

Hydro One Releases 2011 Third Quarter Financial Results

For Immediate Release – November 10, 2011

Toronto - Hydro One Inc. today released its 2011 third quarter results with net income for the quarter of \$167 million and revenues of \$1,384 million.

“This past quarter, our employees have stepped up and worked tirelessly to respond to natural disasters in Ontario and elsewhere, while remaining focused on connecting renewable energy projects and building assets that are critical to all Ontarians,” said Laura Formosa, President and CEO, Hydro One Inc. “By investing prudently in our electricity delivery infrastructure, we continue to deliver electricity reliably to all of our customers.”

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

- Year-to-date, we have cost-effectively invested \$1,022 million in capital expenditures to improve system reliability, address an aging power system, facilitate the connection of new generation and improve service to our customers. During the same period, more than \$660 million of investments were placed in-service.
- Our crews responded to natural disasters in Ontario and beyond. They played an important and sustained role in restoring power to customers in Northwestern Ontario during a summer of prolonged wildfires and in placing the second of two failed transformers back in-service following the fire at our Richview Transformer Station. After a tornado struck the town of Goderich, crews were dispatched, under a mutual aid agreement, to help the local utility in rebuilding its devastated distribution system. In the wake of Tropical Storm Irene, Hydro One crews travelled to Vermont, also under a mutual aid agreement, to help restore electricity to the disaster-struck residents.
- Under the Ontario Power Authority’s microFIT program, we have successfully connected more than 6,400 small renewable generation projects representing approximately 60MW to date, of which approximately 1,400 were connected during the third quarter.
- We partnered with various communities and First Nation and Métis groups along the Bruce to Milton corridor for an historic biodiversity initiative. The initiative will enhance the natural environment in the local communities and seek to improve local biodiversity. We also received our Development Permit from the Niagara Escarpment Commission on September 14, 2011 and have proceeded with work necessary to complete the Niagara Escarpment portion of the Bruce to Milton line.
- We were honoured with the Utilimetrics Excellence in Project Management Award for superior achievement in innovation for the Smart Grid Program. This award recognized our central role in securing wireless spectrum for use by the utility sector in Canada.

Net income of \$167 million in the third quarter was lower than our comparable 2010 results by \$51 million, or 23%. Net income of \$521 million year-to-date was higher than the prior year by \$29 million, or 6%. Net income for both periods reflected Ontario Energy Board (OEB) rate decisions that allowed for, among other things, the recovery of assets from prior years that are now in-service. New assets in service include new investments to address our aging critical infrastructure and the supply mix objectives for generation, including off-coal initiatives, and investments in support of the Green Energy Act. Higher revenues were partially offset in the first nine months and more than offset in the quarter by higher operating expenditures including those related to our work to increase short circuit and/or transformer capacity at some of our transmission stations to enable the connection of small renewable projects and by a higher effective tax rate.

Capital expenditures of \$1,022 million for the first nine months were lower by \$84 million, or 8%, compared to the previous year. Capital expenditures on our transmission system were lower by \$67 million, or 11%, compared to last

year. This reduction was attributable to lower expenditures to expand our transmission system resulting from last year's substantial completion of a number of multi-year inter-area network and local area supply projects. We continue to invest in a number of significant on-going inter-area network upgrade projects to facilitate new generation. Expenditures to sustain our existing transmission system were also lower than last year. Capital expenditures within our Distribution Business were lower by \$15 million, or 3%, compared to last year, mainly due to the reduction in smart meter installations year-over-year, which were substantially completed by the end of 2010. In 2011, 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 that will enhance our operations and support distributed generation. In addition, we are investing in a Customer Information System as part of our entity-wide system improvement project.

Total revenues for the nine-month period were \$4,112 million, which were \$268 million, or 7%, higher than the same period last year. Our transmission revenues were \$1,067 million, \$65 million higher than last year primarily due to OEB-approved transmission tariff rate increases that were effective January 1, 2011. Our distribution revenues were \$2,998 million, \$203 million higher than the comparative period. This increase reflects the recovery of higher purchased power costs of \$121 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 \$500 million in the third 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 \$40 million, respectively.

CONSOLIDATED FINANCIAL HIGHLIGHTS AND STATISTICS

	Three months ended				Nine months ended			
	September 30				September 30			
<i>(Canadian dollars in millions, except as otherwise noted)</i>	2011	2010	\$ Change	% Change	2011	2010	\$ Change	% Change
Revenues	1,384	1,360	24	2	4,112	3,844	268	7
Purchased power	650	638	12	2	1,956	1,835	121	7
Operating costs	439	403	36	9	1,271	1,210	61	5
Net income	167	218	(51)	(23)	521	492	29	6
Net cash from operations	500	414	86	21	1,074	958	116	12
Average Ontario 60-minute peak demand (MW) ¹	23,018	24,812	(1,794)	(7)	21,765	22,119	(354)	(2)
Distribution – units distributed to customers (TWh) ¹	7.1	7.2	(0.1)	(1)	22.0	21.6	0.4	2

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 2011 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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