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Q1 2024 Hydro One Ltd Earnings Call

EVENT DATE/TIME: MAY 14, 2024 / 12:00PM GMT

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to Hydro One Limited's first quarter 2024 analyst teleconference. (Operator Instructions) This call 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.

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

Good morning and thank you for joining us in Hydro One's quarterly earnings call. Joining us today are our President and CEO, David Lebeter; our Chief Financial and Regulatory Officer, Chris Lopez. In the call today, we will provide an overview of our quarterly results, and then we will take some time answering questions as time permits.

There are also several slides that illustrate some of the points we'll address in a moment. They should be up on the webcast now or if you're dialed into the call, you can find them in Hydro One's website in the Investor Relations section under Events & 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 filed this morning regarding the various factors assumptions and risks that could cause our actual results to differ as they all apply to this call.

With that, I'll turn the call over to our President and CEO, David Lebeter.

David Lebeter ***Hydro One Limited - President and CEO***

Thank you, Omar. Good morning, and thank you for joining us for our first quarter 2024 earnings call. Before we start, I'll touch on safety. It's at the core of our business and among the first of our corporate values. Sadly, this quarter two employees were seriously injured while at work. While, we won't discuss the specifics as the investigations are ongoing. It will take a long time for our teammates to heal physically and emotionally.

These injuries are a stark reminder of the unforgiving nature of our daily jobs. At Hydro One, safety goes beyond policies and procedures and must remain firmly ingrained within our culture. We are committed to zero life-altering injuries and that every employee returns home safely at the end of each day. With continued focus, eliminating all serious injuries is achievable.

Moving on to our update. In today's call, I'm excited to share our refreshed corporate strategy and highlight some key accomplishments that occurred during our first quarter. Chris will then dive deeper into the financial results of the quarter. Delivering on our existing strategy has created exceptional value for Ontarians, our customers, shareholders and partners. We made critical strategic investments in our system to build a more modern intelligent grid, which enables evolving technologies and the increasing integration of distributed energy resources. Through these investments, we play a critical role in supporting long-term sustainable economic growth.

Not only did we build a reputation for keeping the lights on and restoring power quickly, but are also delivering major transmission projects on time and on budget. These are some of the reasons why we are now entrusted to build 9 transmission projects in the province. We built strong relationships and trust with many of our partners, including Indigenous communities, municipalities, residents and the government. We advanced economic reconciliation with Indigenous communities through the development of our industry-leading 50/50 First Nations equity model for major projects, ensuring economic benefits flow back to Indigenous communities.

We implemented programs and tools for our customers that make it easier to do business with us and show them that we care. This resulted in the highest customer satisfaction and overall favorable impression score since the IPO. In summary, our existing strategy laid a strong foundation to prepare us as we enter the period of change within the industry.

If the previous strategy has yielded such significant success, you might wonder why we would now change course. In fact, we are not fundamentally changing our direction. We are delivering a refreshed corporate strategy that builds on what we have done well and sets out the priorities that will meet the pace of change in our industry and the evolving expectations of our customers.

Emerging technologies are shaping how, when and where our customers use electricity. From the cars they buy, to how they monitor their electricity consumption to participating in the energy market, our customers are making energy-related decisions and have evolving expectations of the services they are provided. Not too long ago, visionary people used to talk about sustainable, clean energy. Today, enabling it is a business imperative. We need to remain agile and flexible to meet the changing demands and the changing landscape.

Four priorities set the foundation of our refreshed strategy. They are; 1, enrich our customers' experience; 2, enhance grid value needed for sustainable economic growth; 3, create new solutions for an electrified future; and 4, win with partners. At the heart of the strategy is a focus on our customers. Our customers expect more proactive services and solutions and information to make informed decisions. We will ensure we understand and meet our customers' evolving needs, all the while delivering easy and exceptional customer experience. We've already made strides in the area, but there's more work to do across each different customer segment and throughout each customer's journey.

With the increase in electrification of transportation, buildings and industry, combined with population growth, we anticipate the need to deliver more for our customers in the upcoming years. We will find innovative and sustainable ways to accommodate this growth outside of the traditional solutions. In addition to optimizing our existing assets to create more value, we will look at both regulated and unregulated opportunities to meet this challenge. We also acknowledge that partners are core to this priority. Together, we will deliver sustainable growth and ensure we meet the needs of their communities now and for future generations.

We have a vital role to play in enabling Ontario's transition towards the shared goal of decarbonization, whether it's connecting green steel or EV battery manufacturing or simply enabling bi-directional movement of electrons, arising from increased battery storage and EV adoption. As technology advances for both us and our customers, it is necessary we stay ahead of the curve by anticipating, adapting and evolving alongside these changes. Central to this will be ensuring we make informed data-driven decisions. As such, we plan to expand our advanced analytics and digital capabilities to manage this electrified future. This also means we will collaborate with others within our sector and beyond to foster innovation and accelerate the development of new solutions to shape the future.

Powerful alliances between Hydro One, Indigenous communities, all levels of government, regulatory bodies, associations, vendors and industry partners have been essential to provide stable and reliable and affordable electricity to Ontarians. Looking ahead, we must continue to collaborate. As an industry, we are much stronger when we work together and create mutually beneficial solutions. We all have a part to play to enable a net- zero future. By combining our strengths and resources, we can leverage each other's unique perspectives and capabilities to drive innovation and achieve our shared goals.

Of course, the successful execution of our strategy relies on our skilled employees. We have a robust pool of talent with deep expertise matched with unwavering dedication to our customers. This is an exciting time, and our people will undoubtedly be a point of strength for us as we develop new capabilities to meet the evolving energy landscape and deliver on our plans.

On this note, I'm pleased to announce the addition of some new talent to our executive team to help us deliver on our strategic objectives. In March, Renée McKenzie joined us as our Executive Vice President of Digital and Technology Solutions. Renée is an experienced technology executive with more than 24 years of delivering engaging applications, modern infrastructure and personalized experiences to employees and customers. Based on her background and experience, you can see how she is the right person to implement our data-driven corporate strategy in the coming years.

I'm also delighted to announce that Lisa Pearson joined Hydro One as our Senior Vice President of Corporate Affairs. Lisa is a transformational executive, with extensive experience advising boards and executive teams. She will apply her broad private, public and not-for-profit sector knowledge to continue to strengthen our reputation and deepen our relationships with customers, government and stakeholders. In addition to Renée and Lisa's update, I am pleased to announce that after an extensive internal and external search process, we are in the final stages of filling the CFO position. We expect to make an announcement in the very near future.

Turning to the quarterly update. There are several important developments I'd like to share with you. First, I acknowledge the efforts of our Hydro One employees who were once again called upon to help our customers. In February and March, our teams quickly mobilized to restore power to approximately 190,000 customers impacted by damaging high winds in parts of Central, Southern and Eastern Ontario. Thank you for your outstanding efforts in assessing damage, prioritizing work and making repairs to restore power.

Second, we are pleased to have received approval from the OEB for our Section 92 or leave to construct filing for our Waasigan Transmission Line project. The $1.2 billion line, which spans approximately 360 kilometers will be built in cooperation with First Nations partners to support economic growth in Northwestern Ontario. As a reminder, Phase 1 is a double-circuit 230 kV line that will run from Thunder Bay to Atikokan and Phase 2 is a single circuit 230 kV line between Atikokan and Dryden.

Third, we received OEB approval for the acquisition of Chapleau Hydro, which was announced in November of 2023. We are now working on closing and integrating the acquisition by the end of this year and are excited to join their community. We look forward to sharing best practices between us so we can be efficient in our delivery of services to the community. We are confident that this will be a positive experience for Chapleau's customers and employees and will be an example for other communities who wish to do the same.

More broadly, we continue to engage with other local electricity distribution companies and look for additional opportunities to facilitate further consolidation within the sector. In addition to these updates, we continue to support businesses through our critical investments. We were happy to welcome Volkswagen as Stellantis as customers and support the construction of their EV battery plants. In addition, we welcome the recent announcement by Honda for the creation of Canada's first comprehensive electric vehicle supply chain. As the largest transmitter of electricity in the province, Hydro One is ready to support Honda and other large manufacturers as we enable economic growth in Ontario.

Moving on to broadband. I have some additional clarity today that I'd like to share. Hydro One continues to work with the telcos and internet service providers or ISPs, to advance the delivery of high-speed internet to some 700,000 Ontarians. We have been ready for a while. At this stage, the existence of alternative solutions to the telcos and ISPs and the pace of orders we have received would suggest the previous expectations of approximately $0.5 billion to $1 billion of work is unrealistic.

While we don't have enough orders yet to put forward a solid forecast, our expectation is that these factors will result in $300 million to $700 million worth of work being completed. This work will take place in our distribution segment and will be additive to rate base. It is worth noting, these values are not factored into our earnings guidance and represent a potential growth opportunity. That said, we continue to engage with the telcos and ISPs, and we'll provide an update to this amount when appropriate.

As I conclude my remarks, I'll highlight a few key awards that we received recently. A key to our success has been our ability to build trusted relationships with Indigenous partners and communities. This is why Hydro One was once again proud to be a sponsor for the Little Native Hockey League, or the LNHL, honouring a partnership that first began in 2003. In recognition of this historic alliance, we were humbled recently to have been inducted into the LNHL Hall of Fame as a friend of the little NHL. This is a great honor for us, and we are very touched by this significant gesture.

We are also proud to have been listed in the 2024 edition of the Globe & Mail's Women Lead Here annual benchmark of gender diversity and executive roles in corporate Canada. Receiving this recognition is a testament to our continued efforts in building a strong and diverse executive leadership team, one that will lead us into the next phase of our corporate evolution.

Lastly, in keeping with our efforts to enable decarbonization, we were recognized as by Corporate Knights in their global 100 list, a ranking of the world's most sustainable corporations. The ranking lists the top firms that are increasing their investments in green solutions, such as renewable energy, energy efficiency and the circular economy. The award celebrates our relentless commitment to sustainability and environmental stewardship.

With that, I'll turn the call over to Chris to discuss our financial results. Over to you, Chris.

Christopher Felix Lopez ***Hydro One Limited - Executive VP, Chief Financial & Regulatory Officer***

Thank you, David. Good morning, everyone, and thank you for joining us today. I am confident the refreshed corporate strategy will position Hydro One for continued success in the years to come as together, we build a better, brighter future for all.

Looking at our first quarter financial results, we delivered basic earnings per share of $0.49 compared to $0.47 in the first quarter of 2023. The key drivers behind the year-over-year change included higher revenues net of purchased power on account of Ontario Energy Board or OEB-approved rates for both segments, which considers the annual investment in grid/power systems, partially offset by higher financing charges resulting from a higher weighted average interest rate on our long-term debt as well as having a higher volume of long-term debt, and higher income tax expense when adjusted for net income neutral items resulting from lower deductible timing differences compared to the prior year and higher pre-tax earnings.

As a reminder, both the transmission and distribution segments had net income-neutral items in revenue, including the deferred tax asset or DTA recovery, that expired at the end of June 2023 as well as normal course regulatory adjustments. These have corresponding offsets in tax expense and OM&A, making them net income neutral. Our first quarter revenue net of purchased power was higher year-over-year by 0.6%. The increase is mainly due to higher revenues resulting from OEB approved rates in both segments, coupled with higher energy consumption in the distribution segment. These were partially offset by the impact of lower average monthly peak demand in the transmission segment as well as net income-neutral items referenced earlier.

For the transmission segment, revenues were lower by 0.4% compared to last year. The decrease was reflective of net income neutral items, coupled with lower average monthly peak demand, which was down 2.1% compared to last year. These are partially offset by higher revenues resulting from the OEB-approved rates. Looking at our distribution segment, revenues net of purchased power increased by 2%, mainly due to the OEB-approved rates and higher energy consumption, which increased by 0.8% year-over-year. These were partially offset by net income-neutral items.

On the cost front, operating, maintenance and administration expenses in the quarter decreased by approximately 1.8% year-over-year. The variance is mainly due to net income-neutral items. Adjusting for these net income neutral items, OM&A was in line with last year for both segments, with marginal increases in work program expenditures in transmission and higher allowances for doubtful accounts in distribution.

Depreciation expense for the quarter was higher year-over-year by 0.8%. This was due to growth in capital assets, which is consistent with our stated capital investment program, partially offset by lower amortization of regulatory assets. On financing, we saw an 8.8% increase in financing charges year-over-year, mainly due to a higher weighted average interest rate on our long-term debt and a higher volume of long-term debt resulting from issuances in 2023 and the first quarter of 2024. The charges were partially offset by lower average volume of short-term notes and higher volume of short-term investments.

During the quarter, Hydro One issued $800 million of medium-term notes. This consisted of $550 million of 4.39% notes due in 2034 and $250 million of 3.93% notes due in 2029. The issuance was completed under our sustainable financing framework. We continue to be pleased with the stability of our balance sheet and robust investment-grade credit ratings. Our income tax expense in the quarter was $51 million compared to $64 million in the same quarter last year. However, when we adjust for the impact of net income-neutral items, the adjusted income tax expense was higher.

Contributing to the increase were lower deductible timing differences compared to last year and higher adjusted pretax earnings. The effective tax rate this quarter was 14.7% versus the effective tax rate last year of 18.4%. This rate is consistent with our tax guidance of 13% to 16% for the remainder of the JRAP period.

Moving to our investing activities. In the first quarter, we placed $240 million of assets in service for our customers, which was an increase of 1.3% compared to the prior year. In the transmission segment, we saw a decrease of 44.3% year-over-year, primarily attributable to the timing of assets placed in service for station refurbishments and replacements in the prior year, partially offset by a higher volume of wood pole replacements.

In the Distribution segment, in service divisions increased by 41% from the prior year due to a higher spend on line refurbishments and wood pole replacements as well as customer connections. Also contributing to the increase was the higher spend on minor fixed assets, system capability reinforcement projects and a higher volume of storm-related asset replacements from earlier this year.

In terms of our capital investments for the first quarter, we invested $673 million, which was an increase of 34.9%. The increase resulted from both the transmission and distribution segments on account of higher volumes of refurbishments and replacements, higher volumes of customer connections as well as investments in new transmission lines and initiatives. These were partially offset by a lower spend on IT initiatives due to the execution of major projects in the prior year.

On guidance, we reaffirm our previous target of 5% to 7% growth for earnings per share through 2027 on the normalized 2022 EPS of $1.61. As a reminder, the EPS guidance range does not factor in growth from broadband, LDC consolidation, the transmission lines that have been previously awarded but only have preliminary estimates or any amounts from externally driven variance accounts. Given Waasigan's successful Section 92 approval, we have included it in our estimates, but at this stage, there is no change to the guidance range. Finally, I am pleased to report in line with our long-term guidance, we declared a dividend to common shareholders of $0.3142 per share.

Before I turn the call back over, as many of you know, this will be my last earnings call with Hydro One. I would like to take this opportunity to thank David, members of the executive team, the Board and all the hardworking employees of Hydro One, which whom I've had the pleasure of working with over the past 8 years. I would also like to thank our investors, the analyst community, partners and all other stakeholders that I have come to know during my time at Hydro One. Together, we have, and I'm confident you will continue to deliver a better, brighter future for all.

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

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

Thank you, David and Chris. We ask the operator to explain how they'd like to organize the Q&A polling process. In case we can't address your questions today, my team and I are always available to respond to any follow-up questions. We ask that you limit your questions to one question and one follow-up. If you have additional questions, we request you to rejoin the queue. Please go ahead, operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Ben Pham with BMO.

Benjamin Pham ***BMO Capital Markets Equity Research - Senior Energy Infrastructure Analyst***

Maybe on your comments on the broadband discussions the updated estimates you provided. How do you think about the timing of that $300 million to $700 million into rate base? And is this more really an outcome of these discussions, or more of a matter of just maybe delay or timing changes versus an overall change in scope?

David Lebeter ***Hydro One Limited - President and CEO***

Ben, it's David Lebeter. Nice to hear you. The overall scope has not changed. The province remains committed to providing high-speed internet service to 700,000 Ontarians and we remain committed and ready to support that initiative on their behalf. They've just been slower, as I've said in the past and getting started. We are seeing an increase that is picking up. And they are using a little bit more ploughing or underground than we anticipated and that -- and more than they indicated the initial onset of the program and in some cases, are choosing to go with wireless, which is why we've adjusted our guidance.

Christopher Felix Lopez ***Hydro One Limited - Executive VP, Chief Financial & Regulatory Officer***

And just adding to that, it will all be in service in the current rate period. So whatever that range is, whatever proves to be will all be in service and counted in the growth rate by the end of '27.

Benjamin Pham ***BMO Capital Markets Equity Research - Senior Energy Infrastructure Analyst***

And on your refreshed strategy, you mentioned regulated and a non-regulated opportunities as part of your capital allocation. Has that changed from before? Is it still the non-regulated assets that you're in now? And is this still up to that max 10% of the business?

David Lebeter ***Hydro One Limited - President and CEO***

Yes, nothing has changed there, Ben. We still have the 3 non-regulated entities. IVY, our car charging network as, AUX, which is our battery solutions and Acronym, which is our telco.

Benjamin Pham ***BMO Capital Markets Equity Research - Senior Energy Infrastructure Analyst***

And Chris, all the best in your next venture.

Operator

Our next question comes from the line of Maurice Choy with RBC Capital Markets.

Maurice Choy ***RBC Capital Markets, Research Division - MD & Analyst***

Maybe you can pick up on the refreshed strategy. It's not immediately clear to me how the strategy is truly different from the previous strategy. So if I could just ask you to help me tangibly point out what has changed here? I know you mentioned finding innovative and sustainable ways to accommodate growth. What does that all mean in terms of what you're going to offer?

David Lebeter ***Hydro One Limited - President and CEO***

Sure. Thanks for the question, Maurice. The reason we called it a refreshed strategy is because it is not a revamp. As I indicated in my earlier comments, our previous strategy, it's highly successful. What you'll see has changed, if you were to go back and compare the two, as we changed our approach to customer, we want to provide excellent customer service versus the previous strategy we talked about advocating for the customers. We're really focusing on the full range of customers from residential through to industrial, understanding what their needs are, and perhaps rather than waiting for them to say this is what we want to do, getting involved early so we can help them shape what their electrical electrification journey would look like.

The other significant change is we had ISP or our IT as a support function. We've moved that right up to the front. We see that having enhanced data capabilities or digital capability is going to be integral to our success in integrating the modern smart distribution grid into an already intelligent transmission grid. So really doubling down on that, which is why I'm so pleased to announce that Renee Mackenzie has joined us. Those would be the 2 biggest changes. Of course, we're still going to remain focused on excellence in delivering on our capital program, both in distribution and on the transmission side and provide an incredible customer service in terms of restoring power in times of storms.

Maurice Choy ***RBC Capital Markets, Research Division - MD & Analyst***

And if I think about the investments, both OpEx and CapEx that go into all of this, is this something that is done within the current rate envelope or is it something that you'll have to spend first and then request for rates in the next 5-year application?

David Lebeter ***Hydro One Limited - President and CEO***

No, it will be contained within the current rate envelope. What we're doing is restructuring some of the expenses that we had planned to make sure they align with the refreshed strategy. A lot of what we're doing is already in the current envelope such as rolling out our smart meter, our second-generation smart meters, that's a foundational piece for the distribution grid of the future. That was already in. We are going to take a look at our IT stack to make sure we have the right programs that we're rolling out there.

Maurice Choy ***RBC Capital Markets, Research Division - MD & Analyst***

Understood. If I could just finish off with the broadband rollout. So you now have a revised forecast net of $300 million to $700 million. Historically, I suppose this has provided an upside potential to your EPS guidance as well as your rate base CAGRs. If you could help us just help quantify in basis points or even EPS upside, what would this new revised work estimate be?

David Lebeter ***Hydro One Limited - President and CEO***

I think, Maurice, what we talked about in the past was we were saying $0.5 billion to $1 billion. I think we had that as 100 basis points so you can work off that or is that correct, Chris?

Christopher Felix Lopez ***Hydro One Limited - Executive VP, Chief Financial & Regulatory Officer***

1%.

David Lebeter ***Hydro One Limited - President and CEO***

1%.

Christopher Felix Lopez ***Hydro One Limited - Executive VP, Chief Financial & Regulatory Officer***

But I think, Maurice, to explain it in an easy way, it's got the same economics as our distribution business. So I guess the same ROE, 9.36% when it goes in service. It will all go in service by the end of this rate period. So you can take whatever number you want in that range, take the midpoint, $0.5 billion, and you can apply your calculation. You can work it out pretty quickly. I think it will come out at $1 billion, that would have been 1% and $0.5 billion would be 0.5%.

Maurice Choy ***RBC Capital Markets, Research Division - MD & Analyst***

And from memory, the dividend is not going to chase this rate base EPS growth, the dividend's just going to see it. Am I right?

Christopher Felix Lopez ***Hydro One Limited - Executive VP, Chief Financial & Regulatory Officer***

Yes. So Maurice, that will be a decision for the Board, and now the next CFO to recommend to David. So I think I communicated previously that we would look at it and speak to shareholders, that's still -- and all stakeholders. That is still the case. So it's possible it could go up. It's not going to chase it to 10, I think is what I said in the past, and I expect growth to go much higher than that in the next joint rate application, but it could go to 7.

Operator

Our next question comes from the line of Linda Ezergailis with TD Cowen.

Linda Ezergailis ***TD Cowen, Research Division - Research Analyst***

And before I jump into my question, I wanted to make sure I congratulate Chris on his successful contributions in time at Hydro One, and it's been a real pleasure getting to know you.

Christopher Felix Lopez ***Hydro One Limited - Executive VP, Chief Financial & Regulatory Officer***

Thank you very much, Linda.

Linda Ezergailis ***TD Cowen, Research Division - Research Analyst***

So maybe just to double check on your strategy, what are the updated of all thoughts on geography? Is the expectation that the focus remains on Ontario or is there maybe some evolving thought on the merits of toeholds and other jurisdictions? And then similarly, recognizing that your unregulated business is likely to remain relatively small, can you comment on the merits of considering owning any infrastructure beyond electric transmission and electric distribution?

David Lebeter ***Hydro One Limited - President and CEO***

Great, thanks for the questions Linda, in terms of geography, we are naturally going to remain focused on Ontario. Ontario is growing rapidly. There's significant investments that need to be made in this province. That's why we have the 9 transmission lines. We see significant investments coming also on the distribution sector with the recent announcement of the LT One by the Ontario Independent Electric System Operator. So we're going to not -- everything we do will not sacrifice our focus on Ontario and we see that as our primary toehold.

That being said, we're not looking outside the province, but if something came along that had really strong adjacencies and wouldn't distract us, we would take a look at it. We said that in all of the investor conferences, but we're not looking outside the province. We're focused on what is going on inside Ontario. We just see tremendous growth here.

And remind me of your second question. The unregulated, the regular aspect, the unregulated --

Linda Ezergailis ***TD Cowen, Research Division - Research Analyst***

Sorry, not regulated, but other than electric transmission and electric distribution. So whether it be natural gas distribution, transmission, maybe some power generation, et cetera, that could be regulated.

David Lebeter ***Hydro One Limited - President and CEO***

At this time, we're not looking at that all. We're going to stay with the wires business. We know that business, distribution and transmission. We're not looking at getting into the gas business, the water business or the generation business.

Linda Ezergailis ***TD Cowen, Research Division - Research Analyst***

And just as a follow-up, looking at your talent to execute on your refreshed strategy, you've appointed Renee and Lisa, which is great. You're on almost close to finalizing your CFO search. Just wondering if you can give us an update more broadly at all levels of your organization where you see any gaps potentially in talent and how you're looking to address that, including maybe the demographic kind of shape of the age of your employees as well.

David Lebeter ***Hydro One Limited - President and CEO***

From a demographic perspective, our average age is getting younger. So I'm really pleased with our workforce. We've got a talented workforce. We continue to bring apprentices in and train them through the system. We've got a strong pool of vice presidents and directors coming up to support the executive team. So I'm very pleased with the depth we have there. We put a lot of effort and time into managing and developing our talent. So right now, I don't see any weaknesses in our bench strength at any levels, and I'm quite pleased with where we are. I'll be very happy when I'm able to announce the CFO selection.

Operator

(Operator Instructions) Our next question comes from the line of Jonathan Lamers with Laurentian Bank Securities.

Jonathan Lamers ***Laurentian Bank Securities, Inc., Research Division - Director & Diversified Analyst***

On the upcoming wildfire season, I'm just curious how you're feeling about how well prepared the network in Northern Ontario is for the wildfire season and whether you see a need for additional investment to adapt the equipment for climate change adaptation and whether the current JRAP provides enough rate base growth for that and just how you're thinking about that.

David Lebeter ***Hydro One Limited - President and CEO***

Jonathan, in terms of wildfire, we're well prepared for what may come this summer. Of course, as we know that we didn't have the usual winter snow pack. We certainly didn't have the low temperatures that we would have in the past. That said, over the past couple of years, we've been increasing our wildfire capability. We're part of a group that spans North America that looks at best practices. We've already started getting ready in terms of reviewing our training, making sure we have the appropriate equipment and any changes we need to make through our operating procedures. So feeling very comfortable with where we are from that perspective.

In terms of climate change adaptation, we're just in the process of finishing on a rather in-depth study on what we think the climate change is going to be over the next 20 years and what changes we need to make as we continue to invest and maintain our assets to make sure we harden the grid and we're ready for whatever mother nature can throw at us. So we're in a very good position. The investments that we had approved in the joint rate application set us up very nicely to survive and do well in the fire season. So I'm not concerned. There's nothing that we want to do that we're not able to do.

Operator

Our last question is from the line of Mark Jarvi with CIBC.

Mark Thomas Jarvi ***CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research***

So lots of discussion really around housing policy in Canada, including some potential government support. How are you thinking about that in Ontario? How does that factor into sort of the next rate application potentially? And how are you going through that engagement on that policy front?

David Lebeter ***Hydro One Limited - President and CEO***

Thanks for the question, Mark. We're seeing, as we have seen for the last number of years, increased activity in new connections. So we've been engaging with the homeowners associations across Ontario to understand what is it Hydro One can do and should do to make it easier for them to get their houses built and connected to the grid as quickly as possible and with that, that also means as lower cost as possible. And they've given us some very good feedback that we've been incorporating into our procedures and processes. We've changed those. And we'll continue to engage with the homeowners' association and with municipalities to make sure we're ready there to meet whatever homebuilding targets they have, we're going to be able to meet those.

Christopher Felix Lopez ***Hydro One Limited - Executive VP, Chief Financial & Regulatory Officer***

I would say also, Mark, it's just -- it's part of the integrated planning that's done with the IESO and looking where power needs to be in the province. That will also lead to not just new connections, but reinforcement of existing transmission lines and so on to enable that housing growth to occur and align with policy. All of that will be reflected in our customer consultation as well as our next joint rate application.

Mark Thomas Jarvi ***CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research***

Have you engaged with the federal government around some of their ambitious targets like whether or not they're actually realizable in terms of the connections and or the backbone required to meet some of the housing targets they put out there?

David Lebeter ***Hydro One Limited - President and CEO***

I was in Ottawa about a month ago. We talked mostly about the investment tax credits, the indigenous loan guarantee. The groups, the companies that are involved with generating electricity, they've been in Ottawa having conversations around the clean energy targets but those look like outside of the provincial government in Ontario.

Mark Thomas Jarvi ***CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research***

And then a question for you, Chris. Maybe just with the yield curve where it is now, it's inverted, but it could start to flatten later this year. Any updated views in terms of debt financing strategy, anything subtly different as you work through this year and into next year with the team? I appreciate that maybe not there for -- to see it through, but just sort of thoughts around that.

Christopher Felix Lopez ***Hydro One Limited - Executive VP, Chief Financial & Regulatory Officer***

Yes. I don't think anything drastically different, Mark. I agree the yield curve is flattening. So previously, you could fund short term. You could invest it and get the other trade there, that's sort of coming away now. We're in a good position. We've already done $800 million of $2 billion to $3 billion per year going forward, plenty of flexibility on our credit line. So we'll access it opportunistically going forward. So no real change, but I do agree with your comments that the short end of the curve is sort of starting to flatten out, so you're not getting that same benefit you got in the past.

Mark Thomas Jarvi ***CIBC Capital Markets, Research Division - Executive Director of Institutional Equity Research***

So is that something that's going to be taken away a little bit of optionality that you would have been able to leverage last year or in the last, I guess, a handful of months this year as well?

Christopher Felix Lopez ***Hydro One Limited - Executive VP, Chief Financial & Regulatory Officer***

No, not to any material extent because we've already done that financing. We've already done the first part of the financing this year, the $800 million. So we're not actually in the market right now. So we've got the chance to wait and look at what -- how to access that market opportunity going forward. We are going to target over the long term, Mark, regardless an average term of 15 years. We're currently sitting at 13, 13 and change. So we'll probably go towards the longer end over the next 3 to 5 years.

Operator

And that does conclude our Q&A session for today. I'd like to turn the call back over to Omar Javed for any further remarks.

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

Thank you, [Jen]. 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 continued support. 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 your day.

Operator

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