

EDA Annual Meeting

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Hydro One's Role in the Marketplace

Laura Formosa

President and CEO, Hydro One Inc

Check Against Delivery



Thank you very much for asking me to speak with you today. I'm delighted to be here.

I want to welcome you from across Ontario to Toronto.

No matter where you're from in Ontario it's been a long winter.

But spring is in the air.

The Blue Jays are playing their season opener today.

And another sure sign of spring is the annual EDA meeting and we at Hydro One are always proud to take part.

The EDA is a Critical Forum

Let me start by saying that I see the EDA as a critical forum for all of us, as distributors, to work on and align issues of common interest and to shape positions for our stakeholders.

As distributors, we are the people on the front line of this province's power system and because of this, we are the people with a unique and important perspective on our industry.

Because we are the ones who have the customers.

And our customers are counting on each and every one of us. We cannot let them down and the EDA provides a critical platform for us to ensure we never do.

Which brings me to my message for today – cooperation and collaboration

I will focus my comments today on three key topics or themes; all which have cooperation and collaboration at their core:

First: We are all distributors and as such, we're all in this together

Secondly: How Hydro One is meeting its commitments to you

And Finally: We are all employers in a challenging time

WE ARE ALL DISTRIBUTORS

Hydro One might be the stewards of this province's transmission system, but like you, we are also distributors, both in Hydro One Networks and Hydro One Brampton.

As I have just said, we, the distributors, are the people on the front line of this province's power system.

As a result, we share so many common challenges and issues, underlined by common values and goals:

- values like our absolutely resolute commitment to safety and to a cleaner environment and,
- goals like a reliable and sustainable energy supply at reasonable prices for our customers

So really, we are all in this together and should be able to leverage our collective experiences to ensure we're all doing the best we can for all customers in Ontario.

We might have some friendly competition on who does what the best but at the end of the day, we have to be pulling in the same direction for Ontarians. That's where the EDA plays a vital role for us.

Copper Theft

And as a distributor, I would like to talk about just a few of the issues that we share – issues where we might be able to collaborate to achieve the best results across the Province.

How many of you spend time thinking and worrying about how to combat the industry epidemic of copper theft?

We all know that the price of copper and other metals is being driven to record highs.

And that's driving thieves to our worksites.

Copper theft is dangerous to our workers and the public. It can cause outages and potentially expensive damage to our systems.

When it happens on our transmission system, it can cause problems for other distributors too.

At Hydro One, we're fighting these low-level thieves with high-level technology known as data dots.

When exposed to ultraviolet light these dots reveal an etched-on number that can be traced to the copper's original owner.

We're beefing up security around our transformer and distribution stations and worksites.

We are also working with scrap dealers to encourage them to work with us to prevent this escalating and extremely dangerous practice.

Hydro One is determined to put an end to copper theft at our facilities

I think this is a great example where we can, through the EDA, pool our experience and wisdom and flex our collective muscle, working with law makers and law enforcement to put an end to this escalating and dangerous crime.

Hydro One would welcome any opportunity for broader collaboration on this issue – because believe me, when we get together, we cover the province.

Smart Meters

Turning to a more positive subject -

I think one of the most exciting ways we, as distributors, will be able to improve our customer experience is through Smart Meters.

I am pleased to report that to date, between Networks and Brampton, we've installed approximately 400,000 smart meters at the homes of our customers across the province -- that's means that one in four of our customers now has a smart meter and we continue to work aggressively towards our final installation goals.

We all know that advanced metering infrastructure is the wave of the future.

It will promote demand management...

And it will enable a smarter network with many advantages - such as improved outage detection and enhanced distribution system monitoring.

Smart meters, when combined with time of use rates, are a big piece of the puzzle in creating a culture of conservation in Ontario.

For the first time, our customers will have the opportunity to take advantage of price signals that better reflect the cost of electricity at different times of the day.

Hydro One recognized the potential benefits of smart networks during the conceptual stage of its smart meter initiative.

The two-way communication required by advanced metering will allow us to monitor performance of our electricity system, which is particularly important for Hydro One because of our unique coverage in T&D across the Province.

It will also allow our customers to use devices that can provide them with energy use information at home or remotely and can automatically manage their high consumption appliances like air conditioners and pool pumps.

Ultimately, we also think it will help enable the connection of renewable DG across the system.

Again because of our unique service territory, we have had about 1,800 applications to connect to our T&D systems.

Providing our customers with new opportunities to actively participate in a variety of conservation and demand management initiatives has been a key requirement in our design decision.

We've been working closely with the Province, the IESO, the EDA, and cooperatively with LDCs directly, to ensure this transition goes smoothly and that our customers all receive the same information and at the same time.

We still have a long way to go, but I am extremely encouraged by the momentum we've achieved collectively.

And I might add that Hydro One has learned a great deal throughout this process and we would be pleased to continue to share with you our learning and experiences along the road.

CDM

I am also very proud of the results Hydro One has achieved on behalf of its customers on CDM.

Through a wide range of CDM programs designed to meet the needs of our demographically and geographically diverse customers, we have been able to achieve and amount to annual energy savings of 267 million kWh.

This is the equivalent of the electricity needed to power over 22,000 homes for one year, or [175,000] tonnes of GHG emission reductions.

The expected energy savings over the lifetime of the equipment are 1.5 billion kWh which translates to the electricity consumption of over 122,000 homes for one year, or [966,000] tonnes of GHG emission reductions.

In addition, a summer peak demand reduction of 63 MW has already been achieved.

Our aim has been to offer CDM programs for all customers within our service territory to help them contribute to, and benefit from, a culture of conservation.

Rate Harmonization

Now, we can't talk about our customers without touching on one of their most important issues and that is rates.

At Hydro One, we are making progress on harmonizing many of the different rates we inherited when we acquired 88 local distribution companies going back to the year 2000.

We have an application before the Ontario Energy Board, which, if approved, would result in 12 new rate classes compared with the 281 in place today.

The thinking behind our harmonization proposal is that all ratepayers deserve fair, reasonable and affordable rates.

In order for rates to be fair, they must be consistently applied across our customer base -- regardless of where they live.

Obviously, our proposal to harmonize rates will undergo rigorous regulatory review at the Ontario Energy Board and the final decision with respect to our application and harmonization of rates rests with our regulator.

We seek only to recover costs that will allow us to make prudent investments in our system so that we continue to provide safe and reliable power and satisfy demands resulting from customer growth and service upgrades.

These new rate classes will also line up more neatly with other EDA member companies.

Also as part of this application, embedded local distribution companies will be moved to our proposed ST (or Sub Transmission) rate class.

If approved, our embedded LDCs will see a rate reduction of approximately 3 per cent.

Dx Rationalization

Shifting gears slightly, I know that many people in this room also have distribution rationalization on their minds and I think it makes sense to tell you where Hydro One currently sits on this matter.

In October 2006, when the provincial government offered a strong but temporary tax incentive to local distribution companies considering rationalization, Hydro One started to investigate numerous options including the acquisition, partnering or sale of distribution assets and customers.

We have said from the outset, that we would be interested in entering into discussions on a willing buyer and willing seller basis and that we would be interested in agreements on a strictly commercial basis that are in the best interests of our customers.

Today, I don't think I need to remind you that this transfer tax window is closing fast.

For a transaction to be exempt from transfer tax, the final form of the legal agreement and regulatory application must be received by the Ontario Energy Board by October 17th.

This means any local distribution company interested in rationalizing their operations with Hydro One or any other distributor, will have to act without delay. We fully recognize that under a voluntary and commercial approach such decisions are entirely the responsibility of the LDCs and their shareholders, and I can assure you we respect that.

Rationalization makes sense on so many levels – not just financially.

We, local distribution companies, are often operating side by side, with considerable duplication. Rationalization would make us more efficient.

Secondly, we're a good fit. We share very similar corporate cultures and values.

Hydro One, like all LDCs, is committed to and involved in the communities it serves.

Thirdly, employees would benefit.

With the baby boomers retiring, we are going to need all hands on deck.

Staff could look forward to quicker advancement and stronger career paths.

And finally: It's good for our customers, because anything that makes us stronger makes them stronger too.

HOW HYDRO ONE IS MEETING ITS COMMITMENT TO YOU

Which takes me now to the second area of interest and cooperation that we share – how Hydro One is meeting its commitment to you.

While we are both distributors, as the stewards of Ontario's transmission system, you are also our customers.

I like to think that sharing and understanding your challenges as electricity distributors only serves to strengthen our supplier-customer relationship.

We take our customers – and customer service – very seriously.

We are continually on the lookout for ways to serve you better.

We are committed to making your customer experience with us satisfactory - 100 per cent of the time.

We know that you expect a great deal from us and we want to deliver the reliable and safe power that you and your customers expect and deserve.

To serve you even better, Hydro One is proceeding with the largest infrastructure renewal program in more than two decades.

Our focus is to get more out of what we have...

To relieve internal congestion points...

And ramp up to deliver a new era of clean generation, including renewables into our system.

I want to talk about three projects that reinforce Hydro One's technical reputation, will enlarge our transmission capacity, and will result in better service to you – our customers.

One project is over water...one is underground...and one crosses almost a third of the width of Ontario.

What they all do is look forward...to the day when our transmission system is once again at the leading edge in North America.

Quebec Interconnection

The first project involves strengthening the interconnection between Hydro One and Hydro Quebec across the Ottawa River.

We are bringing this connection into the major leagues.

We're adding two new circuits and boosting our interconnection capacity by up to 1250 MW.

This project is an excellent example of co-operation between two world-class utilities.

Consumers in both provinces will benefit.

Ontario gets substantially more access to renewable energy from Quebec...which is good news for the reliability and flexibility of our electricity supply.

It will also help make us less reliant on fossil fuels.

This project will provide the first continuous interconnection between Ontario and Quebec when it goes into service in less than a year from now.

The Toronto Tunnel

Close by, and right below us here in the streets of downtown Toronto, we've built a 2.1 kilometre tunnel to carry a new 230 kV circuit.

The tunnel is three metres in diameter.

It runs from St. Lawrence Market to the CBC building, and since January, it has been helping Toronto Hydro meet increased demand in the city.

We're very proud of this project and the way it was built.

It really is a boring project – literally! We used a special boring machine that minimized disruption on the streets above.

In doing so we removed a major bottleneck for our customer, Toronto Hydro without adding to Toronto's legendary traffic gridlock at the same time.

Bruce to Milton

And finally, the centre piece of all this renewal is our proposed \$600 million, 180 kilometer, 500 kilo-volt transmission line on the existing Bruce to Milton corridor.

We need this line to move renewable power from Bruce Region as well as additional power from Bruce Generating Station.

This is an exciting project. It will be Ontario's newest clean energy corridor

We're planning for it to be in service by the end of 2011.

That's just four years from now.

In our business, with long lead times for regulatory approvals, equipment orders and construction, that means the clock is already ticking.

But we're confident – and excited too.

This is a great investment because it will serve our customers and strengthen our province.

IPSP

I have talked a bit about some of the very important projects we have underway, but they are only the tip of the iceberg.

Hydro One has also been involved in the Ontario Power Authority's development of the Integrated Power System Plan.

The IPSP is the road map for the Province's energy future and Hydro One plays an active and pivotal role in building transmission and connecting new and clean sources of generation.

The IPSP calls for \$4B in new transmission investment – much of which is associated with delivering clean, renewable power from wind and water sites in rural and northern Ontario.

Hydro One employees will be very busy designing, building and working with the affected communities to get the job done.

WORKING TOGETHER AS EMPLOYERS

Last but not least, I want to turn to a subject that is nearest and dearest to me and that is the subject of workforce renewal and how we can work together as employers.

People are counting on us to fulfill our mandate to ensure that homes, businesses, schools and hospitals of Ontario have a secure and stable supply of energy in the years to come.

To meet our commitment to you and all our customers, we need the best and the brightest working for us.

And as employers, many of us are grappling with one of the single greatest human resource challenges our industry has ever confronted.

In Canada 9.6 million baby boomers will soon reach retirement. This generation has long provided our industry with an enormous pool of talented and ambitious women and men.

At Hydro One, we expect to see more than 30 percent of our workforce depart in the next few years.

We are seeing an incredibly adept and skilled workforce walking out the door at precisely the time we need them to mentor a new generation of energy professionals.

We're also very busy facing increasing challenge and opportunities in designing and building major new facilities, rolling out smart networks, and operating and maintaining an aging and increasingly heavily-utilized system.

And from an engineering perspective, we are not just competing with other provinces, we're competing with the rest of the world.

Hydro One has not been sitting idly waiting for the demographic tsunami to hit; we have established a very aggressive workforce renewal project to get ahead of the curve.

Part of that leadership is our relationship with academic institutions.

With such a great story to tell, we've been hitting the campuses and talking up careers in our industry.

Through partnerships, MOUs, and agreements with universities and colleges, we are taking the lead in seeding the next generation of talent in our industry.

We're strengthening our long and productive association with the University of Western Ontario's faculty of engineering.

We're working with Ryerson and McMaster to embed power engineering in their curriculums and provide us with even more talented grads.

We're partnering with four community colleges to train students as technicians, technologists and trades positions in the electricity sector.

And in the last six years we've hired more than 600 apprentices to work in our various trades.

We've made a good start, but there's so much more to do.

And while I want all this activity to result in some great new hires for Hydro One, the work we are doing here, I believe will serve our industry and this province.

The curriculum we help create, the new energy professionals we help to develop and launch will have a portable skill set that will put them in good stead in any electricity utility – and perhaps yours!

Again, this is just another way that we believe we can cooperate and collaborate with you and contribute to our mutual success.

Summary

As you may have already heard me say before, everyone is counting on all of us.

We can leverage our collective experiences on initiatives like Copper Theft, Conservation, and Smart Metering.

We can support each other's efforts to strengthen our electricity distribution and transmission systems.

And, we can work together to help attract and retain the best people to our industry.

The EDA provides us with a platform to do just that.

As members of the EDA, we must remember that the EDA only works well when we work well within it.

It should not be a forum to serve individual interests and needs.

It should not be a forum that creates winners and losers.

It should be the forum where we work collaboratively on behalf of the people we serve -- our customers.

It should be the forum in which we align our interests to advocate and advance issues important to our sector.

We are all here to make Ontario's power distribution system the best it can be – Safe...Reliable...Clean...and affordable.

So, the more we do together...

The more we learn from each other...

The more we can move forward - together.

Let's use our collective energy wisely and always for the benefit of our customers.

Thank you very much.