

Hydro One Releases 2010 Third Quarter Financial Results

For Immediate Release – November 11, 2010

Toronto - Hydro One Inc. today released its 2010 third quarter results with net income for the quarter of \$218 million and revenues of \$1,360 million.

“We continue to focus on investing prudently in elevated levels of system sustainment and development while at the same time driving further efficiencies in our business,” said Laura Formosa, President and CEO, Hydro One Inc. “Our commitment to our customers to provide a safe and reliable electricity system, while balancing service with cost, remains a key priority.”

The following are some of our key achievements in the third quarter:

- Year-to-date, we have invested more than \$1.1 billion in capital expenditures to improve system reliability, address an aging power system, facilitate new generation and improve service to our customers.
- We completed the installation of more than 1.3 million smart meters in the homes and businesses of customers. This is amongst the largest smart meter deployments by a utility in North America. To date, we have converted almost 300,000 customers to time-of-use pricing.
- On September 13, 2010, we successfully issued \$250 million of 5 year notes, at a coupon rate of 2.95%. The rate for this issuance is the lowest coupon rate for a medium-term note issued by Hydro One. On the same date, we issued \$250 million through a re-opening of our notes originally issued in October 2006 with a coupon rate of 5.00% and a maturity date of October 19, 2046.
- With our industry partners Toronto Hydro and the Ontario Power Authority (OPA), we helped establish the Ryerson University Centre for Urban Energy (the Centre). Through this Centre, we will be able to benefit from research aimed at addressing a number of technical challenges that the electricity industry faces in the areas of supply constraints, renewable energy integration, energy conservation, local generation, energy storage and plug-in hybrid charging infrastructure.
- We established a biodiversity program to create and enhance natural habitats to replenish the habitat affected by the Bruce to Milton Transmission Reinforcement Project. The biodiversity initiative is being undertaken in collaboration with First Nations and Métis communities and community-based stakeholders and agencies. We are providing funding to 13 groups for 23 locally-designed projects.

Net income of \$218 million in the third quarter and \$492 million year-to-date was higher by \$118 million and by \$133 million, respectively, compared to 2009 results. Net income was higher in both periods as a result of higher average monthly peak demands due to unseasonably hot weather during the second and third quarters of this year, partially offset in the year-to-date period by milder weather during the winter months. Revenues were also impacted in both periods as a result of Ontario Energy Board (OEB)-approved rate decisions that support investments in respect of supply mix policies, including the phase-out of coal-fired generation, necessary maintenance and investment requirements of our systems, and investments to address aging infrastructure. These investments in our transmission and distribution systems are signified by the increase of approximately \$700 million in our fixed assets since the end of last year.

Capital expenditures of \$1,106 million for the first nine months were lower by \$13 million, or 1%, compared to the previous year. Expenditures on our transmission system were relatively unchanged from the previous year. We continued to invest in a number of significant inter-area network upgrade projects facilitating new generation or increased transfer capability from other jurisdictions in support of government supply mix objectives for generation. These projects include our Bruce to Milton Transmission Reinforcement Project, to connect wind generation and refurbished nuclear sources in the Huron-Grey-Bruce area, our Northeast Transmission Reinforcement Project and our Static Var Compensator installations at Nanticoke and Detweiler Transformer Stations, which, respectively, will

enhance the North-South Interface transfer capability to access available northern generation and the transfer capability between South Western Ontario and the Greater Toronto Area. The Northeast Transmission Reinforcement Project is comprised of work to install static var compensators at Porcupine and Kirkland Lake Transformer Stations. Expenditures on these and other projects were offset by the reduction in expenditures on various development projects that were substantially completed or nearing completion in the first half of this year.

Lower capital expenditures within our Distribution Business were primarily a result of the substantial completion of our smart meter installations by the end of last year. This was partially offset by expenditures on the smart meter network infrastructure and on the development and integration of the systems required for time-of-use billing. Our capital expenditures in both the Transmission and Distribution Businesses were impacted by the completion of the second phase of our information system replacement and improvement project in the third quarter of last year.

Total revenues for the nine-month period were \$3,844 million, which were \$307 million, or 9%, higher than the same period last year after excluding the increase in purchased power costs of \$104 million attributable to higher OEB Regulated Price Plan (RPP) rates for residential and other eligible customers and higher costs for customers who are not eligible for the RPP. Transmission revenues of \$1,002 million and distribution revenues of \$2,795 million reflected the impact of the sustained heat experienced this summer and various rate increases in support of necessary work program requirements.

Net cash from operating activities was \$414 million in the third quarter of 2010. During the quarter, we paid dividends and recorded payments in lieu of corporate income taxes to the Province of Ontario in the amounts of \$4 million and \$52 million, respectively.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND STATISTICS

	Three months ended September 30				Nine months ended September 30			
	2010	2009	Change	% Change	2010	2009	Change	% Change
<i>(Canadian dollars in millions, except as otherwise noted)</i>								
Revenues	1,360	1,144	216	19	3,844	3,537	307	9
Purchased power	638	547	91	17	1,835	1,731	104	6
Operating costs	403	406	(3)	(1)	1,210	1,183	27	2
Net income	218	100	118	118	492	359	133	37
Net cash from operations	414	285	129	45	958	658	300	46
Average Ontario 60-minute peak demand (MW) ¹	24,812	21,374	3,438	16	22,119	21,058	1,061	5
Distribution – units distributed to customers (TWh) ¹	7.2	6.7	0.5	7	21.6	21.4	0.2	1

¹ System-related statistics are preliminary

Hydro One Inc. is a holding company that operates through its subsidiaries in electricity transmission and distribution and telecom businesses. One of its subsidiaries, Hydro One Networks Inc., operates one of the largest transmission and distribution systems in North America. Hydro One Inc. is wholly owned by the Province of Ontario.

Hydro One's 2010 Third Quarter Consolidated Financial Statements and Management's Discussion and Analysis can be accessed through the following link:

www.hydroone.com/financials

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For further information, please contact:

Laura Cooke
Director, Corporate Communications
416-345-5323

Ali R. Suleman
Vice President and Treasurer
416-345-6126

Hydro One Investor Relations
416-345-6867