

Hydro One Releases 2009 Third Quarter Financial Results

Toronto, November 11, 2009 - Hydro One Inc. today released its third quarter results with net income of \$359 million and revenues of \$3,537 million for the nine months ended September 30, 2009.

“Hydro One is moving ahead to plan and implement a series of major transmission projects and distribution improvements in support of Ontario's *Green Energy Act, 2009*,” said Laura Formosa, President and CEO, Hydro One Inc. “This is an important opportunity to facilitate the delivery of green power to consumers in Ontario.”

The following are some of our recent key achievements:

- On September 21, 2009, the Government of Ontario asked our company to proceed with 20 transmission projects to support the *Green Energy Act, 2009*. These projects will help bring renewable energy to the grid.
- In October 2009, we initiated the planning for the Northwest Transmission Expansion project under Ontario's *Environmental Assessment Act*. If approved, the 430 kilometre, single circuit 230kV transmission line between Nipigon and Pickle Lake will improve reliability, increase transmission capacity and connect renewable generation to the grid.
- We were named one of the Top 90 Greater Toronto Employers for 2010. Mediacorp Canada Inc. reviewed applications from more than 2,600 employers and recognized our efforts to support employees through ongoing skills training required to deliver necessary investments in electricity infrastructure and to support employee involvement in the communities where they work.
- We connected First Light, one of Canada's largest solar parks located in Stone Mills, Ontario. With more than 126,000 solar panels spanning across 90 acres, this farm is expected to generate over 10 million kWh of renewable electricity in its first year of operation - enough to power 1,000 households.

Net income of \$100 million in the third quarter and \$359 million year-to-date was lower by \$12 million, or 11% and \$8 million, or 2% respectively, compared to 2008 results. In the quarterly and year-to-date periods, net income was affected by higher operation, maintenance and administration expenditures primarily related to work programs necessary to sustain our transmission and distribution systems. In addition, lower transmission revenues resulted from lower average monthly peak demands and lower export service revenues. These impacts were partially offset by the higher distribution tariff revenues associated with the December 18, 2008 and May 13, 2009 OEB rate decisions in support of necessary work programs which enable the safe and reliable delivery of electricity. In addition, payments in lieu of corporate income taxes were lower and reflect higher capital cost allowance deductions being available on our information system and smart meter investments.

Capital expenditures of \$1,119 million for the first nine months were higher by \$284 million, or 34%, compared to the previous 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 Transmission Reinforcement 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 refurbished nuclear sources in the Huron-Grey-Bruce area demonstrates our commitment to connect clean and renewable generation. Expenditures to sustain our transmission system decreased slightly in the quarter but remain higher on a year-to-date basis, primarily as a result of refurbishment and replacement of end-of-life equipment associated with various station projects. During the quarter, we completed the Claireville Transformer Station Project which has improved reliability to meet growing demand. Increased capital expenditures within our Distribution Business reflect ongoing investments within our Smart Meter Program. We installed approximately 113,000 smart meters during

the quarter, bringing our cumulative program total to about 1,138,000 meters. We are also focused on the development and integration of the systems required for time-of-use billing, including integration with the Independent Electricity System Operator's meter data repository.

Total revenues for the nine-month period were \$3,537 million, which were \$134 million, or 4%, higher than the same period last year. Distribution revenues of \$2,620 million were higher primarily due to the recovery of higher purchased power costs attributed to increases in the OEB's Regulated Price Plan for residential and other eligible customers. In addition, distribution revenues were positively impacted by the earlier OEB decisions which approved increases in distribution tariff rates for our subsidiary, Hydro One Networks Inc. These tariff increases were implemented on February 1, 2009, and June 1, 2009 respectively. Our transmission revenues decreased by \$43 million year-to-date compared to last year primarily due to lower average monthly peak demands and the impacts of the August 28, 2008 and May 28, 2009 OEB transmission rate decisions.

During the first nine months of 2009, we paid dividends and recorded payments in lieu of corporate income taxes to the Province of Ontario in the amount of \$161 million and \$39 million, respectively.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND STATISTICS

<i>(Canadian dollars in millions, except as otherwise noted)</i>	Three months ended September 30				Nine months ended September 30			
	2009	2008	\$ Change	% Change	2009	2008	\$ Change	% Change
Revenues	1,144	1,126	18	2	3,537	3,403	134	4
Purchased power	547	526	21	4	1,731	1,605	126	8
Operating costs	406	393	13	3	1,183	1,131	52	5
Net income	100	112	(12)	(11)	359	367	(8)	(2)
Net cash from operations	274	364	(90)	(25)	653	848	(195)	(23)
Average Ontario 60-minute peak demand (MW) ¹	21,374	23,156	(1,782)	(8)	21,058	22,072	(1,014)	(5)
Distribution – units distributed to customers (TWh) ¹	6.7	7.0	(0.3)	(4)	21.4	22.1	(0.7)	(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's 2009 Third Quarter Consolidated Financial Statements and Management Discussion and Analysis can be accessed through the following link: www.hydroone.com/financials.

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