

Hydro One Announces \$1.4 Billion Bought Deal Offering of Convertible Debentures Represented by Instalment Receipts

NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES.

July 19, Toronto – Hydro One Limited (“Hydro One” or the “Company”) (TSX: H) announced today that its direct wholly-owned subsidiary, 2582764 Ontario Inc. (the “Selling Debentureholder”), has agreed to sell to a syndicate of underwriters (the “Underwriters”) co-led by RBC Capital Markets, CIBC Capital Markets and BMO Capital Markets \$1,400,000,000 aggregate principal amount of 4.00% convertible unsecured subordinated debentures (“Debentures”) of Hydro One on a “bought deal” basis (the “Offering”). In connection with the Offering, the Underwriters have also been granted an over-allotment option to purchase up to an additional \$140,000,000 aggregate principal amount of Debentures at the offering price, within 30 days from the date of the closing of the Offering solely to cover over-allotments, if any, and for market stabilization purposes.

All Debentures are being sold on an instalment basis at a price of \$1,000 per Debenture, of which \$333 is payable on the closing of the Offering and the remaining \$667 is payable on a date (the “Final Instalment Date”) to be fixed by the Company following satisfaction of all conditions precedent to the closing of Hydro One’s acquisition of Avista Corporation (“Avista”) (NYSE: AVA).

On July 19, 2017 Hydro One announced that it had entered into an agreement and plan of merger (the “Merger Agreement”) pursuant to which it will indirectly acquire Avista, a pure-play regulated electric and gas utilities holding company, for an aggregate purchase price of approximately US\$5.3 billion including the assumption of approximately US\$1.9 billion of debt.

Prior to the Final Instalment Date, the Debentures will be represented by instalment receipts. Application will be made to list the instalment receipts on the Toronto Stock Exchange. The Debentures will not be listed. Completion of the Offering will be subject to the acceptance and approval of the Toronto Stock Exchange.

The Debentures will mature on September 30, 2027 and will bear interest at an annual rate of 4.00% per \$1,000 principal amount of Debentures (an effective annual yield of 12.00% based on a first instalment of \$333) until and including the Final Instalment Date, after which the interest rate will be 0%. Interest will be payable quarterly in arrears in equal instalments on the last day of December, March, June and September of each year (or the prior business day if such day falls on a weekend or holiday). The first interest payment will be made on December 29, 2017 and will include interest payable from and including the closing of the Offering.

If the Final Instalment Date occurs on a day that is prior to the first anniversary of the closing of the Offering, holders of Debentures who have paid the final instalment on or before the Final Instalment Date will be entitled to receive, in addition to the payment of accrued and unpaid interest to and including the Final Instalment Date, an amount equal to the interest that would have accrued from the day following the Final Instalment Date to and including the first anniversary of the closing of the Offering had the Debentures remained outstanding and continued to accrue interest until and including such date (the “Make-Whole Payment”). No Make-Whole Payment will be payable if the Final Instalment Date occurs on or after the first anniversary of the closing of the Offering.

At the option of holders and provided that payment of the final instalment has been made, each Debenture will be convertible into common shares of Hydro One (“Common Shares”) 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 Debentures, subject to adjustment in certain events. A notice

to holders of the instalment receipts will set the Final Instalment Date, which shall be not less than 15 days nor more than 90 days following the date of such notice.

Prior to the Final Instalment Date, the Debentures may not be redeemed by the Company, except that the Debentures will be redeemed by the Company at a price equal to their principal amount plus accrued and unpaid interest (without any make-whole payment) following the earlier of: (i) notification to holders that the conditions necessary to approve the acquisition of Avista will not be satisfied; (ii) termination of the Merger Agreement; and (iii) May 1, 2019 if notice of the Final Instalment Date has not been given to holders on or before April 30, 2019. Upon any such redemption, the Company will pay for each Debenture: (i) \$333 plus accrued and unpaid interest to the holder of the instalment receipt; and (ii) \$667 to the Selling Debentureholder on behalf of the holder of the instalment receipt in satisfaction of the final instalment. In addition, after the Final Instalment Date, any Debentures not converted may be redeemed by Hydro One at a price equal to their principal amount plus any unpaid interest, which accrued prior to and including the Final Instalment Date.

At maturity, Hydro One will have the right to pay the principal amount due in Common Shares, which will be valued at 95% of their weighted average trading price on the Toronto Stock Exchange for the 20 consecutive trading days ending five trading days preceding the maturity date. Application will be made to list the Common Shares issuable on conversion or maturity of the Debentures on the Toronto Stock Exchange.

The net proceeds of the first instalment payment of the Offering are expected to be, in aggregate, \$441,700,000 (assuming no exercise of the Offering's over-allotment option), and will be used to repay borrowings under Hydro One's or its subsidiaries' existing revolving credit facilities or other existing indebtedness and for other general corporate purposes, including investing in short-term interest-bearing U.S. dollar securities with investment grade counterparties and in Hydro One's wholly-owned subsidiaries. The net proceeds of the final instalment payment of the Offering are expected to be, in aggregate, \$909,300,000 (assuming no exercise of the Offering's over-allotment option), and will be used, together with the net proceeds of the first instalment payment to the extent available, to in part finance, directly or indirectly, the acquisition of Avista and for other acquisition-related expenses.

The Offering is subject to the receipt of all necessary regulatory and stock exchange approvals. Closing of the Offering is expected to occur on or about August 9, 2017.

The Offering is only being made by short form prospectus. Copies of the short form prospectus may be obtained from any of the Underwriters referred to above. Investors should read the short form prospectus before making an investment decision. There will not be any sale of the securities being offered until a receipt for the final short form prospectus has been issued. The description of the Debentures and the instalment receipts representing the Debentures set forth above is qualified in its entirety by the trust indenture and instalment receipt and pledge agreement, respectively, and the summary thereof contained in the short form prospectus.

The securities offered have not been registered under the U.S. Securities Act of 1933, as amended. This media release is not an offer of securities for sale in the United States and the securities may not be offered or sold in the United States.

Forward Looking Information

This news release contains "forward-looking statements" and "forward-looking information" within the meaning of applicable securities laws of the U.S. and Canada, respectively. Statements that are not historical facts, including statements about beliefs, expectations, estimates, projections, goals, forecasts, assumptions, risks and uncertainties, are forward-looking statements and forward-looking information. Forward-looking statements and forward-looking information are often characterized by the use of words such as "believes," "estimates," "expects," "projects," "may," "intends," "plans,"

“anticipates,” “pro forma,” “predicts,” “seeks,” “could,” “would,” “will,” “can,” “continue” or “potential” and the negative of these terms or other comparable or similar terminology or expressions. The forward-looking statements and forward-looking information in this news release include, without limitation, statements relating to Hydro One’s proposed merger transaction with Avista and expectations regarding timing thereof, expectations regarding timing for completion of the Offering, earnings per share accretion, increases in regulated assets and earnings, strength of credit metrics, scale and diversification, capital expenditures, rate base growth, industry and geographic trends and forecasts, financing plans, stakeholder commitments, stockholder and regulatory approvals, listing of securities on and approval of the Toronto Stock Exchange; the timing of payment of each of the first instalment and final instalment payments and the completion of the proposed merger transaction. These statements reflect Hydro One and Avista’s management’s current beliefs and are based on information currently available to the management teams. Forward-looking statements and forward-looking information involve significant risk, uncertainties and assumptions. Certain factors or assumptions have been applied in drawing the conclusions contained in the forward-looking statements and forward-looking information. Hydro One cautions readers that a number of factors could cause actual results, performance or achievement to differ materially from the results discussed or implied in the forward-looking statements and forward-looking information. Important factors that could cause actual results, performance and results to differ materially from those indicated by any such forward-looking statements and forward-looking information include risks and uncertainties relating to the following: (i) the risk that Avista may be unable to obtain shareholder approval for the proposed merger transaction or that Hydro One or Avista may be unable to obtain governmental and regulatory approvals required for the proposed merger transaction, or may be unable to obtain those approvals on favorable terms, (ii) the risk that the required shareholder, governmental or regulatory approvals may delay the proposed merger transaction; (iii) the risk that a condition to the closing of the proposed merger transaction may not be satisfied or the merger agreement may be terminated prior to closing; (iv) the timing to consummate the proposed Offering and merger transaction; (v) disruption from the proposed merger transaction making it more difficult to maintain relationships with customers, employees, regulators or suppliers; (vi) risks associated with the loss and ongoing replacement of key personnel; (vii) the diversion of management time and attention on the transaction; (viii) general worldwide economic conditions and related uncertainties; (ix) the effect and timing of changes in laws or in governmental regulations (including environmental and tax laws and regulations); (x) the risk that financing necessary to fund the proposed merger transaction may not be obtained or may be more difficult and costly to obtain than anticipated; (xi) the impact of acquisition-related expenses; (xii) the ability to maintain an investment grade credit rating; (xiii) the ability to maintain dividend payout ratios; and (xiv) other factors discussed or referred to in the “Risk Management and Risk Factors” section of Hydro One’s most recent annual management’s discussion and analysis of financial results filed with securities regulators in Canada and available under Hydro One’s profile at www.sedar.com. The foregoing list is not exhaustive and other unknown or unpredictable factors could also have a material adverse effect on the performance or results of Hydro One or Avista. Additional risks and uncertainties will be discussed in the short form prospectus to be filed in Canada in connection with the Offering and in other material Hydro One will file with securities regulatory authorities in Canada. There can be no assurance that the proposed merger transaction will be completed, or if it is completed, that it will close within the anticipated time period or that the expected benefits of the proposed merger transaction will be realized. These factors should be considered carefully and undue reliance should not be placed on the forward-looking statements or forward looking information, and actual outcomes and Hydro One’s results may differ materially from what is expressed, implied or forecasted in these forward-looking statements and forward-looking information. For additional information with respect to certain of the risks or factors, reference should be made to Hydro One’s continuous disclosure materials filed from time to time with Canadian securities regulatory authorities, available at www.sedar.com. Except as required by law, Hydro One disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

About Hydro One

We are Ontario's largest electricity transmission and distribution provider with more than 1.3 million valued customers, \$25 billion in assets and annual revenues of over \$6.5 billion. Our team of 5,500 skilled and dedicated employees proudly and safely serves suburban, rural and remote communities across Ontario through our 30,000 circuit km high-voltage transmission and 123,000 circuit km primary distribution networks. Hydro One is committed to the communities we serve, and has been rated as the top utility in Canada for its corporate citizenship, sustainability, and diversity initiatives. We are one of only four utility companies in Canada to achieve the Sustainable Energy Company designation from the Canadian Electrical Association. We also provide advanced broadband telecommunications services on a wholesale basis utilizing our extensive fibre optic network. Hydro One Limited's common shares are listed on the Toronto Stock Exchange (TSX: H). For more information about Hydro One, please visit www.HydroOne.com where you can find additional information including links to securities filings, historical financial reports, and information about our governance practices, corporate social responsibility, customer solutions, and further information about our business.

For additional information:

Investor Relations:

Bruce Mann

bruce.mann@hydroone.com

416-345-5722

#