Exh. CSH-4
Docket U-170970
Witness: Christopher S. Hancock

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Joint Application of Hydro One Limited and Avista Corporation for an Order Authorizing Proposed Transaction	**DOCKET U-170970**

EXHIBIT TO
TESTIMONY OF

Christopher S. Hancock

STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Hydro One Q4 2017 Analyst Call Slides

April 10, 2018

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Fourth Quarter 2017 Earnings Teleconference

February 13, 2018

One of North America's largest electric utilities

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Hydro One Limited – 4Q17 Financial Summary

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($ millions)	Fourth Quarter 2017	Fourth Quarter 2016	% Change	Full Year 2017	Full Year 2016	% Change
Revenue						
Transmission	379	373	1.6%	$1,578	$1,584	(0.4%)
Distribution	*1,049*	*1,228*	*(14.6%)*	*4,366*	*4,915*	*(11.2%)*
Distribution (Net of Purchased Power)	387	370	4.6%	1,491	1,488	0.2%
Other	11	13	(15.4%)	46	53	(13.2%)
Consolidated	*1,439*	*1,614*	*(10.8%)*	*5,990*	*6,552*	*(8.6%)*
Consolidated (Net of Purchased Power)	**777**	**756**	**2.8%**	**3,115**	**3,125**	**(0.3%)**
OM&A Costs	**244**	**287**	**(15.0%)**	**1,066**	**1,069**	**(0.3%)**
Earnings Before Financing Charges and Income Taxes (EBIT)						
Transmission	189	170	11.2%	783	812	(3.6%)
Distribution	139	111	25.2%	508	501	1.4%
Other	(9)	(16)	43.8%	(59)	(35)	(68.6%)
Consolidated	**319**	**265**	**20.4%**	**1,232**	**1,278**	**(3.6%)**
Net Income[1]	**155**	**128**	**21.1%**	**658**	**721**	**(8.7%)**
Adjusted Net Income[1,2]	**170**	**128**	**32.8%**	**694**	**721**	**(3.7%)**
Basic EPS	**$0.26**	**$0.22**	**18.2%**	**$1.11**	**$1.21**	**(8.3%)**
Adjusted Basic EPS[1]	**$0.29**	**$0.22**	**31.8%**	**$1.17**	**$1.21**	**(3.3%)**
Capital Investments	**431**	**477**	**(9.6%)**	**1,567**	**1,697**	**(7.7%)**
Assets Placed In-Service						
Transmission	522	488	7.0%	889	937	(5.1%)
Distribution	207	211	(1.9%)	689	662	4.1%
Other	4	0	-	14	6	-
Consolidated	**733**	**699**	**4.9%**	**1,592**	**1,605**	**(0.8%)**

Financial Statements reported under U.S. GAAP
(1) Net Income is attributable to common shareholders and is after non-controlling interest , dividends to preferred shareholders, (2) Adjusted Net Income excludes costs related to the Avista Corporation acquisition

2017 Fourth Quarter Financial Snapshot

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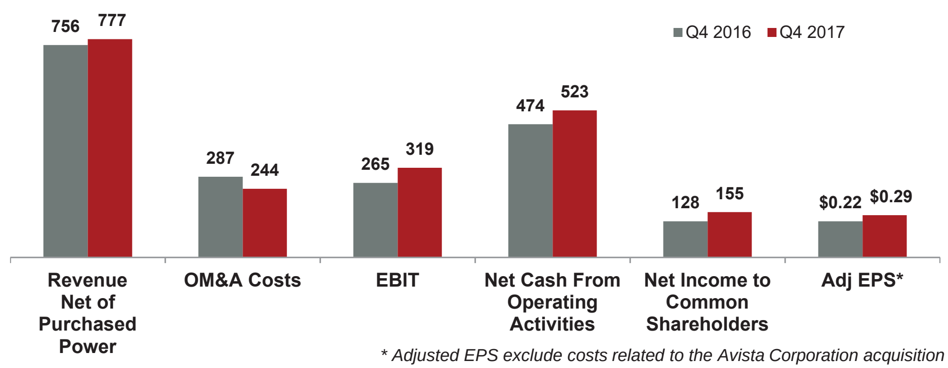
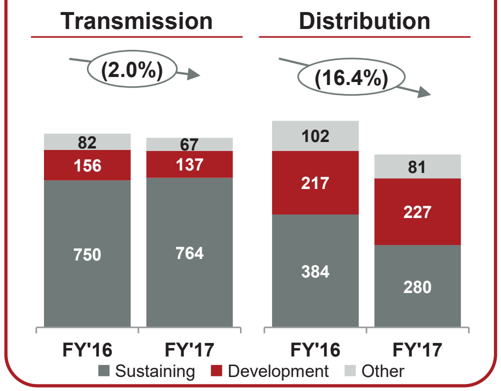
Financial Highlights ($M) – 4Q17 Year over Year Comparison

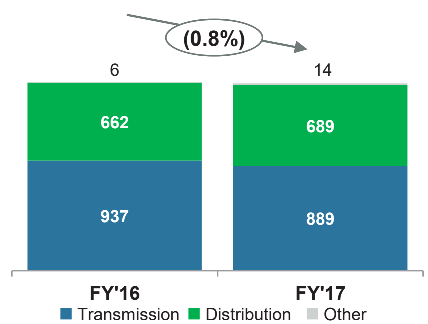


** Adjusted EPS exclude costs related to the Avista Corporation acquisition*

Regulated Capital Investments ($M)



Assets Placed in Service ($M)



Robust productivity improvements, targeted execution of the capital program, and continued customer focus have driven results

Financial Highlights:

- Revenue, net of power costs, for 4Q17 increased by 2.8%:
- Revenue increase reflects:
  - Higher transmission revenues driven by the OEB's decision on 2017-2018 transmission rate filing;
  - A return to seasonal weather leading to higher energy consumption and higher Ontario peak demand; partially offset by
  - Reduction in 2017 allowed regulated ROE from 9.19% to 8.78%.
- OM&A for 4Q17 decreased by 15% reflecting:
  - Lower forestry costs due to the new condensed vegetation maintenance program;
  - Lower support services costs; and
  - Lower bad debt expense resulting from effective management of accounts receivables.
- YOY comparability of operating costs in 4Q17 impacted by:
  - Favourable property tax reassessment;
  - Insurance proceeds received for failed equipment at two transformer stations; and
  - A tax recovery of previous year's expenses; offset by
  - One-time costs related to the acquisition of Avista in the other segment.
- Increased financing charges resulting from interest expense related to the Convertible Debentures issued in August to satisfy the equity component of the Avista acquisition, and increased depreciation due to rate base growth.
- Assets placed in service in 4Q17 are up 4.9% from last year, mainly driven by the Transmission segment. While the Distribution segment had lower in service additions in 4Q, YTD assets placed in service increased by 4.1%.

Regulatory Update

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2017 – 2018 Transmission Rate Application

- Regulatory approval received on September 28, 2017 with catch-up revenues from Jan 1, 2017
- Decision included reductions in planned capital expenditures, OM&A expenses, and in estimated tax savings from the IPO
- Hydro One filed a Motion to Review and Vary the Decision (Motion) as well as an appeal with the Divisional Court of Ontario (Appeal) seeking:
  - full amount of future tax savings from the Deferred Tax Asset
  - a recovery of $5 million relating to the Niagara Reinforcement Project
  - recovery of approximately $1 million related to costs for the Ombudsman's Office

2018 – 2022 Distribution Rate Application

- Decision Expected in 2018
- Responses to over a thousand interrogatories filed with the OEB on February 12th, 2018.

Avista Transaction

- Filed joint applications with state utility commissions in Washington, Idaho, Oregon, Montana, and Alaska
- Approval received from the Federal Energy Regulatory Commission (FERC)
- Avista Corporation filed the preliminary proxy with the Securities and Exchange Commission related to shareholder approval of the Merger

Overall Regulatory Scan

	Current Rate Methodology	Expected Rate base[1]	Effective term of next application	Comments
Transmission	Cost of Service	2018 $11.87 billion	File in first half of 2018 for 2019-23	Five-year incentive based rate filing expected to be filed Q2 2018 and to take effect 2019.

	Current Rate Methodology	Expected Rate base[2]	Effective term of next application	Comments
Distribution	Cost of Service	2018 $7.87 billion	Filed on March 31, 2017 for 2018-22	Five-year incentive based rate filing made March 31, 2017. Decision for phased transition to fixed residential rates (decoupling) already in place.

(1)Transmission Rate Base includes 100% of B2M JV rate base and Great Lakes Power. (2) Distribution rate base includes recent approved acquisitions and Hydro One Remote Communities.

Purpose, Values & Strategy

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TURN ON THE POWER OF POSSIBILITY

VALUES

SAFETY
COMES FIRST

STAND
FOR PEOPLE

EMPOWERED
TO ACT

OPTIMISM
CHARGES US

WIN
AS ONE

Customer Focus

Pillars

- Optimization & Innovation
- Diversification
- Growth

Strong Balance Sheet and Liquidity

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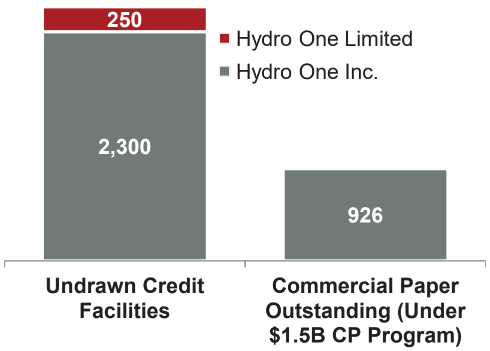
Significant Available Liquidity ($M)



Strong Investment Grade Credit Ratings (LT/ST/Outlook)

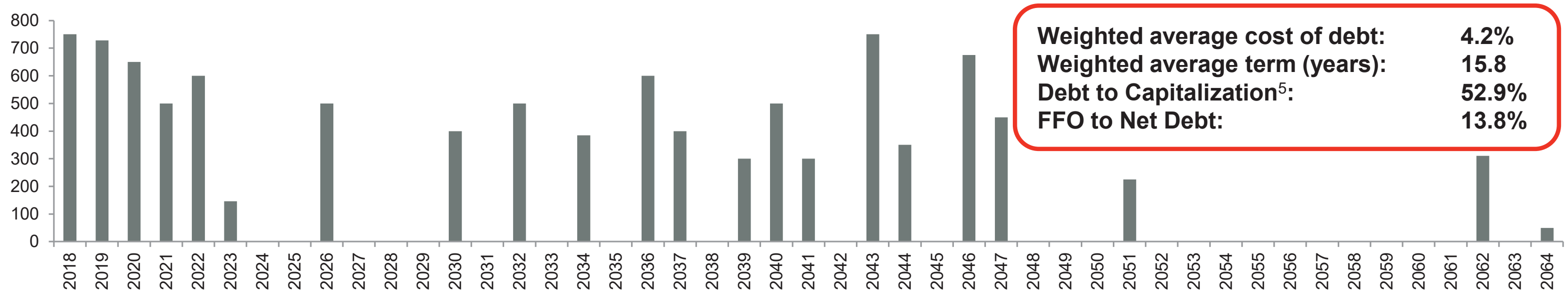
Hydro One Inc. (HOI)	
S&P	A / A-1/ negative[1]
DBRS	A (high) / R-1 (low) / stable
Moody's	A3 / Prime-2 / negative[2]

Shelf Registrations

HOL:
Universal Shelf[3]
$8B

HOI:
Medium Term Note Shelf [4]
$3.5B

Debt Maturity Schedule ($M)



Weighted average cost of debt:	**4.2%**
Weighted average term (years):	**15.8**
Debt to Capitalization[5]:	**52.9%**
FFO to Net Debt:	**13.8%**

Investment grade balance sheet with one of lowest debt costs in utility sector

(1) On July 19, 2017, S&P revised its outlook on Hydro One Limited and Hydro One Inc. to negative from stable while affirming the existing ratings. S&P indicated that the negative outlook on Hydro One Limited reflects its view that the Merger signals a shift in Hydro One Limited's business strategy, which will align the company with its global peers removing the historical rationale for a one-notch rating uplift, and the execution and financing risk inherent in any large acquisition.

(2) On July 19, 2017, Moody's affirmed the ratings of Hydro One Inc. and changed the outlook to negative from stable. Moody's indicated that the negative outlook on Hydro One Inc. reflects its view that the Merger will reduce the probability of extraordinary support from the Province.

(3) $2,790 million was drawn from the Hydro One Limited Universal Shelf during May 2017 with respect to a secondary share offering by the Province, leaving $3,240 million remaining available until April 2018.

(4) The Hydro One Inc. Medium Term Note Base Shelf Prospectus dated December 2015 expired in January 2018. A new Hydro One Inc. Medium Term Note Base Shelf Prospectus is expected to be filed in Q1 2018.

(5) Debt to capitalization ratio has been calculated as total debt (includes total long-term debt and short-term borrowings, net of cash) divided by total debt plus total shareholder's equity, including preferred shares but excluding any amounts related to non-controlling interest.

Common Share Dividends

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Dividend Statistics	
Yield[1]	3.9%
Annualized Dividend[2,3]	$0.88 / share

(1) Based on closing share price on December 29, 2017
(2) Unless indicated otherwise, all common share dividends are designated as "eligible" dividends for the purpose of the Income Tax Act (Canada)

Expected Upcoming Quarterly Dividend Dates[3]

Declaration Date	Record Date	Payment Date
February 12, 2018	March 13, 2018	March 29, 2018
May 14, 2018	June 12, 2018	June 29, 2018
August 13, 2018	September 11, 2018	September 28, 2018
November 5, 2018	December 11, 2018	December 31, 2018

(3) All dividend declarations and related dates are subject to Board approval.

Key Points

- Quarterly dividend of $0.22 per share ($0.88 annualized)
- Targeted dividend payout ratio remains at 70% - 80% of net income
- Dividend growth supported by continued rate base expansion driven by planned capital investments
- No equity issuance anticipated to fund planned five year capital investment program
- Non-dilutive dividend reinvestment plan (DRIP) was implemented post IPO (shares purchased on open market, not issued from treasury)

Attractive and growing dividend supported by
stable, regulated cash flows and planned rate base growth

Disclaimers

DISCLAIMERS

In this presentation, all amounts are in Canadian dollars, unless otherwise indicated. Any graphs, tables or other information in this presentation demonstrating the historical performance of the Company or any other entity contained in this presentation are intended only to illustrate past performance of such entitles and are not necessarily indicative of future performance of Hydro One. In this presentation, “Hydro One” refers to Hydro One Limited and its subsidiaries and other investments, taken together as a whole.

Forward-Looking Information

This presentation contains “forward-looking information” within the meaning of applicable Canadian securities laws. Forward-looking information in this presentation is based on current expectations, estimates, forecasts and projections about Hydro One’s business and the industry in which Hydro One operates and includes beliefs of and assumptions made by management. Such statements include, but are not limited to, statements related to: the Company’s transmission and distribution rate applications, including resulting rates, anticipated impacts and expected timing; the Company’s acquisition of Avista, including related plans, pro forma statements, anticipated financing, expected impacts and outcomes; statements related to dividends and anticipated dividend payout ratios, including expectations regarding the ability of continued rate base expansion through capital investments to drive growth in dividends; credit ratings; maturing debt; the Universal Shelf and the Medium Term Note Shelf; and expectations regarding funding for planned capital investments.

Words such as “aim”, “could”, “would”, “expect”, “anticipate”, “intend”, “attempt”, “may”, “plan”, “will”, “believe”, “seek”, “estimate”, “goal”, “target”, and variations of such words and similar expressions are intended to identify such forward-looking information. These statements are not guarantees of future performance 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. Hydro One does not intend, and it disclaims any obligation to update any forward-looking information, except as required by law.

The forward-looking information in this presentation is based on a variety of factors and assumptions, as described in the financial statements and management’s discussion and analysis. Actual results may differ materially from those predicted by such forward-looking information. While Hydro One does not know what impact any of these differences may have, Hydro One’s business, results of operations and financial condition may be materially adversely affected if any such differences occur. Factors that could cause actual results or outcomes to differ materially from the results expressed or implied by forward-looking information are described in the financial statements and management’s discussion and analysis.

Non-GAAP Measures

Hydro One prepares and presents its financial statements in accordance with U.S. GAAP. “Funds from Operations” or “FFO” and “Adjusted Earnings Per Share” are not recognized measures under U.S. GAAP and do not have standardized meanings prescribed by U.S. GAAP. These are therefore unlikely to be comparable to similar measures presented by other companies. Funds from Operations should not be considered in isolation nor as a substitute for analysis of Hydro One’s financial information reported under U.S. GAAP. “Funds from Operations” or “FFO” is defined as net cash from operating activities, adjusted for the following: (i) changes in non-cash balances related to operations, (ii) dividends paid on preferred shares, and (iii) non-controlling interest distributions. Management believes that these measures will be helpful as a supplemental measure of the Company’s operating cash flows and earnings. For more information, see “Non-GAAP Measures” in Hydro One’s 2016 full year MD&A.