

HYDRO ONE

**RBC Capital Markets
Global Canadian Fixed Income Conference
April 25-27, 2007**



Forward Looking Statements

This presentation may contain forward-looking statements, including statements regarding the business and anticipated financial performance of Hydro One Inc. Although Hydro One believes that such statements are based on reasonable assumptions, such statements are subject to certain risks, uncertainties and assumptions related to operating performance, regulatory developments, economic conditions etc. In the event that one or more of the risks or uncertainties materialize, or that an underlying assumption prove to be incorrect, actual results may vary significantly from those expected. Hydro One is not obligated to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Hydro One at a Glance

- Own and operate one of the largest electricity delivery systems in North America



Transmission

- \$7.0B in assets
- 28,600 km network - over 96% of capacity in Ontario
- 51 LDCs, 64 large industrials
- 26 interconnection facilities



Distribution

- \$5.2B in assets
- 122,500 km system – spans 75% of Ontario
- 1.3M rural and urban customers incl. 34 LDCs, 48 large industrials

Hydro One – Five Year Vision

- Public confidence. Effective stewards of Provincial assets
- Best safety record in the world – zero serious injuries
- Top quartile reliability – transmission & distribution
- Customer satisfaction: 90% across all segments
- Skills development and retention
- Shareholder returns:
 - Top quartile employee productivity
 - Top quartile capital/operating efficiency
 - Allowed regulated return on equity
 - “A” credit rating

Key Regulatory Decisions

Recent:

- Distribution rate decision - program levels approved as submitted
- Transmission earnings sharing

Near future:

- Transmission rate hearing
- Bruce to Milton reinforcement

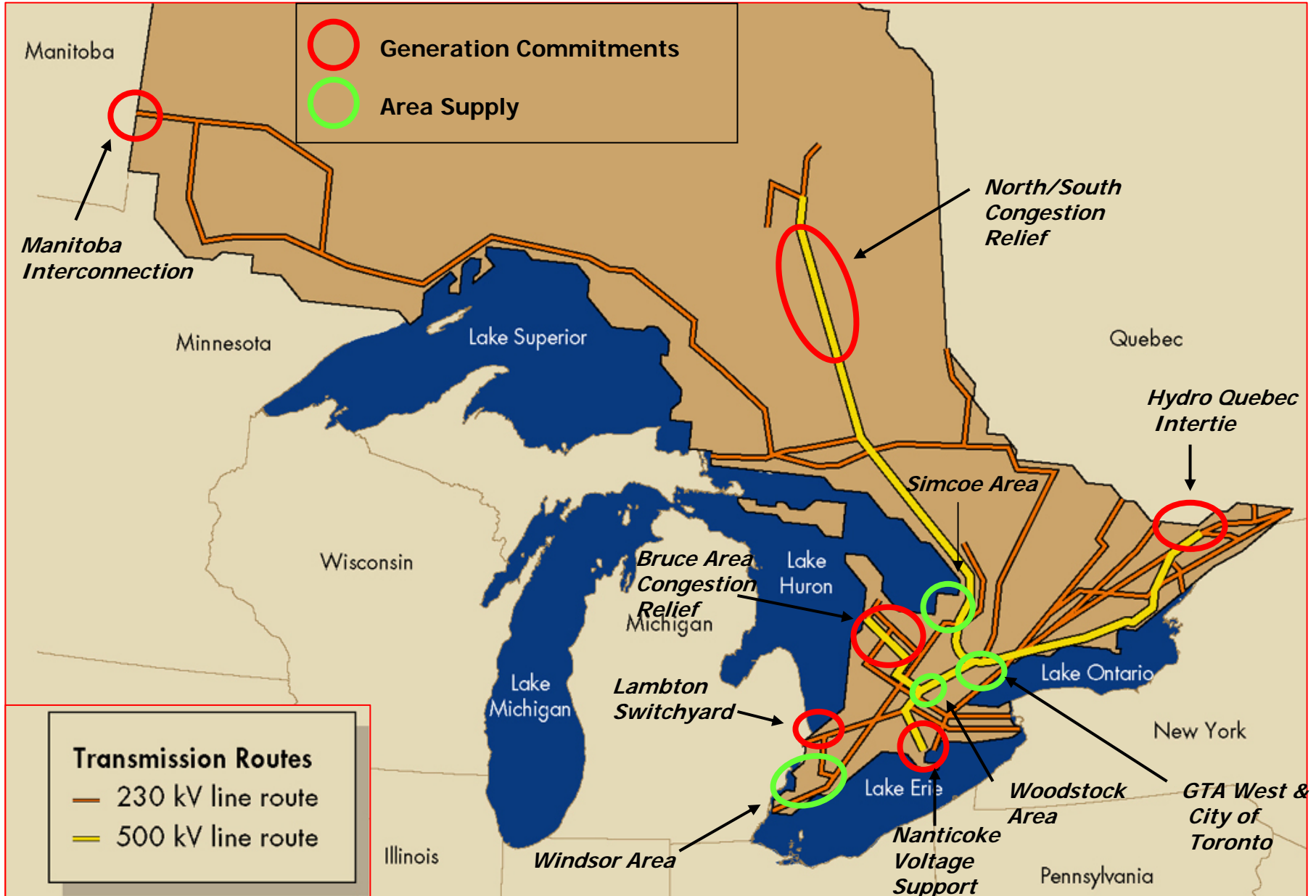


Investment Drivers

- Ongoing core capital expenditures
- Transmission system development
 - System growth and reliability
 - New and retiring generation facilities
 - Interconnections
- Conservation & Demand Management (CDM)
- Rationalization of Ontario electricity distribution sector



Transmission System Development - Overview



CDM & Distribution Rationalization

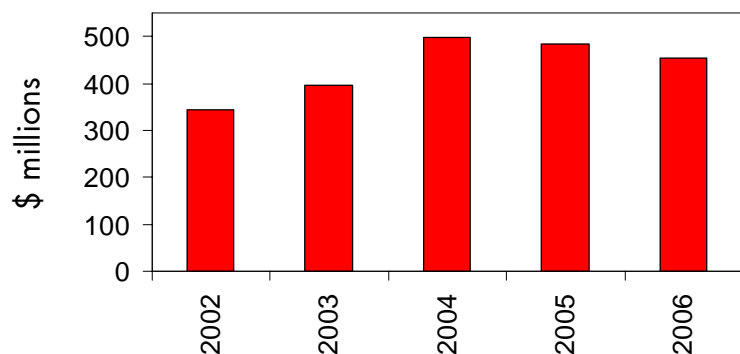
- Conservation and demand management (CDM)
 - Smart meter technology
 - Conservation initiatives
- Distribution rationalization
 - Transfer tax exemption / lifting of moratorium

Capital Expenditures

- Planned to be \$1.25, 1.35 and 1.5 B in 2007 to 2009
 - Core capital expenditures
 - System development / smart meters
- Up to \$5 B over next 10 yrs on non-core capital expenditures
- Likelihood and timing driven by:
 - Ontario Power Authority's Integrated Power System Plan
 - CDM / smart meter program
 - Distribution rationalization
 - Approval process / times

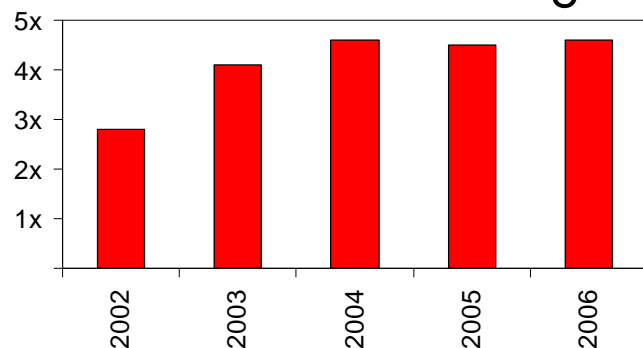
Stable Financial Performance

Net Income



- Stabilizing regulatory environment
- Continued focus on operations
- Organic growth opportunities
- Financial metrics support credit ratings

FFO Interest Coverage



Financing

- Borrowing requirements driven by:
 - Debt maturities
 - Non-core capital expenditures
- MTN shelf main platform maturing July/07
 - \$1.325B remaining
- \$1B CP program to bridge requirements

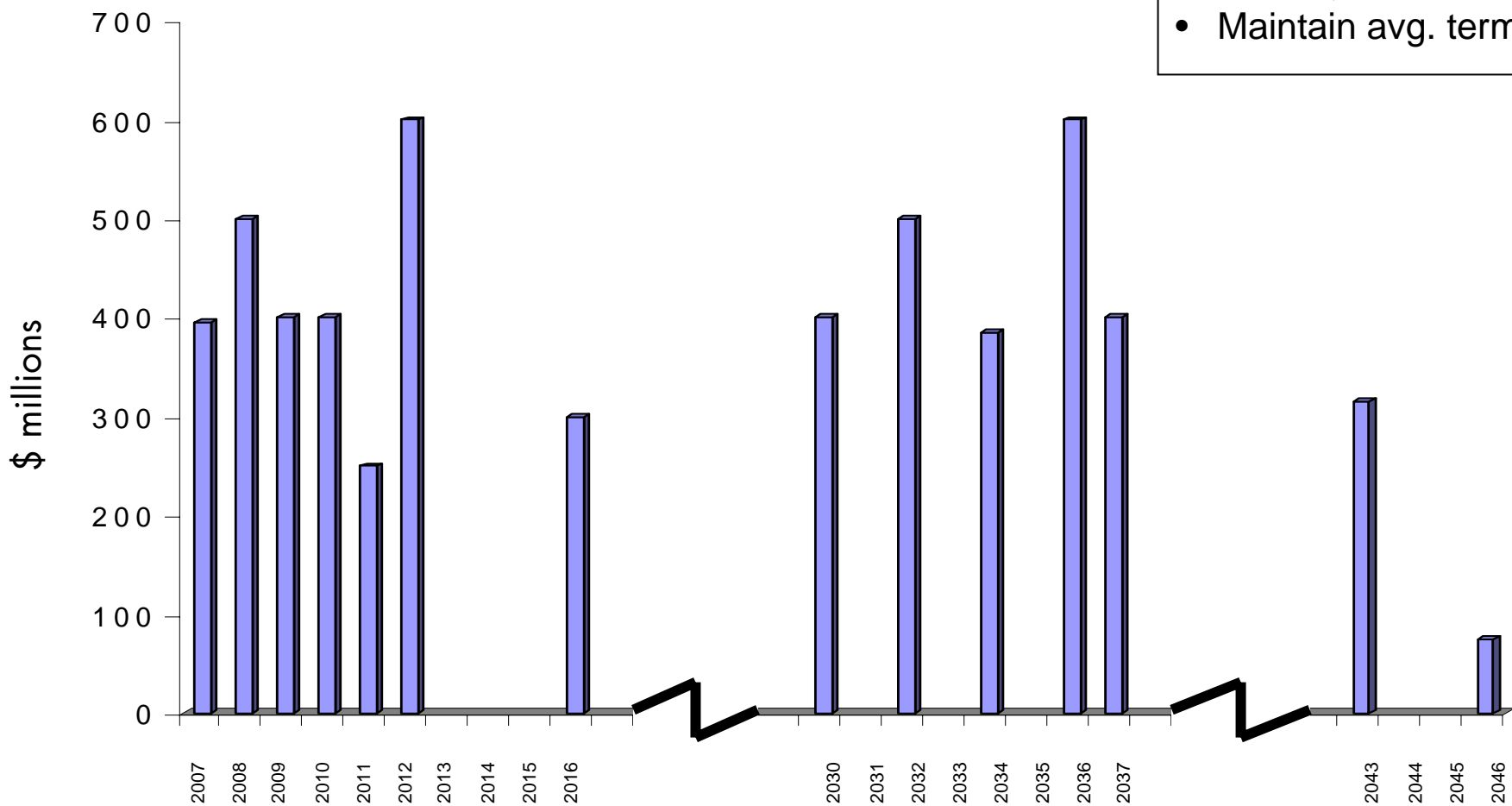
Long-term Credit Ratings	
S&P	A
Moody's	Aa3
DBRS	A (high)

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Moody's	Aa3
DBRS	A (high)



Long-term Debt Maturities

- Financing Objectives**
- Cost effectiveness
 - Maturity smoothing
 - Maintain avg. term



Summary

- 99% regulated – experienced and supportive regulator
- Stable financial performance
- Going forward:
 - Continued focus on core wires business
 - Organic growth opportunities through infrastructure investments
 - Maintain credit quality



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