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Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

May 22, 2012

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON
M4P 1E4

Dear Ms. Walli:

EB-2011-0140 – East-West Tie Line – Reply Submission of Hydro One Networks Inc.

Hydro One Networks Inc. ("HONI") has reviewed the Phase 1 submissions of intervenors in this proceeding. Based on this review, HONI notes that several broad interrelated categories or issues regarding HONI have been noted in the submissions by the following registered transmitters:

- Upper Canada Transmission Inc.
- AltaLink Ontario L.P.
- TransCanada Power Transmission (Ontario) L.P.
- RES Canada Transmission LP
- Iccon Transmission Inc.
- Canadian Niagara Power Inc.

The issues may be summarized under four headings:

- alleged unfair advantage provided by HONI to EWT LP ("EWT");
- alleged inadequate protocols in place at HONI;
- alleged HONI ratepayer subsidization of EWT; and
- disclosure and production of HONI's documents in this proceeding.

To assist the Board, HONI will address each area in turn below.

Allegation of Unfair Advantage

This allegation relates to the perception that there is a sharing of information or knowledge by HONI with EWT. HONI has not provided unfair advantage to EWT in the past and will not be providing unfair advantage to EWT going forward in the transmitter designation process. This is further discussed in relation to the documentary production issues noted below.

Allegation of Inadequate Protocols

As HONI has previously informed the Board and intervenors, HONI has put in place a rigid protocol to ensure that relevant information in HONI's possession is provided only to the Board for the benefit of the Board and all intervenors, including all registered transmitters. This protocol is further documented in the attached directive from the President and CEO of HONI to staff. In accordance with this protocol, no information is being provided to one registered transmitter that is not being provided to all registered transmitters.

Allegation of Ratepayer Subsidization

Neither HONI nor its ratepayers are subsidizing any persons who are now working on behalf of any registered transmitter, as appropriate time-tracking processes have been implemented within HONI to ensure that such costs will not be recovered from HONI's ratepayers.

Release of Documents

A comprehensive list of all of HONI's studies and reports relating to the preliminary development work previously undertaken by HONI on the East-West Tie project, prior to the date that it was determined that a competitive process for the development of the East-West Tie line would be established, has been provided to the Board and to all intervenors, together with HONI's submissions as to what portions of those documents can be provided, taking into account the commercial protections that benefit outside consultants who performed work for HONI. Except where these documents are public documents (which some of them are), none of those documents is in the possession of, or is accessible by, any persons who are now working on behalf EWT.

With respect to the request for other documents and emails, HONI asserts that the resources, as well as the time and effort, that would be required to locate and produce all such communications (assuming that were even possible) would provide no additional value beyond the documents that have already been offered by HONI. Furthermore, these documents and emails are not accessible by any persons who are now working on behalf of EWT.

Right-of-Way Access

In addition to the submissions of the above registered transmitters, HONI notes that the School Energy Coalition ("SEC") identified the following requests in relation to HONI:

- access to rights-of-way ("ROW"); and
- proper accounting by HONI of allocated resources.

Regarding access to the ROW, HONI's access rights are limited to HONI's own workers, contractors and sub-contractors for purposes related to HONI's own transmission system only, and cannot be extended to other parties for any other purposes under the terms of our easements, permits and licence agreements. It is HONI's understanding that no special permission is required to access Provincial Crown and national park lands, and bidders can access those parts of the ROW at will.

With respect to the accounting issue, HONI confirms that there will be proper accounting of the allocation of resources between HONI and EWT.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

Attach.

DIRECTIVE

February 28, 2012

To: Myles D'Arcey; Nairn McQueen; Wayne Smith; Mike Sheehan; Rick Stevens;
Laura Cooke; Susan Frank; LeeAnne Cameron; Bing Young; Ian Bradley;
Randy Church; Peter Gregg; Sandy Struthers; Carmine Marcello; Mike Penstone;
Rhonda Wise; Andrew Skalski

Re: East-West Tie Designation Process

On September 20, 2011, Hydro One issued Directives for the management of information and avoidance of conflicts of interests related to the anticipated participation in the Ontario Energy Board's ("OEB") East-West Tie Designation Process ("Designation Process").

Since this time there have been new developments. Hydro One Inc. ("HOI") has acquired a participatory interest in EWT LP, an entity intending to obtain Transmitter Designation status for the East-West Tie Project from the OEB. Hydro One Networks Inc. ("HONI") has now decided not to seek Transmitter Designation status for the East-West Tie Project. HONI's roles and responsibilities in the Designation Process, however, will be to serve as a resource to the OEB and to facilitate the provision of relevant technical information during this proceeding.

In light of these developments, it is appropriate for further Directives to be provided to ensure appropriate steps are taken to manage information flow and avoid the appearance as well as the creation of conflicts of interest. These Directives apply to you, given your functional roles and responsibilities in respect of Hydro One's interest in the EWT LP Transmitter Designation Process, or given your management responsibilities within HONI and potential involvement of you or your staff in supporting the OEB proceeding.

Sharing and Access to Information

All individuals listed in Column 2 of Schedule A to this Directive are reminded that they are not permitted to access, nor request from HONI staff, electronic or hard copy information in the possession of HONI and that may reasonably be viewed as having commercial or competitive value to the East West Tie Project.

This type of information includes:

- all engineering technical studies or technical standards reports prepared by or for HONI that concern transmission developments within the East-West Tie Project area;
- all route design and alternative route assessment reports prepared by or for HONI that concern transmission developments within the East-West Tie Project area;

- all environmental and socio-economic studies or assessments prepared by or for HONI that concern transmission developments within the East-West Tie Project area; and
- all financial evaluations or studies prepared by or for HONI that concern transmission developments within the East-West Tie Project area.

All individuals listed in Column 1 of Schedule A are responsible for the development of protocols to ensure electronic information gathered by HONI, in its role as incumbent transmitter and assisting the OEB in its Transmitter Designation Process, will not be accessible nor shared with those individuals listed in Column 2 of Schedule A (i.e. individuals who are involved with HOI's participation in EWT LP). All developed protocols should be documented and available for review upon request.

Reporting Relationships

Individuals listed in Column 1 of Schedule A will now directly report to Mr. Joe Agostino on matters pertaining to HONI's participation in the Transmitter Designation proceeding. Persons reporting to Mr. Agostino will ensure that their direct reports understand these Directives and the restrictions surrounding inter-corporate sharing of East-West Tie Project information and the need to manage potential conflicts of interest.

Individuals listed in Column 2 of Schedule A will now report directly to Mr. Sandy Struthers on those matters that concern HOI's participation in EWT LP, including any involvement or assistance provided to EWT LP in its participation in the Transmitter Designation proceeding. Persons reporting to Mr. Struthers will ensure their direct reports understand these Directives and the restrictions surrounding inter-corporate sharing of East-West Tie Project information and the need to manage potential conflicts of interest.

Mr. Struthers and Mr. Agostino are members of Hydro One's Executive Committee ("EC") and Executive Leadership Team ("ELT"). Mr. Struthers will not participate in EC and ELT meetings that concern HONI's involvement in the Transmitter Designation Process. Similarly, Mr. Agostino will not participate in EC and ELT meetings that concern HOI's participation in the East West Tie Project. Mr. Struthers and not Mr. Agostino shall have full responsibility for the resourcing of all legal requirements of HOI's participation in EWT LP.

Managing Potential Conflicts in Meetings

Meetings convened amongst HONI employees and those individuals listed in Column 2 of Schedule A will not include topics that directly or indirectly concern the East-West Tie Project. As an example, individuals listed in Column 2 of Schedule A who are members of the HONI Transmission Major Projects Steering Committee must excuse themselves and not participate in any discussions that directly or indirectly include the consideration of the East-West Tie Project or the Transmitter Designation proceeding. Individuals listed in Column 2 of Schedule A are encouraged to request that formal agendas of meetings are prepared and circulated in advance. Where formal minutes of meetings are taken, all recusals should be formally noted.

Certification

All individuals listed in Schedule A are required to review these Directives on a regular basis. Every six months Column 1 individuals shall confirm in writing to Mr. Agostino and Column 2 individuals shall confirm in writing to Mr. Struthers that they have conformed with the requirements of these Directives.

Thank you for your co-operation with these matters. If you have any questions or concerns I would encourage you to contact Joe Agostino or Sandy Struthers directly.



Laura Formusa
President & CEO
Hydro One Inc.

Attach: Schedule A

SCHEDULE A**EAST-WEST TIE PROJECT REPORTING RELATIONSHIPS**

COLUMN 1 HONI Direct Reports to J. Agostino	COLUMN 2 HOI/EWT LP Direct Reports to Sandy Struthers
Ian Bradley	LeeAnne Cameron
Randy Church	Peter Gregg
Laura Cooke	Carmine Marcello
Myles D'Arcey	Mike Penstone
Michael Engelberg	Andrew Skalski
Susan Frank	Rhonda Wise
Nairn McQueen	
Wayne Smith	
Mike Sheehan	
Rick Stevens	
Bing Young	