At December 31, 2018 and 2017, the Company had no interest-rate swaps classified as undesignated contracts.

In October 2017, the Company entered into a deal-contingent foreign exchange forward contract (foreign exchange contract) to convert $1.4 billion Canadian to US dollars at an initial forward rate of 1.27486 Canadian per 1.00 US dollars, and a range up to 1.28735 Canadian per 1.00 US dollars based on the settlement date. The contract was contingent on the Company closing the proposed Merger (see Note 4 - Business Combinations) and was intended to mitigate the foreign currency risk related to the portion of the Merger purchase price financed with the issuance of Convertible Debentures. This contract is an economic hedge and does not qualify for hedge accounting. It has been accounted for as an undesignated contract with changes in fair value being recorded in earnings as they occur. As a result of the termination of the Merger agreement (see Note 4 - Business Combinations), no payment is due or payable by Hydro One on the foreign exchange contract.

Fair Value Hierarchy

The fair value hierarchy of financial assets and liabilities at December 31, 2018 and 2017 is as follows:

December 31, 2018 *(millions of dollars)*	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Cash and cash equivalents	483	483	483	—	—
Derivative instrument					
Foreign exchange contract	22	22	—	—	22
	505	505	483	—	22
Liabilities:					
Short-term notes payable	1,252	1,252	1,252	—	—
Long-term debt, including current portion	10,709	11,665	—	11,665	—
Convertible debentures	489	491	491	—	—
Derivative instruments					
Fair value hedges – interest-rate swaps	5	5	—	5	—
	12,455	13,413	1,743	11,670	—

December 31, 2017 *(millions of dollars)*	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Cash and cash equivalents	25	25	25	—	—
	25	25	25	—	—
Liabilities:					
Short-term notes payable	926	926	926	—	—
Long-term debt, including current portion	10,067	11,568	—	11,568	—
Convertible debentures	487	574	574	—	—
Derivative instruments					
Fair value hedges – interest-rate swaps	9	9	—	9	—
Foreign exchange contract	3	3	—	—	3
	11,492	13,080	1,500	11,577	3

Cash and cash equivalents include cash and short-term investments. The carrying values are representative of fair value because of the short-term nature of these instruments.

The fair value of the hedged portion of the long-term debt is primarily based on the present value of future cash flows using a swap yield curve to determine the assumption for interest rates. The fair value of the unhedged portion of the long-term debt is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

The fair value of the convertible debentures is based on their closing price on December 31, 2018, as posted on the Toronto Stock Exchange.

The Company uses derivative instruments as an economic hedge for foreign exchange risk. The value of the foreign exchange contract is derived using valuation models commonly used for derivatives. These valuation models require a variety of inputs, including contractual terms, forward price yield curves, probability of closing the Merger, and the contract settlement date. The Company's valuation models also reflect measurements for credit risk. The fair value of the foreign exchange contract includes significant unobservable inputs, and therefore has been classified accordingly as Level 3. The significant unobservable inputs used in the fair value measurement of the foreign exchange contract relates to the assessment of probability of closing the Merger and the contract settlement date.

Changes in the Fair Value of Financial Instruments Classified in Level 3

The following table summarizes the changes in fair value of financial instruments classified in Level 3 for the years ended December 31, 2018 and 2017.

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Fair value of asset (liability) - beginning	(3)	—
Unrealized gain (loss) on foreign exchange contract included in financing charges	25	(3)
Fair value of asset (liability) - ending	22	(3)

There were no transfers between any of the fair value levels during the years ended December 31, 2018 or 2017.

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 costs, 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.

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 utilizes interest-rate swaps, which are typically 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 to lock in interest-rate levels in anticipation of future financing.

A hypothetical 100 basis points increase in interest rates associated with variable-rate debt would not have resulted in a significant decrease in Hydro One's net income for the years ended December 31, 2018 and 2017.

The Company was exposed to foreign exchange fluctuations as a result of entering into a foreign exchange contract. This agreement was intended to mitigate the foreign currency risk related to the portion of the Avista Corporation acquisition purchase price financed with the issuance of Convertible Debentures. As a result of the termination of the Merger agreement (see Note 4 - Business Combinations), no payment is due or receivable by Hydro One on the foreign exchange contract.

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the Consolidated Statements of Operations and Comprehensive Income. The net unrealized loss (gain) on the hedged debt and the related interest-rate swaps for the years ended December 31, 2018 and 2017 was not material.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At December 31, 2018 and 2017, 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. At December 31, 2018 and 2017, there was no material accounts receivable balance due from any single customer.

At December 31, 2018, the Company's provision for bad debts was $21 million (2017 – $29 million). Adjustments and write-offs are determined on the basis of a review of overdue accounts, taking into consideration historical experience. At December 31, 2018, approximately 5% (2017 – 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: entering into transactions with highly rated counterparties; limiting total exposure levels with individual counterparties; entering into master agreements which enable net settlement and the contractual right of offset; and monitoring the financial condition of counterparties. The Company monitors current credit exposure to counterparties both on 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 credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date. At December 31, 2018 and 2017, the counterparty credit risk exposure on the fair value of these interest-rate swap contracts was not material. At December 31, 2018, Hydro

One’s credit exposure for all derivative instruments, and applicable payables and receivables, had a credit rating of investment grade, with four financial institutions as the 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, Operating Credit Facilities, and anticipated levels of funds from operations are expected to be sufficient to fund normal operating requirements.

On June 18, 2018, Hydro One filed a short form base shelf prospectus (Universal Base Shelf Prospectus) with securities regulatory authorities in Canada to replace the universal base shelf prospectus that expired on April 30, 2018. 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. On November 23, 2018, HOHL, an indirect wholly-owned subsidiary of Hydro One, filed a short form base shelf prospectus (US Debt Shelf Prospectus) with securities regulatory authorities in Canada and the US for the purposes of, but not limited to, funding a portion of the cash purchase price of the Merger. The US Debt Shelf Prospectus allows HOHL to offer, from time to time in one or more public offerings, up to US$3.0 billion of debt securities, unconditionally guaranteed by Hydro One, during the 25-month period ending on December 23, 2020. At December 31, 2018, no securities have been issued under the Universal Base Shelf Prospectus or the US Debt Shelf Prospectus.

18. CAPITAL MANAGEMENT

The Company's objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis at reasonable rates, and to deliver appropriate financial returns. In order to ensure ongoing access to capital, the Company targets to maintain strong credit quality. At December 31, 2018 and 2017, the Company's capital structure was as follows:

December 31 *(millions of dollars)*	**2018**	**2017**
Long-term debt payable within one year	731	752
Short-term notes payable	1,252	926
Less: cash and cash equivalents	(483)	(25)
	1,500	1,653
Long-term debt	9,978	9,315
Convertible debentures	489	487
Preferred shares	418	418
Common shares	5,643	5,631
Retained earnings	3,459	4,090
Total capital	21,487	21,594

Hydro One Inc. and HOSSM have customary covenants typically associated with long-term debt. Long-term debt and credit facility covenants limit permissible debt to 75% of its total capitalization, limit the ability to sell assets and impose a negative pledge provision, subject to customary exceptions. At December 31, 2018, the Company was in compliance with all financial covenants and limitations associated with the outstanding borrowings and credit facilities.

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

Hydro One has a defined benefit pension plan (Pension Plan), a DC Plan, a supplemental pension plan (Supplemental Plan), and post-retirement and post-employment benefit plans.

DC Plan

Hydro One established a DC Plan effective January 1, 2016. The DC Plan covers eligible management employees hired on or after January 1, 2016, as well as management employees hired before January 1, 2016 who were not eligible or had not irrevocably elected to join the Pension Plan as of September 30, 2015. Members of the DC Plan have an option to contribute 4%, 5% or 6% of their pensionable earnings, with matching contributions by Hydro One up to an annual contribution limit. There is also a Supplemental DC Plan that provides members of the DC Plan with employer contributions beyond the limitations imposed by the *Income Tax Act* (Canada) in the form of credits to a notional account. Hydro One contributions to the DC Plan for the year ended December 31, 2018 were $1 million (2017 - $1 million).

Pension Plan, Supplemental Plan, and Post-Retirement and Post-Employment Plans

The Pension Plan is a defined benefit contributory plan which covers eligible regular employees of Hydro One and its subsidiaries. The Pension Plan provides benefits based on highest three-year average pensionable earnings. For management employees who commenced employment on or after January 1, 2004, and for the Society of United Professionals (Society)-represented staff hired after November 17, 2005, benefits are based on highest five-year average pensionable earnings. After retirement, pensions are indexed to inflation. Membership in the Pension Plan was closed to management employees who were not eligible or had not irrevocably elected to join the Pension Plan as of September 30, 2015. These employees are eligible to join the DC Plan.

Company and employee contributions to the 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. Annual Pension Plan contributions for 2018 were $75 million (2017 - $87 million). Estimated annual Pension Plan contributions for the years 2019, 2020, 2021, 2022, 2023 and 2024 are approximately $78 million, $77 million, $78 million, $79 million, $81 million and $83 million, respectively. The most recent actuarial valuation was performed effective December 31, 2017, and the next actuarial valuation will be performed no later than effective December 31, 2020. Contributions are payable one month in arrears. All of the contributions are expected to be in the form of cash.

The Supplemental Plan provides members of the Pension Plan with benefits that would have been earned and payable under the Pension Plan beyond the limitations imposed by the *Income Tax Act* (Canada). The Supplemental Plan obligation is included with other post-retirement and post-employment benefit obligations on the Consolidated Balance Sheets.

Hydro One recognizes the overfunded or underfunded status of the Pension Plan, and post-retirement and post-employment benefit plans (Plans) as an asset or liability on its Consolidated Balance Sheets, with offsetting regulatory assets and liabilities as appropriate. The underfunded benefit obligations for the Plans, in the absence of regulatory accounting, would be recognized in AOCI. The impact of changes in assumptions used to measure pension, post-retirement and post-employment benefit obligations is generally recognized over the expected average remaining service period of the employees. The measurement date for the Plans is December 31.

The following tables provide the components of the unfunded status of the Company's Plans at December 31, 2018 and 2017:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Year ended December 31 *(millions of dollars)*	**2018**	**2017**	**2018**	**2017**
Change in projected benefit obligation				
Projected benefit obligation, beginning of year	8,258	7,774	1,565	1,690
Current service cost	176	147	50	49
Employee contributions	52	49	—	—
Interest cost	282	304	54	67
Benefits paid	(362)	(368)	(49)	(44)
Net actuarial loss (gain)	(654)	352	(158)	(197)
Recognition of prior service	—	—	3	—
Projected benefit obligation, end of year	7,752	8,258	1,465	1,565
Change in plan assets				
Fair value of plan assets, beginning of year	7,277	6,874	—	—
Actual return on plan assets	190	662	—	—
Benefits paid	(362)	(368)	(49)	(34)
Employer contributions	75	87	49	34
Employee contributions	52	49	—	—
Administrative expenses	(27)	(27)	—	—
Fair value of plan assets, end of year	7,205	7,277	—	—
Unfunded status	547	981	1,465	1,565

Hydro One presents its benefit obligations and plan assets net on its Consolidated Balance Sheets as follows:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
December 31 *(millions of dollars)*	**2018**	**2017**	**2018**	**2017**
Other assets[1]	3	1	—	—
Accrued liabilities	—	—	55	53
Pension benefit liability	547	981	—	—
Post-retirement and post-employment benefit liability[2]	—	—	1,417	1,519
Net unfunded status	544	980	1,472	1,572

[1] Represents the funded status of HOSSM defined benefit pension plan.

[2] Includes $7 million (2017 - $7 million) relating to HOSSM post-employment benefit plans.

The funded or unfunded status of the Plans refers to the difference between the fair value of plan assets and the PBO for the Plans. The funded/unfunded status changes over time due to several factors, including contribution levels, assumed discount rates and actual returns on plan assets.

The following table provides the PBO, accumulated benefit obligation (ABO) and fair value of plan assets for the Pension Plan:

December 31 *(millions of dollars)*	**2018**	**2017**
PBO	7,752	8,258
ABO	7,144	7,614
Fair value of plan assets	7,205	7,277

On an ABO basis, the Pension Plan was funded at 101% at December 31, 2018 (2017 - 96%). On a PBO basis, the Pension Plan was funded at 93% at December 31, 2018 (2017 - 88%). The ABO differs from the PBO in that the ABO includes no assumption about future compensation levels.

Components of Net Periodic Benefit Costs

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2018 and 2017 for the Pension Plan:

Year ended December 31 *(millions of dollars)*	2018	2017
Current service cost	176	147
Interest cost	282	304
Expected return on plan assets, net of expenses	(467)	(442)
Amortization of actuarial losses	84	79
Net periodic benefit costs	75	88
Charged to results of operations[1]	32	39

[1] The Company accounts for pension costs consistent with their inclusion in OEB-approved rates. During the year ended December 31, 2018, pension costs of $75 million (2017 - $87 million) were attributed to labour, of which $32 million (2017 - $39 million) was charged to operations, and $43 million (2017 - $48 million) was capitalized as part of the cost of property, plant and equipment and intangible assets.

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2018 and 2017 for the post-retirement and post-employment benefit plans:

Year ended December 31 *(millions of dollars)*	2018	2017
Current service cost	50	49
Interest cost	53	67
Amortization of actuarial losses	15	16
Recognition of prior service	3	—
Net periodic benefit costs	121	132
Charged to results of operations	52	59

Assumptions

The measurement of the obligations of the Plans and the costs of providing benefits under the Plans involves various factors, including the development of valuation assumptions and accounting policy elections. When developing the required assumptions, the Company considers historical information as well as future expectations. The measurement of benefit obligations and costs is impacted by several assumptions including the discount rate applied to benefit obligations, the long-term expected rate of return on plan assets, Hydro One's expected level of contributions to the Plans, the incidence of mortality, the expected remaining service period of plan participants, the level of compensation and rate of compensation increases, employee age, length of service, and the anticipated rate of increase of health care costs, among other factors. The impact of changes in assumptions used to measure the obligations of the Plans is generally recognized over the expected average remaining service period of the plan participants. In selecting the expected rate of return on plan assets, Hydro One considers historical economic indicators that impact asset returns, as well as expectations regarding future long-term capital market performance, weighted by target asset class allocations. In general, equity securities, real estate and private equity investments are forecasted to have higher returns than fixed-income securities.

The following weighted average assumptions were used to determine the benefit obligations at December 31, 2018 and 2017:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Year ended December 31	2018	2017	2018	2017
Significant assumptions:				
Weighted average discount rate	3.90%	3.40%	4.00%	3.40%
Rate of compensation scale escalation (long-term)	2.50%	2.50%	2.50%	2.50%

Rate of cost of living increase	2.00%	2.00%	2.00%	2.00%
Rate of increase in health care cost trends[1]	—	—	4.04%	4.04%

[1] 5.19% per annum in 2019, grading down to 4.04% per annum in and after 2031 (2017 - 5.26% per annum in 2018, grading down to 4.04% per annum in and after 2031).

The following weighted average assumptions were used to determine the net periodic benefit costs for the years ended December 31, 2018 and 2017. Assumptions used to determine current year-end benefit obligations are the assumptions used to estimate the subsequent year's net periodic benefit costs.

Year ended December 31	2018	2017
Pension Benefits:		
Weighted average expected rate of return on plan assets	6.50%	6.50%
Weighted average discount rate	3.40%	3.90%
Rate of compensation scale escalation (long-term)	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%
Average remaining service life of employees *(years)*	15	15

Post-Retirement and Post-Employment Benefits:		
Weighted average discount rate	3.40%	3.90%
Rate of compensation scale escalation (long-term)	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%
Average remaining service life of employees *(years)*	15.5	15.2
Rate of increase in health care cost trends[1]	4.04%	4.36%

[1] 5.26% per annum in 2018, grading down to 4.04% per annum in and after 2031 (2017 - 6.25% per annum in 2017, grading down to 4.36% per annum in and after 2031).

The discount rate used to determine the current year pension obligation and the subsequent year's net periodic benefit costs is based on a yield curve approach. Under the yield curve approach, expected future benefit payments for each plan are discounted by a rate on a third-party bond yield curve corresponding to each duration. The yield curve is based on "AA" long-term corporate bonds. A single discount rate is calculated that would yield the same present value as the sum of the discounted cash flows.

The effect of a 1% change in health care cost trends on the PBO for the post-retirement and post-employment benefits at December 31, 2018 and 2017 is as follows:

December 31 *(millions of dollars)*	2018	2017
Projected benefit obligation:		
Effect of a 1% increase in health care cost trends	230	250
Effect of a 1% decrease in health care cost trends	(175)	(189)

The effect of a 1% change in health care cost trends on the service cost and interest cost for the post-retirement and post-employment benefits for the years ended December 31, 2018 and 2017 is as follows:

Year ended December 31 *(millions of dollars)*	2018	2017
Service cost and interest cost:		
Effect of a 1% increase in health care cost trends	23	29
Effect of a 1% decrease in health care cost trends	(16)	(20)

The following approximate life expectancies were used in the mortality assumptions to determine the PBO for the pension and post-retirement and post-employment plans at December 31, 2018 and 2017:

December 31, 2018				December 31, 2017			
Life expectancy at 65 for a member currently at				Life expectancy at 65 for a member currently at			
Age 65		Age 45		Age 65		Age 45	
Male	Female	Male	Female	Male	Female	Male	Female
22	25	23	25	22	24	23	24

Estimated Future Benefit Payments

At December 31, 2018, estimated future benefit payments to the participants of the Plans were:

(millions of dollars)	**Pension Benefits**	**Post-Retirement and Post-Employment Benefits**
2019	335	56
2020	343	58
2021	352	59
2022	360	60
2023	367	61
2024 through to 2028	1,915	326
Total estimated future benefit payments through to 2028	3,672	620

Components of Regulatory Assets

A portion of actuarial gains and losses and prior service costs is recorded within regulatory assets on Hydro One's Consolidated Balance Sheets to reflect the expected regulatory inclusion of these amounts in future rates, which would otherwise be recorded in OCI. The following table provides the actuarial gains and losses and prior service costs recorded within regulatory assets:

Year ended December 31 *(millions of dollars)*	2018	2017
Pension Benefits:		
Actuarial loss (gain) for the year	(350)	159
Amortization of actuarial losses	(84)	(79)
	(434)	80
Post-Retirement and Post-Employment Benefits:		
Actuarial loss (gain) for the year	(158)	(197)
Amortization of actuarial losses	(15)	(16)
Amortization of prior service cost	(3)	—
Amounts not subject to regulatory treatment	10	6
	(166)	(207)

The following table provides the components of regulatory assets that have not been recognized as components of net periodic benefit costs for the years ended December 31, 2018 and 2017:

Year ended December 31 *(millions of dollars)*	2018	2017
Pension Benefits:		
Actuarial loss	547	981
Post-Retirement and Post-Employment Benefits:		
Actuarial loss (gain)	(130)	36

The following table provides the components of regulatory assets at December 31 that are expected to be amortized as components of net periodic benefit costs in the following year:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
December 31 *(millions of dollars)*	2018	2017	2018	2017
Actuarial loss (gain)	55	84	(1)	2

Pension Plan Assets

Investment Strategy

On a regular basis, Hydro One evaluates its investment strategy to ensure that Pension Plan assets will be sufficient to pay Pension Plan benefits when due. As part of this ongoing evaluation, Hydro One may make changes to its targeted asset allocation and investment strategy. The Pension Plan is managed at a net asset level. The main objective of the Pension Plan is to sustain a certain level of net assets in order to meet the pension obligations of the Company. The Pension Plan fulfills its primary objective by adhering to specific investment policies outlined in its Summary of Investment Policies and Procedures (SIPP), which is reviewed and approved by the Human Resource Committee of Hydro One's Board of Directors. The Company manages net assets by engaging knowledgeable external investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the approved SIPP. The performance of the managers is monitored through a governance structure. Increases in net assets are a direct result of investment income generated by investments held by the Pension Plan and contributions to the Pension Plan by eligible employees and by the Company. The main use of net assets is for benefit payments to eligible Pension Plan members.

Pension Plan Asset Mix

At December 31, 2018, the Pension Plan target asset allocations and weighted average asset allocations were as follows:

	Target Allocation (%)	Pension Plan Assets (%)
Equity securities	45	50
Debt securities	35	41
Other[1]	20	9
	100	100

[1] Other investments include real estate and infrastructure investments.

At December 31, 2018, the Pension Plan held $18 million (2017 - $11 million) Hydro One corporate bonds and $546 million (2017 - $415 million) of debt securities of the Province.

Concentrations of Credit Risk

Hydro One evaluated its Pension Plan's asset portfolio for the existence of significant concentrations of credit risk as at December 31, 2018 and 2017. Concentrations that were evaluated include, but are not limited to, investment concentrations in a single entity, concentrations in a type of industry, and concentrations in individual funds. At December 31, 2018 and 2017, there were no significant concentrations (defined as greater than 10% of plan assets) of risk in the Pension Plan's assets.

The Pension Plan's Statement of Investment Beliefs and Guidelines provides guidelines and restrictions for eligible investments taking into account credit ratings, maximum investment exposure and other controls in order to limit the impact of this risk. The Pension Plan manages its counterparty credit risk with respect to bonds by investing in investment-grade and government bonds and with respect to derivative instruments by transacting only with highly rated financial institutions, and also by ensuring that exposure is diversified across counterparties. The risk of default on transactions in listed securities is considered minimal, as the trade will fail if either party to the transaction does not meet its obligation.

Fair Value Measurements

The following tables present the Pension Plan assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy at December 31, 2018 and 2017:

December 31, 2018 *(millions of dollars)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Pooled funds	—	21	651	672
Cash and cash equivalents	210	—	—	210
Short-term securities	—	78	—	78
Derivative instruments	—	(7)	—	(7)
Corporate shares - Canadian	115	—	—	115
Corporate shares - Foreign	3,222	183	—	3,405
Bonds and debentures - Canadian	—	2,506	—	2,506
Bonds and debentures - Foreign	—	197	—	197
Total fair value of plan assets[1]	3,547	2,978	651	7,176

[1] At December 31, 2018, the total fair value of Pension Plan assets and liabilities excludes $35 million of interest and dividends receivable, $10 million of pension administration expenses payable, $6 million of sold investments receivable, and $2 million of purchased investments payable.

December 31, 2017 *(millions of dollars)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Pooled funds	—	16	549	565
Cash and cash equivalents	153	—	—	153
Short-term securities	—	109	—	109
Derivative instruments	—	5	—	5
Corporate shares - Canadian	921	—	—	921
Corporate shares - Foreign	3,307	125	—	3,432
Bonds and debentures - Canadian	—	1,879	—	1,879
Bonds and debentures - Foreign	—	194	—	194
Total fair value of plan assets[1]	4,381	2,328	549	7,258

[1] At December 31, 2017, the total fair value of Pension Plan assets and liabilities excludes $28 million of interest and dividends receivable, $10 million of pension administration expenses payable, $1 million of sold investments receivable, and $1 million of purchased investments payable.

See Note 17 - Fair Value of Financial Instruments and Risk Management for a description of levels within the fair value hierarchy.

Changes in the Fair Value of Financial Instruments Classified in Level 3

The following table summarizes the changes in fair value of financial instruments classified in Level 3 for the years ended December 31, 2018 and 2017. The Pension Plan classifies financial instruments as Level 3 when the fair value is measured based on at least one significant input that is not observable in the markets or due to lack of liquidity in certain markets. The gains and losses presented in the table below could, therefore, include changes in fair value based on both observable and unobservable inputs. The Level 3 financial instruments are comprised of pooled funds whose valuations are provided by the investment managers. Sensitivity analysis is not provided as the underlying assumptions used by the investment managers are not available.

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Fair value, beginning of year	549	425
Realized and unrealized gains (losses)	59	(31)
Purchases	90	171
Sales and disbursements	(47)	(16)
Fair value, end of year	651	549

There were no significant transfers between any of the fair value levels during the years ended December 31, 2018 and 2017.

Valuation Techniques Used to Determine Fair Value

Pooled funds mainly consist of private equity, real estate and infrastructure investments. Private equity investments represent private equity funds that invest in operating companies that are not publicly traded on a stock exchange. Investment strategies in private equity include limited partnerships in businesses that are characterized by high internal growth and operational efficiencies, venture capital, leveraged buyouts and special situations such as distressed investments. Real estate and infrastructure investments represent funds that invest in real assets which are not publicly traded on a stock exchange. Investment strategies in real estate include limited partnerships that seek to generate a total return through income and capital growth by investing primarily in global and Canadian limited partnerships. Investment strategies in infrastructure include limited partnerships in core infrastructure assets focusing on assets that generate stable, long-term cash flows and deliver incremental returns relative to conventional fixed-income investments. Private equity, real estate and infrastructure valuations are reported by the fund manager and are based on the valuation of the underlying investments which includes inputs such as cost, operating results, discounted future cash flows and market-based comparable data. Since these valuation inputs are not highly observable, private equity and infrastructure investments have been categorized as Level 3 within pooled funds.

Cash equivalents consist of demand cash deposits held with banks and cash held by the investment managers. Cash equivalents are categorized as Level 1.

Short-term securities are valued at cost plus accrued interest, which approximates fair value due to their short-term nature. Short-term securities are categorized as Level 2.

Derivative instruments are used to hedge the Pension Plan's foreign currency exposure back to Canadian dollars. The notional principal amount of contracts outstanding as at December 31, 2018 was $299 million (2017 - $279 million), the most significant currencies being hedged against the Canadian dollar are the United States dollar, Euro, and Japanese Yen. The net realized loss on contracts for the year ended December 31, 2018 was $7 million (2017 - $1 million net realized gain). The terms to maturity of the forward exchange contracts at December 31, 2018 are within three months. The fair value is determined using standard interpolation methodology primarily based on the World Markets exchange rates. Derivative instruments are categorized as Level 2.

Corporate shares are valued based on quoted prices in active markets and are categorized as Level 1. Corporate shares which are valued based on quoted prices in active markets, but held within a pension investment holding company, are categorized as Level 2. Investments denominated in foreign currencies are translated into Canadian currency at year-end rates of exchange.

Bonds and debentures are presented at published closing trade quotations, and are categorized as Level 2.

20. ENVIRONMENTAL LIABILITIES

The following tables show the movements in environmental liabilities for the years ended December 31, 2018 and 2017:

Year ended December 31, 2018 *(millions of dollars)*	**PCB**	**LAR**	**Total**
Environmental liabilities - beginning	134	62	196
Interest accretion	5	1	6

Expenditures	(16)	(6)	(22)
Revaluation adjustment	(15)	—	(15)
Environmental liabilities - ending	108	57	165
Less: current portion	(15)	(11)	(26)
	93	46	139

Year ended December 31, 2017 *(millions of dollars)*	**PCB**	**LAR**	**Total**
Environmental liabilities - beginning	143	61	204
Interest accretion	6	2	8
Expenditures	(16)	(8)	(24)
Revaluation adjustment	1	7	8
Environmental liabilities - ending	134	62	196
Less: current portion	(20)	(8)	(28)
	114	54	168

The following tables show the reconciliation between the undiscounted basis of the environmental liabilities and the amount recognized on the Consolidated Balance Sheets after factoring in the discount rate:

December 31, 2018 *(millions of dollars)*	**PCB**	**LAR**	**Total**
Undiscounted environmental liabilities	118	58	176
Less: discounting environmental liabilities to present value	(10)	(1)	(11)
Discounted environmental liabilities	108	57	165

December 31, 2017 *(millions of dollars)*	**PCB**	**LAR**	**Total**
Undiscounted environmental liabilities	142	64	206
Less: discounting environmental liabilities to present value	(8)	(2)	(10)
Discounted environmental liabilities	134	62	196

At December 31, 2018, the estimated future environmental expenditures were as follows:

(millions of dollars)	
2019	26
2020	29
2021	32
2022	31
2023	28
Thereafter	30
	176

Hydro One records a liability for the estimated future expenditures for LAR and for the phase-out and destruction of PCB-contaminated mineral oil removed from electrical equipment when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated.

There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations, and advances in remediation technologies. In determining the amounts to be recorded as environmental liabilities, the Company estimates the current cost of completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation rate assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 2.0% to 6.3%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Company's environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. In addition, with respect to the PCB environmental liability, the availability of critical resources such as skilled labour and replacement assets and the ability to take maintenance outages in critical facilities may influence the timing of expenditures.

PCBs

The Environment Canada regulations, enacted under the *Canadian Environmental Protection Act, 1999*, govern the management, storage and disposal of PCBs based on certain criteria, including type of equipment, in-use status, and PCB-contamination thresholds. Under current regulations, Hydro One's PCBs have to be disposed of by the end of 2025, with the exception of specifically exempted equipment. Contaminated equipment will generally be replaced, or will be decontaminated by removing PCB-contaminated insulating oil and retro filling with replacement oil that contains PCBs in concentrations of less than 2 ppm.

The Company's best estimate of the total estimated future expenditures to comply with current PCB regulations is $118 million (2017 - $142 million). These expenditures are expected to be incurred over the period from 2019 to 2024. As a result of its annual review of environmental liabilities, the Company recorded a revaluation adjustment in 2018 to decrease the PCB environmental liability by $15 million (2017 - increase by $1 million).

LAR

The Company's best estimate of the total estimated future expenditures to complete its LAR program is $58 million (2017 - $64 million). These expenditures are expected to be incurred over the period from 2019 to 2044. As a result of its annual review of environmental liabilities, no revaluation adjustment to the LAR environmental liability was recorded in 2018 (2017 - revaluation adjustment was recorded to increase the LAR environmental liability by $7 million).

21. ASSET RETIREMENT OBLIGATIONS

Hydro One records a liability for the estimated future expenditures for the removal and disposal of asbestos-containing materials installed in some of its facilities. Asset retirement obligations, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected expenditures for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate can be made. If the asset remains in service at the recognition date, the present value of the liability is added to the carrying amount of the associated asset in the period the liability is incurred and this additional carrying amount is depreciated over the remaining life of the asset. If an asset retirement obligation is recorded in respect of an out-of-service asset, the asset retirement cost is charged to results of operations. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligation, which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired, changes in legislation or regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset.

In determining the amounts to be recorded as asset retirement obligations, the Company estimates the current fair value for completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 2.0% to 4.0%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Company's asset retirement obligations represent management's best estimates of the cost required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. Asset retirement obligations are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively. As a result of its annual review of asset retirement obligations, the Company recorded a revaluation adjustment in 2018 to increase the asset retirement liability by $1 million (2017 - $nil).

At December 31, 2018, Hydro One had recorded asset retirement obligations of $10 million (2017 - $9 million), primarily consisting of the estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities. The amount of interest recorded is nominal.

22. SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares. At December 31, 2018, the Company had 595,938,975 (2017 - 595,386,711) common shares issued and outstanding.

The amount and timing of any dividends payable by Hydro One is at the discretion of the Hydro One Board of Directors 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 of Directors may consider relevant.

The following tables present the changes to common shares during the years ended December 31, 2018 and 2017:

	Ownership by		
Year ended December 31, 2018 *(number of shares)*	**Public**	**Province**	**Total**
Common shares – beginning	312,974,063	282,412,648	595,386,711
Common shares issued - share grants[1]	481,460	—	481,460
Common shares issued - LTIP[2]	70,804	—	70,804
Common shares – ending	313,526,327	282,412,648	595,938,975

	52.6%	47.4%	100%

[1] In 2018, Hydro One issued from treasury 481,460 common shares in accordance with provisions of the Power Workers' Union (PWU) and the Society Share Grant Plans.

[2] In 2018, Hydro One issued from treasury 70,804 common shares in accordance with provisions of the LTIP.

Year ended December 31, 2017 *(number of shares)*	**Ownership by** Public	Province	**Total**
Common shares – beginning	178,196,340	416,803,660	595,000,000
Secondary offering[1]	120,000,000	(120,000,000)	—
Common shares issued - share grants[2]	371,611	—	371,611
Common shares issued - LTIP[3]	15,100	—	15,100
Sale of common shares[4]	14,391,012	(14,391,012)	—
Common shares – ending	312,974,063	282,412,648	595,386,711
	52.6%	47.4%	100%

[1] In May 2017, Hydro One announced the closing of a secondary offering by the Province, on a bought deal basis, of 120 million common shares of Hydro One on the Toronto Stock Exchange. Hydro One did not receive any of the proceeds from the sale of the common shares by the Province.

[2] In 2017, Hydro One issued from treasury 371,611 common shares in accordance with provisions of the PWU Share Grant Plan.

[3] In 2017, Hydro One issued from treasury 15,100 common shares in accordance with provisions of the LTIP.

[4] In December 2017, the Province sold 14,391,012 common shares of Hydro One to OFN Power Holdings LP, a limited partnership wholly-owned by Ontario First Nations Sovereign Wealth LP, which is in turn owned by 129 First Nations in Ontario. Hydro One did not receive any of the proceeds from the sale of the common shares by the Province.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. At December 31, 2018 and 2017, two series of preferred shares were authorized for issuance: the Series 1 preferred shares and the Series 2 preferred shares. At December 31, 2018 and 2017, the Company had 16,720,000 Series 1 preferred shares and no Series 2 preferred shares issued and outstanding.

Hydro One may from time to time issue preferred shares in one or more series. Prior to issuing shares in a series, the Hydro One Board of Directors is required to fix the number of shares in the series and determine the designation, rights, privileges, restrictions and conditions attaching to that series of preferred shares. Holders of Hydro One's preferred shares are not entitled to receive notice of, to attend or to vote at any meeting of the shareholders of Hydro One except that votes may be granted to a series of preferred shares when dividends have not been paid on any one or more series as determined by the applicable series provisions. Each series of preferred shares ranks on parity with every other series of preferred shares, and are entitled to a preference over the common shares and any other shares ranking junior to the preferred shares, with respect to dividends and the distribution of assets and return of capital in the event of the liquidation, dissolution or winding up of Hydro One.

For the period commencing from the date of issue of the Series 1 preferred shares and ending on and including November 19, 2020, the holders of Series 1 preferred shares are entitled to receive fixed cumulative preferential dividends of $1.0625 per share per year, if and when declared by the Board of Directors, payable quarterly. The dividend rate will reset on November 20, 2020 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.53%. The Series 1 preferred shares will not be redeemable by Hydro One prior to November 20, 2020, but will be redeemable by Hydro One on November 20, 2020 and on November 20 of every fifth year thereafter at a redemption price equal to $25.00 for each Series 1 preferred share redeemed, plus any accrued or unpaid dividends. The holders of Series 1 preferred shares will have the right, at their option, on November 20, 2020 and on November 20 of every fifth year thereafter, to convert all or any of their Series 1 preferred shares into Series 2 preferred shares on a one-for-one basis, subject to certain restrictions on conversion. At December 31, 2018, no preferred share dividends were in arrears.

The holders of Series 2 preferred shares will be entitled to receive quarterly floating rate cumulative dividends, if and when declared by the Board of Directors, at a rate equal to the sum of the then three-month Government of Canada treasury bill rate and 3.53% as reset quarterly. The Series 2 preferred shares will not be redeemable by Hydro One prior to November 20, 2020, but will be redeemable by Hydro One at a redemption price equal to $25.00 for each Series 2 preferred share redeemed, if redeemed on November 20, 2025 or on November 20 of every fifth year thereafter, or $25.50 for each Series 2 preferred share redeemed, if redeemed on any other date after November 20, 2020, in each case plus any accrued or unpaid dividends. The holders of Series 2 preferred shares will have the right, at their option, on November 20, 2025 and on November 20 of every fifth year thereafter, to convert all or any of their Series 2 preferred shares into Series 1 preferred shares on a one-for-one basis, subject to certain restrictions on conversion.

Share Ownership Restrictions

The *Electricity Act* imposes share ownership restrictions on securities of Hydro One carrying a voting right (Voting Securities). These restrictions provide that no person or company (or combination of persons or companies acting jointly or in concert) may beneficially own or exercise control or direction over more than 10% of any class or series of Voting Securities, including common shares of the Company (Share Ownership Restrictions). The Share Ownership Restrictions do not apply to Voting Securities held by the Province, nor to an underwriter who holds Voting Securities solely for the purpose of distributing those securities to purchasers who comply with the Share Ownership Restrictions.

23. DIVIDENDS

In 2018, preferred share dividends in the amount of $18 million (2017 - $18 million) and common share dividends in the amount of $542 million (2017 - $518 million) were declared.

24. EARNINGS PER COMMON SHARE

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

Diluted EPS is calculated by dividing net income (loss) 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 LTIP, which are calculated using the treasury stock method.

Year ended December 31	2018	2017
Net income (loss) attributable to common shareholders *(millions of dollars)*	(89)	658
Weighted average number of shares		
Basic	595,756,470	595,287,586
Effect of dilutive stock-based compensation plans	2,147,473	2,234,665
Diluted	597,903,943	597,522,251
EPS		
Basic	($0.15)	$1.11
Diluted	($0.15)	$1.10

The common shares contingently issuable as a result of the Convertible Debentures are not included in diluted EPS as conditions for closing the Merger were not met as at December 31, 2018. As a result of the termination of the Merger agreement (see Note 4 - Business Combinations), the Convertible Debentures were redeemed on February 8, 2019.

25. 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 PWU (PWU Share Grant Plan) and one for the benefit of certain members of the Society (formerly the Society of Energy Professionals) (Society Share Grant Plan).

The PWU Share Grant Plan provides for the issuance of common shares of Hydro One from treasury to certain eligible members of the PWU annually, commencing on April 1, 2017 and continuing until the earlier of April 1, 2028 or the date an eligible employee no longer meets the eligibility criteria of the PWU Share Grant Plan. To be eligible, an employee must be a member of the Pension Plan on April 1, 2015, be employed on the date annual share issuance occurs and continue to have under 35 years of service. The requisite service period for the PWU Share Grant Plan began on July 3, 2015, which is the date the share grant plan was ratified by the PWU. The number of common shares issued annually to each eligible employee will be equal to 2.7% of such eligible employee's salary as at April 1, 2015, divided by $20.50, being the price of the common shares of Hydro One in its Initial Public Offering (IPO). The aggregate number of common shares issuable under the PWU Share Grant Plan shall not exceed 3,981,763 common shares. In 2015, 3,979,062 common shares were granted under the PWU Share Grant Plan.

The Society Share Grant Plan provides for the issuance of common shares of Hydro One from treasury to certain eligible members of The Society annually, commencing on April 1, 2018 and continuing until the earlier of April 1, 2029 or the date an eligible employee no longer meets the eligibility criteria of the Society Share Grant Plan. To be eligible, an employee must be a member of the Pension Plan on September 1, 2015, be employed on the date annual share issuance occurs and continue to have under 35 years of service. Therefore the requisite service period for the Society Share Grant Plan began on September 1, 2015. The number of common shares issued annually to each eligible employee will be equal to 2.0% of such eligible employee's salary as at September 1, 2015, divided by $20.50, being the price of the common shares of Hydro One in its IPO. The aggregate number of common shares issuable under the Society Share Grant Plan shall not exceed 1,434,686 common shares. In 2015, 1,433,292 common shares were granted under the Society Share Grant Plan.

The fair value of the Hydro One 2015 share grants of $111 million was estimated based on the grant date share price of $20.50 and is recognized using the graded-vesting attribution method as the share grant plans have both a performance condition and a service condition. In 2018, 481,460 common shares were issued under the Share Grant Plans (2017 - 371,611). Total share based compensation recognized during 2018 was $12 million (2017 - $17 million) and was recorded as a regulatory asset.

A summary of share grant activity under the Share Grant Plans during years ended December 31, 2018 and 2017 is presented below:

Year ended December 31, 2018	Share Grants (number of common shares)		Weighted-Average Price
Share grants outstanding - beginning	4,825,732	$	20.50
Vested and issued[1]	(481,460)		—
Forfeited	(110,117)	$	20.50
Share grants outstanding - ending	4,234,155	$	20.50

[1] In 2018, Hydro One issued from treasury 481,460 common shares to eligible employees in accordance with provisions of the PWU and the Society Share Grant Plans.

Year ended December 31, 2017	Share Grants (number of common shares)		Weighted-Average Price
Share grants outstanding - beginning	5,334,415	$	20.50
Vested and issued[1]	(371,611)		—
Forfeited	(137,072)	$	20.50
Share grants outstanding - ending	4,825,732	$	20.50

[1] In 2017, Hydro One issued from treasury 371,611 common shares to eligible employees in accordance with provisions of the PWU Share Grant Plan.

Directors' DSU Plan

Under the Directors' DSU Plan, directors can elect to receive credit for their annual cash retainer in a notional account of DSUs in lieu of cash. Hydro One's Board of Directors may also determine from time to time that special circumstances exist that would reasonably justify the grant of DSUs to a director as compensation in addition to any regular retainer or fee to which the director is entitled. Each DSU represents a unit with an underlying value equivalent to the value of one common share of the Company and is entitled to accrue common share dividend equivalents in the form of additional DSUs at the time dividends are paid, subsequent to declaration by Hydro One's Board of Directors.

A summary of DSU awards activity under the Director' DSU Plan during the years ended December 31, 2018 and 2017 is presented below:

Year ended December 31 *(number of DSUs)*	2018	2017
DSUs outstanding - beginning	187,090	99,083
Granted	82,375	88,007
Settled	(222,768)	—
DSUs outstanding - ending	46,697	187,090

For the year ended December 31, 2018, an expense of $1 million (2017 - $2 million) was recognized in earnings with respect to the Directors' DSU Plan. At December 31, 2018, a liability of $1 million (2017 - $4 million) related to Directors' DSUs has been recorded at the December 31, 2018 closing price of the Company's common shares of $20.25. This liability is included in long-term accounts payable and other liabilities on the Consolidated Balance Sheets.

DSUs related to the Company's former Board of Directors were settled at the June 29, 2018 (last business day in June 2018) closing price of the Company's common shares of $20.04, with an amount of approximately $5 million paid during the fourth quarter of 2018.

Management DSU Plan

Under the Management DSU Plan, eligible executive employees can elect to receive a specified proportion of their annual short-term incentive in a notional account of DSUs in lieu of cash. Each DSU represents a unit with an underlying value equivalent to the value of one common share of the Company and is entitled to accrue common share dividend equivalents in the form of additional DSUs at the time dividends are paid, subsequent to declaration by Hydro One's Board of Directors.

A summary of DSU awards activity under the Management DSU Plan during the years ended December 31, 2018 and 2017 is presented below:

Year ended December 31 *(number of DSUs)*	2018	2017

DSUs outstanding - beginning	67,829	—
Granted	40,467	68,897
Paid	—	(1,068)
DSUs outstanding - ending	108,296	67,829

For the year ended December 31, 2018, an expense of $1 million (2017 - $2 million) was recognized in earnings with respect to the Management DSU Plan. At December 31, 2018, a liability of $2 million (2017 - $2 million) consisted of the following:

- $1 million recorded at the June 29, 2018 (last business day in June 2018) closing price of the Company's common shares of $20.04 (2017 - $22.40) related to previously awarded Management DSUs to the Company's former President and Chief Executive Officer (CEO) included in accounts payable and other current liabilities (2017 - $1 million included in long-term accounts payable and other liabilities; and
- $1 million recorded at the December 31, 2018 closing price of the Company's common shares of $20.25 (2017 - $22.40) related to other Management DSUs included in long-term accounts payable and other liabilities (2017 - $1 million).

Employee Share Ownership Plan

In 2015, Hydro One established Employee Share Ownership Plans (ESOP) for certain eligible management and non-represented employees (Management ESOP) and for certain eligible Society-represented staff (Society ESOP). Under the Management ESOP, the eligible management and non-represented employees may contribute between 1% and 6% of their base salary towards purchasing common shares of Hydro One. The Company matches 50% of their contributions, up to a maximum Company contribution of $25,000 per calendar year. Under the Society ESOP, the eligible Society-represented staff may contribute between 1% and 4% of their base salary towards purchasing common shares of Hydro One. The Company matches 25% of their contributions, with no maximum Company contribution per calendar year. In 2018, Company contributions made under the ESOP were $2 million (2017 - $2 million).

LTIP

Effective August 31, 2015, the Board of Directors of Hydro One adopted an LTIP. Under the LTIP, long-term incentives are granted to certain executive and management employees of Hydro One and its subsidiaries, and all equity-based awards will be settled in newly issued shares of Hydro One from treasury, consistent with the provisions of the plan which also permit the participants to surrender a portion of their awards to satisfy related withholding taxes requirements. The aggregate number of shares issuable under the LTIP shall not exceed 11,900,000 shares of Hydro One.

The LTIP provides flexibility to award a range of vehicles, including Performance Share Units (PSUs), Restricted Share Units (RSUs), stock options, share appreciation rights, restricted shares, DSUs, and other share-based awards. The mix of vehicles is intended to vary by role to recognize the level of executive accountability for overall business performance.

PSUs and RSUs

A summary of PSU and RSU awards activity under the LTIP during the years ended December 31, 2018 and 2017 is presented below:

	PSUs		RSUs	
Year ended December 31 *(number of units)*	**2018**	**2017**	**2018**	**2017**
Units outstanding - beginning	429,980	230,600	393,430	254,150
Granted	445,120	303,240	345,790	242,860
Vested and issued	(123)	(609)	(106,591)	(14,079)
Forfeited	(31,767)	(103,251)	(31,849)	(89,501)
Settled	(238,030)	—	(158,310)	—
Units outstanding - ending	605,180	429,980	442,470	393,430

The grant date total fair value of the awards granted in 2018 was $16 million (2017 - $13 million). The compensation expense related to the PSU and RSU awards recognized by the Company during 2018 was $15 million (2017 - $6 million). The expense recognized in 2018 included $5 million related to previously awarded PSUs and RSUs to the Company's former President and CEO for which costs had not previously been recognized. These awards, consisting of 238,030 PSUs and 158,310 RSUs, were settled in 2018 through a one-time cash settlement arrangement.

Stock Options

The Company is authorized to grant stock options under its LTIP to certain eligible employees. During 2018, the Company granted 1,450,880 stock options (2017 - nil). The stock options granted are exercisable for a period not to exceed seven years from the date of grant and vest evenly over a three-year period on each anniversary of the date of grant.

The fair value based method is used to measure compensation expense related to stock options and the expense is recognized over the vesting period on a straight-line basis. The fair value of the stock option awards granted was estimated on the date of grant using a Black-Scholes valuation model.

Stock options granted and the weighted-average assumptions used in the valuation model for options granted during 2018 are as follows:

Exercise price[1]	$	20.70
Grant date fair value per option	$	1.66
Valuation assumptions:		
Expected dividend yield[2]		3.78%
Expected volatility[3]		15.01%
Risk-free interest rate[4]		2.00%
Expected option term[5]		4.5 years

[1] Hydro One common share price on the date of the grant.
[2] Based on dividend and Hydro One common share price on the date of the grant.
[3] Based on average daily volatility of peer entities for a 4.5-year term.
[4] Based on bond yield for an equivalent Canadian government bond.
[5] Determined using the option term and the vesting period.

A summary of stock options activity during 2018 and 2017 is presented below:

Year ended December 31 *(number of stock options)*	**2018**	**2017**
Stock options outstanding - beginning	—	—
Granted[1]	1,450,880	—
Cancelled[2]	(500,970)	—
Stock options outstanding - ending[1]	949,910	—

[1] All stock options granted and outstanding at December 31, 2018 are non-vested.
[2] During 2018, 500,970 stock options previously awarded to the Company's former President and CEO were cancelled. The unrecognized compensation expense related to the cancelled stock options was $1 million.

The compensation expense related to stock options recognized by the Company during 2018 was $1 million. At December 31, 2018, there was $1 million of unrecognized compensation expense related to stock options not yet vested, which is expected to be recognized over a weighted-average period of approximately three years.

26. NONCONTROLLING INTEREST

On December 16, 2014, transmission assets totalling $526 million were transferred from Hydro One Networks to B2M LP. This was financed by 60% debt ($316 million) and 40% equity ($210 million). On December 17, 2014, the SON acquired a 34.2% equity interest in B2M LP for consideration of $72 million, representing the fair value of the equity interest acquired. The SON’s initial investment in B2M LP consists of $50 million of Class A units and $22 million of Class B units.

The Class B units have a mandatory put option which requires that upon the occurrence of an enforcement event (i.e. an event of default such as a debt default by the SON or insolvency event), Hydro One purchase the Class B units of B2M LP for net book value on the redemption date. The noncontrolling interest relating to the Class B units is classified on the Consolidated Balance Sheet as temporary equity because the redemption feature is outside the control of the Company. The balance of the noncontrolling interest is classified within equity.

The following tables show the movements in noncontrolling interest during the years ended December 31, 2018 and 2017:

Year ended December 31, 2018 *(millions of dollars)*	**Temporary Equity**	**Equity**	**Total**
Noncontrolling interest - beginning	22	50	72
Distributions to noncontrolling interest	(3)	(5)	(8)
Net income attributable to noncontrolling interest	2	4	6
Noncontrolling interest - ending	21	49	70

Year ended December 31, 2017 *(millions of dollars)*	Temporary Equity	Equity	Total
Noncontrolling interest - beginning	22	50	72
Distributions to noncontrolling interest	(2)	(4)	(6)
Net income attributable to noncontrolling interest	2	4	6
Noncontrolling interest - ending	22	50	72

27. RELATED PARTY TRANSACTIONS

The Province is a shareholder of Hydro One with approximately 47.4% ownership at December 31, 2018. 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 Province.

Year ended December 31 *(millions of dollars)*

Related Party	Transaction	2018	2017
Province	Dividends paid	275	301
IESO	Power purchased	1,636	1,583
	Revenues for transmission services	1,615	1,521
	Amounts related to electricity rebates	477	357
	Distribution revenues related to rural rate protection	239	247
	Distribution revenues related to the supply of electricity to remote northern communities	35	32
	Funding received related to CDM programs	62	59
OPG	Power purchased	10	9
	Revenues related to provision of services and supply of electricity	9	8
	Costs related to the purchase of services	—	1
OEFC	Power purchased from power contracts administered by the OEFC	2	2
OEB	OEB fees	8	8

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.

28. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Year ended December 31 *(millions of dollars)*	2018	2017
Accounts receivable	11	195
Due from related parties	(2)	(95)
Other assets	2	8
Accounts payable	2	7
Accrued liabilities	17	(89)
Due to related parties	(68)	10
Accrued interest	(3)	(6)
Long-term accounts payable and other liabilities	(7)	(2)
Post-retirement and post-employment benefit liability	25	85
	(23)	113

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 years ended December 31, 2018 and 2017. The reconciling items include net change in accruals and capitalized depreciation.

Year ended December 31, 2018 *(millions of dollars)*	**Property, Plant and Equipment**	**Intangible Assets**	**Total**
Capital investments	(1,454)	(121)	(1,575)
Reconciling items	36	1	37
Cash outflow for capital expenditures	(1,418)	(120)	(1,538)

Year ended December 31, 2017 *(millions of dollars)*	**Property, Plant and Equipment**	**Intangible Assets**	**Total**
Capital investments	(1,493)	(74)	(1,567)
Reconciling items	26	(6)	20
Cash outflow for capital expenditures	(1,467)	(80)	(1,547)

Capital Contributions

Hydro One enters into contracts governed by the OEB Transmission System Code when a transmission customer requests a new or upgraded transmission connection. The customer is required to make a capital contribution to Hydro One based on the shortfall between the present value of the costs of the connection facility and the present value of revenues. The present value of revenues is based on an estimate of load forecast for the period of the contract with Hydro One. Once the connection facility is commissioned, in accordance with the OEB Transmission System Code, Hydro One will periodically reassess the estimated of load forecast which will lead to a decrease, or an increase in the capital contributions from the customer. The increase or decrease in capital contributions is recorded directly to fixed assets in service. In 2018, capital contributions from these reassessments totalled $7 million (2017 - $9 million), which represents the difference between the revised load forecast of electricity transmitted compared to the load forecast in the original contract, subject to certain adjustments.

Supplementary Information

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Net interest paid	519	475
Income taxes paid	17	12

29. CONTINGENCIES

Legal Proceedings

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.

Hydro One Inc., Hydro One Networks, Hydro One Remote Communities, and Norfolk Power Distribution Inc. are defendants in a class action suit in which the representative plaintiff is seeking up to $125 million in damages related to allegations of improper billing practices. The action was commenced in the Superior Court of Ontario on September 9, 2015. The plaintiff's motion for certification was dismissed by the court in November 2017. The plaintiff appealed the court's decision to the Divisional Court. The appeal was heard in October 2018; the Divisional Court dismissed the appeal in December 2018; and in January 2019, the plaintiff applied for leave to appeal to the Ontario Court of Appeal.

To date, four putative class action lawsuits were filed by purported Avista Corporation shareholders in relation to the Merger. First, *Fink v. Morris, et al.*, was filed in Washington state court and the amended complaint names as defendants Avista Corporation's directors, Hydro One, Olympus Holding Corp., Olympus Corp., and Bank of America Merrill Lynch. The suit alleges that Avista Corporation's directors breached their fiduciary duties in relation to the Merger, aided and abetted by Hydro One, Olympus Holding Corp., Olympus Corp. and Bank of America Merrill Lynch. The Washington state court issued an order staying the litigation until after the Merger has closed. Counsel for the plaintiffs in *Fink* has informally indicated that, in light of the termination of the Merger, the lawsuit will be dismissed, but no formal dismissal papers have been filed with the court at this time. Second, *Jenß v. Avista Corp., et al., Samuel v. Avista Corp., et al., and Sharpenter v. Avista Corp., et al.*, were each filed in the US District Court for the Eastern District of Washington and named as defendants Avista Corporation and its directors; *Sharpenter* also named Hydro One, Olympus Holding Corp., and Olympus Corp. The lawsuits alleged that the preliminary proxy statement omitted material facts necessary to make the statements therein not false or misleading. *Jenß, Samuel, and Sharpenter* were all voluntarily dismissed by the respective plaintiffs with no consideration paid by any of the defendants.

Transfer of Assets

The transfer orders by which the Company acquired certain of Ontario Hydro's businesses as of April 1, 1999 did not transfer title to some assets located on Reserves (as defined in the *Indian Act* (Canada)). Currently, the OEFC holds these assets. Under the terms of the transfer orders, the Company is required to manage these assets until it has obtained all consents necessary to complete the transfer of title of these assets to itself. The Company cannot predict the aggregate amount that it may have to pay, either on an annual or one-time basis, to obtain the required consents. In 2018, the Company paid approximately $2 million (2017 - $2 million) in respect of consents obtained. If the Company cannot obtain the required consents, the OEFC will continue to hold these assets for an indefinite period of time. If the Company cannot reach a satisfactory settlement, it may have to relocate these assets to other locations at a cost that could be substantial or, in a limited number of cases, to abandon a line and replace it with diesel-generation facilities. The costs relating to these assets could have a material adverse effect on the Company's results of operations if the Company is not able to recover them in future rate orders.

30. COMMITMENTS

The following table presents a summary of Hydro One's commitments under leases, outsourcing and other agreements due in the next 5 years and thereafter:

December 31, 2018 *(millions of dollars)*	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Thereafter**

Outsourcing and other agreements	161	104	29	2	3	11
Long-term software/meter agreement	17	16	2	1	2	1
Operating lease commitments	7	11	4	1	1	4

Outsourcing Agreements

Hydro One has agreements with Inergi LP (Inergi) for the provision of back office and IT outsourcing services, including settlements, source to pay services, pay operations services, information technology and finance and accounting services. The agreement expires on February 28, 2021 for information technology services, on October 31, 2021 for supply chain services, and on December 31, 2019 for the remaining back-office services.

On March 1, 2018, Hydro One insourced its customer service operations, which had been previously outsourced to Inergi and Vertex Customer Management (Canada) Limited since 2002.

Brookfield Global Integrated Solutions (formerly Brookfield Johnson Controls Canada LP) (Brookfield) provides services to Hydro One, including facilities management and execution of certain capital projects as deemed required by the Company. The agreement with Brookfield for these services expires in December 2024, with an option for the Company to renew the agreement for an additional term of three years.

Long-term Software/Meter Agreement

Trilliant Holdings Inc. and Trilliant Networks (Canada) Inc. (collectively Trilliant) provide services to Hydro One for the supply, maintenance and support services for smart meters and related hardware and software, including additional software licences, as well as certain professional services. The agreement with Trilliant for these services expires in December 2025, but Hydro One has the option to renew for an additional term of five years at its sole discretion.

Operating Leases

Hydro One is committed as lessee to irrevocable operating lease contracts for buildings used in administrative and service-related functions and storing telecommunications equipment. These leases have typical terms of between three and five years, but several leases have lesser or greater terms to address special circumstances and/or opportunities. Renewal options, which are generally prevalent in most leases, have similar terms of three to five years. All leases include a clause to enable upward revision of the rental charge on an annual basis or on renewal according to prevailing market conditions or pre-established rents. There are no restrictions placed upon Hydro One by entering into these leases. During the year ended December 31, 2018, the Company made lease payments totalling $12 million (2017 - $12 million).

Other Commitments

The following table presents a summary of Hydro One's other commercial commitments by year of expiry in the next 5 years and thereafter:

December 31, 2018 *(millions of dollars)*	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Thereafter**
Operating Credit Facilities	—	—	250	2,300	—	—
Letters of credit[1]	182	—	—	—	—	—
Guarantees[2]	325	—	—	—	—	—

[1] Letters of credit consist of letters of credit totalling $163 million related to retirement compensation arrangements, a $13 million letter of credit provided to the IESO for prudential support, $5 million in letters of credit to satisfy debt service reserve requirements, and $1 million in letters of credit for various operating purposes.

[2] Guarantees consist of prudential support provided to the IESO by Hydro One Inc. on behalf of its subsidiaries.

Prudential Support

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees and/or letters of credit if these purchasers fail to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of any letters of credit plus the amount of the parental guarantees.

Retirement Compensation Arrangements

Bank letters of credit have been issued to provide security for Hydro One Inc.'s liability under the terms of a trust fund established pursuant to the supplementary pension plan for eligible employees of Hydro One Inc. The supplementary pension plan trustee is required to draw upon these letters of credit if Hydro One Inc. is in default of its obligations under the terms of this plan. Such obligations include the requirement to provide the trustee with an annual actuarial report as well as letters of credit sufficient to secure Hydro One Inc.'s liability under the plan, to pay benefits payable under the plan and to pay the letter of credit fee. The maximum potential payment is the face value of the letters of credit. A bank letter of credit has also been issued to provide security for Hydro One's retirement compensation arrangement trust agreement.

31. SEGMENTED REPORTING

Hydro One has three reportable segments:

- The Transmission Segment, which comprises the transmission of high voltage electricity across the province, interconnecting more than 70 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 and the operations of the Company's telecommunications business.

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 taxes from continuing operations (excluding certain allocated corporate governance costs).

Year ended December 31, 2018 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,686	4,422	42	6,150
Purchased power	—	2,899	—	2,899
Operation, maintenance and administration	409	602	94	1,105
Depreciation and amortization	435	395	7	837
Income (loss) before financing charges and income taxes	842	526	(59)	1,309
Capital investments	985	577	13	1,575

Year ended December 31, 2017 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,578	4,366	46	5,990
Purchased power	—	2,875	—	2,875
Operation, maintenance and administration	375	593	98	1,066
Depreciation and amortization	420	390	7	817
Income (loss) before financing charges and income taxes	783	508	(59)	1,232
Capital investments	968	588	11	1,567

Total Assets by Segment:

December 31 *(millions of dollars)*	2018	2017
Transmission	13,973	13,608
Distribution	9,325	9,259
Other	2,359	2,834
Total assets	25,657	25,701

Total Goodwill by Segment:

December 31 *(millions of dollars)*	2018	2017
Transmission	157	157
Distribution	168	168
Total goodwill	325	325

All revenues, assets and substantially all costs, as the case may be, are earned, held or incurred in Canada.

32. SUBSEQUENT EVENTS

(A) Dividends

On February 20, 2019, preferred share dividends of $5 million and common share dividends of $137 million ($0.23 per common share) were declared.

(B) LTIP

On January 29, 2019, Hydro One issued from treasury 1,905 common shares in accordance with provisions of the LTIP.

(C) Lake Superior Link Project

On February 15, 2018, Hydro One filed an application with the OEB to construct a transmission line (East-West Tie Line) in northwestern Ontario (Lake Superior Link Project). During 2018, the Company capitalized costs totaling approximately $11 million associated with this project. On February 11, 2019, the OEB awarded the project to a competitor, as directed by the Province on January 30, 2019. As a result, in the first quarter of 2019, Hydro One recognized an impairment loss of approximately $11 million associated with previously capitalized costs related to this project.

(D) OEB Regulatory Decisions

Deferred Income Tax Regulatory Asset

Subsequent to year end, on March 7, 2019, the OEB issued a decision on its reconsideration of its Original Decision with respect to the rate-setting treatment of the benefits of the deferred tax asset resulting from transition from the payments in lieu of tax regime under the *Electricity Act* (Ontario) to tax payments under the federal and provincial tax regime. The OEB's Original Decision concluded that these benefits should not accrue entirely to Hydro One shareholders and that a portion should be shared with ratepayers. The OEB has concluded that the Original Decision was reasonable and should be upheld. The March 7, 2019 OEB decision has been determined to be a Type I subsequent event under US GAAP and as such the Company is required to update the consolidated financial statements to reflect the subsequent event in connection with filing its annual report on Form 40-F with the US Securities and Exchange Commission, so that they reflect events to the date of approval of the Form 40-F. As a result, the financial impact of this OEB decision has been reflected in these amended consolidated financial statements, as more fully discussed in Note 12 - Regulatory Assets and Liabilities.

Hydro One Networks' 2018-2022 Distribution Rates

Also, on March 7, 2019, the OEB issued its decision for Hydro One Networks' 2018-2022 distribution rates, in which it directed the Company to apply the Original Decision to Hydro One Networks' distribution rates. This aspect of the decision has been reflected in the adjustments discussed in Note 12 - Regulatory Assets and Liabilities. The other impacts from the OEB decision for Hydro One Networks' 2018-2022 distribution rates will be reflected prospectively in 2019.

NOTICE TO READER

Please be advised that Hydro One Limited (Hydro One or the Company) is filing Amended Consolidated Financial Statements and Amended Management's Discussion and Analysis (MD&A) for the period ended December 31, 2018, amending the documents previously filed to reflect the following changes:

1. The Consolidated Statements of Operations and Comprehensive Income, Consolidated Balance Sheets, Consolidated Statements of Changes in Equity and Consolidated Statements of Cash Flows and the relevant notes to the Consolidated Financial Statements for Income Taxes, Regulatory Assets and Liabilities, Segment Reporting, and Subsequent Events were updated to reflect the impact of the March 7, 2019 decision issued by the Ontario Energy Board (OEB) relating to the Deferred Tax Asset portion of the OEB's decision on Hydro One Networks' 2017 and 2018 transmission revenue requirement, for which the OEB previously granted a Motion to Review and Vary (DTA Decision) as disclosed in the Audited Consolidated Financial Statements Note 32(D) - Subsequent Events (OEB Regulatory Decisions) and Note 12 - Regulatory Assets and Liabilities.

2. MD&A was updated to reflect the impact of the DTA Decision, including the Consolidated Financial Highlights and Statistics, Overview, Results of Operations, Selected Annual Financial Statistics, Quarterly Results of Operations, Regulation, Non-GAAP Measures, Risk Management and Risk Factors, Summary of Fourth Quarter Results of Operations, Hydro One Holdings Limited - Unaudited Consolidating Summary Financial Information, and Forward-Looking Statements and Information.

The DTA Decision is a Type I subsequent event under United States Generally Accepted Accounting Principles (US GAAP) and as such the Company is required to update the Consolidated Financial Statements and MD&A to reflect the subsequent event in connection with filing its annual reports on Form 40-F with the US Securities and Exchange Commission, so that they contain the current information required at March 25, 2019, the date of approval of the annual report on Form 40-F.

Other than as expressly set forth above, the Amended Consolidated Financial Statements and Amended MD&A do not purport to update or restate the information in the original Consolidated Financial Statements and MD&A or reflect any events that occurred after the date of the filing of the original Consolidated Financial Statements and MD&A other than changes to the sections as expressly set forth above.

The Amended Consolidated Financial Statements and Amended MD&A have been filed electronically at www.sedar.com and at www.sec.gov/edgar.shtml, and also on the Company's website at www.HydroOne.com/Investors.

HYDRO ONE LIMITED
AMENDED MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended December 31, 2018 and 2017

The following Amended Management's Discussion and Analysis (MD&A) of the financial condition and results of operations should be read together with the amended consolidated financial statements and accompanying notes thereto (Consolidated Financial Statements) of Hydro One Limited (Hydro One or the Company) for the year ended December 31, 2018. The Consolidated Financial Statements are presented in Canadian dollars and 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 Canada, which can vary from those of the US. This MD&A provides information for the year ended December 31, 2018, based on information available to management as of February 20, 2019, other than with respect to information relating to the subsequent events disclosed in Note 32(D) to the Consolidated Financial Statements, dated March 25, 2019.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND STATISTICS

Year ended December 31 *(millions of dollars, except as otherwise noted)*	**2018**	**2017**	**Change**
Revenues	6,150	5,990	2.7%
Purchased power	2,899	2,875	0.8%
Revenues, net of purchased power[1]	3,251	3,115	4.4%
Operation, maintenance and administration (OM&A) costs	1,105	1,066	3.7%
Depreciation, amortization and asset removal costs	837	817	2.4%
Financing charges	459	439	4.6%
Income tax expense	915	111	724.3%
Net income (loss) attributable to common shareholders of Hydro One	**(89)**	**658**	**(113.5%)**
Basic earnings per common share (EPS)	($0.15)	$1.11	(113.5%)
Diluted EPS	($0.15)	$1.10	(113.6%)
Basic adjusted non-GAAP EPS (Adjusted EPS)[1]	$1.35	$1.17	15.4%
Diluted Adjusted EPS[1]	$1.35	$1.16	16.4%
Net cash from operating activities	1,575	1,716	(8.2%)
Funds from operations (FFO)[1]	1,572	1,579	(0.4%)
Capital investments	1,575	1,567	0.5%
Assets placed in-service	1,813	1,592	13.9%
Transmission: Average monthly Ontario 60-minute peak demand *(MW)*	20,485	19,587	4.6%
Distribution: Electricity distributed to Hydro One customers *(GWh)*	27,338	25,876	5.7%

	2018	**2017**
Debt to capitalization ratio[2]	55.6%	52.9%

[1] See section "Non-GAAP Measures" for description and reconciliation of basic and diluted Adjusted EPS, FFO and Revenues, net of purchased power.

[2] Debt to capitalization ratio has been presented at December 31, 2018 and 2017, and has been calculated as total debt (includes total long-term debt, convertible debentures 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.

OVERVIEW

Hydro One is the largest electricity transmission and distribution company in Ontario. Through its wholly-owned subsidiary, Hydro One Inc., Hydro One owns and operates substantially all of Ontario's electricity transmission network, and approximately 123,000 circuit kilometres of primary low-voltage distribution network. Hydro One has three business segments: (i) transmission; (ii) distribution; and (iii) other business.

For the years ended December 31, 2018 and 2017, Hydro One's business segments accounted for the Company's total revenues, net of purchased power, as follows:

Year ended December 31	2018	2017
Transmission	52%	51%
Distribution	47%	48%
Other	1%	1%

At December 31, 2018 and 2017, Hydro One's business segments accounted for the Company's total assets as follows:

December 31	2018	2017
Transmission	55%	53%
Distribution	36%	36%
Other	9%	11%

Transmission Segment

Hydro One's transmission business owns, operates and maintains Hydro One's transmission system, which accounts for approximately 98% of Ontario's transmission capacity based on revenue approved by the Ontario Energy Board (OEB). The Company's transmission business consists of the transmission system operated by Hydro One Inc.'s subsidiaries, Hydro One Networks Inc. (Hydro One Networks) and Hydro One Sault Ste. Marie LP (HOSSM), as well as an approximately 66% interest in B2M Limited Partnership (B2M LP), a limited partnership between Hydro One and the Saugeen Ojibway Nation in respect of the Bruce-to-Milton transmission line. The transmission business is rate-regulated and earns revenues mainly from charging transmission rates that are approved by the OEB.

	2018	2017
Electricity transmitted[1] *(MWh)*	137,436,546	132,090,992
Transmission lines spanning the province *(circuit-kilometres)*	30,166	30,290
Rate base *(millions of dollars)*	11,870	11,251
Capital investments *(millions of dollars)*	985	968
Assets placed in-service *(millions of dollars)*	1,164	889

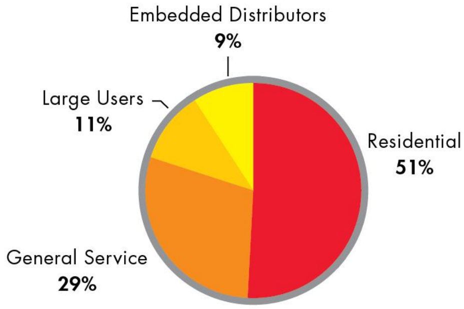
[1] Electricity transmitted represents total electricity transmission in Ontario by all transmitters.

Distribution Segment

Hydro One's distribution business is the largest in Ontario and consists of the distribution system operated by Hydro One Inc.'s subsidiaries, Hydro One Networks and Hydro One Remote Communities Inc. (Hydro One Remote Communities). The distribution business is rate-regulated and earns revenues mainly from charging distribution rates that are approved by the OEB.

	2018	2017
Electricity distributed to Hydro One customers *(GWh)*	27,338	25,876
Electricity distributed through Hydro One lines *(GWh)*[1]	38,265	36,525
Distribution lines spanning the province *(circuit-kilometres)*	123,441	123,361
Distribution customers *(number of customers)*	1,370,819	1,358,093
Rate base *(millions of dollars)*	7,852	7,389
Capital investments *(millions of dollars)*	577	588
Assets placed in-service *(millions of dollars)*	642	689

[1] Units distributed through Hydro One lines represent total distribution system requirements and include electricity distributed to consumers who purchased power directly from the Independent Electricity System Operator (IESO).



2018 Distribution Revenues

Other Business Segment

Hydro One's other business segment consists of the Company's telecommunications business and certain corporate activities. The telecommunications business provides telecommunications support for the Company's transmission and distribution businesses, and also offers communications and information technology solutions to organizations with broadband network requirements utilizing

Hydro One Telecom Inc.'s (Hydro One Telecom) fibre optic network to provide diverse, secure and highly reliable broadband connectivity. Hydro One's other business segment is not rate-regulated.

PRIMARY FACTORS AFFECTING RESULTS OF OPERATIONS

Transmission Revenues

Transmission revenues primarily consist of regulated transmission rates approved by the OEB which are charged based on the monthly peak electricity demand across Hydro One's high-voltage network. Transmission rates are designed to generate revenues necessary to construct, upgrade, extend and support a transmission system with sufficient capacity to accommodate maximum forecasted demand and a regulated return on the Company's investment. Peak electricity demand is primarily influenced by weather and economic conditions. Transmission revenues also include export revenues associated with transmitting electricity to markets outside of Ontario. Ancillary revenues include revenues from providing maintenance services to power generators and from third-party land use.

Distribution Revenues

Distribution revenues include regulated distribution rates approved by the OEB and amounts to recover the cost of purchased power used by the customers of the distribution business. Distribution rates are designed to generate revenues necessary to construct and support the local distribution system with sufficient capacity to accommodate existing and new customer demand and a regulated return on the Company's investment. Accordingly, distribution revenues are influenced by distribution rates, the cost of purchased power, and the amount of electricity the Company distributes. Distribution revenues also include ancillary distribution service revenues, such as fees related to the joint use of Hydro One's distribution poles by the telecommunications and cable television industries, as well as miscellaneous revenues such as charges for late payments.

Purchased Power Costs

Purchased power costs are incurred by the distribution business and represent the cost of the electricity purchased by the Company for delivery to customers within Hydro One's distribution service territory. These costs are comprised of the following: the wholesale commodity cost of energy; the Global Adjustment, which is the difference between amounts the IESO pays energy producers for the electricity they produce and the actual fair market value of this electricity; and the wholesale market service and transmission charges levied by the IESO. Hydro One passes the cost of electricity that it delivers to its customers, and is therefore not exposed to wholesale electricity commodity price risk.

Operation, Maintenance and Administration Costs

OM&A costs are incurred to support the operation and maintenance of the transmission and distribution systems, and other costs such as property taxes related to transmission and distribution lines, stations and buildings, and information technology (IT) systems. Transmission OM&A costs are incurred to sustain the Company's high-voltage transmission stations, lines, and rights-of-way, and include preventive and corrective maintenance costs related to power equipment, overhead transmission lines, transmission station sites, and forestry control to maintain safe distance between line spans and trees. Distribution OM&A costs are required to maintain the Company's low-voltage distribution system to provide safe and reliable electricity to the Company's residential, small business, commercial, and industrial customers across the province. These include costs related to distribution line clearing and forestry control to reduce power outages caused by trees, line maintenance and repair, land assessment and remediation, as well as issuing timely and accurate bills and responding to customer inquiries. Hydro One manages its costs through ongoing efficiency and productivity initiatives, while continuing to complete planned work programs associated with the development and maintenance of its transmission and distribution networks.

Depreciation, Amortization and Asset Removal Costs

Depreciation and amortization costs relate primarily to depreciation of the Company's property, plant and equipment, and amortization of certain intangible assets and regulatory assets. Asset removal costs consist of costs incurred to remove property, plant and equipment where no asset retirement obligations have been recorded on the balance sheet.

Financing Charges

Financing charges relate to the Company's financing activities, and include interest expense on the Company's long-term debt and short-term borrowings, and gains and losses on interest rate swap agreements, contingent foreign exchange or other similar contracts, net of interest earned on short-term investments. A portion of financing charges incurred by the Company is capitalized to the cost of property, plant and equipment associated with the periods during which such assets are under construction before being placed in-service.

RESULTS OF OPERATIONS

Net Income (Loss)

Net loss attributable to common shareholders for the year ended December 31, 2018 of $89 million is a decrease of $747 million or 113.5% from the prior year. Significant influences on earnings included:

- increase in transmission and distribution revenues due to higher energy consumption resulting from favourable weather;
- higher transmission revenues driven by increased OEB-approved transmission rates;
- higher OM&A costs primarily resulting from:
  - higher vegetation management costs resulting from a change to an improved vegetation program resulting in greater coverage and better reliability,
  - higher property taxes, primarily due to non-recurring favourable re-assessment of payments in lieu of property taxes in 2017,
  - higher project write-offs due to revision of asset replacement strategies and alternatives not pursued, and obsolete inventory and technology, and
  - higher volume of demand maintenance work on power equipment and overhead lines; partially offset by
  - savings related to the renewed IT contract, and
  - lower costs related to the proposed acquisition of Avista Corporation (Merger);
- higher financing charges primarily due to an increase in interest expense incurred on the convertible debentures and short-term notes payable, partially offset by revaluation of the foreign exchange contract related to the Merger; and
- higher income tax expense primarily attributable to a charge to deferred tax expense of $799 million related to the OEB's deferred tax asset and distribution rates decisions, and higher before-tax earnings in 2018, partially offset by higher temporary differences arising from higher in-service additions in 2018, compared to 2017.

EPS and Adjusted EPS

EPS was ($0.15) in 2018, compared to $1.11 in 2017. The decrease in EPS was driven by lower earnings in 2018, as discussed above. Adjusted EPS, which adjusts for income and costs related to the Merger, including gains and losses on the foreign exchange contract, as well as the impacts related to the OEB's deferred tax asset decision on Hydro One Networks' distribution and transmission businesses, was $1.35 in 2018, compared to $1.17 in 2017. The increase in Adjusted EPS was driven by higher net income in 2018, as discussed above, but exclude the impact of items related to the Merger and the impacts related to the OEB's deferred tax asset decision on Hydro One Networks' distribution and transmission businesses. See section "Non-GAAP Measures" for description of Adjusted EPS.

Revenues

Year ended December 31 *(millions of dollars, except as otherwise noted)*	**2018**	**2017**	**Change**
Transmission	1,686	1,578	6.8%
Distribution	4,422	4,366	1.3%
Other	42	46	(8.7%)
Total revenues	6,150	5,990	2.7%
Transmission	1,686	1,578	6.8%
Distribution, net of purchased power	1,523	1,491	2.1%
Other	42	46	(8.7%)
Total revenues, net of purchased power	3,251	3,115	4.4%
Transmission: Average monthly Ontario 60-minute peak demand *(MW)*	20,485	19,587	4.6%
Distribution: Electricity distributed to Hydro One customers *(GWh)*	27,338	25,876	5.7%

<u>Transmission Revenues</u>

Transmission revenues increased by 6.8% in 2018 primarily due to the following:

- higher revenues driven by increased OEB-approved transmission rates for 2018;
- higher average monthly Ontario 60-minute peak demand driven by colder winter and warmer summer in 2018; and

- increased 2018 allowed return on equity (ROE) for the transmission business.

Distribution Revenues, Net of Purchased Power

Distribution revenues, net of purchased power, increased by 2.1% in 2018 primarily due to the following:

- higher energy consumption resulting from favourable weather in 2018; partially offset by

- lower external revenues in 2018, mainly due to lower late payment charges, connection setup fees and lower storm restorations;
- lower Conservation and Demand Management (CDM) revenue; and
- lower deferred regulatory adjustments, mainly related to the pension cost differential account.

OM&A Costs

Year ended December 31 *(millions of dollars)*	**2018**	**2017**	**Change**
Transmission	409	375	9.1%
Distribution	602	593	1.5%
Other	94	98	(4.1%)
	1,105	1,066	3.7%

Transmission OM&A Costs

The increase of 9.1% in transmission OM&A costs for the year ended December 31, 2018 was primarily due to:

- a reduction of provision for payments in lieu of property taxes following a favorable reassessment of the regulation in 2017;
- higher volume of work on vegetation management;
- higher project write-offs due to revision of asset replacement strategies and alternatives not pursued; and
- higher volume of demand maintenance work on power equipment and overhead lines; partially offset by
- lower costs related to the renewed IT contract.

Distribution OM&A Costs

The increase of 1.5% in distribution OM&A costs for the year ended December 31, 2018 was primarily due to:

- higher volume of work on vegetation management;
- higher volume of emergency calls; and
- higher project and inventory write-offs due to revision of asset replacement strategies, alternatives not pursued, and obsolete inventory and technology; partially offset by
- lower storm restoration costs;
- lower costs related to the renewed IT contract; and
- lower volume of field collections and investigations as a result of extended winter moratorium.

Other OM&A Costs

The decrease in other OM&A costs for the year ended December 31, 2018 was driven by lower consulting and contract costs.

Depreciation, Amortization and Asset Removal Costs

The increase of $20 million or 2.4% in depreciation, amortization and asset removal costs for 2018 was mainly due to the growth in capital assets as the Company continues to place new assets in-service, consistent with its ongoing capital investment program.

Financing Charges

The increase of $20 million or 4.6% in financing charges for the year ended December 31, 2018 was primarily due to the following:

- a full year of elevated interest expense related to the convertible debentures issued in August 2017; and
- an increase in interest expense on short-term notes payable driven by higher weighted-average interest rates and balance of short-term notes outstanding in 2018; partially offset by
- a decrease in interest expense on long-term debt driven by lower weighted-average interest rate in 2018; and
- an unrealized gain recorded in 2018 due to revaluation of the foreign exchange contract related to the Merger.

Income Tax Expense

Income tax expense was $915 million for the year ended December 31, 2018, compared to $111 million in 2017. The Company realized an effective tax rate (ETR) of approximately 107.6% in 2018, compared to approximately 14.0% in 2017.

As prescribed by the regulators, the Company recovers income taxes and is required to accrue its tax expense based on the tax liability determined without accounting for temporary differences recoverable from or refundable to customers in the future. The increase in income tax expense for the year ended December 31, 2018 was primarily attributable to a charge to deferred tax expense of $799 million related to the OEB's deferred tax asset and distribution rates decisions (see section "Regulation - Electricity Rates Applications - Hydro One

Networks - Transmission” for details). Higher before-tax earnings for 2018, partially offset by increased temporary differences from higher in-service additions in 2018, also contributed to increased tax expense in 2018, compared to 2017.

Common Share Dividends

In 2018, 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, 2018	March 13, 2018	March 29, 2018	$0.22	131
May 14, 2018	June 12, 2018	June 29, 2018	$0.23	137
August 13, 2018	September 11, 2018	September 28, 2018	$0.23	137
November 7, 2018	December 11, 2018	December 31, 2018	$0.23	137
				542

Following the conclusion of the fourth quarter of 2018, 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)*
February 20, 2019	March 13, 2019	March 29, 2019	$0.23	137

SELECTED ANNUAL FINANCIAL STATISTICS

Year ended December 31 *(millions of dollars, except per share amounts)*	2018	2017	2016
Revenues	6,150	5,990	6,552
Net income (loss) attributable to common shareholders	(89)	658	721
Basic EPS	($0.15)	$1.11	$1.21
Diluted EPS	($0.15)	$1.10	$1.21
Basic Adjusted EPS	$1.35	$1.17	$1.21
Diluted Adjusted EPS	$1.35	$1.16	$1.21
Dividends per common share declared	$0.91	$0.87	$0.97[1]
Dividends per preferred share declared	$1.06	$1.06	$1.12

[1] The $0.97 per share dividends declared in 2016 included $0.13 for the post-Initial Public Offering (IPO) period from November 5 to December 31, 2015, and $0.84 for the year ended December 31, 2016.

December 31 *(millions of dollars)*	2018	2017	2016
Total assets	25,657	25,701	25,351
Total non-current financial liabilities	10,479	9,815	10,084

QUARTERLY RESULTS OF OPERATIONS

Quarter ended *(millions of dollars, except EPS)*	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Revenues	1,491	1,606	1,477	1,576	1,439	1,522	1,371	1,658
Purchased power	741	733	674	751	662	675	649	889
Revenues, net of purchased power	750	873	803	825	777	847	722	769
Net income (loss) to common shareholders	(705)	194	200	222	155	219	117	167
Basic EPS	($1.18)	$0.33	$0.34	$0.37	$0.26	$0.37	$0.20	$0.28
Diluted EPS	($1.18)	$0.32	$0.33	$0.37	$0.26	$0.37	$0.20	$0.28
Basic Adjusted EPS[1]	$0.30	$0.38	$0.33	$0.35	$0.29	$0.40	$0.20	$0.28
Diluted Adjusted EPS[1]	$0.29	$0.38	$0.32	$0.35	$0.28	$0.40	$0.20	$0.28

[1] See section "Non-GAAP Measures" for description of Adjusted EPS.

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 both additions to 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 year ended December 31, 2018 and 2017:

Year ended December 31 *(millions of dollars)*	**2018**	**2017**	**Change**
Transmission	1,164	889	30.9%
Distribution	642	689	(6.8%)
Other	7	14	(50.0%)
Total assets placed in-service	1,813	1,592	13.9%

Transmission Assets Placed In-Service

Transmission assets placed in-service increased by $275 million or 30.9% during the year ended December 31, 2018 primarily due to the following:

- substantial completion of major development work at the Clarington transmission station;
- assets placed in-service in 2018 for station sustainment investments, including Horning, NRC, Centralia, London Nelson, St. Isidore, Wanstead, Mohawk, Palmerston, Chenaux, Dryden, and Bruce A transmission stations, as well as the Bruce Special Protection System end-of-life equipment replacement project;
- higher volume of demand work placed in-service associated with equipment failures;
- higher volume of spare transformers;
- higher volume of overhead lines and component replacement work placed in-service; and
- high volume of work on transmission facilities as a result of a wind storm; partially offset by
- assets placed in-service in 2017 for station sustainment investments, including OverBrook, Hanmer, Aylmer, Leaside, Richview, Goderich, Lakehead, Nepean, and Kirkland Lake transmission stations, as well as DeCew Falls and Hinchinbrooke switching stations;
- substantial investments in major development projects placed in-service in 2017, including the Leamington, Holland, Hawthorne, and Manby transmission stations;
- the completion of the Move-to-Mobile project in June 2017;
- lower volume of wood pole replacements; and
- lower volume of fleet and work equipment purchases.

Distribution Assets Placed In-Service

Distribution assets placed in-service decreased by $47 million or 6.8% during the year ended December 31, 2018 primarily due to the following:

- higher volume of sustainment lines carryover work in 2017;
- lower volume of distribution station refurbishments and spare transformer purchases;
- the completion of the Move-to-Mobile project in June 2017;
- lower volume of wood pole replacements;
- the completion of an operation center in Bolton in February 2017;
- lower volume of fleet and work equipment purchases;
- the completion of the Outage Response Management System project in the third quarter of 2017; and
- the completion of the Company's website redesign project in 2017 to improve customer service and operational efficiencies; partially offset by
- higher volume of emergency power and storm restorations work;
- cumulative investments in the Advanced Distribution System project in 2018;
- cumulative investments in distribution generation connection projects in 2018;
- cumulative investments placed in-service for the Source-to-Order Transformation project, which aims to modernize the Company's sourcing and procurement capabilities;
- increased investments placed in-service for meter sustainment work; and
- the completion of the Bill Redesign project, which included investments in application enhancements and software upgrades.

Capital Investments

The following table presents Hydro One's capital investments during the years ended December 31, 2018 and 2017:

Year ended December 31 *(millions of dollars)*	2018	2017	Change
Transmission			
Sustaining	810	764	6.0%
Development	116	137	(15.3%)
Other	59	67	(11.9%)
	985	968	1.8%
Distribution			
Sustaining	296	280	5.7%
Development	217	227	(4.4%)
Other	64	81	(21.0%)
	577	588	(1.9%)
Other	13	11	18.2%
Total capital investments	1,575	1,567	0.5%

2018 capital investments of $1,575 million were lower than the previously disclosed expected amount of $1,660 million primarily due to:

- re-prioritization of distribution work resulting from the higher volume of storm restoration work, including lower volume of wood pole replacements, lines refurbishment work, distribution system capability projects, and transformer replacements; and
- delayed or deferred projects, including the Integrated System Operations Centre (new site and facility) deferred to future years, deferral of work to 2019 on North American Electric Reliability Corporation (NERC) projects, delays of work to 2019 on the underground cable circuit from Leaside to Main transmission stations, and on the Wanstead, Bronte and Seaton transmission stations; partially offset by
- unplanned work, including the recommencement of Niagara Reinforcement Project, Private Cloud Data Center project, Lake Superior Project, and Advanced Metering Infrastructure initiative; and
- higher volume of storm restoration work.

Transmission Capital Investments

Transmission capital investments increased by $17 million or 1.8% during the year ended December 31, 2018. Principal impacts on the levels of capital investments included:

- higher volume of overhead lines refurbishments and replacements;
- higher volume of demand work associated with equipment failures;
- higher volume of spare transformer purchases;
- higher volume of work required to adhere to the NERC Critical Infrastructure Protection (Cyber Security) standards; and
- higher volume of IT upgrades and enhancements primarily related to the Private Cloud Data Center project in support of the modernization of Hydro One's IT infrastructure; partially offset by
- lower volume of transmission station refurbishments and replacements work;
- lower spend on load customer connections due to the completion of work at Leamington transmission station in 2017 and higher capital contributions received from customers in 2018;
- the completion of the Move-to-Mobile project in 2017;
- decreased investment in fleet and work equipment purchases as a result of fleet standardization and asset specification review; and
- lower volume of wood pole replacements.

Distribution Capital Investments

Distribution capital investments decreased by $11 million or 1.9% during the year ended December 31, 2018. Principal impacts on the levels of capital investments included:

- lower volume of distribution lines and station refurbishments and replacements work;
- lower volume of wood pole replacements;

- decreased investment on fleet and work equipment purchases as a result of fleet standardization and asset specification review;
- lower volume of new connections and upgrades;
- lower spend on Advanced Distribution System infrastructures; and
- the completion of the Move-to-Mobile project in 2017; partially offset by

- increased volume of emergency power and storm restorations work due to higher storm activity in 2018;
- higher volume of IT upgrades and enhancements primarily related to the Private Cloud Data Center project in support of the modernization of Hydro One's IT infrastructure; and
- higher spend on joint-use and line relocation projects due to timing of capital contributions.

Major Transmission Capital Investment Projects

The following table summarizes the status of significant transmission projects as at December 31, 2018:

Project Name	Location	Type	Anticipated In-Service Date	Estimated Cost	Capital Cost To Date
			(year)	*(millions of dollars)*	
Development Projects:					
Supply to Essex County Transmission Reinforcement	Windsor-Essex area Southwestern Ontario	New transmission line and station	2018	56[1]	54
Clarington Transmission Station	Oshawa area Southwestern Ontario	New transmission station	2018	240[1]	238
Niagara Reinforcement Project	Niagara area Southwestern Ontario	New transmission line	2019	130	121
East-West Tie Station Expansion	Northern Ontario	New transmission connection and station expansion	2022	157	16
Northwest Bulk Transmission Line Development	Thunder Bay-Atikokan Northwestern Ontario	New transmission line	2024	35[2]	1
Sustainment Projects:					
Richview Transmission Station Circuit Breaker Replacement	Toronto Southwestern Ontario	Station sustainment	2020	102	99
Bruce A Transmission Station	Tiverton Southwestern Ontario	Station sustainment	2020	138	123
Beck #2 Transmission Station Circuit Breaker Replacement	Niagara area Southwestern Ontario	Station sustainment	2022	113	65
Lennox Transmission Station Circuit Breaker Replacement	Napanee Southeastern Ontario	Station sustainment	2023	99	59

[1] Major portions of the Supply to Essex County Transmission Reinforcement and Clarington Transmission Station projects were completed and placed in-service in 2018. Work on certain minor portions of the project continues in 2019.

[2] The scope of the Northwest Bulk Transmission Line Development project, as specified by the IESO on October 24, 2018, is currently limited to the development phase only, reducing the estimated cost to $35 million.

Future Capital Investments

Following is a summary of estimated capital investments by Hydro One over the years 2019 to 2023. The Company's estimates are 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 2019 transmission capital investments estimates differ from the prior year disclosures, representing a decrease to reflect Hydro One's recent one-year inflation-based application for 2019 transmission rates. The 2020 to 2022 transmission capital investments estimates are lower than the prior year disclosures as the Company has updated its plan for timing and pacing of future capital investments, as well as reprioritization of work. The projections and the timing of 2020-2023 expenditures are subject to approval by the OEB.

The following table summarizes Hydro One's annual projected capital investments for 2019 to 2023, by business segment:

(millions of dollars)	2019	2020	2021	2022	2023
Transmission	1,049	1,203	1,329	1,380	1,381
Distribution	751	714	728	814	757
Other	13	15	26	9	10
Total capital investments	**1,813**	**1,932**	**2,083**	**2,203**	**2,148**

The following table summarizes Hydro One's annual projected capital investments for 2019 to 2023, by category:

(millions of dollars)	2019	2020	2021	2022	2023
Sustainment	1,148	1,211	1,467	1,574	1,530
Development	442	502	431	473	468
Other[1]	223	219	185	156	150
Total capital investments	**1,813**	**1,932**	**2,083**	**2,203**	**2,148**

[1] "Other" capital expenditures consist of special projects, such as those relating to IT.

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.

Year ended December 31 *(millions of dollars)*	2018	2017
Cash provided by operating activities	1,575	1,716
Cash provided by (used in) financing activities	399	(201)
Cash used in investing activities	(1,516)	(1,540)
Increase (decrease) in cash and cash equivalents	458	(25)

Cash provided by operating activities

The decrease of $141 million in cash from operating activities for the year ended December 31, 2018 compared to 2017 was impacted by various factors, including improved collection of accounts receivables in 2017 that reached a stabilized level in 2018, and disposition of certain regulatory variance and deferral accounts in 2018, partially offset by higher cash earnings in 2018.

Cash provided by financing activities

Sources of cash

- The Company issued long-term debt of $1,400 million in 2018, compared to no long-term debt issued in 2017.
- The Company received proceeds of $4,242 million from the issuance of short-term notes in 2018, compared to $3,795 million received in 2017.
- In 2017, the Company received proceeds of $513 million, representing the first instalment of the convertible debentures issued, gross of $27 million financing costs, compared to no convertible debenture issuances in 2018.

Uses of cash

- The Company repaid $3,916 million of short-term notes in 2018, compared to $3,338 million repaid in 2017.
- The Company repaid $753 million of long-term debt in 2018, compared to long-term debt of $602 million repaid in 2017.
- Dividends paid in 2018 were $560 million, consisting of $542 million common share dividends and $18 million of preferred share dividends, compared to dividends of $536 million paid in 2017, consisting of $518 million common share dividends and $18 million of preferred share dividends.

Cash used in investing activities

Uses of cash

- Capital expenditures and future use asset purchases were lower in 2018, primarily due to lower volume and timing of capital investment work.

LIQUIDITY AND FINANCING STRATEGY

Short-term liquidity is provided through FFO, 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 $1.5 billion in short-term notes with a term to maturity of up to 365 days. At December 31, 2018, Hydro One Inc. had $1,252 million in commercial paper borrowings outstanding, compared to $926 million outstanding at December 31, 2017. The interest rates on the commercial paper borrowings outstanding at

December 31, 2018 ranged from 1.9% to 2.3%. In addition, the Company has revolving bank credit facilities (Operating Credit Facilities) with total availability of $2,550 million maturing in 2021 and 2022, with no amounts used at December 31, 2018 or 2017. The Company may use these credit facilities for working capital and general corporate purposes. On February 1, 2019, Hydro One entered into a credit agreement for a $170 million unsecured demand operating credit facility (Demand Facility) for the purpose of funding the payment of the termination fee payable to Avista Corporation as a result of the termination of the Merger Agreement and other Merger related costs. The short-term liquidity under the commercial paper program, the Operating Credit

Facilities, the Demand Facility and anticipated levels of FFO are expected to be sufficient to fund the Company's normal operating requirements.

At December 31, 2018, the Company had long-term debt outstanding in the principal amount of $10,716 million, which included $10,573 million of long-term debt issued by Hydro One Inc. and long-term debt in the principal amount of $143 million issued by HOSSM. The majority of long-term debt issued by Hydro One Inc. has been issued under its Medium Term Note (MTN) Program. The maximum authorized principal amount of notes issuable under the current MTN Program prospectus filed in March 2018 is $4.0 billion. At December 31, 2018, $2.6 billion remained available for issuance until April 2020. The long-term debt consists of notes and debentures that mature between 2019 and 2064, and at December 31, 2018, had a weighted-average term to maturity of approximately 16.3 years and a weighted-average coupon rate of 4.2%.

On June 18, 2018, Hydro One filed a short form base shelf prospectus (Universal Base Shelf Prospectus) with securities regulatory authorities in Canada to replace the universal base shelf prospectus that expired on April 30, 2018. 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. On November 23, 2018, Hydro One Holdings Limited (HOHL), an indirect wholly-owned subsidiary of Hydro One, filed a short form base shelf prospectus (US Debt Shelf Prospectus) with securities regulatory authorities in Canada and the US for the purposes of, but not limited to, funding a portion of the cash purchase price of the Merger. The US Debt Shelf Prospectus allows HOHL to offer, from time to time in one or more public offerings, up to US$3.0 billion of debt securities, unconditionally guaranteed by Hydro One, during the 25-month period ending on December 23, 2020. At December 31, 2018, no securities have been issued under the Universal Base Shelf Prospectus or the US Debt Shelf Prospectus.

Acquisition Credit Facilities

For the purpose of bridge financing for the Merger, the Company secured a $1.0 billion non-revolving equity bridge credit facility, and a US$2.6 billion non-revolving debt bridge credit facility (Acquisition Credit Facilities) in June 2018. As a result of the termination of the Merger agreement (see Other Developments - Avista Corporation Purchase Agreement), on January 24, 2019, the Company cancelled the Acquisition Credit Facilities.

To mitigate the foreign currency risk related to the portion of the Merger purchase price financed by the issuance of convertible debentures, in October 2017, the Company entered into a deal-contingent foreign exchange forward contract to convert $1.4 billion Canadian to US dollars. For the year ended December 31, 2018, an unrealized fair value gain of $25 million was recorded related to this contract, compared to an unrealized fair value loss of $3 million recorded for the year ended December 31, 2017. At December 31, 2018, the corresponding derivative asset was $22 million, compared to a derivative liability of $3 million at December 31, 2017. As a result of the termination of the Merger agreement (see Other Developments - Avista Corporation Purchase Agreement), no payment is due or receivable by Hydro One on the foreign exchange contract.

Compliance

At December 31, 2018, the Company was in compliance with all financial covenants and limitations associated with the outstanding borrowings and credit facilities.

Credit Ratings

Various ratings organizations review the Company's and Hydro One Inc.'s debt ratings from time to time. These ratings organizations may take various actions, positive or negative. The Company cannot predict what actions rating agencies may take in the future. The failure to maintain the Company's current credit ratings could adversely affect the Company's financial condition and results of operations, and a downgrade in the Company's credit ratings could restrict the Company's ability to access debt capital markets and increase the Company's cost of debt.

On June 20, 2018, Moody's Investors Service (Moody's) downgraded the long-term debt rating for Hydro One Inc. to "Baa1" from "A3", and revised its outlook on Hydro One Inc. to stable from negative. In addition, Moody's affirmed the existing "Prime-2" short-term debt rating for Hydro One Inc. Moody's no longer assigns any probability of extraordinary support from the Province of Ontario (Province) in Hydro One Inc.'s credit analysis which has led to the downgrade.

On June 15, 2018, S&P Global Ratings (S&P) placed its ratings on the Company and Hydro One Inc. on CreditWatch negative reflecting the likelihood of a one-notch downgrade to both companies due to the Merger. On July 18, 2018, S&P released an update maintaining the CreditWatch negative placement, which continued to reflect the likelihood of a one-notch downgrade in the Company and Hydro One Inc.'s issuer credit rating of "A" due to the Merger, and also incorporated the possibility that the Company's governance structure could result in an additional one-notch downgrade if S&P concludes that recent developments related to the retirement of the Company's Chief Executive Officer (CEO) and the replacement of the Company's Board of Directors (Board) adversely impact management decision making and fails to promote the interests of all stakeholders. See section "Hydro One Board of Directors and Executive Officers" for more information.

On September 13, 2018, S&P lowered its issuer credit ratings on the Company to "A-" from "A". At the same time, S&P lowered the issue-level rating on Hydro One Inc.'s senior unsecured debt by one notch to "A-" from "A" and lowered the rating on Hydro One Inc.'s commercial paper program by one notch to "A-1(low)" from "A-1(mid)" on the Canadian National Scale. All ratings remained on CreditWatch where S&P placed them with negative implications on June 15, 2018. The one-notch downgrade reflected S&P's reassessment of Hydro One's management and governance structure, which according to S&P has weakened following the Province's decision to exert its influence on the Company's compensation structure through legislation, potentially promoting the interests and priorities of one owner above those of other stakeholders.

On December 10, 2018, S&P removed Hydro One's ratings from CreditWatch with negative implications due to S&P's revised assumption that the Merger was unlikely to close as expected, following the Washington Utilities and Transportation Commission (Washington UTC) decision on December 5, 2018 to deny the Merger. Also on this date, 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.

At December 31, 2018, Hydro One's corporate credit ratings were as follows:

Rating Agency	Corporate Credit Rating
S&P	A-

At December 31, 2018, Hydro One Inc.'s long-term and short-term debt ratings were as follows:

Rating Agency	Short-term Debt Rating	Long-term Debt Rating
DBRS Limited	R-1 (low)	A (high)
Moody's	Prime-2	Baa1
S&P	A-1 (low)	A-

Hydro One has not obtained a credit rating in respect of any of its securities. An issuer rating from S&P is a forward-looking opinion about an obligor's overall creditworthiness. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due but it does not apply to any specific financial obligation. An obligor with a long-term credit rating of 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

The rating above is not a recommendation to purchase, sell or hold any of Hydro One's securities and does not comment on the market price or suitability of any of the securities for a particular investor. There can be no assurance that the rating will remain in effect for any given period of time or that the rating will not be revised or withdrawn entirely by S&P at any time in the future. Hydro One has made, and anticipates making, payments to S&P pursuant to agreements entered into with S&P in respect of the rating assigned to Hydro One and expects to make payments to S&P in the future to the extent it obtains a rating specific to any of its securities.

Effect of Interest Rates

The Company is exposed to fluctuations of interest rates as its regulated ROE is derived using a formulaic approach that takes into account changes in benchmark interest rates for Government of Canada debt and the A-rated utility corporate bond yield spread. See section "Risk Management and Risk Factors - Risks Relating to Hydro One's Business - Market, Financial Instrument and Credit Risk" for more details.

Pension Plan

In 2018, Hydro One contributed approximately $75 million to its pension plan, compared to contributions of approximately $87 million in 2017, and incurred $75 million in net periodic pension benefit costs, compared to $88 million incurred in 2017.

In April 2018, Hydro One filed an actuarial valuation of its Pension Plan as at December 31, 2017. Based on this valuation and 2018 levels of pensionable earnings, the 2018 annual Company pension contributions of $75 million were comparable to $71 million as estimated at December 31, 2016. Hydro One estimates that total Company pension contributions for 2019, 2020, 2021, 2022, 2023 and 2024 are approximately $78 million, $77 million, $78 million, $79 million, $81 million and $83 million, respectively.

The Company's pension benefits obligation is impacted by various assumptions and estimates, such as discount rate, rate of return on plan assets, rate of cost of living increase and mortality assumptions. A full discussion of the significant assumptions and estimates can be found in the section "Critical Accounting Estimates - Employee Future Benefits".

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:

December 31, 2018 *(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	10,716	731	1,456	734	7,795
Long-term debt – interest payments	8,181	448	840	772	6,121
Convertible debentures - principal repayments[1]	513	—	—	—	513
Convertible debentures - interest payments[1]	539	62	123	123	231
Short-term notes payable	1,252	1,252	—	—	—
Pension contributions[2]	476	78	155	160	83
Environmental and asset retirement obligations	186	26	61	59	40
Outsourcing and other agreements	310	161	133	5	11
Operating lease commitments	28	7	15	2	4
Long-term software/meter agreement	39	17	18	3	1
Total contractual obligations	22,240	2,782	2,801	1,858	14,799
Other commercial commitments *(by year of expiry)*					
Operating Credit Facilities	2,550	—	250	2,300	—
Letters of credit[3]	182	182	—	—	—
Guarantees[4]	325	325	—	—	—
Total other commercial commitments	3,057	507	250	2,300	—

[1] As a result of the termination of the Merger agreement (see Other Developments - Avista Corporation Purchase Agreement), on February 8, 2019, Hydro One redeemed the convertible debentures and paid the holders of the Instalment Receipts $513 million plus accrued and unpaid interest of $7 million.

[2] Contributions to the Hydro One Pension Fund are generally made one month in arrears. Company and employee contributions to the 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.

[3] Letters of credit consist of a $163 million letter of credit related to retirement compensation arrangements, a $13 million letter of credit provided to the IESO for prudential support, $5 million in letters of credit to satisfy debt service reserve requirements, and $1 million in letters of credit for various operating purposes.

[4] Guarantees consist of prudential support provided to the IESO by Hydro One Inc. on behalf of its subsidiaries.

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 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. At February 20, 2019, Hydro One had 595,940,880 issued and outstanding common shares.

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. At February 20, 2019, two series of preferred shares are authorized for issuance: the Series 1 preferred shares and the Series 2 preferred shares. At February 20, 2019, the Company had 16,720,000 Series 1 preferred shares and no Series 2 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 (LTIP) were vested and exercised as at February 20, 2019 is 6,231,715.

REGULATION

The OEB approves both the revenue requirements of and the rates charged by Hydro One's regulated transmission and distribution businesses. The rates are designed to permit the Company's transmission and distribution businesses to recover the allowed costs and to earn a formula-based annual rate of return on its deemed 40% equity level invested in the regulated businesses. This is done by applying a specified equity risk premium to forecasted interest rates on long-term bonds. In addition, the OEB approves rate riders to allow for the recovery or disposition of specific regulatory deferral and variance accounts over specified time frames.

The following table summarizes the status of Hydro One's major regulatory proceedings with the OEB:

Application	Years	Type	Status
Electricity Rates			
Hydro One Networks	2017-2018	Transmission – Cost-of-service	OEB decision received[1]
Hydro One Networks	2019	Transmission – Revenue Cap	OEB decision pending
Hydro One Networks	2018-2022	Distribution – Custom	OEB decision received
B2M LP	2015-2019	Transmission – Cost-of-service	OEB decision received
HOSSM	2017-2026	Transmission – Revenue Cap	OEB decision received[2]
Mergers Acquisitions Amalgamations and Divestitures (MAAD)			
Orillia Power	n/a	Acquisition	OEB decision pending[3]
Peterborough Distribution	n/a	Acquisition	OEB decision pending
Leave to Construct			
East-West Tie Station Expansion	n/a	Section 92	OEB decision received
Lake Superior Link Project	n/a	Section 92	OEB decision received[4]

[1] On March 7, 2019, the OEB upheld its Original Decision relating to the deferred tax asset. The Company is currently considering its options under the Appeal.
[2] In October 2016, the OEB approved the 2017-2026 revenue requirements. In July 2018, HOSSM filed an application for an inflationary increase (Revenue Cap Escalator factor) to its 2019 revenue requirement.
[3] In September 2018, Hydro One filed a new MAAD application with the OEB to acquire Orillia Power.
[4] On February 11, 2019, the OEB issued its decision awarding the construction of the East-West Tie Line to NextBridge, as directed by the Province on January 30, 2019.

The following table summarizes the key elements and status of Hydro One's electricity rate applications:

Application	Year	ROE Allowed (A) or Forecast (F)	Rate Base Allowed (A) or Forecast (F)	Rate Application Status	Rate Order Status
Transmission					
Hydro One Networks	2018	9.00% (A)	$11,148 million (A)	Approved in September 2017	Approved in December 2017
	2019	n/a[1]	n/a[1]	Filed in October 2018	To be filed
B2M LP	2018	9.00% (A)	$502 million (A)	Approved in December 2015	OEB decision received
	2019	8.98% (A)	$496 million (A)	Approved in December 2015	Approved in December 2018
HOSSM	2017-2026	9.19% (A)	$218 million (A)	Approved in October 2016	OEB decision received[2]
Distribution					
Hydro One Networks	2018	9.00% (A)	$7,650 million (F)	Filed in March 2017[3]	To be filed in 2019 Q1
	2019	8.98% (A)	$8,009 million (F)	Filed in March 2017[3]	To be filed in 2019 Q1
	2020	8.98% (F)	$8,412 million (F)	Filed in March 2017[3]	To be filed in 2019 Q4
	2021	8.98% (F)	$8,941 million (F)	Filed in March 2017[3]	To be filed in 2020 Q4
	2022	8.98% (F)	$9,306 million (F)	Filed in March 2017[3]	To be filed in 2021 Q4

[1] The Revenue Cap application is a formulaic adjustment to the approved revenue requirement and does not consider ROE or rate base.
[2] In October 2016, the OEB approved the 2017-2026 revenue requirements. In July 2018, HOSSM filed an application for an inflationary increase (Revenue Cap Escalator factor) to its 2019 revenue requirement.
[3] In June 2018, Hydro One Networks filed an undertaking with the OEB which included updated rate base amounts.

Electricity Rates Applications

Hydro One Networks - Transmission

On September 28, 2017, the OEB issued its decision and order on Hydro One Networks' 2017 and 2018 transmission rates revenue requirements (Original Decision), with 2017 rates effective January 1, 2017. Key changes to the application as filed included reductions in planned capital expenditures of $126 million and $122 million for 2017 and 2018, respectively, reductions in OM&A expenses related to compensation by $15 million for each year, and reductions in estimated tax savings from the IPO by $24 million and $26 million for 2017 and 2018, respectively. On October 10, 2017, Hydro One Networks filed a Draft Rate Order reflecting the changes outlined in the Original Decision.

In its Original Decision, the OEB concluded that the net deferred tax asset resulting from transition from the payments in lieu of tax regime under the *Electricity Act* (Ontario) to tax payments under the federal and provincial tax regime should not accrue entirely to Hydro One shareholders and that a portion should be shared with ratepayers. On November 9, 2017, the OEB issued a decision and order that calculated the portion of the tax savings that should be shared with ratepayers. The OEB's calculation would result in an impairment of a portion of Hydro One Networks' transmission deferred income tax regulatory asset. If the OEB were to apply the same calculation for sharing in Hydro One Networks' 2018-2022 distribution rates, it would also result in an additional impairment of a portion of Hydro One Networks' distribution deferred income tax regulatory asset. In October 2017, the Company filed a Motion to Review and Vary (Motion) the Original Decision and filed an appeal with the Divisional Court of Ontario (Appeal). In both cases, the Company's position is that the OEB made errors of fact and law in its determination of allocation of the tax savings between the shareholders and ratepayers. On December 19, 2017, the OEB granted a hearing of the merits of the Motion which was held on February 12, 2018. On August 31, 2018, the OEB granted the Motion and returned the portion of the Decision relating to the deferred tax asset to an OEB panel for reconsideration.

Subsequent to year end, on March 7, 2019, the OEB issued its reconsideration decision and concluded that their Original Decision was reasonable and should be upheld. Also, on March 7, 2019 the OEB issued its decision for Hydro One Networks' 2018-2022 distribution rates, in which it directed the Company to apply the Original Decision to Hydro One Networks' distribution rates. As a result of this subsequent event that requires adjustment in the 2018 financial statements, the Company has recognized an impairment charge of Hydro One Networks' distribution deferred income tax regulatory asset of $474 million and Hydro One Networks' transmission deferred income tax regulatory asset of $558 million, an increase in deferred income tax regulatory liability of $81 million, and a decrease in the foregone revenue deferral regulatory asset of $68 million. After recognition of the related $314 million deferred tax asset, the Company has recorded an $867 million one-time decrease in net income as a reversal of revenues of $68 million, and charge to deferred tax expense of $799 million, which is expected to result in an annual decrease to FFO in the range of $50 million to $60 million. Notwithstanding the recognition of the effects of the decision in the financial statements, the Company is currently considering its options under the Appeal.

See section "Risk Management and Risk Factors - Risks Relating to Hydro One's Business - Risks Relating to Regulatory Treatment of Deferred Tax Asset" for description of related risks.

On November 23, 2017, the OEB approved the 2017 transmission revenue requirement of $1,438 million. In December 2017, the OEB approved the 2018 transmission revenue requirement of $1,511 million, which included a $25 million increase from the approved amount, as a result of the OEB-updated cost of capital parameters. Uniform Transmission Rates (UTRs), reflecting these approved amounts, were approved by the OEB on February 1, 2018 to be effective as of January 1, 2018.

On March 16, 2018, the OEB issued a letter requesting Hydro One to file the transmission revenue requirement application for a four-year test period from 2019 to 2022, rather than the minimum 5-year period allowed under existing OEB policy. The OEB indicated that it is more appropriate to consider rates for Hydro One's distribution and transmission businesses in a single application, and stated that it expected Hydro One to file a single application for distribution rates (including Hydro One Remote Communities) and transmission revenue requirement for the period from 2023 to 2027.

A one-year inflation-based application for 2019 transmission rates was filed with the OEB on October 26, 2018. On December 20, 2018, the OEB issued a decision declaring Hydro One's revenue requirement and the UTRs for 2019 as interim.

<u>Hydro One Networks - Distribution</u>

On March 31, 2017, Hydro One Networks filed a custom application with the OEB for 2018-2022 distribution rates under the OEB's incentive-based regulatory framework (2018-2022 Distribution Application), which was subsequently updated on June 7 and December 21, 2017. The application reflects the level of capital investments required to minimize degradation in overall system asset condition, to meet regulatory requirements, and to maintain current reliability levels.

The OEB oral hearing related to Hydro One Networks' application for 2018-2022 distribution rates was held on June 11-28, 2018. On August 31, 2018, Hydro One submitted its final argument. Subsequently, steps were taken to address the outstanding issues related to pole attachment fees and matters relating to recovery of certain amounts paid for executive compensation, as per the *Hydro One Accountability Act* (Accountability Act). See section "Hydro One Board of Directors and Executive Officers" for more information. On December 6, 2018, Hydro One made its final submission on matters relating to the Accountability Act and the impact on revenue requirement. Regarding the pole attachment fees, after following the process outlined by the OEB, Hydro One proposed the use of the province-wide pole attachment rate, effective January 1, 2019. On November 15, 2018, the OEB accepted the proposal. On March 7, 2019, the OEB issued its decision for Hydro One Networks' 2018-2022 distribution rates. See above in "- Hydro One Networks - Transmission" for impacts relating to the distribution deferred income tax regulatory asset.

On June 27, 2018, the OEB issued a letter deferring Hydro One's request for the OEB to approve an alternative method to calculate amounts related to the post-employment benefit costs for Hydro One Networks' distribution business until the next re-basing application is filed, as the OEB noted that the issue is relevant to both the distribution and transmission businesses of Hydro One Networks. In the 2019 transmission rates application filed with the OEB on October 26, 2018, Hydro One requested this decision be made as part of its next transmission re-basing application.

<u>B2M LP</u>

In December 2015, the OEB approved B2M LP's revenue requirement for years 2015 to 2019, subject to annual updates in each of 2016, 2017, 2018 and 2019 to adjust its revenue requirement for the following year consistent with the OEB's updated cost of capital parameters.

On May 10, 2018, the OEB issued its Decision and Rate Order on B2M LP’s 2018 transmission application reflecting revenue requirement of $36 million, effective January 1, 2018.

On November 23, 2018, a revised 2019 revenue requirement using the updated cost of capital parameters was filed with the OEB. On December 20, 2018, the OEB issued its Decision on UTRs effective January 1, 2019, approving the requested 2019 revenue requirement of $33 million.

HOSSM

HOSSM is under a 10-year deferred rebasing period for years 2017-2026, as approved in the OEB MAAD decision dated October 13, 2016. On July 26, 2018, HOSSM filed a 2019 application to allow for inflationary increase (Revenue Cap Escalator factor) to its previously approved revenue requirement. The Revenue Cap Escalator factor is designed to add inflationary increases to the revenue requirement on an annual basis. The proceeding continues and an OEB decision is expected in the second quarter of 2019.

Hydro One Remote Communities

On August 28, 2017, Hydro One Remote Communities filed an application with the OEB seeking approval of its 2018 revenue requirement of $57 million and electricity rates effective May 1, 2018. On March 19, 2018, the OEB approved the settlement agreement related to the 2018 rates application reached by Hydro One Remote Communities and the intervenors in the rate proceeding. On March 26, 2018, a draft rate order was filed with the OEB for 2018 rates. The OEB approved the draft rate order on April 12, 2018, and the new rates were implemented effective May 1, 2018.

On November 5, 2018, Hydro One Remote Communities filed an application with the OEB seeking approval for increased base rates of 1.8% effective May 1, 2019. On February 11, 2019, the OEB issued a draft decision approving the requested increase.

Hydro One Remote Communities is fully financed by debt and is operated as a break-even entity with no ROE.

Niagara Reinforcement Limited Partnership (NRLP)

On September 19, 2018, NRLP was formed to own and operate a new 230 kV transmission line in the Niagara region that will enable generators in the Niagara area to connect to the load centres of the Greater Toronto and Hamilton areas. NRLP is designed to include minority participation of local First Nations partners in a structure similar to B2M LP.

On September 27, 2018, Hydro One filed a transmission licence application with the OEB for NRLP. On October 25, 2018, Hydro One filed two other applications with the OEB relating to NRLP requesting approval for Hydro One Networks to sell the applicable assets to NRLP and approval of interim rates to include in the 2019 UTRs. On December 20, 2018, the OEB issued a decision finding that the request for approval for an interim revenue requirement effective January 1, 2019 was premature but indicated that there would be an opportunity to adjudicate the matter at a later date. NRLP expects the OEB to decide on this application later in 2019.

MAAD Applications

Orillia Power MAAD Application

In 2016, Hydro One filed a MAAD application (2016 Application) with the OEB to acquire Orillia Power Distribution Corporation (Orillia Power) from the City of Orillia, Ontario. On April 12, 2018, the OEB issued a decision denying Hydro One's proposed acquisition of Orillia Power. The decision indicated that with the exception to pricing, the transaction met the no harm test. Additionally, the OEB indicated that it required additional evidence on the overall cost structure following the deferral period and the impact on Orillia Power's customers. On May 2, 2018, Hydro One and Orillia Power both filed a Motion to Review and Vary the OEB's decision, and on August 23, 2018, the OEB issued a decision upholding its April 12, 2018 decision to deny Hydro One's proposed acquisition of Orillia Power.

On September 26, 2018, Hydro One filed a new MAAD application (2018 Application) with the OEB to acquire Orillia Power. The evidence in the 2018 Application is similar to that provided in the 2016 Application. However it includes additional information that was not available at the time Hydro One filed its 2016 MAAD Application, including updates to reflect current variables to costs and other metrics, as well as future cost structures pertaining to the acquired entity.

On October 16, 2018, the School Energy Coalition (SEC) filed a motion with the OEB seeking an order dismissing the 2018 Application. On January 16, 2019, Hydro One and Orillia Power filed submissions on the SEC motion, maintaining that the motion should be dismissed, and the 2018 Application should be heard by the OEB. A decision by the OEB is pending.

Peterborough Distribution MAAD Application

On October 12, 2018, the Company filed an application with the OEB for approval of the acquisition of business and distribution assets of Peterborough Distribution Inc. (Peterborough Distribution). On October 25, 2018, an advance ruling certification application was filed with the Competition Bureau. On November 14, 2018, the Competition Bureau issued no action letter, meaning that transaction can proceed from the Competition Bureau's perspective. The decision of the OEB is still pending. See section "Other Developments - Peterborough Distribution Purchase Agreement" for more information on the acquisition.

Other Applications

East-West Tie / Lake Superior Link

On February 15, 2018, Hydro One filed a Leave to Construct application with the OEB to construct a transmission line (East-West Tie Line) in northwestern Ontario (Lake Superior Link Project), which competed with an application filed by NextBridge to construct the East-West Tie Line. Pursuant to the OEB's direction, on July 26, 2018, the IESO issued its analysis of the impacts of a delay to the in-service date for the construction of the East-West Tie Line. In its analysis, the IESO recommends an in-service date of 2020 for the completion of the East-West Tie Line and does not support a delay beyond 2022, due to increased risks to system reliability and the associated cost uncertainties.

A combined OEB oral hearing for the Hydro One Lake Superior Link Project application, the Hydro One East-West Tie Station Expansion application, and the NextBridge East-West Tie Line application was held in October 2018. On December 20, 2018, the OEB approved Hydro One's East-West Tie Station Expansion application. However, with respect to approval for the Lake Superior Link Project, the OEB decided to add a further step requesting both Hydro One and NextBridge to submit a final not-to-exceed price by January 31, 2019, noting that price will be the deciding factor.

On January 18, 2019, BLP First Nations (BLP) filed a Notice of Appeal to Divisional Court appealing the OEB's December decision, asserting that the OEB decision lacks consideration and application of duty to consult in section 35 of the *Constitution Act, 1982.* On the same date, NextBridge filed a Notice of Appeal to Divisional Court appealing portions of the OEB's December decision that relate to transferring information attained in the environmental assessment process to Hydro One and the disallowance of recovery of a portion of NextBridge's development work. On January 30, 2019, the Minister of Energy, Northern Development and Mines, issued a directive to the OEB to amend NextBridge's electricity transmission licence and allow it to proceed with the East-West Tie transmission line, effectively ending Hydro One's competitive bid to build the Lake Superior Link Project. On February 11, 2019, the OEB issued its decision awarding the construction of the East-West Tie Line to NextBridge. As a result, in the first quarter of 2019, Hydro One recognized an impairment loss of approximately $11 million associated with previously capitalized costs related to this project.

OTHER DEVELOPMENTS

Exemptive Relief

Disclosure of Ownership by the Province

On June 6, 2017, the Canadian securities regulatory authorities granted (i) the Minister of Energy, (ii) Ontario Power Generation Inc. (OPG) (on behalf of itself and the segregated funds established as required by the *Nuclear Fuel Waste Act* (Canada)) and (iii) agencies of the Crown, provincial Crown corporations and other provincial entities (collectively, the Non-Aggregated Holders) exemptive relief, subject to certain conditions, to enable each Non-Aggregated Holder to treat securities of Hydro One that it owns or controls separately from securities of Hydro One owned or controlled by the other Non-Aggregated Holders for purposes of certain take-over bid, early warning reporting, insider reporting and control person distribution rules and certain distribution restrictions under Canadian securities laws. Hydro One was also granted relief permitting it to rely solely on insider reports and early warning reports filed by Non-Aggregated Holders when reporting beneficial ownership or control or direction over securities in an information circular or annual information form in respect of securities beneficially owned or controlled by any Non-Aggregated Holder subject to certain conditions.

US GAAP

On March 27, 2018, Hydro One was granted exemptive relief by securities regulators in each province and territory of Canada which allows Hydro One to continue to report its financial results in accordance with US GAAP (Exemptive Relief). The Exemptive Relief will remain in effect until the earlier of: (i) January 1, 2024; (ii) the first day of Hydro One's financial year that commences after Hydro One ceases to have activities subject to rate regulation; and (iii) the effective date prescribed by the International Accounting Standards Board for the mandatory application of a standard within International Financial Reporting Standards specific to entities with activities subject to rate regulation.

Litigation

Class Action Lawsuit

Hydro One Inc., Hydro One Networks, Hydro One Remote Communities, and Norfolk Power Distribution Inc. are defendants in a class action suit in which the representative plaintiff is seeking up to $125 million in damages related to allegations of improper billing practices. The action was commenced in the Superior Court of Ontario on September 9, 2015. The plaintiff's motion for certification was dismissed by the court in November 2017. The plaintiff appealed the court's decision to the Divisional Court. The appeal was heard in October 2018; the Divisional Court dismissed the appeal in December 2018; and in January 2019, the plaintiff applied for leave to appeal to the Ontario Court of Appeal.

Litigation Relating to the Merger

To date, four putative class action lawsuits were filed by purported Avista Corporation shareholders in relation to the Merger. First, *Fink v. Morris, et al.*, was filed in Washington state court and the amended complaint names as defendants Avista Corporation's directors, Hydro One, Olympus Holding Corp., Olympus Corp., and Bank of America Merrill Lynch. The suit alleges that Avista Corporation's directors breached their fiduciary duties in relation to the Merger, aided and abetted by Hydro One, Olympus Holding Corp., Olympus Corp. and Bank of America Merrill Lynch. The Washington state court issued an order staying the litigation until after the Merger has closed. Counsel for the plaintiffs in *Fink* has informally indicated that, in light of the termination of the Merger, the lawsuit will be dismissed, but no formal dismissal papers have been filed with the court at this time. Second, *Jenß v. Avista Corp., et al., Samuel v. Avista Corp., et al., and Sharpenter v. Avista Corp., et al.*, were each filed in the US District Court for the Eastern District of Washington and named as defendants Avista Corporation and its directors; *Sharpenter* also named Hydro One, Olympus Holding Corp., and Olympus Corp. The lawsuits alleged that the preliminary proxy statement omitted material facts necessary to make the statements therein not false or misleading. *Jenß, Samuel, and Sharpenter* were all voluntarily dismissed by the respective plaintiffs with no consideration paid by any of the defendants.

Peterborough Distribution Purchase Agreement

On July 31, 2018, Hydro One reached an agreement to acquire the business and distribution assets of Peterborough Distribution, an electricity distribution company located in east central Ontario, from the City of Peterborough. Hydro One will pay the City of Peterborough $105 million for the transaction. The acquisition is conditional upon the satisfaction of customary closing conditions and approval by the OEB and the Competition Bureau. On October 12, 2018, the Company filed an application with the OEB for approval of the acquisition. On November 14, 2018, the Competition Bureau issued no action letter, meaning that transaction can proceed from the Competition Bureau's perspective. The decision of the OEB is still pending.

Avista Corporation Purchase Agreement

In July 2017, Hydro One reached an agreement to acquire Avista Corporation. The completion of the Merger was subject to receipt of certain regulatory and governmental approvals, including the expiration or termination of any applicable waiting period under the *Hart-Scott-Rodino Antitrust Improvements Act of 1976*, clearance of the Merger by the Committee on Foreign Investment in the United States, the approval by each of the Regulatory Commission of Alaska, the Washington UTC, the Idaho Public Utilities Commission (Idaho PUC), Oregon Public Utility Commission (Oregon PUC), the Public Service Commission of the State of Montana, the United States Federal Energy Regulatory Commission and the United States Federal Communications Commission, and the satisfaction or waiver of certain closing conditions contained in the Merger Agreement.

Following the announcement on July 11, 2018 of the resignation of Hydro One's Board and the immediate retirement of its President and CEO (see section "Hydro One Board of Directors and Executive Officers" for more information), regulatory authorities in Washington and Oregon extended the timetable for arriving at a decision in Hydro One's proposed acquisition of Avista Corporation to mid-December 2018. In addition, the Idaho PUC rescheduled its hearing from July 23, 2018 to November 26-27, 2018. The Idaho PUC denied approval of the merger on January 3, 2019. The Washington UTC denied approval of the merger on December 5, 2018. On December 17, 2018, Hydro One and Avista Corporation filed a petition for reconsideration and a petition for a rehearing with the Washington UTC. On January 8, 2019, the Washington UTC gave notice of the deemed denial by operation of law (effective January 7, 2019) of the petition for reconsideration filed by Hydro One and Avista Corporation. In the same notice, the Washington UTC also denied the petition for a rehearing on the basis that it is moot because of the deemed denial of the petition for reconsideration. In light of the decisions by the Washington UTC and the Idaho PUC to deny approval of the Merger, the Oregon PUC issued an order on January 14, 2019 suspending indefinitely the current procedural schedule in its Merger docket until Hydro One and Avista Corporation inform the Oregon PUC that they have sought a reversal of the denial decisions through appeal or other means that would provide a justiciable issue for the Oregon PUC to address.

On January 23, 2019, Hydro One and Avista Corporation announced that the companies have mutually agreed to terminate the Merger agreement. As a result of the termination of the Merger agreement, on January 24, 2019, Hydro One paid a US$103 million termination fee to Avista Corporation as required by the Merger agreement. On January 24, 2019, the Company cancelled the Acquisition Credit Facilities, with no amounts drawn. On February 1, 2019, Hydro One entered into the Demand Facility for the purpose of funding the payment of the termination fee and other Merger related costs. On February 8, 2019, Hydro One redeemed the convertible debentures and paid the holders of the Instalment Receipts $513 million ($333 per $1,000 principal amount) plus accrued and unpaid interest of $7 million. The redemption of the convertible debentures was paid with cash on hand. As a result of the termination of the Merger agreement, no payment is due or receivable by Hydro One on the foreign exchange contract.

The following amounts related to the termination of the Merger agreement will be recorded by the Company in its 2019 first quarter financial statements:

- approximately $138 million OM&A costs for payment of the US$103 million termination fee;
- $22 million financing charges, due to revaluation of the foreign-exchange contract to $nil and reversal of previously recorded gains;
- repayment of $513 million convertible debentures and related interest of $7 million; and
- $24 million financing charges, due to derecognition of the deferred financing costs related to convertible debentures.

HYDRO ONE BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

On July 11, 2018, Hydro One, on behalf of itself and its wholly-owned subsidiary, Hydro One Inc., announced that it had entered into an agreement (Letter Agreement) with the Province for the purpose of the orderly replacement of the Board of Hydro One and Hydro One Inc. and the retirement of Mayo Schmidt as the CEO effective July 11, 2018. Hydro One also announced the appointment of Paul Dobson as Acting President and CEO of Hydro One and Hydro One Inc. effective July 11, 2018.

On August 14, 2018, Hydro One announced a new Board. Six directors were identified and nominated by an ad hoc nominating committee, comprised of three of the five largest shareholders of Hydro One excluding the Province, and four directors were identified and nominated by the Province, Hydro One's largest shareholder. Each of the directors is independent of both Hydro One and the Province in accordance with the Governance Agreement dated as of November 5, 2015 between Hydro One and the Province (Governance Agreement).

The directors of Hydro One and Hydro One Inc. are the same in accordance with the provisions of the Governance Agreement.

On September 7, 2018, Hydro One announced the appointment of Chris Lopez as Acting Chief Financial Officer (CFO) of Hydro One and Hydro One Inc., effective September 6, 2018. On September 7, 2018, Hydro One announced the appointment of Tom Woods as Chair of the Board of Hydro One and Hydro One Inc., effective September 6, 2018. Patrick Meneley, Executive Vice President and Chief Corporate Development Officer has advised the Company of his decision to leave Hydro One effective March 1, 2019.

The following table sets forth information regarding the current directors and executive officers of Hydro One and Hydro One Inc. as at December 31, 2018. Each of the directors was first appointed effective August 14, 2018. Each director is elected annually to serve for one year or until his or her successor is elected or appointed.

Name, Province or State and Country of Residence	Age	Position/Title	Independent Board Member	Principal Occupation	Committees
Paul Dobson Texas, USA	52	Acting President and CEO		Acting President and CEO	
Jason Fitzsimmons Ontario, Canada	48	Chief Corporate Affairs and Customer Care Officer		Chief Corporate Affairs and Customer Care Officer	
Gregory Kiraly Arizona, USA	54	Chief Operating Officer		Chief Operating Officer	
Chris Lopez Alberta, Canada	44	Acting CFO		Acting CFO	
Judy McKellar Ontario, Canada	62	Executive Vice President, Chief Human Resources Officer		Executive Vice President, Chief Human Resources Officer	
Patrick Meneley Ontario, Canada	55	Executive Vice President and Chief Corporate Development Officer		Executive Vice President and Chief Corporate Development Officer	
James Scarlett Ontario, Canada	65	Executive Vice President and Chief Legal Officer		Executive Vice President and Chief Legal Officer	
Tom Woods[1] Ontario, Canada	66	Director and Chair of the Board	Yes	Director	
Cherie Brant[1] Ontario, Canada	44	Director	Yes	Partner, Dickinson Wright LLP	Governance Committee; Health, Safety, Environment and Indigenous Peoples Committee
Blair Cowper-Smith[1] Ontario, Canada	70	Director	Yes	Director	Governance Committee (Chair); Human Resources Committee
Anne Giardini British Columbia, Canada	59	Director	Yes	Director	Audit Committee; Health, Safety, Environment and Indigenous Peoples Committee (Chair)
David Hay New Brunswick, Canada	63	Director	Yes	Managing Partner, Delgatie Incorporated	Audit Committee; Health, Safety, Environment and Indigenous Peoples Committee
Timothy Hodgson Ontario, Canada	58	Director	Yes	Managing Partner and Director, Alignvest Management Corporation	Governance Committee; Human Resources Committee
Jessica McDonald British Columbia, Canada	49	Director	Yes	Interim President and CEO, Canada Post Corporation	Audit Committee; Human Resources Committee
Russel Robertson[1] Ontario, Canada	71	Director	Yes	Director	Audit Committee; Human Resources Committee
William Sheffield Ontario, Canada	70	Director	Yes	Director	Audit Committee (Chair); Health, Safety, Environment and Indigenous Peoples Committee
Melissa Sonberg Québec, Canada	58	Director	Yes	Adjunct Professor, McGill University	Governance Committee; Human Resources Committee (Chair)

[1] These directors have been designated as the Province's nominees to the Board of Hydro One for the purpose of the Governance Agreement.

The following includes a brief profile of each of the executive officers and directors of Hydro One and Hydro One Inc., which includes a description of their present occupation and their principal occupations for the past five years:

Paul Dobson - Acting President and CEO

Effective July 11, 2018, Paul Dobson was appointed to the role of Acting President and CEO of Hydro One. Mr. Dobson joined the Company as CFO on March 1, 2018 responsible for finance, treasury, controller, internal audit, technology and regulation. Prior to joining Hydro One in 2018, Mr. Dobson served as CFO for Direct Energy Ltd. (Direct Energy), Houston, Texas, where he was responsible for overall financial leadership of a $15 billion revenue business with three million customers in Canada and the US. Since 2003, Mr. Dobson has held senior leadership positions in finance, operations, IT and customer service across the Centrica Group, the parent company of Direct Energy. Prior to Direct Energy, Mr. Dobson worked at CIBC for 10 years in finance, strategy and business development roles in both Canada and the US. Mr. Dobson also brings considerable experience in mergers and acquisitions and integrating acquired companies across North America and in the United Kingdom. Mr. Dobson is a dual Canadian-US citizen who holds an honours bachelor's degree from the University of Waterloo as well as a Masters of Business Administration (MBA) from the University of Western Ontario and is a CPA, CMA.

Jason Fitzsimmons - Chief Corporate Affairs and Customer Care Officer

Jason Fitzsimmons was promoted to Chief Corporate Affairs and Customer Care Officer in August 2018, with oversight of the customer service, corporate affairs, marketing and Indigenous relations functions. With more than 25 years of experience in the electricity sector, Mr. Fitzsimmons is a highly-regarded leader with a proven track record for successfully executing large-scale transformations and building strong relationships with key stakeholders. In his previous role as Vice President, Labour Relations at Hydro One, Mr. Fitzsimmons played an instrumental role in bringing the company's 400-employee Customer Contact Centre in-house as the Company continuously strives to deliver best-in-class customer service. Prior to joining the Company in 2016, Mr. Fitzsimmons was the Chief Negotiations Officer at the Ontario Hospital Association and also held a number of executive roles at OPG, including Vice President of Human Resources for the Nuclear division. He is a Certified Human Resource Executive known for his broad experience in labour management as well as his passion for health and safety in the workplace. He was a prior member of the Advisory Board for Ryerson University's Centre for Labour Management Relations and has served on the Board for the Electrical Power Sector Construction Association.

Gregory Kiraly - Chief Operating Officer

Effective September 12, 2016, Gregory Kiraly was appointed to the role of Chief Operating Officer (COO) of Hydro One. As COO, Mr. Kiraly oversees the complete transmission and distribution value chain including planning, engineering, construction, operations, maintenance, and forestry; shared services functions including facilities, real estate, fleet, and procurement; and the Hydro One Telecom and Hydro One Remote Communities subsidiaries. Prior to joining Hydro One in 2016, Mr. Kiraly served as Senior Vice President of Electric Transmission and Distribution at Pacific Gas and Electric Company (PG&E) in San Francisco, which delivers safe and reliable energy to more than 16 million customers in northern and central California. Since joining PG&E in 2008, Mr. Kiraly led efforts that achieved the lowest employee injury rates ever, seven straight years of record electric reliability, and over $500 million in productivity improvements and efficiency savings. Before PG&E, Mr. Kiraly held executive-level positions in energy delivery at Commonwealth Edison (Exelon) in Chicago and leadership positions in both gas and electric distribution at Public Service Electric and Gas Company in Newark, New Jersey. Mr. Kiraly holds a bachelor's degree in industrial engineering from New Jersey Institute of Technology and an MBA in finance from Seton Hall University. He is also a graduate of Harvard University's Advanced Management Program.

Chris Lopez - Acting CFO

Effective September 6, 2018, Chris Lopez was appointed as Acting CFO for Hydro One. As Acting CFO, Mr. Lopez is responsible for corporate finance (including treasury and tax), internal audit, investor relations, and pensions. Mr. Lopez joined Hydro One on November 14, 2016 when he was appointed as Senior Vice President of Finance, bringing almost 17 years of progressive experience in the utilities industry in Canada and Australia. Prior to joining Hydro One, Mr. Lopez was the Vice President, Corporate Planning and Mergers & Acquisitions at TransAlta Corporation from 2011 to 2015. Prior to that, Mr. Lopez was Director of Operations Finance at TransAlta in Calgary from 2007 to 2011, and he held senior financial roles up to and including Country Financial Controller for TransAlta in Australia, from 1999 to 2007. Mr. Lopez worked as a Senior Financial Accountant with Rio Tinto Iron Ore, in Australia from 1997 to 1999. Mr. Lopez received a Bachelor of Business degree from Edith Cowan University in 1996, and a Chartered Accountant designation in Australia in 1999. He received a graduate diploma in corporate governance and directorships from the Australian Institute of Company Directors in 2007.

Judy McKellar - Executive Vice President, Chief Human Resources Officer

Judy McKellar is the Executive Vice President, Chief Human Resources Officer of Hydro One. She was appointed to this position on November 11, 2016. Ms. McKellar has held various roles of increasing responsibility at Hydro One Networks, an indirect subsidiary of Hydro One, in the Human Resources department over her 30+ year career and was appointed Vice President of Human Resources in 2010. In 2014, she assumed the additional responsibility of Senior Vice President of People and Culture/Health, Safety and Environment and serves as the accountable executive for the Human Resources Committee of the Board. Ms. McKellar earned a Bachelor of Arts degree from Victoria College, University of Toronto, and was recently named as one of 2015's 100 Most Powerful Women in Canada by PricewaterhouseCoopers in the "Public Sector" category.

Patrick Meneley - Executive Vice President and Chief Corporate Development Officer

Effective March 1, 2018, Patrick Meneley was appointed to the role of Executive Vice President and Chief Corporate Development Officer of Hydro One. In this capacity, Mr. Meneley is responsible for leading strategy, innovation and mergers and acquisitions. Prior to joining Hydro One in 2018, Mr. Meneley served as Executive Vice President, Wholesale Banking at TD Bank Group and Vice Chair and Head of Global Corporate and Investment Banking for TD Securities. Mr. Meneley spent 15 years leading and building one of the leading corporate and investment banking businesses in Canada, along with a profitable and growing franchise in the US. Mr. Meneley holds an MBA (with distinction) from the University of Western Ontario and a Bachelor of Commerce (with honours) from the University of British Columbia.

James Scarlett - Executive Vice President and Chief Legal Officer

Effective September 1, 2016, James Scarlett was appointed as Executive Vice President and Chief Legal Officer of Hydro One. Prior to joining Hydro One, Mr. Scarlett was a Senior Partner at Torys LLP. He joined Torys LLP in March 2000 and held a number of leadership roles at the firm, including head of Torys LLP's Capital Markets Group, Mining Group and International Business Development Strategy. Mr. Scarlett was also a member of the firm's Executive Committee from 2009-2015. Prior to joining Torys LLP, Mr. Scarlett was a Partner at another major Canadian law firm. While at that firm Mr. Scarlett held leadership roles as head of its Corporate Group, Securities Group and as a member of its Board. Mr. Scarlett was also seconded to the Ontario Securities Commission in 1987 and was appointed as the first Director of Capital Markets in 1988, a position he held until his return to private law practice in 1990. Mr. Scarlett earned his law degree

(J.D.) from the University of Toronto in 1981 and his Bachelor of Commerce Degree from the University of McGill in 1975. Mr. Scarlett also holds his ICD.D.

Thomas D. Woods (provincial nominee) - Board Chair

Public Directorships (other than Hydro One and Hydro One Inc.): Bank of America Corporation

Public Board Interlocks: None

Mr. Woods is a corporate director. He previously had a 37-year career with CIBC and Wood Gundy, the predecessor firm of CIBC World Markets. He started in Investment Banking, advising companies raising financing in the equity and debt capital markets as well as mergers and acquisitions, and later was Head of Canadian Corporate Banking, Chief Financial Officer, Chief Risk Officer and served as Vice Chairman until his retirement in 2014.

Mr. Woods has served on the boards of Bank of America Corporation since 2016, Alberta Investment Management Corporation. Mr. Woods has also acted as Board Chair of Providence St. Joseph's St. Michael's Health Care since 2017 and CIBC Children's Foundation. Previous directorships include TMX Group Inc., DBRS Limited, Jarislowsky Fraser Limited and Covenant House (Board Chair). Mr. Woods has a Bachelor of Applied Science in Industrial Engineering from University of Toronto, and an MBA from Harvard Business School.

Cherie L. Brant (provincial nominee)

Public Directorships (other than Hydro One and Hydro One Inc.): None

Public Board Interlocks: None

Ms. Brant has been a Partner at Dickinson Wright's Toronto law office since 2013 where she has an Indigenous law practice with a focus on commercial real estate, energy and transmission and First Nations economic development. Ms. Brant provides strategic counsel to several First Nations and industry clients seeking to develop projects with First Nations and to understand and address Indigenous rights and interests. As lead counsel, Ms. Brant was instrumental in forming one of the largest First Nations-led limited partnerships in Canada resulting in the Ontario First Nations Sovereign Wealth LP's share purchase of approximately 2.4% of Hydro One Limited.

Ms. Brant is both Mohawk and Ojibway from the Mohawks of the Bay of Quinte and Wikwemikong Unceded Indian Territory. She also serves on the board of the Anishnawbe Health Foundation and is a member of the Canadian Council for Aboriginal Business, Research Advisory Board and the Aboriginal Energy Working Group of the Independent Electricity System Operator. Previous directorships include Women's College Hospital and Trillium Gift of Life.

Ms. Brant has a Bachelor of Environmental Studies, Urban and Regional Planning Program from the University of Waterloo and a Juris Doctor from the University of Toronto. She is a member of the Ontario Bar Association and the Law Society of Ontario.

Blair Cowper-Smith (provincial nominee)

Public Directorships (other than Hydro One and Hydro One Inc.): None

Public Board Interlocks: None

Mr. Cowper-Smith is the principal and founder of Erin Park Business Solutions, a Canadian advisory and consulting firm. Previously, he was Chief Corporate Affairs Officer of Ontario Municipal Employees Retirement System (OMERS) and served as a member of the Senior Executive Team from 2008 to 2017 where his responsibilities included regulatory affairs, law and governance. Prior to joining OMERS he was a Senior Partner at McCarthy Tetrault LLP where his practice focused on mergers and acquisitions, infrastructure, governance and private equity.

Mr. Cowper-Smith's Board experience includes numerous advisory assignments, including governance advisory assignments, with boards of directors including OMERS, Stelco, Hammerson, and includes existing or prior director appointments and board committee leadership roles with companies like Porter Airlines, 407 ETR, the Financial Services Regulatory Authority and Face the Future Foundation. He served until recently on the Public Policy Committee of the Canadian Coalition for Good Governance and on the Securities Advisory Committee of the Ontario Securities Commission. He co-founded The Canadian Council for Public and Private Partnerships which led to a long-term interest in infrastructure policy and delivery of infrastructure based services to Canadians.

Mr. Cowper-Smith has a Bachelor of Laws (LLB) and Master of Laws (LLM) from Osgoode Hall Law School at York University and holds his ICD.D. He is a member of the Law Society of Ontario.

Anne Giardini, O.C., O.B.C., Q.C.

Public Directorships (other than Hydro One and Hydro One Inc.): Nevsun Resources Ltd.

Public Board Interlocks: None

Ms. Giardini has been a corporate director since 2014 and Chancellor of Simon Fraser University. She previously had a 20-year career with Weyerhaeuser Company Limited, including as Canadian President until her retirement in 2014. Before her tenure as President, she was Vice President and General Counsel at Weyerhaeuser where she worked on corporate, legal, policy and strategic matters. Ms. Giardini has been a newspaper columnist and is the author of two novels.

Ms. Giardini also serves on the boards of Nevsun Resources Ltd., Canada Mortgage & Housing Corporation, World Wildlife Fund (Canada), BC Achievement Foundation, TransLink and the Greater Vancouver Board of Trade. Previous directorships include Thompson Creek Metals Company, Inc. and Weyerhaeuser Company Limited.

Ms. Giardini has a BA in Economics from Simon Fraser University, a Bachelor of Laws from the University of British Columbia and a Master of Law from the University of Cambridge (Trinity Hall). She is licensed to practice law in British Columbia where she is a member of the Law Society of British Columbia (and formerly in Ontario and Washington State). In 2016, Ms. Giardini was appointed an Officer of the Order of Canada and in 2018 she was appointed to the Order of British Columbia.

David Hay

Public Directorships (other than Hydro One and Hydro One Inc.): EPCOR Utilities Inc.

Public Board Interlocks: None

Mr. Hay is a corporate director and Managing Director of Delgatie Incorporated (2015). He is the former Vice-Chair and Managing Director of CIBC World Markets Inc. with power, utilities and infrastructure as his major focus (2010 to 2015). From 2004 until 2010, he was President and Chief Executive Officer of New Brunswick Power Corporation and held senior investment banking roles, including Senior Vice-President and Director responsible for mergers and acquisitions with Merrill Lynch Canada and Managing Director of European mergers and acquisitions with Merrill Lynch International. Mr. Hay spent the early part of his career as a practicing lawyer and taught part-time at both the University of Toronto and University of New Brunswick.

Mr. Hay also serves on the boards of EPCOR, SHAD (Chair), the Council of Clean and Reliable Energy and as Chair of the Acquisition Committee of the Beaverbrook Art Gallery. Prior directorships include Toronto Hydro-Electric System Limited where he was Vice Chair.

Mr. Hay has a Bachelor of Laws from Osgoode Hall Law School, York University and a Bachelor of Arts from the University of Toronto (Victoria College) and holds his ICD.D.

Timothy E. Hodgson

Public Directorships (other than Hydro One and Hydro One Inc.): Alignvest Acquisition II Corporation and MEG Energy Corp.

Public Board Interlocks: None

Mr. Hodgson has been a Managing Partner of Alignvest Management Corporation since 2012. Mr. Hodgson is also the Chief Compliance Officer of Alignvest Capital Management Inc. and Alignvest Investment Management Corporation. Mr. Hodgson was Special Advisor to Mr. Mark Carney, Governor of the Bank of Canada from 2010 to 2012, where he lead the Bank's market infrastructure initiatives to build a new repo clearinghouse business for Canada; reform Canada's over-the-counter derivatives markets; and review changes to systemically important market infrastructure businesses in Canada.

From 1990 to 2010, Mr. Hodgson held various positions in New York, London, Silicon Valley and Toronto with Goldman Sachs and served as Chief Executive Officer of Goldman Sachs Canada from 2005 to 2010 with overall responsibilities for the firm's operations, client relationships and regulatory matters in the region.

Mr. Hodgson currently sits on the boards of The Public Sector Pension Investment Board (PSP Investments), MEG Energy, Alignvest Acquisition II Corporation, and Next Canada. Mr. Hodgsons's prior directorships include The Global Risk Institute, KGS-Alpha Capital Markets, and the Richard Ivey School of Business. Mr. Hodgson also served on the board of Bridgepoint Health for eight years until July 2014.

Mr. Hodgson holds a Masters of Business Administration from The Richard Ivey School of Business at Western University and a Bachelor of Commerce from the University of Manitoba. He is a Chartered Professional Accountant (CPA), Chartered Accountant (CA) and holds his ICD.D.

Jessica L. McDonald

Public Directorships (other than Hydro One and Hydro One Inc.): Coeur Mining Inc. and Trevali Mining Corporation

Public Board Interlocks: None

Ms. McDonald has been Chair of the Board of Directors and Interim President and Chief Executive Officer of Canada Post Corporation since 2017. From 2014 to 2017, she served as President and Chief Executive Officer of British Columbia Hydro & Power Authority. Ms. McDonald was also Executive Vice President of HB Global Advisors Corp., as well as a successful practice in mediation and negotiation on major commercial and industrial projects. In addition, Ms. McDonald has held many positions with the BC government, including the most senior public service position in the provincial government as Deputy Minister to the Premier, Cabinet Secretary and Head of the BC Public Service from 2005 to 2009, responsible for overseeing all aspects of government operations.

Ms. McDonald also serves on the boards of Coeur Mining Inc. and Trevali Mining Corporation, and is on the Member Council of Sustainable Development Technology Canada. Previous directorships include Powertech Labs (Chair) and Powerex Corp.

Ms. McDonald has a Bachelor of Arts (Political Science) from the University of British Columbia. She is also a member of the Institute of Corporate Directors and holds her ICD.D.

Russel C. Robertson (provincial nominee)

Public Directorships (other than Hydro One and Hydro One Inc.): Bausch Health Companies Inc. and Turquoise Hill Resources Ltd.

Public Board Interlocks: None

Mr. Robertson is a corporate director and served as Executive Vice President and Head, Anti-Money Laundering, BMO Financial Group from 2008 to 2016. Mr. Robertson has served as Chief Financial Officer, BMO Financial Group and Executive Vice President, Business Integration where he oversaw the integration of Harris Bank and M&I Bank forming BMO Harris Bank. Before joining BMO,

he spent over 35 years as a Chartered Professional Accountant holding various senior positions including the positions of Vice-Chair, Deloitte & Touche LLP (Canada) and Canadian Managing Partner, Arthur Andersen LLP (Canada).

Mr. Robertson has also served on the board of Bausch Health Companies Inc. since 2016 and acts as the chairperson of the Audit and Risk Committee and has served on the Board of Turquoise Hill Resources since 2012. Previous directorships include Virtus Investment Partners, Inc.

Mr. Robertson has a Bachelor of Arts (Honours) in Business Administration from the Ivey School of Business at the University of Western Ontario. He is a Chartered Professional Accountant (FCPA, FCA) and a Fellow of the Institute of Chartered Accountants (Ontario). He is also a member of the Institute of Corporate Directors and holds his ICD.D.

William H. Sheffield

Public Directorships (other than Hydro One and Hydro One Inc.): Houston Wire & Cable Company, Velan Inc.

Public Board Interlocks: None

Mr. Sheffield is a corporate director. He is the former Chief Executive Officer of Sappi Fine Papers, headquartered in South Africa. Previously, he held senior roles with Abitibi-Consolidated, Inc. and Abitibi-Price, Inc. He began his career in the steel industry and held General Manager, Industrial Engineering and Cold Mill Operating roles at Stelco Inc.

Mr. Sheffield has served on the board of Houston Wire & Cable Company since 2006 where he acts as Chairman. Mr. Sheffield also serves on the boards of Velan, Inc., Burnbrae Farms Ltd., Longview Aviation Capital, Family Enterprise Xchange, and 4iiii Innovations Inc. Previous directorships include Canada Post Corporation, Ontario Power Generation, Corby Distilleries, Royal Group Technologies and SHAD.

Mr. Sheffield has a Bachelor of Science (Chemistry) from Carleton University and an MBA from McMaster University. Mr. Sheffield also holds his ICD.D and in 2015, he was awarded a Fellowship from the National Association of Corporate Directors in the US. He also completed the Family Enterprise Advisors Program (FEA) at the University of British Columbia.

Melissa Sonberg

Public Directorships (other than Hydro One and Hydro One Inc.): Exchange Income Corporation

Public Board Interlocks: None

Ms. Sonberg is a corporate director and has been Adjunct Professor and Executive-in-Residence at McGill University's Desautel Faculty of Management since 2014. She spent the early part of her career in the healthcare industry before joining Air Canada, where she held leadership positions in a range of customer facing, operational and corporate functions. Ms. Sonberg was part of the founding executive team of Aeroplan, now part of AIMIA. Ms. Sonberg held positions of Senior Vice President, Human Resources & Corporate Affairs and Senior Vice President, Global Brands, Communications and External Affairs at AIMIA from 2001 to 2013.

Ms. Sonberg also serves on the boards of Exchange Income Corporation, MD Financial Holdings, Inc., Canadian Professional Sales Association, Group Touchette, Women in Capital Markets and Equitas - International Centre for Human Rights. Previous directorships include Rideau, Inc., Via Rail Canada, University of Ottawa, International Advisory Board and the McGill University Health Centre.

Ms. Sonberg has a Bachelor of Science (Psychology) from McGill University and a Masters of Health Administration from the University of Ottawa. She is a Certified Human Resource Executive and holds her ICD.D.

Information Regarding Certain Directors and Executive Officers

As at December 31, 2018, the directors and executive officers of Hydro One and its subsidiaries beneficially owned, controlled or directed, directly or indirectly, as a group, 15,905 common shares, which represented approximately 0.003% of the outstanding common shares.

As at December 31, 2018, approximately 36.4% of the executives (those who hold a vice president role and above or equivalent) (12 out of 33) across Hydro One and its major subsidiaries, including 1 of 5 executive officers, are women.

Corporate Cease Trade Orders and Bankruptcies

Except as described below:

- none of the directors or executive officers of Hydro One or Hydro One Inc. nor any shareholder holding shares sufficient to materially affect control of Hydro One or Hydro One Inc. is, or within the last 10 years has served as, a director or executive officer of any company that, during such service or within a year after the end of such service, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- none of the directors or executive officers of Hydro One or Hydro One Inc. is, or within the last 10 years has served as, a director, CEO, or CFO of any company that, during such service or as a result of an event that occurred during such service, was subject to an order (including a cease trade order, or similar order or an order that denied access to any exemption under securities legislation), for a period of more than 30 consecutive days; or

- none of the directors or executive officers of Hydro One or Hydro One Inc. nor any shareholder holding shares sufficient to materially affect control of Hydro One or Hydro One Inc., within the last 10 years has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director.

Blair Cowper-Smith served as a Director of Golfsmith International Holdings GP Inc. and Golf Town Canada Inc. (Golf Town) from 2016 to 2018. On September 14, 2016, Golf Town filed for and was granted Court bankruptcy protection under the CCAA. Golf Town emerged from Court protection after being sold to Fairfax Financial Holdings Limited and CI Investments Inc. in October 2016.

Penalties or Sanctions

None of the directors or executive officers of Hydro One or Hydro One Inc., nor any shareholder holding shares sufficient to materially affect control of Hydro One or Hydro One Inc., has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

To the best of Hydro One's and Hydro One Inc.'s knowledge, there are no existing material potential conflicts of interest among Hydro One or any of its subsidiaries and the directors or executive officers of Hydro One or any of its subsidiaries as a result of their outside business interests as at the date hereof. Certain of the directors and executive officers serve as directors and executive officers of other public companies. Accordingly, conflicts of interest may arise which could influence these persons in evaluating possible acquisitions or in generally acting on behalf of Hydro One or Hydro One Inc. Where conflicts arise, they are managed through a variety of measures, including declaration of the conflict, recusal from meetings and/or portions of meetings, and the creation of separate board materials for the affected directors.

Interest of Management and Others in Material Transactions

There are no material interests, direct or indirect, of any director or executive officer of Hydro One and its subsidiaries, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect Hydro One or Hydro One Inc.

Indebtedness of Directors and Executive Officers

No director, executive officer, employee, former director, former executive officer or former employee or associate of any director or executive officer of Hydro One or any of its subsidiaries had any outstanding indebtedness to Hydro One or any of its subsidiaries except routine indebtedness or had any indebtedness that was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Hydro One or any of its subsidiaries.

Independence Matters

The Board of Hydro One and Hydro One Inc. currently consists of 10 directors, all of whom are independent of Hydro One and Hydro One Inc. and independent of the Province within the meaning of the Governance Agreement.

For Hydro One's purposes, an independent director is one who is independent of Hydro One and independent of the Province. Directors will be independent of Hydro One if they are independent within the meaning of all Canadian securities laws governing the disclosure of corporate governance practices and stock exchange requirements imposing a number or percentage of independent directors. Pursuant to Canadian securities laws, a director who is "independent" within the meaning of applicable securities laws is one who is free from any direct or indirect relationship which could, in the view of the board, be reasonably expected to interfere with a director's independent judgement, with certain specified relationships deemed to be non-independent. A director will be "independent of the Province" if he or she is independent of Hydro One under Ontario securities laws governing the disclosure of corporate governance practices, where the Province and certain specified provincial entities are treated as Hydro One's parent under that definition, but excluding current directors where the relationship ended before August 31, 2015. The Governance Agreement requires each of the directors, other than the CEO, to be both independent of Hydro One and independent of the Province. The Chair of Hydro One is independent of Hydro One and the Province.

The following table summarizes the committee memberships and independence status of Board members:

	Committees				Independence	
Director	Audit Committee	Governance Committee	Human Resources Committee	Health, Safety, Environment and Indigenous Peoples Committee	Independent of Hydro One	Independent of the Province
Cherie Brant		v		v	v	v
Blair Cowper-Smith		v	v		v	v
Anne Giardini	v			v	v	v
David Hay	v			v	v	v
Timothy Hodgson		v	v		v	v
Jessica McDonald	v		v		v	v
Russel Robertson	v		v		v	v
William Sheffield	v			v	v	v
Melissa Sonberg		v	v		v	v
Tom Woods					v	v

Diversity Policy

The Board has adopted a board diversity policy which formalizes the company's commitment to diversity and its desire to maintain a board comprising talented and dedicated directors whose skills, experience, knowledge and backgrounds reflect the diverse nature of the business environment in which it operates, including an appropriate number of female directors. The Board aspires towards a board composition in which each gender comprises at least 40% of the directors on the Board. Currently, the Board includes four female directors (40%).

Director Attendance

Directors are expected to attend board meetings, meetings of the committees on which they serve and the annual meeting of shareholders.

Number of Board and Committee Meetings (August 13, 2018 to December 31, 2018)[1]:

	Regular	Non-Regular	In Camera Sessions
Board	2	11	13
Audit Committee	1	4	5
Health, Safety, Environment and Indigenous Peoples Committee	1	-	1
Human Resources Committee	2	3	5
Governance Committee	1	3	4

[1] All of the current directors were appointed directors of Hydro One effective August 13, 2018. The directors of Hydro One are also directors of Hydro One Inc. and the two boards and each committee thereof hold joint meetings.

Audit Committee

The Audit Committee must consist of at least three directors, all of whom are persons determined by Hydro One to be both "independent" (within the meaning of all Canadian securities laws and stock exchange requirements and the Governance Agreement) and "financially literate" (within the meaning of other applicable requirements or guidelines for audit committee service under securities laws or the rules of any applicable stock exchange, including National Instrument 52-110 - *Audit Committees*). At least one member of the Audit Committee will qualify as an "audit committee financial expert" as defined by the applicable rules of the US Securities and Exchange Commission. The Audit Committee comprises William Sheffield (Chair), Anne Giardini, David Hay, Jessica McDonald and Russel Robertson. Each of the Audit Committee members is independent and financially literate and each has an understanding of the accounting principles used to prepare Hydro One's financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. Russel Robertson and David Hay each qualify as an audit committee financial expert.

Please refer to the biographies of our Audit Committee members described under "- Directors and Executive Officers" above for details of their additional invaluable skills and experience.

Human Resource Committee

Hydro One's management team, the Human Resources Committee and the Company's compensation advisors all play a key role in determining executive compensation for the company's directors and executives and in managing compensation risk on behalf of the Board of Hydro One. The Human Resources Committee is responsible for assisting the Board in fulfilling its oversight responsibilities relating to the attraction and retention of key senior management.

All of the members of the Human Resources Committee are independent. The Human Resources Committee comprises Melissa Sonberg (Chair), Blair Cowper-Smith, Timothy Hodgson, Jessica McDonald and Russel Robertson. All of the members of the Human Resources Committee have gained the following relevant experience in human resources and compensation by serving as an executive officer (or equivalent) of a major organization and/or through prior service on the compensation committee of a stock exchange listed company or otherwise:

- human resources experience (experience with benefit, pension and compensation programs (in particular, executive compensation));
- risk management experience (knowledge and experience with internal risk controls, risk assessments and reporting as it pertains to executive compensation); and
- executive leadership experience (experience as a senior executive/officer of a public company or major organization).

Please refer to the biographies of our Human Resources Committee members described under "- Directors and Executive Officers" above for details of their additional invaluable skills and experience.

CEO Selection Committee

The Board has also formed an ad hoc CEO Selection Committee to identify and select a President and CEO.

Compensation Policies and Practices

Other than as set forth in Hydro One's management information circular dated March 19, 2018 prepared in connection with the annual meeting of shareholders held on May 15, 2018 or as otherwise described below, there have been no material changes to the policies and practices adopted by the Board of Hydro One or Hydro One Inc. to determine compensation for Hydro One's or Hydro One Inc.'s directors and executive officers since January 1, 2018.

Changes to Hydro One's Board and CEO Compensation

As disclosed under "- Directors and Executive Officers" above, on July 11, 2018, Hydro One, on behalf of itself and Hydro One Inc., announced that it had entered into the Letter Agreement for the purpose of the orderly replacement of the Board of Hydro One and Hydro One Inc. and the retirement of Mayo Schmidt as the CEO effective July 11, 2018. In accordance with the Letter Agreement, Hydro One has agreed to consult with the Province in respect of future matters of executive compensation. In addition, the then-existing Hydro One and Hydro One Inc. Board volunteered and agreed to immediately reduce board compensation to the levels contemplated by the pre-January 1, 2018 director compensation policy. The then-existing Hydro One and Hydro One Inc. Board also volunteered and agreed to forego any compensation for their service after June 30, 2018.

In connection with Mr. Schmidt's retirement, he received amounts consistent with Hydro One's retirement policies applicable to his outstanding equity awards and his employment agreement as previously disclosed and was not entitled to severance. Mr. Schmidt received a $0.4 million lump sum payment in lieu of all post-retirement benefits and allowances.

Urgent Priorities Act (formerly, Bill 2)

In July 2018, the Province introduced the *Urgent Priorities Act, 2018 (*Urgent Priorities Act), which amended the *Ontario Energy Board Act, 1998* (OEB Act) and introduced the *Hydro One Accountability Act* (Accountability Act). The Accountability Act came into force in August 2018. The Accountability Act requires the Board to establish a new compensation framework for the Board, the CEO and other executives, in consultation with the Province and the other five largest shareholders of Hydro One Limited (which framework must include policies governing severance and other entitlements in connection with any termination of employment). The new compensation framework is not effective until approved by Management Board of Cabinet of the Province. In addition, the Management Board of Cabinet of the Province has the authority to issue directives governing the compensation of directors and certain executives of Hydro One and its subsidiaries (excluding subsidiaries incorporated outside Canada). In February 2019, the Board published a revised compensation framework that complies with the requirements of the Urgent Priorities Act. The Accountability Act also requires Hydro One to annually provide public disclosure concerning compensation paid to certain executives. The Accountability Act may adversely impact Hydro One and Hydro One Inc.'s ability to continue to attract and retain executives.

The OEB Act was amended to preclude the OEB from approving or fixing rates for Hydro One or any of its subsidiaries that include any amount in respect of compensation paid to the CEO and other executives. The impact of this amendment is expected to restrict Hydro One's ability to recover certain amounts paid for executive compensation through separate rate mechanisms, which is expected to result in a reduction to Hydro One's net income for the year ending December 31, 2019 of up to $14 million and is subject to a final determination by the OEB. The reduction may be materially lower, depending on the determination by the OEB of the executives whose compensation is to be excluded. The Urgent Priorities Act expressly provides that certain causes of action and proceedings are not available or will be barred against the Province, Hydro One or any of its subsidiaries, or any of its current or former officers, directors, employees or agents in respect of the Accountability Act, the Province's involvement in compensation matters or other aspects of the corporate governance of Hydro One or any of its subsidiaries or any alleged misrepresentation in any prospectus, document or other public statement related to the involvement of the Province in compensation matters at Hydro One or any of its subsidiaries.

Province of Ontario

Notwithstanding the Governance Agreement, and in light of actions taken by the Province following the provincial election in June 2018 including the passage of the Urgent Priorities Act, the Province may elect to make further decisions relevant to Hydro One that could be detrimental to the interests of various stakeholders of Hydro One.

HYDRO ONE WORK FORCE

Hydro One has a skilled and flexible work force of approximately 5,700 regular employees and 2,200 non-regular employees province-wide, comprising of a mix of skilled trades, engineering, professional, managerial and executive personnel. Hydro One's regular employees are supplemented primarily by accessing a large external labour force available through arrangements with the Company's trade unions for variable workers, sometimes referred to as "hiring halls", and also by access to contract personnel. The hiring halls offer Hydro One the ability to flexibly utilize highly trained and appropriately skilled workers on a project-by-project and seasonal basis.

The following table sets out the number of Hydro One employees as at December 31, 2018:

	Regular Employees	Non-Regular Employees	Total
Power Workers' Union (PWU)[1]	3,583	856	4,439
Society of United Professionals (Society)	1,458	36	1,494
Canadian Union of Skilled Workers (CUSW) and construction building trade unions[2]	—	1,277	1,277
Total employees represented by unions	5,041	2,169	7,210
Management and non-represented employees	667	22	689
Total employees[3]	5,708	2,191	7,899

[1] Includes 715 non-regular "hiring hall" employees covered by the PWU agreement.

[2] The construction building trade unions have collective agreements with the Electrical Power Systems Construction Association (EPSCA).

[3] The average number of Hydro One employees in 2018 was approximately 8,600, consisting of approximately 5,650 regular employees and approximately 2,950 non-regular employees.

Collective Agreements

On March 1, 2018, Hydro One insourced its customer service operations (CSO), which had been previously outsourced to Inergi LP and Vertex Customer Management (Canada) Limited since 2002. The insourcing was facilitated through labour agreements reached with the PWU and the Society (formerly the Society of Energy Professionals) in 2017.

The prior collective agreement with the PWU expired on March 31, 2018. On March 26, 2018, Hydro One and the PWU reached a tentative agreement, and on June 27, 2018, the agreement was ratified by the PWU. The term of the agreement is for two years ending on March 31, 2020.

Stock-based Compensation

During 2018 and 2017, the Company granted awards under its LTIP, consisting of Performance Share Units (PSUs), Restricted Share Units (RSUs), and Stock Options, all of which are equity settled. At December 31, 2018 and 2017, the following LTIP awards were outstanding:

December 31 *(number of units)*	**2018**	**2017**
PSUs	605,180	429,980
RSUs	442,470	393,430
Stock Options	949,910	—

NON-GAAP MEASURES

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, FFO provides a consistent measure of the cash generating performance of the Company's assets.

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Net cash from operating activities	1,575	1,716
Changes in non-cash balances related to operations	23	(113)
Preferred share dividends	(18)	(18)
Distributions to noncontrolling interest	(8)	(6)
FFO	1,572	1,579

Adjusted Net Income and Adjusted EPS

The following basic and diluted Adjusted EPS has been calculated by management on a supplementary basis which excludes costs and income related to the Avista Corporation acquisition, as well as the impacts related to the OEB's deferred tax asset decision on Hydro One Networks' distribution and transmission businesses, from net income attributable to common shareholders. Adjusted EPS is used internally by management to assess the Company's performance and is considered useful because it excludes the impact of acquisition-related costs and loss or gain on the foreign exchange contract, as well as the impacts related to the OEB's deferred tax asset decision on Hydro One Networks' distribution and transmission businesses. It provides users with a comparative basis to evaluate the current ongoing operations of the Company compared to prior year.

Year ended December 31 *(millions of dollars, except number of shares and EPS)*	**2018**	**2017**
Net income (loss) attributable to common shareholders	(89)	658
Impacts related to Avista Corporation acquisition:		
OM&A - Avista Corporation-related costs (before tax)	11	20
Financing charges - Avista Corporation-related costs (before tax)	58	22
Financing charges - loss (gain) on foreign exchange contract (before tax)	(25)	3
Tax impact	(15)	(9)
Avista Corporation-related impacts (after tax)	29	36
Impacts related to OEB's deferred tax asset decision on Hydro One Networks' distribution and transmission businesses:		
Reversal of revenues	68	—
Deferred tax expense	799	—
OEB's deferred tax asset decision on Hydro One Networks' distribution and transmission businesses impacts (after tax)	867	—
Adjusted net income attributable to common shareholders	807	694
Weighted average number of shares		
Basic	595,756,470	595,287,586
Effect of dilutive stock-based compensation plans	2,147,473	2,234,665
Diluted	597,903,943	597,522,251

Adjusted EPS		
Basic	$1.35	$1.17
Diluted	$1.35	$1.16

Revenues, Net of Purchased Power

Revenues, net of purchased power is defined as revenues less the cost of purchased power. Management believes that revenue, net of purchased power is helpful as a measure of net revenues for the Distribution segment, as purchased power is fully recovered through revenues.

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Revenues	6,150	5,990
Less: Purchased power	2,899	2,875
Revenues, net of purchased power	3,251	3,115

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Distribution revenues	4,422	4,366
Less: Purchased power	2,899	2,875
Distribution revenues, net of purchased power	1,523	1,491

FFO, basic and diluted Adjusted EPS, Adjusted Net Income, Revenues, Net of Purchased Power, and Distribution Revenues, Net of Purchased Power are not recognized measures under US GAAP and do not have a standardized meaning prescribed by US GAAP. They are therefore unlikely to be directly comparable to similar measures presented by other companies. They should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under US GAAP.

RELATED PARTY TRANSACTIONS

The Province is a shareholder of Hydro One with approximately 47.4% ownership at December 31, 2018. The IESO, OPG, Ontario Electricity Financial Corporation (OEFC), and the OEB, are related parties to Hydro One because they are controlled or significantly influenced by the Province. The following is a summary of the Company's related party transactions during the years ended December 31, 2018 and 2017:

Year ended December 31 *(millions of dollars)*

Related Party	**Transaction**	**2018**	**2017**
Province	Dividends paid	275	301
IESO	Power purchased	1,636	1,583
	Revenues for transmission services	1,615	1,521
	Amounts related to electricity rebates	477	357
	Distribution revenues related to rural rate protection	239	247
	Distribution revenues related to the supply of electricity to remote northern communities	35	32
	Funding received related to CDM programs	62	59
OPG	Power purchased	10	9
	Revenues related to provision of services and supply of electricity	9	8
	Costs related to the purchase of services	—	1
OEFC	Power purchased from power contracts administered by the OEFC	2	2
OEB	OEB fees	8	8

RISK MANAGEMENT AND RISK FACTORS

Risks Relating to Hydro One's Business

Regulatory Risks and Risks Relating to Hydro One's Revenues

Risks Relating to Obtaining Rate Orders

The Company is subject to the risk that the OEB will not approve the Company's transmission and distribution revenue requirements requested in outstanding or future applications for rates. Rate applications for revenue requirements are subject to the OEB's review process, usually involving participation from intervenors and a public hearing process. There can be no assurance that resulting decisions or rate orders issued by the OEB will permit Hydro One to recover all costs actually incurred, costs of debt and income taxes, or to earn a particular ROE. A failure to obtain acceptable rate orders, or approvals of appropriate returns on equity and costs actually incurred, may materially adversely affect: Hydro One's transmission or distribution businesses, the undertaking or timing of capital expenditures, ratings assigned by credit rating agencies, the cost and issuance of long-term debt, and other matters, any of which may in turn have a material adverse effect on the Company. In addition, there is no assurance that the Company will receive regulatory decisions in a timely manner and, therefore, costs may be incurred prior to having an approved revenue requirement and cash flows could be impacted.

Risks Relating to Actual Performance Against Forecasts

The Company's ability to recover the actual costs of providing service and earn the allowed ROE depends on the Company achieving its forecasts established and approved in the rate-setting process. Actual costs could exceed the approved forecasts if, for example, the Company incurs operations, maintenance, administration, capital and financing costs above those included in the Company's approved revenue requirement. The inability to obtain acceptable rate decisions or to recover any significant difference between forecast and actual expenses could materially adversely affect the Company's financial condition and results of operations.

Further, the OEB approves the Company's transmission and distribution rates based on projected electricity load and consumption levels, among other factors. If actual load or consumption materially falls below projected levels, the Company's revenue and net income for either, or both, of these businesses could be materially adversely affected. Also, the Company's current revenue requirements for these businesses are based on cost and other assumptions that may not materialize. There is no assurance that the OEB would allow rate increases sufficient to offset unfavourable financial impacts from unanticipated changes in electricity demand or in the Company's costs.

The Company is subject to risk of revenue loss from other factors, such as economic trends and weather conditions that influence the demand for electricity. The Company's overall operating results may fluctuate substantially on a seasonal and year-to-year basis based on these trends and weather conditions. For instance, a cooler than normal summer or warmer than normal winter can be expected to reduce demand for electricity below that forecast by the Company, causing a decrease in the Company's revenues from the same period of the previous year. The Company's load could also be negatively affected by successful CDM programs whose results exceed forecasted expectations.

Risks Relating to Regulatory Treatment of Deferred Tax Asset

As a result of leaving the payments in lieu of corporate income taxes (PILs) Regime and entering the federal tax regime in connection with the IPO of the Company, Hydro One recorded additional deferred tax assets due to the revaluation of the tax basis of Hydro One's fixed assets at their fair market value and recognition of eligible capital expenditures. At the time of the IPO, the Company determined the tax savings derived from the additional deferred tax assets should accrue to the shareholders of Hydro One Limited. The OEB's September 28, 2017 decision (Original Decision) (see details above in "Regulation - Electricity Rates Applications - Hydro One Networks - Transmission") altered Hydro One's allocation of the tax savings derived from the additional deferred tax assets and determined a portion of the tax savings should be accrued to the ratepayers. In October 2017, the Company filed a motion to review and vary (Motion) the Original Decision and filed an appeal with the Divisional Court of Ontario (Appeal) which was stayed pending the outcome of the Motion. In both cases, the Company's position was that the OEB made errors of fact and law in its determination of the allocation of the tax savings between the shareholders and ratepayers.

On March 7, 2019, the OEB issued a decision upholding its Original Decision on the handling of the deferred tax asset. Also, on March 7, 2019 the OEB issued its decision for Hydro One Networks' 2018-2022 distribution rates in which it directed the Company to apply the Original Decision to Hydro One Networks' distribution rates. Based on these decisions, the Company recognized a total one-time $867 million decrease to net income, which represents the amount of $885 million as previously disclosed, reduced by $18 million related to forgone revenue and net tax recovery adjustments. The Company is currently considering its options with respect to the Appeal.

Risks Relating to Other Applications to the OEB

The Company is also subject to the risk that it will not obtain, or will not obtain in a timely manner, required regulatory approvals for other matters, such as leave to construct applications, applications for mergers, acquisitions, amalgamations and divestitures, and environmental approvals. Decisions to acquire or divest other regulated businesses licensed by the OEB are subject to OEB approval. Accordingly, there is the risk that such matters may not be approved or that unfavourable conditions will be imposed by the OEB.

Risks Relating to Rate-Setting Models for Transmission and Distribution

The OEB approves and periodically changes the rate-setting models and methodology for the transmission and distribution businesses. Changes to the application type, filing requirements, rate- setting methodology, or revenue requirement determination may have a material negative impact on Hydro One's revenue and net income. For example, the OEB may in the future decide to reduce the allowed ROE for either of these businesses, modify the formula or methodology it uses to determine the ROE, or reduce the weighting of the equity component of the deemed capital structure. Any such reduction could reduce the net income of the Company.

The OEB's recent Custom Incentive Rate-setting model requires that the term of a custom rate application be for multi-year periods. There are risks associated with forecasting key inputs such as revenues, operating expenses and capital, over such a long period. For instance, if unanticipated capital expenditures arise that were not contemplated in the Company's most recent rate decision, the Company may be required to incur costs that may not be recoverable until a future period or not recoverable at all in future rates. This could have a material adverse effect on the Company.

When rates are set for a multi-year period, including under a Custom Incentive Rate application, the OEB expects there to be no further rate applications for annual updates within the multi-year period, unless there are exceptional circumstances, with the exception of the clearance of established deferral and variance accounts. For example, the OEB does not expect to address annual rate applications for updates for cost of capital (including ROE), working capital allowance or sales volumes. If there were an increase

in interest rates over the period of a rate decision and no corresponding changes were permitted to the Company's allowed cost of capital (including ROE), then the result could be a decrease in the Company's financial performance.

To the extent that the OEB approves an In-Service Variance Account for the transmission and/or distribution businesses, and should the Company fail to meet the threshold levels of in-service capital, the OEB may reclaim a corresponding portion of the Company's revenues.

Risks Relating to Capital Expenditures

In order to be recoverable, capital expenditures require the approval of the OEB, either through the approval of capital expenditure plans, rate base or revenue requirements for the purposes of setting transmission and distribution rates, which include the impact of capital expenditures on rate base or cost of service. There can be no assurance that all capital expenditures incurred by Hydro One will be approved by the OEB. Capital cost overruns may not be recoverable in transmission or distribution rates. The Company could incur unexpected capital expenditures in maintaining or improving its assets, particularly given that new technology may be required to support renewable generation and unforeseen technical issues may be identified through implementation of projects. There is risk that the OEB may not allow full recovery of such expenditures in the future. To the extent possible, Hydro One aims to mitigate this risk by ensuring prudent expenditures, seeking from the regulator clear policy direction on cost responsibility, and pre-approval of the need for capital expenditures.

Any regulatory decision by the OEB to disallow or limit the recovery of any capital expenditures would lead to a lower than expected approved revenue requirement or rate base, potential asset impairment or charges to the Company's results of operations, any of which could have a material adverse effect on the Company.

Risk of Recoverability of Total Compensation Costs

The Company manages all of its total compensation costs, including pension and other post-employment and post-retirement benefits, subject to restrictions and requirements imposed by the collective bargaining process. Any element of total compensation costs which is disallowed in whole or part by the OEB and not recoverable from customers in rates could result in costs which could be material and could decrease net income, which could have a material adverse effect on the Company.

The changes flowing from the Urgent Priorities Act are expected to restrict Hydro One's ability to recover certain amounts paid for executive compensation through separate rate mechanisms, which is estimated to result in a reduction in Hydro One's net income for the year ending December 31, 2019 of up to $14 million, and is subject to a final determination by the OEB. The reduction may be materially lower, depending on the determination by the OEB of the executives whose compensation is to be excluded.

<u>Risks Relating to Government Action</u>

The Province is, and is likely to remain, the largest shareholder in Hydro One Limited. The Province may be in a position of conflict from time to time as a result of being an investor in Hydro One Limited and also being a government actor setting broad policy objectives in the electricity industry. Government actions may not be in the interests of the Company or investors.

Governments may pass legislation or regulation at any time, including legislation or regulation impacting Hydro One, which could have potential material adverse effects on Hydro One and its business. Such government actions may include, but are not limited to, legislation, regulation, directives or shareholder action intended to reduce electricity rates, place constraints on compensation, or affect the governance of Hydro One (for example, potential government actions relating to the Province's election promise to reduce hydro rates by 12%). Such government actions could adversely affect the Company's financial condition and results of operations, as well as public opinion and the Company's reputation. Government action may also hinder Hydro One's ability to pursue its strategy and/or objectives.

Additionally, involvement by the Province in placing constraints on executive compensation may inhibit the Company's ability to attract and retain qualified executive talent, which may also impact the Company's performance, strategy and/or objectives. The failure to attract and retain qualified executives could have a material adverse effect on the Company.

In June 2018, Moody's downgraded the long-term debt rating for Hydro One Inc. and in September 2018, S&P lowered its issuer credit ratings on the Company and Hydro One Inc. (as detailed above in the "Credit Ratings" section). These ratings downgrades reflect the ratings agencies' assessment of government involvement in the business of Hydro One. The Company cannot predict what actions rating agencies may take in the future, positive or negative, including in response to government action or inaction relating to or impacting Hydro One. The failure to maintain the Company's current credit ratings could adversely affect the Company's financial condition and results of operations, and a downgrade in the Company's credit ratings could restrict the Company's ability to access debt capital markets and increase the Company's cost of debt.

<u>Executive Recruitment and Retention Risk</u>

Involvement by the Province relating to executive compensation, and Hydro One executive compensation constraints flowing from the Urgent Priorities Act may inhibit the Company's ability to attract and retain qualified executive talent. The Company's strategy is tied to its ability to continue to attract and retain qualified executives. The failure to attract and retain qualified executives could have a material adverse effect on the Company.

Management Retention

In the fourth quarter of 2018, the Company entered into retention agreements with certain of its key officers, namely Messrs. Dobson, Kiraly, Meneley, Scarlett, Lopez and Ms. McKellar, in order to ensure stability in the organization and to allow the Company sufficient time to complete its recruitment of a new CEO and support the transition to a renewed senior management team. The retention arrangements are intended to ensure the continued employment of those officers for periods ranging from February 28, 2019 through May 31, 2019 depending on the officer. The retention agreements generally confirm, among other things, that so long as the individual does not resign prior to a specified date (being the retention date), certain key terms (other than severance) of the individual's employment arrangements will be respected, including the vesting of his or her outstanding share-based awards and a pro-rata portion of his or her short-term and long-term incentive in respect of the 2019 fiscal year. To date, Mr. Meneley has notified the Company that he intends to resign effective March 1, 2019, and Ms. McKellar has notified the Company that she intends to retire effective April 1, 2019. The retention agreements may be extended by mutual agreement, however, there is no assurance that any of the key officers will remain after their retention dates, in which case the Company could have a lack of senior management to run the Company's business. While the Company has succession plans in place for certain key officers, there is no assurance that there will not be an impact on the Company's business if any or all such key officers resign before, on, or after, their respective retention dates. In addition, there is no assurance that the Company will be able to attract and retain qualified replacement officers on a timely basis, or at all, in order to replace these individuals. The failure to attract and retain qualified officers could have a material adverse effect on the Company.

Indigenous Claims Risk

Some of the Company's current and proposed transmission and distribution assets are or may be located on reserve (as defined in the *Indian Act* (Canada)) (Reserve) lands, or lands over which Indigenous people have Aboriginal, treaty, or other legal claims. Some Indigenous leaders, communities, and their members have made assertions related to sovereignty and jurisdiction over Reserve lands and traditional territories (land traditionally occupied or used by a First Nation, Metis or Inuit group) and are increasingly willing to assert their claims through the courts, tribunals, or by direct action. These claims and/or settlement of these claims could have a material adverse effect on the Company or otherwise materially adversely impact the Company's operations, including the development of current and future projects.

The Company's operations and activities may give rise to the Crown's duty to consult and potentially accommodate Indigenous communities. Procedural aspects of the duty to consult may be delegated to the Company by the Province or the federal government. A perceived failure by the Crown to sufficiently consult an Indigenous community, including communities with a traditional governance model not recognized under the *Indian Act*, or a perceived failure by the Company in relation to delegated consultation obligations, could result in legal challenges against the Crown or the Company, including judicial review or injunction proceedings, or could potentially result in direct action against the Company by a community or its citizens. If this occurs, it could disrupt or delay the Company's operations and activities, including current and future projects, and have a material adverse effect on the Company.

Risk from Transfer of Assets Located on Reserves

The transfer orders by which the Company acquired certain of Ontario Hydro's businesses as of April 1, 1999 did not transfer title to assets located on Reserves. The transfer of title to these assets did not occur because authorizations originally granted by the federal government for the construction and operation of these assets on Reserves could not be transferred without required consent. In several cases, the authorizations had either expired or had never been issued.

Currently, the OEFC holds legal title to these assets and it is expected that the Company will manage them until it has obtained permits to complete the title transfer. To occupy Reserves, the Company must have valid permits. For each permit, the Company must negotiate an agreement (in the form of a memorandum of understanding) with the First Nation, the OEFC and any members of the First Nation who have occupancy rights. The agreement includes provisions whereby the First Nation consents to the issuance of a permit. For transmission assets, the Company must negotiate terms of payment. It is difficult to predict the aggregate amount that the Company may have to pay to obtain the required agreements from First Nations. If the Company cannot reach satisfactory agreements with the relevant First Nation to obtain federal permits, it may have to relocate these assets to other locations and restore the lands at a cost that could be substantial. In a limited number of cases, it may be necessary to abandon a line and replace it with diesel generation facilities. In either case, the costs relating to these assets could have a material adverse effect on the Company if the costs are not recoverable in future rate orders.

Compliance with Laws and Regulations

Hydro One must comply with numerous laws and regulations affecting its business, including requirements relating to transmission and distribution companies, environmental laws, employment laws and health and safety laws. The failure of the Company to comply with these laws could have a material adverse effect on the Company's business. See also "- Health, Safety and Environmental Risk".

For example, Hydro One's licensed transmission and distribution businesses are required to comply with the terms of their licences, with codes and rules issued by the OEB, and with other regulatory requirements, including regulations of the National Energy Board. In Ontario, the Market Rules issued by the IESO require the Company to, among other things, comply with the reliability standards established by the NERC and Northeast Power Coordinating Council, Inc. (NPCC). The incremental costs associated with compliance

with these reliability standards are expected to be recovered through rates, but there can be no assurance that the OEB will approve the recovery of all of such incremental costs. Failure to obtain such approvals could have a material adverse effect on the Company.

There is the risk that new legislation, regulations, requirements or policies will be introduced in the future. These may reduce Hydro One's revenue, or may require Hydro One to incur additional costs, which may or may not be recovered in future transmission and distribution rates. For example, the federal government's November 2018 Fall Economic Statement announced measures related to accelerated investment incentives which, if implemented, could have a material adverse impact on Hydro One.

Risk of Natural and Other Unexpected Occurrences

The Company's facilities are exposed to the effects of severe weather conditions, natural disasters, man-made events including but not limited to cyber and physical terrorist type attacks, events which originate from third-party connected systems, or any other potentially catastrophic events. Climate change may have the effect of shifting weather patterns and increasing the severity and frequency of extreme weather events and natural disasters, which could impact Hydro One's business. The Company's facilities may not withstand occurrences of these types in all circumstances. The Company could also be subject to claims for damages from events which may be proximately connected with the Company's assets (for example, forest fires), claims for damages caused by its failure to transmit or distribute electricity or costs related to ensuring its continued ability to transmit or distribute electricity. The Company does not have insurance for damage to its transmission and distribution wires, poles and towers located outside its transmission and distribution stations resulting from these or other events. Where insurance is available for the Company's other assets and for damage claims, such insurance coverage may have deductibles, limits and/or exclusions that may still expose the Company to material losses. Losses from lost revenues and repair costs could be substantial, especially for many of the Company's facilities that are located in remote areas.

Risk Associated with Information Technology Infrastructure and Data Security

The Company's ability to operate effectively in the Ontario electricity market is, in part, dependent upon it developing, maintaining and managing complex IT systems which are employed to operate and monitor its transmission and distribution facilities, financial and billing systems and other business systems. The Company's increasing reliance on information systems and expanding data networks increases its exposure to information security threats. The Company's transmission business is required to comply with various rules and standards for transmission reliability, including mandatory standards established by the NERC and the NPCC. These include standards relating to cyber-security and IT, which only apply to certain of the Company's assets (generally being those whose failure could impact the functioning of the bulk electricity system). The Company may maintain different or lower levels of IT security for its assets that are not subject to these mandatory standards. The Company must also comply with various cyber-security and privacy-related regulatory requirements under the OEB's Ontario Cyber Security Framework and legislative and licence requirements relating to the collection, use and disclosure of personal information and information regarding consumers, wholesalers, generators and retailers.

Cyber-attacks or unauthorized access to corporate and IT systems could result in service disruptions and system failures, which could have a material adverse effect on the Company, including as a result of a failure to provide electricity to customers. Due to operating critical infrastructure, Hydro One may be at greater risk of cyber-attacks from third parties (including state run or controlled parties) that could impair or incapacitate its assets. In addition, in the course of its operations, the Company collects, uses, processes and stores information which could be exposed in the event of a cyber-security incident or other unauthorized access or disclosure, such as information about customers, suppliers, counterparties, employees and other third parties.

Security and system disaster recovery controls are in place; however, there can be no assurance that there will not be system failures or security breaches or that such threats would be detected or mitigated on a timely basis. Upon occurrence and detection, the focus would shift from prevention to isolation, remediation and recovery until the incident has been fully addressed. Any such system failures or security breaches could have a material adverse effect on the Company.

Labour Relations Risk

The substantial majority of the Company's employees are represented by either the PWU or the Society. Over the past several years, significant effort has been expended to increase Hydro One's flexibility to conduct operations in a more cost-efficient manner. Although the Company has achieved improved flexibility in its collective agreements, the Company may not be able to achieve further improvements. The Company reached an agreement with the PWU for a renewal collective agreement with a two-year term, covering the period from April 1, 2018 to March 31, 2020. The Company also reached a renewal collective agreement with the CUSW for a five-year term, covering the period from May 1, 2017 to April 30, 2022. Additionally, the EPSCA and a number of construction unions have reached renewal agreements, to which Hydro One is bound, for a five-year term, covering the period from May 1, 2015 to April 30, 2020. Agreements were also reached with the Society and the PWU to facilitate the insourcing of CSO services effective March 1, 2018. Future negotiations with unions present the risk of a labour disruption and the ability to sustain the continued supply of energy to customers. The Company also faces financial risks related to its ability to negotiate collective agreements consistent with its rate orders. In addition, in the event of a labour dispute, the Company could face operational risk related to continued compliance with its requirements of providing service to customers. Any of these could have a material adverse effect on the Company. Collective agreements requiring renewal in 2019 include the Society agreement and the PWU CSO agreement, expiring on March 31, 2019 and September 30, 2019, respectively.

Work Force Demographic Risk

By the end of 2018, approximately 16% of the Company's employees who are members of the Company's defined benefit and defined contribution pension plans were eligible for retirement, and by the end of 2019, approximately 18% could be eligible. These percentages are not evenly spread across the Company's work force, but tend to be most significant in the most senior levels of the Company's staff and especially among management staff. During 2018, approximately 4% of the Company's work force (down from 5% in 2017) elected to retire. Accordingly, the Company's continued success will be tied to its ability to continue to attract and retain sufficient qualified staff to replace the capability lost through retirements and meet the demands of the Company's work programs.

In addition, the Company expects the skilled labour market for its industry will remain highly competitive. Many of the Company's current and potential employees being sought after possess skills and experience that are also highly coveted by other organizations inside and outside the electricity sector. The failure to attract and retain qualified personnel for Hydro One's business could have a material adverse effect on the Company.

Risk Associated with Arranging Debt Financing

The Company expects to borrow to repay its existing indebtedness and to fund a portion of capital expenditures. Hydro One Inc. has substantial debt principal repayments, including $731 million in 2019, $653 million in 2020, and $803 million in 2021. In addition, from time to time, the Company may draw on its syndicated bank lines and/or issue short-term debt under Hydro One Inc.'s $1.5 billion commercial paper program which would mature within one year of issuance. The Company also plans to incur continued material capital expenditures for each of 2019 and 2020. Cash generated from operations, after the payment of expected dividends, will not be sufficient to fund the repayment of the Company's existing indebtedness and capital expenditures. The Company's ability to arrange sufficient and cost-effective debt financing could be materially adversely affected by numerous factors, including the regulatory environment in Ontario, the Company's results of operations and financial position, market conditions, the ratings assigned to its debt securities by credit rating agencies, an inability of the Company to comply with its debt covenants, and general economic conditions. A downgrade in the Company's credit ratings could restrict the Company's ability to access debt capital markets and increase the Company's cost of debt. Any failure or inability on the Company's part to borrow the required amounts of debt on satisfactory terms could impair its ability to repay maturing debt, fund capital expenditures and meet other obligations and requirements and, as a result, could have a material adverse effect on the Company.

Market, Financial Instrument and Credit Risk

Market risk refers primarily to the risk of loss that results from changes in costs, foreign exchange rates and interest rates. The Company is exposed to fluctuations in interest rates as its regulated ROE is derived using a formulaic approach that takes into account anticipated interest rates, but is not currently exposed to material commodity price risk. In the future, the Company may be exposed to additional foreign exchange risk in connection with other acquisitions or transactions in which it completes in a currency other than Canadian dollars. Although the Company may attempt to mitigate such risk through hedging transactions, there can be no assurance any such hedge will fully mitigate the risk of currency exchange fluctuations.

The OEB-approved adjustment formula for calculating ROE in a deemed regulatory capital structure of 60% debt and 40% equity provides for increases and decreases depending on changes in benchmark interest rates for Government of Canada debt and the A-rated utility corporate bond yield spread. The Company estimates that a decrease of 100 basis points in the combination of the forecasted long-term Government of Canada bond yield and the A-rated utility corporate bond yield spread used in determining its rate of return would reduce the Company's transmission business' 2020 net income by approximately $25 million. For the distribution business, after distribution rates are set as part of a Custom Incentive Rate application, the OEB does not expect to address annual rate applications for updates to allowed ROE, so fluctuations will have no impact to net income. The Company periodically utilizes interest rate swap agreements to mitigate elements of interest rate risk.

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. Derivative financial instruments result in exposure to credit risk, since there is a risk of counterparty default. Hydro One monitors and minimizes credit risk through various techniques, including dealing with highly rated counterparties, limiting total exposure levels with individual counterparties, entering into agreements which enable net settlement, and by monitoring the financial condition of counterparties. The Company does not trade in any energy derivatives. The Company is required to procure electricity on behalf of competitive retailers and certain local distribution companies for resale to their customers. The resulting concentrations of credit risk are mitigated through the use of various security arrangements, including letters of credit, which are incorporated into the Company's service agreements with these retailers in accordance with the OEB's Retail Settlement Code.

The failure to properly manage these risks could have a material adverse effect on the Company.

Risks Relating to Asset Condition and Capital Projects

The Company continually incurs sustainment and development capital expenditures and monitors the condition of its assets to manage the risk of equipment failures and to determine the need for and timing of major refurbishments and replacements of its transmission and distribution infrastructure. The connection of large numbers of generation facilities to the distribution network has resulted in greater than expected usage of some of the Company's equipment. This increases maintenance requirements and may accelerate the aging of the Company's assets.

Execution of the Company's capital expenditure programs, particularly for development capital expenditures, is partially dependent on external factors, such as environmental approvals, municipal permits, equipment outage schedules that accommodate the IESO, generators and transmission-connected customers, and supply chain availability for equipment suppliers and consulting services. There may also be a need for, among other things, *Environmental Assessment Act* (Ontario) approvals, approvals which require public meetings, appropriate engagement with Indigenous communities, OEB approvals of expropriation or early access to property, and other activities. Obtaining approvals and carrying out these processes may also be impacted by opposition to the proposed site of the capital investments. Delays in obtaining required approvals or failure to complete capital projects on a timely basis could materially adversely affect transmission reliability or customers' service quality or increase maintenance costs which could have a material adverse effect on the Company. Failure to receive approvals for projects when spending has already occurred would result in the inability of the Company to recover the investment in the project as well as forfeit the anticipated return on investment. The assets involved may be considered impaired and result in the write off of the value of the asset, negatively impacting net income. External factors are considered in the Company's planning process. If the Company is unable to carry out capital expenditure plans in a timely manner, equipment performance may degrade, which may reduce network capacity, result in customer interruptions, compromise the reliability of the Company's networks or increase the costs of operating and maintaining these assets. Any of these consequences could have a material adverse effect on the Company.

Increased competition for the development of large transmission projects and legislative changes relating to the selection of transmitters could impact the Company's ability to expand its existing transmission system, which may have an adverse effect on the Company. To the extent that other parties are selected to construct, own and operate new transmission assets, the Company's share of Ontario's transmission network would be reduced.

Health, Safety and Environmental Risk

The Company is subject to provincial health and safety legislation. Findings of a failure to comply with this legislation could result in penalties and reputational risk, which could negatively impact the Company. The Company is subject to extensive Canadian federal, provincial and municipal environmental regulation. Failure to comply could subject the Company to fines or other penalties. In addition, the presence or release of hazardous or other harmful substances could lead to claims by third parties or governmental orders requiring the Company to take specific actions such as investigating, controlling and remediating the effects of these substances. Contamination of the Company's properties could limit its ability to sell or lease these assets in the future.

In addition, actual future environmental expenditures may vary materially from the estimates used in the calculation of the environmental liabilities on the Company's balance sheet. The Company does not have insurance coverage for these environmental expenditures.

There is also risk associated with obtaining governmental approvals, permits, or renewals of existing approvals and permits related to constructing or operating facilities. This may require environmental assessment or result in the imposition of conditions, or both, which could result in delays and cost increases. Failure to obtain necessary approvals or permits could result in an inability to complete projects.

Hydro One emits certain greenhouse gases, including sulphur hexafluoride or "SF_6". There are increasing regulatory requirements and costs, along with attendant risks, associated with the release of such greenhouse gases, all of which could impose additional material costs on Hydro One.

Any regulatory decision to disallow or limit the recovery of such costs could have a material adverse effect on the Company.

Pension Plan Risk

Hydro One has the Hydro One Defined Benefit Pension Plan in place for the majority of its employees. Contributions to the pension plan are established by actuarial valuations which are required to be filed with the Financial Services Commission of Ontario on a triennial basis. The most recently filed valuation was prepared as at December 31, 2017, and was filed in April 2018, covering a three-year period from 2018 to 2020. Hydro One's contributions to its pension plan satisfy, and are expected to satisfy, minimum funding requirements. Contributions beyond 2020 will depend on the funded position of the plan, which is determined by investment returns, interest rates and changes in benefits and actuarial assumptions at that time. A determination by the OEB that some of the Company's pension expenditures are not recoverable through rates could have a material adverse effect on the Company, and this risk may be exacerbated if the amount of required pension contributions increases.

In 2017, the OEB released a report establishing the use of the accrual accounting method as the default method on which to set rates for pension and other post-employment benefits (OPEB) amounts in cost-based applications, unless that method does not result in just and reasonable rates. Hydro One currently reports and recovers its pension expense on a cash basis, and maintains the accrual method with respect to OPEBs. Transitioning from the cash basis to an accrual method for pension may have material negative rate impacts for customers or material negative impacts on the company should recovery of costs be disallowed by the OEB. See "- Other Post-Employment and Post-Retirement Benefits Risks".

Other Post-Employment and Post-Retirement Benefits Risks

The Company provides other post-employment and post-retirement benefits, including workers compensation benefits and long-term disability benefits to qualifying employees. In 2017, the OEB released a report establishing the use of the accrual accounting method as the default method on which to set rates for pension and OPEB amounts in cost-based applications, unless that method does not result in just and reasonable rates. Hydro One currently maintains the accrual accounting method with respect to OPEBs. If the OEB directed Hydro One to transition to a different accounting method for OPEBs, this could result in income volatility, due to an inability of the company to book the difference between the accrual and cash as a regulatory asset. A determination that some of the Company's post-employment and post-retirement benefit costs are not recoverable could have a material adverse effect on the Company.

Risk Associated with Outsourcing Arrangements

Hydro One has entered into an outsourcing arrangement with a third party for the provision of back office and IT services. If the outsourcing arrangement or statements of work thereunder are terminated for any reason or expire before a new supplier is selected and fully transitioned, the Company could be required to transfer to another service provider or insource, which could have a material adverse effect on the Company's business, operating results, financial condition or prospects.

Risk from Provincial Ownership of Transmission Corridors

The Province owns some of the corridor lands underlying the Company's transmission system. Although the Company has the statutory right to use these transmission corridors, the Company may be limited in its options to expand or operate its systems. Also, other uses of the transmission corridors by third parties in conjunction with the operation of the Company's systems may increase safety or environmental risks, which could have a material adverse effect on the Company.

Litigation Risks

In the normal course of the Company's operations, it becomes involved in, is named as a party to and is the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions, relating to actual or alleged violations of law, common law damages claims, personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Company, which could have a material adverse effect on the Company. Even if the Company prevails in any such legal proceeding, the proceedings could be costly and time-consuming and would divert the attention of management and key personnel from the Company's business operations, which could adversely affect the Company. See also "Other Developments - Litigation - Class Action Lawsuit".

One of the four putative class action lawsuits commenced since the announcement of the Merger is still in existence, namely a putative class action lawsuit that has been filed by two Avista Corporation shareholders in Washington state court which names Hydro One, Olympus Holding Corp. and Olympus Corp. as defendants and alleges that they aided and abetted Avista Corporation's directors' breach of their fiduciary duties in connection with the Merger. The court issued an order staying the litigation until after the Merger has closed. Counsel for the plaintiffs in Fink has informally indicated that, in light of the termination of the Merger, the lawsuit will be dismissed, but no formal dismissal papers have been filed with the court at this time. The lawsuit and other potential legal proceedings could have an adverse impact on Hydro One. See also "Other Developments - Litigation - Litigation Relating to the Merger".

Transmission Assets on Third-Party Lands Risk

Some of the lands on which the Company's transmission assets are located are owned by third parties, including the Province and federal Crown, and are or may become subject to land claims by First Nations. The Company requires valid occupation rights to occupy such lands (which may take the form of land use permits, easements or otherwise). If the Company does not have valid occupational rights on third-party owned or controlled lands or has occupational rights that are subject to expiry, it may incur material costs to obtain or renew such occupational rights, or if such occupational rights cannot be renewed or obtained it may incur material costs to remove and relocate its assets and restore the subject land. If the Company does not have valid occupational rights and must incur costs as a result, this could have a material adverse effect on the Company or otherwise materially adversely impact the Company's operations.

Reputational, Public Opinion and Political Risk

Reputation risk is the risk of a negative impact to Hydro One's business, operations or financial condition that could result from a deterioration of Hydro One's reputation. Hydro One's reputation could be negatively impacted by changes in public opinion, attitudes towards the Company's privatization, failure to deliver on its customer promises and other external forces. Adverse reputational events or political actions could have negative impacts on Hydro One's business and prospects including, but not limited to, delays or denials of requisite approvals, such as denial of requested rates, and accommodations for Hydro One's planned projects, escalated costs, legal or regulatory action, and damage to stakeholder relationships.

Risks Associated with Acquisitions

While the Company has experience in operating in the Ontario electricity market, if it were to pursue acquisitions in other markets it would need to develop or obtain additional expertise in these new markets. Such acquisitions would include inherent risks that some or all of the expected benefits may fail to materialize, or may not occur within the time periods anticipated, and Hydro One may incur material unexpected costs. Realization of the anticipated benefits would depend, in part, on the Company's ability to successfully integrate the acquired business, including the requirement to devote management attention and resources to integrating

business practices and support functions. The failure to realize the anticipated benefits, the diversion of management's attention, or any delays or difficulties encountered in connection with the integration could have an adverse effect on the Company's business, results of operations, financial condition or cash flows.

Risks Relating to the Company's Relationship with the Province

Ownership and Continued Influence by the Province and Voting Power; Share Ownership Restrictions

The Province currently owns approximately 47.4**%** of the outstanding common shares of Hydro One. The *Electricity Act* restricts the Province from selling voting securities of Hydro One (including common shares) of any class or series if it would own less than 40% of the outstanding number of voting securities of that class or series after the sale and in certain circumstances also requires the Province to take steps to maintain that level of ownership. Accordingly, the Province is expected to continue to maintain a significant ownership interest in voting securities of Hydro One for an indefinite period.

As a result of its significant ownership of the common shares of Hydro One, the Province has, and is expected indefinitely to have, the ability to determine or significantly influence the outcome of shareholder votes, subject to the restrictions in the Governance Agreement. Despite the terms of the Governance Agreement in which the Province has agreed to engage in the business and affairs of the Company as an investor and not as a manager, there is a risk that the Province's engagement in the business and affairs of the Company as an investor will be informed by its policy objectives and may influence the conduct of the business and affairs of the Company in ways that may not be aligned with the interests of other investors. Notwithstanding the Governance Agreement, and in light of actions taken by the Province following the provincial election in June 2018, there can be no assurance that the Province will not take other actions in the future that could be detrimental to the interests of investors in Hydro One. See "Risks Relating to Government Action" above.

The share ownership restrictions in the *Electricity Act* (Share Ownership Restrictions) and the Province's significant ownership of common shares of Hydro One together effectively prohibit one or more persons acting together from acquiring control of Hydro One. They also may limit or discourage transactions involving other fundamental changes to Hydro One and the ability of other shareholders to successfully contest the election of the directors proposed for election pursuant to the Governance Agreement. The Share Ownership Restrictions may also discourage trading in, and may limit the market for, the common shares and other voting securities.

Nomination of Directors and Confirmation of CEO and Chair

Although director nominees (other than the CEO) are required to be independent of both the Company and the Province pursuant to the Governance Agreement, there is a risk that the Province will nominate or confirm individuals who satisfy the independence requirements but who it considers are disposed to support and advance its policy objectives and give disproportionate weight to the Province's interests in exercising their business judgment and balancing the interests of the stakeholders of Hydro One. This, combined with the fact certain matters require a two-thirds vote of the Board, could allow the Province to unduly influence certain Board actions such as confirmation of the Chair and confirmation of the CEO.

Board Removal Rights

Under the Governance Agreement, the Province has the right to withhold from voting in favour of all director nominees and has the right to seek to remove and replace the entire Board, including in each case its own director nominees but excluding the CEO and, at the Province's discretion, the Chair. In exercising these rights in any particular circumstance, the Province is entitled to vote in its sole interest, which may not be aligned with the interests of other stakeholders of Hydro One.

More Extensive Regulation

Although under the Governance Agreement, the Province has agreed to engage in the business and affairs of Hydro One as an investor and not as a manager and has stated that its intention is to achieve its policy objectives through legislation and regulation as it would with respect to any other utility operating in Ontario, there is a risk that the Province will exercise its legislative and regulatory power to achieve policy objectives in a manner that has a material adverse effect on the Company. See "Risks Relating to Government Action" above.

Prohibitions on Selling the Company's Transmission or Distribution Business

The *Electricity Act* prohibits the Company from selling all or substantially all of the business, property or assets related to its transmission system or distribution system that is regulated by the OEB. There is a risk that these prohibitions may limit the ability of the Company to engage in sale transactions involving a substantial portion of either system, even where such a transaction may otherwise be considered to provide substantial benefits to the Company and the holders of the common shares.

Future Sales of Common Shares by the Province

Although the Province has indicated that it does not intend to sell further common shares of Hydro One, the registration rights agreement between Hydro One and the Province dated November 5, 2015 (available on SEDAR at www.sedar.com) grants the Province the right to request that Hydro One file one or more prospectuses and take other procedural steps to facilitate secondary offerings by the Province of the common shares of Hydro One. Future sales of common shares of Hydro One by the Province, or the perception that such sales could occur, may materially adversely affect market prices for these common shares and impede

Hydro One's ability to raise capital through the issuance of additional common shares, including the number of common shares that Hydro One may be able to sell at a particular time or the total proceeds that may be realized.

Limitations on Enforcing the Governance Agreement

The Governance Agreement includes commitments by the Province restricting the exercise of its rights as a holder of voting securities, including with respect to the maximum number of directors that the Province may nominate and on how the Province will vote with respect to other director nominees. Hydro One's ability to obtain an effective remedy against the Province, if the Province were not to comply with these commitments, is limited as a result of the *Proceedings Against the Crown Act* (Ontario). This legislation provides that the remedies of injunction and specific performance are not available against the Province, although a court may make an order declaratory of the rights of the parties, which may influence the Province's actions. A remedy of damages would be available to Hydro One, but damages may not be an effective remedy, depending on the nature of the Province's non-compliance with the Governance Agreement.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Hydro One Consolidated Financial Statements requires the Company to make key estimates and critical judgments that affect the reported amounts of assets, liabilities, revenues and costs, and related disclosures of contingencies. Hydro One bases its estimates and judgments on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities, as well as identifying and assessing the Company's accounting treatment with respect to commitments and contingencies. Actual results may differ from these estimates and judgments. Hydro One has identified the following critical accounting estimates used in the preparation of its Consolidated Financial Statements:

Revenues

Distribution revenues attributable to the delivery of electricity are based on OEB-approved distribution rates and are recognized on an accrual basis and include billed and unbilled revenues. Billed revenues are based on electricity delivered as measured from customer meters. At the end of each month, electricity delivered to customers since the date of the last billed meter reading is estimated, and the corresponding unbilled revenue is recorded. The unbilled revenue estimate is affected by energy consumption, weather, and changes in the composition of customer classes.

Regulatory Assets and Liabilities

Hydro One's regulatory assets represent certain amounts receivable from future electricity customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. The regulatory assets mainly include amounts related to the pension benefit liability, deferred income tax liabilities, post-retirement and post-employment benefit liability, share-based compensation costs, forgone revenue, and environmental liabilities. The Company's regulatory liabilities represent certain amounts that are refundable to future electricity customers, and pertain primarily to OEB deferral and variance accounts. The regulatory assets and liabilities can be recognized for rate-setting and financial reporting purposes only if the amounts have been approved for inclusion in the electricity rates by the OEB, or if such approval is judged to be probable by management. If management judges that it is no longer probable that the OEB will allow the inclusion of a regulatory asset or liability in future electricity rates, the applicable carrying amount of the regulatory asset or liability will be reflected in results of operations in the period that the judgment is made by management.

Environmental Liabilities

Hydro One records a liability for the estimated future expenditures associated with the removal and destruction of polychlorinated biphenyl (PCB)-contaminated insulating oils and related electrical equipment, and for the assessment and remediation of chemically contaminated lands. There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations and advances in remediation technologies. In determining the amounts to be recorded as environmental liabilities, the Company estimates the current cost of completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. All factors used in estimating the Company's environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. Environmental liabilities are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively.

Employee Future Benefits

Hydro One's employee future benefits consist of pension and post-retirement and post-employment plans, and include pension, group life insurance, health care, and long-term disability benefits provided to the Company's current and retired employees. Employee future benefits costs are included in Hydro One's labour costs that are either charged to results of operations or capitalized as part of the cost of property, plant and equipment and intangible assets. Changes in assumptions affect the benefit obligation of

the employee future benefits and the amounts that will be charged to results of operations or capitalized in future years. The following significant assumptions and estimates are used to determine employee future benefit costs and obligations:

Weighted Average Discount Rate

The weighted average discount rate used to calculate the employee future benefits obligation is determined at each year end by referring to the most recently available market interest rates based on "AA"-rated corporate bond yields reflecting the duration of the applicable employee future benefit plan. The discount rate at December 31, 2018 increased to 3.90% (from 3.40% at December 31, 2017) for pension benefits and increased to 4.00% (from 3.40% at December 31, 2017) for the post-retirement and post-employment plans. The increase in the discount rate has resulted in a corresponding decrease in employee future benefits liabilities for the pension, post-retirement and post-employment plans for accounting purposes. The liabilities are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates.

Expected Rate of Return on Plan Assets

The expected rate of return on pension plan assets of 6.50% is based on expectations of long-term rates of return at the beginning of the year and reflects a pension asset mix consistent with the pension plan's investment policy effective November 11, 2016. A new investment policy was adopted by Hydro One effective May 14, 2018 which will be implemented over the next several years. Hydro One's current expectation is that the new investment policy will not be fully implemented until 2021-2022. As such, with the implementation timing noted above, the investment policy effective November 11, 2016 would continue to be appropriate for the December 31, 2018 disclosures and the 2019 registered pension plan expense.

Rates of return on the respective portfolios are determined with reference to respective published market indices. The expected rate of return on pension plan assets reflects the Company's long-term expectations. The Company believes that this assumption is reasonable because, with the pension plan's balanced investment approach, the higher volatility of equity investment returns is intended to be offset by the greater stability of fixed-income and short-term investment returns. The net result, on a long-term basis, is a lower return than might be expected by investing in equities alone. In the short term, the pension plan can experience fluctuations in actual rates of return.

Rate of Cost of Living Increase

The rate of cost of living increase is determined by considering differences between long-term Government of Canada nominal bonds and real return bonds, which decreased from 1.60% per annum as at December 31, 2017 to approximately 1.40% per annum as at December 31, 2018. Given the Bank of Canada's commitment to keep long-term inflation between 1.00% and 3.00%, management believes that the current rate is reasonable to use as a long-term assumption and as such, has used a 2.0% per annum inflation rate for employee future benefits liability valuation purposes as at December 31, 2018.

Salary Increase Assumptions

Salary increases should reflect general wage increases plus an allowance for merit and promotional increases for current members of the plan, and should be consistent with the assumptions for consumer price inflation and real wage growth in the economy. The merit and promotion scale was developed based on the salary increase assumption review performed in 2017. The review considers actual salary experience from 2002 to 2016 using valuation data for all active members as at December 31, 2016, based on age and service and Hydro One's expectation of future salary increases. Additionally, the salary scale reflects negotiated salary increases over the contract period.

Mortality Assumptions

The Company's employee future benefits liability is also impacted by changes in life expectancies used in mortality assumptions. Increases in life expectancies of plan members result in increases in the employee future benefits liability. The mortality assumption used at December 31, 2018 is 95% of 2014 Canadian Pensioners Mortality Private Sector table projected generationally using improvement Scale B.

Rate of Increase in Health Care Cost Trends

The costs of post-retirement and post-employment benefits are determined at the beginning of the year and are based on assumptions for expected claims experience and future health care cost inflation. For the post-retirement benefit plans, a trend study of historical Hydro One experience was conducted in 2017, which resulted in a change in the prescription drug, dental and hospital trends used for 2017 and 2018 year-end reporting purposes. A 1% increase in the health care cost trends would result in a $23 million increase in 2018 interest cost plus service cost, and a $230 million increase in the benefit liability at December 31, 2018.

Valuation of Deferred Tax Assets

Hydro One assesses the likelihood of realizing deferred tax assets by reviewing all readily available current and historical information, including a forecast of future taxable income. To the extent management considers it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is recognized.

Asset Impairment

Within Hydro One's regulated businesses, the carrying costs of most of the long-lived assets are included in the rate base where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through OEB-approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable. The Company regularly monitors the assets of its unregulated Hydro One Telecom subsidiary for indications of impairment. As at December 31, 2018, no asset impairment had been recorded for assets within Hydro One's regulated or unregulated businesses.

Goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. Hydro One has concluded that goodwill was not impaired at December 31, 2018. Goodwill represents the cost of acquired distribution and transmission companies that is in excess of the fair value of the net identifiable assets acquired at the acquisition date.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure controls and procedures are the processes designed to ensure that information is recorded, processed, summarized and reported on a timely basis to the Company's management, including its CEO and CFO, as appropriate, to make timely decisions regarding required disclosure in the MD&A and financial statements. At the direction of the Company's CEO and CFO, management evaluated disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective as at December 31, 2018.

Internal control over financial reporting is designed by, or under the direction of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. The Company's internal control over financial reporting framework includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

The Company's management, at the direction of the CEO and CFO, evaluated the effectiveness of the design and operation of internal control over financial reporting based on the criteria established in the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2018.

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. Furthermore, the effectiveness of internal control is affected by change and subject to the risk that internal control effectiveness may change over time.

There were no changes in the design of the Company's internal control over financial reporting during the three months ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, the operation of the Company's internal control over financial reporting.

Management will continue to monitor its systems of internal control over reporting and disclosure and may make modifications from time to time as considered necessary.

NEW ACCOUNTING PRONOUNCEMENTS

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

Recently Adopted Accounting Guidance

Guidance	Date issued	Description	Effective date	Impact on Hydro One
ASC 606	May 2014 – November 2017	ASC 606 *Revenue from Contracts with Customers* replaced ASC 605 *Revenue Recognition*. ASC 606 provides guidance on revenue recognition relating to the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.	January 1, 2018	On January 1, 2018, Hydro One adopted ASC 606 using the retrospective method, without the election of any practical expedients. Upon adoption, there was no material impact to the Company's revenue recognition policy and no adjustments were made to prior period reported financial statements amounts. The Company has included the disclosure requirements of ASC 606 for annual and interim periods in the year of adoption.
ASU 2017-07	March 2017	Service cost components of net benefit cost associated with defined benefit plans are required to be reported in the same line as other compensation costs arising from services rendered by the Company's employees. All other components of net benefit cost are to be presented in the income statement separately from the service cost component. Only the service cost component is eligible for capitalization where applicable.	January 1, 2018	Hydro One applied for a regulatory asset to maintain the capitalization of post-employment benefit related costs and as such, there is no material impact upon adoption. See Note 2 - Significant Accounting Policies and Note 12 - Regulatory Assets and Liabilities.

Recently Issued Accounting Guidance Not Yet Adopted

Guidance	Date issued	Description	Effective date	Anticipated impact on Hydro One
2016-02 2018-01 2018-10 2018-11 2018-20	February 2016 – December 2018	Lessees are required to recognize the rights and obligations resulting from operating leases as assets (right to use the underlying asset for the term of the lease) and liabilities (obligation to make future lease payments) on the balance sheet. ASU 2018-01 permits an entity to elect an optional practical expedient to not evaluate under ASC 842 land easements that exist or expired before the entity's adoption of ASC 842 and that were not previously accounted for as leases under ASC 840. ASU 2018-10 amends narrow aspects of ASC 842. ASU 2018-11 provides entities with an additional and option transition method in adopting ASC 842. ASU 2018-11 also permits lessors to elect an optional practical expedient to not separate non-lease components from the associated lease component by underlying asset classes. ASU 2018-20 provides relief to lessors that have lease contracts that either require lessees to pay lessor costs directly to a third party or require lessees to reimburse lessors for costs paid by lessors directly to third parties.	January 1, 2019	Hydro One reviewed its existing leases and other contracts that are within the scope of ASC 842. Apart from the existing leases, no other contracts contained lease arrangements. Upon adoption in the first quarter of 2019, the Company will utilize the modified retrospective transition approach using the effective date of January 1, 2019 as its date of initial application. As a result, comparatives will not be updated. The Company will elect the package of practical expedients and the land easement practical expedient upon adoption. The impact to Hydro One's financial statements will be the recognition of approximately $27 million Right-of-Use (ROU) assets and corresponding lease obligations on the Consolidated Balance Sheet. The ROU assets and lease obligations represent the present value of the Company's remaining minimum lease payments for leases with terms greater than 12 months. Discount rates used in calculating the ROU assets and lease obligations correspond to the Company's incremental borrowing rate.
2018-07	June 2018	Expansion in the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from non-employees. Previously, ASC 718 was only applicable to share-based payment transactions for acquiring goods and services from employees.	January 1, 2019	No impact upon adoption
2018-13	August 2018	Disclosure requirements on fair value measurements in ASC 820 are modified to improve the effectiveness of disclosures in financial statement notes.	January 1, 2020	Under assessment
2018-14	August 2018	Disclosure requirements related to single-employer defined benefit pension or other post-retirement benefit plans are added, removed or clarified to improve the effectiveness of disclosures in financial statement notes.	January 1, 2021	Under assessment
2018-15	August 2018	The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement is not affected by the amendment.	January 1, 2020	Under assessment

SUMMARY OF FOURTH QUARTER RESULTS OF OPERATIONS

Three months ended December 31 *(millions of dollars, except EPS)*	2018	2017	Change
Revenues			
Distribution	1,138	1,049	8.5%
Transmission	342	379	(9.8%)
Other	11	11	0.0%
	1,491	1,439	3.6%
Costs			
Purchased power	741	662	11.9%
OM&A			
Distribution	167	146	14.4%
Transmission	114	79	44.3%
Other	27	19	42.1%
	308	244	26.2%
Depreciation, amortization and asset removal costs	217	214	1.4%
	1,266	1,120	13.0%
Income before financing charges and income taxes	**225**	**319**	**(29.5%)**
Financing charges	123	119	3.4%
Income before income taxes	**102**	**200**	**(49.0%)**
Income taxes	800	38	2,005.3%
Net income (loss)	**(698)**	**162**	**(530.9%)**
Net income (loss) attributable to common shareholders of Hydro One	**(705)**	**155**	**(554.8%)**
Basic EPS	($1.18)	$0.26	(553.8%)
Diluted EPS	($1.18)	$0.26	(553.8%)
Basic Adjusted EPS	$0.30	$0.29	3.4%
Diluted Adjusted EPS	$0.29	$0.28	3.6%
Capital Investments			
Distribution	168	161	4.3%
Transmission	292	267	9.4%
Other	7	3	133.3%
	467	**431**	**8.4%**
Assets Placed In-Service			
Distribution	253	207	22.2%
Transmission	698	522	33.7%
Other	1	4	(75.0%)

	952	**733**	**29.9%**

Net Income (Loss)

Net loss attributable to common shareholders for the quarter ended December 31, 2018 of $705 million is a decrease of $860 million or 554.8% from the prior year net income. Significant influences on earnings included:

- increase in transmission and distribution revenues due to higher energy consumption resulting from favourable weather;
- higher transmission revenues driven by increased OEB-approved transmission rates;
- higher OM&A costs primarily resulting from:
  - higher vegetation management costs resulting from a change to an improved vegetation program resulting in greater coverage and better reliability,
  - higher property taxes, primarily due to non-recurring favourable re-assessment of payments in lieu of property taxes in 2017,
  - higher stations and lines maintenance costs,
  - insurance proceeds received in Q4 2017,
  - higher HST recovery in 2017, and
  - higher costs related to the Merger;

- higher income tax expense primarily attributable to a charge to deferred tax expense of $799 million related to the OEB's deferred tax asset and distribution rates decisions, partially offset by higher temporary differences arising from a combination of higher in-service additions, the asset mix and higher pension and OPEB contributions in excess of accounting expense in the fourth quarter of 2018, compared to 2017.

EPS and Adjusted EPS

EPS was ($1.18) for the fourth quarter of 2018, compared to $0.26 in 2017. The decrease in EPS was driven by lower earnings for the fourth quarter of 2018, as discussed above. Adjusted EPS was $0.30 in the fourth quarter of 2018, compared to $0.29 in 2017. The increase in Adjusted EPS was driven by higher net income for the fourth quarter of 2017, net of impacts related to the Merger and the impacts related to the OEB's deferred tax asset decision on Hydro One Networks' distribution and transmission businesses.

Revenues

The quarterly decrease of $37 million or 9.8% in transmission revenues was primarily due impacts of the OEB's deferred tax asset decision, partially offset by higher revenues driven by increased OEB-approved transmission rates for 2018, and higher average monthly Ontario 60-minute peak demand driven by favourable weather in the fourth quarter of 2018.

The quarterly increase of $10 million or 2.6% in distribution revenues, net of purchased power, was primarily due to higher energy consumption resulting from favourable weather in the fourth quarter of 2018 and higher deferred regulatory adjustments; partially offset by lower CDM revenue.

OM&A Costs

The quarterly increase of $35 million or 44.3% in transmission OM&A costs was primarily due to a non-recurring reduction of provision for payments in lieu of property taxes following a favourable reassessment of the regulation in 2017, higher volume of demand maintenance work on power equipment and overhead lines, insurance proceeds received in 2017 due to equipment failures at the Fairchild and Campbell transmission stations, and higher volume of work on vegetation management.

The quarterly increase of $21 million or 14.4% in distribution OM&A costs was primarily due to higher volume of work on vegetation management, and higher volume of emergency calls, partially offset by lower storm restoration costs, and lower costs related to the renewed IT contract.

A further increase of $8 million in other OM&A is driven primarily by higher costs related to the Merger.

Financing Charges

The quarterly increase of $4 million or 3.4% in financing charges was primarily due to an increase in interest expense on long-term debt resulting from an increase in weighted-average long-term debt balance outstanding during the quarter, partially offset by an unrealized loss recorded in 2017 due to revaluation of the foreign exchange contract related to the Merger.

Income Taxes

Income tax expense for the fourth quarter of 2018 increased by $762 million compared to 2017, and the Company realized an ETR of approximately 784.3% in the fourth quarter of 2018, compared to approximately 19.0% realized in 2017. This was primarily attributable to a charge to deferred tax expense of $799 million related to the OEB's deferred tax asset and distribution rates decisions (see section "Regulation - Electricity Rates Applications - Hydro One Networks - Transmission" for details). This increase was partially offset by an increase in tax deductions arising from higher in-service additions coupled with an increased allocation to a higher depreciation class, as well as higher pension and other post-employment benefit (OPEB) contributions for tax purposes. The Company is required to accrue taxes based on the tax liability without considering the temporary differences as prescribed by the regulator.

Assets Placed In-Service

The increase in transmission assets placed in-service during the fourth quarter was primarily due to the following:

- assets placed in-service in the fourth quarter of 2018 for station sustainment investments, including Horning, Centralia, London Nelson, St. Isidore, Wanstead, Palmerston, Chenaux, and Dryden transmission stations, as well as the Bruce Special Protection System end-of-life equipment replacement project;
- higher volume of demand work placed in-service associated with equipment failures; and
- higher volume of overhead lines and component replacement work placed in-service; partially offset by
- substantial investments in major development projects placed in-service in 2017, including Leamington and Holland transmission stations; and
- assets placed in-service in the fourth quarter of 2017 for station sustainment investments, including OverBrook, Hanmer, and Leaside transmission stations.

The increase in distribution assets placed in-service during the fourth quarter was primarily due to the following:

- timing of investments placed in-service for system capability reinforcement projects;

- cumulative investments in the Advanced Distribution System project placed in-service in 2018; and
- cumulative investments in distribution generation connection projects placed in-service in 2018; partially offset by
- the completion of the Company's website redesign project to improve customer service and operational efficiencies; and
- timing of demand work on large joint-use and line relocation projects.

Capital Investments

The increase in transmission capital investments during the fourth quarter was primarily due to the following:

- higher volume of overhead lines refurbishments and replacements;
- higher volume of demand work associated with equipment failures;
- higher volume of work required to adhere to the NERC Cyber Security standards;
- timing of project work on major development projects, including the Niagara Reinforcement, Lake Superior Link, and East-West Tie Connection projects, as well as work at Clarington and Holland transmission stations; and
- higher volume of spare transformer purchases; partially offset by
- lower volume of transmission station refurbishments and replacements work.

The increase in distribution capital investments during the fourth quarter was primarily due to the following:

- higher spend on joint use and line relocation projects due to timing of capital contributions; and
- increased volume of emergency power and storm restorations work due to higher storm activity in 2018.

HYDRO ONE HOLDINGS LIMITED - UNAUDITED CONSOLIDATING SUMMARY FINANCIAL INFORMATION

Hydro One Limited fully and unconditionally guarantees the payment obligations of its wholly-owned subsidiary Hydro One Holdings Limited (HOHL) issuable under the short form base shelf prospectus dated November 23, 2018. 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 and for the years ended December 31, 2018 and December 31, 2017 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 financial statements. This summary financial information has been prepared in accordance with US GAAP, as issued by the FASB.

For the year ended December 31 *(millions of dollars, unaudited)*	**Hydro One Limited**		**HOHL**		**Subsidiaries of Hydro One Limited, other than HOHL**		**Consolidating Adjustments**		**Total Consolidated Amounts of Hydro One Limited**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue	12	16	—	—	6,243	6,053	(105)	(79)	6,150	5,990
Net Income (Loss) Attributable to Common Shareholders	(74)	(43)	22	(3)	47	745	(84)	(41)	(89)	658

As at December 31 *(millions of dollars, unaudited)*	**Hydro One Limited**		**HOHL**		**Subsidiaries of Hydro One Limited, other than HOHL**		**Consolidating Adjustments**		**Total Consolidated Amounts of Hydro One Limited**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Current Assets	159	117	22	—	2,054	1,444	(744)	(542)	1,491	1,019
Non-Current Assets	5,799	6,423	—	—	41,597	41,745	(23,230)	(23,486)	24,166	24,682
Current Liabilities	97	83	—	3	4,391	3,933	(1,460)	(1,279)	3,028	2,740
Non-Current Liabilities	1,516	1,514	3	—	22,373	21,403	(10,906)	(10,209)	12,986	12,708

FORWARD-LOOKING STATEMENTS AND INFORMATION

The Company's oral and written public communications, including this document, often contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about the Company's business and the industry, regulatory and economic environments in which it operates, and include 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 applications, including resulting decisions, rates and expected impacts and timing; the Company's liquidity and capital resources and operational requirements; the

Operating Credit Facilities; expectations regarding the Company’s financing activities; the Company’s maturing debt; ongoing and planned projects and initiatives, including expected results and completion dates; expected future capital investments, including expected timing and investment plans; contractual obligations and other commercial commitments;

expectations regarding the deferred tax asset; the Appeal; the OEB; the Exemptive Relief; NRLP and the Niagara Reinforcement Project, the Lake Superior Link Project, and related regulatory applications; the Company's share capital and conversion of outstanding awards under the share grant plans and the LTIP; collective agreements; the pension plan, future pension contributions, valuations and expected impacts; impacts of OEB treatment of post-employment benefit costs; dividends; credit ratings and related risks; Hydro One's strategy; effect of interest rates; non-GAAP measures; critical accounting estimates, including environmental liabilities, regulatory assets and liabilities, and employee future benefits; occupational rights; internal control over financial reporting and disclosure; recent accounting-related guidance; the Universal Base Shelf Prospectus; the US Debt Shelf Prospectus; the Demand Facility; the Company's acquisitions and mergers, including Orillia Power and Peterborough Distribution; expected outcomes and impacts relating to the termination of the Merger; the Urgent Priorities Act, the Accountability Act, and anticipated impacts; Hydro One's new compensation framework; expectations relating to executive compensation and potential impacts on Hydro One; anticipated and potential senior management departures and possible impacts; retention arrangements; the Company's ability to attract and retain qualified officers; risk associated with acquisitions; anticipated impact of measures related to accelerated investment initiatives; climate change; cyber and data security; expectations related to work force demographics; class action litigation, including litigation relating to the Merger; foreign exchange risk; the Province's ownership of Hydro One, and conflicts that may arise between the Province and Hydro One from time to time; government actions and the potential impacts on Hydro One and its business; future sales of shares of Hydro One; and reputational, public opinion and political risk. Words such as "expect", "anticipate", "intend", "attempt", "may", "plan", "will", "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 the required approvals; no unforeseen changes in rate orders or rate setting methodologies for the Company's distribution and transmission businesses; continued use of US GAAP; a stable regulatory environment; no unfavourable changes in environmental regulation; no significant changes to the Company's current credit ratings; no unforeseen impacts of new accounting pronouncements; 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. 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:

- 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;
- regulatory risks and risks relating to Hydro One's revenues, including risks relating to rate orders, actual performance against forecasts and capital expenditures, or denials of applications;
- 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 or other unexpected occurrences for which the Company is uninsured or for which the Company could be subject to claims for damage;
- public opposition to and delays or denials of the requisite approvals and accommodations for the Company's planned projects;
- risks associated with the Province exercising further legislative and regulatory powers in the implementation of the Urgent Priorities Act and the Accountability Act;
- the risk that Hydro One may incur significant costs associated with transferring assets located on reserves (as defined in the Indian Act (Canada));
- the risks associated with information system security and maintaining a complex IT system infrastructure;
- the risk of labour disputes and inability to negotiate appropriate collective agreements on acceptable terms consistent with the Company's rate decisions;
- the risks related to the Company's work force demographic and its potential inability to attract and retain qualified personnel;
- 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 credit rating downgrade and its impact on the Company's funding and liquidity;
- risks associated with fluctuations in interest rates and failure to manage exposure to credit risk;
- 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;
- the risk of non-compliance with environmental regulations or failure to mitigate significant health and safety risks and inability to recover environmental expenditures in rate applications;

- the risk that assumptions that form the basis of the Company's recorded environmental liabilities and related regulatory assets may change;
- 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 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;
- the risks associated with economic uncertainty and financial market volatility;
- the inability to prepare financial statements using US GAAP;
- the impact of the ownership by the Province of lands underlying the Company's transmission system; and
- the risk related to the impact of the 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 "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.sedar.com and the Company's website at www.HydroOne.com/Investors.

Exhibit 99.4

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Bay Adelaide Centre
Suite 4600
333 Bay Street
Toronto ON
M5H 2S5

Telephone (416) 777-8500
Fax (416) 777-8818
www.kpmg.ca

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Hydro One Limited

We consent to the use of our audit report dated March 25, 2019 with respect to the amended consolidated financial statements as at and for the year ended December 31, 2018 and our audit report dated March 25, 2019 with respect to consolidated financial statements as at and for the year ended December 31, 2017 included in this annual report on Form 40-F.

We also consent to the incorporation by reference of such reports in the Registration Statement (No. *333-228393*-01) on Form F-10 of Hydro One Limited.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 28, 2019
Toronto, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Exhibit 99.5

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Paul Dobson, Acting President and Chief Executive Officer, Hydro One Limited, certify that:

1. I have reviewed this annual report on Form 40-F of Hydro One Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 28, 2019

/s/ Paul Dobson

Paul Dobson

Acting President and Chief Executive Officer

Exhibit 99.6

CERTIFICATION
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Christopher Lopez, Acting Chief Financial Officer, Hydro One Limited, certify that:

1. I have reviewed this annual report on Form 40-F of Hydro One Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 28, 2019

/s/ Christopher Lopez

Christopher Lopez
Acting Chief Financial Officer

Exhibit 99.7

CERTIFICATION
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Hydro One Limited (the "Company") on Form 40-F for the year ended December 31, 2018 (the "Report") as filed with the U.S. Securities and Exchange Commission,

I, Paul Dobson, Acting President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

i. The Report fully complies with the requirements of Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2019

/s/ Paul Dobson

Paul Dobson
Acting President and Chief Executive Officer

Exhibit 99.8

CERTIFICATION
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Hydro One Limited (the "Company") on Form 40-F for the year ended December 31, 2018 (the "Report") as filed with the U.S. Securities and Exchange Commission,

I, Christopher Lopez, Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

i. The Report fully complies with the requirements of Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

ii. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2019

/s/ Christopher Lopez

Christopher Lopez
Acting Chief Financial Officer

CODE OF BUSINESS CONDUCT

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Our Core Values

Safety Comes First – Stand for People – Empowered to Act – Optimism Charges Us – Win As One: these core values are the foundation of our business. These values are reflected in this Code of Business Conduct (this "**Code**"), which defines how each of us, as employees, officers and directors of Hydro One Limited and Hydro One Inc. and their respective subsidiaries (together, "**Hydro One**"), should act.

For Hydro One to be successful, we must continually earn the trust and confidence of our customers, investors, stakeholders and each other. Each business action and decision provides us with this opportunity. Our core values guide our actions and decisions by reminding us each day of who we are and strive to be in all of our business activities.

We must strive to conduct business on behalf of, and to represent, Hydro One with unfailing honesty and integrity and to uphold each of our core values:

- **Safety Comes First:** Nothing is more important than the health and safety of our employees, our customers and the public. We make the world a safer place by setting a high bar that others aspire to.
- **Stand For People:** We foster an open, collaborative work environment. We work to build relationships internally and externally based on trust and mutual respect. We believe in equality and view diversity as a source of our strength.
- **Empowered to Act:** We recognize our power to improve people's lives. We are ready to act in any situation. We capitalize on opportunities. We make the impossible, possible.
- **Optimism Charges Us:** Optimism creates potential in everything we do. We think creatively and innovatively, turning challenges into opportunities.
- **Win As One:** Winning is about doing well while also doing good. It means working together as one company to deliver strong results for our customers, communities, employees and shareholders.

Application of this Code

Who Must Follow This Code?

All employees and officers of Hydro One, including the chief executive officer, chief financial officer and principal accounting officer, and directors of Hydro One are required to comply with this code as representatives of Hydro One (collectively, "**representatives**"). In addition, Hydro One requires each of its contractors, suppliers, business partners, consultants and agents ("**business partners**") to comply with this Code, to the extent feasible, in their dealings with or on behalf of Hydro One.

What is Expected of Me?

We are all expected to:

- **Comply with this Code:** We must read, complete any required training on, understand and comply with this Code and all applicable laws, rules and regulations ("**applicable laws**") relevant to our roles at Hydro One.
- **Report violations of this Code:** If we have knowledge of an actual, potential or suspected violation of this Code or of applicable laws, we must report it truthfully and in good faith to our supervisor, HR representative or to the Corporate Ethics Office or otherwise in accordance with Hydro One's Whistleblower Policy.
- **Use good judgment:** We must use our good judgment in deciding whether or not an action will be in compliance with this Code and be accountable for our actions.
- **Ask questions:** If we have any doubt about how to proceed under this Code, we must ask questions. The section "*What if I have questions*", below, includes a list of helpful resources.

Employees and contractors are expected to familiarize themselves with this Code when they first start work and complete training periodically thereafter. Management Compensation Plan ("**MCP**") employees must complete and sign annually, and update as necessary, a business conduct compliance form confirming their compliance with this Code and declaring all outside appointments, directorships or officer positions and any resulting conflicts of interest. This form is available on the Code of Business Conduct homepage.

What Else is Expected of Supervisors?

Supervisors share the same obligations as other representatives, but are also expected to:

- **Set an example:** Supervisors must model appropriate conduct under this Code as it applies to them and to their own actions.

- **Report to the Corporate Ethics Office:** Supervisors must immediately inform the Corporate Ethics Office of any actual, potential or suspected violations of this Code as well as any conflict of interest declarations.
- **Promote understanding and compliance:** Supervisors must make sure that Hydro One representatives that they supervise understand and comply with this Code and all applicable

laws and review this Code and Hydro One's Whistleblower Policy with those representatives at least annually.

- **Provide guidance:** Supervisors should be a knowledgeable and reliable source of advice for questions relating to this Code and should create an environment where representatives feel comfortable raising questions or concerns without fear of reprisals.

What Happens if I Violate This Code?

If we violate this Code or any applicable laws relevant to our roles at Hydro One, we will be subject to disciplinary procedures, which may have consequences up to and including dismissal. Such violations may also result in criminal and/or civil liability.

What if I Have Questions?

Honesty and common sense are the best guidelines for assessing whether or not an action will be in compliance with this Code, and Hydro One relies on each of us to apply our own personal judgment in carrying out our duties.

However, this Code is not a complete guide to every legal or ethical issue that we may encounter, nor is it a summary of all applicable laws and Hydro One policies and procedures that may apply in a given situation. As a result, there will be times where we will have questions about how this Code applies to us, or about whether a particular action will be in compliance with this Code.

If you have any questions relating to this Code, you should speak to your supervisor and consult the Hydro One intranet site - Questions and Answers - for a detailed list of frequently asked questions relating to this Code. You should also ask yourself the following questions, which may help to guide your decision:

- Will my action comply with the intent and purpose of this Code and applicable laws?
- Is my action appropriate, ethical and honest – does it "feel" right, or might it violate my own personal code of conduct?
- Would most people see the action as being appropriate, ethical and honest?
- Could I defend my action in front of superiors, fellow employees, the general public and my friends and family? Would I be comfortable doing so?

If the answer to any of these questions is "No", then you should not take the action. If your question remains unanswered after you have spoken to your supervisor, reviewed the intranet resources and considered the questions above, you should contact Hydro One's Corporate Ethics Office for advice.

Standards of Business Conduct

Health and Safety

We strive to deliver Hydro One's products and services in a safe manner that minimizes the risk of injury to ourselves, to one another and to the general public.

Each of us must:

- comply with Hydro One's Health and Safety Policy and Safety Rules;
- make our own safety and that of other Hydro One representatives and the general public the prime consideration in every decision we make and every action we take;
- come to work fit for duty, work safely and identify, report and, where appropriate, correct, workplace hazards; and
- not work, or permit others to work, while under the influence or suffering the after effects of alcohol, medication or illicit drugs, or bring, or permit anyone else to bring, alcohol or any illicit drugs into any Hydro One workplace.

Respecting Each Other: No Discrimination or Workplace Harassment

We treat all Hydro One representatives and others we encounter in the course of our work for Hydro One with dignity and respect. We act in a manner that values the background, experience, perspective and talent of each individual and do not discriminate against or harass others. We strive to create an inclusive corporate culture at Hydro One and a workforce that reflects the diverse populations of the communities in which we operate.

In particular, we:

- provide all Hydro One representatives with equal access to opportunities, within the confines of legal and collective agreement requirements;
- do not discriminate in hiring and employment practices;
- do not engage in any workplace harassment;
- do not tolerate any violence or workplace harassment, or behaviours that may promote violence or workplace harassment, in any Hydro One workplace; and
- comply with Hydro One's Workplace Human Rights and Anti-Harassment Policy and Procedure.

“**discrimination**” is an action or a decision that treats a person or a group of persons negatively and differently on the basis of race, ancestry, colour, place of origin, sex, ethnic origin, age, marital or family status, disability, sexual orientation, gender identity, gender expression, record of offences, creed, religion or citizenship, nor on any other grounds that are prohibited by applicable law.

“**workplace harassment**” is engaging any course of vexatious conduct or comment toward another representative of Hydro One or others we encounter in the course of our work for Hydro One that is known or ought reasonably to be known to be unwelcome, including making any comment or gesture to, contact with or otherwise acting in a manner towards that person that is unwelcome or which is likely to be regarded as offensive.

Achieving our Potential

We are all accountable for our work and for our results, and are committed to giving our full effort in everything we do. We expect to be evaluated by standards such as quality, quantity, timeliness, and whether the work has been completed safely and within the limits of allocated resources.

Supervisors must follow leadership practices that promote employee commitment and encourage high performance, set clear expectations and provide appropriate support and timely feedback to the Hydro One representatives who report to them.

Conflicts of Interest

Avoiding Conflicts of Interest

We owe a duty to Hydro One to make decisions with honesty and integrity and not to deprive Hydro One of the time and attention required to properly perform our duties on behalf of Hydro One. We must declare all conflicts of interest to our supervisor or to the Corporate Ethics Office.

A “**conflict of interest**” is a situation where our own personal interests:

- *actually conflict* with those of Hydro One;
- *have the potential to conflict* with those of Hydro One, meaning a situation where our relationship to others or interest in or relationship to another business or organization could result in a conflict of interest in the future; or
- *could be perceived to conflict* with those of Hydro One, meaning a situation where other people (either inside or outside of Hydro One) might think that our personal interests conflict, or could potentially conflict, with those of Hydro One, whether or not we think that any conflict does, or might, exist.

Family Members and Friends

We may have a conflict of interest where any of our family or friends receive a personal benefit, or may receive a personal benefit, as a result of any business decisions we make on behalf of Hydro One.

Pursuing Outside Activities

We are encouraged to contribute to our communities and to our professional organizations and we may engage in activities or do work outside of Hydro One (including for ourselves) provided that the activity or work does not create a conflict of interest. Examples of activities or work outside of Hydro One that will create a conflict of interest include:

- work for an organization that is a supplier to or a commercial or industrial customer or competitor of Hydro One;
- activities that affect our work performance at Hydro One, including those that take too much of our time;
- work for any organization done on Hydro One's time or using Hydro One equipment, supplies, personnel or intellectual property; and
- promoting any non-Hydro One product or service or, except with prior approval, soliciting donations to any charitable or non-profit organization, on Hydro One's time or to Hydro One representatives or business partners.

If you have any doubt about whether the external activity or work creates a conflict of interest, you should speak to your supervisor or to the Corporate Ethics Office before agreeing to do the activity or work.

Accepting Board Appointments

We obtain the prior approval of the Corporate Ethics Office before agreeing to serve as a director on the board of another for-profit business or organization if our service on that board could create a conflict of interest, including in any case where the business or organization is a supplier to or a commercial or industrial customer or competitor of Hydro One.

Prior approval of the Corporate Ethics Office is not required to serve as a director of:

- a Hydro One board at Hydro One's request; or
- a charitable or community organization, but only so long as our service on that board does not reflect negatively on Hydro One and does not take too much of our time or otherwise conflict with our work at Hydro One.

If we serve as a director on any board (other than a Hydro One board), we must not vote on any matter that concerns Hydro One or which we think might otherwise create a conflict of interest for us or for Hydro One. Similarly, if we act as a spokesperson for any business or organization, we make it clear that we are speaking for that business or organization or for ourselves and not as a spokesperson or representative of Hydro One.

If in doubt at any time about whether service on any board creates a conflict of interest, speak to your supervisor or to the Corporate Ethics Office.

Making Investments

In general, investments made by us or by our immediate family members in publicly-traded or privately-held businesses or organizations will not create a conflict of interest, but we must be aware that these investments may create a conflict of interest in some circumstances.

Where an investment creates a conflict of interest we must obtain the approval of our supervisor and the Corporate Ethics Office before making the investment. Investments that will create a conflict of interest include investments in businesses or organizations that compete with Hydro One or which have a business relationship with Hydro One as a supplier or as a commercial or industrial customer. However, this prohibition does not apply if the investment represents less than five percent of the issued and outstanding equity securities of the business or organization (including equity securities held by us and by our immediate family).

We must also promptly notify our supervisor and the Corporate Ethics Office if we know a family member or a friend has an investment that represents more than five percent of the issued and outstanding equity securities of a business or organization that competes with Hydro One or which has a business relationship with Hydro One as a supplier or as a commercial or industrial customer, even where we do not hold an investment in that business or organization ourselves.

Confidential Information

No Disclosure of Confidential Information

We do not disclose Confidential Information to anyone outside Hydro One, including to family and friends, unless it is done in accordance with this Code and all other applicable Hydro One policies. This section applies to information which Hydro One has obtained from a customer or supplier (or a prospective customer or supplier) that Hydro One has agreed to keep confidential.

"**Confidential Information**" of Hydro One includes trade secrets, intellectual property and any proprietary, sensitive, technical, commercial, strategic, financial, customer, supplier and personal information about customers, suppliers and representatives, in each case, that is not publicly available.

Our obligation not to disclose Confidential Information continues even after we cease to have an employment or other relationship with Hydro One.

In order to protect Confidential Information of Hydro One, we must:

- be alert to inadvertent or accidental disclosure of Confidential Information in social conversations, including in public places, at trade conferences, on public transit or airplanes, on mobile devices or in normal business discussions with suppliers and customers;
- never post, transmit or make available any Confidential Information on or through the internet other than through the use of approved Hydro One equipment and systems (i.e. through the use of Hydro One e-mail addresses or Hydro One intranet portals);

- never leave Confidential Information or devices that contain Confidential Information, or which are connected to or have specific capability to connect to Hydro One's systems, unattended in public places, and we must ensure these devices are stored securely when not in use; and
- promptly report any Confidential Information that we believe has been leaked and any device that is lost or stolen so that appropriate steps can be taken by Hydro One.

Permitted Disclosure of Confidential Information

We may only disclose Confidential Information to our colleagues within Hydro One where it is necessary for them to perform their assigned work.

We keep the amount of Confidential Information shared with anyone outside of Hydro One to the minimum required, and we may only disclose Confidential Information outside Hydro One where the disclosure is:

- required by applicable laws or stock exchange rules or to those having a business relationship with Hydro One for valid business purposes; and
- in compliance with all applicable Hydro One policies and procedures, including the Corporate Disclosure Policy (if applicable).

The Law Department should be contacted if there is any uncertainty as to whether or not we are permitted to disclose the Confidential Information.

Employee Confidential Information

We manage all personal information about other representatives of Hydro One in a confidential manner and we respect the privacy of each other Hydro One representative, including by complying with all applicable privacy legislation and all applicable Hydro One policies and procedures.

Ethical Purchasing Decisions

We make all purchasing decisions honestly and with integrity, using such criteria as competitive pricing, quality, quantity, delivery, and service.

We avoid making purchasing decisions that create a conflict of interest for us or for Hydro One, including where there could be an allegation of favouritism, prejudice, preferential treatment or personal gain.

We inform each of our business partners about this Code and about our expectation that they comply with it, to the extent feasible, in their dealings with or on behalf of Hydro One. We will communicate any non-compliance by any of our business partners to Hydro One's Corporate Ethics Office, who will recommend what actions should be taken, up to and including termination of the business relationship.

Gifts and Entertainment

We do not (directly or indirectly) offer, give, request or accept any:

- bribe or kickback or other transaction which could compromise the integrity or harm the reputation of Hydro One or its representatives;
- gifts of cash, gift certificates, services, discounts, or loans;
- gift, entertainment, or similar type of benefit that does not serve a legitimate business purpose;
- gift, entertainment, or similar type of benefit that contravenes any applicable law; or
- gift, entertainment, or similar type of benefit that creates a conflict of interest for us or for Hydro One.

Any gift, entertainment or similar type of benefit that is offered, given or accepted must be of a nature and amount that avoids embarrassment, does not constitute a real personal enrichment of the recipient, and would not reflect unfavourably on Hydro One or the person receiving the gift, entertainment or benefit if it became publicly known. Generally speaking, acceptable gifts will have a nominal value.

Any gifts we are offered or receive that do not comply with these restrictions should be declined or returned graciously and with thanks and a clarification of Hydro One's policy. If returning the gift is not possible, it should be donated to charity upon approval of the Executive Vice President and Chief Legal Officer (or his or her designate). These requirements do not change during traditional gift-giving seasons.

Insider Trading and Personal Advantage

We only buy or sell securities of Hydro One in accordance with Hydro One's Insider Trading Policy. This means that we do not buy or sell securities of Hydro One while we know about "Material Information" relating to Hydro One that has not been generally disclosed to the public in accordance with Hydro One's Corporate Disclosure Policy ("**insider trading**"). We also keep all undisclosed Material Information confidential and we do not pass any of it on to others, including to a spouse, friends or family members ("**tipping**").

In addition to being a violation of this Code, both insider trading and tipping are illegal.

"**Material Information**" has the same meaning as in Hydro One's Insider Trading Policy and Corporate Disclosure Policy, and may include Confidential Information, including information about Hydro One's plans, financial conditions or operations.

We do not use any Confidential Information for private speculation or personal advantage or benefit, including for purposes of trading in securities of any of Hydro One's customers or suppliers with the benefit of any Confidential Information relating to that customer or supplier.

Protecting the Environment

We strive to comply with all environmental laws, rules and regulations, and Hydro One will also move beyond compliance where it makes business sense to do so. We design, build and operate our facilities to make efficient use of resources, prevent pollution and reduce environmental effects to the extent that is reasonably achievable. We set environmental objectives and targets, monitor our performance relative to expectations and implement programs to achieve continual improvement.

Safeguarding Hydro One's Assets

Proper Use of Assets

We use Hydro One's assets properly, safely, efficiently and only for Hydro One business. Use of Hydro One assets for charitable or other non-business reasons must be pre-approved by the supervisor accountable for that asset. Misuse of Hydro One assets to offend, harass or harm others, or to encourage others to do so, is unacceptable.

We take good care of Hydro One assets. We protect them from all external and internal threats and, when they are no longer useful, we dispose of them in a proper manner. Theft or fraud will not be tolerated.

Critical Cyber Assets

We must be vigilant in protecting Hydro One's Critical Cyber Assets from attack and follow Hydro One's Power System Cyber Security Policy.

"**Critical Cyber Assets**" are all computer equipment and software essential to the reliable operation of Hydro One's facilities which if hacked or destroyed, would affect the reliability of the interconnected transmission system across North America. It also includes all devices and equipment used to access such computer equipment and software.

Further, we do not disguise our own identity, or use the identity of another representative or business partner, when accessing any Hydro One workplace, device, system or other property.

Records and Document Retention

Records are important to provide evidence of Hydro One's business activities, decisions, operations and transactions, to meet our business, financial reporting and legal needs. We are all responsible for managing Hydro One records in accordance with Hydro One's Records Management Program, including Hydro One's Records

Management Policy, Records Management Procedures, E-Mail Management Policy, and the Legal and Tax Holds Policy.

All business expenses must be properly incurred, documented, reported and approved in compliance with Hydro One's Employee Business Expense Policy.

Intellectual Property

All intellectual property which we may produce, make, compose, write, perform or design, whether alone or with others, while employed at Hydro One (whether during or outside of work hours) and in any way relating to Hydro One's business belongs exclusively to Hydro One. We must disclose all such intellectual property to Hydro One and all rights we may have in such intellectual property are assigned to Hydro One.

"**intellectual property**" includes ideas, know-how, inventions, designs, discoveries, formulae, improvements, research, trade secrets, patents, copyright works and other intellectual property rights.

Accounting and Finance

All financial transactions must be properly approved in accordance with Hydro One's authority approval guidelines and properly recorded in accordance with:

- Hydro One's internal control policies and procedures;
- legal requirements;
- audit practices; and
- accounting standards and practices.

Any financial information provided must be accurate, complete, objective, timely and understandable.

We do not maintain undisclosed funds or accounts or "off-the-books" records or use any other device to distort records or reports of Hydro One's true operating results and financial condition. All cash and bank account and other business transactions are conducted in an appropriate manner which safeguards against bribery, kickbacks, money laundering or other illegality. Falsifying or maintaining inaccurate or incomplete records can result in civil and criminal penalties to Hydro One and the individuals involved.

We must not mislead, manipulate, coerce or fraudulently influence any accountant, including an accountant engaged in the performance of an audit of the financial statements of Hydro One in order to make the financial statements materially misleading.

If we have concerns about the integrity of financial reporting, we report them promptly. Reports may be made to Hydro One's Chief Ethics Officer, as Confidential Designee, pursuant to Hydro One's Whistleblower Policy or, alternatively, may be reported anonymously through ClearView Strategic Partners Inc. ("**ClearView**") using the contact information provided under the heading "*Anonymous Reporting*". We must all be familiar with the reporting procedures contained in Hydro One's Whistleblower Policy.

Fraudulent Activity

We take proactive steps to not only deter and detect instances of fraud by Hydro One representatives or any of Hydro One's customers or business partners, but also to minimize and mitigate the risk of it. We comply with Hydro One's Fraud Risk Management Policy.

If we have concerns about any Hydro One representative or any of Hydro One's customers or business partners engaging in fraud or in a fraudulent scheme, we report our concerns promptly to Hydro One's Chief Ethics Officer, as Confidential Designee, pursuant to Hydro One's Whistleblower Policy or anonymously through Clearview using the contact information provided under the heading "*Anonymous Reporting*".

"**fraud**" or a "**fraudulent scheme**" can include:

- *supplier or other third-party kickbacks* that involve any of Hydro One's business partners or other third parties providing something of value to a Hydro One representative secretly and with the intent of obtaining an improper or unfair advantage or amount of value from Hydro One;
- *contract bid rigging schemes* that involve Hydro One entering into a contract or other arrangement with a business partner or other third party under false pretenses and, where applicable, without full, fair and transparent competition;
- *cyber fraud* involving the unauthorized accessing of Hydro One's data, information or systems by a person, which can include the theft of data or information electronically (particularly customer sensitive information) and/or an attempt to extort funds from Hydro One for the return of such data or information or the sale of such data or information for financial gain;
- *customer billings fraud* that includes amounts paid to Hydro One by a customer being diverted or stolen for the financial gain of a person and/or the overcharging or mischarging of Hydro One's customers by a person for financial gain;
- *theft of electricity* whether as a result of Hydro One representatives allowing customers to receive service without making proper payment for those services or as a result of customers or Hydro One representatives obtaining services themselves without making proper payment; and
- *corruption and bribes to Hydro One representatives* including the receipt of inappropriate payments, services or other forms of values by Hydro One representatives from a Hydro One business partner or other person seeking to receive, in return, some uncompensated benefit or advantage.

Managing Risk

We appropriately identify and control risks, within the limits of our accountabilities and allocated resources.

"**risk**" means any possible event that may adversely impact Hydro One's business objectives. If business objectives relevant to our work are not clear, we should ask our supervisor for help.

Controlling risk does not mean eliminating all risks. Rather, it means taking steps to manage the risks to acceptable levels for Hydro One. If we are concerned that there are situations where risks are not being appropriately controlled by other Hydro One representatives we will discuss the situation with our supervisor and, if not resolved, we will consult the Corporate Ethics Office for direction.

Using E-mail, the Internet, Social Media and Electronic Communication Devices

Access to electronic communication devices such as phones, tablets, computers, e-mail and the internet is made available to promote effective work-related research, improve our development and enhance communication within Hydro One. These resources should generally be used for business purposes only.

Information transmitted through Hydro One's equipment or systems implies affiliation with Hydro One and should therefore reflect positively upon Hydro One. When using Hydro One e-mail or the internet at a Hydro One workplace or on or through a Hydro One device or system, we do not send, receive, display, print, or otherwise engage in any communications that are in violation of applicable laws or this Code, or any other Hydro One policy, including, but not limited to:

- downloading programs not already supported by Hydro One;
- accessing sites that are unlawful, that carry socially or politically offensive material, that infringe or that may infringe the intellectual property or other rights of another person, business or organization or that are in any way related to terrorism;
- sending chain letters or threatening, libelous or harassing messages; and
- sending, viewing or obtaining pornographic material.

We also do not use the internet at a Hydro One workplace or on or through a Hydro One device or system to play games, gamble or to post or send messages under disguised identification.

Subject to applicable laws, all information of any kind (including without limitation voice communications and electronic messages) stored or transmitted on Hydro One's equipment or systems is the property of Hydro One and Hydro One's equipment and systems and the contents thereof are monitored to support operational, maintenance, auditing, security, and investigative activities. In order to prevent inappropriate use, Hydro One continues to monitor personal use electronic communications. No one using Hydro One's equipment or systems should assume that their electronic communications, information, computer or other device use is private.

The use of social networking tools and platforms such as Facebook, LinkedIn, Google+, Yahoo! Groups, Twitter, YouTube, Bumble, Tindr and blogs, including outside of working hours, is subject to this Code and all applicable Hydro One policies, including Hydro One's Social Media Policy. Whether during or outside of working hours, employees must not:

- post or disclose Confidential Information; or

- post comments or materials which could harm, or be perceived to harm, Hydro One or its reputation in any way.

Relationships

Relationships with Investors

We disclose Material Information to the public in a timely, factual and accurate manner, in accordance with Hydro One's Corporate Disclosure Policy. We ensure that all reports and documents that we file with or furnish to securities regulatory authorities in Canada and the United States, and our other public communications, contain disclosure that is full, fair, accurate, timely and understandable. If we are asked by a member of the media, analysts, investors, investment dealers, credit rating agencies or other members of the investment community to give a statement or a presentation, we must explain that we are bound by this Code and Hydro One's Corporate Disclosure Policy and refer the matter to the Executive Vice President, Customer Care & Corporate Affairs (or the person performing that function) or the Chief Financial Officer.

Relationships with Customers

Hydro One is a customer-focused company and we strive to enhance our customer relationships in every transaction.

This means that we:

- work in a safe and responsible manner when on the property of a customer or other third party;
- act as an ambassador of Hydro One by acting in a professional and empathetic manner when interacting with customers and by responding promptly and courteously to customer enquiries and requests;
- keep commitments to customers by following up through completion when resolving a customer's enquiry or request and by working to prevent a recurrence;
- reasonably restore a customer or other third party's property when work is completed;
- do not discriminate against or provide undue preferential treatment to any customer;
- seek customers' views on issues affecting them, consider their views, and give them feedback where possible;
- give customers the information they need to make informed choices and ensure they receive truthful information about our products and services; and
- respect customers' privacy and diversity.

Fair Competition

We obey the applicable laws governing competition, not conspiring with anyone to lessen fair competition. We do not engage in anti-competitive practices or illegal activities such as price-fixing, bid-rigging and kickbacks. We ensure all procurement policies, procedures and required processes are followed.

We gather information about competitors in a lawful manner. We do not, directly or indirectly, misrepresent ourselves, use a third party or offer bribes or gifts to solicit proprietary information about competitors.

Use of Intellectual Property Belonging to Others

We do not knowingly use intellectual property belonging to another person, business or organization without their consent, a license or other legal right to use that intellectual property, nor do we copy or permit others to copy any software under license to Hydro One other than in accordance with the applicable license.

Political Participation

As private citizens, we may take part in the democratic process at any level, including campaigning in elections, during non-working hours. Prior approval is required if we need a leave of absence to participate, and our participation must be kept strictly separate from our association with Hydro One. All such leaves of absence will be without pay.

Hydro One does not make donations (financial or otherwise) to political parties, elected representatives, or candidates for election at any time. We do not, directly or indirectly, put pressure on colleagues, customers or suppliers to donate time or money to any political party, candidate or political cause.

Conduct of Business Outside of Canada

We apply this Code to all of our operations, international as well as domestic, and understand that this Code must be complied with in all circumstances even if conventional practice is different in foreign jurisdictions. We strive to comply with both the letter and spirit of domestic and foreign legal requirements as they apply to our business activities. We also adhere to standards no less onerous than provided by Canadian law concerning the conduct of business in foreign countries.

Dealing with Public Officials

All of our dealings on behalf of Hydro One with public officials are to be conducted in a transparent manner that does not compromise the integrity or harm the reputation of Hydro One or its representatives or any public official.

We comply with all anti-bribery and anti-corruption legislation, both Canadian and foreign, which may apply to our operations anywhere in the world. Further, even if permitted by applicable legislation or if customary in a jurisdiction, the making of small "facilitation payments" to foreign public officials to secure a routine business service or have routine administrative actions performed is prohibited.

These restrictions apply to any:

- direct disbursement of Hydro One funds;
- other benefits or contributions directly from Hydro One; and

- funds, benefits or contributions made by us personally or though agents, consultants, contractors, business partners or other third parties.

"**public official**" includes any:

- official or employee of a government or of a department, organization, agency or instrumentality of a government;
- official who holds a legislative or judicial position;
- official of a public international organization;
- political party or official of a political party;
- candidate for political office; and
- person or firm acting for or on behalf of any of the above.

As laws, rules and regulations and policies and directives of regulators can significantly affect Hydro One's business or operations, from time to time Hydro One may wish to communicate with public officials respecting new laws, rules, regulations, policies and directives, or otherwise seek to participate in the policy-making process. We only do so in compliance with all applicable requirements regarding lobbying activities and with the prior approval of the Corporate Ethics Office. Similarly, prior approval of the Corporate Ethics Office is required before Hydro One or any representative may accept any request to be appointed to an advisory or study group established by any legislative or regulatory body or which otherwise involves public officials.

Since Hydro One is in a regulated business and is often in contact with regulators about its business and operations, all Hydro One representatives and business partners responsible for contacts with such public officials must be familiar with and comply with the laws, rules and regulations established by the regulator for such communications, including conflict-of-interest rules applicable to representatives of the regulator.

We must also consult with the Corporate Ethics Office prior to hiring a current or former public official because applicable laws restrict Hydro One's ability to engage former public officials as a representative of Hydro One. We will not hire any such official if he or she participated in a matter reasonably regarded as involving Hydro One's interests if that matter is still ongoing.

Investigations

Hydro One's policy is to cooperate with any appropriate governmental or regulatory investigation. A condition of such cooperation, however, is that Hydro One be adequately represented in such investigations by its own legal counsel. This means that, any time we receive information about a new government, regulatory or other investigation or inquiry, including any written or oral request for information, this information should be communicated immediately, and before any action is taken or promised, to the Law Department.

We also cooperate with all internal Hydro One investigations, including investigations conducted by the Chief Ethics Officer, as Confidential Designee, pursuant to Hydro One’s Whistleblower Policy, and will afford full, free and unrestricted access to all of Hydro One’s operations, records, facilities and personnel to any external or internal investigators engaged by Hydro One and will take appropriate measures to keep information obtained during the investigation process confidential. Unless otherwise advised by our supervisor or the boards of directors of Hydro One Limited and Hydro One Inc., we will keep confidential the fact that an internal investigation is being conducted.

We must never, under any circumstances:

- destroy or alter any of Hydro One's documents or records in anticipation of a request for those documents from any government agency or a court or in connection with any internal Hydro One investigation;
- lie or make any misleading statements to any governmental investigator (including routine as well as non-routine investigations) or investigator participating in any internal Hydro One investigation; or
- attempt to cause Hydro One, any representative, business partner or any other person, to fail to provide information to any government investigator or to any investigator participating in any internal Hydro One investigation, or to provide any false or misleading information.

Compliance and Reporting

Upholding Hydro One's well-earned reputation as an ethical and credible company is a commitment we all share. All of us are expected to uphold our core values and to otherwise comply with this Code, including reporting any violation or potential or suspected violation of this Code promptly, truthfully and in good faith. If we fail to report a violation we know has occurred, then we also will have violated this Code.

Representatives and business partners should never have any fears about raising concerns truthfully and in good faith based on their reasonable beliefs, even if they are later found to be mistaken. Speaking up is a behaviour to be encouraged. However, Hydro One believes it is also important to make sure that representatives and business partners are protected from accusations that are frivolous or malicious, such as allegations made in bad faith or to pursue a personal grudge, and if we make any such accusations we will have violated this Code.

No Reprisals

Hydro One will not permit any form of reprisals (including discharge, demotion, suspension, threats, harassment or any other form of discrimination) by any person or group, directly or indirectly, against a representative or business partner who has truthfully and in good faith:

- reported actual, potential or suspected violations of this Code;
- lawfully provided information or assistance in an investigation regarding any conduct which the representative or business partner reasonably believes constitutes a violation of applicable securities laws or applicable federal laws relating to fraud against Hydro One's securityholders;

- filed, caused to be filed, testified, participated in or otherwise assisted in a proceeding related to a violation of applicable securities laws or applicable federal laws relating to fraud against Hydro One's securityholders;
- provided a law enforcement officer with truthful information regarding the commission or possible commission of an offense, unless the individual reporting is one of the violators; or
- provided assistance to the Chief Ethics Officer, as Confidential Designee, the Audit Committee, management or any other person or group in the investigation of a report made pursuant to Hydro One's Whistleblower Policy.

Any retaliation against a representative or business partner who has, truthfully and in good faith, made such a report or taken such an action is subject to disciplinary action, which may include dismissal.

Anonymous Reporting

Any actual, potential or suspected violation of this Code can be reported anonymously to the Chief Ethics Officer, as Confidential Designee, in accordance with Hydro One's Whistleblower Policy, including by mail addressed to "The Audit Committee of the Board of Directors of Hydro One Limited, c/o the Chief Ethics Officer" at 483 Bay St., 8th Floor, South Tower, Toronto, Ontario, M5G 2P5 and marked "confidential" or by email to corporateethicsoffice@hydroone.com.

Alternatively, reports can be submitted anonymously to ClearView by:

- Telephone: 1-866-921-4491;
- Internet: http://www.clearviewconnects.com; or
- Confidential Mail: P.O. Box 11017, Toronto, Ontario, M1E 1N0.

Choosing to include personal information in a report to ClearView means you have consented to the collection of that personal information by Hydro One, and the information will be sent to Hydro One.

All reports should include as much detail as possible, including dates, individuals or witnesses involved and any supporting material or evidence that may be relevant to the matter being reported.

Amendment and Interpretation; Waivers

Hydro One retains sole discretion in interpreting and applying this Code and this Code may be updated, modified or withdrawn by Hydro One at any time in its sole discretion. This Code, together with any amendments, will be generally disclosed to the public in accordance with all applicable securities laws and stock exchange rules.

Any waivers from this Code for the benefit of:

- executive officers or directors of Hydro One Limited and Hydro One Inc. - will only be made in exceptional circumstances, may only be granted by the applicable board of directors and will be generally disclosed to the public in accordance with all applicable securities laws and stock exchange rules; or
- other representatives - must be made in writing by their supervisor, or if there is no supervisor or the supervisor is unsure whether or not a waiver is appropriate, then the Chief Ethics Officer should be consulted.

Document and Entity Information	12 Months Ended Dec. 31, 2018 shares
Document And Entity Information [Abstract]	
Document Type	40-F
Amendment Flag	false
Document Period End Date	Dec. 31, 2018
Document Fiscal Year Focus	2018
Document Fiscal Period Focus	FY
Entity Registrant Name	Hydro One Ltd
Entity Central Index Key	0001712356
Current Fiscal Year End Date	--12-31
Entity Current Reporting Status	Yes
Entity Common Stock, Shares Outstanding	595,938,975
Entity Emerging Growth Company	false

Consolidated Statements of Operations and Comprehensive Income (Loss) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Revenues		
Revenues	$ 6,150	$ 5,990
Costs		
Purchased power (includes $1,648 related party costs; 2017 - $1,594) (Note 26)	2,899	2,875
Operation, maintenance and administration (Note 26)	1,105	1,066
Depreciation, amortization and asset removal costs (Note 5)	837	817
Total costs	4,841	4,758
Income before financing charges and income taxes	1,309	1,232
Financing charges (Note 6)	459	439
Income before income taxes	850	793
Income taxes (Note 7)	915	111
Net income (loss)	(65)	682
Other comprehensive income	4	1
Comprehensive income (loss)	(61)	683
Net income (loss) attributable to:		
Noncontrolling interest (Note 25)	6	6
Preferred shareholder	18	18
Common shareholder	(89)	658
Net income (loss)	(65)	682
Comprehensive income (loss) attributable to:		
Noncontrolling interest (Note 25)	6	6
Common shareholder	$ (85)	$ 659
Earnings per common share (Note 23)		
Basic (in dollars per share)	$ (0.15)	$ 1.11
Diluted (in dollars per share)	(0.15)	1.10
Dividends per common share declared (Note 22) (in dollars per share)	$ 0.91	$ 0.87
Distribution [Member]		
Revenues		
Revenues	$ 4,422	$ 4,366
Transmission [Member]		
Revenues		
Revenues	1,686	1,578
Other Revenue [Member]		
Revenues		
Revenues	$ 42	$ 46

Consolidated Statements of Operations and Comprehensive Income (Loss) (Parenthetical) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Revenues	$ 6,150	$ 5,990
Purchased power costs	2,899	2,875
Related Party [Member]		
Purchased power costs	1,648	1,594
Distribution [Member]		
Revenues	4,422	4,366
Distribution [Member] | Related Party [Member]		
Revenues	280	284
Transmission [Member]		
Revenues	1,686	1,578
Transmission [Member] | Related Party [Member]		
Revenues	$ 1,617	$ 1,526

Consolidated Balance Sheets - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Current assets:		
Cash and cash equivalents	$ 483	$ 25
Accounts receivable (Note 8)	628	636
Due from related parties (Note 26)	255	253
Other current assets (Note 9)	125	105
Total current assets	1,491	1,019
Property, plant and equipment (Note 10)	20,687	19,947
Other long-term assets:		
Regulatory assets (Note 12)	1,721	3,049
Deferred income tax assets (Note 7)	1,018	987
Intangible assets (Note 11)	410	369
Goodwill	325	325
Other assets	5	5
Total other long-term assets	3,479	4,735
Total assets	25,657	25,701
Current liabilities:		
Short-term notes payable (Note 15)	1,252	926
Long-term debt payable within one year (Notes 15, 16)	731	752
Accounts payable and other current liabilities (Note 13)	956	905
Due to related parties (Note 26)	89	157
Total current liabilities	3,028	2,740
Long-term liabilities:		
Long-term debt (includes $845 measured at fair value; 2017 – $541) (Notes 15, 16)	9,978	9,315
Convertible debentures (Notes 16, 17)	489	487
Regulatory liabilities (Note 12)	326	128
Deferred income tax liabilities (Note 7)	58	71
Other long-term liabilities (Note 14)	2,135	2,707
Total Long-term liabilities	12,986	12,708
Total liabilities	16,014	15,448
Contingencies and Commitments (Notes 28, 29)		
Subsequent Events (Note 31)		
Noncontrolling interest subject to redemption (Note 25)	21	22
Equity		
Common shares (Note 21)	5,643	5,631
Preferred shares (Note 22)	418	418
Additional paid-in capital (Note 25)	56	49
Retained earnings	3,459	4,090
Accumulated other comprehensive loss	(3)	(7)
Hydro One shareholder’s equity	9,573	10,181
Noncontrolling interest (Note 25)	49	50

Total equity	9,622	10,231
Total liabilities, preferred shares, noncontrolling interest subject to redemption and equity	$ 25,657	$ 25,701

Consolidated Balance Sheets (Parenthetical) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Statement of Financial Position [Abstract]		
Long-term debt measured at fair value	$ 845	$ 541

Consolidated Statements of Changes in Equity $ in Millions, $ in Millions	CAD ($)	USD ($)	Common Shares [Member] CAD ($)	Preferred Stock [Member] CAD ($)	Additional Paid-in Capital [Member] CAD ($)	Retained Earnings [Member] CAD ($)	Accumulated Other Comprehensive Loss [Member] CAD ($)	Hydro One [Member] CAD ($)	Non-controlling Interest (Note 25) [Member] CAD ($)
Stock Issued During Period, Value, New Issues	$ 0		$ 8		$ (8)				
Ending balance at Dec. 31, 2017	10,231		5,631	$ 418	49	$ 4,090	$ (7)	$ 10,181	$ 50
Beginning balance at Dec. 31, 2016	10,067		5,623	418	34	3,950	(8)	10,017	50
Increase (Decrease) in Stockholders' Equity [Roll Forward]									
Net income (loss)	680					676		676	4
Other comprehensive income	1						1	1	
Distributions to noncontrolling interest	(4)								(4)
Dividends on preferred shares	(18)					(18)		(18)	
Year ended December 31, 2017 (millions of Canadian dollars)	(518)					(518)		(518)	
Stock-based compensation (Note 25)	23				23			23	
Stock Issued During Period, Value, New Issues	0		12		(12)				
Ending balance at Dec. 31, 2018	9,622		5,643	418	56	3,459	(3)	9,573	49
Beginning balance at Dec. 31, 2017	10,231		$ 5,631	$ 418	49	4,090	(7)	10,181	50
Increase (Decrease) in Stockholders' Equity [Roll Forward]									
Net income (loss)	(67)					(71)		(71)	4
Other comprehensive income	4						$ 4	4	
Distributions to noncontrolling interest	(5)	$ (5)							$ (5)
Dividends on preferred shares	(18)					$ (18)		(18)	
Year ended December 31, 2017 (millions of Canadian dollars)	(542)							(542)	
Stock-based compensation (Note 25)	$ 19				$ 19			$ 19	

Consolidated Statements of Cash Flows - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Operating activities		
Net income (loss)	$ (65)	$ 682
Environmental expenditures	(22)	(24)
Adjustments for non-cash items:		
Depreciation and amortization (Note 5)	747	727
Regulatory assets and liabilities	35	112
Deferred income taxes	890	85
Unrealized loss (gain) on foreign exchange contract (Note 17)	(25)	3
Other	38	18
Changes in non-cash balances related to operations (Note 27)	(23)	113
Net cash from operating activities	1,575	1,716
Financing activities		
Long-term debt issued	1,400	0
Long-term debt repaid	(753)	(602)
Short-term notes issued	4,242	3,795
Short-term notes repaid	(3,916)	(3,338)
Convertible debentures issued (Note 16)	0	513
Dividends paid	(560)	(536)
Distributions paid to noncontrolling interest	(8)	(6)
Other	(6)	(27)
Net cash from (used in) financing activities	399	(201)
Investing activities		
Property, plant and equipment	(1,418)	(1,467)
Intangible assets	(120)	(80)
Capital contributions received (Note 27)	7	9
Other	15	(2)
Net cash used in investing activities	(1,516)	(1,540)
Net change in cash and cash equivalents	458	(25)
Cash and cash equivalents, beginning of year	25	50
Cash and cash equivalents, end of year	$ 483	$ 25

Description of the Business	12 Months Ended Dec. 31, 2018
Organization, Consolidation and Presentation of Financial Statements [Abstract]	
Description of the Business	

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). The acquisition of Hydro One Inc. by Hydro One was accounted for as a common control transaction and Hydro One is a continuation of business operations of Hydro One Inc. At December 31, 2018, the Province held approximately 47.4% (2017 - 47.4%) of the common shares of Hydro One.

The principal businesses of Hydro One are the transmission and distribution of electricity to customers within Ontario.

Rate Setting

The Company's transmission business consists of the transmission system operated by Hydro One Inc.'s subsidiaries, Hydro One Networks Inc. (Hydro One Networks) and Hydro One Sault Ste. Marie LP (HOSSM), as well as an approximately 66% interest in B2M Limited Partnership (B2M LP), a limited partnership between Hydro One and the Saugeen Ojibway Nation (SON) in respect of the Bruce-to-Milton transmission line. Hydro One's distribution business consists of the distribution system operated by Hydro One Inc.'s subsidiaries, Hydro One Networks and Hydro One Remote Communities Inc. (Hydro One Remote Communities).

Ontario Energy Board (OEB) March 7, 2019 Decisions and Amended Consolidated Financial Statements

Subsequent to year end, on March 7, 2019, the OEB issued a decision on its reconsideration of its decision and order on Hydro One Networks' 2017 and 2018 transmission rates revenue requirements dated September 28, 2017 (Original Decision) with respect to the rate-setting treatment of the benefits of the deferred tax asset resulting from transition from the payments in lieu of tax regime under the *Electricity Act* (Ontario) to tax payments under the federal and provincial tax regime which occurred when Hydro One Limited became a public company listed on the Toronto Stock Exchange.

The March 7, 2019 OEB decision has been determined to be a Type I subsequent event under United States (US) Generally Accepted Accounting Principles (GAAP) and as such the Company is required to update the consolidated financial statements previously issued on February 20, 2019, to reflect the subsequent event in connection with filing its annual report on Form 40-F with the US Securities and Exchange Commission, so that they reflect events to the date of approval of the Form 40-F. As a result, the financial impact of this OEB decision has been reflected in these amended consolidated financial statements, as more fully discussed in Note 12 - Regulatory Assets and Liabilities.

Transmission

In December 2017, the OEB approved Hydro One Networks' 2018 rates revenue requirement of $1,511 million. See Note 12 - Regulatory Assets and Liabilities for additional information.

In December 2015, the OEB approved B2M LP's 2015-2019 rates revenue requirements of $39 million, $36 million, $37 million, $38 million and $37 million for the respective years. On May 10, 2018, the OEB issued its decision and rate order on B2M LP's 2018 transmission application reflecting revenue requirement of $36 million, effective January 1, 2018.

HOSSM is under a 10-year deferred rebasing period for years 2017-2026, as approved in the OEB Mergers Acquisitions Amalgamations and Divestitures (MAAD) decision dated October 13, 2016. In September 2017, the OEB issued its decision and Order on HOSSM's 2017 transmission rate application, denying the requested revenue requirement. HOSSM's 2016 approved revenue requirement of $41 million remained in effect for 2017 and 2018.

Distribution

In March 2017, Hydro One Networks filed an application with the OEB for 2018-2022 distribution rates. The requested revenue requirements, updated in June 2018, are $1,514 million for 2018, $1,561 million for 2019, $1,607 million for 2020, $1,681 million for 2021, and $1,722 million for 2022. The OEB decision was received on March 7, 2019. See Note 32(D) - Subsequent Events - OEB Regulatory Decisions.

On November 17, 2017, Hydro One filed with the OEB a request for 2018 interim rates based on 2017 OEB-approved rates, adjusted for an updated load forecast. On December 1, 2017, the OEB denied this request and set interim 2018 rates based on 2017 OEB- approved rates with no adjustments.

On August 28, 2017, Hydro One Remote Communities filed an application with the OEB seeking approval of its 2018 revenue requirement of $57 million and electricity rates effective May 1, 2018. On March 19, 2018, the OEB approved the settlement agreement related to the 2018 rates application reached by Hydro One Remote Communities and the intervenors in the rate proceeding. On March 26, 2018, a draft rate order was filed with the OEB for 2018 rates. The OEB approved the draft rate order on April 12, 2018, and the new rates were implemented effective May 1, 2018.

Significant Accounting Policies	12 Months Ended Dec. 31, 2018

Accounting Policies [Abstract]

Significant Accounting Policies

SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These Amended Consolidated Financial Statements (Consolidated Financial Statements) include the accounts of the Company and its subsidiaries. Intercompany transactions and balances have been eliminated.

Basis of Accounting

These Consolidated Financial Statements are prepared and presented in accordance with US GAAP and in Canadian dollars.

Use of Management Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates on an ongoing basis based upon historical experience, current conditions, and assumptions believed to be reasonable at the time the assumptions are made, with any adjustments being recognized in results of operations in the period they arise. Significant estimates relate to regulatory assets and regulatory liabilities, environmental liabilities, pension benefits, post-retirement and post-employment benefits, asset retirement obligations, goodwill and asset impairments, contingencies, unbilled revenues, and deferred income tax assets and liabilities. Actual results may differ significantly from these estimates.

Regulatory Accounting

The OEB has the general power to include or exclude revenues, costs, gains or losses in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have been applied in an unregulated company. Such change in timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Company’s regulatory assets represent amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities that generally represent amounts that are refundable to future customers. The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will include its regulatory assets and liabilities in setting future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in setting future rates, the appropriate carrying amount would be reflected in results of operations prospectively from the date the Company’s assessment is made, unless the change meets the requirements for a Type I subsequent event.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less.

Revenue Recognition

The Company adopted Accounting Standard Codification (ASC) 606 - *Revenue from Contracts with Customers* on January 1, 2018 using the retrospective method, without the election of any practical expedients. There was no material impact to the Company's revenue recognition policy as a result of adopting ASC 606, and no adjustments were made to prior period reported financial statements amounts.

Nature of Revenues

Transmission revenues predominantly consist of transmission tariffs, which are collected through OEB-approved Uniform Transmission Rates (UTR) and the monthly peak demand for electricity across Hydro One's high-voltage network. OEB-approved UTR is based on an approved revenue requirement that includes a rate of return. The transmission tariffs are designed to recover revenues necessary to support the Company's transmission system with sufficient capacity to accommodate the maximum expected demand which is influenced by weather and economic conditions. Transmission revenues are recognized as electricity is transmitted and delivered to customers.

Distribution revenues attributable to the delivery of electricity are based on OEB-approved distribution rates and are recognized on an accrual basis and include billed and unbilled revenues. Billed revenues are based on electricity delivered as measured from customer meters. At the end of each month, electricity delivered to customers since the date of the last billed meter reading is estimated, and the corresponding unbilled revenue is recorded. The unbilled revenue estimate is affected by energy consumption, weather, and changes in the composition of customer classes.

Revenues also include amounts related to sales of other services and equipment. Such revenue is recognized as services are rendered or as equipment is delivered. Revenues are recorded net of indirect taxes.

Accounts Receivable and Allowance for Doubtful Accounts

Billed accounts receivable are recorded at the invoiced amount, net of allowance for doubtful accounts. Unbilled accounts receivable are recorded at their estimated value. Overdue amounts related to regulated billings bear interest at OEB-approved rates. The allowance for doubtful accounts reflects the Company’s best estimate of losses on billed accounts receivable balances. The Company estimates the allowance for doubtful accounts on billed accounts receivable by applying internally developed loss rates to the outstanding receivable balances by aging category. Loss rates applied to the billed accounts receivable balances are based on historical overdue balances, customer payments and write-offs. Accounts receivable are written-off against the allowance when they are deemed uncollectible. The allowance for doubtful accounts is affected by changes in volume, prices and economic conditions.

Noncontrolling interest

Noncontrolling interest represents the portion of equity ownership in subsidiaries that is not attributable to shareholders of Hydro One. Noncontrolling interest is initially recorded at fair value and subsequently the amount is adjusted for the proportionate share of net income and other comprehensive income (OCI) attributable to the noncontrolling interest and any dividends or distributions paid to the noncontrolling interest.

If a transaction results in the acquisition of all, or part, of a noncontrolling interest in a subsidiary, the acquisition of the noncontrolling interest is accounted for as an equity transaction. No gain or loss is recognized in consolidated net income or comprehensive income as a result of changes in the noncontrolling interest, unless a change results in the loss of control by the Company.

Income Taxes

Current and deferred income taxes are computed based on the tax rates and tax laws enacted as at the balance sheet date. Tax benefits associated with income tax positions are recorded only when the more-likely-than-not recognition threshold is satisfied and are measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon settlement. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant management judgment is required to determine recognition thresholds and the related amount of tax benefits to be recognized in the Consolidated Financial Statements. Management re-evaluates tax positions each period using new information about recognition or measurement as it becomes available.

Deferred Income Taxes

Deferred income taxes are provided for using the liability method. Under this method, deferred income tax assets and liabilities are recognized on all temporary differences between the tax bases and carrying amounts of assets and liabilities, including the carry forward unused tax credits and tax losses to the extent that it is more-likely-than-not that these deductions, credits, and losses can be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates and tax laws that have been enacted as at the balance sheet date. Deferred income taxes that are not included in the rate-setting process are charged or credited to the Consolidated Statements of Operations and Comprehensive Income.

Management reassesses the deferred income tax assets at each balance sheet date and reduces the amount to the extent that it is more-likely-than-not that the deferred income tax asset will not be realized. Previously unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more-likely-than-not that the tax benefit will be realized.

As approved by the regulator, the Company's Canadian subsidiaries recover income tax expense in customer rates based on income taxes that are currently payable, except for certain regulatory balances for which deferred income tax expense is recovered from, or refunded to, customers in current rates, as prescribed by the regulator. The Company records regulatory assets and liabilities associated with deferred income tax assets and liabilities that will be included in the rate-setting process.

Investment tax credits are recorded as a reduction of the related expenses or income tax expense in the current or future period to the extent it is more likely than not that the credits can be utilized.

Materials and Supplies

Materials and supplies represent consumables, small spare parts and construction materials held for internal construction and maintenance of property, plant and equipment. These assets are carried at average cost less any impairments recorded.

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost, net of customer contributions, and any accumulated impairment losses. The cost of additions, including betterments and replacement asset components, is included on the Consolidated Balance Sheets as property, plant and equipment.

The original cost of property, plant and equipment includes direct materials, direct labour (including employee benefits), contracted services, attributable capitalized financing costs, asset retirement costs, and direct and indirect overheads that are related to the capital project or program. Indirect overheads include a portion of corporate costs such as finance, treasury, human resources, information technology and executive costs. Overhead costs, including corporate functions and field services costs, are capitalized on a fully allocated basis, consistent with an OEB-approved methodology.

Property, plant and equipment in service consists of transmission, distribution, communication, administration and service assets and land easements. Property, plant and equipment also includes future use assets, such as land, major components and spare parts, and capitalized project development costs associated with deferred capital projects.

Transmission

Transmission assets include assets used for the transmission of high-voltage electricity, such as transmission lines, support structures, foundations, insulators, connecting hardware and grounding systems, and assets used to step up the voltage of electricity from generating stations for transmission and to step down voltages for distribution, including transformers, circuit breakers and switches.

Distribution

Distribution assets include assets related to the distribution of low-voltage electricity, including lines, poles, switches, transformers, protective devices and metering systems.

Communication

Communication assets include fibre optic and microwave radio systems, optical ground wire, towers, telephone equipment and associated buildings.

Administration and Service

Administration and service assets include administrative buildings, personal computers, transport and work equipment, tools and other minor assets.

Easements

Easements include statutory rights of use for transmission corridors and abutting lands granted under the *Reliable Energy and Consumer Protection Act, 2002*, as well as other land access rights.

Intangible Assets

Intangible assets separately acquired or internally developed are measured on initial recognition at cost, which comprises purchased software, direct labour (including employee benefits), consulting, engineering, overheads and attributable capitalized financing charges. Following initial recognition, intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses. The Company's intangible assets primarily represent major computer applications.

Capitalized Financing Costs

Capitalized financing costs represent interest costs attributable to the construction of property, plant and equipment or development of intangible assets. The financing cost of attributable borrowed funds is capitalized as part of the acquisition cost of such assets. The capitalized financing costs are a reduction of financing charges recognized in the Consolidated Statements of Operations and Comprehensive Income. Capitalized financing costs are calculated using the Company's weighted average effective cost of debt.

Construction and Development in Progress

Construction and development in progress consists of the capitalized cost of constructed assets that are not yet complete and which have not yet been placed in service.

Depreciation and Amortization

The cost of property, plant and equipment and intangible assets is depreciated or amortized on a straight-line basis based on the estimated remaining service life of each asset category, except for transport and work equipment, which is depreciated on a declining balance basis.

The Company periodically initiates an external independent review of its property, plant and equipment and intangible asset depreciation and amortization rates, as required by the OEB. Any changes arising from OEB approval of such a review are implemented on a remaining service life basis, consistent with their inclusion in electricity rates. The most recent reviews resulted in changes to rates effective January 1, 2015 and January 1, 2017 for Hydro One Networks' distribution and transmission businesses, respectively. A summary of average service lives and depreciation and amortization rates for the various classes of assets is included below:

	Average	Rate	
	Service Life	Range	Average
Property, plant and equipment:			
Transmission	55 years	1% - 3%	2%
Distribution	46 years	1% - 7%	2%
Communication	16 years	1% - 15%	6%
Administration and service	20 years	1% - 20%	6%
Intangible assets	10 years	10%	10%

In accordance with group depreciation practices, the original cost of property, plant and equipment, or major components thereof, and intangible assets that are normally retired, is charged to accumulated depreciation, with no gain or loss being reflected in results of operations. Where a disposition of property, plant and equipment occurs through sale, a gain or loss is calculated based on proceeds and such gain or loss is included in depreciation expense.

Acquisitions and Goodwill

The Company accounts for business acquisitions using the acquisition method of accounting and, accordingly, the assets and liabilities of the acquired entities are primarily measured at their estimated fair value at the date of acquisition. Costs associated with pending acquisitions are expensed as incurred. Goodwill represents the cost of acquired companies that is in excess of the fair value of the net identifiable assets acquired at the acquisition date. Goodwill is not included in rate base.

Goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. The Company performs a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount. If the Company determines, as a result of its qualitative assessment, that it is not more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, no further testing is required. If the Company determines, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, a goodwill impairment assessment is performed using a two-step, fair value-based test. The first step compares the fair value of the applicable reporting unit to its carrying amount, including goodwill. If the carrying amount of the applicable reporting unit exceeds its fair value, a second step is performed. The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss is recorded as a reduction to goodwill and as a charge to results of operations.

Based on assessment performed as at September 30, 2018, the Company has concluded that goodwill was not impaired at December 31, 2018.

Long-Lived Asset Impairment

When circumstances indicate the carrying value of long-lived assets may not be recoverable, the Company evaluates whether the carrying value of such assets, excluding goodwill, has been impaired. For such long-lived assets, the Company evaluates whether impairment may exist by estimating future estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used to develop estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on the estimated future undiscounted cash flows, an impairment loss is recorded, measured as the excess of the carrying value of the asset over its fair value. As a result, the asset's carrying value is adjusted to its estimated fair value.

Within its regulated business, the carrying costs of most of Hydro One's long-lived assets are included in rate base where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable.

Hydro One regularly monitors the assets of its unregulated Hydro One Telecom subsidiary for indications of impairment. Management assesses the fair value of such long-lived assets using commonly accepted techniques. Techniques used to determine fair value include, but are not limited to, the use of recent third-party comparable sales for reference and internally developed discounted cash flow analysis. Significant changes in market conditions, changes to the condition of an asset, or a change in management's intent to utilize the asset are generally viewed by management as triggering events to reassess the cash flows related to these long-lived assets. As at December 31, 2018 and 2017, no asset impairment had been recorded for assets within either the Company's regulated or unregulated businesses.

Costs of Arranging Debt Financing

For financial liabilities classified as other than held-for-trading and for convertible debentures, the Company defers the external transaction costs related to obtaining financing and presents such amounts net of related debt or convertible debentures on the Consolidated Balance Sheets. Deferred issuance costs are amortized over the contractual life of the related debt or convertible debentures on an effective-interest basis and the amortization is included within financing charges in the Consolidated Statements of Operations and Comprehensive Income. Transaction costs for items classified as held-for-trading are expensed immediately.

Comprehensive Income

Comprehensive income is comprised of net income and OCI. Hydro One presents net income and OCI in a single continuous Consolidated Statement of Operations and Comprehensive Income.

Financial Assets and Liabilities

All financial assets and liabilities are classified into one of the following five categories: held-to-maturity; loans and receivables; held-for-trading; other liabilities; or available-for-sale. Financial assets and liabilities classified as held-for-trading are measured at fair value. All other financial assets and liabilities are measured at amortized cost, except accounts receivable and amounts due from related parties, which are measured at the lower of cost or fair value. Accounts receivable and amounts due from related parties are classified as loans and receivables. The Company considers the carrying amounts of accounts receivable and amounts due from related parties to be reasonable estimates of fair value because of the short time to maturity of these instruments. Provisions for impaired accounts receivable are recognized as adjustments to the allowance for doubtful accounts and are recognized when there is objective evidence that the Company will not be able to collect amounts according to the original terms. All financial instrument transactions are recorded at trade date.

Derivative instruments are measured at fair value. Gains and losses from fair valuation are included within financing charges in the period in which they arise. The Company determines the classification of its financial assets and liabilities at the date of initial recognition. The Company designates certain of its financial assets and liabilities to be held at fair value, when it is consistent with the Company's risk management policy disclosed in Note 17 - Fair Value of Financial Instruments and Risk Management.

Derivative Instruments and Hedge Accounting

The Company closely monitors the risks associated with changes in interest rates on its operations and, where appropriate, uses various instruments to hedge these risks. Certain of these derivative instruments qualify for hedge accounting and are designated as accounting hedges, while others either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undesignated contracts) as they are part of economic hedging relationships.

The accounting guidance for derivative instruments requires the recognition of all derivative instruments not identified as meeting the normal purchase and sale exemption as either assets or liabilities recorded at fair value on the Consolidated Balance Sheets. For derivative instruments that qualify for hedge accounting, the Company may elect to designate such derivative instruments as either cash flow hedges or fair value hedges. The Company offsets fair value amounts recognized on its Consolidated Balance Sheets related to derivative instruments executed with the same counterparty under the same master netting agreement.

For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, net of tax, is reported as a component of accumulated OCI (AOCI) and is reclassified to results of operations in the same period or periods during which the hedged transaction affects results of operations. Any gains or losses on the derivative instrument that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations. For fair value hedges, changes in fair value of both the derivative instrument and the underlying hedged exposure are recognized in the Consolidated Statements of Operations and Comprehensive Income in the current period. The gain or loss on the derivative instrument is included in the same line item as the offsetting gain or loss on the hedged item in the Consolidated Statements of Operations and Comprehensive Income. The changes in fair value of the undesignated derivative instruments are reflected in results of operations.

Embedded derivative instruments are separated from their host contracts and are carried at fair value on the Consolidated Balance Sheets when: (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract; (b) the hybrid instrument is not measured at fair value, with changes in fair value recognized in results of operations each period; and (c) the embedded derivative itself meets the definition of a derivative. The Company does not engage in derivative trading or speculative activities and had no embedded derivatives that required bifurcation at December 31, 2018 or 2017.

Hydro One periodically develops hedging strategies taking into account risk management objectives. At the inception of a hedging relationship where the Company has elected to apply hedge accounting, Hydro One formally documents the relationship between the hedged item and the hedging instrument, the related risk management objective, the nature of the specific risk exposure being hedged, and the method for assessing the effectiveness of the hedging relationship. The Company also assesses, both at the inception of the hedge and on a quarterly basis, whether the hedging instruments are effective in offsetting changes in fair values or cash flows of the hedged items.

Employee Future Benefits

Employee future benefits provided by Hydro One include pension, post-retirement and post-employment benefits. The costs of the Company's pension, post-retirement and post-employment benefit plans are recorded over the periods during which employees render service.

The Company recognizes the funded status of its defined benefit pension, post-retirement and post-employment plans on its Consolidated Balance Sheets and subsequently recognizes the changes in funded status at the end of each reporting year. Defined benefit pension, post-retirement and post-employment plans are considered to be underfunded when the projected benefit obligation (PBO) exceeds the fair value of the plan assets. Liabilities are recognized on the Consolidated Balance Sheets for any net underfunded PBO. The net underfunded PBO may be disclosed as a current liability, long-term liability, or both. The current portion is the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months exceeds the fair value of plan assets. If the fair value of plan assets exceeds the PBO of the plan, an asset is recognized equal to the net overfunded PBO. The post-retirement and post-employment benefit plans are unfunded because there are no related plan assets.

Hydro One recognizes its contributions to the defined contribution pension plan (DC Plan) as pension expense, with a portion being capitalized as part of labour costs included in capital expenditures. The expensed amount is included in operation, maintenance and administration (OM&A) costs in the Consolidated Statements of Operations and Comprehensive Income.

Defined Benefit Pension

Defined benefit pension costs are recorded on an accrual basis for financial reporting purposes. Pension costs are actuarially determined using the projected benefit method prorated on service and are based on assumptions that reflect management's best estimate of the effect of future events, including future compensation increases. Past service costs from plan amendments and all actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service period of active employees in the plan, and over the estimated remaining life expectancy of inactive employees in the plan. Pension plan assets, consisting primarily of listed equity securities as well as corporate and government debt securities, are fair valued at the end of each year. Hydro One records a regulatory asset equal to the net underfunded PBO for its pension plan. Defined benefit pension costs are attributed to labour costs and a portion directly related to acquisition and development of capital assets not exceeding the service cost component of accrual basis defined benefit pension costs is capitalized as part of the cost of property, plant and equipment and intangible assets. The remaining defined benefit pension costs are charged to results of operations (OM&A costs).

Post-retirement and Post-employment Benefits

Post-retirement and post-employment benefits are recorded and included in rates on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments are amortized to results of operations based on the expected average remaining service period.

For post-retirement benefits, all actuarial gains or losses are deferred using the "corridor" approach. The amount calculated above the "corridor" is amortized to results of operations on a straight-line basis over the expected average remaining service life of active employees in the plan and over the remaining life expectancy of inactive employees in the plan. The post-retirement benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

For post-employment obligations, the associated regulatory liabilities representing actuarial gains on transition to US GAAP are amortized to results of operations based on the "corridor" approach. The actuarial gains and losses on post-employment obligations that are incurred during the year are recognized immediately to results of operations. The post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

All post-retirement and post-employment benefit costs are attributed to labour costs and are either charged to results of operations (OM&A costs) or capitalized as part of the cost of property, plant and equipment and intangible assets for service cost component and to regulatory assets for all other components of the benefit costs, consistent with their inclusion in OEB-approved rates.

Stock-Based Compensation

Share Grant Plans

Hydro One measures share grant plans based on fair value of share grants as estimated based on the grant date common share price. The costs are recognized in the financial statements using the graded-vesting attribution method for share grant plans that have both a performance condition and a service condition. The Company records a regulatory asset equal to the accrued costs of share grant plans recognized in each period. Costs are transferred from the regulatory asset to labour costs at the time the share grants vest and are issued, and are recovered in rates. Forfeitures are recognized as they occur.

Deferred Share Unit (DSU) Plans

The Company records the liabilities associated with its Directors' and Management DSU Plans at fair value at each reporting date until settlement, recognizing compensation expense over the vesting period on a straight-line basis. The fair value of the DSU liability is based on the Company's common share closing price at the end of each reporting period.

Long-term Incentive Plan (LTIP)

The Company measures the awards issued under its LTIP, at fair value based on the grant date common share price. The related compensation expense is recognized over the vesting period on a straight-line basis. Forfeitures are recognized as they occur.

Loss Contingencies

Hydro One is involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of its Consolidated Financial Statements, management makes judgments regarding the future outcome of contingent events and records a loss for a contingency based on its best estimate when it is determined that such loss is probable and the amount of the loss can be reasonably estimated. Where the loss amount is recoverable in future rates, a regulatory asset is also recorded. When a range estimate for the probable loss exists and no amount within the range is a better estimate than any other amount, the Company records a loss at the minimum amount within the range.

Management regularly reviews current information available to determine whether recorded provisions should be adjusted and whether new provisions are required. Estimating probable losses may require analysis of multiple forecasts and scenarios that often depend on judgments about potential actions by third parties, such as federal, provincial and local courts or regulators. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the Consolidated Financial Statements may differ from the actual outcome once the contingency is resolved. Such differences could have a material impact on future results of operations, financial position and cash flows of the Company.

Provisions are based upon current estimates and are subject to greater uncertainty where the projection period is lengthy. A significant upward or downward trend in the number of claims filed, the nature of the alleged injuries, and the average cost of resolving each claim could change the estimated provision, as could any substantial adverse or favourable verdict at trial. A federal or provincial legislative outcome or structured settlement could also change the estimated liability. Legal fees are expensed as incurred.

Environmental Liabilities

Environmental liabilities are recorded in respect of past contamination when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated. Hydro One records a liability for the estimated future expenditures associated with contaminated land assessment and remediation (LAR) and for the phase-out and destruction of polychlorinated biphenyl (PCB)-contaminated mineral oil removed from electrical equipment, based on the present value of these estimated future expenditures. The Company determines the present value with a discount rate that produces an amount at which the environmental liabilities could be settled in an arm's length transaction with a third party. As the Company anticipates that the future expenditures will continue to be recoverable in future rates, an offsetting regulatory asset has been recorded to reflect the future recovery of these environmental expenditures from customers. Hydro One reviews its estimates of future environmental expenditures annually, or more frequently if there are indications that circumstances have changed.

Asset Retirement Obligations

Asset retirement obligations are recorded for legal obligations associated with the future removal and disposal of long-lived assets. Such obligations may result from the acquisition, construction, development and/or normal use of the asset. Conditional asset retirement obligations are recorded when there is a legal obligation to perform a future asset retirement activity but where the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. In such a case, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. This uncertainty is incorporated in the fair value measurement of the obligation.

When recording an asset retirement obligation, the present value of the estimated future expenditures required to complete the asset retirement activity is recorded in the period in which the obligation is incurred, if a reasonable estimate can be made. In general, the present value of the estimated future expenditures is added to the carrying amount of the associated asset and the resulting asset retirement cost is depreciated over the estimated useful life of the asset. The present value is determined with a discount rate that equates to the Company's credit-adjusted risk-free rate. Where an asset is no longer in service when an asset retirement obligation is recorded, the asset retirement cost is recorded in results of operations.

Some of the Company's transmission and distribution assets, particularly those located on unowned easements and rights-of-way, may have asset retirement obligations, conditional or otherwise. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Company expects to use the majority of its facilities in perpetuity, no asset retirement obligations have been recorded for these assets. If, at some future date, a particular facility is shown not to meet the perpetuity assumption, it will be reviewed to determine whether an estimable asset retirement obligation exists. In such a case, an asset retirement obligation would be recorded at that time.

The Company's asset retirement obligations recorded to date relate to estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities.

New Accounting Pronouncements	12 Months Ended Dec. 31, 2018
Accounting Changes and Error Corrections [Abstract]	
New Accounting Pronouncements	

NEW ACCOUNTING PRONOUNCEMENTS

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

Recently Adopted Accounting Guidance

Guidance	Date issued	Description	Effective date	Impact on Hydro One
ASC 606	May 2014 – November 2017	ASC 606 *Revenue from Contracts with Customers* replaced ASC 605 *Revenue Recognition*. ASC 606 provides guidance on revenue recognition relating to the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.	January 1, 2018	On January 1, 2018, Hydro One adopted ASC 606 using the retrospective method, without the election of any practical expedients. Upon adoption, there was no material impact to the Company's revenue recognition policy and no adjustments were made to prior period reported financial statements amounts. The Company has included the disclosure requirements of ASC 606 for annual and interim periods in the year of adoption.
ASU 2017-07	March 2017	Service cost components of net benefit cost associated with defined benefit plans are required to be reported in the same line as other compensation costs arising from services rendered by the Company’s employees. All other components of net benefit cost are to be presented in the income statement separately from the service cost component. Only the service cost component is eligible for capitalization where applicable.	January 1, 2018	Hydro One applied for a regulatory asset to maintain the capitalization of post-employment benefit related costs and as such, there is no material impact upon adoption. See Note 2 - Significant Accounting Policies and Note 12 - Regulatory Assets and Liabilities.

Recently Issued Accounting Guidance Not Yet Adopted

Guidance	Date issued	Description	Effective date	Anticipated impact on Hydro One
2016-02 2018-01 2018-10 2018-11 2018-20	February 2016 – December 2018	Lessees are required to recognize the rights and obligations resulting from operating leases as assets (right to use the underlying asset for the term of the lease) and liabilities (obligation to make future lease payments) on the balance sheet. ASU 2018-01 permits an entity to elect an optional practical expedient to not evaluate under ASC 842 land easements that exist or expired before the entity's adoption of ASC 842 and that were not previously accounted for as leases under ASC 840. ASU 2018-10 amends narrow aspects of ASC 842. ASU 2018-11 provides entities with an additional and option transition method in adopting ASC 842. ASU 2018-11 also permits lessors to elect an optional practical expedient to not separate non-lease components from the associated lease component by underlying asset classes. ASU 2018-20 provides relief to lessors that have lease contracts that	January 1, 2019	Hydro One reviewed its existing leases and other contracts that are within the scope of ASC 842. Apart from the existing leases, no other contracts contained lease arrangements. Upon adoption in the first quarter of 2019, the Company will utilize the modified retrospective transition approach using the effective date of January 1, 2019 as its date of initial application. As a result, comparatives will not be updated. The Company will elect the package of practical expedients and the land easement practical expedient upon adoption. The impact to Hydro One's financial statements will be the

		either require lessees to pay lessor costs directly to a third party or require lessees to reimburse lessors for costs paid by lessors directly to third parties.		recognition of approximately $27 million Right-of-Use (ROU) assets and corresponding lease obligations on the Consolidated Balance Sheet. The ROU assets and lease obligations represent the present value of the Company’s remaining minimum lease payments for leases with terms greater than 12 months. Discount rates used in calculating the ROU assets and lease obligations correspond to the Company’s incremental borrowing rate.
2018-07	June 2018	Expansion in the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from non-employees. Previously, ASC 718 was only applicable to share-based payment transactions for acquiring goods and services from employees.	January 1, 2019	No impact upon adoption
2018-13	August 2018	Disclosure requirements on fair value measurements in ASC 820 are modified to improve the effectiveness of disclosures in financial statement notes.	January 1, 2020	Under assessment
2018-14	August 2018	Disclosure requirements related to single-employer defined benefit pension or other post-retirement benefit plans are added, removed or clarified to improve the effectiveness of disclosures in financial statement notes.	January 1, 2021	Under assessment
2018-15	August 2018	The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement is not affected by the amendment.	January 1, 2020	Under assessment

Business Combinations	12 Months Ended Dec. 31, 2018
Business Combinations [Abstract]	
Business Combinations	

BUSINESS COMBINATIONS

Avista Corporation Purchase Agreement

In July 2017, Hydro One reached an agreement to acquire Avista Corporation (Merger) for approximately $6.7 billion in an all-cash transaction. Avista Corporation is an investor-owned utility providing electric generation, transmission, and distribution services. It is headquartered in Spokane, Washington, with service areas in Washington, Idaho, Oregon, Montana and Alaska. The closing of the Merger was subject to receipt of certain regulatory and government approvals, and the satisfaction of customary closing conditions.

The costs related to the acquisition totalling $69 million (2017 - $42 million) have been expensed through the consolidated statements of operations. These costs, net of unrealized gains on the foreign exchange contract of $25 million in the year ended December 31, 2018 and a loss of $3 million in the year ended December 31, 2017, resulted in net costs of $44 million and $45 million, respectively being included in earnings.

On December 5, 2018, the Washington Utilities and Transportation Commission (Washington UTC) issued an order denying the Merger. On December 17, 2018, Hydro One filed a petition requesting the Washington UTC to reconsider its December 5, 2018 order denying the Merger. On January 3, 2018, the Idaho Public Utilities Commission denied Hydro One's application to acquire Avista Corporation. On January 8, 2019, the Washington UTC issued a notice of denial of Hydro One's petition for reconsideration of Washington UTC's December 5, 2018 order denying the Merger. On January 14, 2019, the Oregon Public Utility Commission issued a notice of abeyance until Hydro One and Avista Corporation have sought a reversal of the two denial decisions.

On January 23, 2019, Hydro One and Avista Corporation announced that the companies have mutually agreed to terminate the Merger agreement. As a result of the termination of the Merger agreement, on January 24, 2019, Hydro One paid a US$103 million termination fee to Avista Corporation as required by the Merger agreement. On January 24, 2019, the Company cancelled the $1.0 billion non-revolving equity bridge credit facility and on January 25, 2019, Hydro One terminated the US$2.6 billion non-revolving debt bridge credit facility (Acquisition Credit Facilities). No amounts have been drawn on the Acquisition Credit Facilities. On February 1, 2019, Hydro One entered into a credit agreement for a $170 million unsecured demand operating credit facility (Demand Facility) for the purpose of funding the payment of the termination fee and other Merger related costs. On February 8, 2019, Hydro One redeemed the convertible debentures and paid the holders of the Instalment Receipts $513 million ($333 per $1,000 principal amount) plus accrued and unpaid interest of $7 million. The redemption of the convertible debentures was paid with cash on hand. As a result of the termination of the Merger agreement, no payment is due or receivable by Hydro One on the foreign exchange contract.

The following amounts related to the termination of the Merger agreement will be recorded by the Company in its 2019 first quarter financial statements:

- $138 million OM&A costs for payment of the US$103 million termination fee;
- $22 million financing charges, due to revaluation of the foreign-exchange contract to $nil and reversal of previously recorded gains;
- repayment of $513 million convertible debentures and related interest of $7 million; and
- $24 million financing charges, due to derecognition of the deferred financing costs related to convertible debentures.

See Note 16 - Convertible Debentures and Note 17 - Fair Value of Financial Instruments and Risk Management for details of the convertible debentures and the foreign exchange contract, respectively.

Orillia Power Purchase Agreement

In August 2016, the Company reached an agreement to acquire Orillia Power Distribution Corporation (Orillia Power), an electricity distribution company located in Simcoe County, Ontario, from the City of Orillia for approximately $41 million, including the assumption of approximately $15 million in outstanding indebtedness and regulatory liabilities, subject to closing adjustments and regulatory approval by the OEB. In September 2016, Hydro One filed an application with the OEB to acquire Orillia Power, which was denied by the OEB on April 12, 2018. On September 26, 2018, Hydro One filed a new application with the OEB for approval to acquire Orillia Power.

Peterborough Distribution Purchase Agreement

On July 31, 2018, Hydro One reached an agreement to acquire the business and distribution assets of Peterborough Distribution Inc. (Peterborough Distribution), an electricity distribution company located in east central Ontario, from the City of Peterborough for approximately $105 million. The acquisition is conditional upon the satisfaction of customary closing conditions and approval by the OEB and the Competition Bureau. On October 12, 2018, the Company filed an application with the OEB for approval of the acquisition. On November 14, 2018, the Competition Bureau issued no action letter, meaning that transaction can proceed from the Competition Bureau's position.

Depreciation, Amortization And Asset Removal Costs	12 Months Ended Dec. 31, 2018
Property, Plant and Equipment [Abstract]	
Depreciation, Amortization And Asset Removal Costs	**DEPRECIATION, AMORTIZATION AND ASSET REMOVAL COSTS**

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Depreciation of property, plant and equipment	654	641
Amortization of intangible assets	71	62
Amortization of regulatory assets	22	24
Depreciation and amortization	747	727
Asset removal costs	90	90
	837	817

Financing Charges	12 Months Ended Dec. 31, 2018
Banking and Thrift, Interest [Abstract]	
Financing Charges	**FINANCING CHARGES**

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Interest on long-term debt	447	450
Interest on convertible debentures	62	24
Interest on short-term notes	14	6
Unrealized loss (gain) on foreign exchange contract *(Note 17)*	(25)	3
Other	21	14
Less: Interest capitalized on construction and development in progress	(53)	(56)
Interest earned on cash and cash equivalents	(7)	(2)
	459	439

Income Taxes	12 Months Ended Dec. 31, 2018
Income Tax Disclosure [Abstract]	
Income Taxes	

INCOME TAXES

As a rate regulated utility company, the Company's effective tax rate excludes temporary differences that are recoverable in future rates charged to customers. Income tax expense 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:

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Income before income taxes	850	793
Income taxes at statutory rate of 26.5% (2017 - 26.5%)	225	210
Increase (decrease) resulting from:		
Net temporary differences recoverable in future rates charged to customers:		
Capital cost allowance in excess of depreciation and amortization	(68)	(55)
Overheads capitalized for accounting but deducted for tax purposes	(20)	(17)
Interest capitalized for accounting but deducted for tax purposes	(14)	(15)
Pension contributions in excess of pension expense	(11)	(13)
Environmental expenditures	(6)	(6)
Other	(9)	3
Net temporary differences	(128)	(103)
Net permanent differences	1	4
Write-off of unregulated deferred income tax asset *(Notes 12, 32)*	885	—
Non-recurring tax recovery relating to deferred tax asset sharing[1] *(Notes 12, 32)*	(68)	—
Total income taxes	915	111
Effective income tax rate	107.6%	14.0%

[1] This represents the reversal of cumulative deferred tax expenses recorded in 2017 and 2018 relating to temporary differences that are now being allocated to ratepayers. For rate-setting purposes, the deferred income tax expenses or recovery relating to temporary differences that will be included in the rate-setting process are recorded as regulatory assets and liabilities on the balance sheet.

The major components of income tax expense are as follows:

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Current income taxes	25	26
Deferred income taxes	890	85
Total income taxes	915	111

Deferred Income Tax Assets and Liabilities

Deferred income tax assets and liabilities expected to be included in the rate-setting process are offset by regulatory assets and liabilities to reflect the anticipated recovery or disposition of these balances within future electricity rates. Deferred income tax assets and liabilities arise from differences between the tax basis and the carrying amounts of the assets and liabilities. At December 31, 2018 and 2017, deferred income tax assets and liabilities consisted of the following:

December 31 *(millions of dollars)*	**2018**	**2017**

Deferred income tax assets		
Post-retirement and post-employment benefits expense in excess of cash payments	526	561
Non-capital losses	302	255
Non-depreciable capital property	271	271
Pension obligations	197	354
Investment in subsidiaries	86	84
Tax credit carryforwards	71	49
Environmental expenditures	59	71
Depreciation and amortization in excess of capital cost allowance	20	125
Other	24	23
	1,556	1,793
Less: valuation allowance	(366)	(364)
Total deferred income tax assets	1,190	1,429
Deferred income tax liabilities		
Capital cost allowance in excess of depreciation and amortization	9	75
Regulatory amounts that are not recognized for tax purposes	188	411
Goodwill	10	10
Other	23	17
Total deferred income tax liabilities	230	513
Net deferred income tax assets	960	916

The net deferred income tax assets are presented on the Consolidated Balance Sheets as follows:

December 31 *(millions of dollars)*	**2018**	**2017**
Long-term:		
Deferred income tax assets	1,018	987
Deferred income tax liabilities	(58)	(71)
Net deferred income tax assets	960	916

The valuation allowance for deferred tax assets as at December 31, 2018 was $366 million (2017 - $364 million). The valuation allowance primarily relates to temporary differences for non-depreciable assets and investments in subsidiaries. As of December 31, 2018 and 2017, the Company had non-capital losses carried forward available to reduce future years' taxable income, which expire as follows:

Year of expiry *(millions of dollars)*	**2018**	**2017**
2034	2	2
2035	221	222
2036	551	560
2037	172	175
2038	192	—
Total losses	1,138	959

Accounts Receivable

Receivables [Abstract]

Accounts Receivable

12 Months Ended Dec. 31, 2018

ACCOUNTS RECEIVABLE

December 31 *(millions of dollars)*	**2018**	**2017**
Accounts receivable – billed	292	298
Accounts receivable – unbilled	357	367
Accounts receivable, gross	649	665
Allowance for doubtful accounts	(21)	(29)
Accounts receivable, net	628	636

The following table shows the movements in the allowance for doubtful accounts for the years ended December 31, 2018 and 2017:

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Allowance for doubtful accounts – beginning	(29)	(35)
Write-offs	25	25
Additions to allowance for doubtful accounts	(17)	(19)
Allowance for doubtful accounts – ending	(21)	(29)

Other Current Assets	12 Months Ended Dec. 31, 2018
Deferred Costs, Capitalized, Prepaid, and Other Assets Disclosure [Abstract]	
Other Current Assets	OTHER CURRENT ASSETS

OTHER CURRENT ASSETS

December 31 *(millions of dollars)*	2018	2017
Regulatory assets *(Note 12)*	42	46
Prepaid expenses and other assets	41	41
Derivative instrument - foreign exchange contract *(Note 17)*	22	—
Materials and supplies	20	18
	125	105

Property, Plant and Equipment	12 Months Ended Dec. 31, 2018
Property, Plant and Equipment [Abstract]	
Property, Plant and Equipment	

PROPERTY, PLANT AND EQUIPMENT

December 31, 2018 *(millions of dollars)*	**Property, Plant and Equipment**	**Accumulated Depreciation**	**Construction in Progress**	**Total**
Transmission	16,559	5,449	766	11,876
Distribution	10,580	3,561	75	7,094
Communication	1,306	922	48	432
Administration and service	1,548	893	58	713
Easements	647	75	—	572
	30,640	10,900	947	20,687

December 31, 2017 *(millions of dollars)*	**Property, Plant and Equipment**	**Accumulated Depreciation**	**Construction in Progress**	**Total**
Transmission	15,509	5,162	989	11,336
Distribution	10,213	3,513	149	6,849
Communication	1,266	853	31	444
Administration and service	1,561	857	46	750
Easements	638	70	—	568
	29,187	10,455	1,215	19,947

Financing charges capitalized on property, plant and equipment under construction were $51 million in 2018 (2017 - $54 million).

Intangible Assets	12 Months Ended Dec. 31, 2018
Goodwill and Intangible Assets Disclosure [Abstract]	
Intangible Assets	**INTANGIBLE ASSETS**

December 31, 2018 *(millions of dollars)*	**Intangible Assets**	**Accumulated Amortization**	**Development in Progress**	**Total**
Computer applications software	790	440	60	410
Other	5	5	—	—
	795	445	60	410

December 31, 2017 *(millions of dollars)*	**Intangible Assets**	**Accumulated Amortization**	**Development in Progress**	**Total**
Computer applications software	698	370	41	369
Other	5	5	—	—
	703	375	41	369

Financing charges capitalized to intangible assets under development were $2 million in 2018 (2017 - $2 million). The estimated annual amortization expense for intangible assets is as follows: 2019 - $67 million; 2020 - $50 million; 2021 - $48 million; 2022 - $46 million; and 2023 - $35 million.

Regulatory Assets and Liabilities	12 Months Ended Dec. 31, 2018

Regulated Operations [Abstract]

Regulatory Assets and Liabilities

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:

December 31 *(millions of dollars)*	2018	2017
Regulatory assets:		
Deferred income tax regulatory asset	908	1,762
Pension benefit regulatory asset	547	981
Environmental	165	196
Foregone revenue deferral	—	23
Stock-based compensation	43	40
Post-retirement and post-employment benefits non-service cost	39	—
Debt premium	22	27
Distribution system code exemption	10	10
B2M LP start-up costs	2	4
Post-retirement and post-employment benefits	—	36
Other	27	16
Total regulatory assets	1,763	3,095
Less: current portion	(42)	(46)
	1,721	3,049
Regulatory liabilities:		
Post-retirement and post-employment benefits	130	—
Pension cost differential	55	23
Green Energy expenditure variance	52	60
Retail settlement variance account	39	—
External revenue variance	26	46
2015-2017 rate rider	6	6
Deferred income tax regulatory liability	86	5
Conservation and Demand Management (CDM) deferral variance	—	28
Other	23	17
Total regulatory liabilities	417	185
Less: current portion	(91)	(57)
	326	128

Deferred Income Tax Regulatory Asset and Liability

Deferred income taxes are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. The Company has recognized regulatory assets and liabilities that correspond to deferred income taxes that flow through the rate-setting process. In the absence of rate-regulated accounting, the Company’s income tax expense would have been recognized using the liability method and there would be no regulatory accounts established for taxes to be recovered through future rates. As a result, the 2018 income tax expense would have been lower by approximately $686 million (2017 - higher by $113 million).

On September 28, 2017, the OEB issued its decision and order on Hydro One Networks' 2017 and 2018 transmission rates revenue requirements (Original Decision). In its Original Decision, the OEB concluded that the net deferred tax asset resulting from transition from the payments in lieu of tax regime under the *Electricity Act* (Ontario) to tax payments under the federal and provincial tax regime should not accrue entirely to Hydro One shareholders and that a portion should be shared with ratepayers. On November 9, 2017, the OEB issued a decision and order that calculated the portion of the tax savings that should be shared with ratepayers. The OEB's calculation would result in an impairment of a portion of Hydro One Networks' transmission deferred income tax regulatory asset. If the OEB were to apply the same calculation for sharing in Hydro One Networks' 2018-2022 distribution rates, it would also result in an additional impairment of a portion of Hydro One Networks' distribution deferred income tax regulatory asset. In October 2017, the Company filed a Motion to Review and Vary (Motion) the Original Decision and filed an appeal with the Divisional Court of Ontario (Appeal). In both cases, the Company's position is that the OEB made errors of fact and law in its determination of allocation of the tax savings between the shareholders and ratepayers. On December 19, 2017, the OEB granted a hearing of the merits of the Motion which was held on February 12, 2018. On August 31, 2018, the OEB granted the Motion and returned the portion of the Decision relating to the deferred tax asset to an OEB panel for reconsideration.

Subsequent to year end, on March 7, 2019, the OEB issued its reconsideration decision and concluded that their Original Decision was reasonable and should be upheld. Also, on March 7, 2019 the OEB issued its decision for Hydro One Networks' 2018-2022 distribution rates, in which it directed the Company to apply the Original Decision to Hydro One Networks' distribution rates. As a result of this subsequent event that requires adjustment in the 2018 financial statements, the Company has recognized an impairment charge of Hydro One Networks' distribution deferred income tax regulatory asset of $474 million and Hydro One Networks' transmission deferred income tax regulatory asset of $558 million, an increase in deferred income tax regulatory liability of $81 million, and a decrease in the foregone revenue deferral regulatory asset of $68 million. After recognition of the related $314 million deferred tax asset, the Company has recorded an $867 million one-time decrease in net income as a reversal of revenues of $68 million, and charge to deferred tax expense of $799 million. Notwithstanding the recognition of the effects of the decision in the financial statements, the Company is currently considering its options under the Appeal.

Pension Benefit Regulatory Asset

In accordance with OEB rate orders, pension costs are recovered on a cash basis as employer contributions are paid to the pension fund in accordance with the *Pension Benefits Act* (Ontario). The Company recognizes the net unfunded status of pension obligations on the Consolidated Balance Sheets with an offset to the associated regulatory asset. A regulatory asset is recognized because management considers it to be probable that pension benefit costs will be recovered in the future through the rate-setting process. The pension benefit obligation is remeasured to the present value of the actuarially determined benefit obligation at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment. In the absence of rate-regulated accounting, OCI would have been higher by $435 million (2017 - lower by $80 million) and OM&A expenses would have been higher by $1 million (2017 - $1 million).

Environmental

Hydro One records a liability for the estimated future expenditures required to remediate environmental contamination. A regulatory asset is recognized because management considers it to be probable environmental expenditures will be recovered in the future through the rate-setting process. The Company has recorded an equivalent amount as a regulatory asset. In 2018, the environmental regulatory asset decreased by $15 million (2017 - increased by $8 million) to reflect related changes in the Company's PCB and LAR environmental liabilities. The environmental regulatory asset is amortized to results of operations based on the pattern of actual expenditures incurred and charged to environmental liabilities. The OEB has the discretion to examine and assess the prudency and the timing of recovery of all of Hydro One's actual environmental expenditures. In the absence of rate-regulated accounting, 2018 OM&A expenses would have been lower by $15 million (2017 - higher by $8 million). In addition, 2018 amortization expense would have been lower by $22 million (2017 - $24 million), and 2018 financing charges would have been higher by $6 million (2017 - $8 million).

Foregone Revenue Deferral

As part of its September 2017 decision on Hydro One Networks' transmission rate application for 2017 and 2018 rates, the OEB approved the foregone revenue account to record the difference between revenue earned under the rates approved as part of the decision, effective January 1, 2017, and revenue earned under the interim rates until the approved 2017 rates were implemented. The OEB approved a similar account for B2M LP in June 2017 to record the difference between revenue earned under the newly approved rates, effective January 1, 2017, and the revenue recorded under the interim 2017 rates. The balances of these accounts were returned to or recovered from ratepayers, respectively, over a one-year period ending December 31, 2018. As part of its May 2018 decision, the OEB also directed B2M LP to record in this account any revenue collected in 2018 in excess of the final approved 2018 B2M LP revenue requirement.

Stock-based Compensation

The Company recognizes costs associated with share grant plans in a regulatory asset as management considers it probable that share grant plans' costs will be recovered in the future through the rate-setting process. In the absence of rate-regulated accounting, 2018 OM&A expenses would have been higher by $1 million (2017 - $8 million). Share grant costs are transferred to labour costs at the time the share grants vest and are issued, and are recovered in rates in accordance with recovery of said labour costs.

Post-Retirement and Post-Employment Benefits

The Company recognizes the net unfunded status of post-retirement and post-employment obligations on the Consolidated Balance Sheets with an incremental offset to the associated regulatory assets. A regulatory asset is recognized because management considers it to be probable that post-retirement and post-employment benefit costs will be recovered in the future through the rate-setting process. The post-retirement and post-employment benefit obligation is remeasured to the present value of the actuarially determined benefit obligation at each year end based on an annual actuarial report, with an offset to the associated regulatory liability, to the extent of the remeasurement adjustment. In the absence of rate-regulated accounting, 2018 OCI would have been higher by $166 million (2017 - $207 million).

Post-Retirement and Post-Employment Benefits - Non-Service Cost

Hydro One applied to the OEB for a regulatory asset to record the components other than service costs relating to its post-retirement and post-employment benefits that would have previously been capitalized to property, plant and equipment and intangible assets prior to adoption of ASU 2017-07. In May 2018, the OEB approved the regulatory asset for Hydro One Networks' Transmission Business. It is expected that the regulatory asset application for Hydro One Networks' Distribution business will be considered as part of Hydro One Networks' application for 2018-2022 distribution rates, OEB approval of which is currently pending. Hydro One has recorded the components other than service costs relating to its post-retirement and post-employment benefits that would have been capitalized to property, plant and equipment and intangible assets, in the Post-Retirement and Post-Employment Benefits Non-Service Cost Regulatory Asset.

Debt Premium

The value of debt assumed in the acquisition of HOSSM has been recorded at fair value in accordance with US GAAP - Business Combinations. The OEB allows for recovery of interest at the coupon rate of the Senior Secured Bonds and a regulatory asset has been recorded for the difference between the fair value and face value of this debt. The debt premium is recovered over the remaining term of the debt.

Distribution System Code (DSC) Exemption

In June 2010, Hydro One Networks filed an application with the OEB regarding the OEB's new cost responsibility rules contained in the OEB's October 2009 Notice of Amendment to the DSC, with respect to the connection of certain renewable generators that were already connected or that had received a connection impact assessment prior to October 21, 2009. The application sought approval to record and defer the unanticipated costs incurred by Hydro One Networks that resulted from the connection of certain renewable generation facilities. The OEB ruled that identified specific expenditures can be recorded in a deferral account subject to the OEB's review in subsequent Hydro One Networks distribution applications. In 2015, the OEB also approved Hydro One's request to discontinue this deferral account. There were no additions to this regulatory account in 2018 or 2017. The remaining balance in this account at December 31, 2016, including accrued interest, was requested for recovery through the 2018-2022 distribution rate application.

B2M LP Start-up Costs

In December 2015, OEB issued its decision on B2M LP's application for 2015-2019 and as part of the decision approved the recovery of $8 million of start-up costs relating to B2M LP. The costs are being recovered over a four-year period which began in 2016, in accordance with the OEB decision.

Pension Cost Differential

A pension cost differential account was established for Hydro One Networks' transmission and distribution businesses to track the difference between the actual pension expenses incurred and estimated pension costs approved by the OEB. In September 2017, the OEB approved the disposition of the transmission business portion of the total pension cost differential account as at December 31, 2015, including accrued interest, which was recovered over a two-year period ended December 31, 2018. The distribution business portion of the balance as at December 31, 2016, including accrued interest, was requested for recovery through the 2018-2022 distribution rate application. In the absence of rate-regulated accounting, 2018 revenue would have been higher by $29 million (2017 - $24 million).

Green Energy Expenditure Variance

In April 2010, the OEB requested the establishment of deferral accounts which capture the difference between the revenue recorded on the basis of Green Energy Plan expenditures incurred and the actual recoveries received.

Retail Settlement Variance Account (RSVA)

Hydro One has deferred certain retail settlement variance amounts under the provisions of Article 490 of the OEB's Accounting Procedures Handbook. The balance as at December 31, 2014, including accrued interest, was requested for recovery through the 2018-2022 distribution rate application.

External Revenue Variance

In May 2009, the OEB approved forecasted amounts related to export service revenue, external revenue from secondary land use, and external revenue from station maintenance and engineering and construction work. In November 2012, the OEB again approved forecasted amounts related to these revenue categories and extended the scope to encompass all other external revenues. In September 2017, the OEB approved the disposition of the external revenue variance account as at December 31, 2015, including accrued interest, which was returned to customers over a two-year period ended December 31, 2018. The external revenue variance account balance reflects the excess of actual external revenues compared to the OEB-approved forecasted amounts.

2015-2017 Rate Rider

In March 2015, as part of its decision on Hydro One Networks' distribution rate application for 2015-2019, the OEB approved the disposition of certain deferral and variance accounts, including RSVAs and accrued interest. The 2015-2017 Rate Rider account included the balances approved for disposition by the OEB and was disposed of in accordance with the OEB decision over a 32-month period ended December 31, 2017. The balance remaining in the account represents an over-collection to be returned to ratepayers in a future rate application and has not been requested in the current distribution rate application.

CDM Deferral Variance Account

As part of Hydro One Networks' application for 2013 and 2014 transmission rates, Hydro One agreed to establish a new regulatory deferral variance account to track the impact of actual CDM and demand response results on the load forecast compared to the estimated load forecast included in the revenue requirement. The balance in the CDM deferral variance account related to the actual 2013 and 2014 CDM and demand response results on load forecasts, which are inputs in the UTR, compared to the amounts included in 2013 and 2014 revenue requirements, respectively. The balance of the account at December 31, 2015, including interest, was approved for disposition in the 2017-2018 transmission rate decision and returned to customers over a 2-year period ended December 31, 2018.

Accounts Payable and Other Current Liabilities	12 Months Ended Dec. 31, 2018
Payables and Accruals [Abstract]	
Accounts Payable and Other Current Liabilities	**ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES**

December 31 *(millions of dollars)*	**2018**	**2017**
Accounts payable	179	177
Accrued liabilities	590	572
Accrued interest	96	99
Regulatory liabilities *(Note 12)*	91	57
	956	905

Other Long-Term Liabilities	12 Months Ended Dec. 31, 2018
Other Liabilities Disclosure [Abstract]	
Other Long-Term Liabilities	**OTHER LONG-TERM LIABILITIES**

December 31 *(millions of dollars)*	**2018**	**2017**
Post-retirement and post-employment benefit liability *(Note 19)*	1,417	1,519
Pension benefit liability *(Note 19)*	547	981
Environmental liabilities *(Note 20)*	139	168
Long-term accounts payable	12	13
Asset retirement obligations *(Note 21)*	10	9
Other liabilities	10	17
	2,135	2,707

Debt and Credit Agreements	12 Months Ended Dec. 31, 2018

Debt Disclosure [Abstract]

Debt and Credit Agreements

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 $1.5 billion. 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 committed revolving credit facilities totalling $2.3 billion.

At December 31, 2018, Hydro One's consolidated committed, unsecured and undrawn credit facilities (Operating Credit Facilities) totalling $2,550 million consisted of the following:

(millions of dollars)	Maturity	Total Amount	Amount Drawn
Hydro One Inc.			
Revolving standby credit facility	June 2022	2,300	—
Hydro One			
Five-year senior, revolving term credit facility	November 2021	250	—
Total		2,550	—

The Company may use the credit facilities for working capital and general corporate purposes. If used, interest on the credit facilities would apply based on Canadian benchmark rates. The obligation of each lender to make any credit extension 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. At December 31, 2018, no debt securities have been issued by HOHL.

Long-Term Debt

The following table presents long-term debt outstanding at December 31, 2018 and 2017:

December 31 *(millions of dollars)*	2018	2017
2.78% Series 28 notes due 2018	—	750
Floating-rate Series 31 notes due 2019[1]	228	228
1.48% Series 37 notes due 2019[2]	500	500
4.40% Series 20 notes due 2020	300	300
1.62% Series 33 notes due 2020[2]	350	350
1.84% Series 34 notes due 2021	500	500
2.57% Series 39 notes due 2021[2]	300	—
3.20% Series 25 notes due 2022	600	600
2.97% Series 40 notes due 2025	350	—
2.77% Series 35 notes due 2026	500	500
7.35% Debentures due 2030	400	400
6.93% Series 2 notes due 2032	500	500
6.35% Series 4 notes due 2034	385	385
5.36% Series 9 notes due 2036	600	600
4.89% Series 12 notes due 2037	400	400

6.03% Series 17 notes due 2039	300	300
5.49% Series 18 notes due 2040	500	500
4.39% Series 23 notes due 2041	300	300
6.59% Series 5 notes due 2043	315	315
4.59% Series 29 notes due 2043	435	435
4.17% Series 32 notes due 2044	350	350
5.00% Series 11 notes due 2046	325	325
3.91% Series 36 notes due 2046	350	350
3.72% Series 38 notes due 2047	450	450
3.63% Series 41 notes due 2049	750	—
4.00% Series 24 notes due 2051	225	225
3.79% Series 26 notes due 2062	310	310
4.29% Series 30 notes due 2064	50	50
Hydro One Inc. long-term debt (a)	10,573	9,923
6.6% Senior Secured Bonds due 2023 (Principal amount - $107 million)	129	136
4.6% Note Payable due 2023 (Principal amount - $36 million)	39	40
HOSSM long-term debt (b)	168	176
	10,741	10,099
Add: Net unamortized debt premiums	13	14
Add: Unrealized mark-to-market gain[2]	(5)	(9)
Less: Deferred debt issuance costs	(40)	(37)
Total long-term debt	10,709	10,067

[1] The interest rates of the floating-rate notes are referenced to the three-month Canadian dollar bankers' acceptance rate, plus a margin.

[2] The unrealized mark-to-market net gain relates to $50 million of the Series 33 notes due 2020, $500 million Series 37 notes due 2019, and $300 million Series 39 notes due 2021. The unrealized mark-to-market net gain is offset by a $5 million (2017 - $9 million) unrealized mark-to-market net loss on the related fixed-to-floating interest-rate swap agreements, which are accounted for as fair value hedges.

(a) Hydro One Inc. long-term debt

At December 31, 2018, long-term debt of $10,573 million (2017 - $9,923 million) was outstanding, the majority of which was issued under Hydro One Inc.'s Medium Term Note (MTN) Program. The maximum authorized principal amount of notes issuable under the current MTN Program prospectus filed in March 2018 is $4.0 billion. At December 31, 2018, $2.6 billion remained available for issuance until April 2020.

In 2018, Hydro One Inc. issued long-term debt totalling $1.4 billion (2017 - $nil) and repaid long-term debt of $750 million (2017 - $600 million) under its MTN Program.

(b) HOSSM long-term debt

At December 31, 2018, long-term debt of $168 million (2017 - $176 million), with a principal amount of $143 million (2017 - $146 million) was issued by HOSSM. In 2018, no long-term debt was issued (2017 - $nil), and $3 million (2017 - $2 million) of long-term debt was repaid.

The total long-term debt is presented on the consolidated balance sheets as follows:

December 31 *(millions of dollars)*	**2018**	**2017**
Current liabilities:		
Long-term debt payable within one year	731	752
Long-term liabilities:		
Long-term debt	9,978	9,315
Total long-term debt	10,709	10,067

Principal and Interest Payments

Principal repayments, interest payments, and related weighted-average interest rates are summarized by year in the following table:

Years	Long-term Debt Principal Repayments *(millions of dollars)*	Interest Payments *(millions of dollars)*	Weighted Average Interest Rate *(%)*
2019	731	448	1.9
2020	653	429	2.9
2021	803	411	2.1
2022	603	393	3.2
2023	131	379	6.1
	2,921	2,060	2.6
2024-2028	850	1,806	2.9
2029 and thereafter	6,945	4,315	5.1
	10,716	8,181	4.2

Convertible Debentures	12 Months Ended Dec. 31, 2018
Debt Disclosure [Abstract]	
Convertible Debentures	

CONVERTIBLE DEBENTURES

As a result of the termination of the Merger agreement (see Note 4 - Business Combinations), on February 8, 2019, Hydro One redeemed the Convertible Debentures and paid the holders of the instalment receipts $513 million ($333 per $1,000 principal amount) plus accrued and unpaid interest of $7 million.

The following table presents the change in convertible debentures during the years ended December 31, 2018 and 2017:

Year ended December 31 *(millions of dollars)*	2018	2017
Carrying value - beginning	487	—
Receipt of Initial Instalment, net of deferred financing costs	—	486
Amortization of deferred financing costs	2	1
Carrying value - ending	489	487
Face value - ending	513	513

On August 9, 2017, in connection with the Merger (see Note 4 - Business Combinations), the Company completed the sale of $1,540 million aggregate principal amount of 4.00% convertible unsecured subordinated debentures (Convertible Debentures) represented by instalment receipts, which included the exercise in full of the over-allotment option granted to the underwriters to purchase an additional $140 million aggregate principal amount of the Convertible Debentures (Debenture Offering).

The Convertible Debentures were sold on an instalment basis at a price of $1,000 per Convertible Debenture, of which $333 (Initial Instalment) was paid on closing of the Debenture Offering and the remaining $667 (Final Instalment) was payable on a date (Final Instalment Date) to be fixed by the Company following satisfaction of conditions precedent to the closing of the acquisition of Avista Corporation. The gross proceeds received from the Initial Instalment were $513 million. The Company incurred financing costs of $27 million, which were being amortized to financing charges over approximately 10 years, the contractual term of the Convertible Debentures, using the effective interest rate method.

The Convertible Debentures maturity date was September 30, 2027. A coupon rate of 4% was paid on the $1,540 million aggregate principal amount of the Convertible Debentures, and based on the carrying value of the Initial Instalment, this translated into an effective annual yield of 12%. After the Final Instalment Date, the interest rate would be 0%. The interest expense recorded in 2018 was $62 million (2017 - $24 million).

At the option of the holders and provided that payment of the Final Instalment had been made, each Convertible Debenture would be convertible into common shares of the Company at any time on or after the Final Instalment Date, but prior to the earlier of maturity or redemption by the Company, at a conversion price of $21.40 per common share, being a conversion rate of 46.7290 common shares per $1,000 principal amount of Convertible Debentures.

The conversion feature met the definition of a Beneficial Conversion Feature (BCF), with an intrinsic value of approximately $92 million at the date of issuance. Due to the contingency associated with the debentureholders' ability to exercise the conversion, the BCF has not been recognized, and as a result of the subsequent redemption of the Convertible Debentures on February 8, 2019, there will be no recognition.

Fair Value of Financial Instruments and Risk Management	12 Months Ended Dec. 31, 2018
Fair Value Disclosures [Abstract]	
Fair Value of Financial Instruments and Risk Management	

FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received in the sale of an asset or the amount that would be paid to transfer a liability.

Hydro One classifies its fair value measurements based on the following hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that Hydro One has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 inputs are those other than quoted market prices that are observable, either directly or indirectly, for an asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest-rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

Level 3 inputs are any fair value measurements that include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

Non-Derivative Financial Assets and Liabilities

At December 31, 2018 and 2017, 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 fair values and carrying values of the Company’s long-term debt at December 31, 2018 and 2017 are as follows:

December 31 *(millions of dollars)*	**2018** Carrying Value	**2018** Fair Value	**2017** Carrying Value	**2017** Fair Value
Long-term debt measured at fair value:				
$50 million of MTN Series 33 notes	49	49	49	49
$500 million MTN Series 37 notes	495	495	492	492
$300 million MTN Series 39 notes	301	301	—	—
Other notes and debentures	9,864	10,820	9,526	11,027
Long-term debt, including current portion	10,709	11,665	10,067	11,568

Fair Value Measurements of Derivative Instruments

At December 31, 2018, Hydro One Inc. had interest-rate swaps with a total notional amount of $850 million (2017 – $550 million) that were used to convert fixed-rate debt to floating-rate debt. These swaps are classified as fair value hedges. Hydro One Inc.’s fair value hedge exposure was approximately 8% (2017 – 6%) of its total long-term debt. At December 31, 2018, Hydro One Inc. had the following interest-rate swaps designated as fair value hedges:

- a $50 million fixed-to-floating interest-rate swap agreement to convert $50 million of the $350 million MTN Series 33 notes maturing April 30, 2020 into three-month variable rate debt;

- two $125 million and one $250 million fixed-to-floating interest-rate swap agreements to convert the $500 million MTN Series 37 notes maturing November 18, 2019 into three-month variable rate debt; and
- a $300 million fixed-to-floating interest-rate swap agreement to convert the $300 million MTN Series 39 notes maturing June 25, 2021 into three-month variable rate debt.

At December 31, 2018 and 2017, the Company had no interest-rate swaps classified as undesignated contracts.

In October 2017, the Company entered into a deal-contingent foreign exchange forward contract (foreign exchange contract) to convert $1.4 billion Canadian to US dollars at an initial forward rate of 1.27486 Canadian per 1.00 US dollars, and a range up to 1.28735 Canadian per 1.00 US dollars based on the settlement date. The contract was contingent on the Company closing the proposed Merger (see Note 4 - Business Combinations) and was intended to mitigate the foreign currency risk related to the portion of the Merger purchase price financed with the issuance of Convertible Debentures. This contract is an economic hedge and does not qualify for hedge accounting. It has been accounted for as an undesignated contract with changes in fair value being recorded in earnings as they occur. As a result of the termination of the Merger agreement (see Note 4 - Business Combinations), no payment is due or payable by Hydro One on the foreign exchange contract.

Fair Value Hierarchy

The fair value hierarchy of financial assets and liabilities at December 31, 2018 and 2017 is as follows:

December 31, 2018 *(millions of dollars)*	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Cash and cash equivalents	483	483	483	—	—
Derivative instrument					
Foreign exchange contract	22	22	—	—	22
	505	505	483	—	22
Liabilities:					
Short-term notes payable	1,252	1,252	1,252	—	—
Long-term debt, including current portion	10,709	11,665	—	11,665	—
Convertible debentures	489	491	491	—	—
Derivative instruments					
Fair value hedges – interest-rate swaps	5	5	—	5	—
	12,455	13,413	1,743	11,670	—

December 31, 2017 *(millions of dollars)*	**Carrying Value**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets:					
Cash and cash equivalents	25	25	25	—	—
	25	25	25	—	—
Liabilities:					
Short-term notes payable	926	926	926	—	—
Long-term debt, including current portion	10,067	11,568	—	11,568	—
Convertible debentures	487	574	574	—	—
Derivative instruments					
Fair value hedges – interest-rate swaps	9	9	—	9	—
Foreign exchange contract	3	3	—	—	3
	11,492	13,080	1,500	11,577	3

Cash and cash equivalents include cash and short-term investments. The carrying values are representative of fair value because of the short-term nature of these instruments.

The fair value of the hedged portion of the long-term debt is primarily based on the present value of future cash flows using a swap yield curve to determine the assumption for interest rates. The fair value of the unhedged portion of the long-term debt is based on unadjusted period-end market prices for the same or similar debt of the same remaining maturities.

The fair value of the convertible debentures is based on their closing price on December 31, 2018, as posted on the Toronto Stock Exchange.

The Company uses derivative instruments as an economic hedge for foreign exchange risk. The value of the foreign exchange contract is derived using valuation models commonly used for derivatives. These valuation models require a variety of inputs, including contractual terms, forward price yield curves, probability of closing the Merger, and the contract settlement date. The Company's valuation models also reflect measurements for credit risk. The fair value of the foreign exchange contract includes significant unobservable inputs, and therefore has been classified accordingly as Level 3. The significant unobservable inputs used in the fair value measurement of the foreign exchange contract relates to the assessment of probability of closing the Merger and the contract settlement date.

Changes in the Fair Value of Financial Instruments Classified in Level 3

The following table summarizes the changes in fair value of financial instruments classified in Level 3 for the years ended December 31, 2018 and 2017.

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Fair value of asset (liability) - beginning	(3)	—
Unrealized gain (loss) on foreign exchange contract included in financing charges	25	(3)
Fair value of asset (liability) - ending	22	(3)

There were no transfers between any of the fair value levels during the years ended December 31, 2018 or 2017.

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 costs, 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.

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 utilizes interest-rate swaps, which are typically 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 to lock in interest-rate levels in anticipation of future financing.

A hypothetical 100 basis points increase in interest rates associated with variable-rate debt would not have resulted in a significant decrease in Hydro One's net income for the years ended December 31, 2018 and 2017.

The Company was exposed to foreign exchange fluctuations as a result of entering into a foreign exchange contract. This agreement was intended to mitigate the foreign currency risk related to the portion of the Avista Corporation acquisition purchase price financed with the issuance of Convertible Debentures. As a result of the termination of the Merger agreement (see Note 4 - Business Combinations), no payment is due or receivable by Hydro One on the foreign exchange contract.

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the Consolidated Statements of Operations and Comprehensive Income. The net unrealized loss (gain) on the hedged debt and the related interest-rate swaps for the years ended December 31, 2018 and 2017 was not material.

Credit Risk

Financial assets create a risk that a counterparty will fail to discharge an obligation, causing a financial loss. At December 31, 2018 and 2017, 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. At December 31, 2018 and 2017, there was no material accounts receivable balance due from any single customer.

At December 31, 2018, the Company's provision for bad debts was $21 million (2017 – $29 million). Adjustments and write-offs are determined on the basis of a review of overdue accounts, taking into consideration historical experience. At December 31, 2018, approximately 5% (2017 – 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: entering into transactions with highly rated counterparties; limiting total exposure levels with individual counterparties; entering into master agreements which enable net settlement and the contractual right of offset; and monitoring the financial condition of counterparties. The Company monitors current credit exposure to counterparties both on 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 credit exposure of derivative contracts, before collateral, is represented by the fair value of contracts at the reporting date. At December 31, 2018 and 2017, the counterparty credit risk exposure on the fair value of these interest-rate swap contracts was not material. At December 31, 2018, Hydro One's credit exposure for all derivative instruments, and applicable payables and receivables, had a credit rating of investment grade, with four financial institutions as the 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, Operating Credit Facilities, and anticipated levels of funds from operations are expected to be sufficient to fund normal operating requirements.

On June 18, 2018, Hydro One filed a short form base shelf prospectus (Universal Base Shelf Prospectus) with securities regulatory authorities in Canada to replace the universal base shelf prospectus that expired on April 30, 2018. 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. On November 23, 2018, HOHL, an indirect wholly-owned subsidiary of Hydro One, filed a short form base shelf prospectus (US Debt Shelf Prospectus) with securities regulatory authorities in Canada and the US for the purposes of, but not limited to, funding a portion of the cash purchase price of the Merger. The US Debt Shelf Prospectus allows HOHL to offer, from time to time in one or more public offerings, up to US$3.0 billion of debt securities, unconditionally guaranteed by Hydro One, during the 25-month period ending on December 23, 2020. At December 31, 2018, no securities have been issued under the Universal Base Shelf Prospectus or the US Debt Shelf Prospectus.

Capital Management	12 Months Ended Dec. 31, 2018
Regulated Operations [Abstract]	
Capital Management	

CAPITAL MANAGEMENT

The Company’s objectives with respect to its capital structure are to maintain effective access to capital on a long-term basis at reasonable rates, and to deliver appropriate financial returns. In order to ensure ongoing access to capital, the Company targets to maintain strong credit quality. At December 31, 2018 and 2017, the Company’s capital structure was as follows:

December 31 *(millions of dollars)*	**2018**	**2017**
Long-term debt payable within one year	731	752
Short-term notes payable	1,252	926
Less: cash and cash equivalents	(483)	(25)
	1,500	1,653
Long-term debt	9,978	9,315
Convertible debentures	489	487
Preferred shares	418	418
Common shares	5,643	5,631
Retained earnings	3,459	4,090
Total capital	21,487	21,594

Hydro One Inc. and HOSSM have customary covenants typically associated with long-term debt. Long-term debt and credit facility covenants limit permissible debt to 75% of its total capitalization, limit the ability to sell assets and impose a negative pledge provision, subject to customary exceptions. At December 31, 2018, the Company was in compliance with all financial covenants and limitations associated with the outstanding borrowings and credit facilities.

Pension and Post-Retirement and Post-Employment Benefits	12 Months Ended Dec. 31, 2018
Retirement Benefits [Abstract]	
Pension and Post-Retirement and Post-Employment Benefits	

PENSION AND POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

Hydro One has a defined benefit pension plan (Pension Plan), a DC Plan, a supplemental pension plan (Supplemental Plan), and post-retirement and post-employment benefit plans.

DC Plan

Hydro One established a DC Plan effective January 1, 2016. The DC Plan covers eligible management employees hired on or after January 1, 2016, as well as management employees hired before January 1, 2016 who were not eligible or had not irrevocably elected to join the Pension Plan as of September 30, 2015. Members of the DC Plan have an option to contribute 4%, 5% or 6% of their pensionable earnings, with matching contributions by Hydro One up to an annual contribution limit. There is also a Supplemental DC Plan that provides members of the DC Plan with employer contributions beyond the limitations imposed by the *Income Tax Act* (Canada) in the form of credits to a notional account. Hydro One contributions to the DC Plan for the year ended December 31, 2018 were $1 million (2017 - $1 million).

Pension Plan, Supplemental Plan, and Post-Retirement and Post-Employment Plans

The Pension Plan is a defined benefit contributory plan which covers eligible regular employees of Hydro One and its subsidiaries. The Pension Plan provides benefits based on highest three-year average pensionable earnings. For management employees who commenced employment on or after January 1, 2004, and for the Society of United Professionals (Society)-represented staff hired after November 17, 2005, benefits are based on highest five-year average pensionable earnings. After retirement, pensions are indexed to inflation. Membership in the Pension Plan was closed to management employees who were not eligible or had not irrevocably elected to join the Pension Plan as of September 30, 2015. These employees are eligible to join the DC Plan.

Company and employee contributions to the 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. Annual Pension Plan contributions for 2018 were $75 million (2017 - $87 million). Estimated annual Pension Plan contributions for the years 2019, 2020, 2021, 2022, 2023 and 2024 are approximately $78 million, $77 million, $78 million, $79 million, $81 million and $83 million, respectively. The most recent actuarial valuation was performed effective December 31, 2017, and the next actuarial valuation will be performed no later than effective December 31, 2020. Contributions are payable one month in arrears. All of the contributions are expected to be in the form of cash.

The Supplemental Plan provides members of the Pension Plan with benefits that would have been earned and payable under the Pension Plan beyond the limitations imposed by the *Income Tax Act* (Canada). The Supplemental Plan obligation is included with other post-retirement and post-employment benefit obligations on the Consolidated Balance Sheets.

Hydro One recognizes the overfunded or underfunded status of the Pension Plan, and post-retirement and post-employment benefit plans (Plans) as an asset or liability on its Consolidated Balance Sheets, with offsetting regulatory assets and liabilities as appropriate. The underfunded benefit obligations for the Plans, in the absence of regulatory accounting, would be recognized in AOCI. The impact of changes in assumptions used to measure pension, post-retirement and post-employment benefit obligations is generally recognized over the expected average remaining service period of the employees. The measurement date for the Plans is December 31.

The following tables provide the components of the unfunded status of the Company's Plans at December 31, 2018 and 2017:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Year ended December 31 *(millions of dollars)*	**2018**	**2017**	**2018**	**2017**

Change in projected benefit obligation				
Projected benefit obligation, beginning of year	8,258	7,774	1,565	1,690
Current service cost	176	147	50	49
Employee contributions	52	49	—	—
Interest cost	282	304	54	67
Benefits paid	(362)	(368)	(49)	(44)
Net actuarial loss (gain)	(654)	352	(158)	(197)
Recognition of prior service	—	—	3	—
Projected benefit obligation, end of year	7,752	8,258	1,465	1,565
Change in plan assets				
Fair value of plan assets, beginning of year	7,277	6,874	—	—
Actual return on plan assets	190	662	—	—
Benefits paid	(362)	(368)	(49)	(34)
Employer contributions	75	87	49	34
Employee contributions	52	49	—	—
Administrative expenses	(27)	(27)	—	—
Fair value of plan assets, end of year	7,205	7,277	—	—
Unfunded status	547	981	1,465	1,565

Hydro One presents its benefit obligations and plan assets net on its Consolidated Balance Sheets as follows:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
December 31 *(millions of dollars)*	**2018**	**2017**	**2018**	**2017**
Other assets[1]	3	1	—	—
Accrued liabilities	—	—	55	53
Pension benefit liability	547	981	—	—
Post-retirement and post-employment benefit liability[2]	—	—	1,417	1,519
Net unfunded status	544	980	1,472	1,572

[1] Represents the funded status of HOSSM defined benefit pension plan.

[2] Includes $7 million (2017 - $7 million) relating to HOSSM post-employment benefit plans.

The funded or unfunded status of the Plans refers to the difference between the fair value of plan assets and the PBO for the Plans. The funded/unfunded status changes over time due to several factors, including contribution levels, assumed discount rates and actual returns on plan assets.

The following table provides the PBO, accumulated benefit obligation (ABO) and fair value of plan assets for the Pension Plan:

December 31 *(millions of dollars)*	**2018**	**2017**
PBO	7,752	8,258
ABO	7,144	7,614
Fair value of plan assets	7,205	7,277

On an ABO basis, the Pension Plan was funded at 101% at December 31, 2018 (2017 - 96%). On a PBO basis, the Pension Plan was funded at 93% at December 31, 2018 (2017 - 88%). The ABO differs from the PBO in that the ABO includes no assumption about future compensation levels.

Components of Net Periodic Benefit Costs

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2018 and 2017 for the Pension Plan:

Year ended December 31 *(millions of dollars)*	2018	2017
Current service cost	176	147
Interest cost	282	304
Expected return on plan assets, net of expenses	(467)	(442)
Amortization of actuarial losses	84	79
Net periodic benefit costs	75	88
Charged to results of operations[1]	32	39

[1] The Company accounts for pension costs consistent with their inclusion in OEB-approved rates. During the year ended December 31, 2018, pension costs of $75 million (2017 - $87 million) were attributed to labour, of which $32 million (2017 - $39 million) was charged to operations, and $43 million (2017 - $48 million) was capitalized as part of the cost of property, plant and equipment and intangible assets.

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2018 and 2017 for the post-retirement and post-employment benefit plans:

Year ended December 31 *(millions of dollars)*	2018	2017
Current service cost	50	49
Interest cost	53	67
Amortization of actuarial losses	15	16
Recognition of prior service	3	—
Net periodic benefit costs	121	132
Charged to results of operations	52	59

Assumptions

The measurement of the obligations of the Plans and the costs of providing benefits under the Plans involves various factors, including the development of valuation assumptions and accounting policy elections. When developing the required assumptions, the Company considers historical information as well as future expectations. The measurement of benefit obligations and costs is impacted by several assumptions including the discount rate applied to benefit obligations, the long-term expected rate of return on plan assets, Hydro One's expected level of contributions to the Plans, the incidence of mortality, the expected remaining service period of plan participants, the level of compensation and rate of compensation increases, employee age, length of service, and the anticipated rate of increase of health care costs, among other factors. The impact of changes in assumptions used to measure the obligations of the Plans is generally recognized over the expected average remaining service period of the plan participants. In selecting the expected rate of return on plan assets, Hydro One considers historical economic indicators that impact asset returns, as well as expectations regarding future long-term capital market performance, weighted by target asset class allocations. In general, equity securities, real estate and private equity investments are forecasted to have higher returns than fixed-income securities.

The following weighted average assumptions were used to determine the benefit obligations at December 31, 2018 and 2017:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Year ended December 31	2018	2017	2018	2017
Significant assumptions:				
Weighted average discount rate	3.90%	3.40%	4.00%	3.40%
Rate of compensation scale escalation (long-term)	2.50%	2.50%	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%	2.00%	2.00%
Rate of increase in health care cost trends[1]	—	—	4.04%	4.04%

[1] 5.19% per annum in 2019, grading down to 4.04% per annum in and after 2031 (2017 - 5.26% per annum in 2018, grading down to 4.04% per annum in and after 2031).

The following weighted average assumptions were used to determine the net periodic benefit costs for the years ended December 31, 2018 and 2017. Assumptions used to determine current year-end benefit obligations are the assumptions used to estimate the subsequent year's net periodic benefit costs.

Year ended December 31	2018	2017
Pension Benefits:		
Weighted average expected rate of return on plan assets	6.50%	6.50%
Weighted average discount rate	3.40%	3.90%
Rate of compensation scale escalation (long-term)	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%
Average remaining service life of employees *(years)*	15	15
Post-Retirement and Post-Employment Benefits:		
Weighted average discount rate	3.40%	3.90%
Rate of compensation scale escalation (long-term)	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%
Average remaining service life of employees *(years)*	15.5	15.2
Rate of increase in health care cost trends[1]	4.04%	4.36%

[1] 5.26% per annum in 2018, grading down to 4.04% per annum in and after 2031 (2017 - 6.25% per annum in 2017, grading down to 4.36% per annum in and after 2031).

The discount rate used to determine the current year pension obligation and the subsequent year's net periodic benefit costs is based on a yield curve approach. Under the yield curve approach, expected future benefit payments for each plan are discounted by a rate on a third-party bond yield curve corresponding to each duration. The yield curve is based on "AA" long-term corporate bonds. A single discount rate is calculated that would yield the same present value as the sum of the discounted cash flows.

The effect of a 1% change in health care cost trends on the PBO for the post-retirement and post-employment benefits at December 31, 2018 and 2017 is as follows:

December 31 *(millions of dollars)*	2018	2017
Projected benefit obligation:		
Effect of a 1% increase in health care cost trends	230	250
Effect of a 1% decrease in health care cost trends	(175)	(189)

The effect of a 1% change in health care cost trends on the service cost and interest cost for the post-retirement and post-employment benefits for the years ended December 31, 2018 and 2017 is as follows:

Year ended December 31 *(millions of dollars)*	2018	2017
Service cost and interest cost:		
Effect of a 1% increase in health care cost trends	23	29
Effect of a 1% decrease in health care cost trends	(16)	(20)

The following approximate life expectancies were used in the mortality assumptions to determine the PBO for the pension and post-retirement and post-employment plans at December 31, 2018 and 2017:

December 31, 2018				December 31, 2017			
Life expectancy at 65 for a member currently at				Life expectancy at 65 for a member currently at			
Age 65		Age 45		Age 65		Age 45	
Male	Female	Male	Female	Male	Female	Male	Female
22	25	23	25	22	24	23	24

Estimated Future Benefit Payments

At December 31, 2018, estimated future benefit payments to the participants of the Plans were:

(millions of dollars)	Pension Benefits	Post-Retirement and Post-Employment Benefits
2019	335	56
2020	343	58
2021	352	59
2022	360	60
2023	367	61
2024 through to 2028	1,915	326
Total estimated future benefit payments through to 2028	3,672	620

Components of Regulatory Assets

A portion of actuarial gains and losses and prior service costs is recorded within regulatory assets on Hydro One's Consolidated Balance Sheets to reflect the expected regulatory inclusion of these amounts in future rates, which would otherwise be recorded in OCI. The following table provides the actuarial gains and losses and prior service costs recorded within regulatory assets:

Year ended December 31 *(millions of dollars)*	2018	2017
Pension Benefits:		
Actuarial loss (gain) for the year	(350)	159
Amortization of actuarial losses	(84)	(79)
	(434)	80
Post-Retirement and Post-Employment Benefits:		
Actuarial loss (gain) for the year	(158)	(197)
Amortization of actuarial losses	(15)	(16)
Amortization of prior service cost	(3)	—
Amounts not subject to regulatory treatment	10	6
	(166)	(207)

The following table provides the components of regulatory assets that have not been recognized as components of net periodic benefit costs for the years ended December 31, 2018 and 2017:

Year ended December 31 *(millions of dollars)*	2018	2017
Pension Benefits:		
Actuarial loss	547	981
Post-Retirement and Post-Employment Benefits:		
Actuarial loss (gain)	(130)	36

The following table provides the components of regulatory assets at December 31 that are expected to be amortized as components of net periodic benefit costs in the following year:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
December 31 *(millions of dollars)*	2018	2017	2018	2017
Actuarial loss (gain)	55	84	(1)	2

Pension Plan Assets

Investment Strategy

On a regular basis, Hydro One evaluates its investment strategy to ensure that Pension Plan assets will be sufficient to pay Pension Plan benefits when due. As part of this ongoing evaluation, Hydro One may make changes to its targeted asset allocation and investment strategy. The Pension Plan is managed at a net asset level. The main objective of the Pension Plan is to sustain a certain level of net assets in order to meet the pension obligations of the Company. The Pension Plan fulfills its primary objective by adhering to specific investment policies outlined in its Summary of Investment Policies and Procedures (SIPP), which is reviewed and approved by the Human Resource Committee of Hydro One's Board of Directors. The Company manages net assets by engaging knowledgeable external investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the approved SIPP. The performance of the managers is monitored through a governance structure. Increases in net assets are a direct result of investment income generated by investments held by the Pension Plan and contributions to the Pension Plan by eligible employees and by the Company. The main use of net assets is for benefit payments to eligible Pension Plan members.

Pension Plan Asset Mix

At December 31, 2018, the Pension Plan target asset allocations and weighted average asset allocations were as follows:

	Target Allocation (%)	Pension Plan Assets (%)
Equity securities	45	50
Debt securities	35	41
Other[1]	20	9
	100	100

[1] Other investments include real estate and infrastructure investments.

At December 31, 2018, the Pension Plan held $18 million (2017 - $11 million) Hydro One corporate bonds and $546 million (2017 - $415 million) of debt securities of the Province.

Concentrations of Credit Risk

Hydro One evaluated its Pension Plan's asset portfolio for the existence of significant concentrations of credit risk as at December 31, 2018 and 2017. Concentrations that were evaluated include, but are not limited to, investment concentrations in a single entity, concentrations in a type of industry, and concentrations in individual funds. At December 31, 2018 and 2017, there were no significant concentrations (defined as greater than 10% of plan assets) of risk in the Pension Plan's assets.

The Pension Plan's Statement of Investment Beliefs and Guidelines provides guidelines and restrictions for eligible investments taking into account credit ratings, maximum investment exposure and other controls in order to limit the impact of this risk. The Pension Plan manages its counterparty credit risk with respect to bonds by investing in investment-grade and government bonds and with respect to derivative instruments by transacting only with highly rated financial institutions, and also by ensuring that exposure is diversified across counterparties. The risk of default on transactions in listed securities is considered minimal, as the trade will fail if either party to the transaction does not meet its obligation.

Fair Value Measurements

The following tables present the Pension Plan assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy at December 31, 2018 and 2017:

December 31, 2018 *(millions of dollars)*	Level 1	Level 2	Level 3	Total
Pooled funds	—	21	651	672
Cash and cash equivalents	210	—	—	210
Short-term securities	—	78	—	78
Derivative instruments	—	(7)	—	(7)
Corporate shares - Canadian	115	—	—	115
Corporate shares - Foreign	3,222	183	—	3,405
Bonds and debentures - Canadian	—	2,506	—	2,506

Bonds and debentures - Foreign	—	197	—	197
Total fair value of plan assets[1]	3,547	2,978	651	7,176

[1] At December 31, 2018, the total fair value of Pension Plan assets and liabilities excludes $35 million of interest and dividends receivable, $10 million of pension administration expenses payable, $6 million of sold investments receivable, and $2 million of purchased investments payable.

December 31, 2017 *(millions of dollars)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Pooled funds	—	16	549	565
Cash and cash equivalents	153	—	—	153
Short-term securities	—	109	—	109
Derivative instruments	—	5	—	5
Corporate shares - Canadian	921	—	—	921
Corporate shares - Foreign	3,307	125	—	3,432
Bonds and debentures - Canadian	—	1,879	—	1,879
Bonds and debentures - Foreign	—	194	—	194
Total fair value of plan assets[1]	4,381	2,328	549	7,258

[1] At December 31, 2017, the total fair value of Pension Plan assets and liabilities excludes $28 million of interest and dividends receivable, $10 million of pension administration expenses payable, $1 million of sold investments receivable, and $1 million of purchased investments payable.

See Note 17 - Fair Value of Financial Instruments and Risk Management for a description of levels within the fair value hierarchy.

Changes in the Fair Value of Financial Instruments Classified in Level 3

The following table summarizes the changes in fair value of financial instruments classified in Level 3 for the years ended December 31, 2018 and 2017. The Pension Plan classifies financial instruments as Level 3 when the fair value is measured based on at least one significant input that is not observable in the markets or due to lack of liquidity in certain markets. The gains and losses presented in the table below could, therefore, include changes in fair value based on both observable and unobservable inputs. The Level 3 financial instruments are comprised of pooled funds whose valuations are provided by the investment managers. Sensitivity analysis is not provided as the underlying assumptions used by the investment managers are not available.

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Fair value, beginning of year	549	425
Realized and unrealized gains (losses)	59	(31)
Purchases	90	171
Sales and disbursements	(47)	(16)
Fair value, end of year	651	549

There were no significant transfers between any of the fair value levels during the years ended December 31, 2018 and 2017.

Valuation Techniques Used to Determine Fair Value

Pooled funds mainly consist of private equity, real estate and infrastructure investments. Private equity investments represent private equity funds that invest in operating companies that are not publicly traded on a stock exchange. Investment strategies in private equity include limited partnerships in businesses that are characterized by high internal growth and operational efficiencies, venture capital, leveraged buyouts and special situations such as distressed investments. Real estate and infrastructure investments represent funds that invest in real assets which are not publicly traded on a stock exchange. Investment strategies in real estate include limited partnerships that seek to generate a total return through income and capital growth by investing primarily in global and Canadian limited partnerships. Investment strategies in infrastructure include limited partnerships in core infrastructure assets focusing on assets that generate stable, long-term cash flows and deliver incremental returns relative to conventional fixed-income investments. Private equity, real estate and infrastructure valuations are reported by the fund manager and are based on the valuation of the underlying investments which includes inputs such as cost, operating results, discounted future cash flows and market-based comparable data. Since these valuation inputs are not highly observable, private equity and infrastructure investments have been categorized as Level 3 within pooled funds.

Cash equivalents consist of demand cash deposits held with banks and cash held by the investment managers. Cash equivalents are categorized as Level 1.

Short-term securities are valued at cost plus accrued interest, which approximates fair value due to their short-term nature. Short-term securities are categorized as Level 2.

Derivative instruments are used to hedge the Pension Plan’s foreign currency exposure back to Canadian dollars. The notional principal amount of contracts outstanding as at December 31, 2018 was $299 million (2017 - $279 million), the most significant currencies being hedged against the Canadian dollar are the United States dollar, Euro, and Japanese Yen. The net realized loss on contracts for the year ended December 31, 2018 was $7 million (2017 - $1 million net realized gain). The terms to maturity of the forward exchange contracts at December 31, 2018 are within three months. The fair value is determined using standard interpolation methodology primarily based on the World Markets exchange rates. Derivative instruments are categorized as Level 2.

Corporate shares are valued based on quoted prices in active markets and are categorized as Level 1. Corporate shares which are valued based on quoted prices in active markets, but held within a pension investment holding company, are categorized as Level 2. Investments denominated in foreign currencies are translated into Canadian currency at year-end rates of exchange.

Bonds and debentures are presented at published closing trade quotations, and are categorized as Level 2.

Environmental Liabilities	12 Months Ended Dec. 31, 2018
Environmental Remediation Obligations [Abstract]	
Environmental Liabilities	

ENVIRONMENTAL LIABILITIES

The following tables show the movements in environmental liabilities for the years ended December 31, 2018 and 2017:

Year ended December 31, 2018 *(millions of dollars)*	**PCB**	**LAR**	**Total**
Environmental liabilities - beginning	134	62	196
Interest accretion	5	1	6
Expenditures	(16)	(6)	(22)
Revaluation adjustment	(15)	—	(15)
Environmental liabilities - ending	108	57	165
Less: current portion	(15)	(11)	(26)
	93	46	139

Year ended December 31, 2017 *(millions of dollars)*	**PCB**	**LAR**	**Total**
Environmental liabilities - beginning	143	61	204
Interest accretion	6	2	8
Expenditures	(16)	(8)	(24)
Revaluation adjustment	1	7	8
Environmental liabilities - ending	134	62	196
Less: current portion	(20)	(8)	(28)
	114	54	168

The following tables show the reconciliation between the undiscounted basis of the environmental liabilities and the amount recognized on the Consolidated Balance Sheets after factoring in the discount rate:

December 31, 2018 *(millions of dollars)*	**PCB**	**LAR**	**Total**
Undiscounted environmental liabilities	118	58	176
Less: discounting environmental liabilities to present value	(10)	(1)	(11)
Discounted environmental liabilities	108	57	165

December 31, 2017 *(millions of dollars)*	**PCB**	**LAR**	**Total**
Undiscounted environmental liabilities	142	64	206
Less: discounting environmental liabilities to present value	(8)	(2)	(10)
Discounted environmental liabilities	134	62	196

At December 31, 2018, the estimated future environmental expenditures were as follows:

(millions of dollars)	
2019	26

2020	29
2021	32
2022	31
2023	28
Thereafter	30
	176

Hydro One records a liability for the estimated future expenditures for LAR and for the phase-out and destruction of PCB-contaminated mineral oil removed from electrical equipment when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated.

There are uncertainties in estimating future environmental costs due to potential external events such as changes in legislation or regulations, and advances in remediation technologies. In determining the amounts to be recorded as environmental liabilities, the Company estimates the current cost of completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation rate assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 2.0% to 6.3%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Company's environmental liabilities represent management's best estimates of the present value of costs required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. In addition, with respect to the PCB environmental liability, the availability of critical resources such as skilled labour and replacement assets and the ability to take maintenance outages in critical facilities may influence the timing of expenditures.

PCBs

The Environment Canada regulations, enacted under the *Canadian Environmental Protection Act, 1999*, govern the management, storage and disposal of PCBs based on certain criteria, including type of equipment, in-use status, and PCB-contamination thresholds. Under current regulations, Hydro One's PCBs have to be disposed of by the end of 2025, with the exception of specifically exempted equipment. Contaminated equipment will generally be replaced, or will be decontaminated by removing PCB-contaminated insulating oil and retro filling with replacement oil that contains PCBs in concentrations of less than 2 ppm.

The Company's best estimate of the total estimated future expenditures to comply with current PCB regulations is $118 million (2017 - $142 million). These expenditures are expected to be incurred over the period from 2019 to 2024. As a result of its annual review of environmental liabilities, the Company recorded a revaluation adjustment in 2018 to decrease the PCB environmental liability by $15 million (2017 - increase by $1 million).

LAR

The Company's best estimate of the total estimated future expenditures to complete its LAR program is $58 million (2017 - $64 million). These expenditures are expected to be incurred over the period from 2019 to 2044. As a result of its annual review of environmental liabilities, no revaluation adjustment to the LAR environmental liability was recorded in 2018 (2017 - revaluation adjustment was recorded to increase the LAR environmental liability by $7 million).

Asset Retirement Obligations	12 Months Ended Dec. 31, 2018
Asset Retirement Obligation Disclosure [Abstract]	
Asset Retirement Obligations	

ASSET RETIREMENT OBLIGATIONS

Hydro One records a liability for the estimated future expenditures for the removal and disposal of asbestos-containing materials installed in some of its facilities. Asset retirement obligations, which represent legal obligations associated with the retirement of certain tangible long-lived assets, are computed as the present value of the projected expenditures for the future retirement of specific assets and are recognized in the period in which the liability is incurred, if a reasonable estimate can be made. If the asset remains in service at the recognition date, the present value of the liability is added to the carrying amount of the associated asset in the period the liability is incurred and this additional carrying amount is depreciated over the remaining life of the asset. If an asset retirement obligation is recorded in respect of an out-of-service asset, the asset retirement cost is charged to results of operations. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligation, which can occur due to a number of factors including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired, changes in legislation or regulations, as well as for accretion of the liability due to the passage of time until the obligation is settled. Depreciation expense is adjusted prospectively for any increases or decreases to the carrying amount of the associated asset.

In determining the amounts to be recorded as asset retirement obligations, the Company estimates the current fair value for completing required work and makes assumptions as to when the future expenditures will actually be incurred, in order to generate future cash flow information. A long-term inflation assumption of approximately 2% has been used to express these current cost estimates as estimated future expenditures. Future expenditures have been discounted using factors ranging from approximately 2.0% to 4.0%, depending on the appropriate rate for the period when expenditures are expected to be incurred. All factors used in estimating the Company's asset retirement obligations represent management's best estimates of the cost required to meet existing legislation or regulations. However, it is reasonably possible that numbers or volumes of contaminated assets, cost estimates to perform work, inflation assumptions and the assumed pattern of annual cash flows may differ significantly from the Company's current assumptions. Asset retirement obligations are reviewed annually or more frequently if significant changes in regulations or other relevant factors occur. Estimate changes are accounted for prospectively. As a result of its annual review of asset retirement obligations, the Company recorded a revaluation adjustment in 2018 to increase the asset retirement liability by $1 million (2017 - $nil).

At December 31, 2018, Hydro One had recorded asset retirement obligations of $10 million (2017 - $9 million), primarily consisting of the estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities. The amount of interest recorded is nominal.

Share Capital	12 Months Ended Dec. 31, 2018
Equity [Abstract]	
Share Capital	

SHARE CAPITAL

Common Shares

The Company is authorized to issue an unlimited number of common shares. At December 31, 2018, the Company had 595,938,975 (2017 - 595,386,711) common shares issued and outstanding.

The amount and timing of any dividends payable by Hydro One is at the discretion of the Hydro One Board of Directors 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 of Directors may consider relevant.

The following tables present the changes to common shares during the years ended December 31, 2018 and 2017:

	Ownership by		
Year ended December 31, 2018 *(number of shares)*	**Public**	**Province**	**Total**
Common shares – beginning	312,974,063	282,412,648	595,386,711
Common shares issued - share grants[1]	481,460	—	481,460
Common shares issued - LTIP[2]	70,804	—	70,804
Common shares – ending	313,526,327	282,412,648	595,938,975
	52.6%	47.4%	100%

[1] In 2018, Hydro One issued from treasury 481,460 common shares in accordance with provisions of the Power Workers' Union (PWU) and the Society Share Grant Plans.

[2] In 2018, Hydro One issued from treasury 70,804 common shares in accordance with provisions of the LTIP.

	Ownership by		
Year ended December 31, 2017 *(number of shares)*	**Public**	**Province**	**Total**
Common shares – beginning	178,196,340	416,803,660	595,000,000
Secondary offering[1]	120,000,000	(120,000,000)	—
Common shares issued - share grants[2]	371,611	—	371,611
Common shares issued - LTIP[3]	15,100	—	15,100
Sale of common shares[4]	14,391,012	(14,391,012)	—
Common shares – ending	312,974,063	282,412,648	595,386,711
	52.6%	47.4%	100%

[1] In May 2017, Hydro One announced the closing of a secondary offering by the Province, on a bought deal basis, of 120 million common shares of Hydro One on the Toronto Stock Exchange. Hydro One did not receive any of the proceeds from the sale of the common shares by the Province.

[2] In 2017, Hydro One issued from treasury 371,611 common shares in accordance with provisions of the PWU Share Grant Plan.

[3] In 2017, Hydro One issued from treasury 15,100 common shares in accordance with provisions of the LTIP.

[4] In December 2017, the Province sold 14,391,012 common shares of Hydro One to OFN Power Holdings LP, a limited partnership wholly-owned by Ontario First Nations Sovereign Wealth LP, which is in turn owned by 129 First Nations in Ontario. Hydro One did not receive any of the proceeds from the sale of the common shares by the Province.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares, issuable in series. At December 31, 2018 and 2017, two series of preferred shares were authorized for issuance: the Series 1 preferred shares and the Series 2 preferred shares. At December 31, 2018 and 2017, the

Company had 16,720,000 Series 1 preferred shares and no Series 2 preferred shares issued and outstanding.

Hydro One may from time to time issue preferred shares in one or more series. Prior to issuing shares in a series, the Hydro One Board of Directors is required to fix the number of shares in the series and determine the designation, rights, privileges, restrictions and conditions attaching to that series of preferred shares. Holders of Hydro One's preferred shares are not entitled to receive notice of, to attend or to vote at any meeting of the shareholders of Hydro One except that votes may be granted to a series of preferred shares when dividends have not been paid on any one or more series as determined by the applicable series provisions. Each series of preferred shares ranks on parity with every other series of preferred shares, and are entitled to a preference over the common shares and any other shares ranking junior to the preferred shares, with respect to dividends and the distribution of assets and return of capital in the event of the liquidation, dissolution or winding up of Hydro One.

For the period commencing from the date of issue of the Series 1 preferred shares and ending on and including November 19, 2020, the holders of Series 1 preferred shares are entitled to receive fixed cumulative preferential dividends of $1.0625 per share per year, if and when declared by the Board of Directors, payable quarterly. The dividend rate will reset on November 20, 2020 and every five years thereafter at a rate equal to the sum of the then five-year Government of Canada bond yield and 3.53%. The Series 1 preferred shares will not be redeemable by Hydro One prior to November 20, 2020, but will be redeemable by Hydro One on November 20, 2020 and on November 20 of every fifth year thereafter at a redemption price equal to $25.00 for each Series 1 preferred share redeemed, plus any accrued or unpaid dividends. The holders of Series 1 preferred shares will have the right, at their option, on November 20, 2020 and on November 20 of every fifth year thereafter, to convert all or any of their Series 1 preferred shares into Series 2 preferred shares on a one-for-one basis, subject to certain restrictions on conversion. At December 31, 2018, no preferred share dividends were in arrears.

The holders of Series 2 preferred shares will be entitled to receive quarterly floating rate cumulative dividends, if and when declared by the Board of Directors, at a rate equal to the sum of the then three-month Government of Canada treasury bill rate and 3.53% as reset quarterly. The Series 2 preferred shares will not be redeemable by Hydro One prior to November 20, 2020, but will be redeemable by Hydro One at a redemption price equal to $25.00 for each Series 2 preferred share redeemed, if redeemed on November 20, 2025 or on November 20 of every fifth year thereafter, or $25.50 for each Series 2 preferred share redeemed, if redeemed on any other date after November 20, 2020, in each case plus any accrued or unpaid dividends. The holders of Series 2 preferred shares will have the right, at their option, on November 20, 2025 and on November 20 of every fifth year thereafter, to convert all or any of their Series 2 preferred shares into Series 1 preferred shares on a one-for-one basis, subject to certain restrictions on conversion.

Share Ownership Restrictions

The *Electricity Act* imposes share ownership restrictions on securities of Hydro One carrying a voting right (Voting Securities). These restrictions provide that no person or company (or combination of persons or companies acting jointly or in concert) may beneficially own or exercise control or direction over more than 10% of any class or series of Voting Securities, including common shares of the Company (Share Ownership Restrictions). The Share Ownership Restrictions do not apply to Voting Securities held by the Province, nor to an underwriter who holds Voting Securities solely for the purpose of distributing those securities to purchasers who comply with the Share Ownership Restrictions.

Dividends	12 Months Ended Dec. 31, 2018
Equity [Abstract]	
Dividends	**DIVIDENDS** In 2018, preferred share dividends in the amount of $18 million (2017 - $18 million) and common share dividends in the amount of $542 million (2017 - $518 million) were declared.

Earnings Per Common Share	12 Months Ended Dec. 31, 2018
Earnings Per Share [Abstract]	
Earnings Per Common Share	

EARNINGS PER COMMON SHARE

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

Diluted EPS is calculated by dividing net income (loss) 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 LTIP, which are calculated using the treasury stock method.

Year ended December 31	2018	2017
Net income (loss) attributable to common shareholders *(millions of dollars)*	(89)	658
Weighted average number of shares		
Basic	595,756,470	595,287,586
Effect of dilutive stock-based compensation plans	2,147,473	2,234,665
Diluted	597,903,943	597,522,251
EPS		
Basic	($0.15)	$1.11
Diluted	($0.15)	$1.10

The common shares contingently issuable as a result of the Convertible Debentures are not included in diluted EPS as conditions for closing the Merger were not met as at December 31, 2018. As a result of the termination of the Merger agreement (see Note 4 - Business Combinations), the Convertible Debentures were redeemed on February 8, 2019.

Stock-Based Compensation	12 Months Ended Dec. 31, 2018

Disclosure of Compensation Related Costs, Share-based Payments [Abstract]

Stock-Based Compensation

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 PWU (PWU Share Grant Plan) and one for the benefit of certain members of the Society (formerly the Society of Energy Professionals) (Society Share Grant Plan).

The PWU Share Grant Plan provides for the issuance of common shares of Hydro One from treasury to certain eligible members of the PWU annually, commencing on April 1, 2017 and continuing until the earlier of April 1, 2028 or the date an eligible employee no longer meets the eligibility criteria of the PWU Share Grant Plan. To be eligible, an employee must be a member of the Pension Plan on April 1, 2015, be employed on the date annual share issuance occurs and continue to have under 35 years of service. The requisite service period for the PWU Share Grant Plan began on July 3, 2015, which is the date the share grant plan was ratified by the PWU. The number of common shares issued annually to each eligible employee will be equal to 2.7% of such eligible employee’s salary as at April 1, 2015, divided by $20.50, being the price of the common shares of Hydro One in its Initial Public Offering (IPO). The aggregate number of common shares issuable under the PWU Share Grant Plan shall not exceed 3,981,763 common shares. In 2015, 3,979,062 common shares were granted under the PWU Share Grant Plan.

The Society Share Grant Plan provides for the issuance of common shares of Hydro One from treasury to certain eligible members of The Society annually, commencing on April 1, 2018 and continuing until the earlier of April 1, 2029 or the date an eligible employee no longer meets the eligibility criteria of the Society Share Grant Plan. To be eligible, an employee must be a member of the Pension Plan on September 1, 2015, be employed on the date annual share issuance occurs and continue to have under 35 years of service. Therefore the requisite service period for the Society Share Grant Plan began on September 1, 2015. The number of common shares issued annually to each eligible employee will be equal to 2.0% of such eligible employee’s salary as at September 1, 2015, divided by $20.50, being the price of the common shares of Hydro One in its IPO. The aggregate number of common shares issuable under the Society Share Grant Plan shall not exceed 1,434,686 common shares. In 2015, 1,433,292 common shares were granted under the Society Share Grant Plan.

The fair value of the Hydro One 2015 share grants of $111 million was estimated based on the grant date share price of $20.50 and is recognized using the graded-vesting attribution method as the share grant plans have both a performance condition and a service condition. In 2018, 481,460 common shares were issued under the Share Grant Plans (2017 - 371,611). Total share based compensation recognized during 2018 was $12 million (2017 - $17 million) and was recorded as a regulatory asset.

A summary of share grant activity under the Share Grant Plans during years ended December 31, 2018 and 2017 is presented below:

Year ended December 31, 2018	Share Grants *(number of common shares)*		Weighted-Average Price
Share grants outstanding - beginning	4,825,732	$	20.50
Vested and issued[1]	(481,460)		—
Forfeited	(110,117)	$	20.50
Share grants outstanding - ending	4,234,155	$	20.50

[1] In 2018, Hydro One issued from treasury 481,460 common shares to eligible employees in accordance with provisions of the PWU and the Society Share Grant Plans.

Year ended December 31, 2017	Share Grants *(number of common shares)*	Weighted-Average

		Price
Share grants outstanding - beginning	5,334,415	$ 20.50
Vested and issued[1]	(371,611)	—
Forfeited	(137,072)	$ 20.50
Share grants outstanding - ending	4,825,732	$ 20.50

[1] In 2017, Hydro One issued from treasury 371,611 common shares to eligible employees in accordance with provisions of the PWU Share Grant Plan.

Directors' DSU Plan

Under the Directors' DSU Plan, directors can elect to receive credit for their annual cash retainer in a notional account of DSUs in lieu of cash. Hydro One's Board of Directors may also determine from time to time that special circumstances exist that would reasonably justify the grant of DSUs to a director as compensation in addition to any regular retainer or fee to which the director is entitled. Each DSU represents a unit with an underlying value equivalent to the value of one common share of the Company and is entitled to accrue common share dividend equivalents in the form of additional DSUs at the time dividends are paid, subsequent to declaration by Hydro One's Board of Directors.

A summary of DSU awards activity under the Director' DSU Plan during the years ended December 31, 2018 and 2017 is presented below:

Year ended December 31 *(number of DSUs)*	**2018**	**2017**
DSUs outstanding - beginning	187,090	99,083
Granted	82,375	88,007
Settled	(222,768)	—
DSUs outstanding - ending	46,697	187,090

For the year ended December 31, 2018, an expense of $1 million (2017 - $2 million) was recognized in earnings with respect to the Directors' DSU Plan. At December 31, 2018, a liability of $1 million (2017 - $4 million) related to Directors' DSUs has been recorded at the December 31, 2018 closing price of the Company's common shares of $20.25. This liability is included in long-term accounts payable and other liabilities on the Consolidated Balance Sheets.

DSUs related to the Company's former Board of Directors were settled at the June 29, 2018 (last business day in June 2018) closing price of the Company's common shares of $20.04, with an amount of approximately $5 million paid during the fourth quarter of 2018.

Management DSU Plan

Under the Management DSU Plan, eligible executive employees can elect to receive a specified proportion of their annual short-term incentive in a notional account of DSUs in lieu of cash. Each DSU represents a unit with an underlying value equivalent to the value of one common share of the Company and is entitled to accrue common share dividend equivalents in the form of additional DSUs at the time dividends are paid, subsequent to declaration by Hydro One's Board of Directors.

A summary of DSU awards activity under the Management DSU Plan during the years ended December 31, 2018 and 2017 is presented below:

Year ended December 31 *(number of DSUs)*	**2018**	**2017**
DSUs outstanding - beginning	67,829	—
Granted	40,467	68,897
Paid	—	(1,068)
DSUs outstanding - ending	108,296	67,829

For the year ended December 31, 2018, an expense of $1 million (2017 - $2 million) was recognized in earnings with respect to the Management DSU Plan. At December 31, 2018, a liability of $2 million (2017 - $2 million) consisted of the following:

- $1 million recorded at the June 29, 2018 (last business day in June 2018) closing price of the Company's common shares of $20.04 (2017 - $22.40) related to previously awarded Management DSUs to the Company's former President and Chief Executive Officer (CEO) included in accounts payable and other current liabilities (2017 - $1 million included in long-term accounts payable and other liabilities; and
- $1 million recorded at the December 31, 2018 closing price of the Company's common shares of $20.25 (2017 - $22.40) related to other Management DSUs included in long-term accounts payable and other liabilities (2017 - $1 million).

Employee Share Ownership Plan

In 2015, Hydro One established Employee Share Ownership Plans (ESOP) for certain eligible management and non-represented employees (Management ESOP) and for certain eligible Society-represented staff (Society ESOP). Under the Management ESOP, the eligible management and non-represented employees may contribute between 1% and 6% of their base salary towards purchasing common shares of Hydro One. The Company matches 50% of their contributions, up to a maximum Company contribution of $25,000 per calendar year. Under the Society ESOP, the eligible Society-represented staff may contribute between 1% and 4% of their base salary towards purchasing common shares of Hydro One. The Company matches 25% of their contributions, with no maximum Company contribution per calendar year. In 2018, Company contributions made under the ESOP were $2 million (2017 - $2 million).

LTIP

Effective August 31, 2015, the Board of Directors of Hydro One adopted an LTIP. Under the LTIP, long-term incentives are granted to certain executive and management employees of Hydro One and its subsidiaries, and all equity-based awards will be settled in newly issued shares of Hydro One from treasury, consistent with the provisions of the plan which also permit the participants to surrender a portion of their awards to satisfy related withholding taxes requirements. The aggregate number of shares issuable under the LTIP shall not exceed 11,900,000 shares of Hydro One.

The LTIP provides flexibility to award a range of vehicles, including Performance Share Units (PSUs), Restricted Share Units (RSUs), stock options, share appreciation rights, restricted shares, DSUs, and other share-based awards. The mix of vehicles is intended to vary by role to recognize the level of executive accountability for overall business performance.

PSUs and RSUs

A summary of PSU and RSU awards activity under the LTIP during the years ended December 31, 2018 and 2017 is presented below:

	PSUs		RSUs	
Year ended December 31 *(number of units)*	**2018**	**2017**	**2018**	**2017**
Units outstanding - beginning	429,980	230,600	393,430	254,150
Granted	445,120	303,240	345,790	242,860
Vested and issued	(123)	(609)	(106,591)	(14,079)
Forfeited	(31,767)	(103,251)	(31,849)	(89,501)
Settled	(238,030)	—	(158,310)	—
Units outstanding - ending	605,180	429,980	442,470	393,430

The grant date total fair value of the awards granted in 2018 was $16 million (2017 - $13 million). The compensation expense related to the PSU and RSU awards recognized by the Company during 2018 was $15 million (2017 - $6 million). The expense recognized in 2018 included $5 million related to previously awarded PSUs and RSUs to the Company's former President and CEO for which costs had not previously been recognized. These awards, consisting of 238,030 PSUs and 158,310 RSUs, were settled in 2018 through a one-time cash settlement arrangement.

Stock Options

The Company is authorized to grant stock options under its LTIP to certain eligible employees. During 2018, the Company granted 1,450,880 stock options (2017 - nil). The stock options granted are exercisable for a period not to exceed seven years from the date of grant and vest evenly over a three-year period on each anniversary of the date of grant.

The fair value based method is used to measure compensation expense related to stock options and the expense is recognized over the vesting period on a straight-line basis. The fair value of the stock option awards granted was estimated on the date of grant using a Black-Scholes valuation model.

Stock options granted and the weighted-average assumptions used in the valuation model for options granted during 2018 are as follows:

Exercise price[1]	$ 20.70
Grant date fair value per option	$ 1.66
Valuation assumptions:	
Expected dividend yield[2]	3.78%
Expected volatility[3]	15.01%
Risk-free interest rate[4]	2.00%
Expected option term[5]	4.5 years

[1] Hydro One common share price on the date of the grant.

[2] Based on dividend and Hydro One common share price on the date of the grant.

[3] Based on average daily volatility of peer entities for a 4.5-year term.

[4] Based on bond yield for an equivalent Canadian government bond.

[5] Determined using the option term and the vesting period.

A summary of stock options activity during 2018 and 2017 is presented below:

Year ended December 31 *(number of stock options)*	**2018**	**2017**
Stock options outstanding - beginning	—	—
Granted[1]	1,450,880	—
Cancelled[2]	(500,970)	—
Stock options outstanding - ending[1]	949,910	—

[1] All stock options granted and outstanding at December 31, 2018 are non-vested.

[2] During 2018, 500,970 stock options previously awarded to the Company's former President and CEO were cancelled. The unrecognized compensation expense related to the cancelled stock options was $1 million.

The compensation expense related to stock options recognized by the Company during 2018 was $1 million. At December 31, 2018, there was $1 million of unrecognized compensation expense related to stock options not yet vested, which is expected to be recognized over a weighted-average period of approximately three years.

Noncontrolling Interest	12 Months Ended Dec. 31, 2018
Noncontrolling Interest [Abstract]	
Noncontrolling Interest	

NONCONTROLLING INTEREST

On December 16, 2014, transmission assets totalling $526 million were transferred from Hydro One Networks to B2M LP. This was financed by 60% debt ($316 million) and 40% equity ($210 million). On December 17, 2014, the SON acquired a 34.2% equity interest in B2M LP for consideration of $72 million, representing the fair value of the equity interest acquired. The SON's initial investment in B2M LP consists of $50 million of Class A units and $22 million of Class B units.

The Class B units have a mandatory put option which requires that upon the occurrence of an enforcement event (i.e. an event of default such as a debt default by the SON or insolvency event), Hydro One purchase the Class B units of B2M LP for net book value on the redemption date. The noncontrolling interest relating to the Class B units is classified on the Consolidated Balance Sheet as temporary equity because the redemption feature is outside the control of the Company. The balance of the noncontrolling interest is classified within equity.

The following tables show the movements in noncontrolling interest during the years ended December 31, 2018 and 2017:

Year ended December 31, 2018 *(millions of dollars)*	**Temporary Equity**	**Equity**	**Total**
Noncontrolling interest - beginning	22	50	72
Distributions to noncontrolling interest	(3)	(5)	(8)
Net income attributable to noncontrolling interest	2	4	6
Noncontrolling interest - ending	21	49	70

Year ended December 31, 2017 *(millions of dollars)*	**Temporary Equity**	**Equity**	**Total**
Noncontrolling interest - beginning	22	50	72
Distributions to noncontrolling interest	(2)	(4)	(6)
Net income attributable to noncontrolling interest	2	4	6
Noncontrolling interest - ending	22	50	72

Related Party Transactions	12 Months Ended Dec. 31, 2018
Related Party Transactions [Abstract]	
Related Party Transactions	

RELATED PARTY TRANSACTIONS

The Province is a shareholder of Hydro One with approximately 47.4% ownership at December 31, 2018. 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 Province.

Year ended December 31 *(millions of dollars)*

Related Party	Transaction	2018	2017
Province	Dividends paid	275	301
IESO	Power purchased	1,636	1,583
	Revenues for transmission services	1,615	1,521
	Amounts related to electricity rebates	477	357
	Distribution revenues related to rural rate protection	239	247
	Distribution revenues related to the supply of electricity to remote northern communities	35	32
	Funding received related to CDM programs	62	59
OPG	Power purchased	10	9
	Revenues related to provision of services and supply of electricity	9	8
	Costs related to the purchase of services	—	1
OEFC	Power purchased from power contracts administered by the OEFC	2	2
OEB	OEB fees	8	8

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.

Consolidated Statement of Cash Flows	12 Months Ended Dec. 31, 2018
Supplemental Cash Flow Information [Abstract]	
Consolidated Statements of Cash Flows	

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

Year ended December 31 *(millions of dollars)*	2018	2017
Accounts receivable	11	195
Due from related parties	(2)	(95)
Other assets	2	8
Accounts payable	2	7
Accrued liabilities	17	(89)
Due to related parties	(68)	10
Accrued interest	(3)	(6)
Long-term accounts payable and other liabilities	(7)	(2)
Post-retirement and post-employment benefit liability	25	85
	(23)	113

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 years ended December 31, 2018 and 2017. The reconciling items include net change in accruals and capitalized depreciation.

Year ended December 31, 2018 *(millions of dollars)*	Property, Plant and Equipment	Intangible Assets	Total
Capital investments	(1,454)	(121)	(1,575)
Reconciling items	36	1	37
Cash outflow for capital expenditures	(1,418)	(120)	(1,538)

Year ended December 31, 2017 *(millions of dollars)*	Property, Plant and Equipment	Intangible Assets	Total
Capital investments	(1,493)	(74)	(1,567)
Reconciling items	26	(6)	20
Cash outflow for capital expenditures	(1,467)	(80)	(1,547)

Capital Contributions

Hydro One enters into contracts governed by the OEB Transmission System Code when a transmission customer requests a new or upgraded transmission connection. The customer is required to make a capital contribution to Hydro One based on the shortfall between the present value of the costs of the connection facility and the present value of revenues. The present value of revenues is based on an estimate of load forecast for the period of the contract with Hydro One. Once the connection facility is commissioned, in accordance with the OEB Transmission System Code, Hydro One will periodically reassess the estimated of load forecast which will lead to a decrease, or an increase in the capital contributions from the customer. The increase or decrease in capital contributions is recorded directly to fixed assets in service. In 2018, capital contributions from these reassessments totalled $7 million (2017 - $9 million), which represents the difference between the revised load forecast of electricity transmitted compared to the load forecast in the original contract, subject to certain adjustments.

Supplementary Information

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Net interest paid	519	475
Income taxes paid	17	12

Contingencies	12 Months Ended Dec. 31, 2018
Commitments and Contingencies Disclosure [Abstract]	
Contingencies	

CONTINGENCIES

Legal Proceedings

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.

Hydro One Inc., Hydro One Networks, Hydro One Remote Communities, and Norfolk Power Distribution Inc. are defendants in a class action suit in which the representative plaintiff is seeking up to $125 million in damages related to allegations of improper billing practices. The action was commenced in the Superior Court of Ontario on September 9, 2015. The plaintiff's motion for certification was dismissed by the court in November 2017. The plaintiff appealed the court's decision to the Divisional Court. The appeal was heard in October 2018; the Divisional Court dismissed the appeal in December 2018; and in January 2019, the plaintiff applied for leave to appeal to the Ontario Court of Appeal.

To date, four putative class action lawsuits were filed by purported Avista Corporation shareholders in relation to the Merger. First, *Fink v. Morris, et al.*, was filed in Washington state court and the amended complaint names as defendants Avista Corporation's directors, Hydro One, Olympus Holding Corp., Olympus Corp., and Bank of America Merrill Lynch. The suit alleges that Avista Corporation's directors breached their fiduciary duties in relation to the Merger, aided and abetted by Hydro One, Olympus Holding Corp., Olympus Corp. and Bank of America Merrill Lynch. The Washington state court issued an order staying the litigation until after the Merger has closed. Counsel for the plaintiffs in *Fink* has informally indicated that, in light of the termination of the Merger, the lawsuit will be dismissed, but no formal dismissal papers have been filed with the court at this time. Second, *Jenß v. Avista Corp., et al., Samuel v. Avista Corp., et al., and Sharpenter v. Avista Corp., et al.*, were each filed in the US District Court for the Eastern District of Washington and named as defendants Avista Corporation and its directors; *Sharpenter* also named Hydro One, Olympus Holding Corp., and Olympus Corp. The lawsuits alleged that the preliminary proxy statement omitted material facts necessary to make the statements therein not false or misleading. *Jenß, Samuel, and Sharpenter* were all voluntarily dismissed by the respective plaintiffs with no consideration paid by any of the defendants.

Transfer of Assets

The transfer orders by which the Company acquired certain of Ontario Hydro's businesses as of April 1, 1999 did not transfer title to some assets located on Reserves (as defined in the *Indian Act* (Canada)). Currently, the OEFC holds these assets. Under the terms of the transfer orders, the Company is required to manage these assets until it has obtained all consents necessary to complete the transfer of title of these assets to itself. The Company cannot predict the aggregate amount that it may have to pay, either on an annual or one-time basis, to obtain the required consents. In 2018, the Company paid approximately $2 million (2017 - $2 million) in respect of consents obtained. If the Company cannot obtain the required consents, the OEFC will continue to hold these assets for an indefinite period of time. If the Company cannot reach a satisfactory settlement, it may have to relocate these assets to other locations at a cost that could be substantial or, in a limited number of cases, to abandon a line and replace it with diesel-generation facilities. The costs relating to these assets could have a material adverse effect on the Company's results of operations if the Company is not able to recover them in future rate orders.

Commitments	12 Months Ended Dec. 31, 2018
Commitments and Contingencies Disclosure [Abstract]	
Commitments	

COMMITMENTS

The following table presents a summary of Hydro One's commitments under leases, outsourcing and other agreements due in the next 5 years and thereafter:

December 31, 2018 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Outsourcing and other agreements	161	104	29	2	3	11
Long-term software/meter agreement	17	16	2	1	2	1
Operating lease commitments	7	11	4	1	1	4

Outsourcing Agreements

Hydro One has agreements with Inergi LP (Inergi) for the provision of back office and IT outsourcing services, including settlements, source to pay services, pay operations services, information technology and finance and accounting services. The agreement expires on February 28, 2021 for information technology services, on October 31, 2021 for supply chain services, and on December 31, 2019 for the remaining back-office services.

On March 1, 2018, Hydro One insourced its customer service operations, which had been previously outsourced to Inergi and Vertex Customer Management (Canada) Limited since 2002.

Brookfield Global Integrated Solutions (formerly Brookfield Johnson Controls Canada LP) (Brookfield) provides services to Hydro One, including facilities management and execution of certain capital projects as deemed required by the Company. The agreement with Brookfield for these services expires in December 2024, with an option for the Company to renew the agreement for an additional term of three years.

Long-term Software/Meter Agreement

Trilliant Holdings Inc. and Trilliant Networks (Canada) Inc. (collectively Trilliant) provide services to Hydro One for the supply, maintenance and support services for smart meters and related hardware and software, including additional software licences, as well as certain professional services. The agreement with Trilliant for these services expires in December 2025, but Hydro One has the option to renew for an additional term of five years at its sole discretion.

Operating Leases

Hydro One is committed as lessee to irrevocable operating lease contracts for buildings used in administrative and service-related functions and storing telecommunications equipment. These leases have typical terms of between three and five years, but several leases have lesser or greater terms to address special circumstances and/or opportunities. Renewal options, which are generally prevalent in most leases, have similar terms of three to five years. All leases include a clause to enable upward revision of the rental charge on an annual basis or on renewal according to prevailing market conditions or pre-established rents. There are no restrictions placed upon Hydro One by entering into these leases. During the year ended December 31, 2018, the Company made lease payments totalling $12 million (2017 - $12 million).

Other Commitments

The following table presents a summary of Hydro One's other commercial commitments by year of expiry in the next 5 years and thereafter:

December 31, 2018 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Operating Credit Facilities	—	—	250	2,300	—	—
Letters of credit[1]	182	—	—	—	—	—
Guarantees[2]	325	—	—	—	—	—

[1] Letters of credit consist of letters of credit totalling $163 million related to retirement compensation arrangements, a $13 million letter of credit provided to the IESO for prudential support, $5 million in letters of credit to satisfy debt service reserve requirements, and $1 million in letters of credit for various operating purposes.

[2] Guarantees consist of prudential support provided to the IESO by Hydro One Inc. on behalf of its subsidiaries.

Prudential Support

Purchasers of electricity in Ontario, through the IESO, are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees and/or letters of credit if these purchasers fail to make a payment required by a default notice issued by the IESO. The maximum potential payment is the face value of any letters of credit plus the amount of the parental guarantees.

Retirement Compensation Arrangements

Bank letters of credit have been issued to provide security for Hydro One Inc.'s liability under the terms of a trust fund established pursuant to the supplementary pension plan for eligible employees of Hydro One Inc. The supplementary pension plan trustee is required to draw upon these letters of credit if Hydro One Inc. is in default of its obligations under the terms of this plan. Such obligations include the requirement to provide the trustee with an annual actuarial report as well as letters of credit sufficient to secure Hydro One Inc.'s liability under the plan, to pay benefits payable under the plan and to pay the letter of credit fee. The maximum potential payment is the face value of the letters of credit. A bank letter of credit has also been issued to provide security for Hydro One's retirement compensation arrangement trust agreement.

Segmented Reporting	12 Months Ended Dec. 31, 2018
Segment Reporting [Abstract]	
Segmented Reporting	

SEGMENTED REPORTING

Hydro One has three reportable segments:

- The Transmission Segment, which comprises the transmission of high voltage electricity across the province, interconnecting more than 70 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 and the operations of the Company's telecommunications business.

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 taxes from continuing operations (excluding certain allocated corporate governance costs).

Year ended December 31, 2018 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,686	4,422	42	6,150
Purchased power	—	2,899	—	2,899
Operation, maintenance and administration	409	602	94	1,105
Depreciation and amortization	435	395	7	837
Income (loss) before financing charges and income taxes	842	526	(59)	1,309
Capital investments	985	577	13	1,575

Year ended December 31, 2017 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,578	4,366	46	5,990
Purchased power	—	2,875	—	2,875
Operation, maintenance and administration	375	593	98	1,066
Depreciation and amortization	420	390	7	817
Income (loss) before financing charges and income taxes	783	508	(59)	1,232
Capital investments	968	588	11	1,567

Total Assets by Segment:

December 31 *(millions of dollars)*	2018	2017
Transmission	13,973	13,608
Distribution	9,325	9,259
Other	2,359	2,834
Total assets	25,657	25,701

Total Goodwill by Segment:

December 31 *(millions of dollars)*	2018	2017
Transmission	157	157

Distribution	168	168
Total goodwill	325	325

All revenues, assets and substantially all costs, as the case may be, are earned, held or incurred in Canada.

Subsequent Events	12 Months Ended Dec. 31, 2018
Subsequent Events [Abstract]	
Subsequent Events	

SUBSEQUENT EVENTS

(A) Dividends

On February 20, 2019, preferred share dividends of $5 million and common share dividends of $137 million ($0.23 per common share) were declared.

(B) LTIP

On January 29, 2019, Hydro One issued from treasury 1,905 common shares in accordance with provisions of the LTIP.

(C) Lake Superior Link Project

On February 15, 2018, Hydro One filed an application with the OEB to construct a transmission line (East-West Tie Line) in northwestern Ontario (Lake Superior Link Project). During 2018, the Company capitalized costs totaling approximately $11 million associated with this project. On February 11, 2019, the OEB awarded the project to a competitor, as directed by the Province on January 30, 2019. As a result, in the first quarter of 2019, Hydro One recognized an impairment loss of approximately $11 million associated with previously capitalized costs related to this project.

(D) OEB Regulatory Decisions

Deferred Income Tax Regulatory Asset

Subsequent to year end, on March 7, 2019, the OEB issued a decision on its reconsideration of its Original Decision with respect to the rate-setting treatment of the benefits of the deferred tax asset resulting from transition from the payments in lieu of tax regime under the *Electricity Act* (Ontario) to tax payments under the federal and provincial tax regime. The OEB's Original Decision concluded that these benefits should not accrue entirely to Hydro One shareholders and that a portion should be shared with ratepayers. The OEB has concluded that the Original Decision was reasonable and should be upheld. The March 7, 2019 OEB decision has been determined to be a Type I subsequent event under US GAAP and as such the Company is required to update the consolidated financial statements to reflect the subsequent event in connection with filing its annual report on Form 40-F with the US Securities and Exchange Commission, so that they reflect events to the date of approval of the Form 40-F. As a result, the financial impact of this OEB decision has been reflected in these amended consolidated financial statements, as more fully discussed in Note 12 - Regulatory Assets and Liabilities.

Hydro One Networks' 2018-2022 Distribution Rates

Also, on March 7, 2019, the OEB issued its decision for Hydro One Networks' 2018-2022 distribution rates, in which it directed the Company to apply the Original Decision to Hydro One Networks' distribution rates. This aspect of the decision has been reflected in the adjustments discussed in Note 12 - Regulatory Assets and Liabilities. The other impacts from the OEB decision for Hydro One Networks' 2018-2022 distribution rates will be reflected prospectively in 2019.

Significant Accounting Policies (Policies)	12 Months Ended Dec. 31, 2018
Accounting Policies [Abstract]	
Basis of Consolidation	**Basis of Consolidation** These Amended Consolidated Financial Statements (Consolidated Financial Statements) include the accounts of the Company and its subsidiaries. Intercompany transactions and balances have been eliminated.
Basis of Accounting	**Basis of Accounting** These Consolidated Financial Statements are prepared and presented in accordance with US GAAP and in Canadian dollars.
Use of Management Estimates	**Use of Management Estimates** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains and losses during the reporting periods. Management evaluates these estimates on an ongoing basis based upon historical experience, current conditions, and assumptions believed to be reasonable at the time the assumptions are made, with any adjustments being recognized in results of operations in the period they arise. Significant estimates relate to regulatory assets and regulatory liabilities, environmental liabilities, pension benefits, post-retirement and post-employment benefits, asset retirement obligations, goodwill and asset impairments, contingencies, unbilled revenues, and deferred income tax assets and liabilities. Actual results may differ significantly from these estimates.
Regulatory Accounting	**Regulatory Accounting** The OEB has the general power to include or exclude revenues, costs, gains or losses in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have been applied in an unregulated company. Such change in timing involves the application of rate-regulated accounting, giving rise to the recognition of regulatory assets and liabilities. The Company's regulatory assets represent amounts receivable from future customers and costs that have been deferred for accounting purposes because it is probable that they will be recovered in future rates. In addition, the Company has recorded regulatory liabilities that generally represent amounts that are refundable to future customers. The Company continually assesses the likelihood of recovery of each of its regulatory assets and continues to believe that it is probable that the OEB will include its regulatory assets and liabilities in setting future rates. If, at some future date, the Company judges that it is no longer probable that the OEB will include a regulatory asset or liability in setting future rates, the appropriate carrying amount would be reflected in results of operations prospectively from the date the Company's assessment is made, unless the change meets the requirements for a Type I subsequent event.
Cash and Cash Equivalents	**Cash and Cash Equivalents** Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less.
Revenue Recognition	**Revenue Recognition** The Company adopted Accounting Standard Codification (ASC) 606 - *Revenue from Contracts with Customers* on January 1, 2018 using the retrospective method, without the election of any practical expedients. There was no material impact to the Company's revenue recognition policy as a result of adopting ASC 606, and no adjustments were made to prior period reported financial statements amounts. Nature of Revenues Transmission revenues predominantly consist of transmission tariffs, which are collected through OEB-approved Uniform Transmission Rates (UTR) and the monthly peak demand for electricity across Hydro One's high-voltage network. OEB-approved UTR is based on an approved revenue requirement that includes a rate of return. The transmission tariffs are designed to recover revenues necessary to support the Company's transmission system with sufficient capacity to accommodate

the maximum expected demand which is influenced by weather and economic conditions. Transmission revenues are recognized as electricity is transmitted and delivered to customers.

Distribution revenues attributable to the delivery of electricity are based on OEB-approved distribution rates and are recognized on an accrual basis and include billed and unbilled revenues. Billed revenues are based on electricity delivered as measured from customer meters. At the end of each month, electricity delivered to customers since the date of the last billed meter reading is estimated, and the corresponding unbilled revenue is recorded. The unbilled revenue estimate is affected by energy consumption, weather, and changes in the composition of customer classes.

Revenues also include amounts related to sales of other services and equipment. Such revenue is recognized as services are rendered or as equipment is delivered. Revenues are recorded net of indirect taxes.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts Receivable and Allowance for Doubtful Accounts

Billed accounts receivable are recorded at the invoiced amount, net of allowance for doubtful accounts. Unbilled accounts receivable are recorded at their estimated value. Overdue amounts related to regulated billings bear interest at OEB-approved rates. The allowance for doubtful accounts reflects the Company's best estimate of losses on billed accounts receivable balances. The Company estimates the allowance for doubtful accounts on billed accounts receivable by applying internally developed loss rates to the outstanding receivable balances by aging category. Loss rates applied to the billed accounts receivable balances are based on historical overdue balances, customer payments and write-offs. Accounts receivable are written-off against the allowance when they are deemed uncollectible. The allowance for doubtful accounts is affected by changes in volume, prices and economic conditions.

Noncontrolling interest

Noncontrolling interest

Noncontrolling interest represents the portion of equity ownership in subsidiaries that is not attributable to shareholders of Hydro One. Noncontrolling interest is initially recorded at fair value and subsequently the amount is adjusted for the proportionate share of net income and other comprehensive income (OCI) attributable to the noncontrolling interest and any dividends or distributions paid to the noncontrolling interest.

If a transaction results in the acquisition of all, or part, of a noncontrolling interest in a subsidiary, the acquisition of the noncontrolling interest is accounted for as an equity transaction. No gain or loss is recognized in consolidated net income or comprehensive income as a result of changes in the noncontrolling interest, unless a change results in the loss of control by the Company.

Income Taxes

Income Taxes

Current and deferred income taxes are computed based on the tax rates and tax laws enacted as at the balance sheet date. Tax benefits associated with income tax positions are recorded only when the more-likely-than-not recognition threshold is satisfied and are measured at the largest amount of benefit that has a greater than 50% likelihood of being realized upon settlement. Management evaluates each position based solely on the technical merits and facts and circumstances of the position, assuming the position will be examined by a taxing authority having full knowledge of all relevant information. Significant management judgment is required to determine recognition thresholds and the related amount of tax benefits to be recognized in the Consolidated Financial Statements. Management re-evaluates tax positions each period using new information about recognition or measurement as it becomes available.

Deferred Income Taxes

Deferred income taxes are provided for using the liability method. Under this method, deferred income tax assets and liabilities are recognized on all temporary differences between the tax bases and carrying amounts of assets and liabilities, including the carry forward unused tax credits and tax losses to the extent that it is more-likely-than-not that these deductions, credits, and losses can be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates and tax laws that have been enacted as at the balance sheet date. Deferred income taxes that are not included in the rate-setting process are charged or credited to the Consolidated Statements of Operations and Comprehensive Income.

Management reassesses the deferred income tax assets at each balance sheet date and reduces the amount to the extent that it is more-likely-than-not that the deferred income tax asset will not be realized. Previously unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more-likely-than-not that the tax benefit will be realized.

As approved by the regulator, the Company's Canadian subsidiaries recover income tax expense in customer rates based on income taxes that are currently payable, except for certain regulatory balances for which deferred income tax expense is recovered from, or refunded to, customers in current rates, as prescribed by the regulator. The Company records regulatory assets and liabilities associated with deferred income tax assets and liabilities that will be included in the rate-setting process.

Investment tax credits are recorded as a reduction of the related expenses or income tax expense in the current or future period to the extent it is more likely than not that the credits can be utilized.

Materials and Supplies

Materials and Supplies

Materials and supplies represent consumables, small spare parts and construction materials held for internal construction and maintenance of property, plant and equipment. These assets are carried at average cost less any impairments recorded.

Property, Plant and Equipment

Property, Plant and Equipment

Property, plant and equipment is recorded at original cost, net of customer contributions, and any accumulated impairment losses. The cost of additions, including betterments and replacement asset components, is included on the Consolidated Balance Sheets as property, plant and equipment.

The original cost of property, plant and equipment includes direct materials, direct labour (including employee benefits), contracted services, attributable capitalized financing costs, asset retirement costs, and direct and indirect overheads that are related to the capital project or program. Indirect overheads include a portion of corporate costs such as finance, treasury, human resources, information technology and executive costs. Overhead costs, including corporate functions and field services costs, are capitalized on a fully allocated basis, consistent with an OEB-approved methodology.

Property, plant and equipment in service consists of transmission, distribution, communication, administration and service assets and land easements. Property, plant and equipment also includes future use assets, such as land, major components and spare parts, and capitalized project development costs associated with deferred capital projects.

<u>Transmission</u>

Transmission assets include assets used for the transmission of high-voltage electricity, such as transmission lines, support structures, foundations, insulators, connecting hardware and grounding systems, and assets used to step up the voltage of electricity from generating stations for transmission and to step down voltages for distribution, including transformers, circuit breakers and switches.

<u>Distribution</u>

Distribution assets include assets related to the distribution of low-voltage electricity, including lines, poles, switches, transformers, protective devices and metering systems.

<u>Communication</u>

Communication assets include fibre optic and microwave radio systems, optical ground wire, towers, telephone equipment and associated buildings.

<u>Administration and Service</u>

Administration and service assets include administrative buildings, personal computers, transport and work equipment, tools and other minor assets.

<u>Easements</u>

Easements include statutory rights of use for transmission corridors and abutting lands granted under the *Reliable Energy and Consumer Protection Act, 2002*, as well as other land access rights.

Intangible Assets

Intangible Assets

Intangible assets separately acquired or internally developed are measured on initial recognition at cost, which comprises purchased software, direct labour (including employee benefits), consulting, engineering, overheads and attributable capitalized financing charges. Following initial recognition, intangible assets are carried at cost, net of any accumulated amortization and accumulated impairment losses. The Company's intangible assets primarily represent major computer applications.

Capitalized Financing Costs

Capitalized Financing Costs

Capitalized financing costs represent interest costs attributable to the construction of property, plant and equipment or development of intangible assets. The financing cost of attributable borrowed funds is capitalized as part of the acquisition cost of such assets. The capitalized financing costs are a reduction of financing charges recognized in the Consolidated Statements of Operations and Comprehensive Income. Capitalized financing costs are calculated using the Company's weighted average effective cost of debt.

Construction and Development in Progress

Construction and Development in Progress

Construction and development in progress consists of the capitalized cost of constructed assets that are not yet complete and which have not yet been placed in service.

Depreciation and Amortization

Depreciation and Amortization

The cost of property, plant and equipment and intangible assets is depreciated or amortized on a straight-line basis based on the estimated remaining service life of each asset category, except for transport and work equipment, which is depreciated on a declining balance basis.

The Company periodically initiates an external independent review of its property, plant and equipment and intangible asset depreciation and amortization rates, as required by the OEB. Any changes arising from OEB approval of such a review are implemented on a remaining service life basis, consistent with their inclusion in electricity rates. The most recent reviews resulted in changes to rates effective January 1, 2015 and January 1, 2017 for Hydro One Networks' distribution and transmission businesses, respectively. A summary of average service lives and depreciation and amortization rates for the various classes of assets is included below:

	Average	Rate	
	Service Life	Range	Average
Property, plant and equipment:			
Transmission	55 years	1% - 3%	2%
Distribution	46 years	1% - 7%	2%
Communication	16 years	1% - 15%	6%
Administration and service	20 years	1% - 20%	6%
Intangible assets	10 years	10%	10%

In accordance with group depreciation practices, the original cost of property, plant and equipment, or major components thereof, and intangible assets that are normally retired, is charged to accumulated depreciation, with no gain or loss being reflected in results of operations. Where a disposition of property, plant and equipment occurs through sale, a gain or loss is calculated based on proceeds and such gain or loss is included in depreciation expense.

Acquisitions and Goodwill

Acquisitions and Goodwill

The Company accounts for business acquisitions using the acquisition method of accounting and, accordingly, the assets and liabilities of the acquired entities are primarily measured at their estimated fair value at the date of acquisition. Costs associated with pending acquisitions are expensed as incurred. Goodwill represents the cost of acquired companies that is in excess of the fair value of the net identifiable assets acquired at the acquisition date. Goodwill is not included in rate base.

Goodwill is evaluated for impairment on an annual basis, or more frequently if circumstances require. The Company performs a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount. If the Company determines, as a result of its qualitative assessment, that it is not more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, no further testing is required. If the Company determines, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of the applicable reporting unit is less than its carrying amount, a goodwill impairment assessment is performed using a two-step, fair value-based test. The first step compares the fair value of the applicable reporting unit to its carrying amount, including goodwill. If the carrying amount of the applicable reporting unit exceeds its fair value, a second step is performed. The second step requires an allocation of fair value to the individual assets and liabilities using purchase price allocation in order to determine the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss is recorded as a reduction to goodwill and as a charge to results of operations.

Based on assessment performed as at September 30, 2018, the Company has concluded that goodwill was not impaired at December 31, 2018.

Long-Lived Asset Impairment

Long-Lived Asset Impairment

When circumstances indicate the carrying value of long-lived assets may not be recoverable, the Company evaluates whether the carrying value of such assets, excluding goodwill, has been impaired. For such long-lived assets, the Company evaluates whether impairment may exist by estimating future estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used to develop estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on the estimated future undiscounted cash flows, an impairment loss is recorded, measured as the excess of the carrying value of the asset over its fair value. As a result, the asset's carrying value is adjusted to its estimated fair value.

Within its regulated business, the carrying costs of most of Hydro One's long-lived assets are included in rate base where they earn an OEB-approved rate of return. Asset carrying values and the related return are recovered through approved rates. As a result, such assets are only tested for impairment in the event that the OEB disallows recovery, in whole or in part, or if such a disallowance is judged to be probable.

Costs of Arranging Debt Financing

Costs of Arranging Debt Financing

For financial liabilities classified as other than held-for-trading and for convertible debentures, the Company defers the external transaction costs related to obtaining financing and presents such amounts net of related debt or convertible debentures on the Consolidated Balance Sheets. Deferred issuance costs are amortized over the contractual life of the related debt or convertible debentures on an effective-interest basis and the amortization is included within financing charges in the Consolidated Statements of Operations and Comprehensive Income. Transaction costs for items classified as held-for-trading are expensed immediately.

Comprehensive Income

Comprehensive Income

Comprehensive income is comprised of net income and OCI. Hydro One presents net income and OCI in a single continuous Consolidated Statement of Operations and Comprehensive Income.

Financial Assets and Liabilities

Financial Assets and Liabilities

All financial assets and liabilities are classified into one of the following five categories: held-to-maturity; loans and receivables; held-for-trading; other liabilities; or available-for-sale. Financial assets and liabilities classified as held-for-trading are measured at fair value. All other financial assets and liabilities are measured at amortized cost, except accounts receivable and amounts due from related parties, which are measured at the lower of cost or fair value. Accounts receivable and amounts due from related parties are classified as loans and receivables. The Company considers the carrying amounts of accounts receivable and amounts due from related parties to be reasonable estimates of fair value because of the short time to maturity of these instruments. Provisions for impaired accounts receivable are recognized as adjustments to the allowance for doubtful accounts and are recognized when there is objective evidence that the Company will not be able to collect amounts according to the original terms. All financial instrument transactions are recorded at trade date.

Derivative instruments are measured at fair value. Gains and losses from fair valuation are included within financing charges in the period in which they arise. The Company determines the classification of its financial assets and liabilities at the date of initial recognition. The Company designates certain of its financial assets and liabilities to be held at fair value, when it is consistent with the Company's risk management policy disclosed in Note 17 - Fair Value of Financial Instruments and Risk Management.

Derivative Instruments and Hedge Accounting

Derivative Instruments and Hedge Accounting

The Company closely monitors the risks associated with changes in interest rates on its operations and, where appropriate, uses various instruments to hedge these risks. Certain of these derivative instruments qualify for hedge accounting and are designated as accounting hedges, while others either do not qualify as hedges or have not been designated as hedges (hereinafter referred to as undesignated contracts) as they are part of economic hedging relationships.

The accounting guidance for derivative instruments requires the recognition of all derivative instruments not identified as meeting the normal purchase and sale exemption as either assets or liabilities recorded at fair value on the Consolidated Balance Sheets. For derivative instruments that qualify for hedge accounting, the Company may elect to designate such derivative instruments as either cash flow hedges or fair value hedges. The Company offsets fair value amounts recognized on its Consolidated Balance Sheets related to derivative instruments executed with the same counterparty under the same master netting agreement.

For derivative instruments that qualify for hedge accounting and which are designated as cash flow hedges, the effective portion of any gain or loss, net of tax, is reported as a component of accumulated OCI (AOCI) and is reclassified to results of operations in the same period or periods during which the hedged transaction affects results of operations. Any gains or losses on the derivative instrument that represent either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in results of operations. For fair value hedges, changes in fair value of both the derivative instrument and the underlying hedged exposure are recognized in the Consolidated Statements of Operations and Comprehensive Income in the current period. The gain or loss on the derivative instrument is included in the same line item as the offsetting gain or loss on the hedged item in the Consolidated Statements of Operations and Comprehensive Income. The changes in fair value of the undesignated derivative instruments are reflected in results of operations.

Embedded derivative instruments are separated from their host contracts and are carried at fair value on the Consolidated Balance Sheets when: (a) the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract; (b) the hybrid instrument is not measured at fair value, with changes in fair value recognized in results of operations each period; and (c) the embedded derivative itself meets the definition of a derivative. The Company does not engage in derivative trading or speculative activities and had no embedded derivatives that required bifurcation at December 31, 2018 or 2017.

Hydro One periodically develops hedging strategies taking into account risk management objectives. At the inception of a hedging relationship where the Company has elected to apply hedge accounting, Hydro One formally documents the relationship between the hedged item and the hedging instrument, the related risk management objective, the nature of the specific risk exposure being hedged, and the method for assessing the effectiveness of the hedging relationship. The Company also assesses, both at the inception of the hedge and on a quarterly basis, whether the hedging instruments are effective in offsetting changes in fair values or cash flows of the hedged items.

Employee Future Benefits

Employee Future Benefits

Employee future benefits provided by Hydro One include pension, post-retirement and post-employment benefits. The costs of the Company's pension, post-retirement and post-employment benefit plans are recorded over the periods during which employees render service.

The Company recognizes the funded status of its defined benefit pension, post-retirement and post-employment plans on its Consolidated Balance Sheets and subsequently recognizes the changes in funded status at the end of each reporting year. Defined benefit pension, post-retirement and post-employment plans are considered to be underfunded when the projected benefit obligation (PBO) exceeds the fair value of the plan assets. Liabilities are recognized on the Consolidated Balance Sheets for any net underfunded PBO. The net underfunded PBO may be disclosed as a current liability, long-term liability, or both. The current portion is the amount by which the actuarial present value of benefits included in the benefit obligation payable in the next 12 months exceeds the fair value of plan assets. If the fair value of plan assets exceeds the PBO of the plan, an asset is recognized equal to the net overfunded PBO. The post-retirement and post-employment benefit plans are unfunded because there are no related plan assets.

Hydro One recognizes its contributions to the defined contribution pension plan (DC Plan) as pension expense, with a portion being capitalized as part of labour costs included in capital expenditures. The expensed amount is included in operation, maintenance and administration (OM&A) costs in the Consolidated Statements of Operations and Comprehensive Income.

Defined Benefit Pension

Defined benefit pension costs are recorded on an accrual basis for financial reporting purposes. Pension costs are actuarially determined using the projected benefit method prorated on service and are based on assumptions that reflect management's best estimate of the effect of future events, including future compensation increases. Past service costs from plan amendments and all actuarial gains and losses are amortized on a straight-line basis over the expected average remaining service period of active employees in the plan, and over the estimated remaining life expectancy of inactive employees in the plan. Pension plan assets, consisting primarily of listed equity securities as well as corporate and government debt securities, are fair valued at the end of each year. Hydro One records a regulatory asset equal to the net underfunded PBO for its pension plan. Defined benefit pension costs are attributed to labour costs and a portion directly related to acquisition and development of capital assets not exceeding the service cost component of accrual basis defined benefit pension costs is capitalized as part of the cost of property, plant and equipment and intangible assets. The remaining defined benefit pension costs are charged to results of operations (OM&A costs).

Post-retirement and Post-employment Benefits

Post-retirement and post-employment benefits are recorded and included in rates on an accrual basis. Costs are determined by independent actuaries using the projected benefit method prorated on service and based on assumptions that reflect management's best estimates. Past service costs from plan amendments are amortized to results of operations based on the expected average remaining service period.

For post-retirement benefits, all actuarial gains or losses are deferred using the "corridor" approach. The amount calculated above the "corridor" is amortized to results of operations on a straight-line basis over the expected average remaining service life of active employees in the plan and over the remaining life expectancy of inactive employees in the plan. The post-retirement benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

For post-employment obligations, the associated regulatory liabilities representing actuarial gains on transition to US GAAP are amortized to results of operations based on the "corridor" approach. The actuarial gains and losses on post-employment obligations that are incurred during the year are recognized immediately to results of operations. The post-employment benefit obligation is remeasured to its fair value at each year end based on an annual actuarial report, with an offset to the associated regulatory asset, to the extent of the remeasurement adjustment.

All post-retirement and post-employment benefit costs are attributed to labour costs and are either charged to results of operations (OM&A costs) or capitalized as part of the cost of property, plant and equipment and intangible assets for service cost component and to regulatory assets for all other components of the benefit costs, consistent with their inclusion in OEB-approved rates.

Stock-Based Compensation

Stock-Based Compensation

Share Grant Plans

Hydro One measures share grant plans based on fair value of share grants as estimated based on the grant date common share price. The costs are recognized in the financial statements using the graded-vesting attribution method for share grant plans that have both a performance condition and a service condition. The Company records a regulatory asset equal to the accrued costs of share grant plans recognized in each period. Costs are transferred from the regulatory asset to labour costs at the time the share grants vest and are issued, and are recovered in rates. Forfeitures are recognized as they occur.

Deferred Share Unit (DSU) Plans

The Company records the liabilities associated with its Directors' and Management DSU Plans at fair value at each reporting date until settlement, recognizing compensation expense over the vesting period on a straight-line basis. The fair value of the DSU liability is based on the Company's common share closing price at the end of each reporting period.

Long-term Incentive Plan (LTIP)

The Company measures the awards issued under its LTIP, at fair value based on the grant date common share price. The related compensation expense is recognized over the vesting period on a straight-line basis. Forfeitures are recognized as they occur.

Loss Contingencies

Loss Contingencies

Hydro One is involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of its Consolidated Financial Statements, management makes judgments regarding the future outcome of contingent events and records a loss for a contingency based on its best estimate when it is determined that such loss is probable and the amount of the loss can be reasonably estimated. Where the loss amount is recoverable in future rates, a regulatory asset is also recorded. When a range estimate for the probable loss exists and no amount within the range is a better estimate than any other amount, the Company records a loss at the minimum amount within the range.

Management regularly reviews current information available to determine whether recorded provisions should be adjusted and whether new provisions are required. Estimating probable losses may require analysis of multiple forecasts and scenarios that often depend on judgments about potential actions by third parties, such as federal, provincial and local courts or regulators. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the Consolidated Financial Statements may differ from the actual outcome once the contingency is resolved. Such differences could have a material impact on future results of operations, financial position and cash flows of the Company.

Provisions are based upon current estimates and are subject to greater uncertainty where the projection period is lengthy. A significant upward or downward trend in the number of claims filed, the nature of the alleged injuries, and the average cost of resolving each claim could change the estimated provision, as could any substantial adverse or favourable verdict at trial. A federal or provincial legislative outcome or structured settlement could also change the estimated liability. Legal fees are expensed as incurred.

Environmental Liabilities

Environmental Liabilities

Environmental liabilities are recorded in respect of past contamination when it is determined that future environmental remediation expenditures are probable under existing statute or regulation and the amount of the future expenditures can be reasonably estimated. Hydro One records a liability for the estimated future expenditures associated with contaminated land assessment and remediation (LAR) and for the phase-out and destruction of polychlorinated biphenyl (PCB)-contaminated mineral oil removed from electrical equipment, based on the present value of these estimated future expenditures. The Company determines the present value with a discount rate that produces an amount at which the environmental liabilities could be settled in an arm's length transaction with a third party. As the Company anticipates that the future expenditures will continue to be recoverable in future rates, an offsetting regulatory asset has been recorded to reflect the future recovery of these environmental expenditures from customers. Hydro One reviews its estimates of future environmental expenditures annually, or more frequently if there are indications that circumstances have changed.

Asset Retirement Obligations

Asset Retirement Obligations

Asset retirement obligations are recorded for legal obligations associated with the future removal and disposal of long-lived assets. Such obligations may result from the acquisition, construction, development and/or normal use of the asset. Conditional asset retirement obligations are recorded when there is a legal obligation to perform a future asset retirement activity but where the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Company. In such a case, the obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. This uncertainty is incorporated in the fair value measurement of the obligation.

When recording an asset retirement obligation, the present value of the estimated future expenditures required to complete the asset retirement activity is recorded in the period in which the obligation is incurred, if a reasonable estimate can be made. In general, the present value of the estimated future expenditures is added to the carrying amount of the associated asset and the resulting asset retirement cost is depreciated over the estimated useful life of the asset. The present value is determined with a discount rate that equates to the Company's credit-adjusted risk-free rate. Where an asset is no longer in service when an asset retirement obligation is recorded, the asset retirement cost is recorded in results of operations.

Some of the Company's transmission and distribution assets, particularly those located on unowned easements and rights-of-way, may have asset retirement obligations, conditional or otherwise. The majority of the Company's easements and rights-of-way are either of perpetual duration or are automatically renewed annually. Land rights with finite terms are generally subject to extension or renewal. As the Company expects to use the majority of its facilities in perpetuity, no asset retirement obligations have been recorded for these assets. If, at some future date, a particular facility is shown not to meet the perpetuity assumption, it will be reviewed to determine whether an estimable asset retirement obligation exists. In such a case, an asset retirement obligation would be recorded at that time.

The Company's asset retirement obligations recorded to date relate to estimated future expenditures associated with the removal and disposal of asbestos-containing materials installed in some of its facilities.

New Accounting Pronouncements

NEW ACCOUNTING PRONOUNCEMENTS

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

Recently Adopted Accounting Guidance

Guidance	Date issued	Description	Effective date	Impact on Hydro One
ASC 606	May 2014 – November 2017	ASC 606 *Revenue from Contracts with Customers* replaced ASC 605 *Revenue Recognition*. ASC 606 provides guidance on revenue recognition relating to the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.	January 1, 2018	On January 1, 2018, Hydro One adopted ASC 606 using the retrospective method, without the election of any practical expedients. Upon adoption, there was no material impact to the Company's revenue recognition policy and no adjustments were made to prior period reported financial statements amounts. The Company has included the disclosure requirements of ASC 606 for annual and interim periods in the year of adoption.
ASU 2017-07	March 2017	Service cost components of net benefit cost associated with defined benefit plans are required to be reported in the same line as other compensation costs arising from services rendered by the Company's employees. All other components of net benefit cost are to be presented in the income statement separately from the service cost component. Only the service cost component is eligible for capitalization where applicable.	January 1, 2018	Hydro One applied for a regulatory asset to maintain the capitalization of post-employment benefit related costs and as such, there is no material impact upon adoption. See Note 2 - Significant Accounting Policies and Note 12 - Regulatory Assets and Liabilities.

Recently Issued Accounting Guidance Not Yet Adopted

Guidance	Date issued	Description	Effective date	Anticipated impact on Hydro One
2016-02 2018-01 2018-10 2018-11 2018-20	February 2016 – December 2018	Lessees are required to recognize the rights and obligations resulting from operating leases as assets (right to use the underlying asset for the term of the lease) and liabilities (obligation to make future lease payments) on the balance sheet. ASU 2018-01 permits an entity to elect an optional practical expedient to not evaluate under ASC 842 land easements that exist or expired before the entity's adoption of ASC 842 and that were not previously accounted for as leases under ASC 840. ASU 2018-10 amends narrow aspects of ASC 842. ASU 2018-11 provides entities with an additional and option transition	January 1, 2019	Hydro One reviewed its existing leases and other contracts that are within the scope of ASC 842. Apart from the existing leases, no other contracts contained lease arrangements. Upon adoption in the first quarter of 2019, the Company will utilize the modified retrospective transition approach using the effective date of January 1, 2019 as its date of initial application. As a result, comparatives will not be

		method in adopting ASC 842. ASU 2018-11 also permits lessors to elect an optional practical expedient to not separate non-lease components from the associated lease component by underlying asset classes. ASU 2018-20 provides relief to lessors that have lease contracts that either require lessees to pay lessor costs directly to a third party or require lessees to reimburse lessors for costs paid by lessors directly to third parties.		updated. The Company will elect the package of practical expedients and the land easement practical expedient upon adoption. The impact to Hydro One's financial statements will be the recognition of approximately $27 million Right-of-Use (ROU) assets and corresponding lease obligations on the Consolidated Balance Sheet. The ROU assets and lease obligations represent the present value of the Company's remaining minimum lease payments for leases with terms greater than 12 months. Discount rates used in calculating the ROU assets and lease obligations correspond to the Company's incremental borrowing rate.
2018-07	June 2018	Expansion in the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from non-employees. Previously, ASC 718 was only applicable to share-based payment transactions for acquiring goods and services from employees.	January 1, 2019	No impact upon adoption
2018-13	August 2018	Disclosure requirements on fair value measurements in ASC 820 are modified to improve the effectiveness of disclosures in financial statement notes.	January 1, 2020	Under assessment
2018-14	August 2018	Disclosure requirements related to single-employer defined benefit pension or other post-retirement benefit plans are added, removed or clarified to improve the effectiveness of disclosures in financial statement notes.	January 1, 2021	Under assessment
2018-15	August 2018	The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement is not affected by the amendment.	January 1, 2020	Under assessment

Significant Accounting Policies (Tables)	12 Months Ended Dec. 31, 2018
Accounting Policies [Abstract]	
Average Service Lives and Depreciation and Amortization Rates	A summary of average service lives and depreciation and amortization rates for the various classes of assets is included below:

	Average Service Life	Rate Range	Rate Average
Property, plant and equipment:			
Transmission	55 years	1% - 3%	2%
Distribution	46 years	1% - 7%	2%
Communication	16 years	1% - 15%	6%
Administration and service	20 years	1% - 20%	6%
Intangible assets	10 years	10%	10%

New Accounting Pronouncements (Tables)	12 Months Ended Dec. 31, 2018
Accounting Changes and Error Corrections [Abstract]	
Schedule of Accounting Standards Updates Issued by Financial Accounting Standards Board	The following tables present Accounting Standards Updates (ASUs) issued by the Financial Accounting Standards Board that are applicable to Hydro One:

Recently Adopted Accounting Guidance

Guidance	Date issued	Description	Effective date	Impact on Hydro One
ASC 606	May 2014 – November 2017	ASC 606 *Revenue from Contracts with Customers* replaced ASC 605 *Revenue Recognition*. ASC 606 provides guidance on revenue recognition relating to the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.	January 1, 2018	On January 1, 2018, Hydro One adopted ASC 606 using the retrospective method, without the election of any practical expedients. Upon adoption, there was no material impact to the Company's revenue recognition policy and no adjustments were made to prior period reported financial statements amounts. The Company has included the disclosure requirements of ASC 606 for annual and interim periods in the year of adoption.
ASU 2017-07	March 2017	Service cost components of net benefit cost associated with defined benefit plans are required to be reported in the same line as other compensation costs arising from services rendered by the Company’s employees. All other components of net benefit cost are to be presented in the income statement separately from the service cost component. Only the service cost component is eligible for capitalization where applicable.	January 1, 2018	Hydro One applied for a regulatory asset to maintain the capitalization of post-employment benefit related costs and as such, there is no material impact upon adoption. See Note 2 - Significant Accounting Policies and Note 12 - Regulatory Assets and Liabilities.

Recently Issued Accounting Guidance Not Yet Adopted

Guidance	Date issued	Description	Effective date	Anticipated impact on Hydro One
2016-02 2018-01 2018-10 2018-11 2018-20	February 2016 – December 2018	Lessees are required to recognize the rights and obligations resulting from operating leases as assets (right to use the underlying asset for the term of the lease) and liabilities (obligation to make future lease payments) on the balance sheet. ASU 2018-01 permits an entity to elect an optional practical expedient to not evaluate under ASC 842 land easements that exist or expired before the entity's adoption of ASC 842 and that were not previously accounted for as leases under ASC 840. ASU 2018-10 amends narrow aspects of ASC 842. ASU 2018-11 provides entities with an additional and option transition method in adopting ASC 842. ASU 2018-11 also permits lessors to elect an optional practical expedient to not separate non-lease components from the associated lease component by underlying asset classes. ASU 2018-20 provides relief to lessors that have lease contracts that either require lessees to pay lessor costs directly to a third party or require lessees	January 1, 2019	Hydro One reviewed its existing leases and other contracts that are within the scope of ASC 842. Apart from the existing leases, no other contracts contained lease arrangements. Upon adoption in the first quarter of 2019, the Company will utilize the modified retrospective transition approach using the effective date of January 1, 2019 as its date of initial application. As a result, comparatives will not be updated. The Company will elect the package of practical expedients and the land easement practical expedient upon adoption. The impact to Hydro One's financial statements will be the recognition of approximately $27 million Right-of-Use (ROU) assets and

		to reimburse lessors for costs paid by lessors directly to third parties.		corresponding lease obligations on the Consolidated Balance Sheet. The ROU assets and lease obligations represent the present value of the Company's remaining minimum lease payments for leases with terms greater than 12 months. Discount rates used in calculating the ROU assets and lease obligations correspond to the Company's incremental borrowing rate.
2018-07	June 2018	Expansion in the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from non-employees. Previously, ASC 718 was only applicable to share-based payment transactions for acquiring goods and services from employees.	January 1, 2019	No impact upon adoption
2018-13	August 2018	Disclosure requirements on fair value measurements in ASC 820 are modified to improve the effectiveness of disclosures in financial statement notes.	January 1, 2020	Under assessment
2018-14	August 2018	Disclosure requirements related to single-employer defined benefit pension or other post-retirement benefit plans are added, removed or clarified to improve the effectiveness of disclosures in financial statement notes.	January 1, 2021	Under assessment
2018-15	August 2018	The amendment aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement is not affected by the amendment.	January 1, 2020	Under assessment

Depreciation, Amortization And Asset Removal Costs (Tables)	12 Months Ended Dec. 31, 2018
Property, Plant and Equipment [Abstract]	
Schedule of Depreciation and Amortization	

Year ended December 31 *(millions of dollars)*	2018	2017
Depreciation of property, plant and equipment	654	641
Amortization of intangible assets	71	62
Amortization of regulatory assets	22	24
Depreciation and amortization	747	727
Asset removal costs	90	90
	837	817

Financing Charges (Tables)

	12 Months Ended Dec. 31, 2018

Banking and Thrift, Interest [Abstract]

Schedule of Financing Charges

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Interest on long-term debt	447	450
Interest on convertible debentures	62	24
Interest on short-term notes	14	6
Unrealized loss (gain) on foreign exchange contract *(Note 17)*	(25)	3
Other	21	14
Less: Interest capitalized on construction and development in progress	(53)	(56)
Interest earned on cash and cash equivalents	(7)	(2)
	459	439

Income Taxes (Tables)

	12 Months Ended Dec. 31, 2018

Income Tax Disclosure [Abstract]

Reconciliation between Statutory and Effective Tax Rates

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

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Income before income taxes	850	793
Income taxes at statutory rate of 26.5% (2017 - 26.5%)	225	210
Increase (decrease) resulting from:		
Net temporary differences recoverable in future rates charged to customers:		
Capital cost allowance in excess of depreciation and amortization	(68)	(55)
Overheads capitalized for accounting but deducted for tax purposes	(20)	(17)
Interest capitalized for accounting but deducted for tax purposes	(14)	(15)
Pension contributions in excess of pension expense	(11)	(13)
Environmental expenditures	(6)	(6)
Other	(9)	3
Net temporary differences	(128)	(103)
Net permanent differences	1	4
Write-off of unregulated deferred income tax asset *(Notes 12, 32)*	885	—
Non-recurring tax recovery relating to deferred tax asset sharing[1] *(Notes 12, 32)*	(68)	—
Total income taxes	915	111
Effective income tax rate	107.6%	14.0%

[1] This represents the reversal of cumulative deferred tax expenses recorded in 2017 and 2018 relating to temporary differences that are now being allocated to ratepayers. For rate-setting purposes, the deferred income tax expenses or recovery relating to temporary differences that will be included in the rate-setting process are recorded as regulatory assets and liabilities on the balance sheet.

Major Components of Income Tax Expense

The major components of income tax expense are as follows:

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Current income taxes	25	26
Deferred income taxes	890	85
Total income taxes	915	111

Schedule of Deferred Income Tax Assets and Liabilities

At December 31, 2018 and 2017, deferred income tax assets and liabilities consisted of the following:

December 31 *(millions of dollars)*	**2018**	**2017**
Deferred income tax assets		
Post-retirement and post-employment benefits expense in excess of cash payments	526	561
Non-capital losses	302	255
Non-depreciable capital property	271	271
Pension obligations	197	354
Investment in subsidiaries	86	84
Tax credit carryforwards	71	49
Environmental expenditures	59	71
Depreciation and amortization in excess of capital cost allowance	20	125
Other	24	23

	1,556	1,793
Less: valuation allowance	(366)	(364)
Total deferred income tax assets	1,190	1,429

Deferred income tax liabilities		
Capital cost allowance in excess of depreciation and amortization	9	75
Regulatory amounts that are not recognized for tax purposes	188	411
Goodwill	10	10
Other	23	17
Total deferred income tax liabilities	230	513
Net deferred income tax assets	960	916

Major Categories of Net Deferred Income Tax Assets

The net deferred income tax assets are presented on the Consolidated Balance Sheets as follows:

December 31 *(millions of dollars)*	**2018**	**2017**
Long-term:		
Deferred income tax assets	1,018	987
Deferred income tax liabilities	(58)	(71)
Net deferred income tax assets	960	916

Non Capital Losses Carried Forward to Reduce Future Period Taxable Income

As of December 31, 2018 and 2017, the Company had non-capital losses carried forward available to reduce future years' taxable income, which expire as follows:

Year of expiry *(millions of dollars)*	**2018**	**2017**
2034	2	2
2035	221	222
2036	551	560
2037	172	175
2038	192	—
Total losses	1,138	959

Accounts Receivable (Tables)

	12 Months Ended Dec. 31, 2018
Receivables [Abstract]	
Schedule of Accounts Receivable	(table below)

December 31 *(millions of dollars)*	2018	2017
Accounts receivable – billed	292	298
Accounts receivable – unbilled	357	367
Accounts receivable, gross	649	665
Allowance for doubtful accounts	(21)	(29)
Accounts receivable, net	628	636

Schedule of Allowance for Doubtful Accounts

The following table shows the movements in the allowance for doubtful accounts for the years ended December 31, 2018 and 2017:

Year ended December 31 *(millions of dollars)*	2018	2017
Allowance for doubtful accounts – beginning	(29)	(35)
Write-offs	25	25
Additions to allowance for doubtful accounts	(17)	(19)
Allowance for doubtful accounts – ending	(21)	(29)

Other Current Assets (Tables)

12 Months Ended Dec. 31, 2018

Deferred Costs, Capitalized, Prepaid, and Other Assets Disclosure [Abstract]

Schedule of Other Current Assets

December 31 *(millions of dollars)*	**2018**	**2017**
Regulatory assets *(Note 12)*	42	46
Prepaid expenses and other assets	41	41
Derivative instrument - foreign exchange contract *(Note 17)*	22	—
Materials and supplies	20	18
	125	105

Property, Plant and Equipment (Tables)	12 Months Ended Dec. 31, 2018

Property, Plant and Equipment [Abstract]

Schedule of Property, Plant and Equipment

December 31, 2018 *(millions of dollars)*	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Transmission	16,559	5,449	766	11,876
Distribution	10,580	3,561	75	7,094
Communication	1,306	922	48	432
Administration and service	1,548	893	58	713
Easements	647	75	—	572
	30,640	10,900	947	20,687

December 31, 2017 *(millions of dollars)*	Property, Plant and Equipment	Accumulated Depreciation	Construction in Progress	Total
Transmission	15,509	5,162	989	11,336
Distribution	10,213	3,513	149	6,849
Communication	1,266	853	31	444
Administration and service	1,561	857	46	750
Easements	638	70	—	568
	29,187	10,455	1,215	19,947

Intangible Assets (Tables)

	12 Months Ended Dec. 31, 2018

Goodwill and Intangible Assets Disclosure [Abstract]

Schedule of Intangible Assets

December 31, 2018 *(millions of dollars)*	**Intangible Assets**	**Accumulated Amortization**	**Development in Progress**	**Total**
Computer applications software	790	440	60	410
Other	5	5	—	—
	795	445	60	410

December 31, 2017 *(millions of dollars)*	**Intangible Assets**	**Accumulated Amortization**	**Development in Progress**	**Total**
Computer applications software	698	370	41	369
Other	5	5	—	—
	703	375	41	369

Regulatory Assets and Liabilities (Tables)	12 Months Ended Dec. 31, 2018
Regulated Operations [Abstract]	
Schedule of 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:

December 31 *(millions of dollars)*	**2018**	**2017**
Regulatory assets:		
Deferred income tax regulatory asset	908	1,762
Pension benefit regulatory asset	547	981
Environmental	165	196
Foregone revenue deferral	—	23
Stock-based compensation	43	40
Post-retirement and post-employment benefits non-service cost	39	—
Debt premium	22	27
Distribution system code exemption	10	10
B2M LP start-up costs	2	4
Post-retirement and post-employment benefits	—	36
Other	27	16
Total regulatory assets	1,763	3,095
Less: current portion	(42)	(46)
	1,721	3,049
Regulatory liabilities:		
Post-retirement and post-employment benefits	130	—
Pension cost differential	55	23
Green Energy expenditure variance	52	60
Retail settlement variance account	39	—
External revenue variance	26	46
2015-2017 rate rider	6	6
Deferred income tax regulatory liability	86	5
Conservation and Demand Management (CDM) deferral variance	—	28
Other	23	17
Total regulatory liabilities	417	185
Less: current portion	(91)	(57)
	326	128

Accounts Payable and Other Current Liabilities (Tables)	12 Months Ended Dec. 31, 2018
Payables and Accruals [Abstract]	
Schedule of Accounts Payable and Other Current Liabilities	

December 31 *(millions of dollars)*	2018	2017
Accounts payable	179	177
Accrued liabilities	590	572
Accrued interest	96	99
Regulatory liabilities *(Note 12)*	91	57
	956	905

Other Long-Term Liabilities (Tables)	12 Months Ended Dec. 31, 2018
Other Liabilities Disclosure [Abstract]	
Schedule of Other Long-Term Liabilities	(see table below)

December 31 *(millions of dollars)*	**2018**	**2017**
Post-retirement and post-employment benefit liability *(Note 19)*	1,417	1,519
Pension benefit liability *(Note 19)*	547	981
Environmental liabilities *(Note 20)*	139	168
Long-term accounts payable	12	13
Asset retirement obligations *(Note 21)*	10	9
Other liabilities	10	17
	2,135	2,707

Debt and Credit Agreements (Tables)	12 Months Ended Dec. 31, 2018
Debt Disclosure [Abstract]	
Schedule of Credit Facilities	At December 31, 2018, Hydro One's consolidated committed, unsecured and undrawn credit facilities (Operating Credit Facilities) totalling $2,550 million consisted of the following:

(millions of dollars)	Maturity	Total Amount	Amount Drawn
Hydro One Inc.			
Revolving standby credit facility	June 2022	2,300	—
Hydro One			
Five-year senior, revolving term credit facility	November 2021	250	—
Total		2,550	—

Schedule of Outstanding Long-Term Debt

The following table presents long-term debt outstanding at December 31, 2018 and 2017:

December 31 *(millions of dollars)*	2018	2017
2.78% Series 28 notes due 2018	—	750
Floating-rate Series 31 notes due 2019[1]	228	228
1.48% Series 37 notes due 2019[2]	500	500
4.40% Series 20 notes due 2020	300	300
1.62% Series 33 notes due 2020[2]	350	350
1.84% Series 34 notes due 2021	500	500
2.57% Series 39 notes due 2021[2]	300	—
3.20% Series 25 notes due 2022	600	600
2.97% Series 40 notes due 2025	350	—
2.77% Series 35 notes due 2026	500	500
7.35% Debentures due 2030	400	400
6.93% Series 2 notes due 2032	500	500
6.35% Series 4 notes due 2034	385	385
5.36% Series 9 notes due 2036	600	600
4.89% Series 12 notes due 2037	400	400
6.03% Series 17 notes due 2039	300	300
5.49% Series 18 notes due 2040	500	500
4.39% Series 23 notes due 2041	300	300
6.59% Series 5 notes due 2043	315	315
4.59% Series 29 notes due 2043	435	435
4.17% Series 32 notes due 2044	350	350
5.00% Series 11 notes due 2046	325	325
3.91% Series 36 notes due 2046	350	350
3.72% Series 38 notes due 2047	450	450
3.63% Series 41 notes due 2049	750	—
4.00% Series 24 notes due 2051	225	225
3.79% Series 26 notes due 2062	310	310
4.29% Series 30 notes due 2064	50	50
Hydro One Inc. long-term debt (a)	10,573	9,923
6.6% Senior Secured Bonds due 2023 (Principal amount - $107 million)	129	136
4.6% Note Payable due 2023 (Principal amount - $36 million)	39	40
HOSSM long-term debt (b)	168	176
	10,741	10,099

Add: Net unamortized debt premiums	13	14
Add: Unrealized mark-to-market gain[2]	(5)	(9)
Less: Deferred debt issuance costs	(40)	(37)
Total long-term debt	10,709	10,067

[1] The interest rates of the floating-rate notes are referenced to the three-month Canadian dollar bankers' acceptance rate, plus a margin.

[2] The unrealized mark-to-market net gain relates to $50 million of the Series 33 notes due 2020, $500 million Series 37 notes due 2019, and $300 million Series 39 notes due 2021. The unrealized mark-to-market net gain is offset by a $5 million (2017 - $9 million) unrealized mark-to-market net loss on the related fixed-to-floating interest-rate swap agreements, which are accounted for as fair value hedges.

Schedule of Long-Term Debt

The total long-term debt is presented on the consolidated balance sheets as follows:

December 31 *(millions of dollars)*	**2018**	**2017**
Current liabilities:		
Long-term debt payable within one year	731	752
Long-term liabilities:		
Long-term debt	9,978	9,315
Total long-term debt	10,709	10,067

Summary of Principal Repayments and Related Weighted Average Interest Rates

Principal repayments, interest payments, and related weighted-average interest rates are summarized by year in the following table:

Years	**Long-term Debt Principal Repayments** *(millions of dollars)*	**Interest Payments** *(millions of dollars)*	**Weighted Average Interest Rate** *(%)*
2019	731	448	1.9
2020	653	429	2.9
2021	803	411	2.1
2022	603	393	3.2
2023	131	379	6.1
	2,921	2,060	2.6
2024-2028	850	1,806	2.9
2029 and thereafter	6,945	4,315	5.1
	10,716	8,181	4.2

Convertible Debentures (Tables)	12 Months Ended Dec. 31, 2018
Debt Disclosure [Abstract]	
Schedule Of Convertible Debentures	The following table presents the change in convertible debentures during the years ended December 31, 2018 and 2017:

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Carrying value - beginning	487	—
Receipt of Initial Instalment, net of deferred financing costs	—	486
Amortization of deferred financing costs	2	1
Carrying value - ending	489	487
Face value - ending	513	513

Fair Value of Financial Instruments and Risk Management (Tables)	12 Months Ended Dec. 31, 2018
Fair Value Disclosures [Abstract]	
Summary of Fair Values and Carrying Values of Long-Term Debt	The fair values and carrying values of the Company's long-term debt at December 31, 2018 and 2017 are as follows:

December 31 *(millions of dollars)*	2018 Carrying Value	2018 Fair Value	2017 Carrying Value	2017 Fair Value
Long-term debt measured at fair value:				
$50 million of MTN Series 33 notes	49	49	49	49
$500 million MTN Series 37 notes	495	495	492	492
$300 million MTN Series 39 notes	301	301	—	—
Other notes and debentures	9,864	10,820	9,526	11,027
Long-term debt, including current portion	10,709	11,665	10,067	11,568

Summary of Fair Value Hierarchy of Financial Assets and Liabilities

The fair value hierarchy of financial assets and liabilities at December 31, 2018 and 2017 is as follows:

December 31, 2018 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	483	483	483	—	—
Derivative instrument					
Foreign exchange contract	22	22	—	—	22
	505	505	483	—	22
Liabilities:					
Short-term notes payable	1,252	1,252	1,252	—	—
Long-term debt, including current portion	10,709	11,665	—	11,665	—
Convertible debentures	489	491	491	—	—
Derivative instruments					
Fair value hedges – interest-rate swaps	5	5	—	5	—
	12,455	13,413	1,743	11,670	—

December 31, 2017 *(millions of dollars)*	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	25	25	25	—	—
	25	25	25	—	—
Liabilities:					
Short-term notes payable	926	926	926	—	—
Long-term debt, including current portion	10,067	11,568	—	11,568	—
Convertible debentures	487	574	574	—	—
Derivative instruments					
Fair value hedges – interest-rate swaps	9	9	—	9	—
Foreign exchange contract	3	3	—	—	3

	11,492	13,080	1,500	11,577	3

Schedule of Changes in Fair Value of Financial Instruments

The following table summarizes the changes in fair value of financial instruments classified in Level 3 for the years ended December 31, 2018 and 2017.

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Fair value of asset (liability) - beginning	(3)	—
Unrealized gain (loss) on foreign exchange contract included in financing charges	25	(3)
Fair value of asset (liability) - ending	22	(3)

Capital Management (Tables)	12 Months Ended Dec. 31, 2018
Regulated Operations [Abstract]	
Summary of Company's Capital Structure	At December 31, 2018 and 2017, the Company's capital structure was as follows:

December 31 *(millions of dollars)*	**2018**	**2017**
Long-term debt payable within one year	731	752
Short-term notes payable	1,252	926
Less: cash and cash equivalents	(483)	(25)
	1,500	1,653
Long-term debt	9,978	9,315
Convertible debentures	489	487
Preferred shares	418	418
Common shares	5,643	5,631
Retained earnings	3,459	4,090
Total capital	21,487	21,594

Pension and Post-Retirement and Post-Employment Benefits (Tables)

12 Months Ended

Dec. 31, 2018

Defined Benefit Plan Disclosure [Line Items]

Change in Projected Benefit Obligation and Change in Plan Assets

The following tables provide the components of the unfunded status of the Company's Plans at December 31, 2018 and 2017:

Year ended December 31 *(millions of dollars)*	Pension Benefits 2018	Pension Benefits 2017	Post-Retirement and Post-Employment Benefits 2018	Post-Retirement and Post-Employment Benefits 2017
Change in projected benefit obligation				
Projected benefit obligation, beginning of year	8,258	7,774	1,565	1,690
Current service cost	176	147	50	49
Employee contributions	52	49	—	—
Interest cost	282	304	54	67
Benefits paid	(362)	(368)	(49)	(44)
Net actuarial loss (gain)	(654)	352	(158)	(197)
Recognition of prior service	—	—	3	—
Projected benefit obligation, end of year	7,752	8,258	1,465	1,565
Change in plan assets				
Fair value of plan assets, beginning of year	7,277	6,874	—	—
Actual return on plan assets	190	662	—	—
Benefits paid	(362)	(368)	(49)	(34)
Employer contributions	75	87	49	34
Employee contributions	52	49	—	—
Administrative expenses	(27)	(27)	—	—
Fair value of plan assets, end of year	7,205	7,277	—	—
Unfunded status	547	981	1,465	1,565

Schedule of Benefit Obligations and Plan Assets

Hydro One presents its benefit obligations and plan assets net on its Consolidated Balance Sheets as follows:

December 31 *(millions of dollars)*	Pension Benefits 2018	Pension Benefits 2017	Post-Retirement and Post-Employment Benefits 2018	Post-Retirement and Post-Employment Benefits 2017
Other assets[1]	3	1	—	—
Accrued liabilities	—	—	55	53
Pension benefit liability	547	981	—	—
Post-retirement and post-employment benefit liability[2]	—	—	1,417	1,519
Net unfunded status	544	980	1,472	1,572

[1] Represents the funded status of HOSSM defined benefit pension plan.

[2] Includes $7 million (2017 - $7 million) relating to HOSSM post-employment benefit plans.

Schedule of Projected Benefit Obligation (PBO), Accumulated Benefit Obligation (ABO) and Fair Value of Plan Assets

The following table provides the PBO, accumulated benefit obligation (ABO) and fair value of plan assets for the Pension Plan:

December 31 *(millions of dollars)*	2018	2017
PBO	7,752	8,258
ABO	7,144	7,614
Fair value of plan assets	7,205	7,277

Components of Net Periodic Benefit Costs

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2018 and 2017 for the Pension Plan:

Year ended December 31 *(millions of dollars)*	2018	2017
Current service cost	176	147
Interest cost	282	304
Expected return on plan assets, net of expenses	(467)	(442)
Amortization of actuarial losses	84	79
Net periodic benefit costs	75	88
Charged to results of operations[1]	32	39

[1] The Company accounts for pension costs consistent with their inclusion in OEB-approved rates. During the year ended December 31, 2018, pension costs of $75 million (2017 - $87 million) were attributed to labour, of which $32 million (2017 - $39 million) was charged to operations, and $43 million (2017 - $48 million) was capitalized as part of the cost of property, plant and equipment and intangible assets.

The following table provides the components of the net periodic benefit costs for the years ended December 31, 2018 and 2017 for the post-retirement and post-employment benefit plans:

Year ended December 31 *(millions of dollars)*	2018	2017
Current service cost	50	49
Interest cost	53	67
Amortization of actuarial losses	15	16
Recognition of prior service	3	—
Net periodic benefit costs	121	132
Charged to results of operations	52	59

Schedule of Weighted Average Assumptions Used to Determine Benefit Obligations

The following weighted average assumptions were used to determine the benefit obligations at December 31, 2018 and 2017:

	Pension Benefits		Post-Retirement and Post-Employment Benefits	
Year ended December 31	2018	2017	2018	2017
Significant assumptions:				
Weighted average discount rate	3.90%	3.40%	4.00%	3.40%
Rate of compensation scale escalation (long-term)	2.50%	2.50%	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%	2.00%	2.00%
Rate of increase in health care cost trends[1]	—	—	4.04%	4.04%

[1] 5.19% per annum in 2019, grading down to 4.04% per annum in and after 2031 (2017 - 5.26% per annum in 2018, grading down to 4.04% per annum in and after 2031).

Schedule of Weighted Average Assumptions Used to Determine Net Periodic Benefit Costs

The following weighted average assumptions were used to determine the net periodic benefit costs for the years ended December 31, 2018 and 2017. Assumptions used to determine current year-end benefit obligations are the assumptions used to estimate the subsequent year's net periodic benefit costs.

Year ended December 31	2018	2017
Pension Benefits:		
Weighted average expected rate of return on plan assets	6.50%	6.50%
Weighted average discount rate	3.40%	3.90%
Rate of compensation scale escalation (long-term)	2.50%	2.50%
Rate of cost of living increase	2.00%	2.00%
Average remaining service life of employees *(years)*	15	15
Post-Retirement and Post-Employment Benefits:		
Weighted average discount rate	3.40%	3.90%
Rate of compensation scale escalation (long-term)	2.50%	2.50%

Rate of cost of living increase	2.00%	2.00%
Average remaining service life of employees *(years)*	15.5	15.2
Rate of increase in health care cost trends[1]	4.04%	4.36%

[1] 5.26% per annum in 2018, grading down to 4.04% per annum in and after 2031 (2017 - 6.25% per annum in 2017, grading down to 4.36% per annum in and after 2031).

Schedule of Effect of One Percent Change in Health Care Cost Trends on Projected Benefit Obligation

The effect of a 1% change in health care cost trends on the PBO for the post-retirement and post-employment benefits at December 31, 2018 and 2017 is as follows:

December 31 *(millions of dollars)*	**2018**	**2017**
Projected benefit obligation:		
Effect of a 1% increase in health care cost trends	230	250
Effect of a 1% decrease in health care cost trends	(175)	(189)

Schedule of Effect of One Percent Change in Health Care Cost Trends on Service Cost and Interest Cost

The effect of a 1% change in health care cost trends on the service cost and interest cost for the post-retirement and post-employment benefits for the years ended December 31, 2018 and 2017 is as follows:

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Service cost and interest cost:		
Effect of a 1% increase in health care cost trends	23	29
Effect of a 1% decrease in health care cost trends	(16)	(20)

Approximate Life Expectancies Used to Determine Projected Benefit Obligations for Pension, Post-Retirement and Post-Employment Plans

The following approximate life expectancies were used in the mortality assumptions to determine the PBO for the pension and post-retirement and post-employment plans at December 31, 2018 and 2017:

December 31, 2018				**December 31, 2017**			
Life expectancy at 65 for a member currently at				**Life expectancy at 65 for a member currently at**			
Age 65		**Age 45**		**Age 65**		**Age 45**	
Male	Female	Male	Female	Male	Female	Male	Female
22	25	23	25	22	24	23	24

Schedule of Estimated Future Benefit Payments

At December 31, 2018, estimated future benefit payments to the participants of the Plans were:

(millions of dollars)	**Pension Benefits**	**Post-Retirement and Post-Employment Benefits**
2019	335	56
2020	343	58
2021	352	59
2022	360	60
2023	367	61
2024 through to 2028	1,915	326
Total estimated future benefit payments through to 2028	3,672	620

Schedule of Actuarial Gains and Losses and Prior Service Costs Recorded Within Regulatory Assets

The following table provides the actuarial gains and losses and prior service costs recorded within regulatory assets:

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Pension Benefits:		
Actuarial loss (gain) for the year	(350)	159
Amortization of actuarial losses	(84)	(79)
	(434)	80
Post-Retirement and Post-Employment Benefits:		
Actuarial loss (gain) for the year	(158)	(197)
Amortization of actuarial losses	(15)	(16)

Amortization of prior service cost	(3)	—
Amounts not subject to regulatory treatment	10	6
	(166)	(207)

Components of Regulatory Assets That Have Not Been Recognized as Components of Net Periodic Benefit Costs

The following table provides the components of regulatory assets that have not been recognized as components of net periodic benefit costs for the years ended December 31, 2018 and 2017:

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Pension Benefits:		
Actuarial loss	547	981
Post-Retirement and Post-Employment Benefits:		
Actuarial loss (gain)	(130)	36

Components of Regulatory Assets Expected to be Amortized as Components of Net Periodic Benefit Costs

The following table provides the components of regulatory assets at December 31 that are expected to be amortized as components of net periodic benefit costs in the following year:

	Pension Benefits		**Post-Retirement and Post-Employment Benefits**	
December 31 *(millions of dollars)*	**2018**	**2017**	**2018**	**2017**
Actuarial loss (gain)	55	84	(1)	2

Schedule of Pension Plan Target Asset and Weighted Average Asset Allocations

At December 31, 2018, the Pension Plan target asset allocations and weighted average asset allocations were as follows:

	Target Allocation (%)	**Pension Plan Assets (%)**
Equity securities	45	50
Debt securities	35	41
Other[1]	20	9
	100	100

[1] Other investments include real estate and infrastructure investments.

Pension Plan Assets Measured and Recorded at Fair Value on Recurring Basis

The following tables present the Pension Plan assets and liabilities measured and recorded at fair value on a recurring basis and their level within the fair value hierarchy at December 31, 2018 and 2017:

December 31, 2018 *(millions of dollars)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Pooled funds	—	21	651	672
Cash and cash equivalents	210	—	—	210
Short-term securities	—	78	—	78
Derivative instruments	—	(7)	—	(7)
Corporate shares - Canadian	115	—	—	115
Corporate shares - Foreign	3,222	183	—	3,405
Bonds and debentures - Canadian	—	2,506	—	2,506
Bonds and debentures - Foreign	—	197	—	197
Total fair value of plan assets[1]	3,547	2,978	651	7,176

[1] At December 31, 2018, the total fair value of Pension Plan assets and liabilities excludes $35 million of interest and dividends receivable, $10 million of pension administration expenses payable, $6 million of sold investments receivable, and $2 million of purchased investments payable.

December 31, 2017 *(millions of dollars)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Pooled funds	—	16	549	565
Cash and cash equivalents	153	—	—	153
Short-term securities	—	109	—	109
Derivative instruments	—	5	—	5

Corporate shares - Canadian	921	—	—	921
Corporate shares - Foreign	3,307	125	—	3,432
Bonds and debentures - Canadian	—	1,879	—	1,879
Bonds and debentures - Foreign	—	194	—	194
Total fair value of plan assets[1]	4,381	2,328	549	7,258

[1] At December 31, 2017, the total fair value of Pension Plan assets and liabilities excludes $28 million of interest and dividends receivable, $10 million of pension administration expenses payable, $1 million of sold investments receivable, and $1 million of purchased investments payable.

Changes in Fair Value of Financial Instruments Classified in Level 3

The following table summarizes the changes in fair value of financial instruments classified in Level 3 for the years ended December 31, 2018 and 2017. The Pension Plan classifies financial instruments as Level 3 when the fair value is measured based on at least one significant input that is not observable in the markets or due to lack of liquidity in certain markets. The gains and losses presented in the table below could, therefore, include changes in fair value based on both observable and unobservable inputs. The Level 3 financial instruments are comprised of pooled funds whose valuations are provided by the investment managers. Sensitivity analysis is not provided as the underlying assumptions used by the investment managers are not available.

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Fair value, beginning of year	549	425
Realized and unrealized gains (losses)	59	(31)
Purchases	90	171
Sales and disbursements	(47)	(16)
Fair value, end of year	651	549

Environmental Liabilities (Tables)

12 Months Ended Dec. 31, 2018

Environmental Remediation Obligations [Abstract]

Schedule of Movements in Environmental Liabilities

The following tables show the movements in environmental liabilities for the years ended December 31, 2018 and 2017:

Year ended December 31, 2018 *(millions of dollars)*	**PCB**	**LAR**	**Total**
Environmental liabilities - beginning	134	62	196
Interest accretion	5	1	6
Expenditures	(16)	(6)	(22)
Revaluation adjustment	(15)	—	(15)
Environmental liabilities - ending	108	57	165
Less: current portion	(15)	(11)	(26)
	93	46	139

Year ended December 31, 2017 *(millions of dollars)*	**PCB**	**LAR**	**Total**
Environmental liabilities - beginning	143	61	204
Interest accretion	6	2	8
Expenditures	(16)	(8)	(24)
Revaluation adjustment	1	7	8
Environmental liabilities - ending	134	62	196
Less: current portion	(20)	(8)	(28)
	114	54	168

Reconciliation between Undiscounted Basis of Environmental Liabilities and Amount Recognized on Consolidated Balance Sheets

The following tables show the reconciliation between the undiscounted basis of the environmental liabilities and the amount recognized on the Consolidated Balance Sheets after factoring in the discount rate:

December 31, 2018 *(millions of dollars)*	**PCB**	**LAR**	**Total**
Undiscounted environmental liabilities	118	58	176
Less: discounting environmental liabilities to present value	(10)	(1)	(11)
Discounted environmental liabilities	108	57	165

December 31, 2017 *(millions of dollars)*	**PCB**	**LAR**	**Total**
Undiscounted environmental liabilities	142	64	206
Less: discounting environmental liabilities to present value	(8)	(2)	(10)
Discounted environmental liabilities	134	62	196

Schedule of Estimated Future Environmental Expenditures

At December 31, 2018, the estimated future environmental expenditures were as follows:

(millions of dollars)	
2019	26
2020	29

2021	32
2022	31
2023	28
Thereafter	30
	176

Share Capital Share Capital (Tables)	12 Months Ended Dec. 31, 2018

Equity [Abstract]

Schedule of Common Stock Outstanding Roll Forward

The following tables present the changes to common shares during the years ended December 31, 2018 and 2017:

Year ended December 31, 2018 *(number of shares)*	Ownership by Public	Province	Total
Common shares – beginning	312,974,063	282,412,648	595,386,711
Common shares issued - share grants[1]	481,460	—	481,460
Common shares issued - LTIP[2]	70,804	—	70,804
Common shares – ending	313,526,327	282,412,648	595,938,975
	52.6%	47.4%	100%

[1] In 2018, Hydro One issued from treasury 481,460 common shares in accordance with provisions of the Power Workers' Union (PWU) and the Society Share Grant Plans.

[2] In 2018, Hydro One issued from treasury 70,804 common shares in accordance with provisions of the LTIP.

Year ended December 31, 2017 *(number of shares)*	Ownership by Public	Province	Total
Common shares – beginning	178,196,340	416,803,660	595,000,000
Secondary offering[1]	120,000,000	(120,000,000)	—
Common shares issued - share grants[2]	371,611	—	371,611
Common shares issued - LTIP[3]	15,100	—	15,100
Sale of common shares[4]	14,391,012	(14,391,012)	—
Common shares – ending	312,974,063	282,412,648	595,386,711
	52.6%	47.4%	100%

[1] In May 2017, Hydro One announced the closing of a secondary offering by the Province, on a bought deal basis, of 120 million common shares of Hydro One on the Toronto Stock Exchange. Hydro One did not receive any of the proceeds from the sale of the common shares by the Province.

[2] In 2017, Hydro One issued from treasury 371,611 common shares in accordance with provisions of the PWU Share Grant Plan.

[3] In 2017, Hydro One issued from treasury 15,100 common shares in accordance with provisions of the LTIP.

[4] In December 2017, the Province sold 14,391,012 common shares of Hydro One to OFN Power Holdings LP, a limited partnership wholly-owned by Ontario First Nations Sovereign Wealth LP, which is in turn owned by 129 First Nations in Ontario. Hydro One did not receive any of the proceeds from the sale of the common shares by the Province.

Earnings Per Common Share Earnings Per Common Share (Tables)	12 Months Ended Dec. 31, 2018
Earnings Per Share [Abstract]	
Schedule of Earnings Per Share, Basic and Diluted	

Year ended December 31	2018	2017
Net income (loss) attributable to common shareholders *(millions of dollars)*	(89)	658
Weighted average number of shares		
Basic	595,756,470	595,287,586
Effect of dilutive stock-based compensation plans	2,147,473	2,234,665
Diluted	597,903,943	597,522,251
EPS		
Basic	($0.15)	$1.11
Diluted	($0.15)	$1.10

Stock-Based Compensation (Tables)

12 Months Ended Dec. 31, 2018

Disclosure of Compensation Related Costs, Share-based Payments [Abstract]

Summary of Share Grant Activity

A summary of share grant activity under the Share Grant Plans during years ended December 31, 2018 and 2017 is presented below:

Year ended December 31, 2018	Share Grants *(number of common shares)*		Weighted-Average Price
Share grants outstanding - beginning	4,825,732	$	20.50
Vested and issued[1]	(481,460)		—
Forfeited	(110,117)	$	20.50
Share grants outstanding - ending	4,234,155	$	20.50

[1] In 2018, Hydro One issued from treasury 481,460 common shares to eligible employees in accordance with provisions of the PWU and the Society Share Grant Plans.

Year ended December 31, 2017	Share Grants *(number of common shares)*		Weighted-Average Price
Share grants outstanding - beginning	5,334,415	$	20.50
Vested and issued[1]	(371,611)		—
Forfeited	(137,072)	$	20.50
Share grants outstanding - ending	4,825,732	$	20.50

[1] In 2017, Hydro One issued from treasury 371,611 common shares to eligible employees in accordance with provisions of the PWU Share Grant Plan.

Stock options granted and the weighted-average assumptions used in the valuation model for options granted during 2018 are as follows:

Exercise price[1]	$	20.70
Grant date fair value per option	$	1.66
Valuation assumptions:		
Expected dividend yield[2]		3.78%
Expected volatility[3]		15.01%
Risk-free interest rate[4]		2.00%
Expected option term[5]		4.5 years

[1] Hydro One common share price on the date of the grant.
[2] Based on dividend and Hydro One common share price on the date of the grant.
[3] Based on average daily volatility of peer entities for a 4.5-year term.
[4] Based on bond yield for an equivalent Canadian government bond.
[5] Determined using the option term and the vesting period.

A summary of stock options activity during 2018 and 2017 is presented below:

Year ended December 31 *(number of stock options)*	2018	2017
Stock options outstanding - beginning	—	—
Granted[1]	1,450,880	—
Cancelled[2]	(500,970)	—
Stock options outstanding - ending[1]	949,910	—

[1] All stock options granted and outstanding at December 31, 2018 are non-vested.

[2] During 2018, 500,970 stock options previously awarded to the Company's former President and CEO were cancelled. The unrecognized compensation expense related to the cancelled stock options was $1 million.

Summary of Number of DSUs

A summary of DSU awards activity under the Director' DSU Plan during the years ended December 31, 2018 and 2017 is presented below:

Year ended December 31 *(number of DSUs)*	**2018**	**2017**
DSUs outstanding - beginning	187,090	99,083
Granted	82,375	88,007
Settled	(222,768)	—
DSUs outstanding - ending	46,697	187,090

A summary of DSU awards activity under the Management DSU Plan during the years ended December 31, 2018 and 2017 is presented below:

Year ended December 31 *(number of DSUs)*	**2018**	**2017**
DSUs outstanding - beginning	67,829	—
Granted	40,467	68,897
Paid	—	(1,068)
DSUs outstanding - ending	108,296	67,829

Summary of Number of PSUs and RSUs

A summary of PSU and RSU awards activity under the LTIP during the years ended December 31, 2018 and 2017 is presented below:

	PSUs		**RSUs**	
Year ended December 31 *(number of units)*	**2018**	**2017**	**2018**	**2017**
Units outstanding - beginning	429,980	230,600	393,430	254,150
Granted	445,120	303,240	345,790	242,860
Vested and issued	(123)	(609)	(106,591)	(14,079)
Forfeited	(31,767)	(103,251)	(31,849)	(89,501)
Settled	(238,030)	—	(158,310)	—
Units outstanding - ending	605,180	429,980	442,470	393,430

Noncontrolling Interest (Tables)	12 Months Ended Dec. 31, 2018
Noncontrolling Interest [Abstract]	
Schedule of Movements in Noncontrolling Interest	The following tables show the movements in noncontrolling interest during the years ended December 31, 2018 and 2017:

Year ended December 31, 2018 *(millions of dollars)*	**Temporary Equity**	**Equity**	**Total**
Noncontrolling interest - beginning	22	50	72
Distributions to noncontrolling interest	(3)	(5)	(8)
Net income attributable to noncontrolling interest	2	4	6
Noncontrolling interest - ending	21	49	70

Year ended December 31, 2017 *(millions of dollars)*	**Temporary Equity**	**Equity**	**Total**
Noncontrolling interest - beginning	22	50	72
Distributions to noncontrolling interest	(2)	(4)	(6)
Net income attributable to noncontrolling interest	2	4	6
Noncontrolling interest - ending	22	50	72

Related Party Transactions (Tables)	12 Months Ended Dec. 31, 2018

Related Party Transactions [Abstract]

Summary of Related Party Transactions

Year ended December 31 *(millions of dollars)*

Related Party	Transaction	2018	2017
Province	Dividends paid	275	301
IESO	Power purchased	1,636	1,583
	Revenues for transmission services	1,615	1,521
	Amounts related to electricity rebates	477	357
	Distribution revenues related to rural rate protection	239	247
	Distribution revenues related to the supply of electricity to remote northern communities	35	32
	Funding received related to CDM programs	62	59
OPG	Power purchased	10	9
	Revenues related to provision of services and supply of electricity	9	8
	Costs related to the purchase of services	—	1
OEFC	Power purchased from power contracts administered by the OEFC	2	2
OEB	OEB fees	8	8

Consolidated Statement of Cash Flows (Tables)

	12 Months Ended Dec. 31, 2018

Supplemental Cash Flow Information [Abstract]

Schedule of Consolidated Statement of Cash Flows

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

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Accounts receivable	11	195
Due from related parties	(2)	(95)
Other assets	2	8
Accounts payable	2	7
Accrued liabilities	17	(89)
Due to related parties	(68)	10
Accrued interest	(3)	(6)
Long-term accounts payable and other liabilities	(7)	(2)
Post-retirement and post-employment benefit liability	25	85
	(23)	113

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 years ended December 31, 2018 and 2017. The reconciling items include net change in accruals and capitalized depreciation.

Year ended December 31, 2018 *(millions of dollars)*	**Property, Plant and Equipment**	**Intangible Assets**	**Total**
Capital investments	(1,454)	(121)	(1,575)
Reconciling items	36	1	37
Cash outflow for capital expenditures	(1,418)	(120)	(1,538)

Year ended December 31, 2017 *(millions of dollars)*	**Property, Plant and Equipment**	**Intangible Assets**	**Total**
Capital investments	(1,493)	(74)	(1,567)
Reconciling items	26	(6)	20
Cash outflow for capital expenditures	(1,467)	(80)	(1,547)

Supplementary Information

Year ended December 31 *(millions of dollars)*	**2018**	**2017**
Net interest paid	519	475
Income taxes paid	17	12

Commitments (Tables)

12 Months Ended Dec. 31, 2018

Commitments and Contingencies Disclosure [Abstract]

Summary of Commitments Under Leases, Outsourcing and Other Agreements Due

The following table presents a summary of Hydro One's commitments under leases, outsourcing and other agreements due in the next 5 years and thereafter:

December 31, 2018 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Outsourcing and other agreements	161	104	29	2	3	11
Long-term software/meter agreement	17	16	2	1	2	1
Operating lease commitments	7	11	4	1	1	4

Summary of Other Commitments

The following table presents a summary of Hydro One's other commercial commitments by year of expiry in the next 5 years and thereafter:

December 31, 2018 *(millions of dollars)*	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Operating Credit Facilities	—	—	250	2,300	—	—
Letters of credit[1]	182	—	—	—	—	—
Guarantees[2]	325	—	—	—	—	—

[1] Letters of credit consist of letters of credit totalling $163 million related to retirement compensation arrangements, a $13 million letter of credit provided to the IESO for prudential support, $5 million in letters of credit to satisfy debt service reserve requirements, and $1 million in letters of credit for various operating purposes.

[2] Guarantees consist of prudential support provided to the IESO by Hydro One Inc. on behalf of its subsidiaries.

Segmented Reporting (Tables)	12 Months Ended Dec. 31, 2018

Segment Reporting [Abstract]

Summary of Segment Information

Year ended December 31, 2018 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,686	4,422	42	6,150
Purchased power	—	2,899	—	2,899
Operation, maintenance and administration	409	602	94	1,105
Depreciation and amortization	435	395	7	837
Income (loss) before financing charges and income taxes	842	526	(59)	1,309
Capital investments	985	577	13	1,575

Year ended December 31, 2017 *(millions of dollars)*	Transmission	Distribution	Other	Consolidated
Revenues	1,578	4,366	46	5,990
Purchased power	—	2,875	—	2,875
Operation, maintenance and administration	375	593	98	1,066
Depreciation and amortization	420	390	7	817
Income (loss) before financing charges and income taxes	783	508	(59)	1,232
Capital investments	968	588	11	1,567

Total Assets by Segment:

December 31 *(millions of dollars)*	2018	2017
Transmission	13,973	13,608
Distribution	9,325	9,259
Other	2,359	2,834
Total assets	25,657	25,701

Total Goodwill by Segment:

December 31 *(millions of dollars)*	2018	2017
Transmission	157	157
Distribution	168	168
Total goodwill	325	325

Description of the Business (Details) - CAD ($) $ in Millions	1 Months Ended							12 Months Ended	
	May 10, 2018	Apr. 12, 2018	Oct. 13, 2016	Jun. 30, 2018	Dec. 31, 2017	Sep. 30, 2017	Dec. 31, 2015	Dec. 31, 2018	Dec. 31, 2017
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]									
Ownership, percentage								100.00%	100.00%
Hydro One Sault Ste. Marie LP [Member]									
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]									
Deferred rebasing period			10 years						
2015 Approved Revenue Requirement [Member] | B2M Limited Partnership [Member]									
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]									
Transmission revenue requirement							$ 39		
2016 Approved Revenue Requirement [Member] | B2M Limited Partnership [Member]									
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]									
Transmission revenue requirement							36		
2017 Approved Revenue Requirement [Member] | B2M Limited Partnership [Member]									
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]									
Transmission revenue requirement							37		
2017 Approved Revenue Requirement [Member] | Hydro One Sault Ste. Marie LP [Member]									
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]									
Transmission revenue requirement						$ 41			
2018 Approved Revenue Requirement [Member] | B2M Limited Partnership [Member]									
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]									
Transmission revenue requirement	$ 36						38		
2018 Approved Revenue Requirement [Member] | Hydro One Networks [Member]									

Subsidiary of Limited Liability Company or Limited Partnership [Line Items]						
Transmission revenue requirement			$ 1,511			
Distribution revenue requirement		$ 1,514				
2018 Approved Revenue Requirement [Member] | Hydro One Remote Communities [Member]						
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]						
Distribution revenue requirement	$ 57					
2019 Approved Revenue Requirement [Member] | B2M Limited Partnership [Member]						
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]						
Transmission revenue requirement				$ 37		
2019 Approved Revenue Requirement [Member] | Hydro One Networks [Member]						
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]						
Distribution revenue requirement		1,561				
2020 Approved Revenue Requirement [Member] | Hydro One Networks [Member]						
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]						
Distribution revenue requirement		1,607				
2021 Approved Revenue Requirement [Member] | Hydro One Networks [Member]						
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]						
Distribution revenue requirement		1,681				
2022 Approved Revenue Requirement [Member] | Hydro One Networks [Member]						
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]						
Distribution revenue requirement		$ 1,722				
Province						
Subsidiary of Limited Liability Company or Limited Partnership [Line Items]						
Ownership, percentage					47.40%	47.40%

Significant Accounting Policies - Additional Information (Detail) - CAD ($)	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Accounting Policies [Abstract]		
Short-term investments original maturity	3 months	
Asset impairment charges	$ 0	$ 0
Embedded derivatives	$ 0	$ 0

Significant Accounting Policies - Average Service Lives and Depreciation and Amortization Rates (Detail)	12 Months Ended Dec. 31, 2018
Property Plant And Equipment Estimated Useful Lives [Line Items]	
Average service life, intangible assets	10 years
Annual rate of amortization, intangible assets	10.00%
Annual average rate of amortization, intangible assets	10.00%
Transmission [Member]	
Property Plant And Equipment Estimated Useful Lives [Line Items]	
Average service life, property, plant and equipment	55 years
Annual average rate of depreciation and amortization, property, plant and equipment	2.00%
Transmission [Member] | Minimum [Member]	
Property Plant And Equipment Estimated Useful Lives [Line Items]	
Annual rate of depreciation and amortization, property, plant and equipment	1.00%
Transmission [Member] | Maximum [Member]	
Property Plant And Equipment Estimated Useful Lives [Line Items]	
Annual rate of depreciation and amortization, property, plant and equipment	3.00%
Distribution [Member]	
Property Plant And Equipment Estimated Useful Lives [Line Items]	
Average service life, property, plant and equipment	46 years
Annual average rate of depreciation and amortization, property, plant and equipment	2.00%
Distribution [Member] | Minimum [Member]	
Property Plant And Equipment Estimated Useful Lives [Line Items]	
Annual rate of depreciation and amortization, property, plant and equipment	1.00%
Distribution [Member] | Maximum [Member]	
Property Plant And Equipment Estimated Useful Lives [Line Items]	
Annual rate of depreciation and amortization, property, plant and equipment	7.00%
Communication [Member]	
Property Plant And Equipment Estimated Useful Lives [Line Items]	
Average service life, property, plant and equipment	16 years
Annual average rate of depreciation and amortization, property, plant and equipment	6.00%
Communication [Member] | Minimum [Member]	
Property Plant And Equipment Estimated Useful Lives [Line Items]	
Annual rate of depreciation and amortization, property, plant and equipment	1.00%
Communication [Member] | Maximum [Member]	
Property Plant And Equipment Estimated Useful Lives [Line Items]	
Annual rate of depreciation and amortization, property, plant and equipment	15.00%
Administration and Service [Member]	
Property Plant And Equipment Estimated Useful Lives [Line Items]	
Average service life, property, plant and equipment	20 years
Annual average rate of depreciation and amortization, property, plant and equipment	6.00%
Administration and Service [Member] | Minimum [Member]	
Property Plant And Equipment Estimated Useful Lives [Line Items]	

Annual rate of depreciation and amortization, property, plant and equipment	1.00%
Administration and Service [Member] | Maximum [Member]	
Property Plant And Equipment Estimated Useful Lives [Line Items]	
Annual rate of depreciation and amortization, property, plant and equipment	20.00%

New Accounting Pronouncements - Additional Information (Details) - Forecast [Member] - Accounting Standards Update 2016-02 [Member] $ in Millions	Jan. 01, 2019 CAD ($)
New Accounting Pronouncements or Change in Accounting Principle [Line Items]	
Right-of-use asset	$ 27
Operating lease liability	$ 27

Business Combinations - Additional Information (Detail) $ in Millions, $ in Millions						1 Months Ended	3 Months Ended	12 Months Ended				
	Feb. 08, 2019 CAD ($)	Jan. 23, 2019 CAD ($)	Jan. 23, 2019 USD ($)	Jul. 31, 2018 CAD ($)	Aug. 15, 2016 CAD ($)	Jul. 31, 2017 CAD ($)	Mar. 31, 2019 CAD ($)	Dec. 31, 2018 CAD ($)	Dec. 31, 2017 CAD ($)	Feb. 01, 2019 CAD ($)	Jan. 24, 2019 CAD ($)	Jan. 24, 2019 USD ($)
Business Acquisition [Line Items]												
Unrealized loss (gain) on foreign exchange contracts								$ 25	$ (3)			
Maximum borrowing capacity								2,550				
Financing charges								459	439			
Operation, maintenance and administration								1,105	1,066			
Avista Corporation [Member]												
Business Acquisition [Line Items]												
Payments to acquire businesses						$ 6,700						
Acquisition related costs								69	42			
Acquisition related costs, net								44	$ 45			
Orillia Power Distribution Corporation [Member]												
Business Acquisition [Line Items]												
Purchase price of acquisition					$ 41							
Business acquisition, consideration outstanding indebtedness					$ 15							
Peterborough Distribution Inc. [Member]												
Business Acquisition [Line Items]												
Consideration transferred				$ 105								
Subsequent Event [Member] | Avista Corporation [Member]												
Business Acquisition [Line Items]												
Termination fee		$ 103	$ 103									
Conversion ratio	0.3333											
Repayments of convertible debt	$ 513											
Payments for interest	$ 7											
Revolving Credit Facility [Member]												
Business Acquisition [Line Items]												
Maximum borrowing capacity								$ 250				
Revolving Credit Facility [Member] | Subsequent Event [Member]												
Business Acquisition [Line Items]												

Maximum borrowing capacity		$ 170		
Equity Bridge [Member] | Line of Credit [Member] | Subsequent Event [Member] | Avista Corporation [Member]				
Business Acquisition [Line Items]				
Termination of facility			$ 1,000	
Debt Bridge [Member] | Line of Credit [Member] | Subsequent Event [Member] | Avista Corporation [Member]				
Business Acquisition [Line Items]				
Termination of facility				$ 2,600
Forecast [Member] | Subsequent Event [Member] | Avista Corporation [Member]				
Business Acquisition [Line Items]				
Financing charges	$ 22			
Repayments of convertible debt	513			
Payments for interest	7			
Derecognition of deferred financing costs	24			
Operation, maintenance and administration	$ 138			

Depreciation, Amortization And Asset Removal Costs - Schedule of Depreciation and Amortization (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Property, Plant and Equipment [Abstract]		
Depreciation of property, plant and equipment	$ 654	$ 641
Amortization of intangible assets	71	62
Amortization of regulatory assets	22	24
Depreciation and amortization (Note 5)	747	727
Asset removal costs	90	90
Total depreciation and amortization	$ 837	$ 817

Financing Charges - Schedule of Financing Charges (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Banking and Thrift, Interest [Abstract]		
Interest on long-term debt	$ 447	$ 450
Interest costs	62	24
Interest on short-term notes	14	6
Unrealized loss (gain) on foreign exchange contract (Note 17)	(25)	3
Other	21	14
Less: Interest capitalized on construction and development in progress	(53)	(56)
Interest earned on cash and cash equivalents	(7)	(2)
Net financing charges	$ 459	$ 439

Income Taxes - Reconciliation between Statutory and Effective Tax Rates (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Income Tax Disclosure [Abstract]		
Statutory income tax rate	26.50%	26.50%
Income before income taxes	$ 850	$ 793
Income taxes at statutory rate of 26.5% (2017 - 26.5%)	225	210
Net temporary differences recoverable in future rates charged to customers:		
Capital cost allowance in excess of depreciation and amortization	(68)	(55)
Overheads capitalized for accounting but deducted for tax purposes	(20)	(17)
Interest capitalized for accounting but deducted for tax purposes	(14)	(15)
Pension contributions in excess of pension expense	(11)	(13)
Environmental expenditures	(6)	(6)
Other	(9)	3
Net temporary differences	(128)	(103)
Net permanent differences	1	4
Write-off of unregulated deferred income tax asset (Notes 12, 32)	885	0
Non-recurring tax recovery relating to deferred tax asset sharing	(68)	0
Total income taxes	$ 915	$ 111
Effective income tax rate	107.60%	14.00%

Income Taxes - Major Components of Income Tax Expense (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Income Tax Disclosure [Abstract]		
Current income taxes	$ 25	$ 26
Deferred income taxes	890	85
Total income taxes	$ 915	$ 111

Income Taxes - Schedule of Deferred Income Tax Assets and Liabilities (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Deferred income tax assets		
Post-retirement and post-employment benefits expense in excess of cash payments	$ 526	$ 561
Non-depreciable capital property	271	271
Non-capital losses	302	255
Pension obligations	197	354
Investment in subsidiaries	86	84
Tax credit carryforwards	71	49
Environmental expenditures	59	71
Depreciation and amortization in excess of capital cost allowance	20	125
Other	24	23
Deferred income tax assets gross	1,556	1,793
Less: valuation allowance	(366)	(364)
Total deferred income tax assets	1,190	1,429
Deferred income tax liabilities		
Capital cost allowance in excess of depreciation and amortization	9	75
Regulatory amounts that are not recognized for tax purposes	188	411
Goodwill	10	10
Other	23	17
Total deferred income tax liabilities	230	513
Net deferred income tax assets	$ 960	$ 916

Income Taxes - Major Categories of Net Deferred Income Tax Assets (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Long-term:		
Deferred income tax assets	$ 1,018	$ 987
Deferred income tax liabilities	(58)	(71)
Net deferred income tax assets	$ 960	$ 916

Income Taxes - Additional Information (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Income Tax Disclosure [Abstract]		
Valuation allowance in respect of capital property	$ 366	$ 364

Income Taxes - Non Capital Losses Carried Forward to Reduce Future Period Taxable Income (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Deferred Income Tax Assets And Liabilities [Line Items]		
Total losses	$ 1,138	$ 959
2034 [Member]		
Deferred Income Tax Assets And Liabilities [Line Items]		
Total losses	2	2
2035 [Member]		
Deferred Income Tax Assets And Liabilities [Line Items]		
Total losses	221	222
2036 [Member]		
Deferred Income Tax Assets And Liabilities [Line Items]		
Total losses	551	560
2037 [Member]		
Deferred Income Tax Assets And Liabilities [Line Items]		
Total losses	172	175
2038 [Member]		
Deferred Income Tax Assets And Liabilities [Line Items]		
Total losses	$ 192	$ 0

Accounts Receivable - Schedule of Accounts Receivable (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Accounts, Notes, Loans and Financing Receivable [Line Items]			
Accounts receivable, gross	$ 649	$ 665	
Allowance for doubtful accounts	(21)	(29)	$ (35)
Accounts receivable, net	628	636	
Accounts Receivable - Billed [Member]			
Accounts, Notes, Loans and Financing Receivable [Line Items]			
Accounts receivable, gross	292	298	
Accounts Receivable - Unbilled [Member]			
Accounts, Notes, Loans and Financing Receivable [Line Items]			
Accounts receivable, gross	$ 357	$ 367	

Accounts Receivable - Schedule of Allowance for Doubtful Accounts (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Allowance for Doubtful Accounts Receivable [Roll Forward]		
Allowance for doubtful accounts – beginning	$ (29)	$ (35)
Write-offs	25	25
Additions to allowance for doubtful accounts	(17)	(19)
Allowance for doubtful accounts – ending	$ (21)	$ (29)

Other Current Assets - Schedule of Other Current Assets (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Deferred Costs, Capitalized, Prepaid, and Other Assets Disclosure [Abstract]		
Regulatory assets (Note 12)	$ 42	$ 46
Prepaid expenses and other assets	41	41
Derivative instrument - foreign exchange contract (Note 17)	22	0
Materials and supplies	20	18
Other current assets	$ 125	$ 105

Property, Plant and Equipment - Schedule of Property, Plant and Equipment (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Property, Plant and Equipment [Line Items]		
Property, Plant and Equipment	$ 30,640	$ 29,187
Accumulated Depreciation	10,900	10,455
Construction in Progress	947	1,215
Property, plant, and equipment, total	20,687	19,947
Transmission [Member]		
Property, Plant and Equipment [Line Items]		
Property, Plant and Equipment	16,559	15,509
Accumulated Depreciation	5,449	5,162
Construction in Progress	766	989
Property, plant, and equipment, total	11,876	11,336
Distribution [Member]		
Property, Plant and Equipment [Line Items]		
Property, Plant and Equipment	10,580	10,213
Accumulated Depreciation	3,561	3,513
Construction in Progress	75	149
Property, plant, and equipment, total	7,094	6,849
Communication [Member]		
Property, Plant and Equipment [Line Items]		
Property, Plant and Equipment	1,306	1,266
Accumulated Depreciation	922	853
Construction in Progress	48	31
Property, plant, and equipment, total	432	444
Administration and Service [Member]		
Property, Plant and Equipment [Line Items]		
Property, Plant and Equipment	1,548	1,561
Accumulated Depreciation	893	857
Construction in Progress	58	46
Property, plant, and equipment, total	713	750
Easements [Member]		
Property, Plant and Equipment [Line Items]		
Property, Plant and Equipment	647	638
Accumulated Depreciation	75	70
Construction in Progress	0	0
Property, plant, and equipment, total	$ 572	$ 568

Property, Plant and Equipment - Additional Information (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Property, Plant and Equipment [Abstract]		
Financing charges capitalized on property, plant and equipment	$ 51	$ 54

Intangible Assets - Schedule of Intangible Assets (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Finite-Lived Intangible Assets [Line Items]		
Intangible Assets	$ 795	$ 703
Accumulated Amortization	445	375
Development in Progress	60	41
Total	410	369
Computer Applications Software [Member]		
Finite-Lived Intangible Assets [Line Items]		
Intangible Assets	790	698
Accumulated Amortization	440	370
Development in Progress	60	41
Total	410	369
Other [Member]		
Finite-Lived Intangible Assets [Line Items]		
Intangible Assets	5	5
Accumulated Amortization	5	5
Development in Progress	0	0
Total	$ 0	$ 0

Intangible Assets - Additional Information (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Goodwill and Intangible Assets Disclosure [Abstract]		
Financing charges related to intangible assets under development	$ 2	$ 2
Amortization expense for intangible assets, 2019	67	
Amortization expense for intangible assets, 2020	50	
Amortization expense for intangible assets, 2021	48	
Amortization expense for intangible assets, 2022	46	
Amortization expense for intangible assets, 2023	$ 35	

Regulatory Assets and Liabilities - Schedule of Regulatory Assets and Liabilities (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Regulatory assets:		
Total regulatory assets	$ 1,763	$ 3,095
Less: current portion	(42)	(46)
Regulatory assets	1,721	3,049
Regulatory liabilities:		
Total regulatory liabilities	417	185
Less: current portion	(91)	(57)
Regulatory liabilities	326	128
Postretirement Benefit Costs [Member]		
Regulatory liabilities:		
Total regulatory liabilities	130	0
Pension Cost Variance [Member]		
Regulatory liabilities:		
Total regulatory liabilities	55	23
Green Energy Expenditure Variance [Member]		
Regulatory liabilities:		
Total regulatory liabilities	52	60
Retail Settlement Variance Account [Member]		
Regulatory liabilities:		
Total regulatory liabilities	39	0
External Revenue Variance [Member]		
Regulatory liabilities:		
Total regulatory liabilities	26	46
2015 - 2017 Rate Rider [Member]		
Regulatory liabilities:		
Total regulatory liabilities	6	6
Deferred Income Tax Regulatory Liability [Member]		
Regulatory liabilities:		
Total regulatory liabilities	86	5
CDM Deferral Variance [Member]		
Regulatory liabilities:		
Total regulatory liabilities	0	28
Other Regulatory Liabilities [Member]		
Regulatory liabilities:		
Total regulatory liabilities	23	17
Deferred Income Tax Charge [Member]		
Regulatory assets:		
Total regulatory assets	908	1,762
Pension Benefit Regulatory Asset [Member]		

Regulatory assets:		
Total regulatory assets	547	981
Environmental [Member]		
Regulatory assets:		
Total regulatory assets	165	196
Foregone Revenue Deferral [Member]		
Regulatory assets:		
Total regulatory assets	0	23
Share-Based Compensation [Member]		
Regulatory assets:		
Total regulatory assets	43	40
Post-retirement and post-employment benefits non-service cost [Member]		
Regulatory assets:		
Total regulatory assets	39	0
Debt Premium [Member]		
Regulatory assets:		
Total regulatory assets	22	27
Distribution System Code Exemption [Member]		
Regulatory assets:		
Total regulatory assets	10	10
B2M LP Start-Up Costs [Member]		
Regulatory assets:		
Total regulatory assets	2	4
Postretirement Benefit Costs [Member]		
Regulatory assets:		
Total regulatory assets	0	36
Other Regulatory Assets [Member]		
Regulatory assets:		
Total regulatory assets	$ 27	$ 16

Regulatory Assets and Liabilities - Additional Information (Detail) - CAD ($) $ in Millions		1 Months Ended	12 Months Ended		
	Dec. 31, 2018	Dec. 31, 2015	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Regulatory Matters [Line Items]					
Increase (decrease) in income tax expense including the impact of a change in enacted tax rates			$ (686)	$ (113)	
Net income			(65)	682	
Revenues			6,150	5,990	
Deferred income taxes			890	85	
Pension Benefit Regulatory Asset [Member]					
Regulatory Matters [Line Items]					
Increase (decrease) in other comprehensive income			435	(80)	
Increase (decrease) in operation, maintenance and administration expenses			1	(1)	
Post-Retirement and Post-Employment Benefits [Member]					
Regulatory Matters [Line Items]					
Increase (decrease) in other comprehensive income			166	(207)	
Polychlorinated Biphenyl Liability [Member]					
Regulatory Matters [Line Items]					
Increase (decrease) to regulatory assets			(15)		
Environmental [Member]					
Regulatory Matters [Line Items]					
Increase Decrease In Revaluation Of Environmental Liabilities			(15)	8	
Increase (decrease) in amortization expense				(24)	
Increase (decrease) in financing chargers			6	8	
Share-Based Compensation [Member]					
Regulatory Matters [Line Items]					
Increase (decrease) to operation, maintenance, administration and depreciation expenses			1	$ 8	
B2M LP Start-Up Costs [Member]					
Regulatory Matters [Line Items]					
Approved recovery start up costs		$ 8			
Start up costs recovery period					4 years
2015 - 2017 Rate Rider [Member]					
Regulatory Matters [Line Items]					
Disposal period of approved balances for disposition				32 months	
Pension Cost Variance [Member]					
Regulatory Matters [Line Items]					
Increase (decrease) in revenue			29	$ 24	
Distribution [Member]					

Regulatory Matters [Line Items]			
Revenues		4,422	4,366
Transmission [Member]			
Regulatory Matters [Line Items]			
Revenues		1,686	$ 1,578
Change in Distribution Rate Adjustment [Member]			
Regulatory Matters [Line Items]			
Increase (decrease) in deferred income taxes	$ (314)	(314)	
Net income	(867)		
Revenues	(68)		
Deferred income taxes	799		
Change in Distribution Rate Adjustment [Member] | Foregone Revenue Deferral [Member]			
Regulatory Matters [Line Items]			
Increase (decrease) to regulatory assets	(68)		
Change in Distribution Rate Adjustment [Member] | Hydro One Networks [Member] | Distribution [Member] | Deferred Income Tax Charge [Member]			
Regulatory Matters [Line Items]			
Impairment of regulatory assets	474	474	
Change in Distribution Rate Adjustment [Member] | Hydro One Networks [Member] | Transmission [Member] | Deferred Income Tax Charge [Member]			
Regulatory Matters [Line Items]			
Impairment of regulatory assets	558	$ 558	
Change in Distribution Rate Adjustment [Member] | Deferred Income Tax Charge [Member]			
Regulatory Matters [Line Items]			
Increase (decrease) in regulatory liabilities	$ 81		

Accounts Payable and Other Current Liabilities (Details) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Payables and Accruals [Abstract]		
Accounts payable	$ 179	$ 177
Accrued liabilities	590	572
Accrued interest	96	99
Regulatory liabilities (Note 12)	91	57
Total	$ 956	$ 905

Other Long-Term Liabilities (Details) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Other Liabilities Disclosure [Abstract]		
Post-retirement and post-employment benefit liability (Note 18)	$ 1,417	$ 1,519
Pension benefit liability (Note 18)	547	981
Environmental liabilities (Note 19)	139	168
Due to related parties (Note 26)	12	13
Asset retirement obligations (Note 21)	10	9
Other liabilities	10	17
Other long-term liabilities	$ 2,135	$ 2,707

Debt and Credit Agreements - Additional Information (Detail)	12 Months Ended Dec. 31, 2018 CAD ($)
Debt Instrument [Line Items]	
Maximum borrowing capacity	$ 2,550,000,000
Commercial Paper Program [Member]	
Debt Instrument [Line Items]	
Maximum borrowing capacity	$ 1,500,000,000
Maturities days of commercial paper	365 days
Revolving Credit Facility [Member]	
Debt Instrument [Line Items]	
Maximum borrowing capacity	$ 250,000,000
Hydro One Inc. [Member] | Revolving Credit Facility [Member]	
Debt Instrument [Line Items]	
Maximum borrowing capacity	$ 2,300,000,000

Debt and Credit Agreements - Schedule of Credit Facilities (Details) $ in Millions	Dec. 31, 2018 CAD ($)
Line of Credit Facility [Line Items]	
Maximum borrowing capacity	$ 2,550
Amount Drawn	0
Revolving Credit Facility [Member]	
Line of Credit Facility [Line Items]	
Maximum borrowing capacity	250
Amount Drawn	0
Hydro One Inc. [Member] | Revolving Credit Facility [Member]	
Line of Credit Facility [Line Items]	
Maximum borrowing capacity	2,300
Amount Drawn	$ 0

Debt and Credit Agreements - Schedule of Outstanding Long-Term Debt (Detail) - CAD ($)	12 Months Ended		
	Dec. 31, 2018	Dec. 31, 2017	Mar. 31, 2018
Debt Instrument [Line Items]			
Long-term debt, Total	$ 10,741,000,000	$ 10,099,000,000	
Add: Net unamortized debt premiums	13,000,000	14,000,000	
Add: Unrealized mark-to-market loss (gain)	5,000,000	9,000,000	
Less: Deferred debt issuance costs	(40,000,000)	(37,000,000)	
Total long-term debt	10,709,000,000	10,067,000,000	
Long-term debt, face amount	10,716,000,000		
Long-term debt issued	1,400,000,000	0	
Medium Term Note Program [Member]			
Debt Instrument [Line Items]			
Long-term debt, face amount	10,573,000,000	9,923,000,000	
Debt instrument maximum borrowing capacity			$ 4,000,000,000
Debt instrument unused borrowing capacity	2,600,000,000		
Long-term debt issued	1,400,000,000	0	
Loan repaid and redeemed	750,000,000	600,000,000	
Hydro One Sault Ste. Marie LP [Member]			
Debt Instrument [Line Items]			
Long-term debt, market value	168,000,000	176,000,000	
Long-term debt, face amount	143,000,000	146,000,000	
Long-term debt issued	0	0	
Loan repaid and redeemed	$ 3,000,000	$ 2,000,000	
2.78% Series 28 Notes Due 2018 [Member] | Medium Term Note Program [Member]			
Debt Instrument [Line Items]			
Long-term debt, interest rate	2.78%	2.78%	
Long-term debt, face amount	$ 0	$ 750,000,000	
Floating-rate Series 31 notes due 2019 [Member] | Medium Term Note Program [Member]			
Debt Instrument [Line Items]			
Long-term debt, face amount	$ 228,000,000	$ 228,000,000	
1.48% Series 37 Notes Due 2019 [Member] | Medium Term Note Program [Member]			
Debt Instrument [Line Items]			
Long-term debt, interest rate	1.48%	1.48%	
Long-term debt, face amount	$ 500,000,000	$ 500,000,000	
1.48% Series 37 Notes Due 2019 [Member] | Medium-term Notes [Member]			
Debt Instrument [Line Items]			

Hedged portion of debt	$ 500,000,000	
4.40% Series 20 Notes Due 2020 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	4.40%	4.40%
Long-term debt, face amount	$ 300,000,000	$ 300,000,000
1.62% Series 33 Notes Due 2020 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	1.62%	1.62%
Long-term debt, face amount	$ 350,000,000	$ 350,000,000
1.62% Series 33 Notes Due 2020 [Member] | Medium-term Notes [Member]		
Debt Instrument [Line Items]		
Hedged portion of debt	$ 50,000,000	
1.84% Series 34 Notes Due 2021 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	1.84%	1.84%
Long-term debt, face amount	$ 500,000,000	$ 500,000,000
2.57% Series 39 Notes Due 2021 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	2.57%	2.57%
Long-term debt, face amount	$ 300,000,000	$ 0
3.20% Series 25 Notes Due 2022 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	3.20%	3.20%
Long-term debt, face amount	$ 600,000,000	$ 600,000,000
2.97% Series 40 Notes Due 2025 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	2.97%	2.97%
Long-term debt, face amount	$ 350,000,000	$ 0
2.77% Series 35 Notes Due 2026 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	2.77%	2.77%
Long-term debt, face amount	$ 500,000,000	$ 500,000,000
7.35% Debentures Due 2030 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	7.35%	7.35%
Long-term debt, face amount	$ 400,000,000	$ 400,000,000

6.93% Series 2 Notes Due 2032 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	6.93%	6.93%
Long-term debt, face amount	$ 500,000,000	$ 500,000,000
6.35% Series 4 Notes Due 2034 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	6.35%	6.35%
Long-term debt, face amount	$ 385,000,000	$ 385,000,000
5.36% Series 9 Notes Due 2036 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	5.36%	5.36%
Long-term debt, face amount	$ 600,000,000	$ 600,000,000
4.89% Series 12 Notes Due 2037 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	4.89%	4.89%
Long-term debt, face amount	$ 400,000,000	$ 400,000,000
6.03% Series 17 Notes Due 2039 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	6.03%	6.03%
Long-term debt, face amount	$ 300,000,000	$ 300,000,000
5.49% Series 18 Notes Due 2040 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	5.49%	5.49%
Long-term debt, face amount	$ 500,000,000	$ 500,000,000
4.39% Series 23 Notes Due 2041 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	4.39%	4.39%
Long-term debt, face amount	$ 300,000,000	$ 300,000,000
6.59% Series 5 Notes Due 2043 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	6.59%	6.59%
Long-term debt, face amount	$ 315,000,000	$ 315,000,000
4.59% Series 29 Notes Due 2043 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	4.59%	4.59%
Long-term debt, face amount	$ 435,000,000	$ 435,000,000

4.17% Series 32 Notes Due 2044 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	4.17%	4.17%
Long-term debt, face amount	$ 350,000,000	$ 350,000,000
5.00% Series 11 Notes Due 2046 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	5.00%	5.00%
Long-term debt, face amount	$ 325,000,000	$ 325,000,000
3.91% Series 36 Notes Due 2046 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	3.91%	3.91%
Long-term debt, face amount	$ 350,000,000	$ 350,000,000
3.72% Series 38 Notes Due 2047 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	3.72%	3.72%
Long-term debt, face amount	$ 450,000,000	$ 450,000,000
3.63% Series 41 Notes Due 2049 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	3.63%	3.63%
Long-term debt, face amount	$ 750,000,000	$ 0
4.00% Series 24 Notes Due 2051 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	4.00%	4.00%
Long-term debt, face amount	$ 225,000,000	$ 225,000,000
3.79% Series 26 Notes Due 2062 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	3.79%	3.79%
Long-term debt, face amount	$ 310,000,000	$ 310,000,000
4.29% Series 30 Notes Due 2064 [Member] | Medium Term Note Program [Member]		
Debt Instrument [Line Items]		
Long-term debt, interest rate	4.29%	4.29%
Long-term debt, face amount	$ 50,000,000	$ 50,000,000
6.6% Senior Secured Bonds due 2023 [Member] | Hydro One Sault Ste. Marie LP [Member]		
Debt Instrument [Line Items]		
Long-term debt, market value	$ 129,000,000	$ 136,000,000
Long-term debt, interest rate	6.60%	6.60%

Long-term debt, face amount	$ 107,000,000	
4.6% Note Payable due 2023 [Member] | Hydro One Sault Ste. Marie LP [Member]		
Debt Instrument [Line Items]		
Long-term debt, market value	$ 39,000,000	$ 40,000,000
Long-term debt, interest rate	4.60%	4.60%
Long-term debt, face amount	$ 36,000,000	
$300 million of MTN Series 39 notes [Member]		
Debt Instrument [Line Items]		
Total long-term debt	301,000,000	$ 0
Long-term debt, face amount	300,000,000	
$300 million of MTN Series 39 notes [Member] | Medium-term Notes [Member]		
Debt Instrument [Line Items]		
Hedged portion of debt	300,000,000	
Interest Rate Swap [Member]		
Debt Instrument [Line Items]		
Add: Unrealized mark-to-market loss (gain)	$ 5,000,000	

Debt and Credit Agreements - Schedule of Long-Term Debt (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Current liabilities:		
Long-term debt payable within one year	$ 731	$ 752
Long-term liabilities:		
Long-term debt, noncurrent	9,978	9,315
Total long-term debt	$ 10,709	$ 10,067

Debt and Credit Agreements - Summary of Principal Repayments, Interest Payments and Related Weighted Average Interest Rates (Detail) $ in Millions	12 Months Ended Dec. 31, 2018 CAD ($)
Debt Instrument [Line Items]	
1 year	$ 731
2 years	653
3 years	803
4 years	603
5 years	131
Long-term Debt Principal Repayments during 5 years	2,921
6 – 10 years	850
Over 10 years	6,945
Long-term debt, Total	10,716
Interest payments	$ 8,181
Weighted average interest rate	4.20%
2019 [Member]	
Debt Instrument [Line Items]	
Interest payments	$ 448
Weighted average interest rate	1.90%
2020 [Member]	
Debt Instrument [Line Items]	
Interest payments	$ 429
Weighted average interest rate	2.90%
2021 [Member]	
Debt Instrument [Line Items]	
Interest payments	$ 411
Weighted average interest rate	2.10%
2022 [Member]	
Debt Instrument [Line Items]	
Interest payments	$ 393
Weighted average interest rate	3.20%
2023 [Member]	
Debt Instrument [Line Items]	
Interest payments	$ 379
Weighted average interest rate	6.10%
5 Years, Total [Member]	
Debt Instrument [Line Items]	
Interest payments	$ 2,060
Weighted average interest rate	2.60%
2024-2028 [Member]	

Debt Instrument [Line Items]	
Interest payments	$ 1,806
Weighted average interest rate	2.90%
2029 and thereafter [Member]	
Debt Instrument [Line Items]	
Interest payments	$ 4,315
Weighted average interest rate	5.10%

Convertible Debentures (Details) $ / shares in Units, $ in Millions	Feb. 08, 2019 CAD ($)	Aug. 09, 2017 CAD ($) $ / shares	12 Months Ended Dec. 31, 2018 CAD ($)	 Dec. 31, 2017 CAD ($)
Debt Instrument [Line Items]				
Long-term debt, face amount			$ 10,716	
Proceeds from convertible debt			0	$ 513
Interest costs			62	24
Convertible Debt [Member]				
Debt Instrument [Line Items]				
Long-term debt, face amount		$ 1,540	513	513
Long-term debt, interest rate		4.00%		
Proceeds from convertible debt		$ 513		
Debt issuance costs		$ 27		
Debt term		10 years		
Interest costs			$ 62	$ 24
Conversion price (in dollars per share) | $ / shares		$ 21.40		
Conversion ratio		0.0467290		
Intrinsic value		$ 92		
Avista Corporation [Member] | Subsequent Event [Member]				
Debt Instrument [Line Items]				
Repayments of convertible debt	$ 513			
Payments for interest	$ 7			
Conversion ratio	0.3333			
Initial Instalment [Member] | Convertible Debt [Member]				
Debt Instrument [Line Items]				
Effective interest rate		12.00%		
Initial Instalment [Member] | Avista Corporation [Member] | Convertible Debt [Member]				
Debt Instrument [Line Items]				
Conversion ratio			0.333	
Final Instalment [Member] | Convertible Debt [Member]				
Debt Instrument [Line Items]				
Effective interest rate		0.00%		
Final Instalment [Member] | Avista Corporation [Member] | Convertible Debt [Member]				
Debt Instrument [Line Items]				
Conversion ratio			0.667	
Over-Allotment Option [Member] | Convertible Debt [Member]				
Debt Instrument [Line Items]				
Long-term debt, face amount		$ 140		

Carrying Value Rollforward (Details) - CAD ($) $ in Millions	12 Months Ended		
	Dec. 31, 2018	Dec. 31, 2017	Aug. 09, 2017
Debt [Roll Forward]			
Carrying value - beginning	$ 487	$ 0	
Receipt of Initial Instalment, net of deferred financing costs	0	486	
Amortization of deferred financing costs	2	1	
Carrying value - ending	489	487	
Long-term debt	10,716		
Convertible Debt [Member]			
Debt [Roll Forward]			
Long-term debt	$ 513	$ 513	$ 1,540

Fair Value of Financial Instruments and Risk Management - Summary of Fair Values and Carrying Values of Long-Term Debt (Detail) - CAD ($)	Dec. 31, 2018	Dec. 31, 2017
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]		
Long-term debt, face amount	$ 10,716,000,000	
Carrying value	10,709,000,000	$ 10,067,000,000
Fair value	11,665,000,000	11,568,000,000
$50 Million of MTN Series 33 Notes [Member]		
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]		
Long-term debt, face amount	50,000,000	
Carrying value	49,000,000	49,000,000
Fair value	49,000,000	49,000,000
$500 million of MTN Series 37 notes [Member]		
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]		
Long-term debt, face amount	500,000,000	
Carrying value	495,000,000	492,000,000
Fair value	495,000,000	492,000,000
$300 million of MTN Series 39 notes [Member]		
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]		
Long-term debt, face amount	300,000,000	
Carrying value	301,000,000	0
Fair value	301,000,000	0
Other Notes and Debentures [Member]		
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]		
Carrying value	9,864,000,000	9,526,000,000
Fair value	$ 10,820,000,000	$ 11,027,000,000

Fair Value of Financial Instruments and Risk Management - Fair Value of Financial Instruments - Additional Information (Detail)	12 Months Ended Dec. 31, 2018 CAD ($)	Dec. 31, 2017 CAD ($)	Oct. 31, 2017 CAD ($)
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]			
Fair value hedge exposure	8.00%	6.00%	
Long-term debt	$ 10,716,000,000		
1.62% Series 33 Notes Due 2020 [Member]			
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]			
Fixed-to-floating interest-rate swap	50,000,000		
Conversion of debt	50,000,000		
Long-term debt	350,000,000		
1.48% Series 37 Notes Due 2019 [Member]			
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]			
Conversion of debt	500,000,000		
Interest Rate Swap [Member]			
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]			
Fixed-to-floating interest-rate swap	850,000,000	$ 550,000,000	
Notional value	0	0	
125 Fixed-to-Floating Interest-Rate Swap [Member] | 1.48% Series 37 Notes Due 2019 [Member]			
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]			
Fixed-to-floating interest-rate swap	125,000,000		
250 Fixed-to-Floating Interest-Rate Swap [Member] | 1.48% Series 37 Notes Due 2019 [Member]			
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]			
Fixed-to-floating interest-rate swap	250,000,000		
Foreign Exchange Contract [Member]			
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]			
Notional value	299,000,000	$ 279,000,000	$ 1,400,000,000
$300 million of MTN Series 39 notes [Member]			
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]			

Fixed-to-floating interest-rate swap	300,000,000	
Long-term debt	$ 300,000,000	
Minimum [Member] | Foreign Exchange Contract [Member]		
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]		
Forward exchange rate		1.27486
Maximum [Member] | Foreign Exchange Contract [Member]		
Schedule Of Carrying Values And Estimated Fair Values Of Debt Instruments [Line Items]		
Forward exchange rate		1.28735

Fair Value of Financial Instruments and Risk Management - Fair Value Hierarchy of Financial Assets and Liabilities (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Assets:			
Cash and cash equivalents	$ 483	$ 25	$ 50
Derivative instrument - foreign exchange contract (Note 17)	22	0	
Liabilities:			
Short-term notes payable	1,252	926	
Long-term debt, including current portion, fair value	11,665	11,568	
Convertible debentures (Notes 16, 17)	489	487	$ 0
Level 1 [Member]			
Assets:			
Cash and cash equivalents	483	25	
Derivative instrument - foreign exchange contract (Note 17)	0		
Total assets	483	25	
Liabilities:			
Short-term notes payable	1,252	926	
Long-term debt, including current portion, fair value	0	0	
Convertible debentures (Notes 16, 17)	491	574	
Fair value hedge - interest-rate swap	0		
Total liabilities, fair value	1,743	1,500	
Level 2 [Member]			
Assets:			
Cash and cash equivalents	0	0	
Derivative instrument - foreign exchange contract (Note 17)	0		
Total assets	0	0	
Liabilities:			
Short-term notes payable	0	0	
Long-term debt, including current portion, fair value	11,665	11,568	
Convertible debentures (Notes 16, 17)	0	0	
Fair value hedge - interest-rate swap	5		
Total liabilities, fair value	11,670	11,577	
Level 3 [Member]			
Assets:			
Cash and cash equivalents	0	0	
Derivative instrument - foreign exchange contract (Note 17)	22		
Total assets	22	0	
Liabilities:			
Short-term notes payable	0	0	
Long-term debt, including current portion, fair value	0	0	

Convertible debentures (Notes 16, 17)	0	0
Fair value hedge - interest-rate swap	0	
Total liabilities, fair value	0	3
Carrying Value [Member]		
Assets:		
Cash and cash equivalents	483	25
Derivative instrument - foreign exchange contract (Note 17)	22	
Total assets	505	25
Liabilities:		
Short-term notes payable	1,252	926
Long-term debt, including current portion, fair value	10,709	10,067
Convertible debentures (Notes 16, 17)	489	487
Fair value hedge - interest-rate swap	5	
Total liabilities, fair value	12,455	11,492
Fair Value [Member]		
Assets:		
Cash and cash equivalents	483	25
Derivative instrument - foreign exchange contract (Note 17)	22	
Total assets	505	25
Liabilities:		
Short-term notes payable	1,252	926
Long-term debt, including current portion, fair value	11,665	11,568
Convertible debentures (Notes 16, 17)	491	574
Fair value hedge - interest-rate swap	5	
Total liabilities, fair value	$ 13,413	13,080
Interest Rate Swap [Member] | Level 1 [Member]		
Liabilities:		
Fair value hedge - interest-rate swap		0
Interest Rate Swap [Member] | Level 2 [Member]		
Liabilities:		
Fair value hedge - interest-rate swap		9
Interest Rate Swap [Member] | Level 3 [Member]		
Liabilities:		
Fair value hedge - interest-rate swap		0
Interest Rate Swap [Member] | Carrying Value [Member]		
Liabilities:		
Fair value hedge - interest-rate swap		9
Interest Rate Swap [Member] | Fair Value [Member]		
Liabilities:		
Fair value hedge - interest-rate swap		9
Foreign Exchange Contract [Member] | Level 1 [Member]		
Liabilities:		
Fair value hedge - interest-rate swap		0
Foreign Exchange Contract [Member] | Level 2 [Member]		

Liabilities:	
Fair value hedge - interest-rate swap	0
Foreign Exchange Contract [Member] | Level 3 [Member]	
Liabilities:	
Fair value hedge - interest-rate swap	3
Foreign Exchange Contract [Member] | Carrying Value [Member]	
Liabilities:	
Fair value hedge - interest-rate swap	3
Foreign Exchange Contract [Member] | Fair Value [Member]	
Liabilities:	
Fair value hedge - interest-rate swap	$ 3

Fair Value of Financial Instruments and Risk Management - Changes in Fair Value (Details) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Fair Value Disclosures [Abstract]		
Fair value of asset (liability) - beginning	$ (3)	$ 0
Unrealized gain (loss) on foreign exchange contract included in financing charges	25	(3)
Fair value of asset (liability) - ending	$ 22	$ (3)

Fair Value of Financial Instruments and Risk Management - Risk Management - Additional Information (Detail) $ in Billions	Nov. 23, 2018 USD ($)	Jun. 18, 2018 CAD ($)	12 Months Ended Dec. 31, 2018 CAD ($)	Dec. 31, 2017 CAD ($)	Dec. 31, 2016 CAD ($)
Market Risk, Credit Risk And Liquidity Risk [Line Items]					
Provision for bad debts			$ 21,000,000	$ 29,000,000	$ 35,000,000
Maximum public offering amount		$ 4,000,000,000			
Public offering period		25 months			
Minimum [Member]					
Market Risk, Credit Risk And Liquidity Risk [Line Items]					
Account receivable, period			60 days	60 days	
Customer Concentration Risk [Member]					
Market Risk, Credit Risk And Liquidity Risk [Line Items]					
Accounts receivable			$ 0	$ 0	
Aged More Than 60 Days [Member]					
Market Risk, Credit Risk And Liquidity Risk [Line Items]					
Account receivable, percentage			5.00%	5.00%	
Hydro One Holdings Limited [Member]					
Market Risk, Credit Risk And Liquidity Risk [Line Items]					
Maximum public offering amount	$ 3.0				
Public offering period	25 months				
Variable Interest Rate [Member]					
Market Risk, Credit Risk And Liquidity Risk [Line Items]					
Impact of 1% change in yield for results of operations			$ 0	$ 0	

Capital Management - Summary of Company's Capital Structure (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Regulated Operations [Abstract]			
Long-term debt payable within one year	$ 731	$ 752	
Short-term notes payable	1,252	926	
Less: cash and cash equivalents	(483)	(25)	$ (50)
Net Long-term debt payable within one year	1,500	1,653	
Long-term debt	9,978	9,315	
Convertible debentures (Notes 16, 17)	489	487	$ 0
Preferred shares	418	418	
Common shares	5,643	5,631	
Retained earnings	3,459	4,090	
Total capital	$ 21,487	$ 21,594	

Capital Management - Additional Information (Detail)	Dec. 31, 2018
Regulated Operations [Abstract]	
Permissible limit on debt to total capital percentage	75.00%

Pension and Post-Retirement and Post-Employment Benefits - Additional Information (Detail) - CAD ($) $ in Millions		12 Months Ended		
	Jan. 01, 2016	Dec. 31, 2018	Dec. 31, 2017	Oct. 31, 2017
Pension Plans, Postretirement and Other Employee Benefits [Line Items]				
Contributions by company to the plan		$ 1	$ 1	
Pension plan average pensionable earnings		3 years		
New pension plan average pensionable earnings		5 years		
Annual pension plan contributions		$ 75	$ 87	
Estimated annual pension plan contributions for 2019		78		
Estimated annual pension plan contributions for 2020		77		
Estimated annual pension plan contributions for 2021		78		
Estimated annual pension plan contributions for 2022		79		
Estimated annual pension plan contributions for 2023		81		
Estimated annual pension plan contributions for 2024		$ 83		
Option One [Member]				
Pension Plans, Postretirement and Other Employee Benefits [Line Items]				
Percentage of employer matching contribution	4.00%			
Option Two [Member]				
Pension Plans, Postretirement and Other Employee Benefits [Line Items]				
Percentage of employer matching contribution	5.00%			
Option Three [Member]				
Pension Plans, Postretirement and Other Employee Benefits [Line Items]				
Percentage of employer matching contribution	6.00%			
ABO [Member]				
Pension Plans, Postretirement and Other Employee Benefits [Line Items]				
Funded percentage		101.00%	96.00%	
PBO [Member]				
Pension Plans, Postretirement and Other Employee Benefits [Line Items]				
Funded percentage		93.00%	88.00%	
Corporate Bond Securities [Member]				
Pension Plans, Postretirement and Other Employee Benefits [Line Items]				
Pension plan		$ 18	$ 11	
Province Of Ontario [Member] | Debt Securities [Member]				
Pension Plans, Postretirement and Other Employee Benefits [Line Items]				

Pension plan	546	415	
Foreign Exchange Contract [Member]			
Pension Plans, Postretirement and Other Employee Benefits [Line Items]			
Notional value	299	279	$ 1,400
Gain (loss) on derivative. net	$ (7)	$ 1	

Pension and Post-Retirement and Post-Employment Benefits - Change in Projected Benefit Obligation and Change in Plan Assets (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Change in plan assets		
Employer contributions	$ 75	$ 87
Pension Benefits [Member]		
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	8,258	7,774
Current service cost	176	147
Employee contributions	52	49
Interest cost	282	304
Benefit paid	(362)	(368)
Net actuarial loss (gain)	(654)	352
Recognition of prior service	0	0
Projected benefit obligation, end of year	7,752	8,258
Change in plan assets		
Fair value of plan assets, beginning of year	7,277	6,874
Actual return on plan assets	190	662
Benefits paid	(362)	(368)
Employer contributions	75	87
Employee contributions	52	49
Administrative expenses	(27)	(27)
Fair value of plan assets, end of year	7,205	7,277
Unfunded status	547	981
Post-Retirement and Post-Employment Benefits [Member]		
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	1,565	1,690
Current service cost	50	49
Employee contributions	0	0
Interest cost	54	67
Benefit paid	(49)	(44)
Net actuarial loss (gain)	(158)	(197)
Recognition of prior service	3	0
Projected benefit obligation, end of year	1,465	1,565
Change in plan assets		
Fair value of plan assets, beginning of year	0	0
Actual return on plan assets	0	0
Benefits paid	(49)	(34)
Employer contributions	49	34
Employee contributions	0	0

Administrative expenses	0	0
Fair value of plan assets, end of year	0	0
Unfunded status	$ 1,465	$ 1,565

Pension and Post-Retirement and Post-Employment Benefits - Schedule of Benefit Obligations and Plan Assets (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Accrued liabilities	$ 590	$ 572
Pension benefit liability (Note 18)	547	981
Pension Benefits [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Other assets	3	1
Accrued liabilities	0	0
Pension benefit liability (Note 18)		981
Post-retirement and post-employment benefit liability	0	0
Net unfunded status	544	980
Post-Retirement and Post-Employment Benefits [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Other assets	0	0
Accrued liabilities	55	53
Pension benefit liability (Note 18)	0	0
Post-retirement and post-employment benefit liability	1,417	1,519
Net unfunded status	1,472	1,572
Hydro One Sault Ste. Marie LP [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Post-employment benefit plans	$ 7	$ 7

Pension and Post-Retirement and Post-Employment Benefits - Schedule of Projected Benefit Obligation (PBO), Accumulated Benefit Obligation (ABO) and Fair Value of Plan Assets (Detail) - Pension Benefits [Member] - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Pension Plans, Postretirement and Other Employee Benefits [Line Items]			
PBO	$ 7,752	$ 8,258	$ 7,774
ABO	7,144	7,614	
Fair value of plan assets	$ 7,205	$ 7,277	$ 6,874

Pension and Post-Retirement and Post-Employment Benefits - Components of Net Periodic Benefit Costs (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Pension costs	$ 75	$ 87
Pension costs charged to operations		39
Pension costs capitalized	43	48
Pension Benefits [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Current service cost	176	147
Interest cost	282	304
Expected return on plan assets, net of expenses	(467)	(442)
Amortization of actuarial losses	84	79
Recognition of prior service	0	0
Net periodic benefit costs	75	88
Charged to results of operations	32	39
Pension costs charged to operations	32	
Postretirement Benefit Costs [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Current service cost	50	49
Interest cost	53	67
Amortization of actuarial losses	15	16
Recognition of prior service	3	0
Net periodic benefit costs	121	132
Charged to results of operations	$ 52	$ 59

Pension and Post-Retirement and Post-Employment Benefits - Schedule of Weighted Average Assumptions Used to Determine Benefit Obligations (Detail)	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Pension Benefits [Member]			
Schedule Of Weighted Average Assumption Determining Pension Plan And Other Post retirement Benefit Plan [Line Items]			
Weighted average discount rate	3.90%	3.40%	
Rate of compensation scale escalation (long-term)	2.50%	2.50%	
Rate of cost of living increase	2.00%	2.00%	
Rate of increase in health care cost trends		0.00%	
Post-Retirement and Post-Employment Benefits [Member]			
Schedule Of Weighted Average Assumption Determining Pension Plan And Other Post retirement Benefit Plan [Line Items]			
Weighted average discount rate	4.00%	3.40%	
Rate of compensation scale escalation (long-term)	2.50%	2.50%	
Rate of cost of living increase	2.00%	2.00%	
Rate of increase in health care cost trends	4.04%	4.04%	
Assumed health care cost trend, percentage	5.19%	5.26%	
Health care cost trend rate	4.04%	4.04%	4.36%

Pension and Post-Retirement and Post-Employment Benefits - Schedule of Weighted Average Assumptions Used to Determine Net Periodic Benefit Costs (Detail)	12 Months Ended		
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Pension Benefits [Member]			
Schedule Of Weighted Average Assumption Determining Pension Plan And Other Post retirement Benefit Plan [Line Items]			
Weighted average expected rate of return on plan assets	6.50%	6.50%	
Weighted average discount rate	3.40%	3.90%	
Rate of compensation scale escalation (long-term)	2.50%	2.50%	
Rate of cost of living increase	2.00%	2.00%	
Average remaining service life of employees (years)	15 years	15 years	
Post-Retirement and Post-Employment Benefits [Member]			
Schedule Of Weighted Average Assumption Determining Pension Plan And Other Post retirement Benefit Plan [Line Items]			
Weighted average discount rate	3.40%	3.90%	
Rate of compensation scale escalation (long-term)	2.50%	2.50%	
Rate of cost of living increase	2.00%	2.00%	
Average remaining service life of employees (years)	15 years 6 months	15 years 2 months 12 days	
Rate of increase in health care cost trends	4.04%	4.36%	
Assumed health care cost trend, percentage	5.19%	5.26%	
Health care rate			6.25%
Health care cost trend rate	4.04%	4.04%	4.36%

Pension and Post-Retirement and Post-Employment Benefits - Schedule of Effect of One Percent Change in Health Care Cost Trends on Projected Benefit Obligation (Detail) - Post-Retirement and Post-Employment Benefits [Member] - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Schedule Of Effect Of One Percentage Point Change In Assumed Health Care Cost Trend Rates [Line Items]		
Effect of a 1% increase in health care cost trends	$ 230	$ 250
Effect of a 1% decrease in health care cost trends	$ (175)	$ (189)

Pension and Post-Retirement and Post-Employment Benefits - Schedule of Effect of One Percent Change in Health Care Cost Trends on Service Cost and Interest Cost (Detail) - Post-Retirement and Post-Employment Benefits [Member] - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Schedule Of Effect Of One Percentage Point Change In Assumed Health Care Cost Trend Rates [Line Items]		
Effect of a 1% increase in health care cost trends	$ 23	$ 29
Effect of a 1% decrease in health care cost trends	$ (16)	$ (20)

Pension and Post-Retirement and Post-Employment Benefits - Approximate Life Expectancies Used to Determine Projected Benefit Obligations for Pension, Post-Retirement and Post-Employment Plans (Detail)	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Life Expectancy At Age Sixty Five [Member] | Male [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Approximate life expectancy (in years) at particular age	22 years	22 years
Life Expectancy At Age Sixty Five [Member] | Female [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Approximate life expectancy (in years) at particular age	25 years	24 years
Life Expectancy At Age Forty Five [Member] | Male [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Approximate life expectancy (in years) at particular age	23 years	23 years
Life Expectancy At Age Forty Five [Member] | Female [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Approximate life expectancy (in years) at particular age	25 years	24 years

Pension and Post-Retirement and Post-Employment Benefits - Schedule of Estimated Future Benefit Payments (Detail) $ in Millions	Dec. 31, 2018 CAD ($)
Pension Plans, Postretirement and Other Employee Benefits [Line Items]	
2020	$ 77
2021	78
2022	79
2023	81
2024 through to 2028	83
Pension Benefits [Member]	
Pension Plans, Postretirement and Other Employee Benefits [Line Items]	
2019	335
2020	343
2021	352
2022	360
2023	367
2024 through to 2028	1,915
Total estimated future benefit payments through to 2028	3,672
Post-Retirement and Post-Employment Benefits [Member]	
Pension Plans, Postretirement and Other Employee Benefits [Line Items]	
2019	56
2020	58
2021	59
2022	60
2023	61
2024 through to 2028	326
Total estimated future benefit payments through to 2028	$ 620

Pension and Post-Retirement and Post-Employment Benefits - Schedule of Actuarial Gains and Losses and Prior Service Costs Recorded Within Regulatory Assets (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Pension Benefits [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Actuarial loss (gain) for the year	$ (654)	$ 352
Recognition of prior service	0	0
Post-Retirement and Post-Employment Benefits [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Actuarial loss (gain) for the year	(158)	(197)
Recognition of prior service	3	0
Pension Benefit Regulatory Asset [Member] | Post-Retirement and Post-Employment Benefits [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Actuarial loss (gain) for the year	(350)	159
Amortization of actuarial losses	(84)	(79)
Total actuarial gains and losses and prior service costs	(434)	80
Post Retirement and Employment Benefits Regulatory Assets [Member] | Pension Benefits [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Actuarial loss (gain) for the year	(158)	(197)
Amortization of actuarial losses	(15)	(16)
Recognition of prior service	(3)	0
Amounts not subject to regulatory treatment	10	6
Total actuarial gains and losses and prior service costs	$ (166)	$ (207)

Pension and Post-Retirement and Post-Employment Benefits - Components of Regulatory Assets That Have Not Been Recognized as Components of Net Periodic Benefit Costs (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Pension Benefits [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Actuarial loss	$ 547	$ 981
Post-Retirement and Post-Employment Benefits [Member]		
Pension Plans, Postretirement and Other Employee Benefits [Line Items]		
Actuarial loss	$ (130)	$ 36

Pension and Post-Retirement and Post-Employment Benefits - Components of Regulatory Assets Expected to be Amortized as Components of Net Periodic Benefit Costs (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Pension Benefits [Member]		
Schedule Of Components Of Regulatory Assets Expected To Be Amortized As Components Of Net Periodic Benefit Cost [Line Items]		
Actuarial loss	$ 547	$ 981
Pension Benefits [Member] | Regulatory Assets [Member]		
Schedule Of Components Of Regulatory Assets Expected To Be Amortized As Components Of Net Periodic Benefit Cost [Line Items]		
Actuarial loss (gain)	55	84
Post-Retirement and Post-Employment Benefits [Member]		
Schedule Of Components Of Regulatory Assets Expected To Be Amortized As Components Of Net Periodic Benefit Cost [Line Items]		
Actuarial loss	(130)	36
Post-Retirement and Post-Employment Benefits [Member] | Regulatory Assets [Member]		
Schedule Of Components Of Regulatory Assets Expected To Be Amortized As Components Of Net Periodic Benefit Cost [Line Items]		
Actuarial loss (gain)	$ (1)	$ 2

Pension and Post-Retirement and Post-Employment Benefits - Schedule of Pension Plan Target Asset and Weighted Average Asset Allocations (Detail)	Dec. 31, 2018
Pension Plans, Postretirement and Other Employee Benefits [Line Items]	
Target Allocation	100.00%
Pension Plan Assets	100.00%
Equity Securities [Member]	
Pension Plans, Postretirement and Other Employee Benefits [Line Items]	
Target Allocation	45.00%
Pension Plan Assets	50.00%
Debt Securities [Member]	
Pension Plans, Postretirement and Other Employee Benefits [Line Items]	
Target Allocation	35.00%
Pension Plan Assets	41.00%
Other Plan Assets [Member]	
Pension Plans, Postretirement and Other Employee Benefits [Line Items]	
Target Allocation	20.00%
Pension Plan Assets	9.00%

Pension and Post-Retirement and Post-Employment Benefits - Pension Plan Assets Measured and Recorded at Fair Value on Recurring Basis (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	$ 7,176	$ 7,258
Interest and dividend receivable excluded from fair value of pension plan assets	35	28
Accruals for pension administration expense excluded from fair value of pension plan assets	10	10
Sale of investments receivable excluded from fair value of pension plan assets	6	1
Purchase of investments payable excluded from fair value of pension plan assets	2	1
Pooled Funds [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	672	565
Cash and Cash Equivalents [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	210	153
Short-term Securities [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	78	109
Derivative instruments [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	(7)	5
Corporate Shares - Canadian [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	115	921
Corporate Shares - Foreign [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	3,405	3,432
Bonds and Debentures - Canadian [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	2,506	1,879
Bonds and debentures - Foreign [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	197	194
Level 1 [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	3,547	4,381
Level 1 [Member] | Pooled Funds [Member]		
Defined Benefit Plan Disclosure [Line Items]		

Total fair value of plan assets	0	0
Level 1 [Member] | Cash and Cash Equivalents [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	210	153
Level 1 [Member] | Short-term Securities [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	0	0
Level 1 [Member] | Derivative instruments [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	0	0
Level 1 [Member] | Corporate Shares - Canadian [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	115	921
Level 1 [Member] | Corporate Shares - Foreign [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	3,222	3,307
Level 1 [Member] | Bonds and Debentures - Canadian [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	0	0
Level 1 [Member] | Bonds and debentures - Foreign [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	0	0
Level 2 [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	2,978	2,328
Level 2 [Member] | Pooled Funds [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	21	16
Level 2 [Member] | Cash and Cash Equivalents [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	0	0
Level 2 [Member] | Short-term Securities [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	78	109
Level 2 [Member] | Derivative instruments [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	(7)	5
Level 2 [Member] | Corporate Shares - Canadian [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	0	0
Level 2 [Member] | Corporate Shares - Foreign [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	183	125
Level 2 [Member] | Bonds and Debentures - Canadian [Member]		

Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	2,506	1,879
Level 2 [Member] | Bonds and debentures - Foreign [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	197	194
Level 3 [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	651	549
Level 3 [Member] | Pooled Funds [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	651	549
Level 3 [Member] | Cash and Cash Equivalents [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	0	0
Level 3 [Member] | Short-term Securities [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	0	0
Level 3 [Member] | Derivative instruments [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	0	0
Level 3 [Member] | Corporate Shares - Canadian [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	0	0
Level 3 [Member] | Corporate Shares - Foreign [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	0	0
Level 3 [Member] | Bonds and Debentures - Canadian [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	0	0
Level 3 [Member] | Bonds and debentures - Foreign [Member]		
Defined Benefit Plan Disclosure [Line Items]		
Total fair value of plan assets	$ 0	$ 0

Pension and Post-Retirement and Post-Employment Benefits - Changes in Fair Value of Financial Instruments Classified in Level 3 (Detail) - Level 3 [Member] - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Change in plan assets		
Fair value of plan assets, beginning of year	$ 549	$ 425
Realized and unrealized gains (losses)	59	(31)
Purchases	90	171
Sales and disbursements	(47)	(16)
Fair value of plan assets, end of year	$ 651	$ 549

Environmental Liabilities - Schedule of Movements in Environmental Liabilities (Detail) - CAD ($)	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Accrual for Environmental Loss Contingencies [Roll Forward]		
Environmental liabilities - beginning	$ 196,000,000	$ 204,000,000
Expenditures	(22,000,000)	(24,000,000)
Environmental liabilities - ending	165,000,000	196,000,000
Less: current portion	(26,000,000)	(28,000,000)
Environmental liabilities non current portion	139,000,000	168,000,000
PCB [Member]		
Accrual for Environmental Loss Contingencies [Roll Forward]		
Environmental liabilities - beginning	134,000,000	143,000,000
Interest accretion	5,000,000	6,000,000
Expenditures	(16,000,000)	(16,000,000)
Revaluation adjustment	15,000,000	(1,000,000)
Environmental liabilities - ending	108,000,000	134,000,000
Less: current portion	(15,000,000)	(20,000,000)
Environmental liabilities non current portion	93,000,000	114,000,000
Land Assessment and Remediation [Member]		
Accrual for Environmental Loss Contingencies [Roll Forward]		
Environmental liabilities - beginning	62,000,000	61,000,000
Interest accretion	1,000,000	2,000,000
Expenditures	(6,000,000)	(8,000,000)
Revaluation adjustment	0	(7,000,000)
Environmental liabilities - ending	57,000,000	62,000,000
Less: current portion	(11,000,000)	(8,000,000)
Environmental liabilities non current portion	46,000,000	54,000,000
Environmental [Member]		
Accrual for Environmental Loss Contingencies [Roll Forward]		
Expenditures	(22,000,000)	
Revaluation adjustment	$ 15,000,000	$ (8,000,000)

Environmental Liabilities - Reconciliation between Undiscounted Basis of Environmental Liabilities and Amount Recognized on Consolidated Balance Sheets (Detail) - CAD ($) $ in Millions	Dec. 31, 2018	Dec. 31, 2017
Environmental Liabilities [Line Items]		
Undiscounted environmental liabilities	$ 176	$ 206
Less: discounting environmental liabilities to present value	(11)	(10)
Discounted environmental liabilities	165	196
PCB [Member]		
Environmental Liabilities [Line Items]		
Undiscounted environmental liabilities	118	142
Less: discounting environmental liabilities to present value	(10)	(8)
Discounted environmental liabilities	108	134
Land Assessment and Remediation [Member]		
Environmental Liabilities [Line Items]		
Undiscounted environmental liabilities	58	64
Less: discounting environmental liabilities to present value	(1)	(2)
Discounted environmental liabilities	$ 57	$ 62

Environmental Liabilities - Schedule of Estimated Future Environmental Expenditures (Detail) $ in Millions	Dec. 31, 2018 CAD ($)
Environmental Remediation Obligations [Abstract]	
2019	$ 26
2020	29
2021	32
2022	31
2023	28
Thereafter	30
Total	$ 176

Environmental Liabilities - Additional Information (Detail) - CAD ($)	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Environmental Liabilities [Line Items]		
Long-term inflation rate assumption of current costs	2.00%	
Undiscounted environmental liabilities	$ 176,000,000	$ 206,000,000
Minimum [Member]		
Environmental Liabilities [Line Items]		
Future environmental expenditure discount rate	2.00%	
Maximum [Member]		
Environmental Liabilities [Line Items]		
Future environmental expenditure discount rate	6.30%	
PCB [Member]		
Environmental Liabilities [Line Items]		
Undiscounted environmental liabilities	$ 118,000,000	142,000,000
Increase (decrease) of environmental liability due to revaluation adjustment	(15,000,000)	1,000,000
Land Assessment and Remediation [Member]		
Environmental Liabilities [Line Items]		
Undiscounted environmental liabilities	58,000,000	64,000,000
Increase (decrease) of environmental liability due to revaluation adjustment	$ 0	$ 7,000,000

Asset Retirement Obligations - Additional Information (Detail) - CAD ($)	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Asset Retirement Obligations [Line Items]		
Long-term inflation assumption of current costs	2.00%	
Revaluation adjustment	$ 1,000,000	$ 0
Asset retirement obligations recorded	$ 10,000,000	$ 9,000,000
Minimum [Member]		
Asset Retirement Obligations [Line Items]		
Discounted future expenditures	2.00%	
Maximum [Member]		
Asset Retirement Obligations [Line Items]		
Discounted future expenditures	4.00%	

Share Capital - Additional Information (Detail) - CAD ($)	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Class of Stock [Line Items]		
Weighted average number of shares outstanding (in shares)	595,756,470	595,287,586
Common shares, issued and outstanding (in shares)	595,938,975	595,386,711
Preferred shares outstanding (in shares)	16,720,000	0
Preferred shares issued (in shares)	16,720,000	0
Preferred Stock, Dividend Rate, Per-Dollar-Amount	$ 1.0625	
Preferred Stock, Dividend Rate, Percentage	3.53%	
Preferred Stock, Redemption Price Per Share	$ 25.00	
Preferred Stock, Amount of Preferred Dividends in Arrears	$ 0	
Convertible Preferred Stock, Shares Issued upon Conversion	1	
Redeemable Convertible Preferred Stock [Member]		
Class of Stock [Line Items]		
Preferred Stock, Redemption Price Per Share	$ 25.50	

Share Capital - Roll Forward of Shares Outstanding (Details) - shares	1 Months Ended		12 Months Ended	
	Dec. 31, 2017	May 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Class of Stock [Line Items]				
Ownership, percentage			100.00%	100.00%
Common shares – beginning			595,386,711	595,000,000
Secondary offering				0
Sale of common shares			0	
Common shares – ending	595,386,711		595,938,975	595,386,711
Share Grant Plans [Member]				
Class of Stock [Line Items]				
Common shares issued			481,460	371,611
Long Term Incentive Plan [Member]				
Class of Stock [Line Items]				
Common shares issued			70,804	15,100
Public				
Class of Stock [Line Items]				
Ownership, percentage			52.60%	52.60%
Common shares – beginning			312,974,063	178,196,340
Secondary offering		120,000,000		120,000,000
Sale of common shares	14,391,012		14,391,012	
Common shares – ending	312,974,063		313,526,327	312,974,063
Public | Share Grant Plans [Member]				
Class of Stock [Line Items]				
Common shares issued			481,460	371,611
Public | Long Term Incentive Plan [Member]				
Class of Stock [Line Items]				
Common shares issued			70,804	15,100
Province				
Class of Stock [Line Items]				
Ownership, percentage			47.40%	47.40%
Common shares – beginning			282,412,648	
Secondary offering				(120,000,000)
Sale of common shares			(14,391,012)	
Common shares – ending	282,412,648		282,412,648	282,412,648
Province | Share Grant Plans [Member]				
Class of Stock [Line Items]				
Common shares issued			0	
Province | Long Term Incentive Plan [Member]				
Class of Stock [Line Items]				
Common shares issued			0	
Province | The Province [Member]				
Class of Stock [Line Items]				

Common shares – beginning		282,412,648	416,803,660
Common shares – ending	282,412,648		282,412,648
Province | The Province [Member] | Share Grant Plans [Member]			
Class of Stock [Line Items]			
Common shares issued			0
Province | The Province [Member] | Long Term Incentive Plan [Member]			
Class of Stock [Line Items]			
Common shares issued			0

Dividends - Additional Information (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Equity [Abstract]		
Preferred share dividends	$ 18	$ 18
Common share dividends	$ 542	$ 518

Earnings Per Common Share - Additional Information (Detail) - CAD ($) $ / shares in Units, $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Earnings Per Share [Abstract]		
Net income (loss) attributable to common shareholders (millions of dollars)	$ (89)	$ 658
Weighted average number of shares		
Basic (in shares)	595,756,470	595,287,586
Effect of dilutive stock-based compensation plans (in shares)	2,147,473	2,234,665
Diluted (in shares)	597,903,943	597,522,251
EPS		
Basic (in dollars per share)	$ (0.15)	$ 1.11
Diluted (in dollars per share)	$ (0.15)	$ 1.10

Stock-Based Compensation - Additional Information (Detail)	3 Months Ended	12 Months Ended							
	Dec. 31, 2018 CAD ($) $ / shares shares	Dec. 31, 2018 CAD ($) plan $ / shares shares	Dec. 31, 2017 CAD ($) $ / shares shares	Dec. 31, 2015 CAD ($) $ / shares shares	Jun. 30, 2018 CAD ($)	Jun. 29, 2018 $ / shares	Jun. 30, 2017 CAD ($)	Sep. 01, 2015	Apr. 01, 2015
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]									
Number of plans | plan		2							
Weighted-average price, granted (in dollars per share) | $ / shares		$ 20.50		$ 20.50					
Shares granted (in shares) | shares		1,450,880	0						
Share-based Compensation Arrangement by Share-based Payment Award, Expiration Period		7 years							
Unrecognized compensation expense	$ 1,000,000	$ 1,000,000							
Employee Service Share-based Compensation, Nonvested Awards, Compensation Cost Not yet Recognized, Period for Recognition		3 years							
Share-based Compensation Arrangement by Share-based Payment Award, Award Vesting Period		3 years							
Management Employee Share Ownership Plans [Member]									
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]									
Highest percentage of participant's salary towards purchasing common shares				6.00%					
Lowest percentage of participant's salary towards purchasing common shares				1.00%					
Employer matching contribution, percent of match				50.00%					
Maximum amount contributed by employer				$ 25,000					

Society Employee Share Ownership Plans [Member]					
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]					
Highest percentage of participant's salary towards purchasing common shares				4.00%	
Lowest percentage of participant's salary towards purchasing common shares				1.00%	
Employer matching contribution, percent of match				25.00%	
Employee Share Ownership Plan (ESOP) [Member]					
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]					
Contribution under the plan		$ 2,000,000	$ 2,000,000		
PWU Share Grant Plan [Member]					
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]					
Highest percentage of participant's salary towards purchasing common shares					2.70%
Shares granted (in shares) | shares				3,979,062	
PWU Share Grant Plan [Member] | Maximum [Member]					
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]					
Requisite service period		35 years			
Aggregate number of common shares issuable under the plan (in shares) | shares	3,981,763	3,981,763			
Society Share Grant Plan [Member]					
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]					

Highest percentage of participant's salary towards purchasing common shares					2.00%
Shares granted (in shares) | shares				1,433,292	
Society Share Grant Plan [Member] | Maximum [Member]					
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]					
Requisite service period		35 years			
Aggregate number of common shares issuable under the plan (in shares) | shares	1,434,686	1,434,686			
Share Grant Plans [Member]					
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]					
Weighted-average price, granted (in dollars per share) | $ / shares		$ 0.00	$ 0.00		
Shares granted (in shares) | shares		481,460	371,611		
Fair value of shares granted				$ 111,000,000	
Compensation expenses		$ 12,000,000	$ 17,000,000		
Directors' Deferred Share Units Plan [Member] | Deferred Share Units [Member]					
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]					
Compensation expenses	$ 5,000,000	$ 1,000,000	$ 2,000,000		
Share-based Compensation Arrangement By Share-based Payment Award, Equity Instruments Other Than Options, Settled In Period | shares		222,768	0		
Liability related to share based compensation	$ 1,000,000	$ 1,000,000	$ 4,000,000		

Closing share price of common shares (in dollars per share) | $ / shares	$ 20.25	$ 20.25	$ 22.4		$ 20.04	
Management Deferred Share Units Plan [Member]						
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]						
DSU value equivalent to common shares (in shares) | shares		1				
Liability related to share based compensation	$ 2,000,000	$ 2,000,000	$ 2,000,000			
Management Deferred Share Units Plan [Member] | Deferred Share Units [Member]						
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]						
Compensation expenses		1,000,000	2,000,000			
Liability related to share based compensation	$ 1,000,000	$ 1,000,000	1,000,000	$ 1,000,000		$ 1,000,000
Long Term Incentive Plan [Member]						
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]						
Aggregate number of common shares issuable under the plan (in shares) | shares	11,900,000	11,900,000				
Compensation expenses		$ 15,000,000	6,000,000			
Grant date total fair value of awards		$ 16,000,000	$ 13,000,000			
Performance Share Units [Member]						
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]						
Share-based Compensation Arrangement By Share-based Payment Award, Equity Instruments Other Than Options, Settled In Period | shares		238,030	0			

Restricted Stock Units (RSUs) [Member]		
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]		
Share-based Compensation Arrangement By Share-based Payment Award, Equity Instruments Other Than Options, Settled In Period | shares	158,310	0
Performance Stock Units And Restricted Stock Units [Member] | Long Term Incentive Plan [Member]		
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]		
Compensation expenses	$ 5,000,000	
Hydro One Limited [Member] | Directors' Deferred Share Units Plan [Member] | Deferred Share Units [Member]		
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]		
Closing share price of common shares (in dollars per share) | $ / shares		$ 22.40

Stock-Based Compensation - Summary of Share Grant Activity (Detail) - $ / shares	12 Months Ended		
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2015
Share-based Compensation Arrangement by Share-based Payment Award, Options, Outstanding [Roll Forward]			
Share grants outstanding, beginning (in shares)	0	0	
Shares vested and issued (in shares)	(1,450,880)	0	
Shares forfeited (in shares)	(500,970)	0	
Share grants outstanding, ending (in shares)	949,910	0	
Share-based Compensation Arrangement by Share-based Payment Award, Options, Nonvested, Weighted Average Grant Date Fair Value [Abstract]			
Weighted-average price, vested and issued (in dollars per share)	$ 20.50		$ 20.50
Share Grant Plans [Member]			
Share-based Compensation Arrangement by Share-based Payment Award, Options, Outstanding [Roll Forward]			
Share grants outstanding, beginning (in shares)	4,825,732	5,334,415	
Shares vested and issued (in shares)	(481,460)	(371,611)	
Shares forfeited (in shares)	(110,117)	(137,072)	
Share grants outstanding, ending (in shares)	4,234,155	4,825,732	
Share-based Compensation Arrangement by Share-based Payment Award, Options, Nonvested, Weighted Average Grant Date Fair Value [Abstract]			
Weighted-average price, outstanding, beginning (in dollars per share)	$ 20.50	$ 20.50	
Weighted-average price, vested and issued (in dollars per share)	0.00	0.00	
Weighted-average price, forfeited (in dollars per share)	20.50	20.50	
Weighted-average price, outstanding, ending (in dollars per share)	$ 20.50	$ 20.50	
PWU Share Grant Plan [Member]			
Share-based Compensation Arrangement by Share-based Payment Award, Options, Outstanding [Roll Forward]			
Shares vested and issued (in shares)			(3,979,062)

Stock-Based Compensation - Summary of Number of DSUs (Detail) - Deferred Share Units [Member] - shares	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Directors' Deferred Share Units Plan [Member]		
Share-based Compensation Arrangement by Share-based Payment Award, Non-Option Equity Instruments, Outstanding [Roll Forward]		
DSUs outstanding - January 1 (in shares)	187,090	99,083
DSUs granted (in shares)	82,375	88,007
DSUs settled (in shares)	(222,768)	0
DSUs outstanding - December 31 (in shares)	46,697	187,090
Management Deferred Share Units Plan [Member]		
Share-based Compensation Arrangement by Share-based Payment Award, Non-Option Equity Instruments, Outstanding [Roll Forward]		
DSUs outstanding - January 1 (in shares)	67,829	0
DSUs granted (in shares)	40,467	68,897
DSUs paid (in shares)	0	(1,068)
DSUs outstanding - December 31 (in shares)	108,296	67,829

Stock-Based Compensation - Summary of Number of PSUs and RSUs (Detail) - shares	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Performance Share Units [Member]		
Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Nonvested, Number of Shares [Roll Forward]		
Units outstanding - beginning (in shares)	429,980	230,600
Units granted (in shares)	445,120	303,240
Units vested (in shares)	(123)	(609)
Units forfeited (in shares)	(31,767)	(103,251)
Units settled (in shares)	(238,030)	0
Units outstanding - ending (in shares)	605,180	429,980
Restricted Stock Units (RSUs) [Member]		
Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Nonvested, Number of Shares [Roll Forward]		
Units outstanding - beginning (in shares)	393,430	254,150
Units granted (in shares)	345,790	242,860
Units vested (in shares)	(106,591)	(14,079)
Units forfeited (in shares)	(31,849)	(89,501)
Units settled (in shares)	(158,310)	0
Units outstanding - ending (in shares)	442,470	393,430

Stock-Based Compensation - Summary of Stock Option Activity (Details) - CAD ($) $ / shares in Units, $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Disclosure of Compensation Related Costs, Share-based Payments [Abstract]		
Exercise price (in dollars per share)	$ 20.70	
Grant date fair value per option (in dollars per share)	$ 1.66	
Expected dividend yield	3.78%	
Expected volatility	15.01%	
Risk-free interest rate	2.00%	
Expected option term	4 years 6 months	
Share-based Compensation Arrangement by Share-based Payment Award, Options, Outstanding [Roll Forward]		
Share grants outstanding, beginning (in shares)	0	0
Shares granted (in shares)	1,450,880	0
Shares canceled (in shares)	(500,970)	0
Share grants outstanding, ending (in shares)	949,910	0
Unrecognized compensation expense	$ 1	

Noncontrolling Interest - Additional Information (Detail) - B2M Limited Partnership [Member] - CAD ($) $ in Millions	Dec. 17, 2014	Dec. 16, 2014
Noncontrolling Interest [Line Items]		
Business combination assets transferred		$ 526
Debt [Member]		
Noncontrolling Interest [Line Items]		
Business combination assets transferred		$ 316
Business combination percentage transferred		60.00%
Equity [Member]		
Noncontrolling Interest [Line Items]		
Business combination assets transferred		$ 210
Business combination percentage transferred		40.00%
Saugeen Ojibway Nation (SON) [Member]		
Noncontrolling Interest [Line Items]		
Percentage of common shares acquired	34.20%	
Business acquisition, consideration paid	$ 72	
Class A Units [Member] | Saugeen Ojibway Nation (SON) [Member]		
Noncontrolling Interest [Line Items]		
Capital units in initial investment	50	
Class B Units [Member] | Saugeen Ojibway Nation (SON) [Member]		
Noncontrolling Interest [Line Items]		
Capital units in initial investment	$ 22	

Noncontrolling Interest - Schedule of Movements in Noncontrolling Interest (Detail) $ in Millions, $ in Millions	12 Months Ended		
	Dec. 31, 2018 CAD ($)	Dec. 31, 2018 USD ($)	Dec. 31, 2017 CAD ($)
Stockholders' Equity Attributable to Noncontrolling Interest [Roll Forward]			
Noncontrolling interest - beginning balance, temporary equity	$ 22		$ 22
Distributions to noncontrolling interest, temporary equity	(3)		(2)
Net income attributable to noncontrolling interest, temporary equity	2		2
Noncontrolling interest - ending balance, temporary equity	21		22
Noncontrolling interest - beginning balance, equity	50		50
Distributions to noncontrolling interest, equity	(5)	$ (5)	(4)
Net income attributable to noncontrolling interest, equity	4		4
Noncontrolling interest - ending balance, equity	49		50
Noncontrolling interest - beginning balance	72		72
Distributions to noncontrolling interest	(8)		(6)
Net income attributable to noncontrolling interest	6		6
Noncontrolling interest - ending balance	$ 70		$ 72

Related Party Transactions - Summary of Related Party Transactions (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Related Party Transaction [Line Items]		
Purchased power costs	$ 2,899	$ 2,875
Revenues for transmission services	6,150	5,990
The Province [Member]		
Related Party Transaction [Line Items]		
Dividends	$ 275	301
Ownership percentage	47.40%	
IESO [Member]		
Related Party Transaction [Line Items]		
Purchased power costs	$ 1,636	1,583
Funding received related to CDM programs	62	59
OPG [Member]		
Related Party Transaction [Line Items]		
Purchased power costs	10	9
Costs related to the purchase of services	0	1
OPG [Member] | Transmission [Member]		
Related Party Transaction [Line Items]		
Revenues related to provision of services and supply of electricity	9	8
OEFC [Member]		
Related Party Transaction [Line Items]		
Purchased power costs	2	2
OEB [Member]		
Related Party Transaction [Line Items]		
OEB fees	8	8
Amounts Related To Electricity Rebates [Member] | IESO [Member]		
Related Party Transaction [Line Items]		
Related party transaction amount	477	357
Transmission [Member]		
Related Party Transaction [Line Items]		
Revenues for transmission services	1,686	1,578
Transmission [Member] | IESO [Member]		
Related Party Transaction [Line Items]		
Revenues for transmission services	1,615	1,521
Electricity, US Regulated [Member] | IESO [Member]		
Related Party Transaction [Line Items]		
Revenues for transmission services	239	247
Distribution [Member]		
Related Party Transaction [Line Items]		
Revenues for transmission services	4,422	4,366

Distribution [Member] | IESO [Member]		
Related Party Transaction [Line Items]		
Revenues for transmission services	$ 35	$ 32

Consolidated Statement of Cash Flows (Details) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Supplemental Cash Flow Information [Abstract]		
Accounts receivable	$ 11	$ 195
Due from related parties	(2)	(95)
Other assets	2	8
Accounts payable	2	7
Accrued liabilities	17	(89)
Due to related parties	(68)	10
Accrued interest	(3)	(6)
Long-term accounts payable and other liabilities	(7)	(2)
Post-retirement and post-employment benefit liability	25	85
Changes in non-cash balances related to operations, Total	(23)	113
Capital Investments In Property Plant And Equipment	(1,454)	(1,493)
Capital Investments In Intangible Assets	(121)	(74)
Capital Investments	(1,575)	(1,567)
Capitalized Depreciation And Net Change In Accruals Included In Capital Investments In Property Plant And Equipment	36	26
Net Change In Accruals Included In Capital Investments In Intangible Assets	1	(6)
Net Change In Accruals Included In Capital Investments	37	20
Payments to Acquire Property, Plant, and Equipment	(1,418)	(1,467)
Payments to Acquire Intangible Assets	(120)	(80)
Payments to Acquire Productive Assets	(1,538)	(1,547)
Capital Contributions Received	7	9
Net interest paid	519	475
Income taxes paid	$ 17	$ 12

Contingencies - Additional Information (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Commitments and Contingencies Disclosure [Abstract]		
Plaintiff sought value, up to	$ 125	
Payments made	$ 2	$ 2

Commitments - Summary of Commitments Under Leases, Outsourcing and Other Agreements Due (Detail) $ in Millions	Dec. 31, 2018 CAD ($)
Commitments and Contingencies Disclosure [Abstract]	
Outsourcing agreements, year 1	$ 161
Outsourcing agreements, year 2	104
Outsourcing agreements, year 3	29
Outsourcing agreements, year 4	2
Outsourcing agreements, year 5	3
Outsourcing agreements, thereafter	11
Long-term software/meter agreement, year 1	17
Long-term software/meter agreement, year 2	16
Long-term software/meter agreement, year 3	2
Long-term software/meter agreement, year 4	1
Long-term software/meter agreement, year 5	2
Long-term software/meter agreement, thereafter	1
Operating lease commitments, year 1	7
Operating lease commitments, year 2	11
Operating lease commitments, year 3	4
Operating lease commitments, year 4	1
Operating lease commitments, year 5	1
Operating lease commitments, thereafter	$ 4

Commitments - Additional Information (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Commitments [Line Items]		
Lease payments	$ 12	$ 12
Long-Term Software/Meter Agreement [Member] | Trilliant Agreement [Member]		
Commitments [Line Items]		
Agreement renewal term	5 years	
Operating Leases [Member] | Minimum [Member]		
Commitments [Line Items]		
Typical terms of irrevocable operating lease	3 years	
Operating lease renewal options	3 years	
Operating Leases [Member] | Maximum [Member]		
Commitments [Line Items]		
Typical terms of irrevocable operating lease	5 years	
Operating lease renewal options	5 years	

Commitments - Summary of Other Commitments (Details) $ in Millions	Dec. 31, 2018 CAD ($)
Credit Facilities [Member]	
Other Commitments [Line Items]	
Other commitment, year 1	$ 0
Other commitment, year 2	0
Other commitment, year 3	250
Other commitment, year 4	2,300
Other commitment, year 5	0
Other commitment, thereafter	0
Letters Of Credit [Member]	
Other Commitments [Line Items]	
Other commitment, year 1	182
Other commitment, year 2	0
Other commitment, year 3	0
Other commitment, year 4	0
Other commitment, year 5	0
Other commitment, thereafter	0
Guarantees [Member]	
Other Commitments [Line Items]	
Other commitment, year 1	325
Other commitment, year 2	0
Other commitment, year 3	0
Other commitment, year 4	0
Other commitment, year 5	0
Other commitment, thereafter	0
Retirement Compensation Arrangements [Member]	
Other Commitments [Line Items]	
Other commitment, year 1	163
Prudential Support From IESO [Member]	
Other Commitments [Line Items]	
Other commitment, year 1	13
Debt Service Reserve Requirements [Member]	
Other Commitments [Line Items]	
Other commitment, year 1	5
Various Operating Purposes [Member]	
Other Commitments [Line Items]	
Other commitment, year 1	$ 1

Segmented Reporting - Additional Information (Detail)	12 Months Ended Dec. 31, 2018 segment company
Segment Reporting [Abstract]	
Number of reportable segments | segment	3
Number of local distribution companies (more than) | company	70

Segmented Reporting - Summary of Segment Information (Detail) - CAD ($) $ in Millions	12 Months Ended	
	Dec. 31, 2018	Dec. 31, 2017
Segment Reporting Information [Line Items]		
Revenues	$ 6,150	$ 5,990
Purchased power costs	2,899	2,875
Operation, maintenance and administration	1,105	1,066
Depreciation, amortization and asset removal costs (Note 5)	837	817
Income before financing charges and income taxes	1,309	1,232
Capital Investments	1,575	1,567
Total assets	25,657	25,701
Goodwill	325	325
Transmission [Member]		
Segment Reporting Information [Line Items]		
Revenues	1,686	1,578
Purchased power costs	0	0
Operation, maintenance and administration	409	375
Depreciation, amortization and asset removal costs (Note 5)	435	420
Income before financing charges and income taxes	842	783
Capital Investments	985	968
Total assets	13,973	13,608
Goodwill	157	157
Distribution [Member]		
Segment Reporting Information [Line Items]		
Revenues	4,422	4,366
Purchased power costs	2,899	2,875
Operation, maintenance and administration	602	593
Depreciation, amortization and asset removal costs (Note 5)	395	390
Income before financing charges and income taxes	526	508
Capital Investments	577	588
Total assets	9,325	9,259
Goodwill	168	168
Other [Member]		
Segment Reporting Information [Line Items]		
Revenues	42	46
Purchased power costs	0	0
Operation, maintenance and administration	94	98
Depreciation, amortization and asset removal costs (Note 5)	7	7
Income before financing charges and income taxes	(59)	(59)
Capital Investments	13	11
Total assets	$ 2,359	$ 2,834

Subsequent Events - Additional Information (Detail) - CAD ($) $ / shares in Units, $ in Millions			3 Months Ended	12 Months Ended	
	Feb. 20, 2019	Jan. 29, 2019	Mar. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Subsequent Event [Line Items]					
Preferred share dividends				$ 18	$ 18
Common share dividends				$ 542	$ 518
Dividends per common share declared (in dollars per share)				$ 0.91	$ 0.87
Capitalized costs				$ 11	
Subsequent Event [Member]					
Subsequent Event [Line Items]					
Preferred share dividends	$ 5				
Common share dividends	$ 137				
Dividends per common share declared (in dollars per share)	$ 0.23				
Shares issued from treasury		1,905			
Forecast [Member] | Subsequent Event [Member]					
Subsequent Event [Line Items]					
Impairment loss			$ 11		