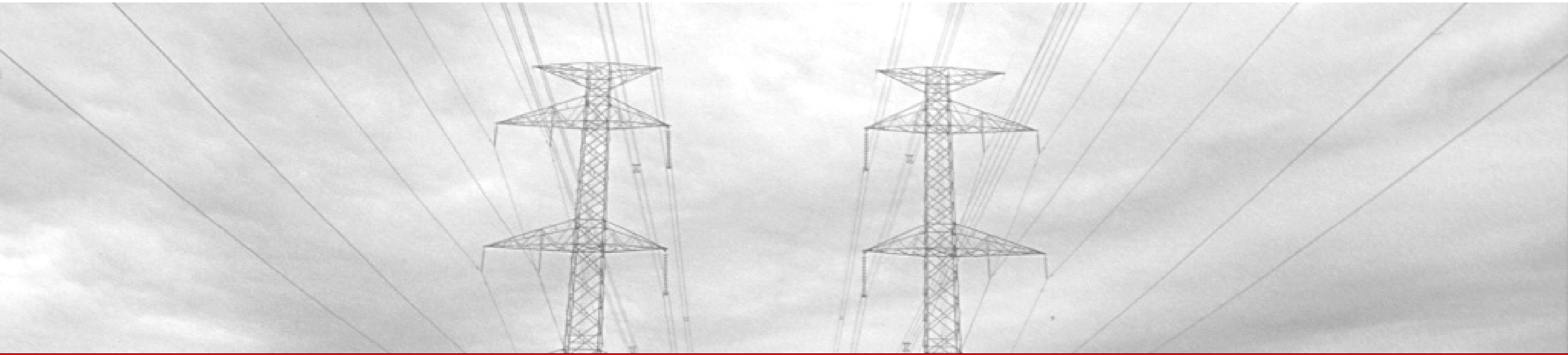
HYDRO ONE

Vancouver Investor Luncheon

July 31, 2007

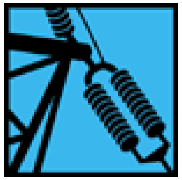


Forward Looking Statements

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

- One of the largest electricity delivery systems in North America
- Wholly owned by the Province of Ontario



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

- Ensure public confidence as stewards of provincial assets
- Best safety record in the world
- Top quartile reliability
- Customer satisfaction: 90% across all segments
- Skills development and retention
- Shareholder returns: Productivity / "A" category rating

Recent Recognition

- **North American Electricity Reliability Council (NERC)** gives Hydro One Networks transmission operations marks of excellence
- **Edison Electric Institute**'s "Emergency Recovery Award" in recognition of restoration efforts following severe storms in 2006
- **Corporate Knights Magazine** recognizes Hydro One as one of Canada's top 50 corporate citizens





Key Regulatory Decisions

- Transmission rate hearing
- Bruce to Milton reinforcement
- Distribution rate application for 2008

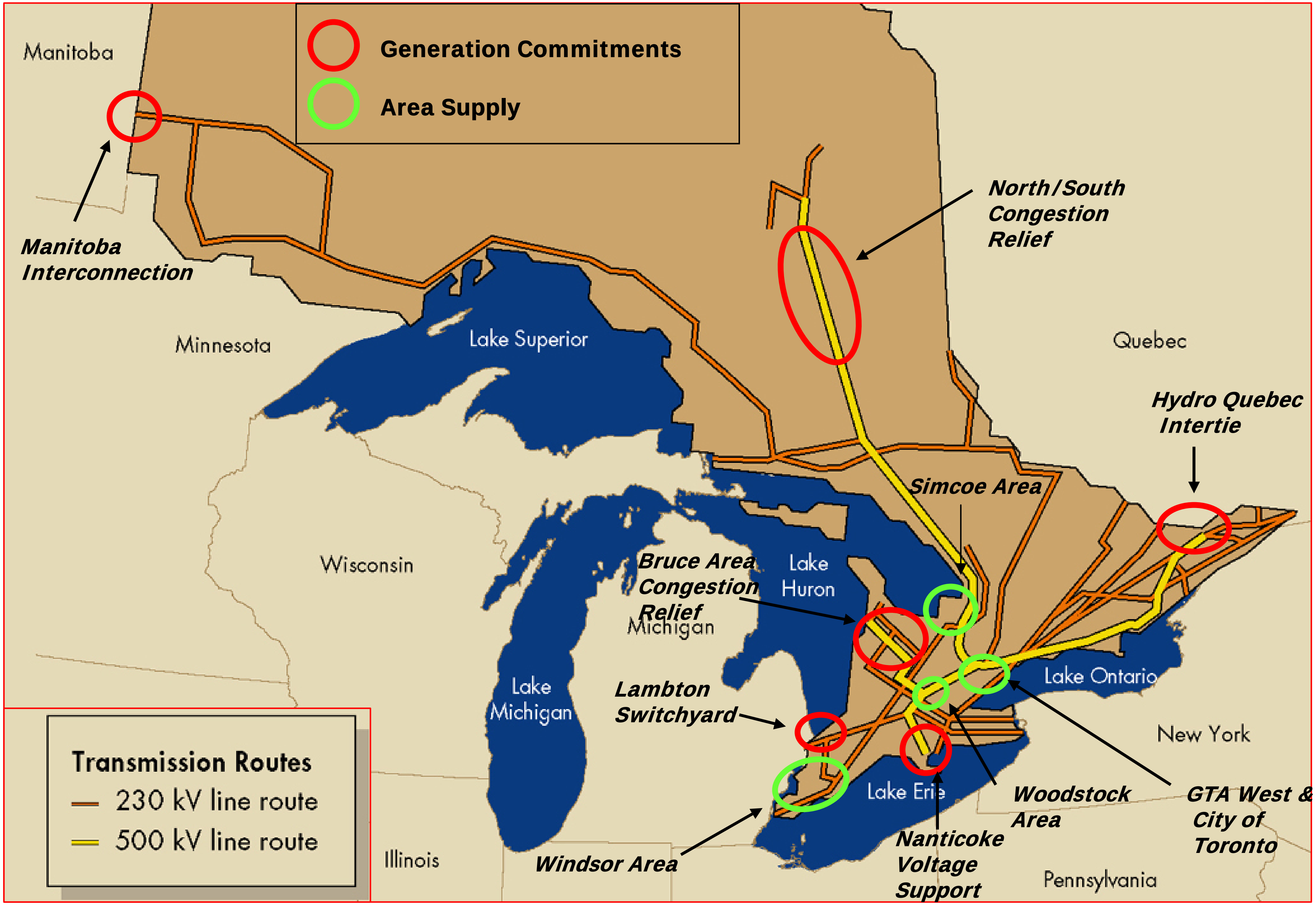
Investment Drivers

- 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



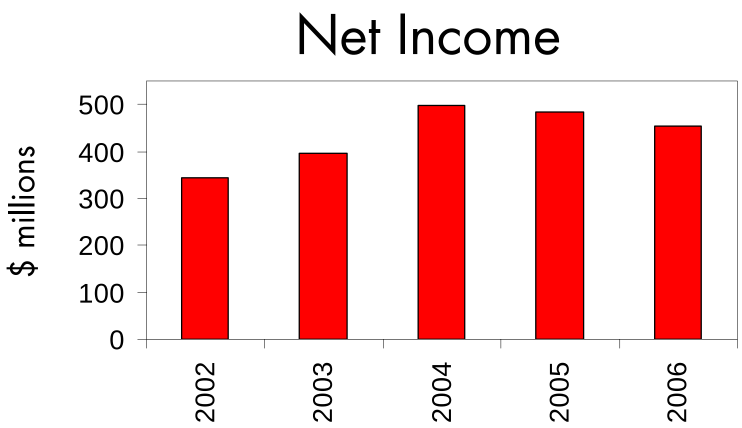
CDM & Distribution Rationalization

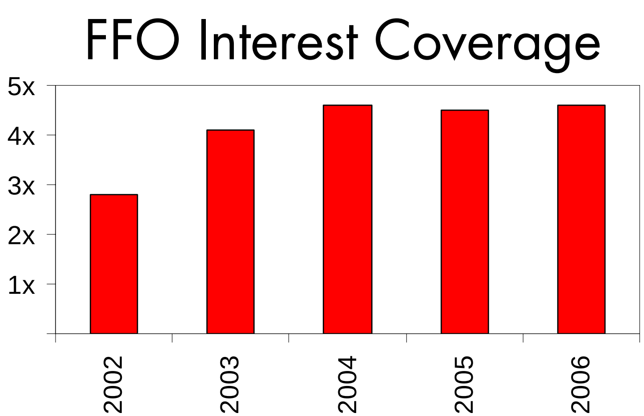
- Conservation and demand management (CDM)
  - Smart meter technology
  - Conservation initiatives
  - Distribution generation initiatives
- Distribution rationalization
  - Transfer tax exemption / lifting of moratorium

Capital Expenditures

- Planned capital expenditures approx. $4 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 not including distribution rationalization
- Likelihood and timing driven by:
  - Ontario Power Authority's Integrated Power System Plan
  - CDM / smart meter program
  - Approval process / times

Stable Financial Performance





- Stabilizing regulatory environment
- Continued focus on operations
- Organic growth opportunities
- Financial metrics supportive of target credit ratings

Financing

- Borrowing requirements driven by:
  - Debt maturities
  - Non-core capital expenditures
- MTN shelf main platform maturing July/09
  - All $2.5B remaining
- $1B CP program to bridge requirements

Long-term
Credit Ratings

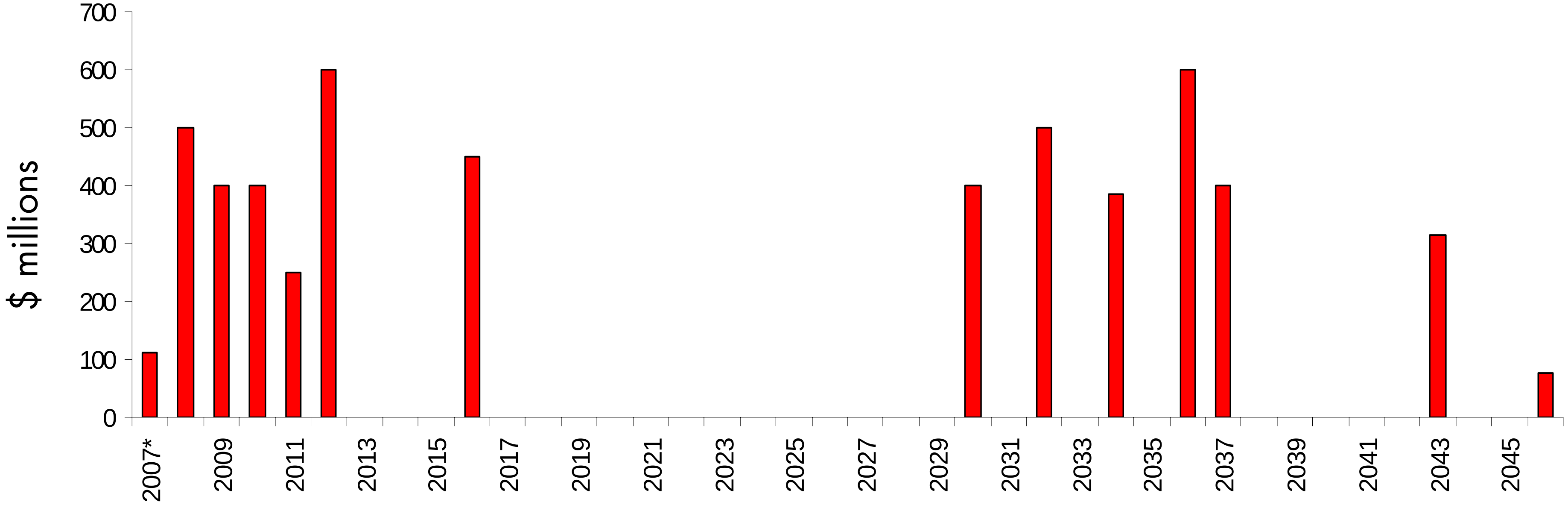
S&P	A
Moody's	Aa3
DBRS	A (high)





Long-term Debt Maturities

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



* Remaining maturities in 2007 as of July 30, 2007

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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