

# HYDRO ONE

**Scotia Capital  
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# 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

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



## Transmission

- \$6.5B in assets ~ 70% of net income
- 28,500 km network - over 97% of capacity in Ontario
- 51 LDCs, 66 large industrials
- 26 interconnection facilities



## Distribution

- \$4.9B in assets ~ 30% of net income
- 122,100 km system – spans 75% of Ontario
- 1.3M customers – 35 LDCs, 50 large industrials

# Hydro One 2010

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- Best transmission and distribution business in North America
- Best safety record in the world
- Top quartile reliability
- Customer satisfaction: 90% across all segments
- Shareholder returns:
  - Top quartile employee productivity
  - Top quartile capital/operating efficiency
  - Full regulated return on equity
  - “A” credit rating

# Key Regulatory Decisions

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Recent:

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

Near future:

- Distribution cost of capital review
- Transmission rate hearing



# Investment Drivers

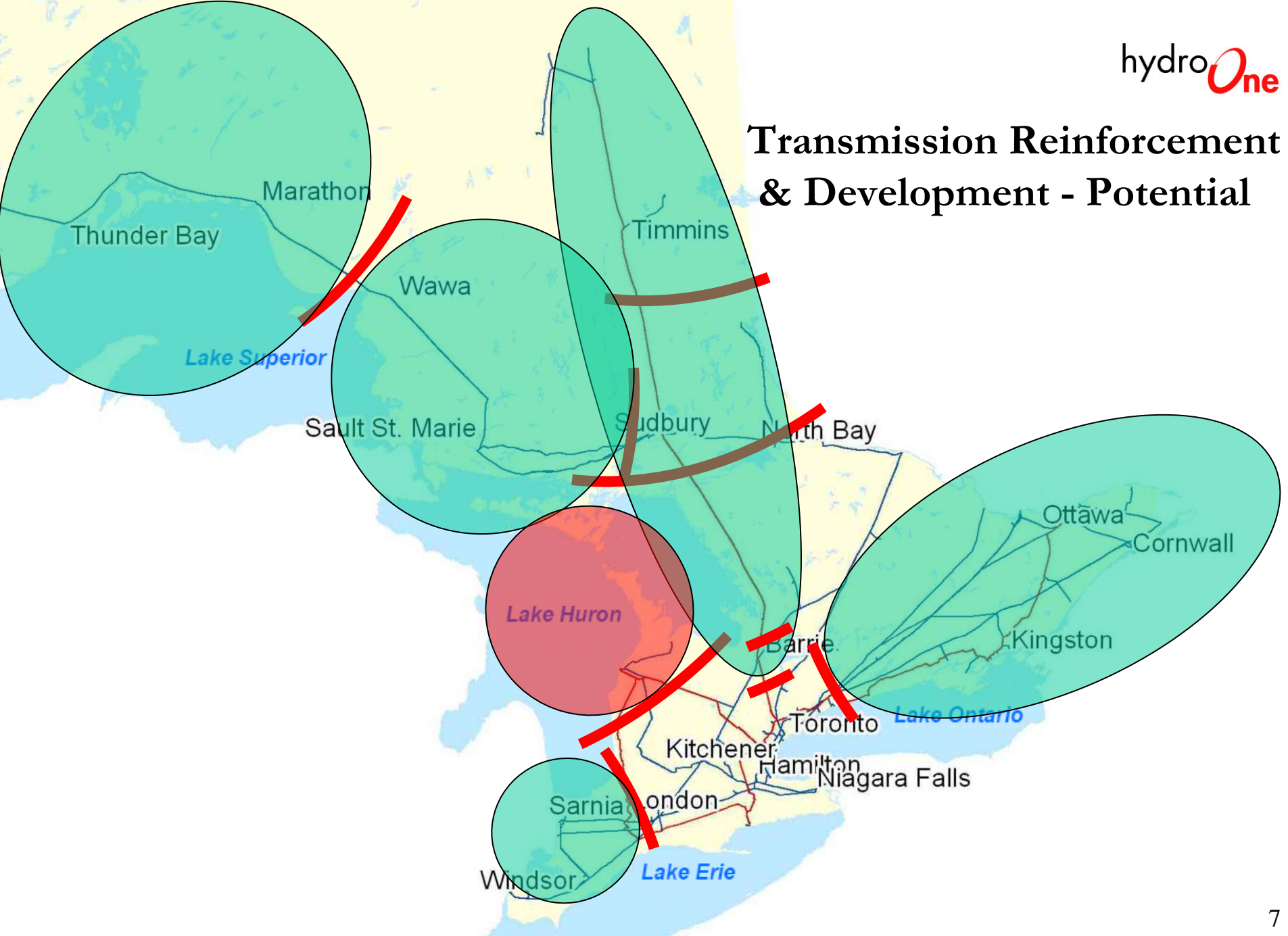
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Investment in our system driven by:

- System growth and reliability
- New and retiring generation facilities
- Interconnections
- Conservation & Demand Management (CDM)
- New supply mix plan / IPSP



# Transmission Reinforcement & Development - Potential

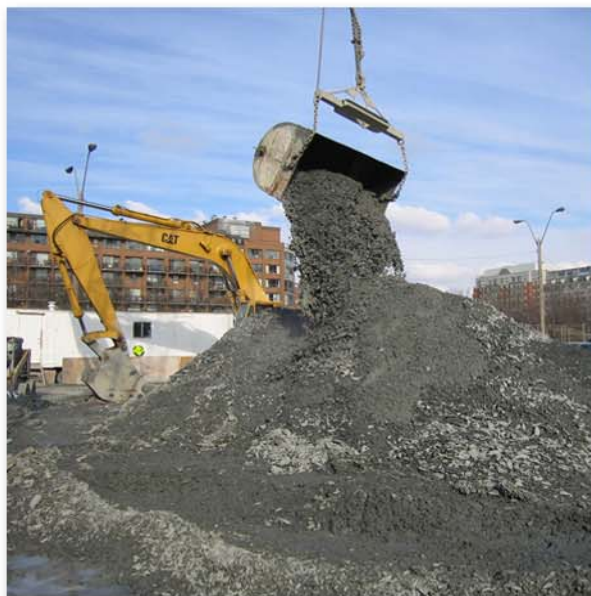


# Niagara Area Reinforcement



- 76 kilometer 230kV double circuit line
- Improves supply reliability and increases import capability from New York
- Project cost approximately \$116 million

# Downtown Toronto Cable



- 2.2 kilometer 230kV underground transmission line in downtown Toronto
- Cable laid in tunnel 20 meters underground
- Project cost approximately \$45 million

# Project Examples

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## Completed / under construction

- Parkway TS
- Niagara reinforcement
- Downtown Toronto underground cable

## Potential projects

- Hydro Quebec interconnection
- Manitoba interconnection – existing and Conawapa
- Bruce area reinforcement
- Third supply to Toronto
- Nanticoke retirement

# Potential Projects

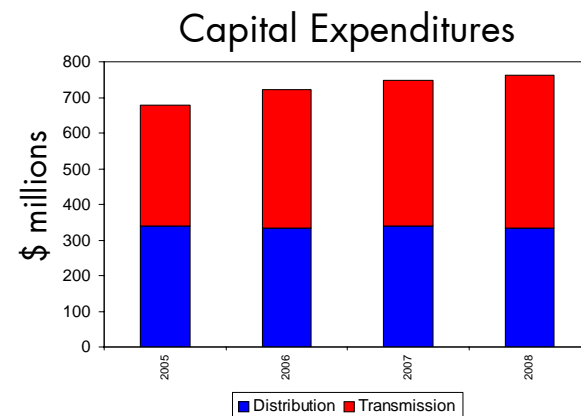
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- Potential project costs \$5B over next 10 years (including smart meters)
- Likelihood and timing driven by:
  - OPA's Integrated Power System Plan (IPSP)
  - CDM / smart meter program
  - Approval process / times



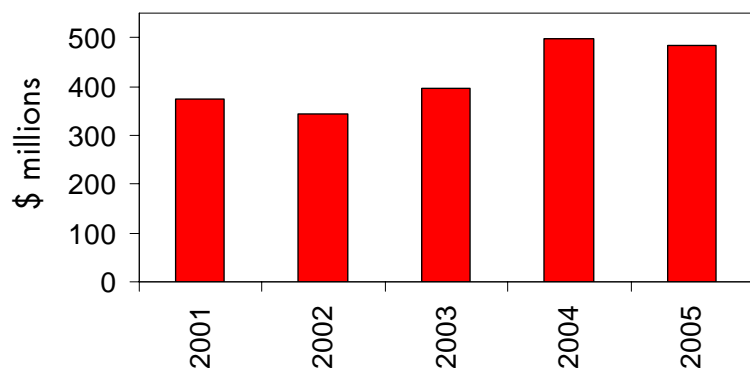
# Capital Expenditures

- \$750M range over next 3 yrs
  - Core & some development
  - Financed with operating cashflow and modest new borrowings
- Potential projects not in plan:
  - Uncertain
  - Spread out over time
  - Limitations
  - Regulatory recovery



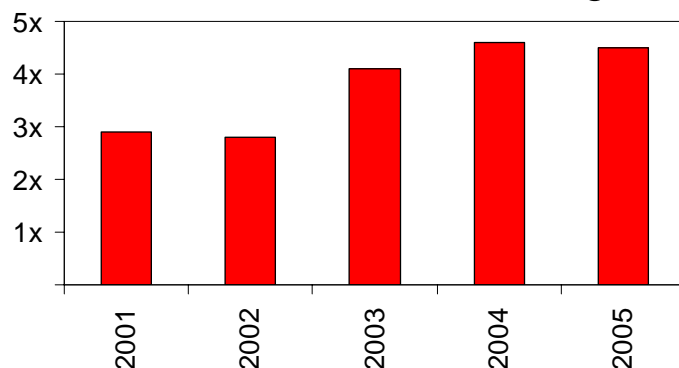
# Stable Financial Performance

## Net Income



- Results reflect stabilizing regulatory environment
- Continued focus on operations to ensure reliable delivery of electricity
- Financial metrics support credit ratings

## FFO Interest Coverage



# 2006 First Quarter Results

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(\$M)	three months ended March 31		
	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues	1,160	1,194	-3%
Purchased power	598	618	-3%
Operating costs	303	301	+1%
Net income	152	131	+16%

# Financing

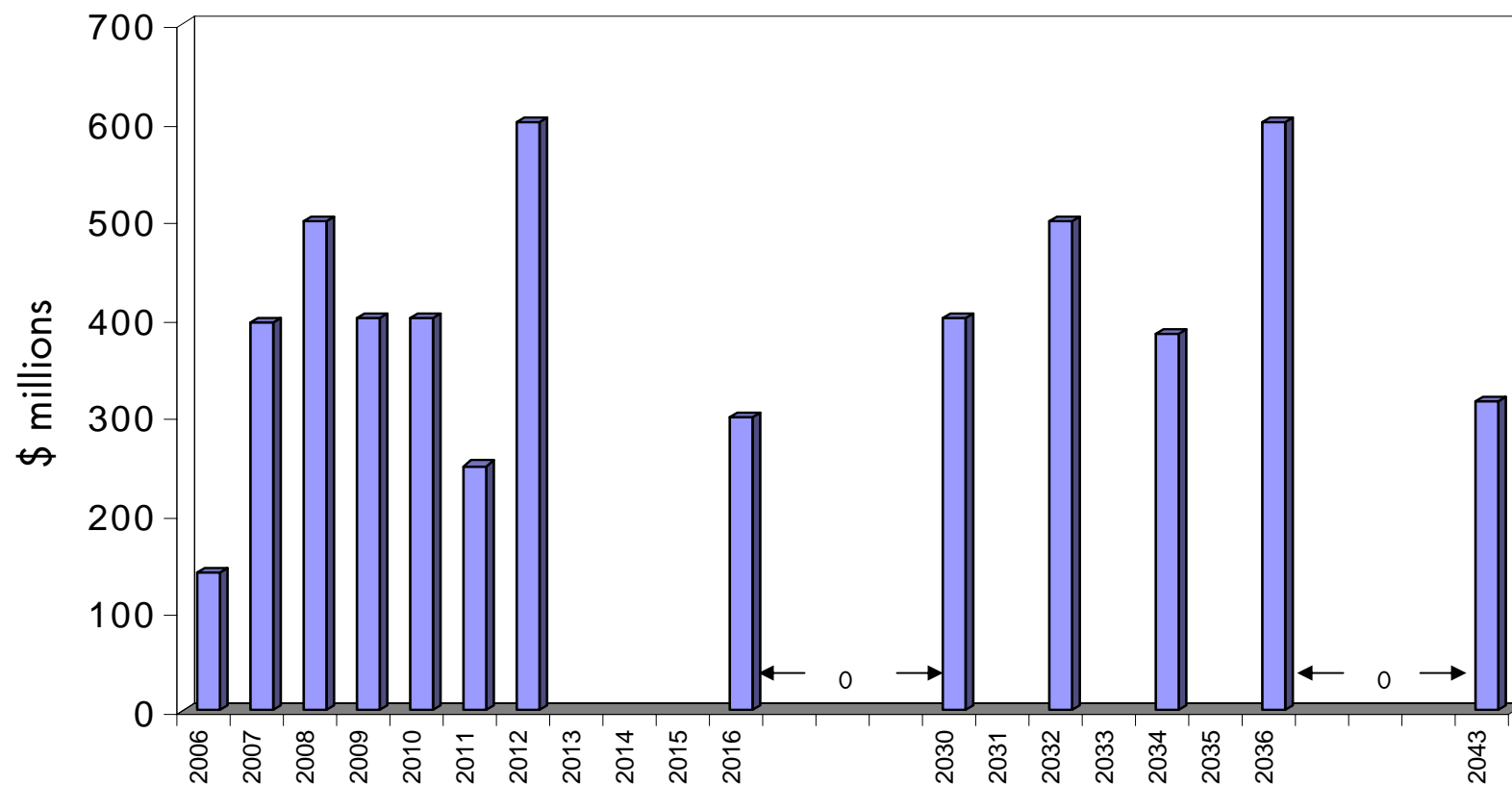
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- MTN shelf main platform - \$1.95B remaining
- \$1B CP program to bridge requirements
- Financing objectives:
  - Average term 10-15 years
  - Cost effectiveness
  - Maturity smoothing

<b>Long-term Credit Ratings</b>	
S&P	A
Moody's	Aa3
DBRS	A



# Long-term Debt Maturities



Note: 2006 maturities for the remainder of the year

# Summary

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- 99% regulated – experienced and supportive regulator
- Stable financial performance
- Going forward:
  - Continued focus on core wires business
  - Significant infrastructure investments
  - Remain proactive to promote stable regulatory environment
  - Maintain credit quality



# HYDRO ONE

