



Montreal Investor Luncheon

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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.

Outline

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

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

- \$9.1B in assets
- 28,924 km network - over 96% of capacity in Ontario
- 26 interconnection facilities



Distribution

- \$6.5B in assets
- 123,528 km system – spans 75% of Ontario
- 1.3M rural and urban customers incl.

Hydro One – Strategic Objectives

- **Mandate**
 - A commercial enterprise, with an independent Board of Directors, providing the safe, reliable and cost effective transmission and distribution of electricity to Ontario electricity users
- **Strategic Objectives**
 - Injury-free workplace
 - Reliable transmission and distribution
 - Protecting the environment
 - Shareholder value
- **Vision**
 - Leading electricity delivery company in North America

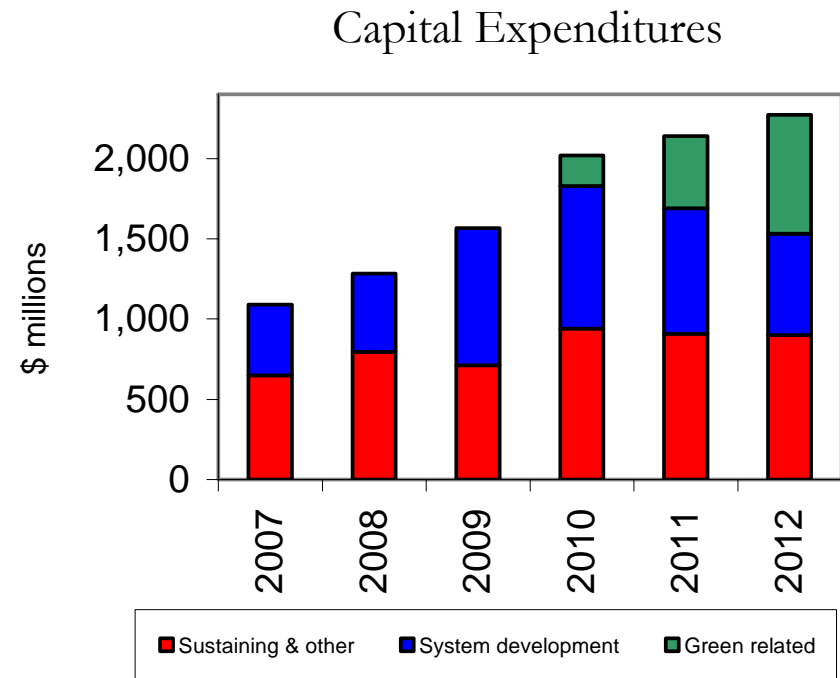
Regulatory Developments

- Green Energy Act
- Distribution and transmission system code changes
- Transmission rate application
- Distribution rate application
- ROE formula

Capital Program

Investment in our system driven by:

- Sustaining and other investments
- System development
- Green Energy Act



Capital Program

Sustaining and Other Investments

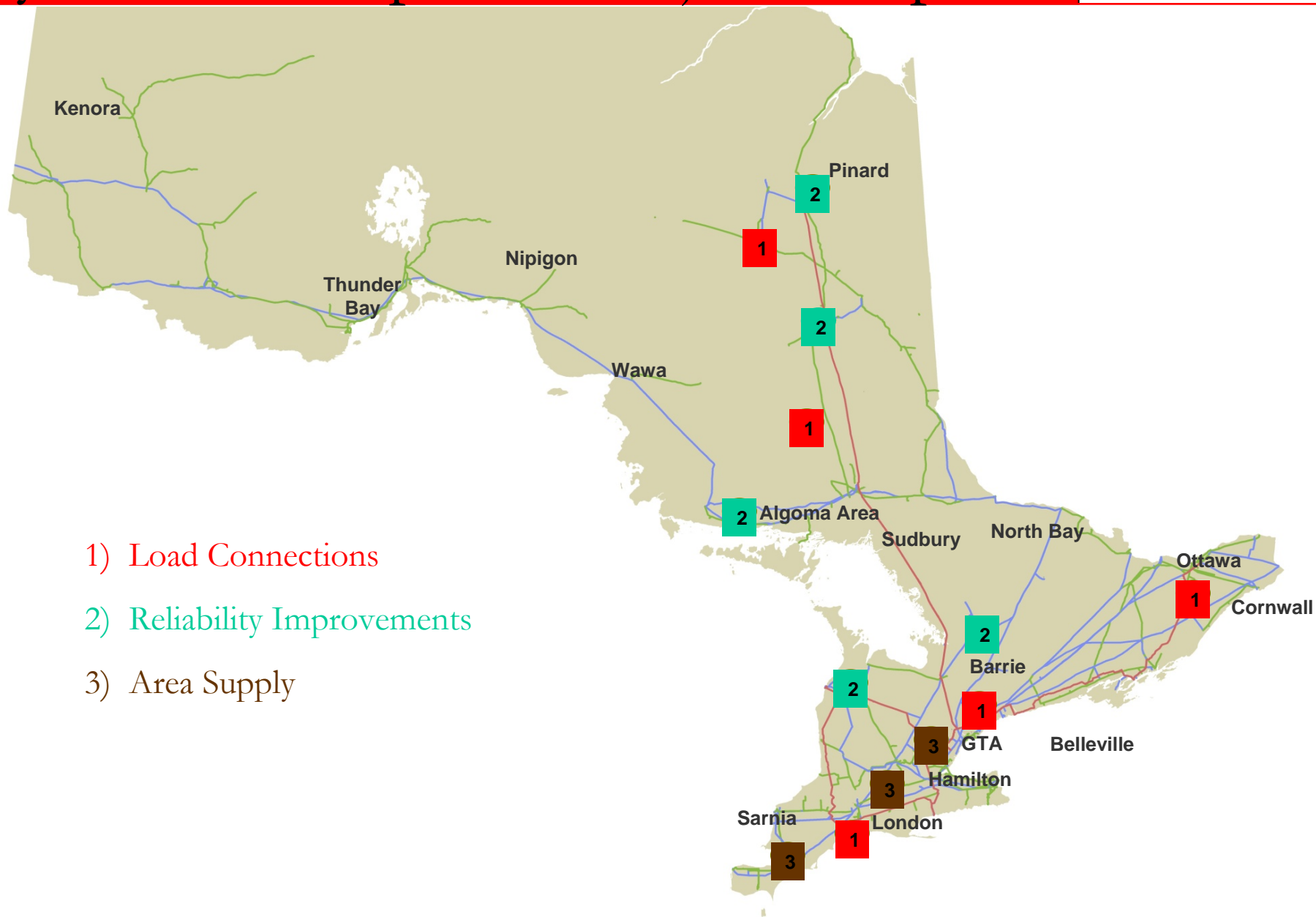
- Increasing sustaining capital expenditures
 - Aging asset base
 - Maintain reliability of the system
 - Examples of sustainment programs include
 - Wood pole replacement
 - Station refurbishments
 - Circuit breaker replacement
- Other expenditures related to operations

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

System Development Project Samples



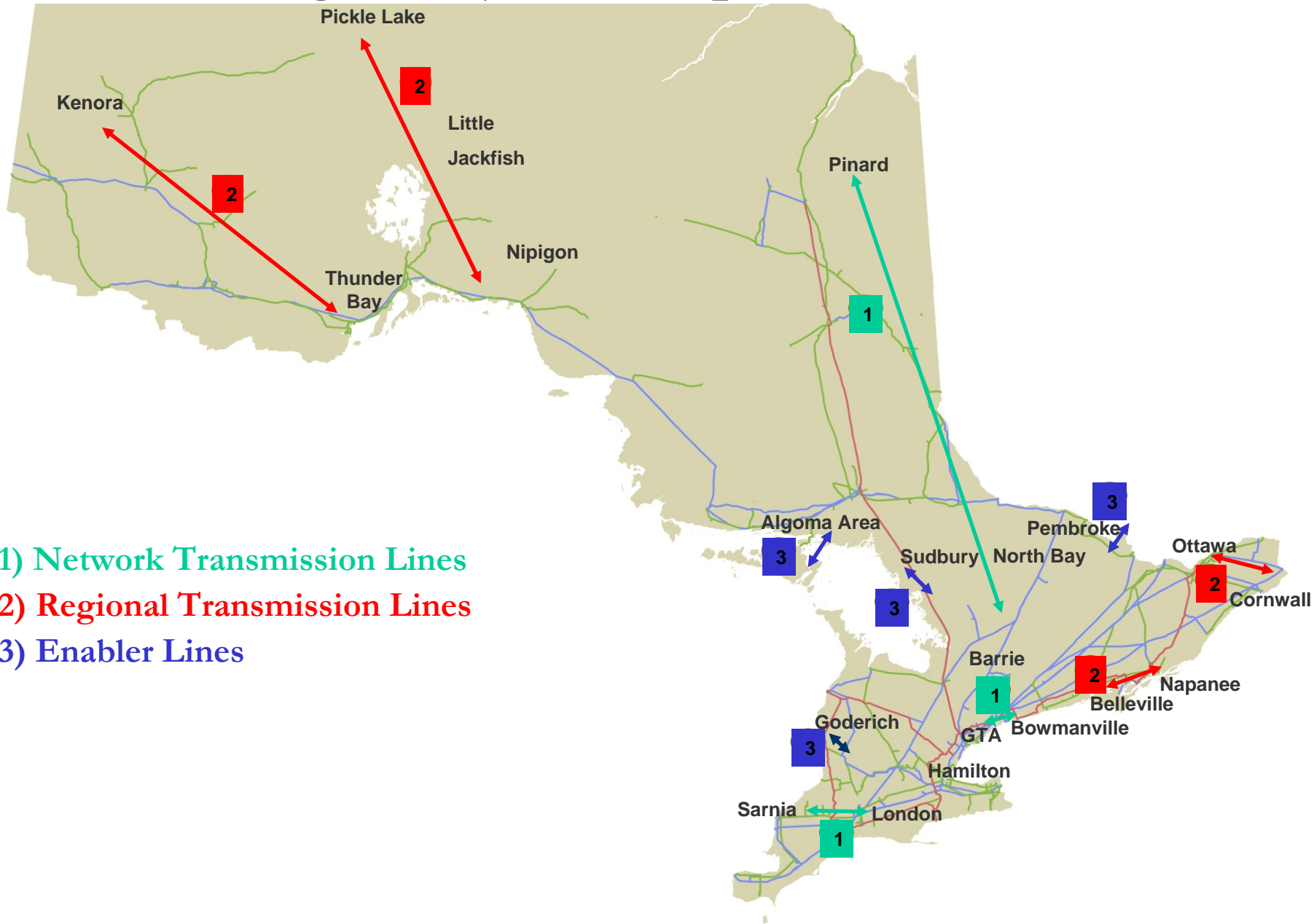
- 1) Load Connections
- 2) Reliability Improvements
- 3) Area Supply

Capital Program

Green Energy Projects

- Required to facilitate connection of renewable generation projects in the province.
- Expenditures related to:
 - Network transmission lines
 - Regional transmission lines
 - Enabler lines
- Timing of expenditures is subject to:
 - Regulatory and government approvals
 - Environmental assessments
 - Timing of generator contributions

Green Energy Project Samples



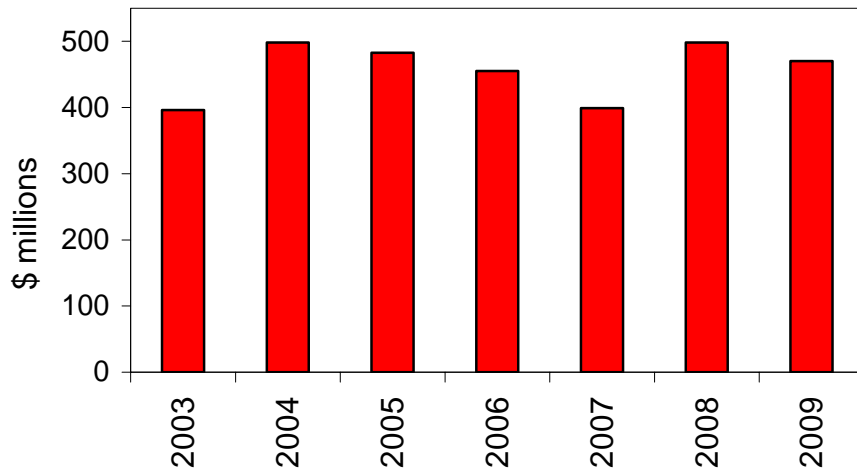
2009 Financial Results

| (\$M) | <u>2009</u> | <u>2008</u> |
|-----------------|-------------|-------------|
| Revenues | 4,744 | 4,597 |
| Purchased power | 2,326 | 2,181 |
| Operating costs | 1,594 | 1,513 |
| Net income | 470 | 498 |
| Dividends Paid | 188 | 259 |

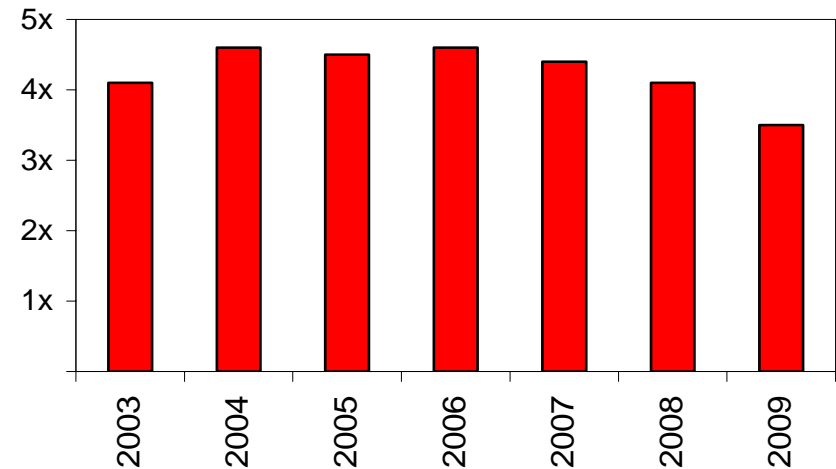
Stable Financial Performance

- 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 non-core capital expenditures
- MTN shelf main platform maturing August 2011
 - \$1.75B remaining
- \$1B CP program to bridge requirements

Long-term Credit Ratings

S&P - A+

Moody's - Aa3

DBRS - A (high)

Liquidity

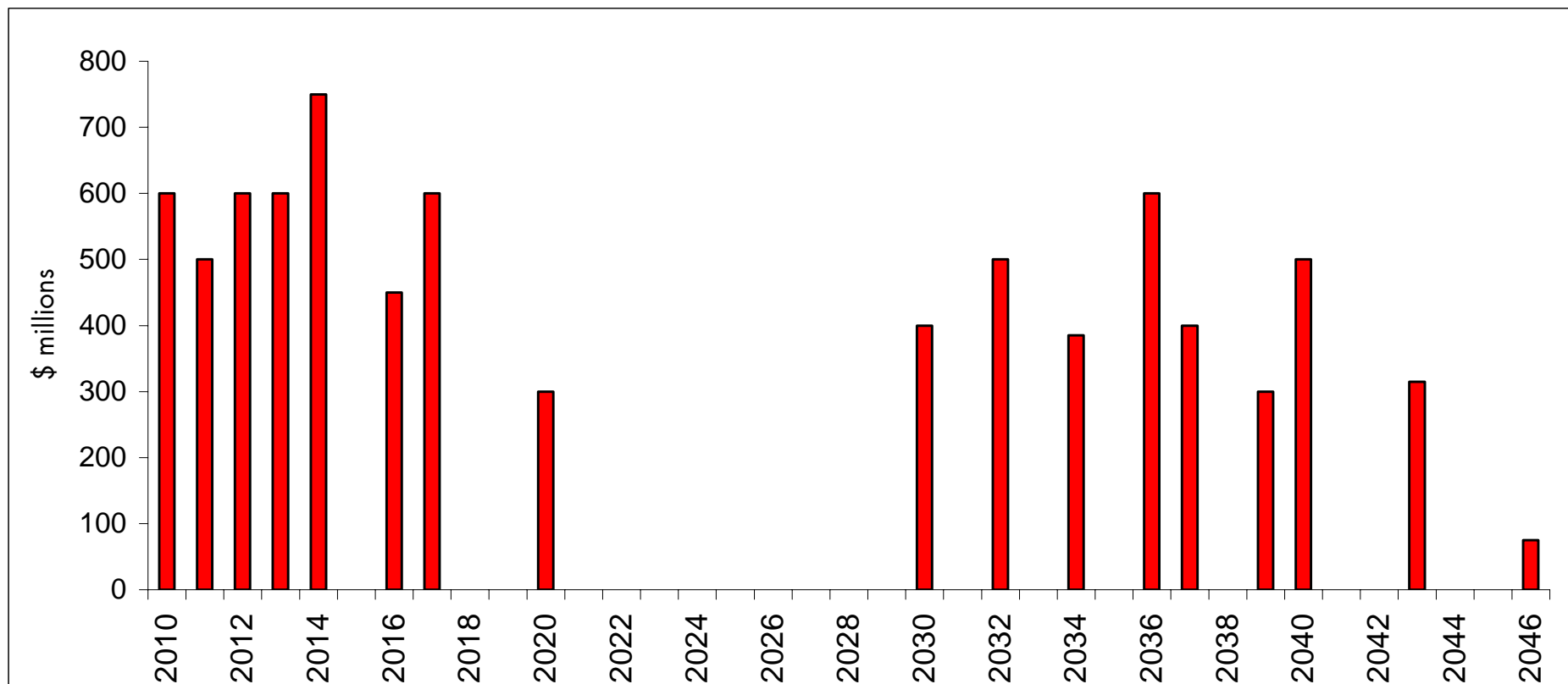
Liquidity Supporting CP program and financing needs

- \$750M syndicated bank line maturing Aug 2010
- \$500M syndicated bank line maturing Feb 2013
- \$250M liquid reserve fund available to 2014

Funding Objectives

- Cost effectiveness
- No foreign exchange risk – fully hedged
- Average term
- Maturity smoothing

Long-term Debt Maturities



Summary

- Stable financial performance
- Going forward:
 - Continued focus on core wires business
 - Organic growth opportunities through infrastructure investments
 - Increased financing requirements to meet increased capital expenditures
 - Maintain capital structure, credit quality

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