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May 22, 2012

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Ontario Energy Board
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Attention: Ms. Kirsten Walli
Board Secretary

**Re: Board File Number: EB-2011-0140
Electricity Transmitter Designation for the East-West Tie Line
Hydro One Inc. (Hydro One) Reply Submission**

We act as legal counsel to Hydro One in the above noted matter. Pursuant to Procedural Order No. 3, please find enclosed Hydro One's reply submission regarding Phase 1 of the EB-2011-0140 proceeding.

Yours truly,



For : Gordon M. Nettleton
Partner
GN:hl

cc. Mr. Andrew Skalski
EB-2011-0140 Interested Parties

ONTARIO ENERGY BOARD

IN THE MATTER OF Sections 70 and 78 of the *Ontario Energy Board Act 1998*, S.O. 1998, c. 15, (Schedule B); and

IN THE MATTER OF a Board-initiated proceeding to designate an electricity transmitter to undertake development work for a new electricity transmission line between Northeast and Northwest Ontario: the East-West Tie Line.

HYDRO ONE INC. – EAST-WEST TIE LINE
Reply Submission Regarding Phase 1 of the Proceeding

May 22, 2012

1. Hydro One Inc. (“Hydro One”) has had the benefit of reviewing the submissions of EWT LP and agrees with and supports the positions set out therein.
2. Hydro One is concerned with the positions advanced by some parties regarding what seems to be alleged improprieties on Hydro One’s part with respect to its role and interests in this proceeding. As a matter of clarification, Hydro One’s involvement in the East-West Tie Project commenced following the release of the Long Term Energy Plan on November 23, 2010. As the Board is aware, Hydro One’s affiliate, Hydro One Networks Inc. (“HONI”), ceased to take any further steps in developing Green Energy Transmission Projects, including the East-West Tie Project, in May 2010.¹
3. Hydro One’s involvement in the East-West Tie Project has required the allocation of some HONI staff members to assist Hydro One with this commercial development. Such steps are a pragmatic outcome of the organizational structure arising with HONI and Hydro One.
4. Staff who have been allocated to support the commercial development of the East-West Tie Project are not technical specialists in the areas of system planning, project development or construction. They are instead senior managers or executives performing business development, legal and regulatory oversight roles on behalf of Hydro One’s investment in EWT LP.
5. Allocation of these staff resources has not meant that undue bias or undue competitive advantages have been created. Rather, Hydro One and HONI have addressed these concerns by implementing appropriate directives and protocols to define and segregate the roles and responsibilities of those HONI employees involved in this proceeding serving the Board in an *amicus* role, and those who are directly assisting Hydro One with its interest in the East-West Tie Project.
6. The directives implemented by HONI’s senior management apply to all HONI employees. Sharing and access to HONI information and systems containing that information by identified staff assisting Hydro One is not permitted. Reporting relationships have been changed in order to segregate the flows and management of information. In addition, an employee certification process has been implemented which is effectively akin to the suggestions of some participants.²


¹ See Exhibit I Tab 1 Schedule 2 EB-2012-0180.

² See Exhibit I-4-2 Attachment 2, a copy of which is attached to this Reply Submission.

7. Hydro One submits that the protocols and directives implemented appropriately address concerns related to potential conflicts of interest arising between Hydro One and HONI. No further action is therefore required by the Board to address the speculative impropriety raised in this Phase I proceeding.

All of which is respectfully submitted this 22 day of May, 2012.

HYDRO ONE INC., by its counsel OSLER,
HOSKIN & HARCOURT LLP

for Per: 
Gordon Nettleton

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Filed: May 11, 2012
EB-2012-0180
Exhibit I-4-2
Attachment 2
Page 1 of 4

Laura Formosa
President & CEO



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	