

Hydro One Releases 2009 First Quarter Financial Results

For Immediate Release – May 13, 2009

Toronto - Hydro One Inc. today released its 2009 first quarter results with net income for the quarter of \$177 million and revenues of \$1,303 million.

“We remain focused on our efforts to build new transmission to deliver clean and renewable generation into our system and maintain and enhance the performance of our existing infrastructure.” said Laura Formosa, President and CEO, Hydro One Inc. “We continue to make progress on our Smart Meter program, while applying new technologies prudently to drive efficiencies and improvements in our business.”

The following are some of our key achievements in the first quarter:

- On March 3, 2009, we issued \$300 million of 30-year notes at a coupon rate of 6.03% and a maturity date of March 3, 2039. In total, in the first quarter, we successfully raised \$600 million of cost effective debt financing through our Medium-Term Note Program.
- We signed an agreement with Ontario-based Redline Communications Group Inc. for their WiMAX solution, which is designed to enable communications with smart meters and other advanced electricity distribution technologies, including remote meter reading and outage monitoring. To date, we have installed about 895,000 meters.
- In February, our subsidiary, Hydro One Networks Inc., and Toronto Hydro-Electric System Limited launched the Environmental Assessment process for a project to refurbish existing 115kV transmission infrastructure which serves midtown Toronto and areas to the west. The project will respond to steady load growth and the need to replace assets approaching end-of-life.
- We are seeking approvals from the Ontario Energy Board (OEB) to construct an additional transmission circuit in the Lower Mattagami area and new transmission facilities in the County of Oxford. The additional circuit in the Lower Mattagami area is required to connect new generation while the transmission line and station in the County of Oxford is required to improve the reliability in the Woodstock area.
- In February, Hydro One accepted an award from Colleges Ontario for significant achievements in advancing college education in Ontario. We received the award for our work in partnering with four Ontario colleges to develop curriculum for the future employees of the electricity transmission and distribution sector and our contributions to scholarships, program development and equipment over four years.
- Our subsidiary, Hydro One Brampton Networks Inc., received the *2008 Local Distribution Company Performance Excellence Award*. This award is presented to a member of the Electricity Distributors Association that has distinguished itself among its fellow members for performance excellence in occupational health and safety, operations, financial operations, conservation and community.
- In April 2009, the Employee Assistance Society of North America (EASNA) announced Hydro One as a recipient of the *2009 Award of Excellence*. EASNA selects a Canadian and American company annually that has developed successful partnerships with Employee Assistance Providers to design and integrate a program that enhances employee well-being and enables the company to work towards a healthy and productive workplace.

Net income of \$177 million was higher by \$20 million, or 13%, compared to 2008 first quarter results. This year over year increase was primarily due to a reduction in our payments in lieu of corporate income taxes primarily resulting from higher capital cost allowance deductions being available on our information system and smart meter investments in excess of depreciation. In addition, we experienced higher distribution tariff revenue associated with a December 18, 2008 OEB decision. These increases were partially offset by the impact of a one-time settlement credit in 2008 associated with the transfer of pension assets to the Inergi LP pension plan following approval from the Financial Services Commission of Ontario.

Capital expenditures of \$336 million in the quarter were higher by \$125 million, or 59%, 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. These projects include our Bruce to Milton Project; our Southwestern Ontario Capacitor Banks Project; and work on our Cherrywood to Claireville Transformer Station connection. Our Bruce to Milton Project, to connect wind generation and redeveloped nuclear sources in the Huron-Grey-Bruce area, demonstrates our commitment to connect clean and renewable generation. Expenditures to sustain our transmission system increased as a result of refurbishment and replacement of end-of-life equipment associated with various projects including our Claireville Transformer Station project and our spare transformer purchase program. Increased capital expenditures within our Distribution Business reflect ongoing investments in our Smart Meter Program. We have also initiated some programs to support the development of a smart grid that would transform the distribution network.

Total revenues for the first quarter of 2009 were \$1,303 million, which were \$81 million, or 7%, higher than the same period last year. Higher distribution revenues of \$78 million were primarily impacted by purchased power costs attributed to increases in the OEB's Regulated Price Plan for residential and other eligible customers. Distribution revenues were positively impacted by the December, 2008 OEB decision on distribution tariff rates. These increases were partially offset by a reduction of revenues associated with the recovery of a distribution-related regulatory account which ceased March 31, 2008. Transmission revenues decreased by \$2 million compared to the prior year. The average peak demand was slightly lower than the same period last year, resulting in a marginal effect on our transmission revenues.

Net cash from operating activities was \$185 million in the first quarter of 2009. During the quarter, we paid dividends and recorded payments in lieu of corporate income taxes to the Province of Ontario in the amount of \$108 million and \$21 million, respectively.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND STATISTICS

*Three months ended March 31
(Canadian dollars in millions)*

	2009	2008	Change	% Change
Revenues	1,303	1,222	81	7
Purchased power	666	596	70	12
Operating costs	367	351	16	5
Net income	177	157	20	13
Net cash from operations	185	229	(44)	(19)

STATISTICS

Average annual Ontario 60-minute peak demand (MW) ¹	22,186	22,275	(89)	-
Distribution – units distributed to our customers (TWh) ¹	8.4	8.5	(0.1)	(1)

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 2009 First Quarter Consolidated Financial Statements and Management's Discussion and Analysis can be accessed through the following link:

www.hydroone.com/financials

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