

## Hydro One Releases 2005 Year-End Financial Results

*For Immediate Release – February 15, 2006*

**Toronto** - Hydro One Inc. today released its 2005 year-end results with net income for the year of \$483 million and revenues of \$4,416 million.

“Hydro One had a strong year from a financial perspective, enabling us to make important investments in our transmission and distribution infrastructure.” said Hydro One President and CEO Tom Parkinson. “Our strategy to focus on our core electricity delivery business and a stabilizing regulatory environment were key elements to our success.”

Hydro One’s 2005 achievements include:

- Completing the Parkway Transformer Station on time and budget. This facility improves the reliability of the transmission system serving the electricity demand in the Greater Toronto Area and helps facilitate the shut down of the Lakeview Generating Station.
- Receiving the necessary approvals from the Ontario Energy Board (OEB) for two important projects: the construction of two underground cable circuits to reinforce our electricity transmission facilities in downtown Toronto, and the building of a new 76 kilometer 230 kV line that will improve reliability in the Niagara region. Work has commenced on both projects.
- Filing a distribution rate application in August 2005. The rate application is currently in the evidentiary phase and a decision from the OEB is expected in the first quarter of 2006.
- Moody’s Investors Service raised Hydro One’s long-term debt rating to Aa3 from A2 in July 2005 reflecting the application of a new rating methodology for government-related issuers. Also in July 2005, Standard & Poor’s Ratings Services raised Hydro One’s short-term debt rating to A-1 from A-2. Dominion Bond Rating Service changed the trend on Hydro One’s long-term debt rating to positive from stable in January 2005.

Net income in 2005 increased \$76 million, or 19%, to \$483 million compared to 2004, excluding the impact of last year’s one-time regulatory recovery. This increase primarily reflects higher tariff revenues within our transmission and distribution businesses. We maintained an intense focus on the operation of our equipment during the abnormally hot summer to ensure the continuous, reliable delivery of electricity to Ontarians. In addition, we experienced a favourable impact on our results due to the recognition of a tax benefit related to the accumulated tax losses of one of our subsidiaries. These impacts were partially offset by higher operations, maintenance and administration expenditures, primarily within our province-wide distribution business. Including last year’s one-time regulatory recovery, which was caused by the suspension of an approved rate increase under the *Electricity Pricing, Conservation and Supply Act, 2002*, our net income decreased by \$15 million, or 3%, compared to 2004.

“The hot summer, which resulted in an all-time peak demand, contributed to our bottom line but created operational challenges for our system and staff,” added Parkinson. “The transmission and distribution grids

performed well allowing us to provide the reliable service that our customers expect. However, the multiple power warnings issued over the summer highlight the immediate need to take action to ensure reliable electricity supply and delivery in Ontario. Our recently completed Parkway Transformer Station and our current project to reinforce the transmission facilities in the Niagara region are good examples of the type of investments that Hydro One will make in the public interest in order to continue to ensure the reliable supply of electricity for the Province.”

Revenues increased by \$263 million, or 6%, compared to 2004 primarily reflecting higher distribution revenues associated with the recovery of purchased power costs. Distribution revenues also increased due to the implementation of an OEB-approved tariff increase effective April 1, 2005 and the recognition of low-voltage services revenue, both of which were previously suspended. The increase in the demand for electricity, reflecting the hot summer temperatures in 2005, also resulted in higher transmission and distribution tariff revenues. Net cash from operations was \$1,170 million in 2005. During the year, the Company paid \$291 million in dividends to the Province of Ontario and invested \$691 million in capital, primarily in the transmission and distribution systems.

## CONSOLIDATED FINANCIAL HIGHLIGHTS AND STATISTICS

<i>Year ended December 31</i> <i>(Canadian dollars in millions)</i>	<b>2005</b>	<b>2004</b>	<b>Change</b>	<b>% Change</b>
Revenues	4,416	4,153	263	6
Purchased power	2,131	1,987	144	7
Operating costs	1,279	1,251	28	2
Net income	483	498	(15)	(3)
Net cash from operations	1,170	911	259	28

## STATISTICS

Transmission – units transmitted ( <i>TWh</i> )	157.0	153.4	3.6	2
Average annual Ontario 60-minute peak demand ( <i>MW</i> )	23,074	22,375	699	3
Distribution – units distributed to our customers ( <i>TWh</i> )	29.7	28.5	1.2	4

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's 2005 Annual Consolidated Financial Statements and Management's Discussion and Analysis can be accessed through the following link:

[www.hydroone.com/2005financials](http://www.hydroone.com/2005financials)

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