

## Hydro One Releases 2011 First Quarter Financial Results

*For Immediate Release – May 12, 2011*

**Toronto** - Hydro One Inc. today released its 2011 first quarter results with net income for the quarter of \$212 million and revenues of \$1,460 million.

“We are pleased with our results for the quarter,” said Laura Formusa, President and CEO, Hydro One Inc. “Hydro One is focused on making the necessary investments in our transmission and distribution assets to ensure reliability, improving the productivity of our workforce to deliver more value to our customers and connecting new clean sources of generation.”

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

- Year-to-date, we have invested more than \$295 million in capital expenditures to improve system reliability, address an aging power system, facilitate new generation and improve service to our customers. During the first quarter, more than \$100 million of investments were put in-service.
- We put our Vansickle Transformer Station Upgrade Project into service, providing increased reliability of service and addressing load growth in the St. Catharines area, including load required by a new hospital that is currently under construction.
- The OEB approved our request to continue acquiring the remaining property rights needed to construct the Bruce-to-Milton line. To date, 80% of the right-of-way vegetation clearing required to build the line has been completed and 68 towers have been assembled.
- We have transitioned over 862,000 customers to time-of-use pricing across Ontario, slightly ahead of the Ontario Energy Board’s (OEB’s) schedule.
- We have connected more than 3,300 small generators to our distribution system through the Ontario Power Authority’s MicroFIT Program, representing approximately 30 MW of generation.
- Our enterprise-wide information system, implemented in recent years, continues to provide productivity benefits through streamlined reporting and analytics, efficient time reporting capability, improved work management and enhanced end-to-end supply chain processes which, among other things, further enables strategic sourcing.

Net income of \$212 million was higher by \$43 million, or 25%, compared to the same period in 2010. Net income reflected two OEB-approved distribution rate decisions and a December 2010 transmission rate decision. The decisions include a return on equity on new assets coming in-service over the last few years. The transmission rate decision also included an increase in the rate of return on equity on our assets, including new investments to address our aging critical infrastructure and the supply mix objectives for generation including off-coal initiatives, and the initiation of investments in support of the Green Energy Act. The two distribution rate decisions support the maintenance and investment requirements of our distribution system, including those to support renewable distributed generation, a smarter grid to further facilitate investment in renewable sources of power generation which provide clean energy sources reducing reliance on carbon-based fuels, and those to enable the safe and reliable delivery of electricity to our customers throughout Ontario. Each of our rate decisions followed extensive written and oral reviews of the evidence we submitted for the maintenance and investment requirements of our transmission and distribution systems, including those necessary to support renewable distributed generation.

Capital expenditures of \$295 million in the quarter were lower by \$27 million, or 8%, compared to the prior year. Capital expenditures on our transmission system were lower by \$23 million, or 12% compared to last year. This reduction was primarily attributable to lower expenditures to expand our transmission system resulting from last year's substantial completion of a number of multi-year local area supply and inter-area network projects. In addition, expenditures to sustain our existing transmission system were also lower compared to the same period in 2010. We continue to invest in a number of significant inter-area network upgrade projects facilitating new generation. Within our Distribution Business, we continued to invest 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 Project which will enhance our operations and support distributed generation.

Total first quarter 2011 revenues of \$1,460 million were \$141 million, or 11%, higher than the same period last year. Our transmission revenues were \$351 million, \$31 million higher than last year primarily due to the OEB-approved transmission tariff rate increases that were effective January 1, 2011 combined with increased revenues resulting from higher average monthly Ontario 60-minute peak demand experienced during the period. Our distribution revenues were \$1,093 million in the quarter, which were \$110 million, or 11%, higher than those of the comparative period. This increase reflects the recovery of higher purchased power costs of \$64 million and the impact of the OEB rate decisions that were effective on May 1, 2010 and on January 1, 2011.

Net cash from operating activities was \$240 million in the first quarter of 2011. During the quarter, we paid dividends to the Province of Ontario and recorded a provision for payments in lieu of corporate income taxes to the Ontario Electricity Financial Corporation in the amounts of \$42 million and \$39 million, respectively.

## CONSOLIDATED FINANCIAL HIGHLIGHTS AND STATISTICS

*Three months ended March 31*  
*(Canadian dollars in millions)*

	2011	2010	Change	% Change
Revenues	1,460	1,319	141	11
Purchased power	719	655	64	10
Operating costs	406	397	9	2
Net income	212	169	43	25
Net cash from operations	240	287	(47)	(16)

## STATISTICS

Average annual Ontario 60-minute peak demand (MW) <sup>1</sup>	21,757	20,935	822	4
Distribution – units distributed to our customers (TWh) <sup>1</sup>	8.3	8.0	0.3	4

<sup>1</sup> 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 2011 First Quarter Consolidated Financial Statements and Management's Discussion and Analysis can be accessed through the following link:

[www.hydroone.com/financials](http://www.hydroone.com/financials)

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