

Hydro One Reports Second Quarter Results

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Hydro One Reports Second Quarter Results

Service enhancements, operational improvements and efficiency gains continue to gain traction while revenues reflect unseasonably mild weather and the pending decision on the transmission rate filing

TORONTO, Aug. 8, 2017 /CNW/ - Hydro One Limited, the parent company of Ontario's largest electricity transmission and distribution utility, today announced its financial and operating results for the second quarter ended June 30, 2017.

- * Earnings per share of \$0.20, compared to \$0.26 last year, reflecting milder weather, delay in receipt of transmission rate decision and interest rate driven reduction in allowed ROE.
- * Quarterly dividend increased 5% on May 4, 2017 to \$0.22 per share.
- * Announced \$6.7 billion acquisition of regulated U.S. utility Avista Corporation.
- * Province executed secondary share offering bringing its ownership of Hydro One below 50%.
- * Capital investments of \$406 million made during the quarter to improve the reliability and performance of Ontario's electric grid.
- * Customer enrollment in enhanced paperless billing and usage alert features accelerates while billing accuracy continues to trend at all-time high levels, having reached 99.4%.
- * Satisfaction levels enhanced as security deposits are returned to customers with positive payment histories. Winter relief program is extended by an additional month, while receivable levels continue to trend positively.
- * Fair Hydro Plan fully implemented on time; rural residential customers will see average savings of 31% on their electricity bills.



"We continued to deliver on enhancing customer satisfaction and value while implementing operational improvements and efficiency gains across the organization, despite unseasonably mild weather during the second quarter," said Mayo Schmidt, President and Chief Executive Officer, Hydro One. "We recently announced the acquisition of Avista Corporation, a high quality, strategic transaction that will enable us to further enhance customer and shareholder value as we go forward together. In addition, Hydro One's full and timely implementation of Ontario's Fair Hydro Plan in early July will deliver significant savings and greater certainty for our customers."

Selected Consolidated Financial and Operating Highlights

	Three months ended June 30,		Six months ended June 30,	
<i>(amounts throughout in millions of Canadian dollars, except as otherwise noted)</i>	2017	2016	2017	2016
Revenues	1,371	1,546	3,029	3,232
Revenues, net of purchased power	722	743	1,491	1,533
Net income attributable to common shareholders	117	152	284	360

Basic earnings per common share (EPS)	\$0.20	\$0.26	\$0.48	\$0.61
Diluted EPS	\$0.20	\$0.25	\$0.48	\$0.60
Net cash from operating activities	280	304	751	672
Capital investments	406	417	756	796
Assets placed in-service	337	362	565	523
Transmission: Average monthly Ontario 60-minute peak demand (MW)	18,752	19,799	19,273	20,177
Distribution: Electricity distributed to Hydro One customers (GWh)	5,842	6,118	12,820	13,163

Key Financial Highlights

For the three months ended June 30, 2017, the Company reported net income attributable to common shareholders of \$117 million and earnings per share of \$0.20, a 23.0% reduction from last year.

Revenues, net of purchased power, for the second quarter were lower than last year by 2.8% primarily reflecting a lower average Ontario peak demand due to milder weather. Transmission and distribution revenues were also impacted by a change in the 2017 allowed return on equity from 9.19% to 8.78%.

Additionally, the comparability of second quarter earnings was affected by higher storm restoration costs as a result of multiple storms in the second quarter of 2017, higher depreciation expense due to an increase in rate base, and increased financing charges primarily due to a higher weighted average long-term debt portfolio during the second quarter in 2017, including long-term debt assumed as part of the Hydro One Sault Ste. Marie acquisition in the fourth quarter of 2016.

On a year-to-date basis, net income was \$284 million and earnings per share were \$0.48, a 21.1% reduction from last year. In addition to factors noted above, year-to-date net income was also impacted by milder weather in the first quarter of 2017, resulting in lower energy consumption and distribution revenues, 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, higher consulting costs primarily related to the acquisition of Avista Corporation, and lower emergency power and storm restoration costs as last year was affected by an ice storm in March 2016.

The pending decision on our 2017-2018 transmission rate filing has also impacted revenues, however Hydro One anticipates a decision in the near term. Hydro One anticipates the revised rates will be effective from January 1, 2017 and as a result would book the increased revenue up to the date of the decision at that time.

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 \$406 million during the second quarter, and placed \$337 million of new assets in-service.

Selected Operating Highlights

As part of Hydro One's ongoing commitment to its customers, the Company extended its winter relief program by an additional month. This program, which has transitioned certain customers in difficult financial positions to payment plans they can afford, has both increased customer satisfaction and created savings for the Company by reducing call center and collections costs. In addition, under Hydro One's new security deposit policy effective in April 2017, it has returned 5,600 security deposits totaling \$12 million back to consumer and small business customers across Ontario with consistent credit payment histories and has effectively minimized the collection and return of unnecessary security deposits while enhancing customer perceptions of Hydro One. These initiatives are creating incremental improvements in customer satisfaction, and have had positive impacts on accounts receivable levels.

Hydro One also fully implemented Ontario's Fair Hydro Plan on schedule, meeting the aggressive

deadlines set by the Province. As a result of this successful and timely implementation, starting July 1, 2017, Hydro One was able to start bringing savings to its distribution customers, with an average savings of 31% for rural residential customers.

The Company's enhanced paperless eBilling service has continued to attract increasing numbers of residential and small business customers, with approximately 60,000 customers enrolled in the enhanced electronic billing service to-date. It is anticipated that over 150,000 customers will enroll by year end, thereby further improving customer satisfaction and resulting in postage and other savings for the Company. At the same time, customer billing accuracy has been maintained at record levels, remaining above 99% throughout the second quarter.

Hydro One expanded its "Get Local" effort, opening three new regional offices for customers to speak in person with Hydro One customer care specialists. The three offices are located across the province, and the same services are now also provided in the traveling Electricity Discovery Centre. Hydro One has also continued its outreach into First Nation Communities, with Company representatives recently visiting 11 different communities and assisting approximately 1,000 customers.

Hydro One's effort to enhance the design of its customer bill took a significant step forward with an agreement reached between Hydro One and Ontario's Ministry of Energy, allowing the Company the flexibility to materially enhance the design, readability, and clarity of its monthly customer bill, resulting in a more customer-friendly bill. The new customer bill design is expected to be launched across Hydro One's service territory by the end of 2017.

During the second quarter, Hydro One and the members of the Canadian Union of Skilled Workers (CUSW) successfully ratified a productive new five-year labor contract which became effective on May 1, 2017. The success of these negotiations demonstrates Hydro One's commitment to maintaining strong and productive relationships with its labour force.

Mergers and Acquisitions Update

Subsequent to the end of the quarter on July 19, 2017, Hydro one announced the \$6.7 billion enterprise value acquisition of Avista Corporation, a market-leading integrated electric and gas regulated utility in the Pacific Northwestern U.S. with remarkably similar cultures and values. Hydro One and Avista combined will create a growing regulated utility leader with \$31.2 billion in enterprise value and one of the top 20 largest utilities in North America focused on regulated transmission as well as electricity and natural gas local distribution. The transaction, which is expected to be accretive to Hydro One's earnings by at least the mid-single digits in the first full year after completion, expands Hydro One into complementary and diversified regulated assets, inclusive of natural gas local distribution, as well as into five growing markets across the Pacific Northwest where it will safely and reliably serve more than two million consumer, small business and industrial customers on a combined basis. The transaction enables Hydro One's expansion into new jurisdictions outside of Ontario, including Washington, Oregon, Montana, Idaho and Alaska, allowing higher returns on equity and experiencing customer growth. The combination of the two highly similar and complementary companies with more than 230 years of collective operational experience also provides numerous opportunities for efficiencies through enhanced scale, innovation sharing, rationalization of IT systems and increased purchasing power, resulting in cost savings and service improvements for the benefit of customers and shareholders.

Common Share Dividends

On May 4, 2017, the Company announced that it had increased its quarterly common share dividend by 5% to \$0.22 per share reflecting the expectation of continued long-term earnings growth. This is the first increase since the Company instituted a post-IPO common share dividend in 2016. Following the conclusion of the second quarter, on August 8, 2017, the Company declared the second quarterly cash dividend to common shareholders at the increased rate of \$0.22 per share to be paid on September 29, 2017 to shareholders of record on September 12, 2017.

Supplemental Segment Information

	Three months ended		Six months ended	
		June 30,		June 30,
<i>(millions of dollars)</i>	2017	2016	2017	2016

Revenues

Transmission	361	381	728	767
Distribution	998	1,152	2,277	2,438
Other	12	13	24	27
Total revenues	1,371	1,546	3,029	3,232

Revenues, net of purchased power

Transmission	361	381	728	767
Distribution	349	349	739	739
Other	12	13	24	27
Total revenues, net of purchased power	722	743	1,491	1,533

Income (loss) before financing charges and taxes

Transmission	159	195	323	390
Distribution	102	108	255	264
Other	(12)	(15)	(26)	(22)
Total income before financing charges and taxes	249	288	552	632

Capital investments

Transmission	252	238	461	473
Distribution	151	178	289	321
Other	3	1	6	2
Total capital investments	406	417	756	796

Assets placed in-service

Transmission	165	174	247	225
Distribution	164	186	310	293
Other	8	2	8	5
Total assets placed in-service	337	362	565	523

This press release should be read in conjunction with the Company's second 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 second quarter 2017 results teleconference with the investment community will be held on August 8, 2017 at 8:30 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 second quarter 2017 results call, conference ID 23370954 (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, customer service and satisfaction, performance, reliability, efficiencies, operational improvements, ongoing and planned investments, the Company's transmission rates filing and its anticipated timing and impacts, dividends, the Company's eBilling service and anticipated impacts, new customer bill design, collective agreements, the Fair Hydro Plan, and the acquisition of Avista Corporation. 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.

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