

# HYDRO ONE

## Edmonton Investor Luncheon

December 2<sup>nd</sup>, 2009



hydroOne

# Forward Looking Statements

This presentation may contain forward-looking statements, including statements regarding the business and anticipated financial performance of Hydro One Inc. Although Hydro One believes that such statements are based on reasonable assumptions, such statements are subject to certain risks, uncertainties and assumptions related to operating performance, regulatory developments, economic conditions etc. In the event that one or more of the risks or uncertainties materialize, or that an underlying assumption prove to be incorrect, actual results may vary significantly from those expected. Hydro One is not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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# Hydro One at a Glance

- One of the largest electricity delivery systems in North America
- Wholly owned by the Province of Ontario
- No commodity (electricity) exposure



## Transmission

- \$7.9B in assets
- 29,039 km network - over 96% of capacity in Ontario
- 51 LDCs, 61 large industrials
- 26 interconnection facilities



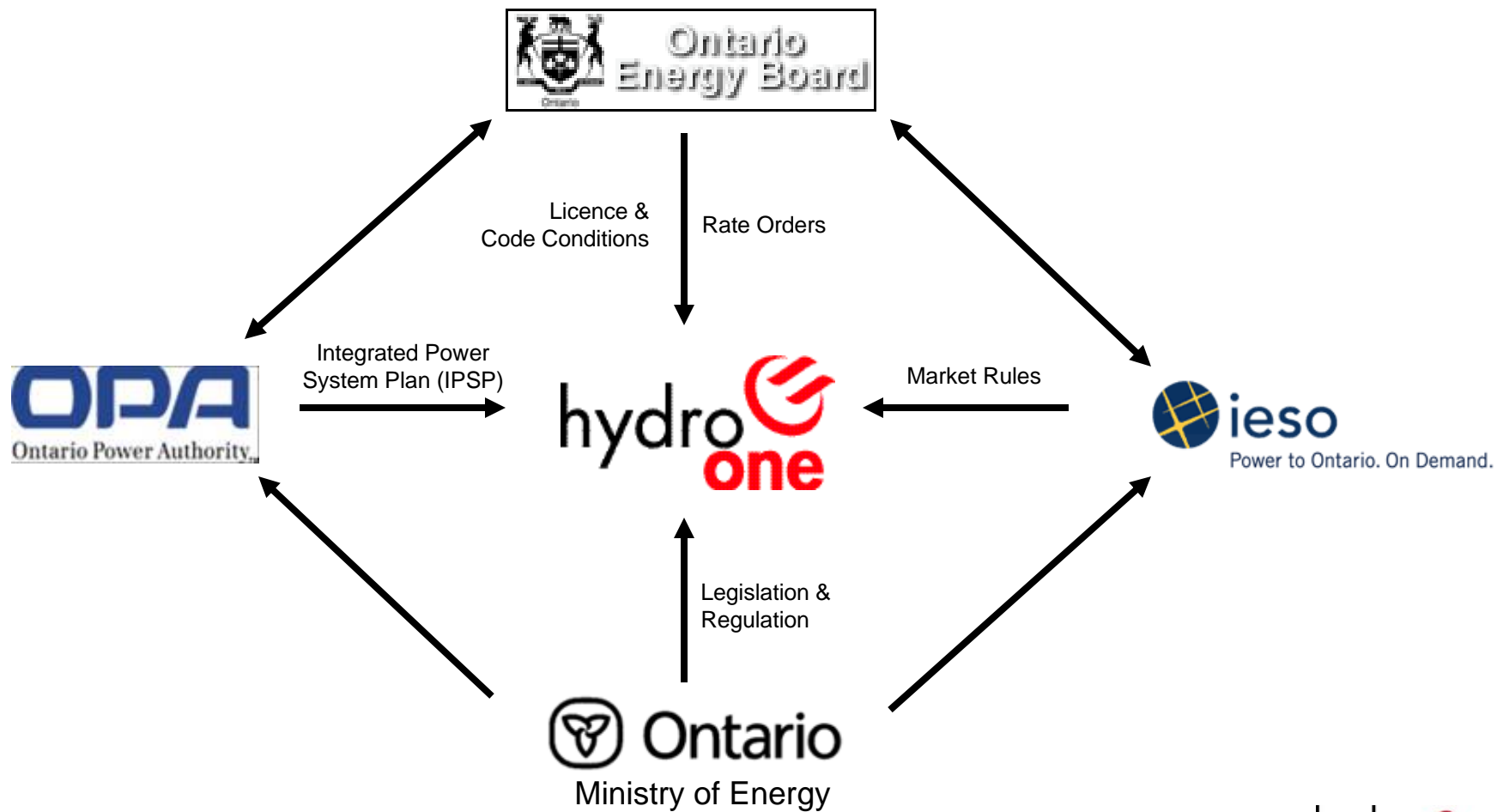
## Distribution

- \$5.9B in assets
- 123,260 km system – spans 75% of Ontario
- 1.3M rural and urban customers incl. 32 LDCs, 50 large industrials

# Hydro One – Strategic Objectives

- **Mandate**
  - A commercial enterprise, with an independent Board of Directors, providing the safe, reliable and cost effective transmission and distribution of electricity to Ontario electricity users
- **Strategic Objectives**
  - Injury-free Workplace
  - Reliable Transmission and Distribution
  - Protecting the Environment
  - Shareholder Value
- **Vision**
  - Leading electricity delivery company in North America

# Regulatory Structure



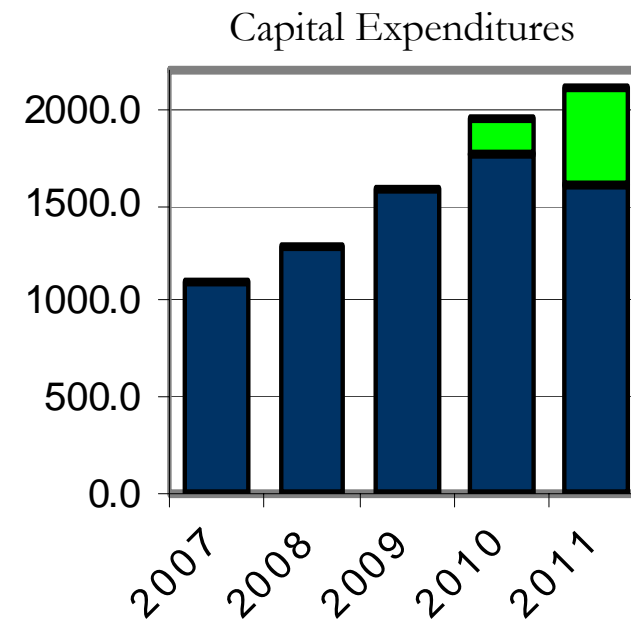
# Regulatory Developments

- Green Energy Act
- Distribution and Transmission System Code changes
- Transmission Rate Application
- Distribution Rate Application

# Capital Program

Investment in our system driven by:

- Sustaining Investments
- System Development
- Green Energy Act
- Smart Meters and Smart Grid
- Distribution Rationalization



# Capital Program

## Sustaining Investments

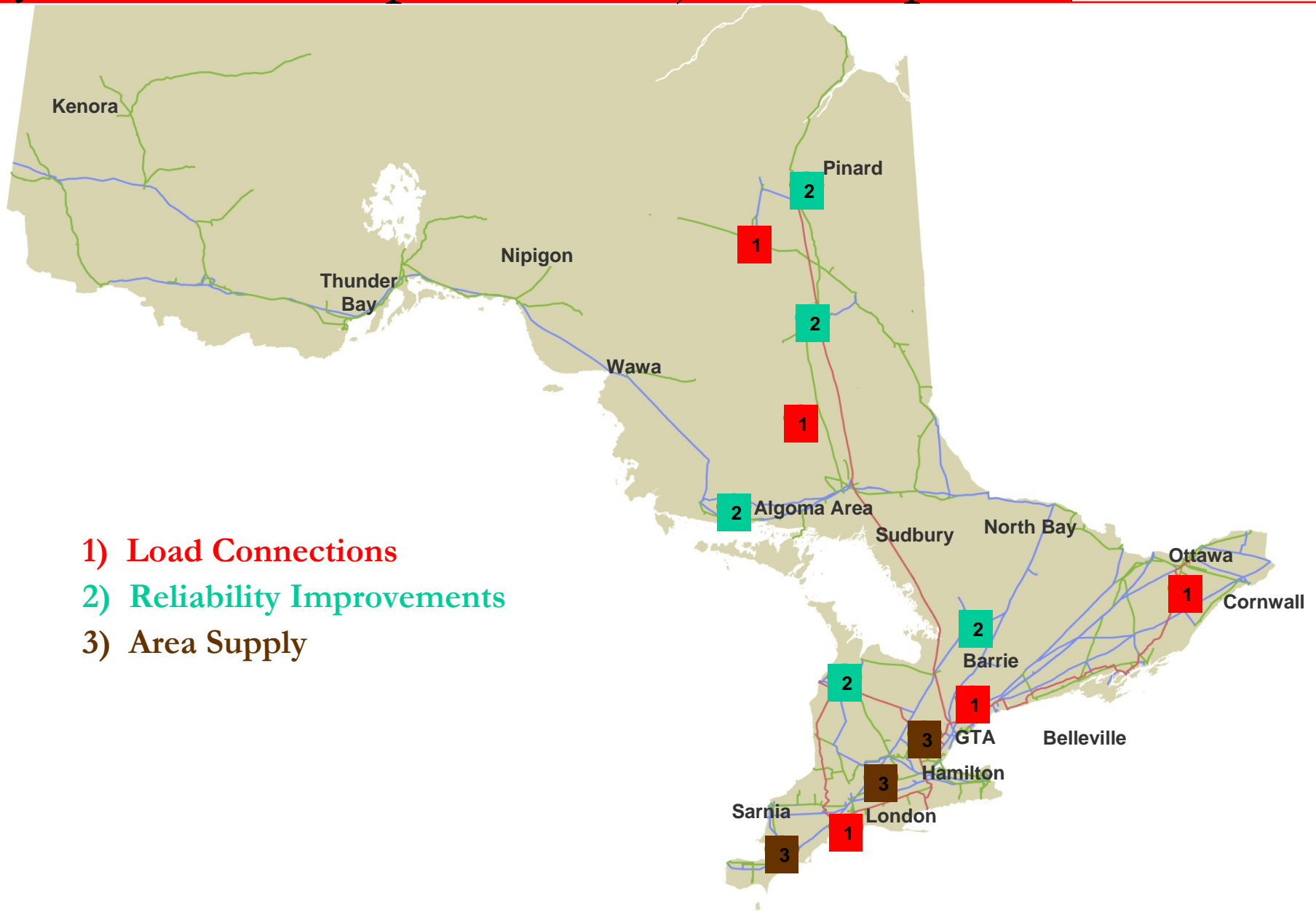
- Increasing sustaining capital expenditures
  - Aging asset base
  - Maintain reliability of the system
  - Examples of sustainment programs include
    - Wood pole replacement
    - Station refurbishments
    - Circuit breaker replacement

# Capital Program

## System Development

- System growth and reliability
- New and retiring generation
- Examples of system development programs include
  - Load connections
  - Reliability improvements
  - Area supply

# System Development Project Samples

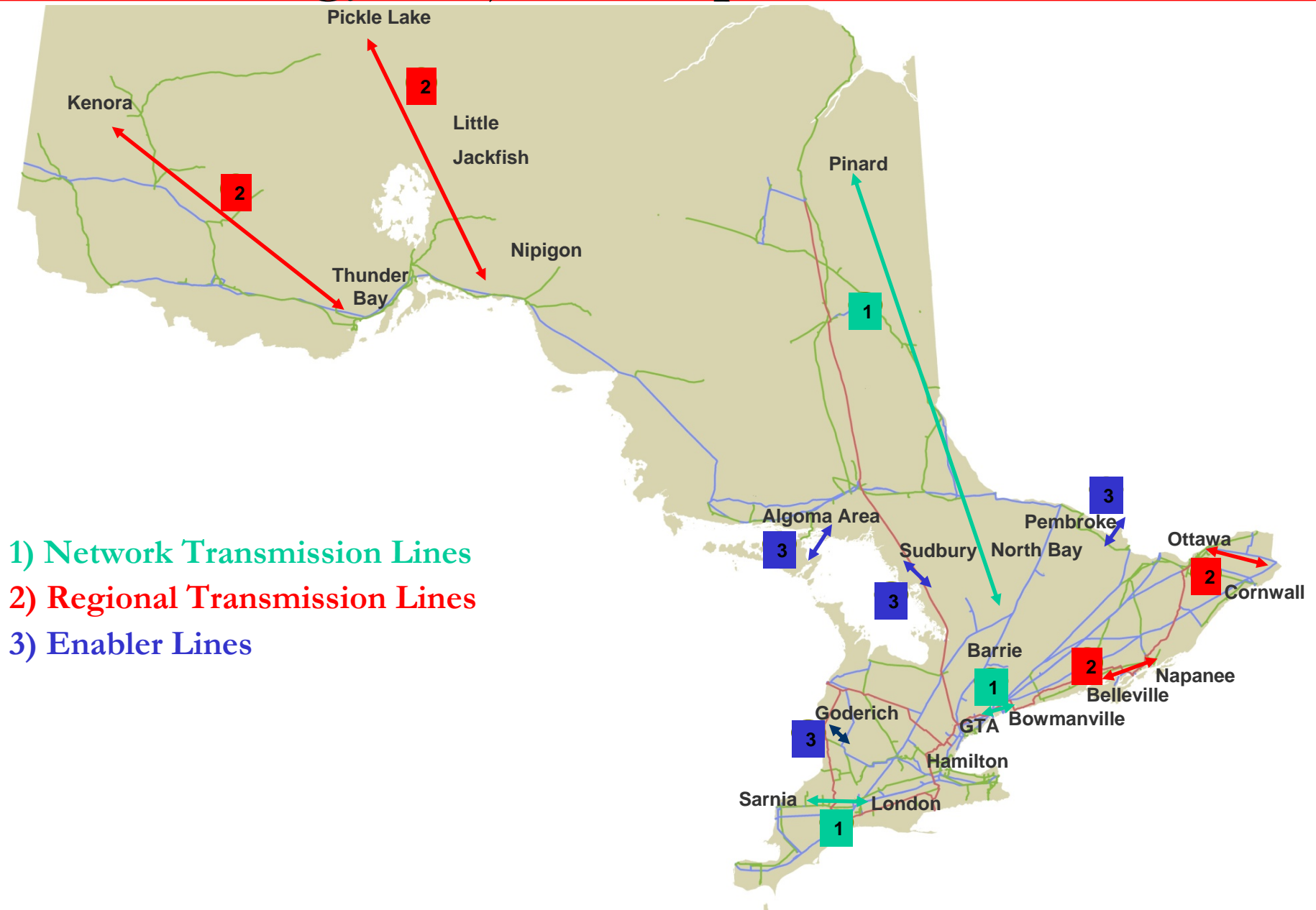


# Capital Program

## Green Energy Projects

- Required to facilitate connection of renewable generation projects in the province.
- Expenditures related to:
  - Network transmission lines
  - Regional transmission lines
  - Enabler lines
- Timing of expenditures is subject to:
  - Regulatory and government approvals
  - Environmental assessments
  - Timing of generator contributions

# Green Energy Project Samples



- 1) Network Transmission Lines
- 2) Regional Transmission Lines
- 3) Enabler Lines

# Capital Program

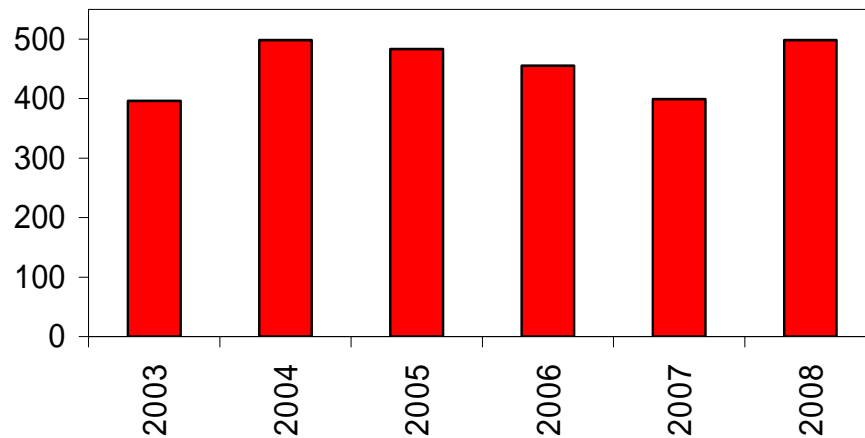
## Smart Meters / Smart Grid

- Over one million smart meters installed
- Expected to be completed in 2010
- Smart Meter Project won the Utility Planning Network's 2007 metering award.
- Smart Grid

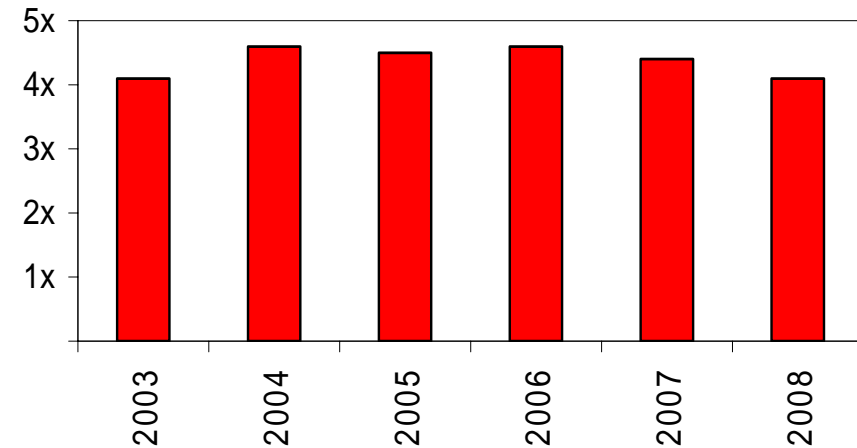
# Stable Financial Performance

- Stable regulatory environment
- Continued focus on operations
- Organic growth opportunities
- Financial metrics supportive of credit quality

Net Income



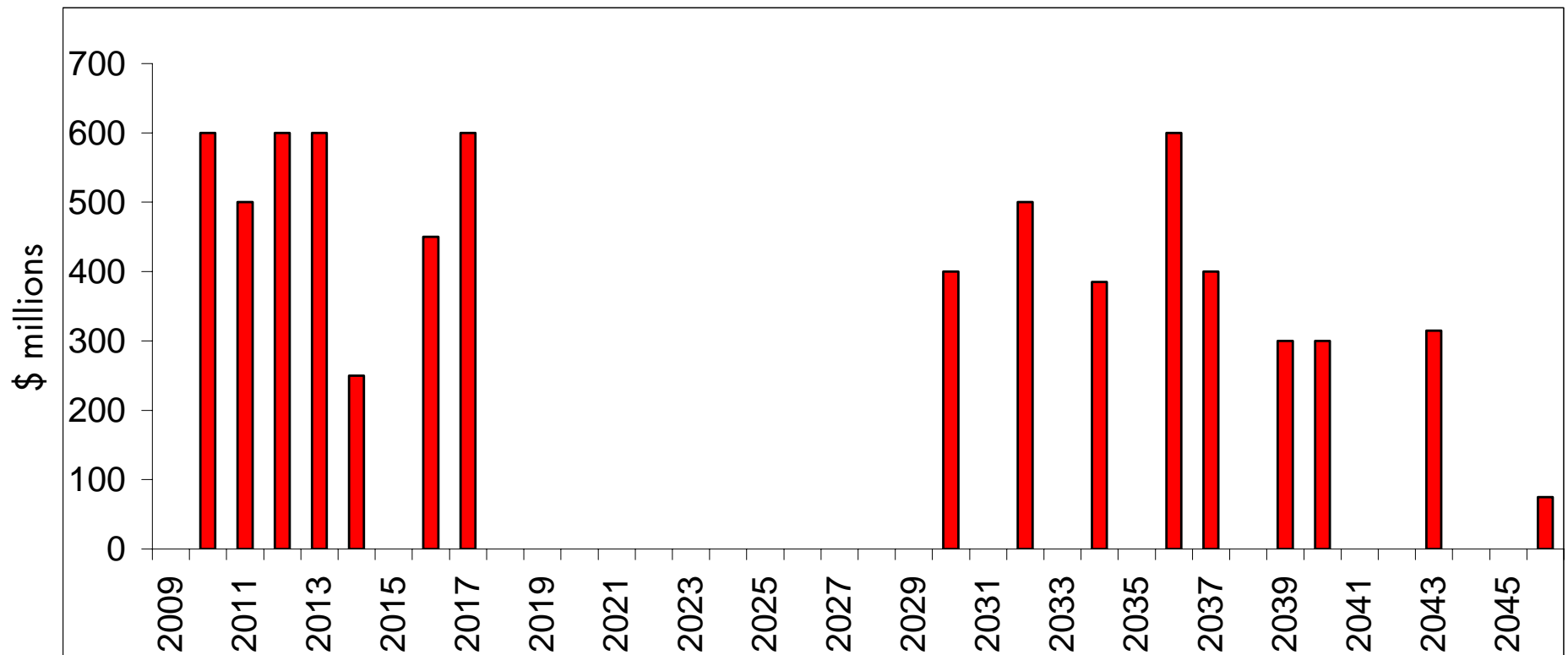
FFO/ Interest Coverage



## 2009 Third Quarter Results

(\$M)	three months ended September 30		nine months ended September 30	
	2009	2008	2009	2008
Revenues	1,144	1,126	3,537	3,403
Purchased power	547	526	1,731	1,605
Operating costs	406	393	1,183	1,131
Net income	100	112	359	367
Dividends Paid	26	72	161	186

# Long-term Debt Maturities



# Financing

- Borrowing proceeds used to:
  - Repay debt maturities
  - Fund non-core capital expenditures
  - Maintain liquidity
- MTN shelf main platform maturing August 2011
  - \$2.75B remaining
- \$1B CP program to bridge requirements

## Long-term Credit Ratings

S&P - A+

Moody's - Aa3

DBRS - A (high)

## Summary

- Stable financial performance
- Going forward:
  - Continued focus on core wires business
  - Organic growth opportunities through infrastructure investments
  - Increased financing requirements to meet increased capital expenditures
  - Maintain capital structure, credit quality

# HYDRO ONE



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