news release

Hydro One Releases 2007 Year-End Financial Results

For Immediate Release – February 13, 2008

Toronto - Hydro One Inc. today released its 2007 year-end results with net income for the year of $399 million and revenues of $4,655 million.

"We are working cooperatively with communities and key stakeholders to build powerful Ontario communities by making a number of critical system investments," said Laura Formusa, President and CEO of Hydro One. "Through our cost effective and productive work programs, this necessary infrastructure renewal will ensure the people of this province can enjoy a reliable, safe and efficient supply of electricity."

The following are some of our key achievements in 2007:

- We were selected as the winner of a number of awards in the year, including the Edison Electric Institute's "Emergency Recovery Award" and a Utility Planning Networks Metering Award. We were also recognized by Corporate Knights Magazine as one of the top 50 corporate citizens in Canada and as Canada's most diverse utility. In addition to receiving the metering award, we exceeded our 2007 installation target by installing over 260,000 smart meters.

- We achieved our 2007 customer service goals. Our focus on customer-based initiatives saw our large transmission customers give us an overall satisfaction score of 95%.

- We are investing in our existing infrastructure to relieve internal congestion points and to deliver new generation from clean and renewable sources into our system. Construction on a new connection and reinforcement line between Ontario and Québec is progressing well. In downtown Toronto, we have completed our underground cable project connecting our John and Esplanade transformer stations, thereby enhancing reliability in the Toronto area. We continue to seek necessary approvals to construct a 180-kilometre high-voltage line from the Bruce Power Complex to our Milton Switching Station that will bring clean and renewable power to Southern Ontario. In August, the Ontario Energy Board (OEB) granted us early access to the lands proposed for this proposed new line to conduct engineering and environmental assessments.

- In November we entered into a partnership with four Ontario community colleges to educate and attract future employees necessary to respond to the upcoming staff retirements in our company and across our industry. We will contribute up to $3 million for scholarships, curriculum development and equipment over four years for programs that will train students in technical, technology and trade positions, readying them to work in the electricity sector.

- In its August 2007 decision, the OEB approved all of our transmission operating and capital programs for 2007 and 2008, stating that it was "convinced that the Company has genuinely formed the judgement, based on its engineering expertise and its enhanced analytical capability, that increases of the nature applied for are needed to maintain a robust, safe, and reliable transmission system."

Net income of $399 million was lower by $56 million, or 12%, compared to 2006 results. Net income for the year was impacted by the OEB's August 16, 2007 transmission rate decision. While the OEB approved all of our work program requirements for 2007 and 2008, our return on equity was reduced from 9.88% to

8.35%, effective January 1, 2007. Our net income also reflects higher requirements to operate and safely maintain our transmission and distribution systems, including enhanced transmission station maintenance and forestry programs. Our net income was further impacted by OEB decisions, including a 2006 decision affecting our distribution-related pension expenditures, last year's property tax settlement and a higher effective tax rate. These impacts were partially offset by an increase in our distribution revenues resulting from OEB-approved increases to our distribution tariff rates, as well as increased tariff revenue in our Transmission and Distribution businesses due to increased peak demands and energy consumption, as well as the elimination of last year's transmission earning sharing mechanism.

Capital expenditures of $1,091 million were higher than in 2006 by $268 million, or 33%. Expenditures made to expand our transmission system increased primarily as a result of three major lines and stations development projects: our new inter-connection with Québec, construction of our Essa to Stayner line which will improve the adequacy and reliability of supply to the Southern Georgian Bay region in recognition of the growing needs of our customers and the completion of our Downtown Toronto Cable Project. These projects will allow us to further increase the reliability and flexibility of our system, and the ability to import clean power. Expenditures on our load and generation connections work have also increased primarily as a result of reconfiguration work at our Lambton Transformer Station and work at our London Talbot, Pleasant, and Holland transformer stations. The impact of these increases was partially offset by last year's substantial completion of our Niagara Reinforcement Project. Within our Distribution business, significant capital investments were made to install 260,000 smart meters in 2007.

Total revenues for 2007 were $110 million, or 2%, higher than last year. This increase reflects a number of factors within our Distribution business. We experienced increased distribution tariff revenues due to higher demand, OEB approval of new distribution rates effective May 1, 2006 and 2007, the OEB's decision on August 8, 2007 regarding the recovery of certain expenditures to install smart meters and recovery for increased purchased power costs. Our transmission revenues decreased marginally, primarily due to the impact of the recent OEB transmission rate decision which reduced revenues by about $53 million. This decrease was partially offset by the impact of a previous OEB decision regarding an earnings sharing mechanism that ceased effective December 31, 2006, as well as increased tariff revenues due to higher peak demands. Net cash from operating activities was $1,141 million in 2007. During the year, the Company paid $325 million in dividends to the Province of Ontario.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND STATISTICS

Year ended December 31 *(Canadian dollars in millions)*	**2007**	**2006**	**Change**	**% Change**
Revenues	4,655	4,545	110	2
Purchased power	2,240	2,221	19	1
Operating costs	1,516	1,395	121	9
Net income	399	455	(56)	(12)
Net cash from operating activities	1,141	909	232	26
STATISTICS				
Average annual Ontario 60-minute peak demand *(MW)*[1]	22,988	22,650	338	1
Distribution – units distributed to our customers *(TWh)*[1]	30.2	29.0	1.2	4

[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's 2007 Annual Consolidated Financial Statements and Management's Discussion and Analysis can be accessed through the following link:

www.hydroone.com/2007financials

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