

RE: Hydro One Reports First Quarter Results and Increases Shareholder Dividend

From: "Schlaepfer, Martin (ENERGY)" <martin.schlaepfer@ontario.ca>
To: "Imbrogno, Serge (ENERGY)" <serge.imbrogno@ontario.ca>
Date: Thu, 04 May 2017 08:37:06 -0400

Apologies, upon further review of the summary – it appears that Hydro One missed the street estimates.

From: Schlaepfer, Martin (ENERGY)
Sent: May-04-17 7:57 AM
To: Imbrogno, Serge (ENERGY)
Subject: Fw: Hydro One Reports First Quarter Results and Increases Shareholder Dividend

Deputy,

IGS would like to share the below summary (and attached) of Hydro One's Q1 results with the Expert Committee asap this morning.

Ok to share?

Thanks,
Martin

From: Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>
Sent: Thursday, May 4, 2017 7:41 AM
To: Schlaepfer, Martin (ENERGY)
Subject: FW: Hydro One Reports First Quarter Results and Increases Shareholder Dividend

Hi Martin. I would like to send the following update to the Expert Committee asap this AM:
Good Morning,

Hydro One released its Q1 earnings. Here are some quick highlights. We will send out a more complete note once the management call and analyst reactions are available:

- 5% dividend increase (\$0.22 per share up from \$0.21 per share)
- 12.5% earnings miss relative to street estimates
 - EPS of \$0.28 per share (\$167M) vs. \$0.35 per share (\$208M) in Q1 2016 and consensus \$0.32 per share (\$190M)
 - Causes:
 - warmer weather (reduced electricity demand)
 - Lower allowed ROE (9.19% down to 8.87%)
 - Increased OM&A
 - Higher costs due to acquisition of Brookfield Transmission assets in Sault Ste. Marie that closed in Q4 2016
- Increased OM&A relative to Q1 2016 (\$271M vs \$256M)
 - Higher consulting costs for efficiency studies, strategy development, customer initiatives

- 2016 revisions in estimates of bad debt (otherwise bad debt would have been flat y-o-y)
- Higher corporate management costs
- Capex declined (\$350M in 2017 vs \$379M in 2016)
 - Lower volume of sustainment project work
 - Completion of certain projects
 - Lower volume of wood poles and station refurbishment programs
 - Offset by storm restoration and new connections and upgrades due to increased demand

See attached and the following for details.

Scott

Scott Nelms
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From: newsalerts@hydroone.mediaroom.com [<mailto:newsalerts@hydroone.mediaroom.com>]
Sent: May 4, 2017 6:59 AM
To: Nelms, Scott (MOF)
Subject: Hydro One Reports First Quarter Results and Increases Shareholder Dividend

News Release Issued: May 4, 2017 (6:58am EDT)

To view this release online and get more information about Hydro One visit:
<http://hydroone.mediaroom.com/index.php?s=2429&item=122870>

Hydro One Reports First Quarter Results and Increases Shareholder Dividend

Successful launch of enhanced operational efficiency platforms and online customer service solutions

TORONTO, May 4, 2017 /CNW/ - Hydro One Limited, Ontario's largest electricity transmission and distribution company, today announced its financial and operating results for the first quarter ended March 31, 2017.

- * Earnings per share of \$0.28, compared to \$0.35 last year, reflecting milder weather, interest rate driven reduction in allowed ROE, and favourable prior year bad debt comparisons.
- * Placed \$228 million of capital investments into service to improve the reliability and performance of Ontario's electric grid.
- * Distribution segment five-year rate application filed under incentive regulatory framework.
- * Tens of thousands of customers enrolled in enhanced paperless billing and usage alert features.
- * New wireless field force automation platform launched to drive customer and operating efficiencies.
- * Customer billing accuracy reaches all-time high, consistently exceeding 99%.
- * Announced expansion of Hydro One Telecom's fiber-optic network to additional data centres and the launch of comprehensive cloud-based backup solutions.
- * Fair Hydro Plan to be implemented later in 2017 to reduce customer electricity bills.
- * Quarterly dividend increased 5% to \$0.22 per share, payable June 30, 2017.



"Our enhanced executional capabilities and sharpened focus on customer service were clear during the quarter as we went live with advanced new mobile operational capabilities and enhanced customer service features," said Mayo Schmidt, President and Chief Executive Officer, Hydro One. "Our advocacy on behalf of our customers was also evident as the Province of Ontario announced its new Fair Hydro Plan which will bring significant savings to electric utility customers across Ontario starting this month."

Selected Consolidated Financial and Operating Highlights

<i>(amounts throughout in millions of Canadian dollars, except as otherwise noted)</i>	Three months ended March 31	
	2017	2016
Revenues	1,658	1,686
Revenues, net of purchased power	769	790
Net income attributable to common shareholders	167	208
Basic earnings per common share (EPS)	\$0.28	\$0.35
Diluted EPS	\$0.28	\$0.35
Net cash from operating activities	471	368
Capital investments	350	379
Assets placed in-service	228	161
Transmission: Average monthly Ontario 60-minute peak demand <i>(MW)</i>	19,795	20,555
Distribution: Electricity distributed to Hydro One customers <i>(GWh)</i>	6,967	7,045

Key Financial Highlights

Revenues, net of power costs, for the first quarter were lower than last year by 2.7% primarily reflecting a lower average Ontario transmission peak demand and lower distribution customer energy consumption due to milder weather in the first quarter of 2017. Transmission and distribution revenues were also negatively impacted by a reduction in the 2017 allowed return on equity from 9.19% to 8.78%.

In addition to the items impacting revenue noted above, the comparability of first quarter earnings was affected by significantly lower bad debt expense in the first quarter of 2016 due to revised estimates of uncollectible accounts as a result of stabilization of the customer information system and increased financing charges primarily due to increased weighted average long-term debt outstanding during the first quarter in 2017, including long-term debt assumed as part of the Hydro One Sault Ste. Marie acquisition in the fourth quarter of 2016.

Hydro One continues to invest to improve the reliability and performance of Ontario's electricity transmission and distribution systems, address aging power system infrastructure, facilitate connectivity to new generation sources, and improve service to customers. The Company made capital investments of \$350 million during the first quarter, and placed \$228 million of new assets in-service.

Common Share Dividends

Following the conclusion of the first quarter, on May 3, 2017, the Company declared a quarterly cash dividend to common shareholders of \$0.22 per share to be paid on June 30, 2017 to shareholders of record on June 13, 2017. This represents a dividend increase of 5% and is the first increase since the Company instituted a post-IPO common share dividend of \$0.21 per share in February 2016. The increase reflects the Company's expectation of continued long-term earnings growth.

Selected Operating Highlights

In March, the Company filed a five-year rate application with the Ontario Energy Board for 2018 to 2022 distribution rates under the OEB's incentive-based regulatory framework. 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, together with cost controls and efficiency savings to minimize the effect on customer bills.

Since launching the Company's enhanced paperless billing service earlier this year, tens of thousands of residential and small business customers have already enrolled, with many also opting to receive

customized usage alert and billing arrival notifications. In addition, Hydro One's new enhanced web portal offers customers the ability to set personal preferences and receive detailed insights into their energy usage with the online Home Energy Assessment tool which provides a detailed breakdown of energy use and conservation recommendations.

The Company's new wireless field force automation platform is now launched across all operating zones. Approximately 1,800 field employees are now equipped with wireless tablets connecting them to the Company's core operating systems, including customer service programs and records. The new system is being used to process hundreds of field operations work orders every day with an expectation of better efficiency and data accuracy. Online access in the field to system mapping, site and service records, and meter bar code scanning capabilities is enabling a reduction in the number of individual service calls, improved scheduling efficiencies and enhanced workforce communications.

Customer billing accuracy has continued to improve to record levels. A combination of continued enhancements to the Company's systems, processes and quality assurance controls along every step in the meter-to-bill process, combined with ongoing fine tuning of its smart meter network to improve reliability of remote meter reading capabilities, led to time-of-use billing accuracy exceeding 99.4% for every month in the first quarter of 2017.

Hydro One Telecom announced the expansion of its broadband fiber-optic network to over 30 data centres across Ontario and Quebec, with plans to connect to 13 additional locations over the coming months. Hydro One Telecom also added comprehensive, cloud-based solutions to its portfolio to meet the growing needs of clients looking for a single, consolidated repository that simplifies backup, protection and recovery of critical data that is stored, while providing a real-time, enterprise-wide dashboard view of its status across all protected data sources.

In March, the Province announced its Fair Hydro Plan which will substantially reduce the price of electric power to our customers while improving the allocation of delivery charges across the rural and urban geographies of the province. These changes will provide significant relief to customers, particularly for those who need it the most – fixed-income, rural and Northern customers and small businesses. These initiatives were developed by the Province following extensive consultations with Hydro One and other industry participants, underscoring the Company's ongoing advocacy on behalf of its customers and is another way Hydro One is demonstrating that the Company is changing the way it does business by making every effort to lower costs and by putting customers first.

Supplemental Segment Information

<i>(millions of Canadian dollars)</i>		Three months ended March 31,	
		2017	2016
Revenues			
Transmission		367	386
Distribution		1,279	1,286
Other		12	14
Total revenues		1,658	1,686
Revenues, net of purchased power			
Transmission		367	386
Distribution		390	390
Other		12	14
Total revenues, net of purchased power		769	790
Income (loss) before financing charges and taxes			
Transmission		164	195
Distribution		153	156
Other		(14)	(7)
Total income before financing charges and taxes		303	344
Capital investments			
Transmission		209	235
Distribution		138	143
Other		3	1
Total capital investments		350	379
Assets placed in-service			
Transmission		82	51
Distribution		146	107
Other		–	3
Total assets placed in-service		228	161

This press release should be read in conjunction with the Company's first quarter 2017 Consolidated Financial Statements and Management's Discussion and Analysis (MD&A). These statements and MD&A together with additional information about Hydro One, including the full year 2016 Consolidated Financial Statements and Management's Discussion and Analysis, can be accessed at www.HydroOne.com/Investors and www.sedar.com.

Quarterly Investment Community Teleconference

The Company's first quarter 2017 results teleconference with the investment community will be held on May 4, 2017 at 8:00 a.m. Eastern Time, a webcast of which will be available at www.HydroOne.com/Investors. Members of the financial community wishing to ask questions during the call should dial 1-855-716-2690 prior to the scheduled start time and request access to Hydro One's first quarter 2017 results call, conference ID 79536095 (international callers may dial 1-440-996-5689). Media and other interested parties are welcome to participate on a listen-only basis. A webcast of the teleconference will be available at the same link following the call. Additionally, investors should note that from time to time Hydro One management presents at brokerage sponsored investor conferences. Most often, but not always, these conferences are webcast by the hosting brokerage firm, and when they are webcast, links are made available on Hydro One's website at www.HydroOne.com/Investors and are posted generally at least two days before the conference.

About Hydro One Limited

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

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 our governance practices, corporate social responsibility, customer solutions, and further information about our business.

Forward-Looking Statements and Information

This press release may contain "forward-looking information" within the meaning of applicable securities laws. Such information includes, but is not limited to, statements related to: growth, service, performance, reliability, efficiencies, operations, ongoing and planned investments, rate filings, dividends, the Hydro One Telecom network expansion, and the Fair Hydro Plan. 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.

SOURCE Hydro One Limited



For further information: For further information, please contact: Investors: Bruce Mann, Vice President, Investor Relations, investor.relations@hydroone.com, 416-345-5722; Media: Natalie Poole-Moffatt, Vice President, Corporate Affairs, media.relations@hydroone.com, 416-345-6868

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