

**Ontario Energy  
Board**  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4  
Telephone: 416- 481-1967  
Facsimile: 416- 440-7656  
Toll free: 1-888-632-6273

**Commission de l'énergie  
de l'Ontario**  
C.P. 2319  
27e étage  
2300, rue Yonge  
Toronto ON M4P 1E4  
Téléphone: 416- 481-1967  
Télécopieur: 416- 440-7656  
Numéro sans frais: 1-888-632-6273



**BY E-MAIL**

**June 17, 2013**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 27<sup>th</sup> Floor  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Board Staff Interrogatories**

**Application by B2M Limited Partnership for an Electricity Transmitter  
Licence – Board File No. EB-2013-0078**

**Application by Hydro One Networks Inc. for Leave to Sell Certain  
Transmission Assets – Board File No. EB-2013-0079**

**Application by SON LP Co. to Acquire Partnership Interest in B2M Limited  
Partnership - Board File No. EB-2013-0080**

In accordance with Procedural Order No. 1, please find attached Board staff's interrogatories respecting the above referenced applications.

Yours truly,

*Original signed by*

Gona Jaff  
Project Advisor, Applications and Regulatory Audit

Attachment

cc: Susan E. Frank, Hydro One Networks Inc.  
Gordon M. Nettleton, McCarthy Tétrault LLP  
Colin Salter, Pape Salter Teillet LLP  
Alex Monem, Pape Salter Teillet LLP  
Intervenors of record



# **ONTARIO ENERGY BOARD**

## **Board Staff Interrogatories**

**APPLICATION BY B2M LIMITED PARTNERSHIP FOR AN ELECTRICITY  
TRANSMITTER LICENCE - EB-2013-0078;**

**APPLICATION BY HYDRO ONE NETWORKS INC. FOR LEAVE TO SELL  
CERTAIN TRANSMISSION ASSETS - EB-2013-0079; and**

**APPLICATION BY SON LP CO. FOR LEAVE TO ACQUIRE UP TO A 30%  
PARTNERSHIP INTEREST IN B2M LIMITED PARTNERSHIP - EB-2013-0080**

**June 17, 2013**

**1. Reference:        Application by SON LP Co. for Leave to Purchase  
                             Section 10**

SON LP Co. applied for leave of the Ontario Energy Board (the “Board”) to acquire up to a 30% partnership interest in B2M Limited Partnership (“B2M LP”) under section 86(2) of the *Ontario Energy Board Act, 1998* which states:

**No person, without first obtaining an order from the Board granting leave, shall,**

- (a) acquire such number of voting securities of a transmitter or distributor that together with voting securities already held by such person and one or more affiliates or associates of that person, will in the aggregate exceed 20 per cent of the voting securities of the transmitter or distributor; or**
- (b) acquire control of any corporation that holds, directly or indirectly, more than 20 per cent of the voting securities of a transmitter or distributor if such voting securities constitute a significant asset of that corporation. 1998, c. 15, Sched. B, s. 86 (2).**

**Interrogatories**

- 1.1. Please specify the subsection under which the application is made [i.e. 86(2)( a) or 86(2)(b)].
- 1.2. Please explain how the proposed transaction falls under the subsection provided in response to item 1.1 above.

**2. Reference:        Joint Submission  
                             Section 4, Page 9, Paragraph 4.13**

The applicants state that the Anishnaabekiing Naagnigewin Agreement “contemplates HONI and SON obtaining favourable tax rulings from provincial and federal tax authorities”

**Interrogatories:**

- 2.1. Please provide the status of the tax related applications before each of the provincial and federal authorities including :
  - 2.1.1. the date by which the applicants expect a decision/ruling by the provincial authorities; and
  - 2.1.2. the date by which the applicants expect a decision/ruling by the federal authorities.
- 2.2. Please confirm that the subject transactions will not proceed unless favourable tax rulings, as sought, are obtained from both provincial and federal tax authorities.

**3. Reference: Joint Submission**  
**Section 4, Page 8, Paragraph 4.4**

Upon receiving all necessary approvals, HONI will transfer the Transferred Assets to B2M LP. Through a series of related party transactions, HONI and its parent, Hydro One, will receive from B2M LP consideration in the form of cash, a promissory note, and partnership unit interests which, prior to the investment by SON LP Co., will represent, in aggregate, the net book value of the Transferred Assets transferred to B2M LP.

**Interrogatories:**

- 3.1. Please provide the current netbook value (i.e. value in Hydro One Networks Inc.'s book) of the assets proposed to be transferred to B2M LP (the "Bruce to Milton Assets").
- 3.2. Please confirm that Hydro One Networks Inc. ("HONI") proposes to sell the Bruce to Milton Assets to B2M LP for the net book value provided in response to item 3.1 above. If this cannot be confirmed, please provide the sale price along with an explanation.
- 3.3. Please confirm whether the Bruce to Milton Assets are currently included in HONI's Board approved electricity transmission rate base.
- 3.4. If item 3.3 above is confirmed, please provide the amount included in rate base and comment on any difference between the amount included in rate base and the current netbook value of the Bruce to Milton Assets.
- 3.5. Please describe the net impact that the transaction will have on the rate base used to calculate the Uniform Transmission Rates.

**4. Reference: Application by SON LP Co. for Leave to Purchase**  
**EB-2013-0080 – Evidence Circular**  
**Section 10, Page, 10, Item 1.8.2**

"The parties have agreed that the price of the sale will be based upon the net book value of the assets, which the parties agree, approximates fair market value."

**Interrogatories:**

- 4.1. Please elaborate on the statement referenced above. Specifically, please provide evidence or analysis supporting that the net book value of the Bruce to Milton Assets approximates fair market value.

**5. Reference: Joint Submission**  
**Section 4, Page 9, Paragraph 4.11**

The transfer of the BxM Project transmission assets will be effected through an asset purchase agreement made between HONI and B2M LP. Preparation of this agreement is underway and a copy will be filed with the Board once it is finalized.

**Interrogatories:**

5.1. Please provide a copy of the asset purchase agreement.

**6. Reference: Joint Submission**  
**Section 6, Page 12, Paragraph 6.2**

"The preliminary estimate of the net present value of the customer benefit associated with this transaction is \$10 million, calculated over the life of the Transferred Assets."

**Interrogatories:**

6.1. Please provide the analysis and calculations used to arrive at the \$10 million amount.

**7. Reference: Joint Submission,**  
**Section 6, Page 12, Paragraph 6.5:**

"At the present time, the total preliminary estimate of incremental costs are \$1 million (one time cost) and an average of \$1.1 million every two years."

**Interrogatories:**

- 7.1. Please provide a breakdown of the one-time incremental costs along with the associated amounts.
- 7.2. Please provide a breakdown of the ongoing (every two years) incremental costs along with the associated amounts.
- 7.3. Please confirm that B2M LP plans to recover the incremental costs (one time and ongoing) through rates.
- 7.4. If item 7.3 above is confirmed, please provide the total amount associated with the incremental costs that B2M LP plans to recover through rates, calculated over the life of the Bruce to Milton Assets.

7.5. Please confirm whether, and if so, provide evidence supporting that the benefits associated with the subject transactions will be greater or at least equal to the incremental costs that B2M LP plans to recover through rates.

7.6. Please confirm that rates will decrease if the applications are approved.

**8. Reference: Joint Submission**

**Section 2, Pages 4-5, Paragraph 2.8:**

B2M GP Inc. will be responsible for ensuring that the BxM Project transmission assets transferred to B2M LP are operated and maintained in accordance with all applicable regulatory standards and HONI's maintenance and operating practices. B2M GP Inc. will carry out these functions through an operations and management services agreement with HONI. HONI shall be required to ensure that all applicable OEB licence, code and rule requirements will be followed following the completion and closing of the transaction.

**Interrogatories:**

8.1. Please indicate whether, and if so, to what extent the subject transactions would affect the manner in which the Bruce to Milton Assets are currently operated and maintained.

**9. Reference: Joint Submission**

**Section 2, Page 5, Paragraph 2.11 E:**

SON LP Co will have no assets other than its partnership interest in the B2M LP and no liabilities other than its proposed loan arranged through the TD Securities to fund its acquisition cost of the partnership interest. The loan will be comprised of two tranches, the first tranche for \$50 million, will be guaranteed by the Province of Ontario through its Aboriginal Loan Guarantee Program and a second tranche of \$22 million. Attached as Schedules are draft term sheets for the proposed financing to SON LP Co. SON LP Co will acquire its interest in the partnership as bare trustee and agent for SON.

**Reference: Submission to the Board of Directors of Hydro One Inc.  
Section 11, Appendix 6**

The transmission line assets are projected to cost \$600 million upon completion with an equity value of \$240 million. The SON would acquire an equity interest of 30% in those assets in exchange for a \$72 million payment. Private equity financing for \$50 million of the purchase price paid by the SON would be guaranteed under the Aboriginal Loan Guarantee Program administered by the Ministry of Finance. **Hydro One will provide the SON with Participation Funding (Attachment "D")** [Emphases added by Board staff].

**Interrogatories:**

- 9.1. Please confirm whether, and if so, to what extent Hydro One Inc. will be involved in the loans mentioned in the above referenced paragraph. Please provide full particulars including impacts on electricity transmission/distribution ratepayers and the financial viability of Hydro One Inc. and/or any of its rate regulated subsidiaries.
- 9.2. Please provide details on how Hydro One would provide the SON with "Participation Funding" as stated in the paragraph referenced above. Please provide full particulars including impacts on electricity transmission/distribution ratepayers and the financial viability of Hydro One Inc. and/or any of its rate regulated subsidiaries.
- 9.3. Please provide a copy of Attachment "D" referenced above.

**10.Reference: Anishnaabekiing Naagnigewin Agreement  
Section 11, Appendix 5, Page 1, Paragraph 3**

"The Line is scheduled to be in-service by January 1, 2013."

**Reference: Amended and Restated Limited Partnership Agreement  
Section 11, Appendix 7, Pages 1-2, Paragraph C**

Subject to the terms of this Agreement, the Parties wish to own and cause to be operated and maintained the second high-voltage electrical transmission tower line spanning approximately 180 kilometres from the Bruce Power nuclear generating facility located in Kincardine, Ontario to HONI's switchyard in Milton, Ontario (the "Line") for which HONI was granted leave to construct from the OEB on September 15, 2008 and **which was placed in-service on May 14, 2012** [emphases added by Board staff].

**Interrogatories:**

- 10.1. The paragraphs referenced above provide two different in-service dates for the Bruce to Milton Assets. Please provide the accurate in-service date for the Bruce to Milton Assets

**11.Reference:       Application by B2M LP for an Electricity Transmitter Licence  
Section 9, page 9, Item 10 “Information About Each Key Individual”**

**Interrogatories:**

- 11.1. Please provide the information requested in item 10 of the application form for each key individual of B2M LP.

**12.Reference:       Application by SON LP Co. for Leave to Purchase  
Application Form for Applications under Section 86 of the *Ontario  
Energy Board Act, 1998*  
Section 10**

**Interrogatories:**

- 12.1. Please confirm that the legal name of the applicant is SON LP Co. and not Saugeen Ojibway Nation.
- 12.2. Please complete the section of the application form relating to the “Primary Contact”.
- 12.3. Please complete the section of the application form relating to the “Address of Head Office.”
- 12.4. Please have the last page of the application form signed by a key individual of the applicant and file it with the Board.