

Hydro One Reports Positive Fourth Quarter Results

Change underway with strategic objectives driving operational excellence, improved customer service, enhanced growth, and innovation focus

TORONTO, February 13, 2018 – Hydro One Limited (Hydro One or the Company), the parent company of Ontario's largest electricity transmission and distribution utility, today announced its financial and operating results for the fourth quarter ended December 31, 2017.

- Adjusted earnings per share (EPS) was \$0.29, and EPS was \$0.26, compared to \$0.22 in the prior year
- Federal Energy Regulatory Commission (FERC) approves the Hydro One and Avista Corporation (Avista) merger; other approvals are pending
- 2018 allowed regulated return on equity (ROE) reset to 9.00% from 8.78% for both transmission and distribution businesses
- Improved management and efficiency programs generated \$89.5 million in productivity savings in 2017
- Customer-focused initiatives targeting better communication, convenience and affordability resulted in improved customer satisfaction levels, and the largest reduction in overdue accounts receivable in the Company's history
- \$733 million worth of assets placed in-service during the fourth quarter of 2017 compared to \$699 million last year, representing an increase of 4.9%
- Recognition by the Edison Electric Institute (EEI) with an Emergency Assistance Award for Hydro One's outstanding restoration efforts following Hurricane Irma in September 2017
- New Chief Financial Officer appointed subsequent to the end of the fourth quarter

"Our fourth quarter results show that focusing on our long-term strategic objectives of operational excellence and improved customer service is generating strong results as we continue to enhance productivity, as well as reduce costs through the implementation of innovative initiatives," said Mayo Schmidt, President and Chief Executive Officer, Hydro One. "The Federal Energy Regulatory Commission's approval of the Avista transaction was a good start to 2018, a year in which we expect to continue improving our execution capabilities on all fronts."

Selected Consolidated Financial and Operating Highlights

<i>(amounts throughout in millions of Canadian dollars, except as otherwise noted)</i>	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Revenues	1,439	1,614	5,990	6,552
Purchased power	662	858	2,875	3,427
Revenues, net of purchased power ¹	777	756	3,115	3,125
Net income attributable to common shareholders	155	128	658	721
Costs related to acquisition of Avista, after tax	15	—	36	—
Adjusted net income attributable to common shareholders ¹	170	128	694	721
Basic earnings per common share (EPS)	\$0.26	\$0.22	\$1.11	\$1.21
Diluted EPS	\$0.26	\$0.21	\$1.10	\$1.21
Basic Adjusted EPS ¹	\$0.29	\$0.22	\$1.17	\$1.21
Diluted Adjusted EPS ¹	\$0.28	\$0.21	\$1.16	\$1.21
Net cash from operating activities	523	474	1,716	1,656
Capital investments	431	477	1,567	1,697
Assets placed in-service	733	699	1,592	1,605
Transmission: Average monthly Ontario 60-minute peak demand (MW)	18,946	19,415	19,587	20,690
Distribution: Electricity distributed to Hydro One customers (GWh)	6,784	6,521	25,876	26,289

¹ **Non-GAAP Measures** - Hydro One uses financial measures that do not have a standardized meaning under generally accepted accounting principles in the United States of America (US GAAP) and may not be comparable to similar measures presented by other entities. Hydro One calculated the non-GAAP measures by adjusting certain US GAAP measures for specific items that impact comparability but which the Company does not consider part of normal, ongoing operations. Refer to the Non-GAAP Measures section of the Company's Management's Discussion and Analysis for further discussion of these items.

Key Financial Highlights

In the final quarter of 2017, the Company reported net income attributable to common shareholders of \$155 million (2016 - \$128 million), a 21.1% increase from last year, and EPS of \$0.26 (2016 - \$0.22). Adjusted EPS, which exclude the impact of \$15 million costs related to the Avista acquisition, were \$0.29 for the quarter.

Revenues, net of purchased power, for the fourth quarter were higher than last year by 2.8%. This increase reflects higher transmission revenues driven by the OEB's decision on the 2017-2018 transmission rates filing, and higher energy consumption due to colder weather, partially offset by a reduction in the 2017 allowed return on equity from 9.19% to 8.78%.

The comparability of fourth quarter earnings was positively impacted by lower support services costs, reduced vegetation management costs, a reduction of provision for payments in lieu of property taxes following a favourable reassessment of the regulations, insurance proceeds received on failed equipment at two transformer stations, and a tax recovery of previous year's expenses. These factors were partially offset by higher depreciation expense due to an increase in rate base and increased financing charges primarily due to interest on Convertible Debentures issued in August 2017.

For the year, the Company reported net income of \$658 million (2016 - \$721 million), an 8.7% reduction from last year, and EPS of \$1.11 (2016 - \$1.21). Adjusted EPS are \$1.17 for the year. In addition to the factors noted above, net income for the year was also impacted by lower revenues due to milder weather during the first three quarters of 2017, higher consulting costs related to the acquisition of Avista, and a significantly lower bad debt expense in the first quarter of 2016 due to revised estimates of uncollectible accounts as a result of stabilization of the customer information system.

Hydro One continues to invest in 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 \$431 million during the fourth quarter, and placed \$733 million worth of new assets in-service.

Selected Operating Highlights

On January 16, 2018, Hydro One and Avista received approval from FERC on the merger application filed on September 14, 2017. This approval comes as the two companies make progress in obtaining the necessary regulatory approvals to close the transaction in the second half of 2018.

The Company continued to achieve substantial productivity savings in the fourth quarter, primarily through field automation, fleet optimization and a more competitive procurement process for materials and equipment. The fleet optimization initiative leverages telematics data to identify all underutilized vehicles and removes them from service. The equipment complement has been reduced by 10% in 2017 and will be maintained at the new optimal level going forward.

In December 2017, Hydro One customers started to receive a redesigned electricity bill. The new, easy-to-understand statement was developed using proven research and direct feedback from thousands of customers. Previously, bill-related questions accounted for over 35% of calls to our Customer Contact Centre and Hydro One expects to see a reduction in calls due to improved clarity on the new billing statement. During December 2017, calls related to understanding the bill dropped by 25%.

Also in December, Hydro One announced that its contact centre employees, previously contracted out, will be coming back in-house to better serve customers and provide a more seamless experience.

Several customer service initiatives aimed at convenience and affordability, such as the new bill, extended contact centre hours, the revision of collections policies, the elimination of security deposits, Winter Relief and the Affordability Fund, have improved customer satisfaction and helped to reduce overdue accounts receivable by \$40 million in 2017.

In 2017, distribution customer satisfaction reached 71%, a jump of 5% over 2016 and a four-year high. Transmission customer satisfaction hit 88% in 2017, a 10% increase since 2016.

After a severe winter storm hit Vermont on October 30, 2017, Hydro One received the call for help through the North Atlantic Mutual Assistance Group. The Company assembled a group of 60 employees and 35 vehicles in less than 12 hours to assist Green Mountain Power. Over a three day period, Hydro One was able to restore power to 3,000 customers impacted by the storm.

In January 2018, Hydro One was recognized by the EEI with an Emergency Assistance Award for the Company's outstanding restoration efforts following Hurricane Irma in September 2017. Hydro One crews demonstrated their commitment to operational excellence by quickly mobilizing 175 employees to help restore power to more than 10,000 Florida residents after Hurricane Irma pummeled the state and surrounding region.

On January 28, 2018, Mr. Paul Dobson was appointed to the position of Chief Financial Officer of Hydro One, effective March 1, 2018. Mr. Dobson was most recently the Chief Financial Officer at Direct Energy Ltd. in Houston, Texas.

Common Share Dividends

Following the conclusion of the fourth quarter, on February 12, 2018, the Company declared a quarterly cash dividend to common shareholders of \$0.22 per share to be paid on March 29, 2018 to shareholders of record on March 13, 2018.

Supplemental Segment Information

<i>(millions of dollars)</i>	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Revenues				
Transmission	379	373	1,578	1,584
Distribution	1,049	1,228	4,366	4,915
Other	11	13	46	53
Total revenues	1,439	1,614	5,990	6,552
Revenues, net of purchased power				
Transmission	379	373	1,578	1,584
Distribution	387	370	1,491	1,488
Other	11	13	46	53
Total revenues, net of purchased power	777	756	3,115	3,125
Income (loss) before financing charges and taxes				
Transmission	189	170	783	812
Distribution	139	111	508	501
Other	(9)	(16)	(59)	(35)
Total income before financing charges and taxes	319	265	1,232	1,278
Capital investments				
Transmission	267	274	968	988
Distribution	161	201	588	703
Other	3	2	11	6
Total capital investments	431	477	1,567	1,697
Assets placed in-service				
Transmission	522	488	889	937
Distribution	207	211	689	662
Other	4	—	14	6
Total assets placed in-service	733	699	1,592	1,605

Summary of Fourth Quarter Results of Operations

Net Income

Net income attributable to common shareholders for the quarter ended December 31, 2017 of \$155 million is an increase of \$27 million or 21.1% from the prior year. Excluding the impact of costs related to the Avista acquisition, net income for the quarter increased by 32.8%.

Revenues

The quarterly increase of \$6 million or 1.6% in transmission revenues was primarily due to higher revenues driven by the OEB's decision on the 2017-2018 transmission rates filing, partially offset by lower OEB-approved transmission rates.

The quarterly increase of \$17 million or 4.6% in distribution revenues, net of purchased power, was primarily due to higher energy consumption mainly resulting from colder weather in the fourth quarter of 2017; and higher external revenues related to CDM incentive bonus; partially offset by reduction in 2017 allowed ROE for the distribution business.

OM&A Costs

The quarterly decrease of \$19 million or 19.4% in transmission OM&A costs was primarily due to a reduction of provision for payments in lieu of property taxes following a favourable reassessment of the regulations, lower support services costs, and insurance proceeds received due to equipment failures at the Fairchild and Campbell transmission stations.

The quarterly decrease of \$17 million or 10.4% in distribution OM&A costs was primarily due to lower expenditures for vegetation management programs due to strategic changes to the forestry program scope that resulted in cost efficiency and improved management of the Company's rights of ways; lower bad debt expense attributable to lower write-offs and improved accounts receivable aging; and a tax recovery of previous year's expenses.

Depreciation and Amortization

The increase of \$10 million or 4.9% in depreciation and amortization costs for the fourth quarter of 2017 was mainly due to the growth in capital assets as the Company continues to place new assets in-service, consistent with its ongoing capital investment program.

Financing Charges

The quarterly increase of \$18 million or 17.8% in financing charges was primarily due to an increase in interest expense related to the Convertible Debentures issued in August 2017; partially offset by a decrease in interest expense on long-term debt resulting from a decrease in weighted average long-term debt outstanding during the quarter, together with a decrease in the weighted average interest rate.

Income Taxes

Income tax expense for the fourth quarter of 2017 increased by \$9 million compared to 2016, and the Company realized an effective tax rate of approximately 19.0% in the fourth quarter of 2017, compared to approximately 17.7% realized in 2016. The increase in the tax expense is primarily due to higher income before taxes in the fourth quarter of 2017.

Capital Investments

The decrease in transmission capital investments during the fourth quarter was primarily due to the following:

- lower volume and timing of spare transformer equipment purchases;
- timing and substantial completion of major development projects, including Guelph Area Transmission Refurbishment, Midtown Transmission Reinforcement, and Holland and Hawthorne transmission stations; and
- timing of work related to the Clarington Transmission Station project; partially offset by
- timing on work on station refurbishments and equipment replacement projects; and
- timing of work at Leamington transmission station.

The decrease in distribution capital investments during the fourth quarter was primarily due to the following:

- timing of capital contributions for jointly used facilities and lower volume of line relocation work;
- substantial completion of work on the Bolton Operation Centre in the fourth quarter of 2016;
- lower volume of work within distribution station refurbishment programs;
- timing of information technology projects including e-Billing and website redesign;
- lower volume of line refurbishments and replacements work; and
- lower volume of fleet and work equipment purchases; partially offset by
- high volume of work on new connections and upgrades due to increased demand.

Assets Placed In-Service

The increase in transmission assets placed in-service during the fourth quarter was primarily due to the following:

- substantial investments of major development projects at Leamington and Holland transmission stations were placed in-service in the fourth quarter of 2017;
- higher volume of investments for overhead lines and component refurbishments and replacement programs;
- timing of assets placed in-service for sustainment investment projects including the transformer asset replacement project at Overbrook transmission station and the breaker replacement project at Richview transmission station; partially offset by
- a large number of cumulative sustainment investments that were placed in-service in the fourth quarter of 2016 at the Bruce A and Burlington transmission stations;
- timing of investments that were placed in-service for the Advanced Distribution System project; and
- timing of assets that were placed in-service in the fourth quarter of 2016 for certain information technology development projects.

The decrease in distribution assets placed in-service during the fourth quarter was primarily due to the following:

- timing of distribution station refurbishments and spare transformer purchases; and
- lower volume of work on distribution generation connection projects; partially offset by
- higher volume of subdivision connections due to increased demand; and
- substantial investments that were placed in-service in the fourth quarter of 2017 for the Leamington transmission station feeder development project.

Consolidated Income Statements

<i>(millions of dollars, except per share amounts)</i>	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Revenues				
Distribution	1,049	1,228	4,366	4,915
Transmission	379	373	1,578	1,584
Other	11	13	46	53
	1,439	1,614	5,990	6,552
Costs				
Purchased power	662	858	2,875	3,427
Operation, maintenance and administration	244	287	1,066	1,069
Depreciation and amortization	214	204	817	778
	1,120	1,349	4,758	5,274
Income before financing charges and taxes	319	265	1,232	1,278
Financing charges	119	101	439	393
Income before taxes	200	164	793	885
Income taxes	38	29	111	139
Net income	162	135	682	746
Other comprehensive income	—	—	1	—
Comprehensive income	162	135	683	746
Net income attributable to:				
Noncontrolling interest	2	2	6	6
Preferred shareholders	5	5	18	19
Common shareholders	155	128	658	721
	162	135	682	746
Comprehensive income attributable to:				
Noncontrolling interest	2	2	6	6
Preferred shareholders	5	5	18	19
Common shareholders	155	128	659	721
	162	135	683	746
Basic EPS	\$0.26	\$0.22	\$1.11	\$1.21
Diluted EPS	\$0.26	\$0.21	\$1.10	\$1.21
Adjusted basic EPS	\$0.29	\$0.22	\$1.17	\$1.21
Adjusted diluted EPS	\$0.28	\$0.21	\$1.16	\$1.21

Consolidated Balance Sheets

December 31 (millions of dollars)	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	25	50
Accounts receivable	636	838
Due from related parties	253	158
Other current assets	105	102
	1,019	1,148
Property, plant and equipment	19,947	19,140
Other long-term assets:		
Regulatory assets	3,049	3,145
Deferred income tax assets	987	1,235
Intangible assets	369	349
Goodwill	325	327
Other assets	5	7
	4,735	5,063
Total assets	25,701	25,351
Liabilities		
Current liabilities		
Short-term notes payable	926	469
Long-term debt payable within one year	752	602
Accounts payable and other current liabilities	905	945
Due to related parties	157	147
	2,740	2,163
Long-term liabilities		
Long-term debt	9,315	10,078
Convertible debentures	487	—
Regulatory liabilities	128	209
Deferred income tax liabilities	71	60
Other long-term liabilities	2,707	2,752
	12,708	13,099
Total liabilities	15,448	15,262
Noncontrolling interest subject to redemption	22	22
Equity		
Common shares	5,631	5,623
Preferred shares	418	418
Additional paid-in capital	49	34
Retained earnings	4,090	3,950
Accumulated other comprehensive loss	(7)	(8)
Hydro One shareholders' equity	10,181	10,017
Noncontrolling interest	50	50
Total equity	10,231	10,067
	25,701	25,351

Consolidated Statements of Cash Flows

<i>(millions of dollars)</i>	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Operating activities				
Net income	162	135	682	746
Environmental expenditures	(5)	(5)	(24)	(20)
Adjustments for non-cash items				
Depreciation and amortization	190	182	727	688
Regulatory assets and liabilities	20	12	112	(16)
Deferred income taxes	30	24	85	114
Other	12	4	21	10
Changes in non-cash balances related to operations	114	122	113	134
Net cash from operating activities	523	474	1,716	1,656
Financing activities				
Long-term debt issued	—	950	—	2,300
Long-term debt repaid	(601)	(52)	(602)	(502)
Short-term notes issued	985	596	3,795	3,031
Short-term notes repaid	(953)	(1,245)	(3,338)	(4,053)
Convertible debentures issued	—	—	513	—
Dividends paid	(136)	(130)	(536)	(596)
Distributions paid to noncontrolling interest	(2)	(2)	(6)	(9)
Other	—	(4)	(27)	(10)
Net cash from (used in) financing activities	(707)	113	(201)	161
Investing activities				
Capital expenditures				
Property, plant and equipment	(396)	(444)	(1,467)	(1,600)
Intangible assets	(23)	(18)	(80)	(61)
Capital contributions received	—	6	—	21
Acquisitions	—	(221)	9	(224)
Other	6	—	(2)	3
Net cash used in investing activities	(413)	(677)	(1,540)	(1,861)
Net change in cash and cash equivalents	(597)	(90)	(25)	(44)
Cash and cash equivalents, beginning of period	622	140	50	94
Cash and cash equivalents, end of period	25	50	25	50

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

Quarterly Investment Community Teleconference

The Company's fourth quarter 2017 results teleconference with the investment community will be held on February 13, 2018 at 8 a.m. ET, 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 1-855-226-6282 prior to the scheduled start time and request access to Hydro One's fourth quarter 2017 results call, conference ID 9187347 (international callers may dial 1-440-996-5208). 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, over \$25 billion in assets and 2017 annual revenues of nearly \$6 billion. Our team of over 7,400 skilled and dedicated regular and non-regular employees proudly and safely serves suburban, rural and remote communities across Ontario through our 30,000 circuit km of high-voltage transmission and 123,000 circuit km of primary distribution networks. Hydro One is committed to the communities we serve, and has been rated as the top utility in Canada for its corporate citizenship, sustainability, and diversity initiatives. We are one of only five utility companies in Canada to achieve the Sustainable Electricity Company designation from the Canadian Electricity Association. We also provide advanced broadband telecommunications services on a wholesale basis utilizing our extensive fibre optic network. 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 the Company's governance practices, corporate social responsibility, customer solutions, and further information about its 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; strategic objectives; customer service; execution capabilities; insourcing; performance; reliability; productivity; operational improvements and excellence; innovation focus; ongoing and planned investments, projects and initiatives; the OEB's transmission rates decision; dividends; the appointment of Hydro One's new Chief Financial Officer; and the acquisition of Avista. 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.

For further information, please contact:

Investors:

Omar Javed

Director, Investor Relations

investor.relations@hydroone.com

416-345-5943

Media:

Jay Armitage

Director, Communications

media.relations@hydroone.com

416-345-6868