

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, BRITISH COLUMBIA, MANITOBA, NEW BRUNSWICK, NEWFOUNDLAND,
NOVA SCOTIA, ONTARIO, QUEBEC, PRINCE EDWARD ISLAND, AND
SASKATCHEWAN

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF HYDRO ONE INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Manitoba, Newfoundland, New Brunswick, Nova Scotia, Ontario, Prince Edward Island, Quebec and Saskatchewan (the "Jurisdictions") has received an application from Hydro One Inc. ("Hydro One") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in National Policy Statement 47 ("NP 47") and the applicable securities legislation of Quebec including, but not limited to, Title II and Title III of the Quebec *Securities Act* and the Quebec Regulation Respecting Securities (collectively, the "POP Legislation"), which provide that an issuer shall have been a reporting issuer or equivalent in the Jurisdictions for the 12 calendar months immediately preceding the date of filing of its annual information form (the "Eligibility Requirement") in order to be eligible to issue non-convertible debt securities or preferred shares in the Jurisdictions under the prompt offering qualification system pursuant to NP 47 and the simplified prospectus regime in Quebec (collectively, the "POP System") and under the shelf prospectus regime in Quebec (the "Shelf System"), shall not apply to Hydro One;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), Ontario is the principal regulator for this application;

AND WHEREAS Hydro One has represented to the Decision Maker as follows:

1. Hydro One was incorporated under the *Business Corporations Act* (Ontario). Its registered office is located at 483 Bay Street, 10th Floor, Toronto, Ontario, M5G 2P5. Hydro One is one of the successor corporations to Ontario Hydro and was formed as part of a major restructuring of Ontario's electricity industry. Hydro One and its subsidiaries have total assets in excess of \$10 billion. Through its subsidiaries, Hydro One owns and operates Ontario's high voltage electricity transmission system and a largely rural low voltage distribution system operating throughout Ontario.

2. Hydro One became a reporting issuer (or equivalent) under the Legislation on May 24, 2000 in connection with its initial public offering of CDN\$1,000,000,000 principal amount of unsecured debentures (the "Debentures") in Canada, the United States and elsewhere. Hydro One is not in default of any of the requirements of the Legislation.

3. Hydro One's authorized share capital consists of an unlimited number of preferred shares and an unlimited number of common shares. As of the date of this application, the issued and outstanding share capital of Hydro One consists of 12,920,000 5.5% cumulative preferred shares and 100,000 common shares, all of which are owned by the Government of the Province of Ontario.

4. The Debentures have been assigned ratings of A+, A, A1 and AA- by Canadian Bond Rating Service Inc., Dominion Bond Rating Service Limited, Moody's Investor Service Inc., and Standard & Poor's Ratings Services, respectively.

5. Hydro One's primary sources of liquidity and capital resources have traditionally consisted of and will continue to be, funds generated from operations, debt capital market borrowings and bank financing. Hydro One expects to incur significant amounts of debt primarily to retire existing debt when due.

6. In order for Hydro One to gain access to the debt capital markets in an efficient and cost effective manner, Hydro One requires the maximum degree of flexibility in considering potential financing arrangements. Accordingly, Hydro One wishes to become eligible for the POP System and the Shelf System and to avail itself of the opportunity to issue non-convertible debt securities or preferred shares by way of either a short form or shelf prospectus.

7. Hydro One proposes to file an initial annual information form (the "Initial AIF") pursuant to the POP Legislation in respect of its fiscal year ended December 31, 1999.

8. Assuming that the Initial AIF is accepted by the securities regulatory authorities in the Jurisdictions and that Hydro One is not in default of any of the Legislation of the Jurisdictions, Hydro One would be eligible to participate in the POP System pursuant to subsection 4.3(1) of NP 47 but for the fact that it has not been a reporting issuer for 12 months.

9. Hydro One is followed by a broad range of research analysts, investment advisors and other users of financial information.

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS the Decision Maker is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Eligibility Requirement shall not apply to Hydro One in connection with the issuance of non-convertible debt securities or preferred shares under the POP System and under the Shelf System, provided

that Hydro One complies with all other requirements and procedures and each of the other eligibility requirements of the POP Legislation.

DATED at Toronto, this 18th day of October, 2000.

Sd/ J.A. Geller Sd/ R.S. Paddon

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the requirement that issuer must be a reporting issuer for at least 12 months to permit issuer to distribute non-convertible debt securities or preferred shares under the POP system

Applicable Ontario Policies

National Policy Statement 47 - *Prompt Offering Qualification System*