

Hydro One Releases 2010 Year-End Financial Results

For Immediate Release – February 10, 2011

Toronto - Hydro One Inc. today released its 2010 year-end results with net income for the year of \$591 million and revenues of \$5,124 million.

“In 2010, Hydro One made record-level investments in its systems to upgrade and replace its aging infrastructure. We are making important investments to enhance reliability, improve customer satisfaction, facilitate the connection of clean energy and meet our financial targets,” said Laura Formusa, President and CEO of Hydro One. “The Company is working hard to achieve these important strategic goals and we are delighted to have received industry recognition for corporate social responsibility.”

The following are some of our key achievements:

- In 2010, we invested more than \$1.5 billion in capital expenditures to improve system reliability and performance, address an aging power system, facilitate new generation and improve service to our customers. These investments benefit our shareholder and the people of Ontario.
- Efforts to better serve our customers through improving call centre accessibility, outage restoration times and overall communications resulted in an increase in customer satisfaction. Overall satisfaction for transmission customers and distribution customers was 89%.
- We completed the installation of more than 1.3 million smart meters with over 1.1 million enabled to support time-of-use billing. We converted over 553,000 customers to time-of-use pricing, exceeding the Ontario Energy Board’s (OEB) monthly cumulative time-of-use target. Through our conservation and demand management programs and customer education, we are helping our customers manage this important change.
- Work on the Bruce to Milton Transmission Reinforcement Project moved ahead on schedule with tower construction underway on segments of the line where approvals have been obtained and land rights have been acquired. The project is expected to be in-service in late 2012 and will deliver more than 3,000 MW of new, renewable and nuclear power from the Huron-Grey-Bruce area.
- During the year, we successfully issued \$1.5 billion of cost-effective debt financing through our Medium-Term Note Program. In January 2011, we successfully issued a further \$300 million.
- In November, the Canadian Electricity Association (CEA) named us the Sustainability Company of the Year for our work in greening our fleet, improving the energy efficiency of our facilities and our employees’ focus on sustainability. The CEA also recognized us with an award for our Biodiversity Program to create and enhance natural habitats to replenish the habitat affected by the Bruce to Milton Transmission Reinforcement Project.
- We ranked as one of Canada’s top five Corporate Citizens and first amongst utilities in Corporate Knights Magazine’s annual ranking of the best 50 corporate citizens in the country. Corporate Knights Inc. is an independent Canadian-based media company that publishes the world’s largest circulation magazine with an explicit focus on corporate responsibility.

Net income of \$591 million was higher by \$121 million, or 26%, compared to 2009 results. Revenues were affected by the 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 reflected in the increase of approximately \$1.1 billion in our fixed assets from the prior year. Revenues were also affected by a higher average monthly peak demand due to hotter than average weather during the summer months, partially offset by milder weather during the winter months. These impacts were partially offset by a one-time contribution to our pension plan, which was enabled by our effective cost management of operating costs in the year.

Capital expenditures of \$1,570 million were higher by \$4 million compared to the prior year. Expenditures on our transmission system reflect increased expenditures to sustain our transmission system primarily related to the refurbishment and replacement of end-of-life lines and stations and aging components. Expenditures to expand our transmission system increased slightly over the prior 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. Our investments in capital were focused on 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 will enhance the North-South Interface transfer capability to access available northern generation and the transfer capability between Southwestern Ontario and the Greater Toronto Area, respectively. 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 during the year. In addition, expenditures on other transmission work was lower due to the completion of the second phase of our information system replacement and improvement project in the third quarter of last year.

Capital expenditures within our Distribution Business reflect increased investments in our smart meter network infrastructure, the development and integration of systems required for time-of-use billing and the initiation of our smart grid program which will enhance our operations and support distributed generation and increased investments to sustain our distribution system. These expenditures were more than offset by reductions in expenditures to expand and reinforce our distribution network including the impact of the substantial completion of our smart meter installations by the end of last year, as well as the completion of the second phase of our information system replacement and improvement project in the third quarter of last year.

Total revenues for 2010 were \$5,124 million, including tariffs collected for the costs of purchased power. Net revenues were \$232 million, or 10%, higher than last year. Transmission revenues of \$1,307 million and distribution revenues of \$3,754 million reflected various rate increases in support of necessary work program requirements and the impact of higher temperatures experienced this summer.

Net cash from operating activities was \$1,164 million in 2010. During the year, we paid \$28 million in dividends to our shareholder, the Province of Ontario, and \$48 million in payments in lieu of corporate income taxes, including capital taxes, to the Ontario Electricity Financial Corporation.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND STATISTICS

Year ended December 31
(Canadian dollars in millions,
except as otherwise noted)

| | 2010 | 2009 | \$ Change | % Change |
|--|-------------|-------------|------------------|-----------------|
| Revenues | 5,124 | 4,744 | 380 | 8 |
| Purchased power | 2,474 | 2,326 | 148 | 6 |
| Operating costs | 1,661 | 1,594 | 67 | 4 |
| Net income | 591 | 470 | 121 | 26 |
| Net cash from operations | 1,164 | 892 | 272 | 30 |
| Average annual Ontario 60-minute peak demand (MW) ¹ | 21,572 | 20,798 | 774 | 4 |
| Distribution – units distributed to our customers (TWh) ¹ | 29.1 | 28.9 | 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 Inc.'s 2010 Annual 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
Vice President, Corporate Affairs
416-345-5323

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

Hydro One Investor Relations
416-345-6867