FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1: **Name and Address of Company**

Hydro One Limited ("**Hydro One**")
483 Bay Street, South Tower, 8^{th} Floor
Toronto, Ontario M5G 2P5

Item 2: **Date of Material Change**

January 23, 2019.

Item 3: **News Release**

Two news releases announcing the material change referred to in this report were issued through Cision Canada on January 23, 2019, copies of which are attached hereto as Schedule A and Schedule B. The news releases were also filed on SEDAR and are available under Hydro One's profile at www.sedar.com

Item 4: **Summary of Material Change**

On January 23, 2019, Hydro One and Avista Corporation ("**Avista**") announced that they had mutually agreed to terminate the agreement and plan of merger dated July 19, 2017 (the "**Merger Agreement**") between Hydro One, Avista, Olympus Holding Corp. and Olympus Corp. (the "**Termination**"). A copy of the news release relating to the Termination is attached as Schedule A.

On January 23, 2019, Hydro One also announced that as a result of the termination of the Merger Agreement, it would redeem all of its outstanding $1,540,000,000 aggregate principal amount of 4.00% convertible unsecured subordinated debentures represented by instalment receipts on February 8, 2019 (the "**Redemption**). A copy of the news release relating to the Redemption is attached as Schedule B.

Item 5: **Full Description of Material Change**

For a full description of the material change, see the news releases attached as Schedule A and Schedule B hereto.

In addition, a copy of the termination agreement with respect to the termination of the Merger Agreement will be filed on SEDAR and made available under Hydro One's profile at www.sedar.com.

Item 6: **Reliance on Subsection 7.1(2) of National Instrument 51-102**

Not applicable.

Item 7: **Omitted Information**

Not applicable.

Item 8: **Executive Officer**

For further information please contact:

Jamie Scarlett
Executive Vice President and Chief Legal Officer
Tel: (416) 345-1366

Item 9: **Date of Report**

January 23, 2019.

<u>SCHEDULE A</u>

News release related to the Termination

See attached.

Press Release

Hydro One and Avista Mutually Agree to Terminate Merger Agreement

TORONTO and **SPOKANE, WA, January 23, 2019** – Hydro One Limited ("Hydro One") (TSX: H) and Avista Corporation ("Avista") (NYSE: AVA) today announced that the companies have mutually agreed to terminate their previously announced merger agreement. This decision 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 and Avista each individually determined that termination of the merger agreement is the best course of action for the companies and their respective shareholders.

Paul Dobson, acting President and CEO of Hydro One said, "Hydro One's Board, management and employees remain focused on delivering safe and reliable power, providing exceptional customer service and driving shareholder value. On behalf of Hydro One, I would like to thank the teams who have worked tirelessly on the proposed merger throughout this process."

Scott L. Morris, Chairman of the Board and CEO of Avista, said, "While disappointed with the outcome, I want to express our deepest gratitude to everyone who worked with us on this effort over the past 18 months. Avista is a strong, vibrant, and independent utility, and we look forward to building on our legacy of nearly 130 years by continuing to serve the best interests of our most important stakeholders—our valued customers, loyal employees, the communities we serve, and our shareholders."

As required by the merger agreement, Hydro One will pay Avista a US$103 million termination fee as a result of the termination of the merger agreement.

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For further information:

Hydro One

Media:
Jay Armitage
Director, Corporate Communications
media.relations@hydroone.com, 416-345-6868

Investors:
Omar Javed
Vice President, Investor Relations
investor.relations@hydroone.com, 416-345-5943

Avista

Media:
Casey Fielder, Communications Manager
casey.fielder@avistacorp.com, 509-495-4916

Investors:
Jason Lang, Director of Finance
jason.lang@avistacorp.com, 509-495-2930

About Hydro One Limited

We are Ontario's largest electricity transmission and distribution provider with more than 1.3 million valued customers, over C$25 billion in assets and 2017 annual revenues of nearly C$6 billion. Our team of over 7,400 skilled and dedicated regular and non-regular employees proudly and safely serves suburban, rural and remote communities across Ontario through our 30,000 circuit km of high-voltage transmission and 123,000 circuit km of 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 six utility companies in Canada to achieve the Sustainable Electricity Company designation from the Canadian Electricity Association. We also provide advanced broadband telecommunications services on a wholesale basis utilizing our extensive fibre optic network through Hydro One Telecom Inc. Hydro One Limited's common shares are listed on the Toronto Stock Exchange (TSX: H).

Forward-Looking Statements and Information

This press release may contain "forward-looking information" within the meaning of applicable securities laws. Words such as "expect", "anticipate", "intend", "attempt", "may", "plan", "will", "can", "believe", "seek", "estimate", and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance or actions 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. Some of the factors that could cause actual results or outcomes to differ materially from the results expressed, implied or forecasted by such forward-looking information, including some of the assumptions used in making such statements, are discussed more fully in Hydro One's filings with the securities regulatory authorities in Canada, which are available on SEDAR at www.sedar.com. Hydro One does not intend, and it disclaims any obligation, to update any forward-looking information, except as required by law.

About Avista Corporation

Avista Corporation is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is our operating division that provides electric service to 383,000 customers and natural gas to 348,000 customers. Its service territory covers 30,000 square miles in eastern Washington, northern Idaho and parts of southern and eastern Oregon, with a population of 1.6 million. Alaska Energy and Resources Company is an Avista subsidiary that provides retail electric service in the city and borough of Juneau, Alaska, through its subsidiary Alaska

Electric Light and Power Company. Avista stock is traded under the ticker symbol "AVA." For more information about Avista, please visit www.myAvista.com.

This news release contains forward-looking statements regarding the company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2017 and the Quarterly Report on Form 10-Q for the quarter ended Sept. 30, 2018.

<u>SCHEDULE B</u>

News release related to the Redemption

See attached.

Hydro One announces Redemption of
Convertible Debentures Represented by Instalment Receipts

TORONTO, January 23, 2019 Hydro One Limited ("**Hydro One**" or the "**Company**"), the parent company of Ontario's largest electricity transmission and distribution utility, announced today that as a result of the termination of the agreement and plan of merger (the "**Merger Agreement**") originally entered into by Hydro One with Avista Corporation ("**Avista**") (NYSE: AVA) on July 19, 2017, Hydro One will redeem on February 8, 2019 all of its outstanding $1,540,000,000 aggregate principal amount 4.00% convertible unsecured subordinated debentures ("**Debentures**") represented by instalment receipts (the "**Instalment Receipts**"). The redemption of the Debentures will occur pursuant to the terms of the trust indenture pursuant to which they were issued, along with the terms of the instalment receipt and pledge agreement governing the Instalment Receipts. The Instalment Receipts are currently listed and posted for trading on the Toronto Stock Exchange under the symbol "H.IR".

The Debentures were originally issued to fund a portion of the cash purchase price for the acquisition of Avista and were sold by 2582764 Ontario Inc., a wholly-owned subsidiary of Hydro One (the "**Selling Debentureholder**"), 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 Debentures and the remaining $667 was to be paid as a final instalment on a date to be fixed by the Company following satisfaction of all conditions precedent to the closing of the acquisition of Avista.

On redemption, holders of Instalment Receipts will receive $333 per $1,000 principal amount (or $512,820,000 in aggregate) plus accrued and unpaid interest on the Debentures to, but excluding, the date of redemption. The Selling Debentureholder will receive the remaining $667 per $1,000 principal amount of Debentures in satisfaction of the obligation of the holders of Instalment Receipts to pay the final instalment. Upon redemption, the Debentures and Instalment Receipts will cease to be outstanding.

Hydro One intends to fund the redemption of the Debentures through cash on hand and available credit facilities.

Please refer to the trust indenture and instalment receipt and pledge agreement in respect of the Debentures and the Instalment Receipts, respectively, copies of which are available on SEDAR at www.sedar.com, for full details of their terms.

Neither the Debentures nor the Instalment Receipts have 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.

About Hydro One Limited

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For More Information

For more information about everything Hydro One, please visit www.HydroOne.com where you can find additional information including links to securities filings, historical financial reports, and information about the Company's governance practices, corporate social responsibility, customer solutions, and further information about its business.

Forward-Looking Statements and Information

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For further information, please contact:

Investors:
Omar Javed
Vice President, Investor Relations
investor.relations@hydroone.com
416-345-5943

Media:
Jay Armitage
Director, Communications
media.relations@hydroone.com
416-345-6868