

Hydro One Releases 2009 Year-End Financial Results

For Immediate Release – February 11, 2010

Toronto - Hydro One Inc. today released its 2009 year-end results with net income for the year of \$470 million and revenues of \$4,744 million.

“In 2009, Hydro One met its net income target and made important progress on a number of strategic fronts,” said Laura Formosa, President and CEO of Hydro One. “The Company has been engaged in planning and building new transmission and distribution infrastructure in support of renewable generation and the Green Energy Act and managing critical sustainment priorities and programs.”

The following are some of our key achievements for 2009:

- In 2009, we maintained our strong financial fundamentals and successfully raised \$1.15 billion in long-term financing through the issuance of medium-term notes to meet this year’s cash requirements for debt maturities and growing capital programs. This included \$250 million issued in the final quarter of last year. In January 2010, we successfully issued a further \$500 million. On February 2, 2010, we entered into an additional \$500 million revolving standby credit facility which matures in 2013. This standby credit facility, coupled with the existing \$750 million credit facility and the purchase of \$250 million Province of Ontario Floating Rate Notes, provides Hydro One with liquidity facilities of \$1.5 billion.
- In September 2009, the Government of Ontario asked our company to proceed with a series of transmission projects in support of the Green Energy Act. Subsequently, in October 2009, we initiated the planning for the Northwest Transmission Expansion project, as well as several other large projects, under Ontario’s *Environmental Assessment Act*.
- On December 16, 2009, we received Environmental Assessment approval for the Bruce to Milton Transmission Reinforcement Project. The project involves constructing a new 180 kilometre double-circuit 500 kilovolt (kV) transmission line from the Bruce Power facility to Hydro One’s Milton Switching Station.
- Hydro One Networks Inc. and Toronto Hydro-Electric System Limited jointly identified a need to refurbish the existing 115 kV transmission infrastructure which serves midtown Toronto and areas to the west. In December, we filed an associated Leave-to-Construct application under Section 92 of the *Ontario Energy Board Act*.
- Our smart meter program surpassed the key milestone of one million smart meters installed, with communication infrastructure built to support almost 750,000 meters. This is one of the largest smart meter deployments by a utility in North America and will start to see our customers convert to time-of-use pricing in 2010.

- We successfully completed phase II of our planned phased replacement of key information technology, moving multiple Human Resources, Pay and Finance modules to a single common SAP platform.
- We were named Canada's Number One Corporate Citizen in the Corporate Knights Magazine's annual ranking of the best corporate citizens in Canada and one of the Top 90 Greater Toronto Employers for 2010 by Mediacorp Canada Inc.
- Hydro One's efforts to improve both fuel efficiency and environmental management of its fleet of service vehicles earned us the gold rating from Canada's Energy, Environment and Excellence group. This group recognizes companies and governments who increase fuel efficiency in their fleets and reduce their carbon footprint and who demonstrate leadership in fleet management excellence.

Net income of \$470 million was lower by \$28 million, or 6%, compared to 2008 results. Net income was affected by higher operation, maintenance and administration expenditures primarily related to planned work programs necessary to sustain our transmission and distribution systems and the impact of a one-time settlement credit in the prior year associated with the transfer of assets to the Inergi LP pension plan. Lower transmission revenues resulted from lower average monthly peak demands and lower export service revenues. These impacts were partially offset by a higher Ontario Energy Board-approved distribution tariff in support of necessary work programs that enable the safe and reliable delivery of electricity. In addition, payments in lieu of corporate income taxes were lower, reflecting higher capital cost allowance deductions.

Capital expenditures of \$1,566 million were higher by \$282 million, or 22%, compared to the prior year. Expenditures to expand our transmission system increased primarily as a result of a number of significant inter-area network upgrade projects facilitating new generation or increased transfer capability from other jurisdictions in support of government supply mix objectives for generation. These projects include our Bruce to Milton Transmission Reinforcement Project, our Southwestern Ontario Capacitor Banks Project, and work on our Cherrywood to Claireville Transformer Station connection. Our Bruce to Milton Project will connect wind generation and refurbished nuclear sources in the Huron-Grey-Bruce area. Investments in local area supply projects to address growing loads in some areas of the province also increased. Expenditures to sustain our transmission system increased slightly over last year, primarily as a result of investments in stations equipment that are reaching, or are at, their useful life expectancy. Increased capital expenditures within our Distribution Business reflect ongoing investments in smart meters, including the development and integration of the systems required for time-of-use billing.

Total revenues for 2009 were \$4,744 million, which were \$147 million, or 3%, higher than last year. Distribution revenues of \$3,534 million were higher by \$200 million primarily due to the recovery of higher purchased power costs of \$145 million which was attributable to increases in the Ontario Energy Board's (OEB) Regulated Price Plan for residential and other eligible customers. In addition, distribution revenues were positively affected by earlier OEB rate decisions. Our transmission revenues were lower by \$65 million compared to the prior year due to lower average monthly peak demands and two OEB transmission rate decisions.

Net cash from operating activities was \$892 million in 2009. During the year, we paid \$188 million in dividends to our shareholder, the Province of Ontario, and \$77 million in payments in lieu of corporate income taxes, including capital taxes, to the Ontario Electricity Financial Corporation.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND STATISTICS

<i>Year ended December 31</i> <i>(Canadian dollars in millions)</i>	2009	2008	Change	% Change
Revenues	4,744	4,597	147	3
Purchased power	2,326	2,181	145	7
Operating costs	1,594	1,513	81	5
Net income	470	498	(28)	(6)
Net cash from operations	892	1,052	(160)	(15)

STATISTICS

Average annual Ontario 60-minute peak demand (MW) ¹	20,798	21,820	(1,022)	(5)
Distribution – units distributed to our customers (TWh) ¹	28.9	29.9	(1.0)	(3)

¹ System-related statistics are preliminary

Hydro One Inc. is a holding company that operates through its subsidiaries in electricity transmission and distribution and telecom businesses. One of its subsidiaries, Hydro One Networks Inc., operates one of the largest transmission and distribution systems in North America. Hydro One Inc. is wholly owned by the Province of Ontario.

Hydro One Inc.'s 2009 Annual Consolidated Financial Statements and Management's Discussion and Analysis can be accessed through the following link:

www.hydroone.com/financials

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