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# EDITED TRANSCRIPT

Q1 2019 Hydro One Ltd Earnings Call

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## CORPORATE PARTICIPANTS

**Christopher Felix Lopez** *Hydro One Limited - Acting CFO*  
**Mark Poweska** *Hydro One Limited - Incoming President and CEO*  
**Omar Javed** *Hydro One Limited - VP of IR*  
**Paul Dobson** *Hydro One Limited - Acting President & CEO*

## CONFERENCE CALL PARTICIPANTS

**Andrew M. Kuske** *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research*  
**Benjamin Pham** *BMO Capital Markets Equity Research - Analyst*  
**David Quezada** *Raymond James Ltd., Research Division - Equity Analyst*  
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**Patrick Kenny** *National Bank Financial, Inc., Research Division - Research Analyst*  
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**Robert Hope** *Scotiabank Global Banking and Markets, Research Division - Analyst*  
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## PRESENTATION

### Operator

Good day, ladies and gentlemen and welcome to the Hydro One Limited First Quarter 2019 Analysts Teleconference. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. (Operator Instructions) And as a reminder, today's conference is being recorded.

I would now like to introduce your host for today's conference, Mr. Omar Javed, Vice President, Investor Relations at Hydro One. Please go ahead.

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### Omar Javed *Hydro One Limited - VP of IR*

Good morning, everyone, and thank you for joining us. I'm here in Toronto with our Acting President and CEO, Paul Dobson; our Incoming President and CEO, Mark Poweska and our Chief Financial Officer, Chris Lopez.

We'll provide some brief comments on our first quarter results and then spend the majority of the call answering as many of your questions as time permits. There are also several slides which should illustrate some of our points that we'll go over in a moment. This should be up on our webcast now, or if you're down to the call, you can find them at Hydro One's website in the Investor Relations section, under Events and Presentations.

Today's discussions will likely touch on estimates and other forward-looking information. You should review the cautionary language in today's earnings release and our MD&A which we have filed this morning regarding the various factors, assumptions and risks that could cause our actual results to differ as they apply at this call.

With that I'll turn the call over to Paul Dobson.

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### Paul Dobson *Hydro One Limited - Acting President & CEO*

Thank you, Omar, and thank you to everyone for joining today and for dedicating your time to review our first quarter results. If you don't get a chance to ask a question near the end of this call, please keep in mind that Omar and his team remain available to you.

Before we begin, I want to acknowledge the tragic loss we suffered in March when one of our teammates sustained fatal injuries, conducting forestry work in the Minden area. It has been an incredibly sad time for our Hydro One family and our thoughts and deepest sympathies are with this person's family, friends and colleagues. The memory of our lost colleague will strengthen the resolve of our teams to achieve the vision of an injury free Hydro One.

After I review the highlights of the quarter, I have the honor of turning to Mark Poweska, Hydro One's Incoming President and CEO. After hearing from Mark, we will turn to Chris to review the financial figures.



Hydro One is a company built upon strong foundations. Since 2015, it has been a company generating considerable momentum and achieving improvements across the board -- improvements in service, reliability, efficiencies and financial performance. And the first quarter demonstrates that we are already off to a great start in 2019.

I am proud, but not at all surprised by the dedication and compassion our teams are displaying as they work long days in the challenging conditions to help families, homes and businesses facing record high floods in central and eastern Ontario.

Using our more proactive approach, our teams and specialty equipment assembled in the hardest hit areas, ready to quickly and safely address our customers' needs. Additional team members and trucks are volunteering to support the sandbagging efforts. Many of our men and women continue to work tirelessly to help their neighbors in a time of great need. The team at Hydro One is truly committed to the communities we serve.

Our relentless focus on outstanding service continues to improve customer experience. Our billing accuracy of 99.6%, far surpasses the Ontario Energy Board's requirements of 98% and represents an increase from 99.4% at the end of 2018. Our teams continue to drive efficiency programs to increase productivity and achieve savings.

Last quarter, we shared how our forestry program is covering 3x the line distance with just a marginal increase in cost, another fantastic example that how we used Telematics as increased the fleet utilization by 14%. We are doing more with less.

At the end of March, we filed our 2020 to 2022 transmission rate application with the Ontario Energy Board. Our 3 year, \$5 billion investment plan will ensure we maintain a safe and reliable system and facilitate connectivity to new load customers to support a vibrant economy. By making smart and prudent investments in the system today, we will help to protect the public maintain reliability and offset more costly work in the future. We are planning for the future.

I'm pleased to report that we received a decision from the Ontario Energy Board for our 2018 to 2022 distribution rate application. This decision provides clarity for our teams, customers and investors for the next 3 years. Catch up revenues from this decision, favorable weather and lower taxes resulted in higher revenues in the first quarter over the previous year.

We reached an agreement with the Society of United Professionals at the end of March and members of the Society of United Professionals ratified a 2 year agreement at the end of April. This agreement recognizes the role our teammates play in providing exceptional service and the safe, reliable and efficient delivery of power, while helping to generate greater value for our customers and shareholders. I would like to thank the respective negotiating teams for their hard work and collaboration over the last several months.

In March the management Board of Cabinet approved our executive compensation framework which will provide certainty and clarity for employees, shareholders and the people of Ontario. Furthermore, the approval of our framework allowed our Board of Directors to announce the appointment of Mark Poweska as the company's President and CEO.

Before I turn it over to Mark to say a few words, I want to recognize Greg Kiraly and Jamie Scarlett for their outstanding contributions to Hydro One. Under Greg's leadership as Chief Operations Officer, Hydro One has been strengthening its safety culture in every aspect of its operations. As our Chief Legal Officer, Jamie was critical in transforming Hydro One into a commercial enterprise. We wish you both the best in your future endeavors. And company is fortunate to have significant bench strength and depth of management that will ensure stability and continuity during this planned leadership transition.

As my time at Hydro One is drawing to a close, I would like to express my gratitude to the Hydro One family, the Board of Directors, as well as our customers, communities and shareholder. It has truly been an honor to work alongside such a committed and hardworking people. To say that I've been proud to be part of the Hydro One team would be an understatement.

I'm confident that I'm leaving the company and our people in good hands with Mark Poweska. During his 25 plus years at BC Hydro, Mark has proven that he can build a strong safety culture, exceed customer expectations and improve operational performance. His

appointment should send a powerful signal about the company's continued focus on safety, operational improvements, exceptional customer service and reducing costs for the benefit of our customers, our shareholders and the communities we serve.

At this time I would like to publicly welcome Mark and ask him to say a few words about the future of Hydro One.

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**Mark Poweska *Hydro One Limited - Incoming President and CEO***

Good morning, everyone. Thank you Paul for that kind introduction, and on behalf of the Hydro One's 8,600 employees, I'd like to extend my sincere gratitude for your strong leadership through this period of transition.

I'm excited to be joining such a great company, full of hardworking, dedicated employees who are proud of the work they do. In this, my first week with the company, I met with the executive team and some of the senior leaders in the company. What I've seen thus far is a results driven team that is focused on safely providing power to our customers, improving productivity and delivering great value for our customers and shareholders. We will build on this momentum through an unwavering commitment to safety, operational excellence, outstanding service and cost reductions.

With that I'm pleased to announce that I have appointed Chris Lopez as the Chief Financial Officer after he successfully acted in this role for many months over the past 2 years. Chris has proven himself a strong leader by effectively leading the finance organization at Hydro One. He has a proven track record for delivering financial success with more than 20 years of experience in the utilities industry. And I'm very pleased that Chris has agreed to stay on as our Chief Financial Officer.

I'm also looking forward to working with our Board of Directors and management team to set a clear vision and strategy that will ensure a strong, stable and successful Hydro One now and into the future. One of my first priorities will be to solidify the executive team and build relationships with the government of Ontario, our customers and communities, indigenous leaders, investors and our partners across the electricity sector. At the same time, I will be working to earn the trust and confidence of the investment community. Over the coming weeks and months, I look forward to meeting, listening and learning from so many of you.

And with that I would like to pass it over to Chris.

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**Christopher Felix Lopez *Hydro One Limited - Acting CFO***

Thank you, Paul and Mark, and good morning everyone. I'd like to take the opportunity to welcome Mark to the Hydro One family and echo his acknowledgement of the great results Paul has delivered over the past year. We truly are a resilient organization and I look forward to working with you Mark, to take Hydro One forward.

In terms of our financial results, I am pleased to advise that we reported strong results, a testament to the strength of the fundamentals of the business while we saw a decrease in earnings per share in the first quarter to \$0.29 compared to the first quarter last year of \$0.37. The decline was primarily related to the cost associated to the -- with the termination of the merger agreement.

Both Avista and Hydro One mutually agreed to terminate the transaction, which resulted in a contractual termination fee of USD 103 million or CAD 138 million. Adjusting for this fee and other transaction related costs, our first quarter adjusted earnings per share was \$0.52 compared to \$0.35, the prior year. The earnings growth was primarily due to onetime catch up revenues resulting from the decision on our distribution rate application, favorable weather and lower income taxes.

Driven by both the transmission and distribution business, our first quarter revenue, net of purchased power, was higher year-over-year by 15.4%. The primary driver of the increase came from a onetime catch up revenue of approximately \$85 million or \$0.10 each year following the recent decision on the distribution rate application. Both transmission and distribution revenues were also affected by higher consumption of energy from favorable weather, as demonstrated by the 5% increase in both peak demand and electricity distributed to Hydro One customers.

On operating expenditures, we were higher primarily due to cost associated with the termination of the merger agreement and project write-offs related to the Lake Superior Link project. The year-over-year increase in the quarter amounted to 54.1%. However, excluding



the merger termination fee and the project expenses for Lake Superior Link project that was written off, OM&A was flat versus last year. This cost control, coupled with increased work done, represents our continued focus on productivity and taking expenses out of the system to the benefit of both customers and shareholders alike.

The termination of the merger agreement also impacted the quarterly financing charges which increased 85.2%. While there were marginally higher interest costs related to an increased weighted average long term debt balance, the primary reason for the increase in financing costs was the termination of the merger.

The termination resulted in the reversal of previously recorded gains on the foreign exchange contracts, the write-off of deferred financing costs related to convertible debentures and the related interest payments and subsequent de-listing of the installment receipts. All these factors are outlined in today's MD&A.

Quarterly income tax decreased by \$58 million, which resulted in a tax recovery of \$16 million. The decrease in income tax expense was primarily attributable to the tax recovery on the termination fee and financing charges related to the merger, as well as incremental tax deductions on the deferred tax asset sharing as mandated by OEB.

These latter costs pertaining to the deferred tax assets sharing were, however, offset by lower revenues, making them net income neutral. Due to these reasons, the effective tax rate for this quarter was negative 9.9% versus 15.6% in the first quarter of last year.

Related to tax impacts, the 2019 federal and Ontario budgets introduced certain time-limited investment incentives which, when enacted, will allow the company to take accelerated tax depreciation up to 3x the first year rate, the capital investments acquired after November 20, 2018 and placed in-service prior to January 1, 2028. This rule will result in a temporary reduction to effective tax rate in the near term.

Taking into account these budget items to deferred tax assets sharing and merger related costs, we expect our effective tax rate to fall to approximately 2% in 2019, that's 2% for full year 2019. Over the next 5 years we expect the effective tax rate will be in the range of 8% to 11%. While the decrease in effective tax rate will be net income neutral, it may have an impact on the timing of future cash flows.

Moving over to investing activities, the company placed \$145 million of assets in-service in the first quarter, which is consistent with the prior year. Following the distribution rate case decision, we have updated the projected annual capital investment in the MD&A. These forecasts reflect the draft rate order which is currently under review and subject to approval by the Ontario Energy Board. We strongly believe that continued investments in our aging electricity infrastructure will promote economic growth and prosperity and result in a vibrant growing and prosperous Ontario.

On the regulatory front, this has been a very busy quarter. We received the deferred tax asset and distribution rate case decision that we referenced previously, as well as we filed our application with transmission rates for the 2020 to 2022 under the incentive rate making framework.

Following the deferred tax asset decision, we recognized an impairment charge to our regulatory assets and recorded an \$867 million onetime decrease in net income under last year's annual statements. Whilst we are disappointed with the deferred tax asset decision, we have appealed it to the Ontario Divisional Court. We continue to believe the deferred tax asset is a benefit that accrues to all of Hydro One shareholders and we will continue to advocate for that position.

In regard to the distribution decision, we've filed a motion to review and vary with the Ontario Energy Board with respect to recovery of pension costs. We believe that interpretation issued post hearing from the Financial Services Commission of Ontario does not permit Hydro One to take contribution holidays. And as a result, we would be allowed to recover these legally required pension contributions.

On the financing front, Hydro One priced one \$1.5 billion of medium term notes on April 2, 2019. We were very pleased with this large successful offering which locked in significantly low weighted average rates for the benefit of our customers. This is yet another way in which we are reducing costs for our customers and demonstrate the stability of our regulatory environment.



Finally, I am pleased to confirm that the Board of Directors approved a 5% increase in the common share dividend. The increase reflects the strong fundamentals of the business and the good work we are doing for the benefit of all stakeholders.

I'll stop there and we'll be pleased to take your questions.

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**Omar Javed *Hydro One Limited - VP of IR***

Thank you, Paul, Mark and Chris. Before we ask Candice to explain how she'd like to organize the Q&A polling process, we're a bit tight on time this quarter as our Annual Shareholder Meeting begins at 9:30. So we are requesting that participants wishing to ask questions this morning to please keep them to a single topic, so that as many people as possible have an opportunity to participate in the time available. Please go ahead Candice.

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**QUESTIONS AND ANSWERS**

**Operator**

(Operator Instructions) And our first question comes from Rob Hope of Scotiabank.

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**Robert Hope *Scotiabank Global Banking and Markets, Research Division - Analyst***

Just in terms of your conversations with the government following the Fixing the Hydro Mess Act 2019, as well as some recent decisions. Can you just update us on what the conversations are there and whether or not you think most of the Ontario governments work on the energy file is behind them in the near term?

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**Paul Dobson *Hydro One Limited - Acting President & CEO***

Yes. Sure Rob. I would say that the onset, as I said in previous calls too that, Hydro One fully supports the Province's commitment to reduce power rates in Ontario. We've seen rates rise in this Province over the past 10-15 years mainly due to the global adjustment. This is an industry wide issue and it's -- pleased to report that the industry as a whole is working very well with government to come up with different ideas.

So I think as we've seen with Bill 87 that, if it isn't approved yet, it will be approved shortly. From what I might take of it there's 3 main components to that. There's the Fair Hydro Plan being replaced with the new bill rebate, but the intention of that is to reduce residential bills to inflation. We're still studying the mechanisms by which that'll be achieved and understand that any amounts over inflation will be paid for by a tax payer funded mechanism. We don't believe that's going to have a direct impact on our revenues.

There's also -- the second component of that is the new OEB structure, which is going to followed on from the OEB modernization work with the discerning panel that was undertaken a while back, which we participated in, separating the adjudicative from the administrative functions. We know that's going to help improve processes, the governance structure, accountability and efficiency of the OEB which we think is a good thing.

And the third element is the CDM programs -- reducing the CDM programs and overall putting more perhaps more focus on business programs and then uploading the remainder to the IESO who will be the central administrator. And again, we don't think that's going to have any material impact on our business here, and our financials certainly. But Bill 87 is meant to say you over \$400 million. So it's a good step and it does reflect a lot of the input from industry.

We're also working with industry -- with the Ontario Energy or Electricity Association, with Canadian Manufacturers & Exporters and MOE to come up with different ideas to address other rates, particularly around industrial customers and business customers to see if there's something that we can do in that space as well. So we expect that that -- those ideas will emerge some point this year.

But, overall, I think the government has taken a pretty good step in the direction of rate reduction.

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**Robert Hope** *Scotiabank Global Banking and Markets, Research Division - Analyst*

And as a follow up there, do you think that gets them -- most of the way they're on their 12% cut or how do you calculate the rate impact?

**Paul Dobson** *Hydro One Limited - Acting President & CEO*

Yes. It's tough to tell exactly how the government is looking at that. But it certainly does have an impact of -- should have an impact of reducing rates to some degree. So I think we'll still have to continue to work with them and see where they think they are with that. We don't think they're all the way there. But they're making progress.

**Mark Poweska** *Hydro One Limited - Incoming President and CEO*

Thanks Rob.

**Paul Dobson** *Hydro One Limited - Acting President & CEO*

Thank you.

**Operator**

And your next question comes from Linda Ezergailis of TD Securities.

**Linda Ezergailis** *TD Securities Equity Research - Research Analyst*

This is maybe a bit more of a strategic question. But I'm wondering if you can give us an update on the outlook for LDC initiative in Ontario, might there continue to be a drive to consolidate. And what role, if any, might Hydro One take in that or has the outlook shifted with the new government?

**Paul Dobson** *Hydro One Limited - Acting President & CEO*

We've -- it's certainly on our list of ideas that we put forward to help control rates and reduce rates. We think that there is still opportunity there, but only -- for us, only if they make good operational and economic sense. So they have to be on the right terms and conditions. So we know that the Province has certainly stated in the past that there was a goal to consolidate. We still think that's a viable option for the Province to consider and they're advocating on that behalf. But we'll have to see if the terms and conditions that emerge from that create opportunities for us.

**Linda Ezergailis** *TD Securities Equity Research - Research Analyst*

Just as a follow up, has the current government stated any views on the possibility and the merits of LDC consolidation or have they been silent or...?

**Paul Dobson** *Hydro One Limited - Acting President & CEO*

No, they have not stated a position on it, is my understanding. But we've certainly seen it. We know that there are studies out there that show that the economics of it are -- can be compelling under the right terms and conditions.

**Operator**

And our next question comes from Andrew Kuske of Credit Suisse.

**Andrew M. Kuske** *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research*

I'm just focusing on the business and the OM&A in the quarter. Could you just give us some color and commentary on what happened in the transmission side where you trimmed costs? Is this really structural or is this seasonal or cyclical in nature? And then if you could also give some color on the distribution potential to trim more on the OM&A costs.

**Paul Dobson** *Hydro One Limited - Acting President & CEO*

Sure. Yes. So Andrew, you know that productivity has been one of the key pillars of the strategy for a number of years now and we're really pleased with the progress that we've made. We've seen -- in the quarter we've seen continuing utilization of our Telematics programing up with our fleet increasing utilization to about 14%, which helps us identify underutilized assets, reduces fuel costs,



insurance costs. So that is continuing to -- and there's still more to go for there.

Also in our forestry -- on our on our distribution side, the optical cycle protocol allows us to complete more work for less money. We still have other ideas as well across both transmission and distribution. That will be investigated, I imagine, as part of a go forward strategy, things around our real estate portfolio, new innovative technologies, billing and payment apps, using sensors and controls, robotics.

So on the OM&A side I expect our goal is to continue to hold those costs aiming for a 2% reduction or so -- around 2% a year and try to hold those costs flat as we go forward.

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**Andrew M. Kuske *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research***

And then you mentioned that the billing side of it, and just a follow up question on, what kind of scale does your billing system and process have at this point in time? How many more customers could you have on this system?

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**Paul Dobson *Hydro One Limited - Acting President & CEO***

Customers on the system -- well, I assume you mean on like electronic payment and billing -- or electronic billings.

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**Andrew M. Kuske *Crédit Suisse AG, Research Division - MD, Head of Canadian Equity Research, and Global Co-ordinator for Infrastructure Research***

Yes.

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**Paul Dobson *Hydro One Limited - Acting President & CEO***

Yes. So we have 1.4 million customers, the majority of which still receive a paper bill. And so I think that there is there is a continue -- there is quite a bit of opportunity there to reduce that as everybody has a mobile phones -- 99% of the population has a mobile phone that's connected to the Internet. There are ways to deliver bills to our customers without having to mail them. And so I think that there's opportunity to save on paper costs, good for the environment, save on postage costs, get the bills out quicker actually and then that can actually result in customers paying quicker as well, which helps our cash flow cycle. So lots of benefits for both us and customers if we can increase that penetration.

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**Operator**

And our next question comes from Robert Kwan of RBC Capital Markets.

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**Robert Michael Kwan *RBC Capital Markets, LLC, Research Division - Analyst***

Questions for Mark, and I don't know if you've got any initial impressions. But even just thinking about your background and what you kind of expect to bring to Hydro One. Just, do you have thoughts on financial setup and stock valuation performance, really who do you view as your peer group now that you're at Hydro One?

And then also as you think about growth or expansion, U.S. expansion was a strategy for Hydro One, how do you feel about that? And then your background in generation, something from BC Hydro, how do you feel about generation being part of Hydro One going forward?

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**Mark Poweska *Hydro One Limited - Incoming President and CEO***

Bunch of questions in there. Thank you. So you know my view on Hydro One is it has great fundamental, and my plan is to meet the employees, meet and shareholders, meet with key stakeholders over the next while. And then work with the Board of Directors and the executive team to develop a new strategy and vision going forward for the company.

The peer groups that I look at are obviously the other utilities in our sectors, such as Fortis and Emera and the other utility -- publicly traded utilities.

And as I said, one of my one priorities will be to develop some relationships. And I come from the West, so obviously I have many



relationships out there, but I am new to the Ontario market. So one of my priorities will be to get out there, to meet with all the players across the electricity sector as well as in government and our key stakeholders and customers and shareholders, and to listen, and understand what the views of all those groups are as I move forward with the executive team and the Board to develop new strategy going forward.

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**Operator**

And our next question comes from Robert Catellier of CIBC Capital Markets.

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**Robert Catellier CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research**

I just wanted to congratulate Chris Lopez on his appointment to the permanent CFO role. And going from there, a related question, I wondered Mark, if he had time to think about what you need to do in terms of settling down the management turnover that's occurred recently and what you can do on the recruiting and retention side in light of the constraints imposed by the government?

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**Mark Poweska Hydro One Limited - Incoming President and CEO**

Yes. I think the move this morning that was announced with solidifying Chris in that position was a key thing for me and I'm happy that Chris has agreed to stay on. We do have a lot of bench strength and good succession planning in the Hydro One and we have very capable people in those positions right now. So I'm confident and comfortable with the go forward right now.

We will be going to the street to recruit for some of the vacancies we have, as well as looking internally at our own employees, because there is a lot of strength within this company. So we will be looking to solidify those positions and stabilize the executive team as is possible.

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**Robert Catellier CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research**

And given your response to Robert Kwan's questions, it seems like it's premature on the strategy side, given you've just taken a role. But do you have any initial thoughts on how the company might grow outside of Ontario or if that's necessary at all?

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**Mark Poweska Hydro One Limited - Incoming President and CEO**

Yes. I think it is a little premature for me to speculate on that, comment on that right now. I do want to engage and listen and work with the Board and the management team to get a view on that going forward. One thing that won't change is our continued drive on operational excellence, which is driving safety is a priority for me absolutely, and given the recent fatality venture that further solidifies my dedication and drive towards safety. It is absolutely a priority for me. Reliability, cost savings and customer service which will be part of any strategy going forward. Those will be absolute. And the other parts I will be working with the leadership team and Board to little pilot over that as well.

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**Robert Catellier CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research**

And then finally, given the amount of flooding activity in the related (ph) what might be associated with that? I wonder if there's any indication how we could look at that for Q2? Is there some way to quantify by looking at similar quarters, or can you help point us how to gauge that in some way?

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**Paul Dobson Hydro One Limited - Acting President & CEO**

So we were still looking at that. We'll be able to come up with an estimate at some point in the near future. Right now, we're still in the response phase. It's still happening as we speak. So we're really more focused on the operational side of it, the safety side of it and helping our customers not only disconnect where they needed to disconnect, but then reconnect and not charging customers for that and really helping the communities. That's where our focus has been. There probably will be cost associated with that, but I don't expect it will be material.

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**Operator**

And our next question comes from David Quezada of Raymond James.

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**David Quezada Raymond James Ltd., Research Division - Equity Analyst**

Maybe just kind of a high-level question for me. I'm just thinking about what you see in terms of opportunities for maybe some larger projects outside of your current capital plan in the long term, now that it looks like Lakes Superior is not going forward in the M&A strategy. It's kind of on the back burner. Yeah. And just any opportunities you can speak to with respect to rate-based growth above what you've currently contemplated?

**Paul Dobson Hydro One Limited - Acting President & CEO**

Sure, sure. So the one that we have going now, which you're probably aware of is in the northwest part of Ontario now referred to as Waasigan Transmission Line. We were awarded the development work for that. And that will likely translate into a full-blown project at some point in the future. And we're definitely hoping to be participating in that. It's unclear to us at the moment how the OEB will sort of allocate or award that that project. But that is something that represents growth. And then further growth in North as the government looks to expand the economy, help industries such as mining in the North could also present opportunities for us as well. We're also, as part of our plan, which is in our plan, looking at the southwest part of Ontario, all of the growth that's happening in agriculture and greenhouses down there is also depending on the pace at which that goes, that could also represent good growth for us as well. So lots of opportunity right here in the province.

**Operator**

[Operator Instruction]

And our next question comes from Ben Pham of the BMO.

**Benjamin Pham BMO Capital Markets Equity Research - Analyst**

And I'm curious you certainly got the replenishment of the C-Level staff, executive level, you deal with that short term but I was just curious when you think about your time at DC Hydro and looking at Hydro One and how do you think that the industry in Hydro One is going to manage this this big exodus of staff the next couple of years? You have engineers facing -- looking at retirement and can you actually grow rate base safely reduce costs? We have a pretty big number of experienced technical staff looking to retire.

**Mark Poweska Hydro One Limited - Incoming President and CEO**

I think it is common across utilities and I think industry in general with trying to replenish staff who are retiring and moving on. I haven't had time yet to look at within Hydro One, what the risk profile looks like on that. I do expect to see that we do have good succession planning in place and that there are good development programs in place. We bring in a lot of trainees from the bottom up so we're feeding the system and providing opportunities for new people to step in those positions. My experience in 26 years with DC Hydro where there was similar issues is that that you worry about that risk, but I would have always been surprised with the abilities of people to step up into new positions and take on new challenges even on the technical side. And I expect to see the same thing here. And so I will look closer at what is at risk and what the plans are in place, but I do expect that that's well managed.

**Paul Dobson Hydro One Limited - Acting President & CEO**

Okay. If I could just add to that too that Mark soon discover this with Hydro One. Our investment in women in technology roles, women in STEM scholarships. We've seen that this is an issue that it's going to be an issue as folks retire. And so our investment having more women come into technical roles where they've been traditionally have been more men is something is also an opportunity for us, and probably right across the whole industry, I would argue as well. So we would look forward to seeing more investment there.

**Operator**

And our final question comes from one of Patrick Kenny of National Bank.

**Patrick Kenny National Bank Financial, Inc., Research Division - Research Analyst**

Just want to maybe get an update on any discussions you're having with credit rating agencies and just your thoughts around any further risk to a downgrade there?



**Christopher Felix Lopez *Hydro One Limited - Acting CFO***

So overall, we've been through one update this year already and the agency has confirmed the ratings based on our long term plans or midterm plan. The other 2 will be happening later this year. There's been no specific discussions, but we're still within the metrics that they have put out there. There is no cautionary that S&P have their credit watch negative on Hydra One but that's purely focused on any kind of action from the Ontario government. So that's the area that they are looking at. And they would resolve that within a 12-month period, but nothing at this point in time.

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**Patrick Kenny *National Bank Financial, Inc., Research Division - Research Analyst***

Just to confirm there's nothing outstanding in terms of waiting for the results of the Tx application?

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**Christopher Felix Lopez *Hydro One Limited - Acting CFO***

No. Actually the Tx application wouldn't be -- my expectation it wouldn't be materially different to what we've put in in front of the OEB. If I look to the past with distribution and so on, there is some minor changes. If they look at it they'll cut over (inaudible) distribution was 5%, I think an OM&A and we look to offset that. And then the other one would be capital, but that just sort of reduces your long-term growth. And it's normally credit positive, because it's a lower amount of debt you're raising. So I don't see any concerns from the outstanding Tx. They've already taken into account the DTA, that division's out there.

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**Operator**

Thank you. And that does conclude our question and answer session for today. I'd like to turn the conference back over to Omar Javed for closing remarks.

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**Omar Javed *Hydro One Limited - VP of IR***

The management team at Hydro One thanks everyone for their time with us this morning, during what is a busy period. We appreciate your interest and your ownership. If you have any questions that weren't addressed on the call, please feel free to reach out and we'll get them answered for you. Thank you again and enjoy the rest of the day.

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**Operator**

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone, have a great day.

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