



Investor Presentation

Q1 2011



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.

Outline

- Overview of Hydro One
- Regulatory Developments
- Capital Program
- Financial Performance and Financing
- Summary

Who is Hydro One?

- Own and operate one of the largest electricity transmission and distribution systems in North America
- Essential service regulated utility
- Cost of service regulatory regime
- No generation exposure
- Wholly owned by the Province of Ontario
- \$7.8B long-term debt outstanding (year end 2010)
- 100-years of experience delivering electricity to the people of Ontario

Ontario Facts



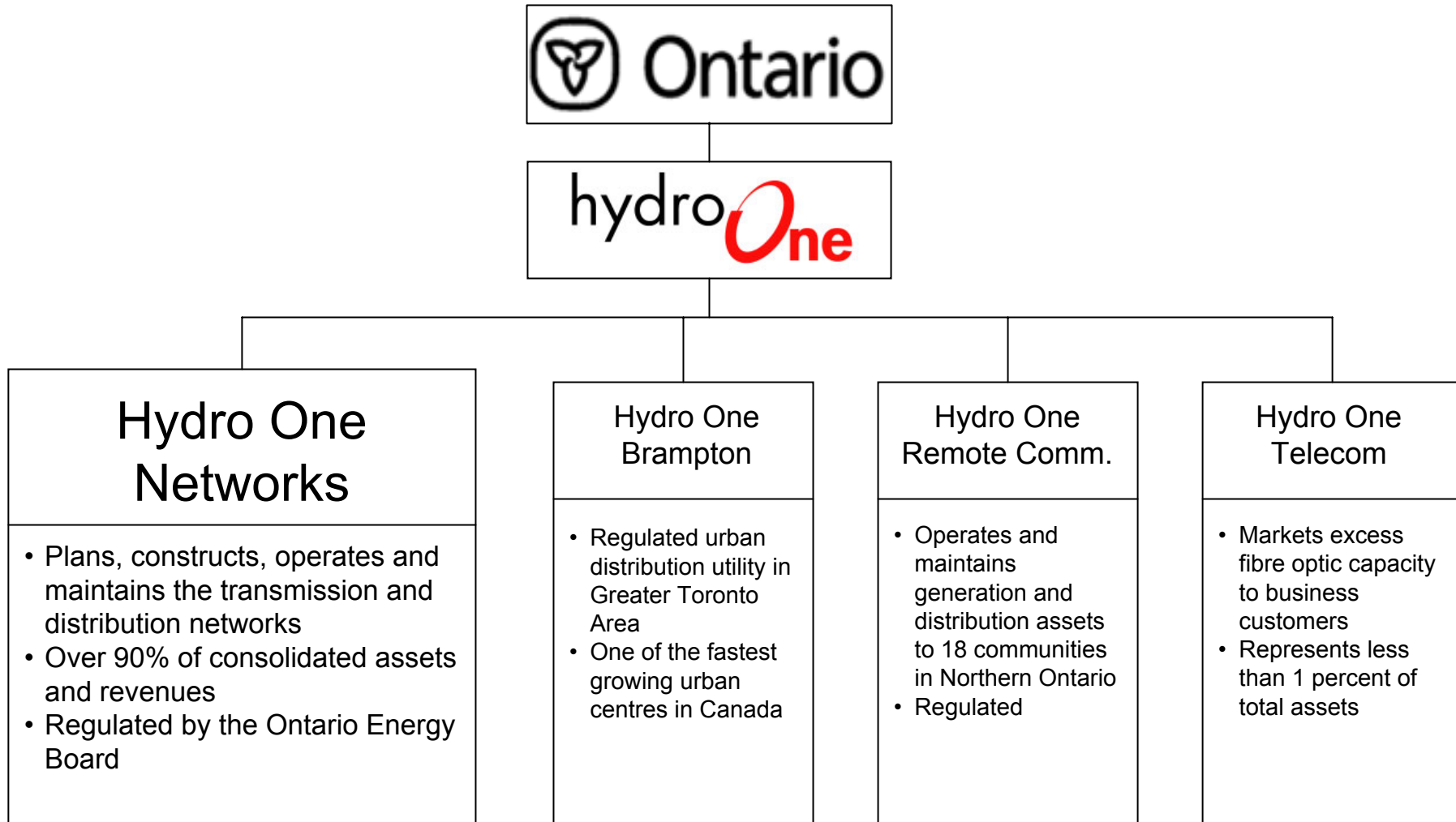
- Half a trillion dollar economy
- 13.2 million people
- About 40% of Canada's nominal GDP
- Canada's industrial and financial centre

**Province of Ontario
Long-term Credit Ratings:**

S&P	AA-
Moody's	Aa1
DBRS	AA(L)



Corporate Structure



Corporate History



April 1, 1999, Ontario Hydro was reorganized into three major successor companies. Up until then, it had a vertically-integrated monopoly as it generated, transmitted and distributed substantially all of the electricity required in Ontario and was also a leading retailer of electricity in Ontario.



Successor organization to transmission and distribution business. Registered as NERC transmission operator.



Successor organization to generation business.



Power to Ontario. On Demand.

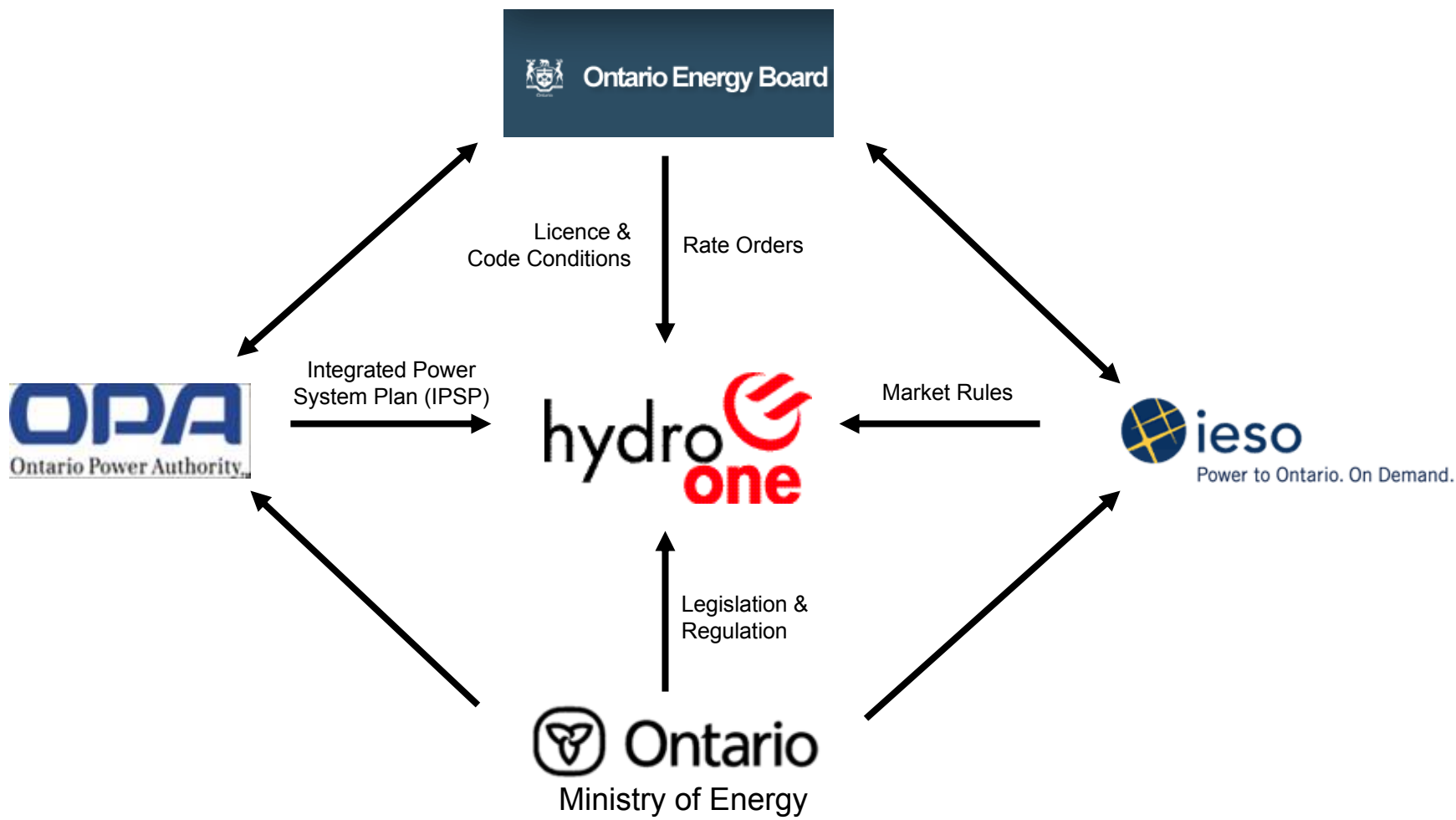
Assigned in market rules as reliability coordinator.

Established 2004



Created resource planner responsible for ensuring an adequate, long-term supply of electricity in Ontario.

Regulatory Structure



Hydro One at a Glance

- One of the largest electricity delivery systems in North America
- Wholly owned by the Province of Ontario
- No commodity (electricity) exposure



Transmission

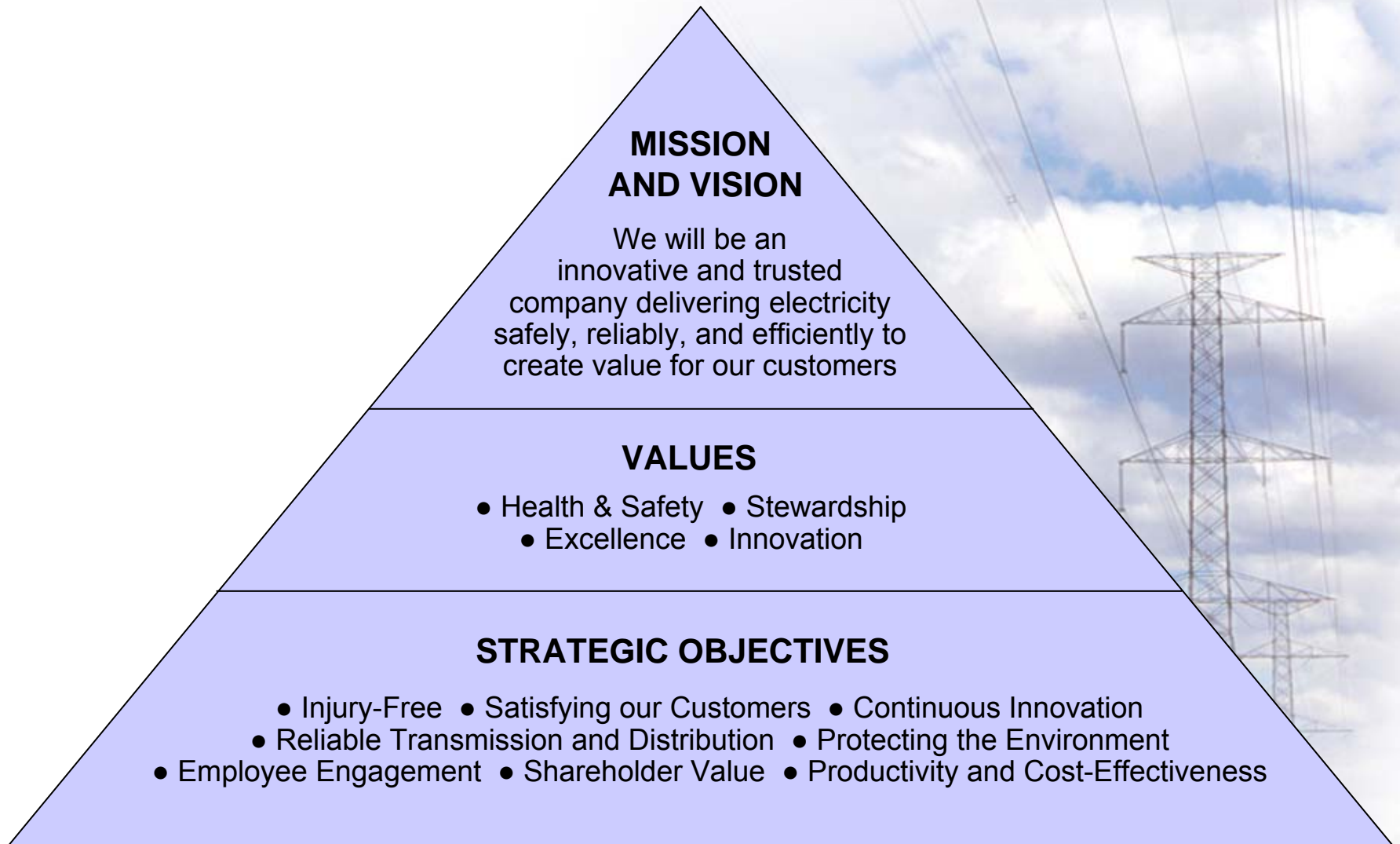
- \$9.8B in assets
- 28,951 km network - over 96% of capacity in Ontario
- 26 interconnection facilities



Distribution

- \$6.9B in assets
- 123,552 km system – spans 75% of Ontario
- 1.3M rural and urban customers

Hydro One – Strategic Plan



Electricity Regulation

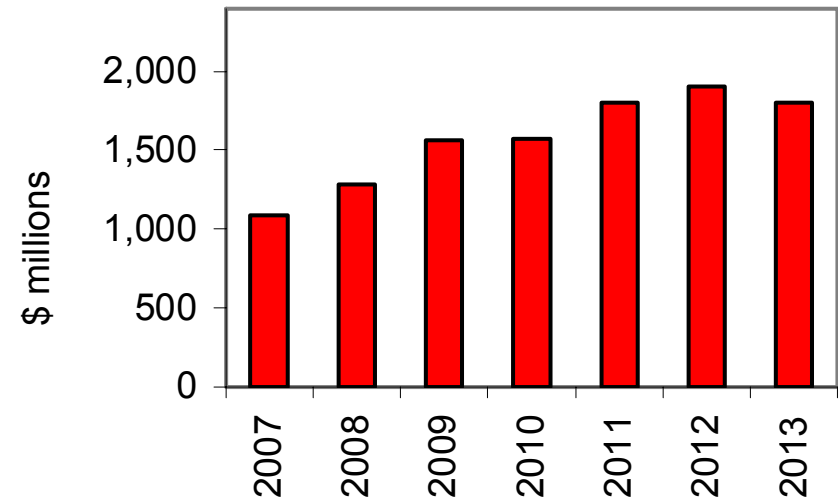
- Cost of service regime
 - Recent rate decisions
- Major projects – leave to construct
- Transmission project development process

Capital Program

System investment driven by:

- Sustaining and other investments
- System development
- Long-term Energy Plan

Capital Expenditures



Capital Program

Sustaining and Other Investments

- Increasing sustaining capital expenditures
 - Aging asset base
 - Maintain reliability of the system
 - Examples of sustainment programs include
 - Wood pole replacement
 - Station refurbishments
 - Circuit breaker replacement
- Other expenditures related to operations

Capital Program

System Development

- System growth and reliability
- New and retiring generation
- Examples of system development programs include
 - Load connections
 - Reliability improvements
 - Area supply
- Smart meter and smart grid

Capital Program

Potential changes to capital expenditures

- Long-term Energy Plan
- Transmission project development process
- IFRS
- Timing of approvals

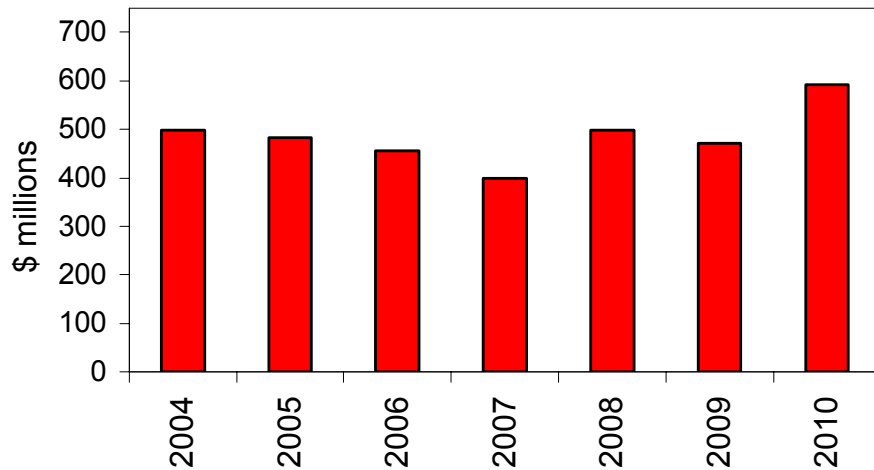
2010 Financial Results

(\$M)	Year ended December 31	
	<u>2010</u>	<u>2009</u>
Revenues	5,124	4,744
Purchased power	2,474	2,326
Operating costs	1,661	1,594
Net income	591	470
Dividends Paid	28	188

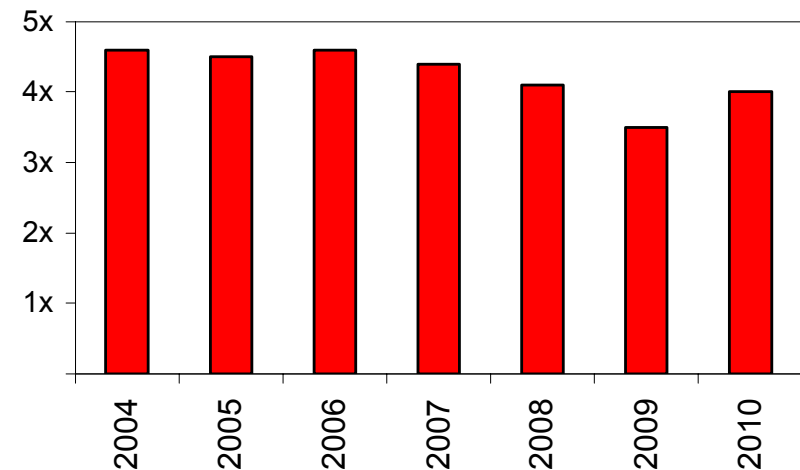
Stable Financial Performance

- Stable regulatory environment
- Continued focus on operations
- Organic growth opportunities
- Financial metrics supportive of credit quality

Net Income



FFO/ Interest Coverage



Financing

- Borrowing proceeds used to:
 - Repay debt maturities
 - Fund developmental capital
- \$3B MTN shelf main platform maturing August 2011
 - \$975M remaining
- \$1B CP program to bridge requirements

Long-term Credit Ratings

S&P - A+

Moody's - Aa3

DBRS - A (high)

Liquidity

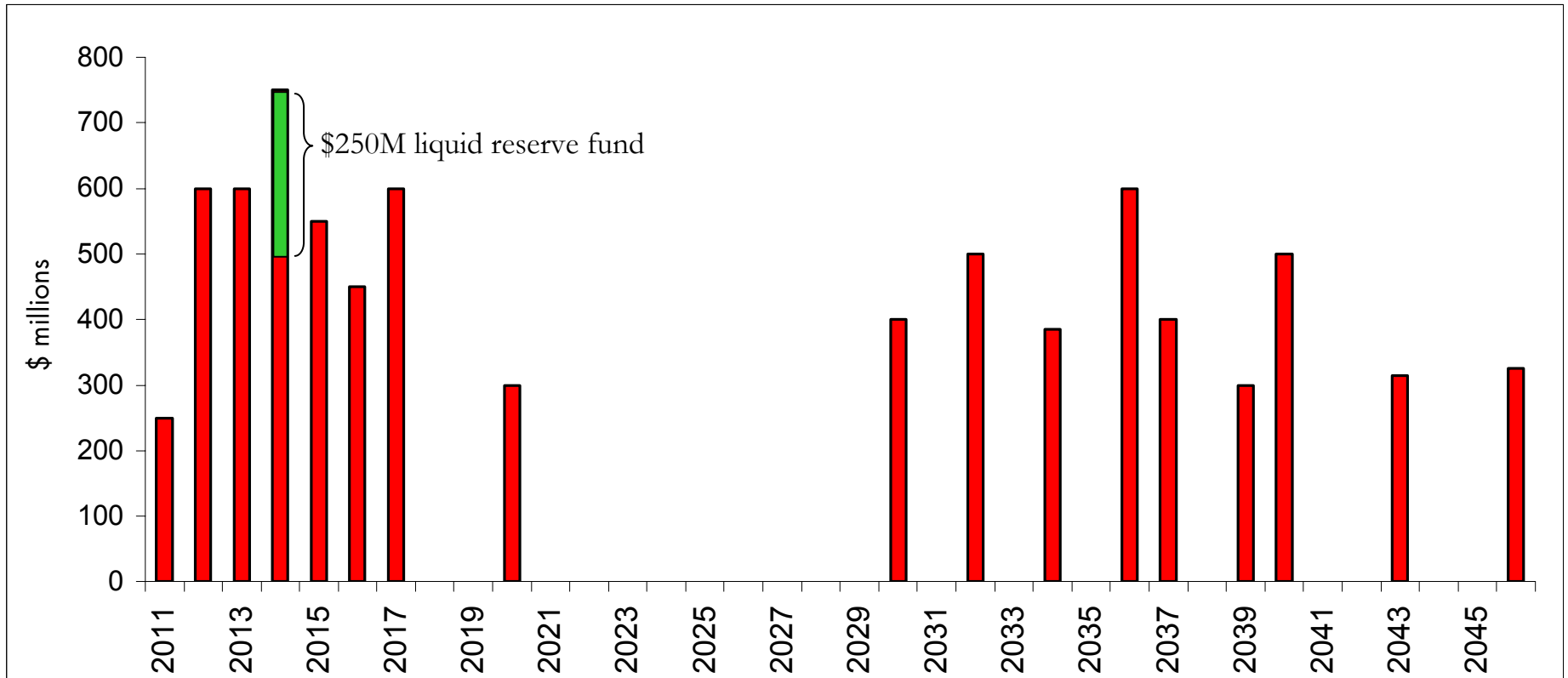
Liquidity supporting CP program and financing needs

- On June 1, 2010, finalized \$1.25B syndicated bank line maturing June 2013
- \$250M liquid reserve fund available to 2014

Funding Objectives

- Cost effectiveness
- No foreign exchange risk – fully hedged
- Average term
- Maturity smoothing
- Execution objectives
 - Full yield curve
 - Fair pricing
 - Sized for liquidity
 - Dealer group support

Long-term Debt Maturities



(As at March 8, 2011)

Summary

- Stable financial performance
- Going forward:
 - Continued focus on core wires business
 - Organic growth opportunities through infrastructure investments
 - Financing requirements for debt maturities and developmental capital
 - Maintain capital structure, credit quality

HYDRO ONE

