

HYDRO ONE

BMO Investor Tour Ontario Grid Control Centre

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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.

Hydro One at a Glance

- One of the largest electricity delivery systems in North America
- Wholly owned by the Province of Ontario



Transmission

- \$7.0B in assets
- 28,600 km network - over 96% of capacity in Ontario
- 51 LDCs, 64 large industrials
- 26 interconnection facilities



Distribution

- \$5.2B in assets
- 122,500 km system – spans 75% of Ontario
- 1.3M rural and urban customers incl. 34 LDCs, 48 large industrials

Hydro One – Five Year Vision

- Ensure public confidence as stewards of provincial assets
- Best safety record in the world
- Top quartile reliability
- Customer satisfaction: 90% across all segments
- Skills development and retention
- Shareholder returns: Productivity / “A” category rating

Recent Recognition

- **North American Electricity Reliability Council (NERC)** gives Hydro One Networks transmission operations marks of excellence
- **Edison Electric Institute's** “Emergency Recovery Award” in recognition of restoration efforts following severe storms in 2006
- **Corporate Knights Magazine** recognizes Hydro One as one of Canada's top 50 corporate citizens



Key Regulatory Decisions

- Transmission rate decision
- Bruce to Milton reinforcement
- Distribution rate application for 2008
- Conservation & Demand Management

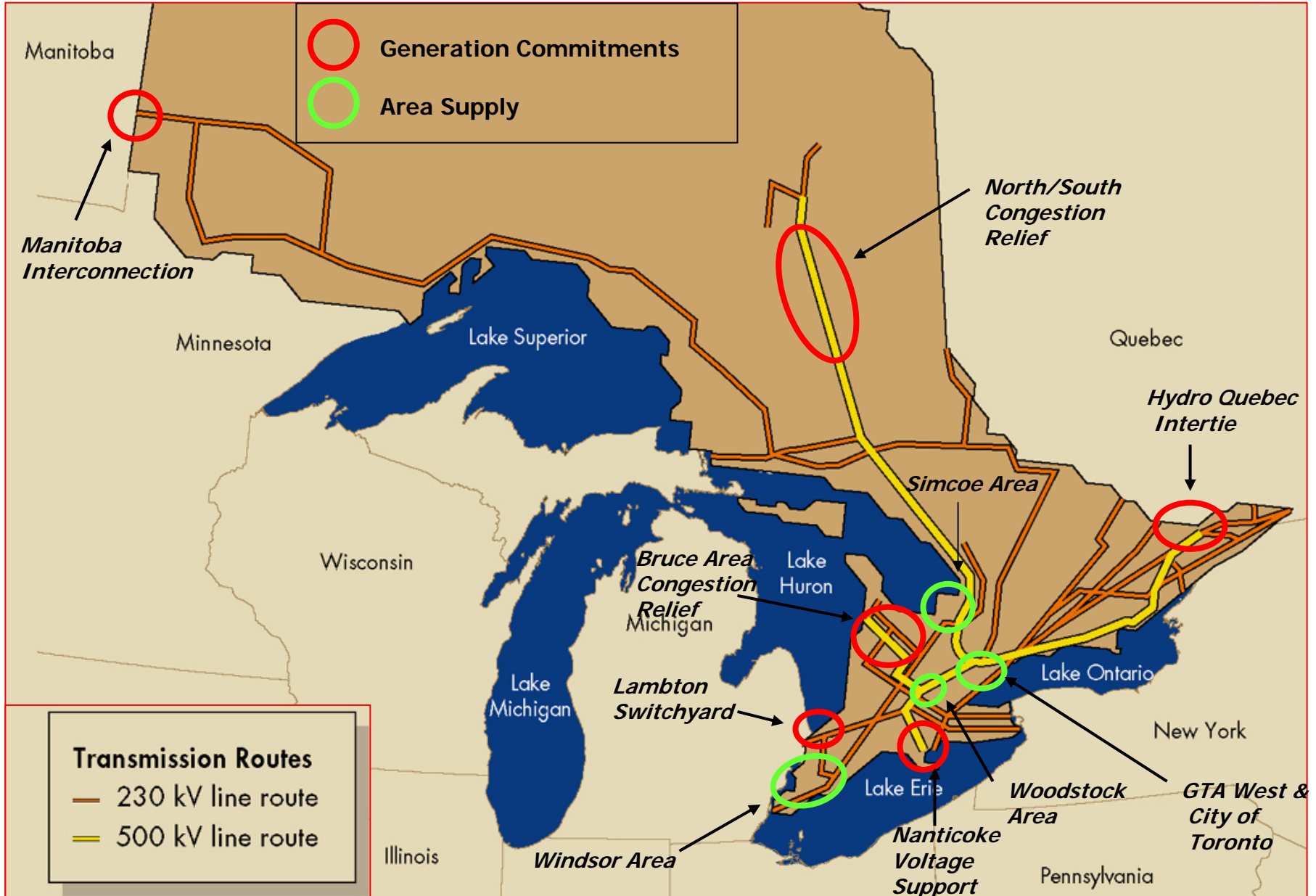


Investment Drivers

- Ongoing core capital expenditures
- Transmission system development
 - System growth and reliability
 - New and retiring generation facilities
 - Interconnections
- Smart meters
- Rationalization of Ontario electricity distribution sector



Transmission System Development - Overview

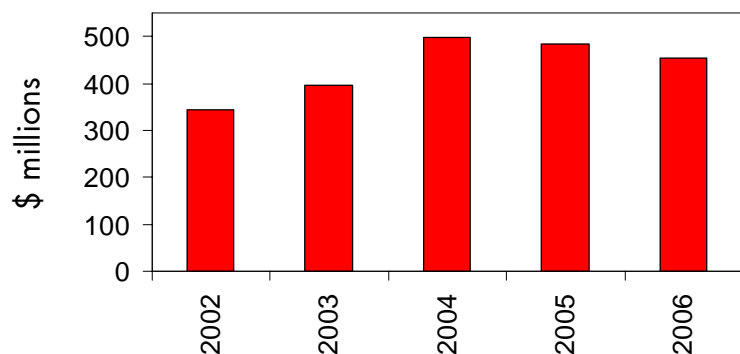


Capital Expenditures

- Planned capital expenditures approx. \$4B in 2007 to 2009
 - Core capital expenditures
 - System development / smart meters
- OPA's Integrated Power System Plan has identified \$3 to \$5B of projects in 2009 and beyond timeframe
- Likelihood and timing driven by:
 - CDM impacts
 - Smart meter program
 - Generation development / retirements
 - Approval process / times

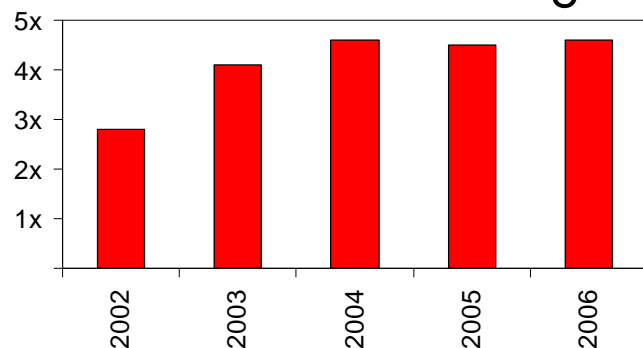
Stable Financial Performance

Net Income



- Stabilizing regulatory environment
- Continued focus on operations
- Organic growth opportunities
- Financial metrics supportive of target credit ratings

FFO Interest Coverage



2007 Second Quarter Results

(\$M)	six months ended June 30		
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenues	2,398	2,238	+7%
Purchased power	1,163	1,103	+5%
Operating costs	747	664	+13%
Net income	242	251	-4%

Financing

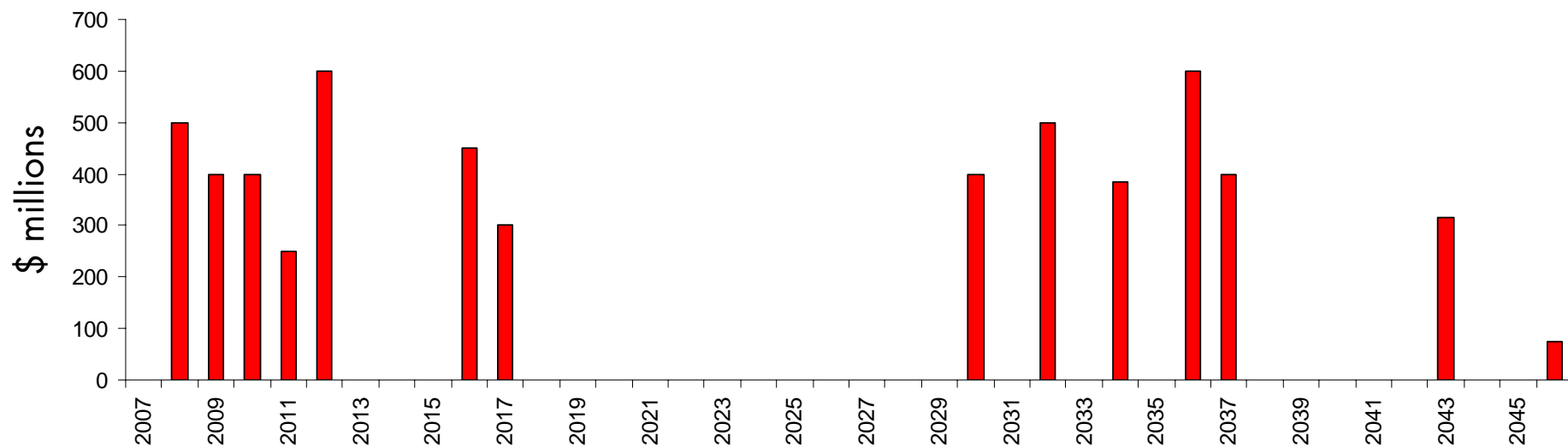
- Borrowing requirements driven by:
 - Debt maturities
 - Non-core capital expenditures
- MTN shelf main platform maturing July/09
 - \$2.2B remaining
- \$1B CP program to bridge requirements

Long-term Credit Ratings

S&P	A
Moody's	Aa3
DBRS	A (high)



Long-term Debt Maturities



Summary

- 99% regulated – experienced and supportive regulator
- Stable financial performance
- Going forward:
 - Continued focus on core wires business
 - Organic growth opportunities through infrastructure investments
 - Maintain credit quality



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