

HYDRO ONE

NY Investor Presentation

September 18, 2007



Forward Looking Statements

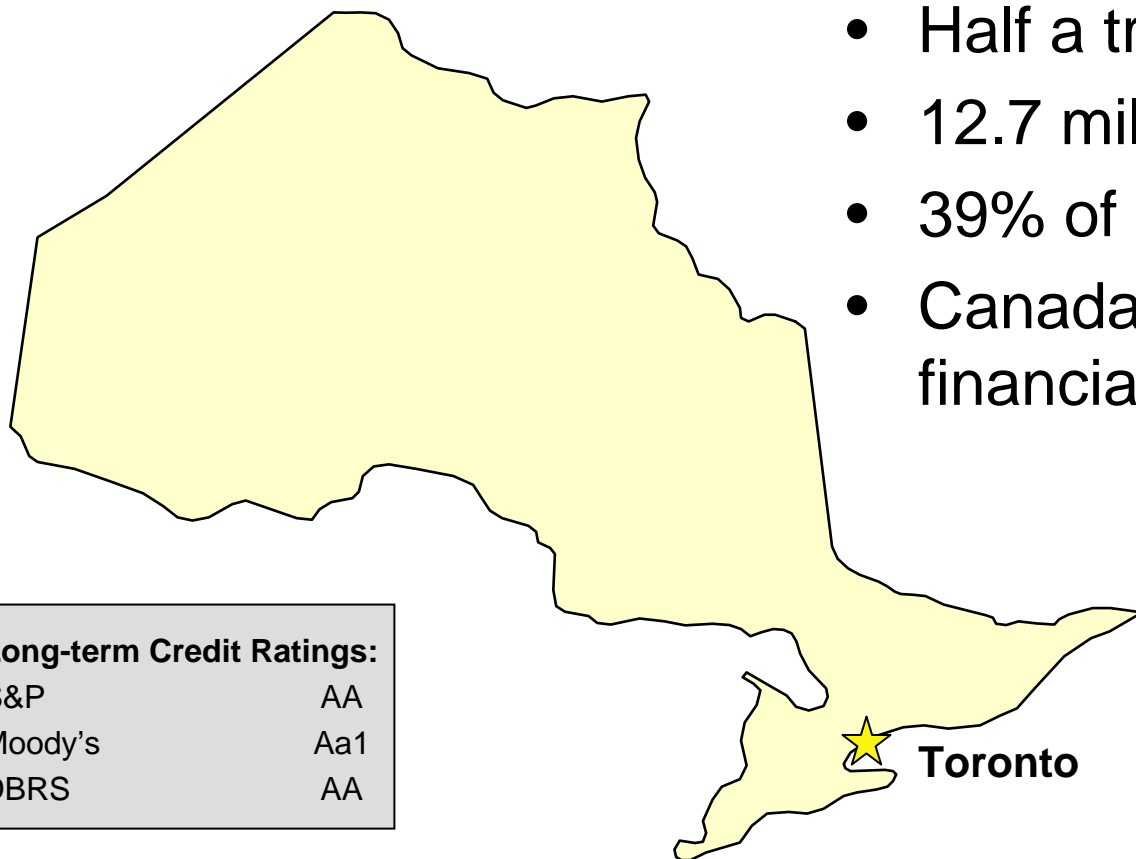
This presentation may contain forward-looking statements, including statements regarding the business and anticipated financial performance of Hydro One Inc. Although Hydro One believes that such statements are based on reasonable assumptions, such statements are subject to certain risks, uncertainties 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.

Who is Hydro One?

- Own and operate one of the largest electricity delivery systems in North America
- Backbone of Ontario economy
- No generation exposure
- Wholly owned by the Province of Ontario
- 100-years of experience delivering electricity to the people of Ontario



Ontario Facts



- Half a trillion dollar economy
- 12.7 million people
- 39% of Canada's nominal GDP
- Canada's industrial and financial centre

Long-term Credit Ratings:

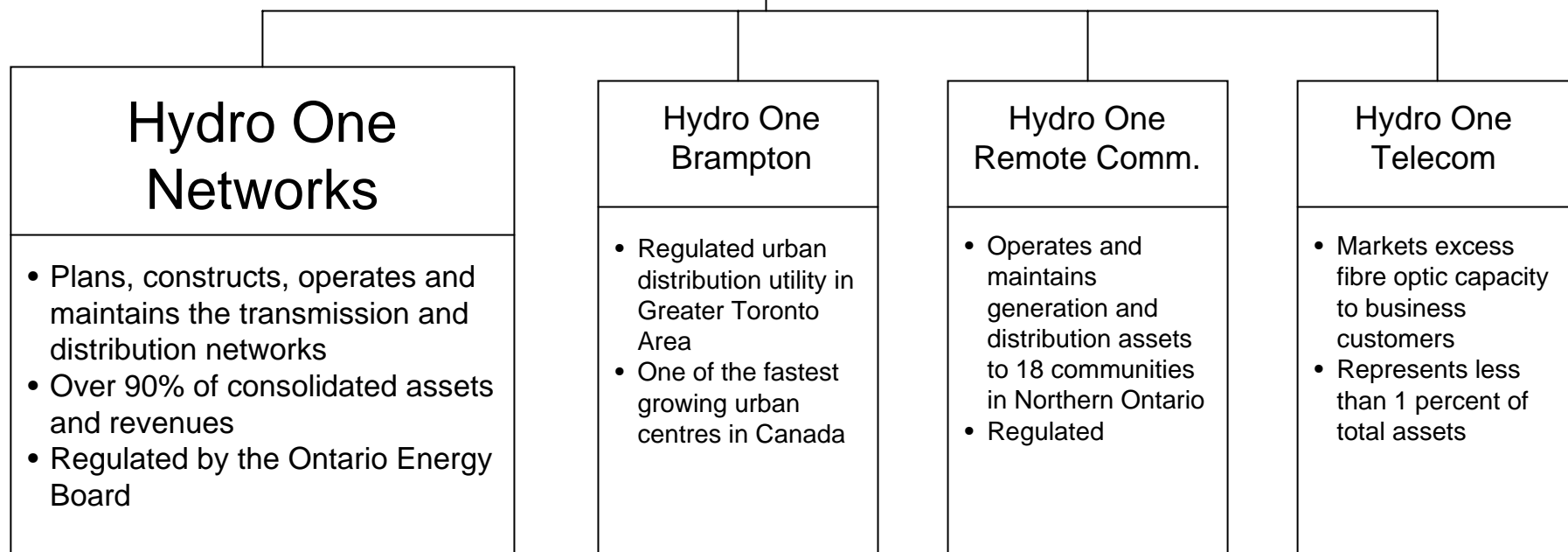
S&P	AA
Moody's	Aa1
DBRS	AA



Corporate Structure



“Owned by the Province of Ontario”



Corporate History



April 1, 1999, Ontario Hydro was reorganized into three major successor companies. Up until then, it had a vertically-integrated monopoly as it generated, transmitted and distributed substantially all of the electricity required in Ontario and was also a leading retailer of electricity in Ontario.



Successor organization to transmission and distribution business. Registered as NERC transmission operator.



Successor organization to generation business.

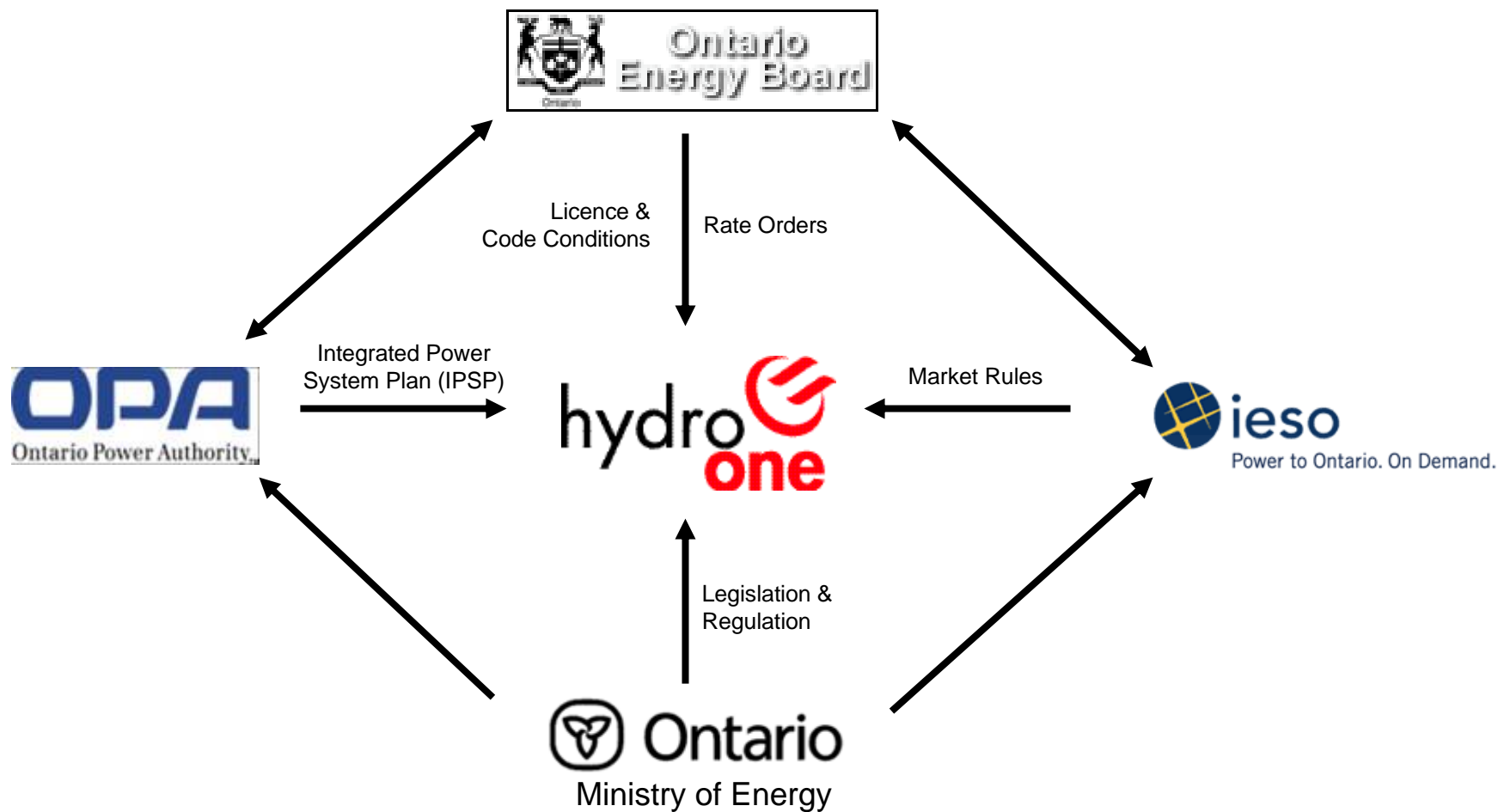


Assigned in market rules as reliability coordinator.



Newly created resource planner responsible for ensuring an adequate, long-term supply of electricity in Ontario.

Regulatory Structure



Transmission Business

- C\$7.0 billion in assets
- Over 96% of capacity in Ontario - one of the largest in North America
- 28,600 km (18,000 mile) high-voltage network
- Customers include 51 local distribution companies, 64 large industrials
- Own and operate 26 interconnection facilities





- System facts:**
- Total electricity transmitted in 2006: 151.1 TWh
 - All-time system peak: 27,005 MW
 - Geographical area served: 640,000 sq km (247,000 sq miles)

Distribution Business

- \$5.2 billion in assets
- Spans 75% of Ontario
- 122,100 km (75,900 mile) system
- 1.3 million customers, including 34 local distribution customers, 48 large industrials



Regulatory Environment

- Ontario Energy Board (OEB) – experienced and supportive
 - Regulates natural gas and electric utilities
- Effective cost of service regulation
- Recent transmission and distribution rate decisions
 - OM&A and Capital levels approved as submitted
 - Recognition of debt investors



Investment Drivers

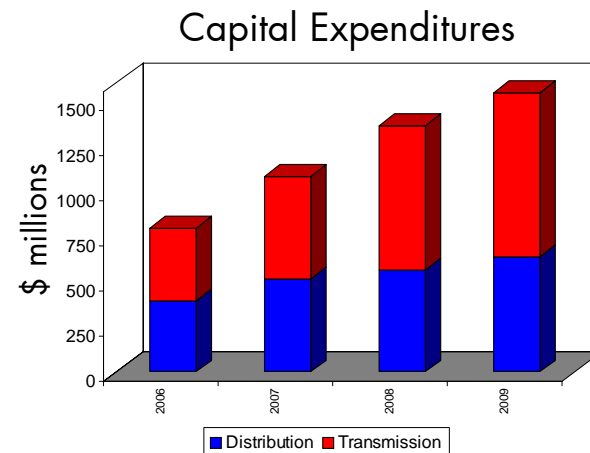
Investment in our system driven by:

- Sustaining investments
- System growth and reliability
- New and retiring generation facilities
- Expansion of interconnections
- Province of Ontario's smart meter initiative



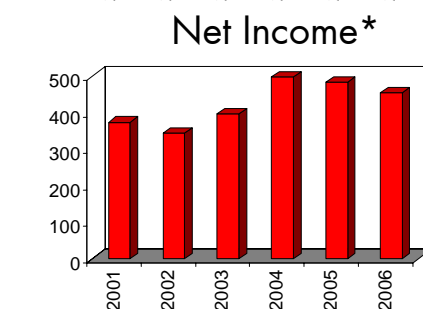
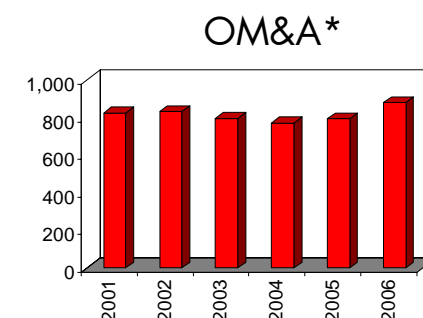
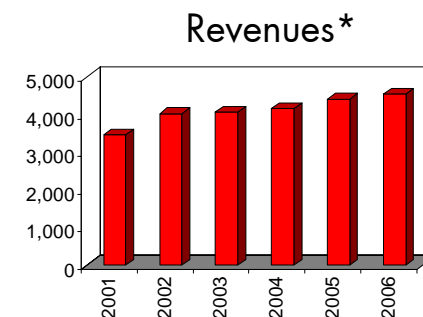
Capital Investments

- Planned capital expenditures C\$4 billion for 2007 to 2009
- Integrated Power System Plan (IPSP) for Ontario
- Likelihood and timing driven by:
 - Demand, generation and conservation initiatives
 - Approval process / times






Stable Financial Performance

Year ended December 31 (Canadian \$ millions)	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues	4,545	4,416	4,153
Purchased power	2,221	2,131	1,987
Operating costs	1,395	1,279	1,251
Net income	455	483	498
Net cash from operations	896	1,169	911
Total assets	12,234	11,821	11,725
<u>Statistics</u>			
Transmission – units transmitted (TWh)	151.1	157.0	153.4
Distribution – units distributed (TWh)	29.0	29.7	28.5
Net asset coverage on long-term debt	1.92	1.93	1.88
Earnings coverage ratio	2.67	2.69	2.70



* Year ended December 31 (C\$ millions)

Long-term Credit Ratings

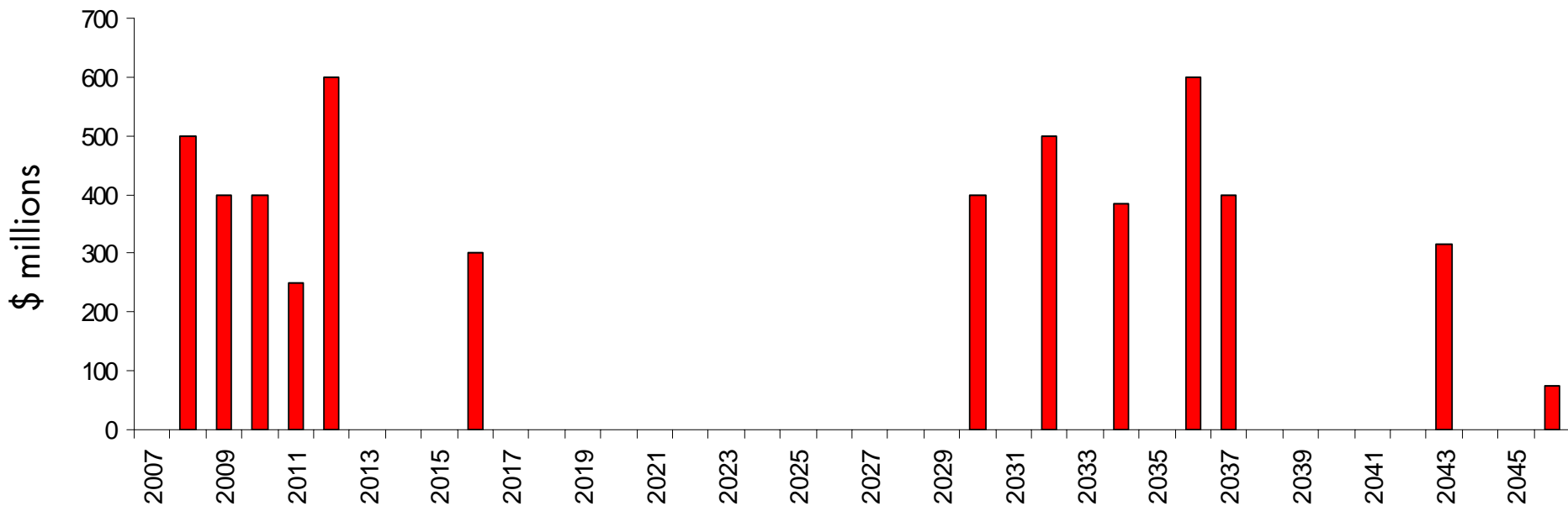
	YE 2003	YE 2004	YE 2005	YE 2006	Current
	A-	A	A	A	A/Positive
	A2	A2	Aa3	Aa3	Aa3/Stable
	A	A	A	A (high)	A (high)/Stable

Financing Programs

- Wide following of credit in Canada
- C\$5.3 billion long-term debt outstanding
 - Broadly distributed
 - Full yield curve
 - 9 dealers in syndicate
- Canadian MTN main funding platform - C\$2.5 billion shelf maturing July/09
- CP program to bridge requirements – supported by C\$750 million bank line



Long-term Debt Maturities



Funding Objectives

- Cost effectiveness
- Maturity smoothing
- Average term
- No foreign exchange risk – fully hedged
- Investor base diversification



Summary

- Attractive franchise in G7 country
- 99% regulated – experienced and supportive regulator
- Stable financial performance with solid “A” credit ratings
- Wholly owned by the Province of Ontario
- Large liquid issues outstanding over entire curve



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