Hydro One Networks Inc.
8th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5700
Fax: (416) 345-5870
Cell: (416) 258-9383
Susan.E.Frank@HydroOne.com

Susan Frank
Vice President and Chief Regulatory Officer
Regulatory Affairs

BY COURIER

June 27, 2013

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

Dear Ms. Walli:

EB-2013-0078 – Hydro One Networks Inc.'s Request for Licensing of New Transmitter
EB-2013-0079 – Hydro One Networks Inc.'s Request for Leave to Sell Bruce to Milton Transmission Assets
EB-2013-0080 – Hydro One Networks Inc.'s Request for Leave to Purchase Bruce to Milton Transmission Assets
Hydro One Networks Inc.'s Responses to Interrogatory Questions

Please find attached an electronic copy of responses provided by Hydro One Networks Inc. on behalf of the applicants to intervenor interrogatories. Two (2) hard copies will be sent to the Board shortly.

Below is the tab number for each intervenor

Tab	Intervenor
1	Ontario Energy Board
2	Power Workers' Union
3	Land Owners

An electronic copy of the interrogatories has been filed using the Board's Regulatory Electronic Submission System.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank
cc – intervenors (by e-mail)

Ontario Energy Board (Board Staff) INTERROGATORY #1 List 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).

Interrogatory

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.

Response

1.1 SON LP Co. is applying pursuant to section 86(2)(a).

1.2 As noted in section 1.4 of the Joint Submission, the proposed transaction contemplates SON LP Co. acquiring a 30 percent partnership interest in the B2M Limited Partnership. B2M Limited Partnership has applied to become a transmitter. The within application is being made out of an abundance of caution as the *Ontario Energy Board Act* doesn't expressly contemplate a transmitter in any form other than a corporate entity whose owners hold "voting securities". SON LP Co. will 'own' 30% of the partnership equity.

Ontario Energy Board (Board Staff) INTERROGATORY #2 List 1

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"

Interrogatory

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.

Response

2.1

- 2.1.1 HONI understands that provincial taxation authorities have almost completed the analysis on which that ruling will be based. The main items outstanding are confirmations from the federal authorities that the provincial authorities' interpretation of certain provisions of the *Income Tax Act* (Canada) is consistent with those of the federal authorities. The provincial authorities are working towards an end of July timeline, to the extent that they receive, on a timely basis, the expected confirmations/responses from the federal authorities.

- 2.1.2 The federal authorities are aware of the pressing nature of the ruling requests, however, they cannot commit to a specific delivery date for a ruling, or in responding to the provincial authorities questions of interpretation.

2.2 The rulings are conditions precedent to the Closing of the transaction. In the event that any rulings are denied or unavailable on terms and conditions acceptable to the Parties, it is the full expectation of all Parties that they shall cooperate and negotiate in good faith in an effort to arrive at a mutually acceptable alternative solution or structure to address the issues in the ruling which have been denied or are unavailable. This expectation is documented in Section 3.2 of the Anishnaabekiing Naagnigewin Agreement found in Appendix 8 of the Joint application.

Ontario Energy Board (Board Staff) INTERROGATORY #3 List 1

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.

Interrogatory

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.

Response

3.1 The net book value of the assets proposed to be transferred to B2M LP as of December 31, 2012, is $596.2M

3.2 Hydro One Networks Inc. proposes to sell the Bruce x Milton Assets to B2M LP for the net book value at the transaction closing date. The net book value provided in response to item 3.1 is from the last audited statements and will be updated prior to the closing date.

3.3 The BxM assets are currently included in HONI's Board approved electricity transmission rate base.

3.4 The 2012 net book value of the BxM Assets included in current rate base is $596.3M. The small difference between this amount and the current 2012 net book value of $596.2M is due to the asset mix of in-service additions and the associated accumulated depreciation.

3.5 There will be no impact of this transaction on the rate base used to calculate the Uniform Transmission Rates.

Ontario Energy Board (Board Staff) INTERROGATORY #4 List 1

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."

Interrogatory

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.

Response

In May 2012, Hydro One Inc. commissioned Deloitte & Touche LLP to perform a valuation on the assets of the proposed partnership. Their valuation found that:

> *"Based on our scope of review … the fair market value, as at May 31, 2012, of the Assets of the Bruce to Milton Transmission Project is estimated to be in the order of $581 million." (Page 3)*

Note that the project cost summary reported to Deloitte & Touche LLP at that time was $581Mn. *(See Section 2.2*)

The report is included herein as Attachment 1.

Deloitte.

Hydro One Inc.

Estimate Valuation of the Bruce to Milton Transmission Project

As at May 31, 2012

Report Dated: June 8, 2012
Private and Confidential

Deloitte.

Deloitte & Touche LLP
181 Bay Street
Suite 1400
Toronto, Ontario
M5J 2V1
Canada
Tel: 416-601-6180
Fax: 416-601-6151
www.deloitte.ca

June 8, 2012

Private and Confidential

Hydro One Inc.
483 Bay Street, 14th Floor
Toronto ON
M5G 2P5

Attention: Mr. Sandy Struthers, Executive Vice President and Chief Financial Officer

Dear Mr. Struthers:

Subject: Estimate of Fair Market Value of the Bruce to Milton Project Transmission Project

Deloitte & Touche LLP ("Deloitte") has been engaged by Hydro One Inc. (the "Company") as independent professional business advisors to provide an estimate of the fair market value ("Valuation") as at May 31, 2012 (the "Valuation Date") of certain assets of the Bruce to Milton Transmission Project.

Purpose

We understand that you require the Valuation for internal corporate purposes in connection with a possible minority equity transaction involving certain assets of the Bruce to Milton Transmission Project (the "Assets"). We further understand that a copy of our report may be provided to the Board members of Hydro One Inc.

Definition of value

For the purpose of our valuation, fair market value is defined as the highest price, expressed in terms of money or money's worth, obtainable in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion to transact. Fair market value, is a concept of value, which may or may not equal the purchase/sale price in an actual market transaction. Within the marketplace, there may exist "special purchasers" who may be willing to pay higher prices because of reduced or eliminated competition, ensured source of sales, cost savings arising on business combinations following acquisitions or other synergies, which could be enjoyed by the purchaser. Given the nature and stated purpose of this engagement, we have not exposed the Assets to the marketplace to determine whether some purchasers, for their own reasons, might perceive a value different from that determined by us.

Restrictions

Our Valuation has been prepared in conformity with the Practice Standards ("Standards") of The Canadian Institute of Chartered Business Valuators (the "CICBV"). Our estimate valuation is based on limited review, analysis and corroboration of relevant information, and provides a lower level of assurance than a Comprehensive Valuation Report (as defined by the Canadian Institute of Chartered Business Valuators).

No part of Deloitte's fee is contingent upon the conclusions reached in the Valuation or any action or event contemplated in, or resulting from the use of, the Valuation. The principal valuator and other staff involved in the preparation of the Valuation acted independently and objectively in completing this engagement.

Our Valuation is solely for use in connection with the stated purpose above. Neither our draft report nor our final report is intended for general circulation or publication, nor are they to be reproduced or used for any purpose other than that outlined above without our written permission in each specific instance. We do not assume any responsibility or liability for losses incurred by any parties as a result of the circulation, publication, reproduction or use of this Valuation contrary to the provisions of this paragraph.

We reserve the right to review all calculations included or referred to in our report and, if we consider it necessary, to revise our estimate of fair market value in the light of any information existing at the Valuation Date which becomes known to us after the date of this report.

We have relied upon the completeness, accuracy, and fair presentation of all the financial and other information, data, advice, opinions or representations obtained from senior Management of the Company and/or its agents and advisors (collectively, the "Information"). The Valuation is conditional upon the completeness, accuracy, and fair presentation of such Information. Except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of the information.

The Valuation is rendered on the basis of economic, financial, and general business conditions prevailing as at the Valuation Date and the condition and prospects, financial and otherwise, of the Bruce to Milton Transmission Project as they were reflected in the information. In the analyses and in preparing the Valuation, we have made numerous assumptions with respect to industry performance, general business, and economic conditions and other matters, many of which are beyond our control.

The Valuation must be considered as a whole, and selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Valuation. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Further, an Estimate Valuation Report is not a Comprehensive Valuation Report (as defined by the Canadian Institute of Chartered Business Valuators Standard No. 110). The valuation conclusion to be expressed in this report might be different than if we prepared a Comprehensive Valuation. An Estimate Valuation Report contains a conclusion as to the value of shares, assets, or an interest in a business that is based on limited review and analysis and limited corroboration of relevant information. Our Valuation does not constitute a comprehensive opinion as to the fair market value of the Assets.

Currency

Unless otherwise noted, all amounts shown in this report and attached schedules are expressed in the lawful currency of Canada.

Valuation conclusion

Based on our scope of review (Appendix A), restrictions, limitations and assumptions (Appendix B) and analysis, the fair market value, as at May 31, 2012, of the Assets of the Bruce to Milton Transmission Project is estimated to be in the order of $581 million.

The accompanying report, including schedules and appendices, is an integral part of this Valuation Report and provides a summary of our findings and the methodology leading to our estimate of value.

Yours truly,

Deloitte & Touche LLP

Richard Taylor, CA, CBV
Partner, Financial Advisory
Deloitte & Touche LLP

Mark Keuleman, CA, CBV
Senior Manager, Financial Advisory
Deloitte & Touche LLP

Table of contents

Schedules and appendices

Schedules

Appendices

1 Background of Hydro One Networks Inc.

1.1 Business Description[1]

Hydro One Networks Inc. (“HONI”), a subsidiary of Hydro One Inc. is licensed by the Ontario Energy Board (“OEB”) to own, operate and maintain transmission facilities in the Province of Ontario. Hydro One’s transmission system is one of the largest in North America based on net book value and includes facilities that service connected customers and other transmitters province-wide. These facilities comprise approximately 97% of the licensed transmission facilities in Ontario and are used to serve customers province wide.

The purpose of the transmission system is to transmit electricity between supply points (such as generators, interconnections with other jurisdictions, and load customers with sufficient embedded generation to result in injections into the transmission system) and delivery points (load customers, including Local Distribution Companies, end-use Transmission Customers and interconnections with other jurisdictions).

Hydro One Transmission’s business comprises a high voltage system that operates at 500 kV, 230 kV and 115 kV, with minor lengths operating at 345 kV and 69 kV. The Hydro One Transmission system includes 29,000 circuit kilometres of high voltage transmission lines and 280 transmission stations. These lines are located on land owned by the Ontario government, Hydro One Transmission or by other parties with whom Hydro One Transmission has agreements regarding occupancy and access rights. The major components of the transmission lines are overhead conductors, underground cables, wood or steel support structures, foundations, insulators, connecting hardware and grounding systems. The major components of transmission stations are transformers, circuit breakers, switches, bus bars, insulators, reactors, capacitors, connecting hardware, associated protection and control equipment, grounding systems and revenue meters.

Hydro One Transmission’s business activities are regulated and consist of expanding, maintaining, operating and sustaining assets to meet reliability standards and satisfy regulatory, environmental and legal requirements. In particular, Hydro One’s transmission business implements system expansion to:

- Accommodate load growth and new generation;
- Accommodate distributed generation resulting from the feed-in tariff program and other green initiatives advocated through the Ontario Government’s Green Energy and Green Economy Act, 2009;
- Alleviate internal system constraints;
- Increase interconnection capabilities with neighbouring utilities; and
- Facilitate the development of a modern and smart grid.

[1] Hydro One Networks Inc. EB-2010-0002 filed May 19, 2010.

© Deloitte & Touche LLP and affiliated entities.

1.2 Regulatory Environment[2]

In the Ontario electricity industry the Ministry of Energy sets legislative and regulatory requirements through changes to the *Electricity Act, 1998* and the *Ontario Energy Board Act, 1998*. The OEB sets transmission rates, issues codes and licenses, and grants approval for construction of new transmission lines greater than two kilometres. Hydro One Networks Inc.'s transmission revenue primarily includes a transmission tariff, which is based on the uniform province-wide transmission rates approved by the OEB for all transmitters across Ontario. Transmission tariff rates are set based on an approved revenue requirement that provides for cost recovery and includes a return on deemed common equity. In addition, the OEB approves rate riders to allow for the recovery and disposition of specific regulatory assets and liabilities over a specified timeframe.[3]

The Independent Electricity System Operator ("IESO") administers the electricity market and directs the operation of the power system in Ontario. The transmission assets owned by Hydro One's transmission business form about 97% of the IESO controlled transmission grid. The IESO controlled grid provides the infrastructure for transmitting large volumes of electrical energy from major generation sources to major load centres. In the restructured Ontario electricity industry, Hydro One provides the transmission capacity and the IESO makes the capacity available to market participants.

The Ontario Power Authority ("OPA") establishes new electricity supply contracts, sets provincial Conservation and Demand Management targets, forecasts long-term demand/supply requirements and identifies the new or upgraded transmission required to incorporate new generation, relieve constraints on the transmission system and accommodate increasing electricity demand on an area supply basis.

The Transmission System Code ("TSC"), issued by the OEB, sets out the obligations of electricity transmitters with respect to their customers. It includes a Connection Agreement which covers the technical and commercial responsibilities of both transmitters and their customers. The Code also addressed standards for the operation, maintenance, management and expansion of transmission systems.

Bill 150 of the *Green Energy and Green Economy Act ("GEGEA"), 2009*, introduced several policy changes to facilitate renewable energy development. Particularly, the GEGEA sets the framework for Ontario's feed-in tariff program which will procure increased levels of renewable energy generation. The GEGEA also focuses on the development and implementation of a modern and smart grid to enable future renewable energy generation and conservation initiatives.

[2] Hydro One Networks Inc. EB-2010-0002 filed May 19, 2010
[3] Hydro One Inc. – 2010 Annual Report

© Deloitte & Touche LLP and affiliated entities.

2 Bruce to Milton Transmission Project

2.1 Project Background

The Bruce to Milton Transmission Line is one of several projects that Hydro One is undertaking to meet Ontario's energy needs. The Bruce to Milton Transmission Project supports the Province's climate change and clean air initiatives by providing transmission capability to reliably and safely deliver an additional 3,000 megawatts of electricity from clean and renewable sources. [4]

In March 2007, the Ontario Power Authority provided a letter to Hydro One with the purpose of urging Hydro One Networks Inc. to initiate the activities necessary to construct a new double –circuit 500kV line between the Bruce Nuclear Power Complex and Hydro One's existing Milton switching station. In this letter, the OPA concluded that the Bruce to Milton project is the only transmission alternative that meets the overall need to transmit the existing and committed generation in the Bruce area, to facilitate the development of future resources both in the Bruce area and north of Barrie, to be consistent with provincial land use policy; and to reflect the general support to date from stakeholders for a long-term solution within a widened existing transmission corridor.[5]

The Bruce to Milton Transmission Project is two 500 kilovolt lines between the Bruce Nuclear Generating Facility in Kincardine, Ontario to Hydro One's switchyard in Milton, Ontario (approximately 180 kilometres). The Project was put into service in May 2012 and has an estimated useful life of 80 years.

Hydro One Networks Inc. is contemplating a minority equity transaction involving certain assets of the Bruce to Milton Transmission Project with an Aboriginal Group. The following is a description of the assets to be included in the transaction as well as a summary of the proposed transaction.

Description of the Bruce to Milton Transmission Project (the "Assets")

Hydro One Networks Inc. was granted leave from the Ontario Energy Board on September 15, 2008 in accordance with Decision 2007-0050 to construct high-voltage transmission facilities from the Bruce Power Nuclear Generating Facility in Kincardine, Ontario to HONI's switchyard in Milton, Ontario (the "Line"). The assets to be included for the proposed transaction are those comprising the lines (land, land rights, foundations, towers and wires) and the Limited Partnership Line Property Rights (the "Assets"), but excluding all sub-station facilities and assets relating to the interconnection of the Line with HONI's remaining transmission system.

Summary of Contemplated Transaction

Hydro One Networks Inc. is contemplating a series of transactions with the Saugeen Ojibway Nation (the "SON") whereby the following outcome will be attained:

- A limited partnership, (the "Bruce-to-Milton LP") will be created with the following ownership:
  - The General Partner (owned 100% by HONI) will own 0.1% of the Bruce-to-Milton LP
  - The SON, through a Limited Partnership Corporation (the "SON LP Co."), will own between 5% to 30% of the Bruce-to-Milton LP. The ownership percentage is dependent upon the initial investment amount made by the SON. At the date of preparation, ownership of approximately 30% is anticipated.

[4] Hydro One website.
[5] OPA Letter to Hydro One dated March 23, 2007. (http://www.hydroone.com/projects/brucetomilton/Pages/Default.aspx)

- HONI, through a Limited Partnership Corporation (the “HONI LP Co.”), will own the remainder of the Bruce-to-Milton LP.

- A debt to equity ratio of 60:40 will be achieved through proportionate equity investments by both the SON LP Co. and the HONI LP Co.

2.2 Project Cost Summary

This summary includes actual costs incurred to the valuation date of May 31, 2012.

(CAD thousands)

Cost Element	Amount
Project Management (including the Biodiversity Project)	18,234
Real Estate	70,632
Engineering	21,346
Lines Electrica Materials	118,513
Lines Civil Work	103,487
Valard/NAC	143,317
O/U Adjustments	1,066
Direct Costs	476,595
Interest	42,521
Overhead	61,859
Gross Capital	580,975

3 Industry outlook and general economic conditions

3.1 Electricity industry overview

Demand for electricity is primarily dependent on the weather, fluctuations in population and economic conditions, with peaks in the summer and winter months due to air conditioning and heating requirements. Electricity markets are regional in nature due to varying regulations between regions.

Electricity demand is expected to grow as the economy continues to improve. The growing population and the greater use of electrical equipment mean that electricity demand should grow at a rate of 1.5% to 2.0% annually. Despite increases in demand, according to the National Energy Board, consumers will continue to feel upward pressure on prices in both regulated and restructure or deregulated markets. These pricing effects will be felt due to the costs of developing new generation and transmission facilities in order to replace aging infrastructure and also due to the greater use of renewable sources of generation, such as wind, solar and biomass.[6]

Electricity policy in Canada is predominantly framed at the provincial level and is specifically enumerated in the Canadian Constitution as an area of provincial jurisdiction. Nonetheless, federal powers with respect to trade, environment, transportation, fish and aboriginal rights mean, in reality, that no significant project can proceed without both federal and provincial permits. This regulatory reality means the timeliness and predictability of project approvals is often contingent on the efficiency of regulatory systems at multiple levels.

According to the Ontario Ministry of Energy, Ontario is taking steps to secure new generating capacity at a pace greater than any other jurisdiction in North America. The OPA forecasts that the province will face a 24,000 megawatt supply gap in 2025, which represents approximately 80.0% of current capacity.[7] Since the 1990s, the Ontario energy sector has fallen behind in terms of electricity capacity expansion. As a result, Ontario sits on a fine line between meeting demand and overloading the electricity grid. Ontario is Canada's most populous province and largest in terms of industry. Any disruption in Ontario's power supply will have negative effects across the country.

Ontario's long-term electricity plan includes initiatives that have a primary focus from restoring reliability to making the system greener, cleaner and smarter. Key elements include phasing-out coal-fired generation, increasing the contribution of renewable resources and promoting conservation and energy efficiency. It is expected that Ontario's coal fired generation plants will be phased out by 2014. The number and value of electricity supply contracts managed by the OPA will have greatly increased to more than 18,600 megawatts of new and existing supply by the end of 2010. This represents an investment of more than $28 billion in electricity infrastructure under way in the province. By the end of 2013, OPA-managed supply contracts will exceed 25,000 megawatts. [8]

3.2 The Green Energy and Green Economy Act

The GEGEA was passed into law on May 14, 2009 and provides for the delivery and creation of a market for energy from renewable sources. The legislation provides an obligation for the responsible power

[6] Mergent Report, North American Electricity Sectors: A Company and Industry Analysis (December 2011)
[7] "Ontario Electricity Market Primer", EDA, August 2007
[8] Ontario Power Authority, 2011-2013 Business Plan, October 2010

© Deloitte & Touche LLP and affiliated entities.

purchase authority to grant priority and purchase of green energy projects and to provide a feed in tariff model for renewable projects based on a reasonable return on investment. The GEGEA also provides a streamlined regulatory process that is designed to encourage more rapid and efficient deployment of green energy projects across Ontario. The GEGEA will increase the level of capital expenditures related to installing renewable energy infrastructure across the majority of electric utility companies in Ontario.

3.3 General economic conditions

The following provides selected average Canadian economic indicators as at May 31, 2012:

- Canadian Chartered bank prime lending rate: 3.0%
- Government of Canada average bond yields (10+ years): 2.16%
- Six month treasury bills: 1.00%
- Canadian / US exchange rate: 1.03

Source: Bank of Canada

Ontario Economy

Our review of general economic conditions includes provincial research for Ontario, as prepared by The Conference Board of Canada. The following is a summary of the views expressed in the Provincial Outlook Report published in Spring 2012:

	2012f	2013f	2014f
Real GDP growth (%)	2.3	2.7	2.7
Consumer price index (%)	1.8	2.2	2.2
Unemployment level (%)	7.6	7.0	6.5

f = forecast

Sources: The Conference Board of Canada; Statistics Canada

Real GDP is a leading indicator of economic activity. Overall economic activity is a key indicator of the consumption of energy, as energy is required in the provision of most goods and services. The manufacturing sector is a major component of the economy in Ontario, and is energy-intensive relative to other industries. Developments in the manufacturing sector are directly reflected in the performance of the Ontario economy.

As the U.S. economic recovery picks up, Ontario's export sector is expected to experience solid gains, expanding 3.8% in 2012 and 5.2% in 2013. As a result of increased U.S. vehicle sales, exports of autos and parts are expected to remain strong. The revival of the auto industry will also benefit Ontario's manufacturing sector, which is forecast to grow 4.5% in 2012 and 3.5% in 2013. Overall, despite fiscal restraint, an improved performance of the goods-producing sector will lead to real GDP growth of 2.3% in 2012 and 2.7% in both 2013 and 2014.

Job creation in Ontario is expected to be modest in 2012, with employment growing only 1.2% of which 80% of these new jobs will be concentrated in the service sector. Stronger job creation is expected to resume in 2013 as momentum picks up in the construction, manufacturing, and wholesale and retail trade sectors. Total employment is forecast to grow by 2.4% in 2013, which will help to bring the unemployment rate down to 7.0%.

© Deloitte & Touche LLP and affiliated entities.

4 Basis of valuation

4.1 General approaches

There are two fundamental approaches to determine fair market value. These are the liquidation approach and the going concern approach.

A liquidation value would be used if the business is not viable as a going concern or if the return on the assets on a going concern basis is not adequate. This value is the net realizable value on an orderly disposition made in a manner that would minimize the loss or taxes thereon.

The going concern approach assumes a continuing business enterprise with a potential for economic future earnings. Where a business has commercial value as a going concern three approaches to valuation are commonly referred to as the following:

- Income Approach;
- Market Approach; and
- Cost Approach.

Within each category, a variety of methodologies exist to assist in the calculation of fair market value. The following sections contain a brief overview of the theoretical basis for each approach, as well as a discussion of the specific methodologies relevant to the analyses performed.

Income approach

The income approach is based on the premise that the value of a security or asset is the present value of the future earning capacity that is available for distribution to the subject investors in the security or asset. A commonly used income approach to determine the fair market value of securities or individual assets is a discounted cash flow analysis. A discounted cash flow analysis involves the determination of the net present value of the future cash flows, including the residual value, of an asset or a business. The selected discount rate should consider the time value of money, inflation and the risk inherent in achieving the projected future cash flows.

Market approach

In the market approach, recent sales and listings of comparable assets are gathered and analyzed. If necessary, adjustments are then applied to these observations to recognize differences in characteristics between the subject assets and the comparable assets, so as to derive relevant value relationships that can be used to indicate a fair market value for the subject assets.

Cost approach

A third approach to valuation is the cost approach. The discrete valuation of an asset using a cost approach is based upon the concept of replacement as an indicator of value. A prudent investor would pay no more for an asset than the amount for which he could replace the asset new. The cost approach establishes value based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional obsolescence, if present and measurable.

4.2 Valuation approach selected

Based on our review of the earnings projection for the Assets and our discussions with Management, we have considered a going-concern approach to valuation to be appropriate. The going-concern approach assumes that the Assets being valued will continue to operate profitably or will operate with a potential for future profits and positive cash flow.

On the basis of our experience in corporate mergers, acquisitions, divestitures, and valuations, as well as taking into account the above factors, among others, we believe that an appropriate primary valuation approach for determining the fair market value of the Assets as at the Valuation Date was the income approach.

There are several generally accepted techniques used in estimating the going-concern value of a business. Such techniques include the capitalized earnings approach, the capitalized or discounted cash flow approaches, the adjusted net asset approach and various rules of thumb.

We have selected the discounted cash flow ("DCF") as our primary method to estimate the fair market value of the Assets. We have considered a comparison to the actual project costs incurred to the valuation date and a market approach to test the reasonableness of valuation conclusions derived under our primary approach. In considering these approaches, we were influenced by the following factors:

- The DCF approach is typically used when reasonably prepared projections are available; and
- Based on discussions with management, the Assets' annual depreciation expense does not approximate the annual capital expenditures required to sustain operations therefore a cash flow based analysis is considered superior to an earnings based analysis.

Discounted cash flow approach

Under the DCF approach, fair market value is based on the net present value of expected future cash flows. Specifically, the after-tax cash flow that the Assets are expected to generate is projected over an explicit forecast period. The projected free or distributable cash flows, together with the residual value of the Assets at the end of the forecast period, are discounted at an appropriate rate, resulting in the present value of the cash flows.

The Weighted Average Cost of Capital ("WACC") represents a weighted average of the company's cost of debt (borrowing rate) and its cost of equity. An investment that is expected to generate a return equal to the WACC would be capable of covering interest costs to the company's debt holders and providing an acceptable rate of return to the company's equity holders. Accordingly, the WACC is the overall return on investment required by the company.

The WACC was determined based on our review of the available returns on alternative investments, their relative risks and assuming a normal capital structure.

When the present value of the pre-interest cash flow is calculated using a WACC, the resulting conclusion represents the fair market value of the net operating assets.

This approach takes into account the amount, timing, and relative uncertainty of projected unlevered cash flows expected to be generated by the Assets and requires that certain assumptions be made regarding, among other things, future cash flows, discount rates and terminal values. The possibility that some of the assumptions will prove inaccurate is one factor involved in the determination of the discount rates to be used in establishing a range of values.

4.3 Secondary valuation approach selected

Our secondary method was a market approach and included the research and comparison of value metrics of transactions involving transmission assets. This analysis involved the comparison of the Implied Enterprise Value to the Book Enterprise Value of the acquired / target companies. The method employed was dependent on the availability of publicly disclosed information. Please see the discussion in Section 6 of this report.

5 Valuation of the Assets

5.1 Projected net cash flows

In determining the fair market value of the Assets, we relied upon projected financial results, as well as capital expenditure and working capital estimates, as prepared by Management for the years ending December 31, 2012 to 2019.

We have not audited the projections supplied by the management of Hydro One. Rather, we have taken steps to gain assurance that the projections were appropriate for our purposes and that the key assumptions underlying the projections were reasonable.

Forecast assumptions

In assessing the reasonability of the projections provided by Management, we analyzed the information against the following criteria:

1. Operations of similar assets owned by Hydro One; and
2. General economic data.

Revenue

Forecast revenue for the Assets is based on the estimated return on rate base. The return on rate based is a function of Hydro One's cost of debt and the Ontario Energy Board's 2012 Approved Rate of Return on Equity.

Return on equity

The fair return standard requires that Ontario transmission entities be given an opportunity to earn a fair rate of return on their investment in transmission plant and equipment. This rate is commensurate to a return that an average investor would expect to receive on an investment of similar risk. Based on a review of the OEB's Cost of Capital Report dated November 10, 2011, 9.42% is the return on equity that an electric utility will be allowed to earn in 2012.

Forecast cash flow assumptions

Forecast financial results for the Assets are based on assumptions provided by Management as discussed below.

Forecast cash flow for the Assets (Schedule 2 and 3) is based upon the following assumptions provided by Management:

- *Revenue*: Over the forecast period, revenue will grow from approximately $45.2 million in 2013 to $48.2 million in 2019. Revenue forecasts are based on the estimated rate base and approved rates of return by the OEB.
- *EBITDA*: Over the forecast period, EBITDA will grow from $44.5 million in 2013 to $47.4 million in 2019.
- *Capital Expenditures*: During the forecast period, capital expenditures have been forecast by Management to range between a high of $9.1 million in 2013 and a low of $3.1 million in 2019.
- *Working Capital:* Management has determined that given the nature of the Assets being valued and the fact that payments are expected to be collected very quickly, only a nominal or insignificant working

capital amount is required to support the growth in sales and therefore no adjustment has been included in the forecast.

5.2 Weighted average cost of capital

In estimating the range of WACC that was reasonable in the circumstances, general economic and industry conditions, the degree of risk involved in achieving the forecast results, future expectations and the rates of return on alternate investments have been considered. An acceptable WACC will change with time and circumstances.

As discussed previously, the appropriate WACC must provide a return to both the equity and debt interests. The appropriate debt return was calculated based on the Company's weighted average cost of debt.

The WACC for the Bruce to Milton Transmission Project was determined based on a review of operations and after consideration of a number of factors including cost of capital, strengths and opportunities and risks facing the operation of the Bruce to Milton Transmission Project and the electric transmission industry.

WACC methodology

The following is a description of the overall methodology utilized to determine the WACC. The specific company risks related to the Assets are discussed in detail below. We have assumed that a large company would be the most likely purchaser of the Assets. The results of our WACC analysis can be found in Schedule 4.

Cost of equity

In determining the appropriate equity return, we utilized the capital asset pricing model ("CAPM") approach. The CAPM method takes into account various measures of risk, including the following:

1. A risk free rate of return;
2. A general equity risk premium;
3. A measure of the industry specific risk of the electricity transmission industry; and,
4. An incremental risk premium, which includes adjustments for considerations specific to the Assets. For example, factors that would be considered include size, geographic scope, diversity, growth potential, depth of management, financial strength and other company specific factors.

Beta coefficient

To adjust for the differing risks of particular industries versus the equity market in general, the CAPM uses a multiple of the equity risk premium that reflects the volatility of the return on a stock relative to the stock market in general. This beta factor considers industry specific volatility. Beta describes how the expected return of a stock or portfolio is correlated to the return of the financial market as a whole. In our assessment of the beta for the Assets, we considered the betas of guideline public companies operating in the same or similar industry.

For the Assets which will operate in the electric transmission industry we chose a range of unlevered betas of 0.44 to 0.49 based on our analysis of the average unlevered beta for the guideline electric utility companies at the Valuation Date. The unlevered betas of 0.44 to 0.49 resulted in levered betas of 0.94 to 1.04.

Equity risk premium

An equity risk premium provides an allowance for additional risks associated with an investment in common shares relative to an investment in a risk free investment such as government bonds. The general market equity risk premium is determined on the basis of the average additional return (over and above the risk-free rate) that investors have earned on company stocks, in general. We have considered numerous published third-party studies that provide a statistical examination of common stocks, small company stocks, long-term corporate bonds, long-term government bonds, treasury bills and inflation. We have adopted an equity risk premium of 6.75% to reflect the premium that a diversified equity-holder would require to invest in equity above the return provided by a long-term risk-free bond. This premium is based on 82 year trailing market fluctuations provided by Ibbotson & Associates with an adjustment for price-to-earnings expansion. Our equity risk premium also considers a forward looking implied premium.

Risk-free rate

The risk-free rate represents the rate of return associated with very low risk long-term investments. As of the Valuation Date, yields on 20 year U.S. Treasury Constant Maturity Yields as of the Valuation Dates were in the order of 2.27%. This rate is generally consistent with the long-term historical average for such bonds, and is not considered anomalous.

Size premium

To adjust for the differing risks related to a company's size, especially to compensate for the size of a notional purchaser of the Assets relative to the collection of companies used to estimate the equity risk premium, the CAPM incorporates a size premium. The size premium relates to the higher risk and therefore the higher cost of capital associated with the smaller size of a company. We have estimated that a notional purchaser of the Assets would likely have a market capitalization in the mid-cap - 3rd to 5th decile as defined by Ibbotson & Associates (market capitalization of $1.62 billion to $6.90 billion). Ibbotson & Associates estimates that a company this size should be assigned an incremental risk premium in the order of 1.14%.[9]

Country adjustment factor

We have included a country risk factor to adjust for the differing risks related to an investment in a Canadian entity compared to an investment in a US entity. A country adjustment factor between -0.58% and -0.62% is based on analysis contained in the 2012 Ibbotson & Associates International Cost of Capital Report.

Asset specific risk

We considered an Asset specific risk factor to adjust for the Assets' specific risks. We have estimated a specific risk premium of 0% (Schedule 4). In determining the specific asset risk premium; we have considered the following factors:

Strengths and opportunities

- 100% of operations are regulated by the OEB, although the ability to earn excess returns is limited;
- Barriers to entry as a result of high initial capital cost, and costs of licensing and approval from the OEB;
- Assets recently constructed and put in service in May 2012 with an estimated useful life of 80 years; and
- OEB's regulated rates of return and profitability.

Risks

- uncertainty of regulatory decisions and approvals;
- uncertain impact of conservation and demand management programs on load growth;
- timing of rate increases and recovery of capital;
- projected decline in revenue as a result of a decline in the rate base subsequent to the forecast period;
- continued support and cooperation from the Aboriginal Group; and
- weather which impacts on load.

[9] 2012 Ibbotson & Associates Risk Premium Report

© Deloitte & Touche LLP and affiliated entities.

Cost of debt

The appropriate WACC rate must provide a return to both the equity and debt interests. The appropriate debt return is calculated based on the weighted average cost on long-term debt issued by the Company. Management has estimated the weighted average cost of debt to be about 5.15% which is based on the Company's actual borrowing rates.

Capital structure

Further, we reviewed the capital structures of select electric utility guideline companies and the deemed capital structure regulated by the OEB. We have based our WACC calculation on a capital structure of 60.0% debt to capital, the OEB's allowable debt to capital structure for the Assets. We believe that this structure is appropriate, as a potential purchaser would be subject to this structure due to the regulated nature of the Ontario electricity market.

Conclusion

Based on the foregoing, we calculated the WACC to be between 6.00% and 6.20% (Schedule 4). We have selected a point estimate of 6.1% which is consistent with the WACC estimated by Management using the OEB approved rates and deemed capital structure.

5.3 Terminal value

Our terminal value estimate for the Assets was developed utilizing the Gordon Growth valuation model, wherein expected cash flows for the year immediately following the projection period are capitalized (i.e. divided) by a factor equal to the discount rate minus the expected perpetual growth rate.

In our analysis, we estimated the terminal projected cash flows for the Assets using a debt-free net cash flow amount of $35.5 million. The expected perpetual growth rate for the cash flows has been estimated as -1%. A decline is cash flows is expected as a result of the decrease in the rate base over time which results is lower projected revenues.

For the terminal value calculation, capital expenditures have been estimated by management to be nil. The cost of maintaining the Assets has been included in the operations, maintenance and administration expense.

5.4 Tax shield

Another component of value that was attributable to the Assets was the present value of the future tax savings from the estimated tax pools.

The estimated tax pools of the Assets were as follows: UCC - $508 million and CEC - $49 million. These tax pools have been estimated by management using the current capital costs incurred to date. We have calculated the tax shield related to these balances by determining a tax shield rate based on the varying classes of the assets that were held, the estimated effective tax rate for each and a discount rate applicable to the risks associated with the Assets. A calculation of the tax shield for the Assets is provided in Schedule 2 and 3.

5.5 Value conclusion

Based on the foregoing, we have estimated the value of the Assets to be in the order of $581 million. (Schedule 3).

6 Secondary valuation approach

As a secondary check on our valuation conclusion, we reviewed relevant value metrics from transactions involving transmission assets. Although no two transactions involve exactly the same type of assets in the same geographical area, we are of the view that the value metrics implied from these transactions provide additional valuation crosschecks.

Our analysis involved the comparison of the Implied Enterprise Value to the Book Enterprise Value of the acquired / target companies. The method employed was dependent on the availability of publicly disclosed information.

6.1 Comparable transactions

Our research included transactions involving transmission assets and companies which own transmission assets between April 2002 to May 2012. The transaction details are summarized in Schedule 5. Below is a brief summary of the reviewed transactions:

- Transaction closing dates ranged from April 2002 to September 2011;
- Transaction values ranged from $536,000 to $3.7 billion;
- Transaction targets were located in both Canada and the United States;
- Transaction premiums relating to transmission assets or companies which own transmission assets ranged from -1% to 64%, with a mean of 21%;
- Transaction premiums relating to Ontario transmission assets or Ontario companies which own transmission assets ranged from 0% to 43%, with a mean of 16%; and
- No transactions involved recently completed Ontario transmission lines with Aboriginal participation.

The targets companies in these comparable transactions operated in both regulatory and non-regulatory environments as opposed to the Assets being valued which will operated solely under an Ontario regulatory regime. In addition, many of the targets operated in distinct geographical areas and are subject solely to the risks associated with that particular area.

The value conclusion determined in Section 5 indicates a fair market value approximately equal to the current book value of the assets, which therefore implies no premium over the book value of the assets.

Given the location, nature and current status of the Assets, a fair market value approximately the book value of the assets is appropriate for the following reasons:

- The Assets are an approved, recently assembled transmission line in Ontario that was put in service May 2012;
- The Assets are regulated by the OEB and as a result, the ability to earn excess returns is limited;
- The Assets provide connectivity to nearby green energy projects;
- Interest of investors in infrastructure assets with relatively lower risk to returns;
- The Assets are substantially complete and went into service in May 2012 at a cost of $581 million;
- Risk of continued aboriginal support and cooperation. The SON have participated in the Project without any Impact Benefit Agreement or other negotiated incentives with the understanding that they will be an equity partner in the Assets;
- Political and OEB regulation change risks; and
- The Assets have a projected decline rate of 1% subsequent to the forecast period.

Based on the foregoing, the transactions are supportive of our valuation conclusion.

7 Valuation and summary

On the basis of the scope of our review, assumptions, restrictions, research, analysis, and experience, it is our estimate that the fair market value as at May 31, 2012 of the Assets is in the order of $581 million (Schedule 3).

Schedules

Schedule 1 – Projected income statement of the Bruce to Milton Transmission Project

(CAD millions)

	7 months ended December 31	For the years ending December 31						
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Revenue	**22.4**	**45.2**	**46.1**	**46.8**	**47.2**	**47.7**	**48.0**	**48.2**
% growth			*2.0%*	*1.4%*	*1.0%*	*0.9%*	*0.7%*	*0.4%*
Expenses								
OM&A	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Interest	9.3	18.6	18.7	18.6	18.5	18.4	18.3	18.2
Depreciation	3.3	6.7	6.7	6.8	6.8	6.9	6.9	6.9
Total Expenses	**13.4**	**26.0**	**26.2**	**26.2**	**26.1**	**26.1**	**26.0**	**25.9**
Earnings before Taxes	**9.0**	**19.2**	**20.0**	**20.6**	**21.1**	**21.6**	**22.0**	**22.3**

DRAFT

Schedule 2 – Projected balance sheet of the Bruce to Milton Transmission Project

(CAD millions)

For the years ending December 31	2012	2013	2014	2015	2016	2017	2018	2019
Cash	-	(2.5)	(3.1)	0.1	3.2	6.5	9.7	16.6
Gross Fixed Assets	604.2	613.3	620.6	624.3	628.0	631.6	635.3	635.3
Accumulated Depreciation	(3.3)	(10.0)	(16.7)	(23.5)	(30.3)	(37.2)	(44.1)	(51.0)
Fixed Assets Net Book Value	600.9	603.3	603.9	600.8	597.6	594.4	591.2	584.3
Total Assets	**600.9**	**600.9**	**600.9**	**600.9**	**600.9**	**600.9**	**600.9**	**600.9**
Debt	360.5	360.5	360.5	360.5	360.5	360.5	360.5	360.5
Capital	240.3	240.3	240.3	240.3	240.3	240.3	240.3	240.3
Retained Earnings	9.0	19.2	39.2	59.8	80.9	102.4	124.4	146.7
Distributions	(9.0)	(19.2)	(39.2)	(59.8)	(80.9)	(102.4)	(124.4)	(146.7)
Total Equity	240.3	240.3	240.3	240.3	240.3	240.3	240.3	240.3
Total Debt and Equity	**600.9**	**600.9**	**600.9**	**600.9**	**600.9**	**600.9**	**600.9**	**600.9**

DRAFT

Schedule 3 – DCF

DRAFT

(CAD millions)

			7 months ended December 31	For the years ending December 31,							Terminal Value
			2012	2013	2014	2015	2016	2017	2018	2019	
Revenue			22.4	45.2	46.1	46.8	47.2	47.7	48.0	48.2	
Total Revenue		**[F1]**	**22.4**	**45.2**	**46.1**	**46.8**	**47.2**	**47.7**	**48.0**	**48.2**	
% growth					*2.0%*	*1.4%*	*1.0%*	*0.9%*	*0.7%*		
CAGR											
Operation, maintenance and administration			(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	
% growth					*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	
EBITDA		**[F1]**	**21.6**	**44.5**	**45.4**	**46.0**	**46.5**	**46.9**	**47.2**	**47.4**	
% growth			-2.2%	106.2%	2.0%	1.4%	1.0%	0.9%	0.7%	0.4%	
Income Taxes		**[F2]**	26.3%	25.5%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
			(5.7)	(11.3)	(11.3)	(11.5)	(11.6)	(11.7)	(11.8)	(11.8)	
After-tax cash flow			**15.9**	**33.1**	**34.0**	**34.5**	**34.8**	**35.1**	**35.4**	**35.5**	
Cash Flow Adjustments											
Capital Expenditures net of tax shield		**[F3]**	(20.0)	(7.9)	(6.3)	(3.2)	(3.2)	(3.2)	(3.2)	-	
Plus/(Less): Changes in Working Capital		**[F4]**	-	-	-	-	-	-	-	-	
Debt-Free Net Cash Flow			**(4.1)**	**25.2**	**27.7**	**31.3**	**31.7**	**32.0**	**32.2**	**35.5**	**35.5**
Terminal Value	-1.0%	**[F5]**									500
Percent of year remaining			59%	100%	100%	100%	100%	100%	100%	100%	100%
Periods Discounting			0.29	0.79	1.79	2.79	3.79	4.79	5.79	6.79	6.79
Present Value Factor @	**6.1%**		0.98	0.95	0.90	0.85	0.80	0.75	0.71	0.67	0.67
Present Value of Cash Flows			**(4.0)**	**24.1**	**24.9**	**26.6**	**25.3**	**24.1**	**22.9**	**23.8**	**334.8**
Total Present Value of Cash Flows	502										
Add:											
Tax shield on existing assets	79	**[F6]**									
Asset Value	**581**										

© Deloitte & Touche LLP and affiliated entities.

Schedule 3 – DCF (notes)

[F1] Financial projections were provided by management.

[F2] Based on substantially enacted provincial and federal tax rates as at the Valuation Date.

[F3] Forecasted capital expenditures, net of tax shield, were calculated based on Management assumptions as follows:

	2012	2013	2014	2015	2016	2017	2018	2019
Estimated Capital Expenditures	23.2	9.1	7.3	3.7	3.7	3.7	3.7	0.0
Tax Shield	3.2	1.3	1.0	0.5	0.5	0.5	0.5	0.0
	20.0	7.9	6.3	3.2	3.2	3.2	3.2	0.0

CCA Rate	8.0%
Tax Rate	25.00%
WACC	6.1%

	2012	2013	2014	2015	2016	2017	2018	2019
CCA Rate	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Tax Rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
WACC	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%

$$\frac{\text{Cost x Rate of Tax x Rate of Capital Cost Allowance}}{\text{Rate of Return + Rate of CCA}} * \frac{\text{(1 - (0.5 x Rate of Return)}}{\text{(1+Rate of Return)}}$$

[F4] Working capital requirement is estimated by Management.

[F5] Assumed terminal value cash flow decline rate of 1% based on Management projection.

[F6] Tax benefit represents the present value of the estimated tax benefit derived from the undepreciated cost of capital ("UCC") of the existing assets acquired. Tax benefit calculated as follows:

$$\frac{\text{Cost x Rate of Tax x Rate of Capital Cost Allowance}}{\text{Rate of Return + Rate of CCA}}$$

Existing UCC, as at May 31, 2012 *	508
Average CCA rate or equivalent	8.0%
Existing CEC, as at May 31, 2012 *	49
CCA rate	7.0%
Average future tax rate	25.0%

* UCC/CEC balances and schedules provided by Management

DRAFT

© Deloitte & Touche LLP and affiliated entities.

Schedule 4 – Weighted average cost of capital

DRAFT

Ticker	Guideline Companies:		Total Book Value of Debt (1)		Total Book Value of Preferred (1)		Total Market Value of Equity (2)		Total Market Value of Capital	Debt to Capital	Equity to Capital	Historical Effective Tax Rate	Levered Equity Beta (3)	Historical Debt to Capital (4)	Unlevered Equity Beta
TSX:EMA	Emera Inc.	$	3,561	$	147	$	3,943	$	7,651	46.5%	53.5%	22.9%	0.60	48%	0.35
NYSE:EDE	Empire District Electric Co.	$	706	$	-	$	845	$	1,551	45.5%	54.5%	35.3%	0.76	49%	0.47
NYSE:GXP	Great Plains Energy Incorporated	$	4,036	$	39	$	2,707	$	6,782	59.5%	40.5%	28.8%	0.85	57%	0.43
NYSE:IDA	IdaCorp, Inc.	$	1,551	$	-	$	1,968	$	3,519	44.1%	55.9%	11.8%	0.78	49%	0.43
NYSE:ITC	ITC Holdings Corp.	$	2,838	$	-	$	3,542	$	6,381	44.5%	55.5%	36.4%	0.87	46%	0.57
NasdaqGS:MGEE	MGE Energy Inc.	$	363	$	-	$	1,043	$	1,406	25.8%	74.2%	36.4%	0.70	30%	0.55
NYSE:NU	Northeast Utilities	$	5,999	$	-	$	11,293	$	17,292	34.7%	65.3%	32.3%	0.75	49%	0.45
NYSE:PNM	PNM Resources, Inc.	$	1,824	$	-	$	1,486	$	3,310	55.1%	44.9%	32.9%	1.03	61%	0.50
NYSE:UIL	UIL Holdings Corporation	$	1,775	$	-	$	1,709	$	3,484	50.9%	49.1%	39.2%	0.84	51%	0.52
NYSE:UNS	UNS Energy Corporation	$	1,913	$	-	$	1,509	$	3,422	55.9%	44.1%	41.2%	0.80	61%	0.42
NYSE:WR	Westar Energy, Inc.	$	3,224	$	21	$	3,611	$	6,857	47.0%	53.0%	24.1%	0.81	52%	0.45
									Average	**46.3%**	**53.7%**	**31.0%**	**79.9%**	**50.3%**	**0.47**
									Median	**46.5%**	**53.5%**	**32.9%**	**80.2%**	**49.5%**	**0.45**
									Selected	**60.0%**	**40.0%**				**0.47**

	Low	High	
Unlevered Equity Beta	0.44	0.49	Unlevered Equity Beta = Levered Equity Beta / [1 + (1 - Tax Rate) x Debt-to-Equity]
Debt-to-Equity	150.0%	150.0%	
Selected Subject Tax Rate	25.0%	25.0%	
Relevered Equity Beta	**0.94**	**1.04**	Levered Equity Beta = Unlevered Equity Beta x [1 + (1 - Tax Rate) x Debt-to-Equity]
Risk Free Rate	2.27%	2.27%	20 year U.S. Treasury Constant Maturity Yields as of the Valuation Date. Source: U.S. Federal Reserve
Equity Risk Premium	6.75%	6.75%	Source: Deloitte Financial Advisory research. Adjusted Ibbotson ERP for Volatility and P/E to reflect 85 year
Levered Equity Beta	0.94	1.04	trailing market fluctuations.
Cost of Equity Capital	**8.62%**	**9.28%**	Cost of Equity Capital = Risk Free Rate + [Equity Beta x Equity Risk Premium].
Unsystematic Risk Factors:			
Size Premium	1.14%	1.14%	Source: 2012 Ibbotson & Associates Risk Premium Report.
Company-Specific Risk	0.00%	0.00%	Risk premium based on qualitative factors that reflect company specific risks.
Country Adjustment Factor	-0.58%	-0.62%	Source: 2012 Ibbotson & Associates International Cost of Capital Report
Subject's Cost of Equity Capital	**9.17%**	**9.80%**	
Subject's Estimated Pre-Tax Cost of Debt Capital	5.15%	5.15%	Weighted average cost of debt based on the Company's actual borrowing rates.
Tax Rate	25.00%	25.00%	
After-Tax Cost of Debt	**3.86%**	**3.86%**	
Debt-to-Capital	60.0%	60.0%	
Equity-to-Capital	40.0%	40.0%	
Weighted Average Cost of Capital	5.99%	6.24%	WACC = [(Debt-to-Capital x Cost of Debt x (1 - Tax Rate)] + [Equity-to-Capital X Cost of Equity Capital]
Weighted Average Cost of Capital (Rounded)	**6.00%**	**6.20%**	

Notes:

(1) Book value of debt used as an approximation of market value. For purposes of calculating capital structure preferred equity, if any, was added to equity at book value.
(2) Represents current stock price times common shares outstanding.
(3) Adjusted beta based on 5-Year historical Weekly data per Capital IQ.
(4) Based on 5-Year Avg. debt to market value of invested capital as at Valuation Date

Source: Capital IQ.

© Deloitte & Touche LLP and affiliated entities.

Schedule 5 – Market transactions

	Transaction Close Date	Target	Target Location	Buyer	Transaction Description	Transaction Amount	Premium on	Premium %	Enterprise Value Information	Book Values and Gain Information	Source
1	September 20, 2011	AltaLink LP (operates as an independent electricity transmission company in Canada. The company owns, operates, and maintains approximately 12,000 kilometers of transmission lines and 280 substations in Alberta.)	Alberta	SNC Lavalin	SNC Lavalin Group Inc. (TSX: SNC) made an offer to acquire 23.08% stake in AltaLink LP from Macquarie Capital Alliance Management Ltd. on January 20, 2011.	$213M	Enterprise Value	6%	Book Enterprise Value = Equity of $809K + net debt of 1017.43 = $1826.43. Implied enterprise value = $1940.30M	Information from CapitalIQ transaction details.	CapitalIQ
2	December 21, 2010	Maine & Maritimes (is the parent company of Maine Public Service Company, a regulated electric transmission and distribution utility serving approximately 36,000 customers in northern Maine. MAM is also the parent company of MAM utility Services Group, an unregulated corporation that provides electrical services, including transmission line and substation design and construction.)	Maine	BHE Holdings Inc.	BHE Holdings Inc. signed a merger agreement to acquire Maine & Maritimes Corporation (AMEX: MAM) on March 12, 2010.	$108.07M	Enterprise Value	37%	As of Sep 30 10: Book Value of Enterprise = Equity of 46.71M plus net debt of 32.3M = $79.01; Implied Enterprise Value = $108.07M	PORTION OF COMPANY IS NOT REGULATED Maine & Maritimes (MAM) is the parent company of Maine Public Service Company, a regulated electric transmission and distribution utility serving approximately 36,000 customers in northern Maine. MAM is also the parent company of MAM utility Services Group, an unregulated corporation that provides electrical services, including transmission line and substation design and construction.	CapitalIQ
3	March 12, 2008	Great Lakes Power Limited, Ontario Transmission System (550 km of 44 kilovolts to 230 kilovolts transmission lines)	Northern Ontario	Brookfield Infrastructure Partners LP	Brookfield Infrastructure Partners L.P. (NYSE: BIP) entered into an agreement to acquire Ontario transmission system of Great Lakes Power Limited for $210.4 million on February 21, 2008. The purchase price of Ontario transmission operations will be $91.6 million payable in cash plus the assumption of $118.8 million in long term debt. The purchase price is to be financed with cash on hand.	$210.4M	Book value of assets	0%		BETWEEN RELATED PARTIES Acquisition was recorded at historical carrying values of Ontario Tranmission's assets and liabilities as the transaction occurred with an entity owned and controlled by Brookfield - considered a reorganization.	Brookfield Infrastructure 2008 Annual report
4	December 20, 2007	Alliant Energy, Interstate Power & Light Company, Transmission Assets (including transmission lines, transmission substations and associated land rights, contracts, permits and equipment)	Assets located in Iowa, Minnesota and Illinois	ITC Holdings	ITC Holdings Corp. entered into a definitive agreement to acquire the transmission assets (including transmission lines, transmission substations and associated land rights, contracts, permits and equipment) of Interstate Power and Light Company on January 18, 2007.	$772M	Book value of assets	28%		Per Alliant Energy's FS, a pre-tax gain on sale equal to $219M, less a regulatory liability of $89M, providing a net gain of $130M. Assets NBV = 516M and related liabilities of $49M - therefore NBV of transmission assets equal to $467M	See page 89 of Alliant Energy 2007 10K for net book value and pre-tax gain on sale.

© Deloitte & Touche LLP and affiliated entities.

Schedule 5 – Market transactions (continued)

	Transaction Close Date	Target	Target Location	Buyer	Transaction Description	Transaction Amount	Premium on	Premium %	Enterprise Value Information	Book Values and Gain Information	Source
5	June 23, 2006	AltaLink LP (operates as an independent electricity transmission company in Canada. The company owns, operates, and maintains approximately 12,000 kilometers of transmission lines and 280 substations in Alberta.)	Alberta	AltaLink Investments LP	AltaLink Investments L.P. and Macquarie Essential Assets Partnership entered into an agreement to acquire an additional 26% stake in AltaLink LP from Ontario Teachers' Pension Plan and Trans-Elect Inc. in October 2005. Ontario Teachers' Pension Plan will sell 15% stake and Trans-Elect will sell 10% stake. Upon closing, AltaLink Investments will hold 76.92% stake.	$60.70M	Enterprise Value	-1%	Book value of Enterprise = Equity of 362.82M + net debt of $564.94M = 927.76. Implied Enterprise Value = $807.74M	Information from CapitalIQ transaction details.	CapitalIQ
6	February 27, 2006	Cross Sound Cable Company LLC (Cross Sound owns a high voltage electrical transmission lines; 24 mile submarine cable that connects electric transmission grids of New England and long Island, NY)	New England / Long Island, NY	Babcock & Brown	Babcock & Brown Infrastructure Group (ASX:BBI) entered into a definitive agreement with Hydro-Quebec TransEnergie to acquire their 75% interest in Cross Sound Cable LLC on November 8, 2005.	$182M	Gain on investment	19%		Hydro Quebec 2006 Annual Report shows cash consideration of $182M giving rise to a pre-tax gain of $29M.	Hydro Quebec 2006 Annual Report.
7	November 8, 2005	Cross Sound Cable Company LLC (Cross Sound owns a high voltage electrical transmission lines; 24 mile submarine cable that connects electric transmission grids of New England and long Island, NY)	New England / Long Island, NY	Babcock & Brown	Babcock & Brown Infrastructure Group (ASX:BBI) entered into a definitive agreement with United Capital Investments Inc. to acquire their 25% interest in Cross Sound Cable LLC on November 8, 2005 .	$53M	Gain on investment	23%		Pre tax gain of $10M on the sale of Cross Sound Cable	UIL Form 8-k dated February 27, 2006
8	October 6, 2005	Michigan Electric Transmission Company (operates as an independent electric transmission company in the United States. It operates high-voltage systems that transmit electricity from generating stations to local electricity distribution facilities in Michigan and surrounding areas.)	Michigan	ITC Holdings	ITC Holdings Corp. (NYSE: ITC) agreed to acquire Michigan Electric Transmission Company (METC), LLC on May 12, 2006. ITC Holdings will assume METC's debt as part of the transaction.	$844.78M	Enterprise Value	64%	Book value of Enterprise = Equity of 209.26M + net debt of $305.71M = 514.97 Implied Enterprise Value = $844.78M	Book Values from June 30, 2006 balance sheet as presented by CapitalIQ	CapitalIQ

DRAFT

Schedule 5 – Market transactions (continued)

	Transaction Close Date	Target	Target Location	Buyer	Transaction Description	Transaction Amount	Premium on	Premium %	Enterprise Value Information	Book Values and Gain Information	Source
9	October 6, 2005	Great Lakes Power Limited (substation located in Sault Ste. Marie)	Ontario	Algoma Steel Inc.	GLP sold transmission assets, specifically a transmission station in Sault Ste. Marie at the NBV of the assets	$536K	Book value of assets	0%		Taken from OEB decision EB 2006-0151	OEB Decision EB 2006-0151
10	October 17, 2002	Cornwall Electric (Electric transmission and distribution utility; supplies to City of Cornwall, South Glengarry, South Stormont and Ontario portion of Mohawk Territory of Akwesasne)	Ontario	Fortis Inc.	The Corporation acquired a 100% interest in Cornwall Electric from Enbridge Energy Distribution Inc.	$67.7M	Enterprise Value	32%		LARGE PORTION IS DISTRIBUTION Information obtained from purchase price allocation in Fortis 2002 Annual report.	2002 Fortis Inc. Annual Report
11	July 1, 2002	Canadian Niagara Power (Provides electricity transmission and distribution to Fort Erie and Port Colborne)	Ontario	Fortis Inc.	The Corporation acquired the remaining 50% interest in Canadian Niagara Power from National Grid USA.	$35.2M	Enterprise Value	43%		Information obtained from purchase price allocation in Fortis 2002 Annual report. Premium of 43% includes intangible asset of water rights. Excluding the water rights, the premium is 18%.	2002 Fortis Inc. Annual Report
12	April 29, 2002	Transalta Corporation's Electricity Transmission Business	Alberta	AltaLink LP	TransAlta Corporation (TSE:TA.)(NYSE:TAC) has agreed to sell its transmission business to AltaLink. AltaLink will integrate employees of TransAlta's transmission sector.	$820.7M	Gain on investment	17%		Proceeds of of $820.7M with an after tax gain of $120M on the sale	TransAlta 2002 Annual Report

All	High	64.0%
	Low	-1.2%
	Average	22.3%
	Median	21.1%
Ontario	High	42.6%
	Low	0.0%
	Average	18.7%
	Median	16.1%

DRAFT

© Deloitte & Touche LLP and affiliated entities.

Schedule 6 – Guideline company descriptions

Emera Inc.

Emera Incorporated, through its subsidiaries, engages in the generation, transmission, and distribution of electricity to various customers. The company generates electricity through coal, oil, natural gas, hydro, and wind energy sources. It serves residential customers comprising individual homes, apartments, and condominiums; commercial customers, including small retail operations, large office and commercial complexes, universities, and hospitals; and industrial customers, such as manufacturing facilities and other large volume operations. The company serves approximately 493,000 customers in Nova Scotia; 118,000 customers in eastern Maine; 36,000 customers in northern Maine; 123,000 customers in the island of Barbados; and 19,000 customers in the Caribbean island of Grand Bahama. The company has 2,374 megawatts of generating capacity. It has approximately 5,000 kilometers of transmission facilities and 26,000 kilometers of distribution facilities in Nova Scotia; 1,000 kilometers of transmission facilities and 7,200 kilometers of distribution facilities in eastern Maine; and 600 kilometers of transmission facilities and 2,900 kilometers of distribution facilities in northern Maine. The company also transports re-gasified liquefied natural gas to consumers in the north-eastern United States through its 145-kilometre pipeline in New Brunswick. Emera Incorporated was founded in 1919 and is based in Halifax, Canada.

Empire District Electric Co.

The Empire District Electric Company, together with its subsidiaries, engages in the generation, purchase, transmission, distribution, and sale of electricity in Missouri, Kansas, Oklahoma, and Arkansas. The company generates electricity from steam, hydro, coal, and natural gas with fuel oil and tire-derived fuel; and supplies to residential, commercial, industrial, wholesale on-system, and wholesale off-system transactions customers, as well as for public authorities. It also distributes natural gas to 44 communities and 314 transportation customers in northwest, north central, and west central Missouri. As of December 31, 2010, the company had generating facilities with an aggregate generating capacity of 1,409 megawatts; transmission system consisting of approximately 22 miles of 345 kV lines, 441 miles of 161 kV lines, 745 miles of 69 kV lines, and 81 miles of 34.5 kV lines; and distribution system comprising approximately 6,923 miles of lines. The Empire District Electric Company also owns and operates water pumping facilities and distribution systems that comprise approximately 87 miles of water mains in 3 communities in Missouri. Its principal gas utility properties consist of approximately 87 miles of transmission mains and approximately 1,126 miles of distribution mains. Additionally, the company engages in leasing fiber optics cable and equipment. The Empire District Electric Company was founded in 1909 and is based in Joplin, Missouri.

Great Plains Energy Incorporated

Great Plains Energy Incorporated, a public utility holding company, engages in the generation, transmission, distribution, and sale of electricity. It also provides regulated steam service to customers in the St. Joseph, Missouri area. The company generates electricity utilizing coal, nuclear, natural gas and oil, and wind resources. It has approximately 6,600 megawatts of generating capacity. The company serves approximately 823,000 customers, including 725,000 residences; 96,000 commercial firms; and 2,600 industrials, municipalities, and other electric utilities in western Missouri and eastern Kansas. Great Plains Energy Incorporated was founded in 1919 and is headquartered in Kansas City, Missouri.

Ida Corp, Inc.

IDACORP, Inc., through its subsidiary, Idaho Power Company, engages in the generation, transmission, distribution, sale, and purchase of electric energy in the United States. It owns and operates 17 hydroelectric generating plants located in southern Idaho and eastern Oregon, as well as 2 natural gas-fired plants situated in southern Idaho; and owns interests in 3 coal-fired steam electric generating plants located in Wyoming, Nevada, and Oregon. As of December 31, 2011, the company provided electric service to approximately 496,000 general business customers involved in food processing, electronics and general manufacturing, agriculture, forest products, beet sugar refining, and winter recreation. It had a network of approximately 4,828 pole miles of high-voltage transmission lines, 23 step-up transmission substations located at power plants, 24 transmission substations, 10 switching stations, 228 energized distribution substations, and approximately 26,714 pole miles of distribution lines. The company, through its other subsidiaries, invests in housing and other real estate investments in the United States, Puerto Rico, and the United States Virgin Islands. IDACORP, Inc. was founded in 1915 and is headquartered in Boise, Idaho.

ITC Holdings Corp.

ITC Holdings Corp., together with its subsidiaries, engages in the transmission of electricity in the United States. The company operates as conduits, allowing for power from generators to be transmitted to local distribution systems either entirely through its own systems or in conjunction with neighboring transmission systems. Its operations include asset planning; engineering, design, and construction; maintenance; and real time operations. ITC Holdings Corp. serves investor-owned utilities, municipalities, cooperatives, power marketers, and alternative energy suppliers. The company was founded in 2001 and is headquartered in Novi, Michigan.

MGE Energy Inc.

MGE Energy, Inc., through its subsidiaries, operates as a public utility holding company in Wisconsin. The company engages in the generation, purchase, transmission, and distribution of electricity; and purchase and distribution of natural gas. It generates electricity from coal, natural gas, fuel oil, and renewable sources, as well as purchases power under short and long-term commitments. The company owns gas fired combustion turbines that have a total of 156 Megawatt (MW) net summer rated capacity; 30 MW consisting of 18 turbines in a wind-powered electric generating facility; and 11 MW consisting of 17 turbines in a wind-powered electric generating facility. It serves residential, commercial, and industrial customers, as well as public authorities, other utilities, power marketers, and transportation services. As of November 18, 2011, the company generated and distributed electricity to 139,000 customers in Dane County, Wisconsin; and purchased and distributed natural gas to 143,000 customers in seven south-central and western Wisconsin counties. It also invests in companies engaged in the provision of electric transmission services. MGE Energy, Inc. was founded in 1855 and is headquartered in Madison, Wisconsin.

Northeast Utilities

Northeast Utilities, a public utility holding company, provides energy delivery services to residential, commercial, and industrial customers in Connecticut, New Hampshire, and Massachusetts. The company engages in the purchase, delivery, and sale of electricity; and owns and operates approximately 1,200 megawatts of primarily fossil fuelled electricity generation assets. It also operates a natural gas distribution system in Connecticut serving commercial and industrial customers, as well as retail customers for heating, hot water, and cooking needs. In addition, the company offers gas transportation services to commercial and industrial customers, as well as provides electric transmission services. It serves approximately 3.5 million electric and natural gas customers through 6 regulated utilities. Northeast Utilities was founded in 1927 and is headquartered in Hartford, Connecticut.

PNM Resources, Inc.

PNM Resources, Inc., together with its subsidiaries, operates in energy and energy-related businesses in the United States. It primarily engages in the generation, transmission, and distribution of electricity. The company generates electricity using coal, nuclear, natural gas, solar, and wind energy. It also provides regulated transmission and distribution services. As of December 31, 2011, the company had a total net generation capacity of approximately 2,347 megawatts. It serves approximately 730,000 residential, commercial, and industrial customers and end-users of electricity in New Mexico and Texas. The company was founded in 1917 and is headquartered in Albuquerque, New Mexico.

UIL Holdings Corporation

UIL Holdings Corporation, through its subsidiaries, operates in the regulated utility businesses. It is involved in the purchase, transmission, distribution, and sale of electricity for residential, commercial, and industrial purposes in the south-western part of the State of Connecticut. As of December 31, 2011, the company served approximately 324,000 electric customers. It has electric transmission lines that consist of approximately 101 circuit miles of overhead lines and 28 circuit miles of underground lines; owns and operates 27 bulk electric supply substations with a capacity of 1,894 megavolt ampere (MVA) and 17

DRAFT

distribution substations with a capacity of 87 MVA; and has 3,293 pole-line miles of overhead distribution lines and 132 distribution conduit-bank miles. The company also engages in the transportation, distribution, and sale of natural gas to approximately 374,000 customers in Connecticut and western Massachusetts. It has natural gas systems that comprise approximately 4,284 miles and 738 miles of distribution pipeline in Connecticut and Massachusetts; operates and maintains various gate stations; and owns and operates 2 liquefied natural gas plants. The company was founded in 1899 and is headquartered in New Haven, Connecticut.

UNS Energy Corporation

UNS Energy Corporation engages in the electric generation and energy delivery businesses. Its TEP segment generates, transmits, and distributes electricity to approximately 404,000 retail electric customers in south-eastern Arizona. This segment also sells electricity to other utilities and power marketing entities. As of December 31, 2011, it owned or leased 2,262 MW of net generating capacity, as well as owned or participated in electric transmission and distribution system consisting of 512 circuit-miles of 500-kV lines; 1,088 circuit-miles of 345-kV lines; 405 circuit-miles of 138-kV lines; 479 circuit-miles of 46-kV lines; and 2,615 circuit-miles of lower voltage primary lines. TEP segment generates electricity from coal, gas, oil, and solar sources. The company's UNS Gas segment distributes gas to approximately 148,000 retail customers in Mohave, Yavapai, Coconino, and Navajo counties in northern Arizona, as well as Santa Cruz County in south-eastern Arizona. As of December 31, 2011, this segment's transmission and distribution system consisted of approximately 31 miles of steel transmission mains, 4,220 miles of steel and plastic distribution piping, and 137,160 customer service lines. Its UNS Electric segment transmits and distributes electricity to approximately 91,000 retail customers in Mohave and Santa Cruz counties. As of December 31, 2011, this segment's transmission and distribution system comprised approximately 56 circuit-miles of 115-kV transmission lines, 274 circuit-miles of 69-kV transmission lines, and 3,616 circuit-miles of underground and overhead distribution lines. It also owns the 65 MW Valencia plant and 90 MW Black Mountain generating station, as well as 39 substations having installed capacity of 1,494,000 kilovolt amperes. The company was formerly known as UniSource Energy Corporation and changed its name to UNS Energy Corporation in May 2012. UNS Energy Corporation was founded in 1902 and is headquartered in Tucson, Arizona.

Westar Energy, Inc.

Westar Energy, Inc., an electric utility, engages in the generation, transmission, and distribution of electricity in Kansas. It produces electricity through various sources, including coal, wind, nuclear, natural gas, oil, and diesel. The company is also involved in energy marketing activities; and the purchase and sale of electricity in the wholesale market. The company sells electricity in retail to residential, commercial, and industrial customers, as well as for lighting public streets and highways; and electricity in wholesale to electric cooperatives, municipalities, and other electric utilities in central and north-eastern Kansas, including the cities of Topeka, Lawrence, Manhattan, Salina, and Hutchinson. As of May 9, 2012, it served approximately 687,000 customers; and had 7,100 megawatts of electric generating resources, as well as operated and coordinated approximately 34,000 miles of electric distribution and transmission lines. Westar Energy, Inc. was founded in 1924 and is headquartered in Topeka, Kansas.

DRAFT

© Deloitte & Touche LLP and affiliated entities.

Appendices

DRAFT

Appendix A - Scope of review

In arriving at our estimate of value, we have reviewed and primarily relied upon the following information related to the Assets:

1. Interviews and discussions with the following individuals:
   - Ryan Lee – Senior Financial Advisor, Hydro One Networks Inc.;
   - Sandy Struthers CA – Chief Financial Officer, Hydro One Inc.
2. Projected financial results, including supporting assumptions, for the Assets for the years ending December 31, 2012 to 2091 as provided by Management;
3. Draft Master Implementation Agreement in respect of the Bruce to Milton Transmission Line Limited Partnership dated April 26, 2012;
4. Correspondence received from Management providing support or rationale for a number of assumptions underlying the projections identified in (2) above;
5. Public information relating to the business, operations, financial performance and stock trading history of selected public companies considered by us to be relevant;
6. Cost of Capital Letter issued by the OEB November 10, 2011;
7. Select corporate information as provided by Management;
8. General historical and projected industry and economic information obtained from external sources, as required; and
9. A letter of representation [OUTSTANDING] obtained from management of Hydro One wherein they confirmed certain representations and warranties made to us, including a general representation that they have no information or knowledge of any facts or material information not specifically noted in this report which, in their view, would reasonably be expected to affect the valuation conclusions expressed herein.

We have not audited or otherwise verified the information relied upon in forming our estimate of value.

The Scope of Review is inherently limited by the nature of an Estimate Valuation Report. The conclusion expressed below may have been different had a Comprehensive Valuation Report been prepared.

Appendix B - Restrictions, limitations and major assumptions

In accordance with the engagement letter, this Estimate Valuation Report has been provided for internal corporate purposes in connection with a possible minority equity transaction involving certain assets of the Bruce to Milton Transmission Project. We were engaged to provide an independent valuation estimate of the fair market value of the Bruce to Milton Transmission Project Assets.

Deloitte & Touche LLP ("Deloitte") has relied upon the completeness, accuracy, and fair presentation of all the financial and other information, data, advice, opinions or representations obtained by it from management of the Assets (collectively, the "Information"). The Valuation Report is conditional upon the completeness, accuracy, and fair presentation of such Information. Except as expressly described herein, Deloitte has not attempted to verify independently the completeness, accuracy or fair presentation of the Information.

Management has represented and warranted to Deloitte that, other than as specifically disclosed to us in writing, all information concerning the Assets provided to us, directly or indirectly, orally or in writing, by the Company and/or its agents and advisors in connection with our engagement hereunder:

- was in the case of all financial information concerning the Assets, at the date of preparation, presented completely and fairly in all material respects; and
- was with respect to any portion of the projections: (a) prepared on a basis reasonably consistent with accounting policies, (b) prepared using reasonable assumptions, and (c) the senior officers of Hydro One have no reason to believe are misleading in any material respect.

No opinion, counsel, or interpretation is intended in matters that require legal or other appropriate professional advice. It is assumed that such opinion, counsel, or interpretations have been or will be obtained from the appropriate professional sources. To the extent that there are legal issues relating to Assets or issues relating to compliance with applicable laws, regulations, and policies, Deloitte assumes no responsibility therefore, and assumes, in connection with such matters, other than as specifically disclosed to us, that:

1. the title to all such Assets owned by Hydro One are good and marketable, and there are no adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all liens, encumbrances or encroachments;
2. there is full compliance with all applicable federal, local, provincial, and national regulations and laws, as well as the policies of all applicable regulators, and that all required licenses, rights, consents, or legislative or administrative authority from any federal, local, provincial or national government, private entity, regulatory agency or organization have been or can be obtained or renewed for the operation of the Assets; and
3. there are no material legal proceedings regarding the Assets.

We have relied upon management's representation that all assets and liabilities (actual or contingent) attributed to the Assets have been fully disclosed to us.

The Valuation Report is rendered on the basis of securities markets, economic, financial, and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Assets as they were reflected in the Information and as they have been represented to Deloitte in discussions with Management. In the analyses and in preparing the Valuation Report, Deloitte made numerous assumptions with respect to industry performance, general business, and economic conditions and other matters, many of which are beyond the control of Deloitte, including inflation.

This Valuation Report is not intended for general circulation or publication, nor is it to be reproduced or used for any purpose other than that outlined above without the express prior written consent of Deloitte in each specific instance. Deloitte does not assume any responsibility or liability for losses incurred by any party as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

This Estimate Valuation Report is given as of June 8, 2012 and Deloitte disclaims any undertaking or obligation to advise any person of any change in any factor matter affecting the Valuation, which may come or be brought to Deloitte attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Valuation after the date hereof, Deloitte reserves the right to change, modify or withdraw the Valuation.

Deloitte believes that the Valuation Report must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Valuation Report. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

In preparing our Valuation Report, we have relied upon the following major assumptions in addition to other specific assumptions as set out in the body of this report:

1. The revenues, expenses, EBITDA and capital expenditures attributable to the Assets, as projected for the period from December 31, 2012 to December 31, 2091 were appropriate for valuation purposes and reflect management's best estimate as at the Valuation Date as to the future operating results of the Assets;
2. The assumptions underlying Management's projections, identified above, were reasonable and achievable, as at the Valuation Date (see details in Section 5 of our Valuation Report);
3. UCC tax balances for the Assets as at May 31, 2012 were estimated by Management based on the project costs;
4. No significant adjustments would be required to any of the unaudited financial information referred to in the Scope of Review of this report, were it subjected to an audit;
5. The CCA rates for each of the Assets provided by Management were reasonable;
6. The working capital requirements projected by Management were reasonable;
7. All assets, liabilities, revenues and expenses of the Assets are presented in accordance with generally accepted accounting principles as at the Valuation Date;
8. At the Valuation Date, the Assets had no material contingent liabilities, known environmental issues, unusual contractual obligations, litigation pending or threatened, or substantial commitments other than as disclosed in this report;
9. An Estimate Valuation Report is sufficient for Management's purposes; and
10. Other specific assumptions as set out in the body of this Valuation Report.

Should any of the above major assumptions not be accurate or should any of the other information provided to us not be factual or correct, our opinion of value, as expressed in this report, could be significantly different.

www.deloitte.ca

Deloitte, one of Canada's leading professional services firms, provides audit, tax, consulting, and financial advisory services through more than 8,000 people in 56 offices. Deloitte operates in Québec as Samson Bélair/Deloitte & Touche s.e.n.c.r.l. Deloitte & Touche LLP, an Ontario Limited Liability Partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

© Deloitte & Touche LLP and affiliated entities.

Ontario Energy Board (Board Staff) INTERROGATORY #5 List 1

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.

Interrogatory

Please provide a copy of the asset purchase agreement.

Response

The asset purchase agreement has not yet been finalized. A copy will be filed when complete.

Ontario Energy Board (Board Staff) INTERROGATORY #6 List 1

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."

Interrogatory

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

Response

Please refer to Attachment 1 to this response for a detailed set of revenue requirement calculations that demonstrate the NPV of the benefit of the B2MLP transaction.

Please note that this represents the current estimate of the costs at this time. A final version of this analysis will be provided as part of a future proceeding that will determine the initial revenue requirement for B2MLP as well as the amount to be removed from Hydro One Networks' revenue requirement.

The analysis demonstrates that the effects of the transaction amount to a Net Benefit of $10.1Mn on a present value basis. The rate impacts will be positive for rate-payers by year 4.

Please note the following assumptions used in the calculations:

- Transaction is executed on Jan 1, 2014
- Corporate Minimum tax applies to Hydro One
- B2MLP is taxable at 70% of normal to account for the assumed tax free status of the SON's 30% equity interest
- Incremental Costs associated with the transaction for which recovery will be sought from rates are detailed in Exhibit I. Tab 1, Schedule 7
- After-Tax Weighted Average Cost of Capital is 5.51%

BxM Project Assets

Revenue Requirement Estimates

(All figures in $Mn)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Status Quo - Estimated Revenue Requirement with Assets in HONI Rate Base										
OM&A - Specific	1.0	1.0	1.1	1.0	1.0	2.1	1.0	1.0	1.1	1.0
Depreciation	6.3	6.3	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Return on Debt	16.5	16.7	16.8	16.7	16.6	16.5	16.3	16.1	16.0	15.8
Return on Equity	22.6	23.7	24.3	24.5	24.4	24.2	23.9	23.7	23.4	23.2
Income tax	(2.2)	(1.0)	0.1	1.0	1.7	2.3	2.9	3.4	3.9	4.4
Total	44.1	46.7	48.6	49.6	50.1	51.5	50.5	50.6	50.8	50.7
Future Case - Estimated Revenue Requirement with Assets in B2MLP Rate Base										
OM&A - Specific	1.0	1.0	1.1	1.0	1.0	2.1	1.0	1.0	1.1	1.0
OM&A - Incremental	1.3	0.3	0.8	0.3	0.8	0.3	0.8	0.3	0.8	0.3
Depreciation	6.3	6.3	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Return on Debt	16.5	16.7	16.8	16.7	16.6	16.5	16.3	16.1	16.0	15.8
Return on Equity	22.6	23.7	24.3	24.5	24.4	24.2	23.9	23.7	23.4	23.2
Income tax	-	-	-	-	-	1.3	2.0	2.4	2.7	3.1
Corporate Minimum Tax	0.6	0.6	0.6	0.7	0.3	(0.2)	(0.5)	(0.6)	(0.8)	(0.8)
Total	48.3	48.5	49.9	49.5	49.5	50.6	50.0	49.2	49.6	48.9
Surplus (Deficit) from B2MLP	**(4.1)**	**(1.9)**	**(1.3)**	**0.1**	**0.6**	**1.0**	**0.6**	**1.4**	**1.2**	**1.8**

NPV of Benefit	**$10.1**

BxM Project Assets

Revenue Requirement Estimates

(All figures in $Mn)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Status Quo - Estimated Revenue Requirement with Assets in HONI Rate Base										
OM&A - Specific	1.0	2.2	1.0	1.0	1.1	1.1	1.0	2.4	1.0	1.0
Depreciation	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Return on Debt	15.6	15.4	15.2	15.1	14.9	14.7	14.5	14.4	14.2	14.0
Return on Equity	22.9	22.6	22.4	22.1	21.9	21.6	21.3	21.1	20.8	20.5
Income tax	4.8	5.1	5.5	5.7	6.0	6.2	6.4	6.6	6.8	6.9
Total	50.7	51.8	50.5	50.3	50.3	50.0	49.7	50.9	49.2	48.9
Future Case - Estimated Revenue Requirement with Assets in B2MLP Rate Base										
OM&A - Specific	1.0	2.2	1.0	1.0	1.1	1.1	1.0	2.4	1.0	1.0
OM&A - Incremental	0.8	0.3	0.8	0.3	0.8	0.3	0.8	0.3	0.8	0.3
Depreciation	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Return on Debt	15.6	15.4	15.2	15.1	14.9	14.7	14.5	14.4	14.2	14.0
Return on Equity	22.9	22.6	22.4	22.1	21.9	21.6	21.3	21.1	20.8	20.5
Income tax	3.3	3.6	3.8	4.0	4.2	4.4	4.5	4.6	4.8	4.9
Corporate Minimum Tax	-	-	-	-	-	-	-	-	-	-
Total	50.0	50.5	49.6	48.9	49.3	48.4	48.5	49.1	47.9	47.0
Surplus (Deficit) from B2MLP	**0.7**	**1.3**	**0.9**	**1.5**	**1.0**	**1.6**	**1.2**	**1.7**	**1.3**	**1.8**

NPV of Benefit	**$10.1**

BxM Project Assets

Revenue Requirement Estimates

(All figures in $Mn)

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
Status Quo - Estimated Revenue Requirement with Assets in HONI Rate Base										
OM&A - Specific	1.3	1.0	1.0	2.6	1.0	1.1	1.2	1.0	1.0	3.2
Depreciation	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Return on Debt	13.8	13.6	13.5	13.3	13.1	12.9	12.7	12.6	12.4	12.2
Return on Equity	20.3	20.0	19.8	19.5	19.2	19.0	18.7	18.4	18.2	17.9
Income tax	7.1	7.2	7.3	7.3	7.4	7.4	7.5	7.5	7.5	7.5
Total	48.8	48.2	47.9	49.2	47.2	46.9	46.5	45.9	45.5	47.3
Future Case - Estimated Revenue Requirement with Assets in B2MLP Rate Base										
OM&A - Specific	1.3	1.0	1.0	2.6	1.0	1.1	1.2	1.0	1.0	3.2
OM&A - Incremental	0.8	0.3	0.8	0.3	0.8	0.3	0.8	0.3	0.8	0.3
Depreciation	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Return on Debt	13.8	13.6	13.5	13.3	13.1	12.9	12.7	12.6	12.4	12.2
Return on Equity	20.3	20.0	19.8	19.5	19.2	19.0	18.7	18.4	18.2	17.9
Income tax	4.9	5.0	5.1	5.1	5.2	5.2	5.2	5.3	5.3	5.3
Corporate Minimum Tax	-	-	-	-	-	-	-	-	-	-
Total	47.5	46.3	46.5	47.2	45.7	44.9	45.0	43.9	44.0	45.3
Surplus (Deficit) from B2MLP	**1.4**	**1.9**	**1.4**	**1.9**	**1.5**	**2.0**	**1.5**	**2.0**	**1.5**	**2.0**

NPV of Benefit	**$10.1**

BxM Project Assets

Revenue Requirement Estimates

(All figures in $Mn)

	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
Status Quo - Estimated Revenue Requirement with Assets in HONI Rate Base										
OM&A - Specific	1.2	1.2	1.3	1.2	1.1	3.6	1.1	1.2	1.3	1.6
Depreciation	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Return on Debt	12.0	11.9	11.7	11.5	11.3	11.1	11.0	10.8	10.6	10.4
Return on Equity	17.7	17.4	17.1	16.9	16.6	16.4	16.1	15.8	15.6	15.3
Income tax	7.5	7.5	7.5	7.5	7.5	7.5	7.4	7.4	7.3	7.3
Total	44.9	44.4	44.1	43.5	42.9	45.0	42.0	41.7	41.2	41.0
Future Case - Estimated Revenue Requirement with Assets in B2MLP Rate Base										
OM&A - Specific	1.2	1.2	1.3	1.2	1.1	3.6	1.1	1.2	1.3	1.6
OM&A - Incremental	0.8	0.3	0.8	0.3	0.8	0.3	0.8	0.3	0.8	0.3
Depreciation	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4	6.4
Return on Debt	12.0	11.9	11.7	11.5	11.3	11.1	11.0	10.8	10.6	10.4
Return on Equity	17.7	17.4	17.1	16.9	16.6	16.4	16.1	15.8	15.6	15.3
Income tax	5.3	5.3	5.3	5.3	5.2	5.2	5.2	5.2	5.1	5.1
Corporate Minimum Tax	-	-	-	-	-	-	-	-	-	-
Total	43.4	42.4	42.6	41.5	41.4	43.0	40.5	39.7	39.8	39.1
Surplus (Deficit) from B2MLP	**1.5**	**2.0**	**1.5**	**2.0**	**1.5**	**2.0**	**1.5**	**2.0**	**1.4**	**1.9**

NPV of Benefit	**$10.1**

Ontario Energy Board (Board Staff) INTERROGATORY #7 List 1

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."

Interrogatory

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 grater 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.

Response

7.1 At the time of the filing, the one-time incremental costs that were included in the application were estimated as follows:

- One-Time Regulatory Costs - $0.5Mn
- One-Time Transaction Costs - $0.5Mn

Given that the proceeding is in progress, the final up-front costs for these items are not currently available. Expectations are that the final amount will exceed the initial estimate detailed above but it will be within the $10.1Mn net benefit envelope of the transaction shown in the response to 7.5 below. These costs will be refined for presentation in the subsequent rate hearing to take place upon completion of this proceeding.

7.2 At the time of the filing, incremental ongoing costs for B2MLP were estimated at $1.1Mn every two years. They include the following:

- $0.3Mn of annual corporate costs comprised of:
  - Additional Insurance - $0.15Mn (annual)
  - Other Administration - $0.11Mn (annual)
- Regulatory Proceedings - $0.5Mn (every 2nd year)

7.3 Confirmed

7.4 Please see Exhibit I, Tab 1, Schedule 6, Attachment 1 for annual spending estimates. See response to 7.5 below for total spending over the life of the asset.

7.5 The current estimate of the Net Benefit of the transaction breaks down as follows:

- NPV of Incremental Costs $(8.8)Mn
- NPV of Tax Benefits $18.9Mn
- Net Benefit $10.1Mn

7.6 For the first 3 years after the transaction, it is expected that rates will go up marginally (0.53% in year 1) due to one-time incremental costs and the deferral of near term tax benefits associated with the application of Capital Cost Allowance. Starting in year 4 and thereafter over the life of the asset, rates are forecast to be less than they otherwise would have been, due to the favourable tax status of the partnership.

Ontario Energy Board (Board Staff) INTERROGATORY #8 List 1

Reference: Joint Submission
Section 2, Pages4-5, 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.

Interrogatory

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.

Response

The subject transactions will have no impact on the manner in which the BxM Project transmission assets are currently operated and maintained. Operation and maintenance of the BxM Project transmission assets will be carried out through service agreements with HONI, the current operator and maintainer of these assets. HONI will include these assets in its regular sustainment programs in the same fashion as they are included currently.

Ontario Energy Board (Board Staff) INTERROGATORY #9 List 1

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].

Interrogatory

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.

Response

9.1 Hydro One will not be a party to or be involved in Saugeen Ojibway Nation’s financing for the project.

9.2 The term “Participant Funding” has been used to describe the advancement of funds for third party expert advice and related costs that the SON is expected to incur with respect to entering into the transaction. These transactional costs are described in the June 12, 2012 letter agreement included as Attachment 1 to this response and also referred to as Attachment D of the Hydro One Board of Directors’ approval. To be clear, Hydro One Networks Inc. will not be lending any amounts to the SON for purposes of funding partnership unit investment, as noted in the response to 9.1 above. The funding of such investments will be made as between third party lending institutions and SON LP Co.

9.3 Please see the response to 9.2

Hydro One Networks Inc.
483 Bay Street
North Tower, 15th Floor
Toronto, ON M5G 2P5
www.hydroone.com

Laura Formusa
President & CEO

hydro one

June 18, 2012

PRIVILEGED AND CONFIDENTIAL

Saugeen Ojibway Nation
c/o Pape, Salter, & Teillet LLP
546 Euclid Ave.
Toronto, Ontario
M6G 2T2

Attention: Chief Randall Kahgee and Chief Scott Lee

Dear Sirs:

Re: **Agreement between the CHIPPEWAS OF SAUGEEN FIRST NATION, a band within the meaning of the Indian Act (Canada) represented by the Chippewas of Saugeen First Nation Band Council and the CHIPPEWAS OF NAWASH FIRST NATION, a band within the meaning of the Indian Act (Canada) represented by the Chippewas of Nawash First Nation Band Council (which parties are collectively referred to as the Saugeen Ojibway Nation (the "SON")) and Hydro One Networks Inc. ("Hydro One") (each referred to as a "Party" and collectively, as the "Parties")**

This letter agreement sets forth the terms under which Hydro One agrees to provide SON with participation funding for the SON's actual incurred costs, including costs incurred in respect of its third party advisors concerning the negotiation, financing, and acquisition of an equity interest in the limited partnership to be established that will own the Bruce to Milton transmission line (the "Transaction"). The Parties acknowledge that funding provided under this agreement as well as the underlying Transaction itself is intended as part of the accommodation of SON's rights and interests that may now or in the future be adversely affected by the development and ongoing operation of the Bruce to Milton transmission line. In consideration of the mutual benefits of collaboration the Parties agree to the following:

1. Within fifteen days following execution of this Agreement and receipt of the supporting information set out in paragraph 2, Hydro One shall pay to McMillan LLP, for and on behalf of the SON, an amount on account of the actual costs, including costs incurred in respect of its third party advisors, incurred by the SON in respect of the Transaction as of

hydro one

the date hereof as set out in Appendix A (the "Initial Actual Incurred Costs"). McMillan LLP, upon receipt of the payment from Hydro One, shall promptly pay to the respective payees the amounts invoiced by them.

2. The SON acknowledges that supporting information in the form of engagement letters, and invoices have been provided to Hydro One to confirm the accuracy and reasonableness of the Initial Actual Incurred Costs. The information relating to the legal advice provided to the SON shall be redacted in a way sufficient to preserve its confidentiality.

3. The SON has provided a Remaining Cost Estimate of its costs and those of its advisors that the SON expects to incur for the completion and closing of the Transaction. The Remaining Cost Estimate is described in Appendix B. The SON shall assemble the invoices it receives for actual incurred costs on account of the Remaining Cost Estimate items after the date hereof ("Ongoing Actual Incurred Costs") and deliver copies to McMillan LLP, on a regular basis. McMillan LLP, on behalf of the SON, shall issue regular requests for funding to Hydro One in respect of Ongoing Actual Incurred Costs on account of the Remaining Cost Estimate items shown in Appendix B.

4. Within fifteen days of receiving requests for funding and subject to paragraph 6 below, Hydro One shall make payments to McMillan LLP, for and on behalf of the SON.

5. Each request for funding described in paragraph 3 shall pertain only to the recovery of Ongoing Actual Incurred Costs in respect of the Remaining Cost Estimate items shown in Appendix B. Each request for funding shall include supporting information equivalent to that which was provided in respect of the Initial Actual Incurred Costs. The Parties acknowledge that the inclusion of reasonable supporting documentation with each request for funding is a condition precedent to Hydro One making payment of any such request for funding. SON shall retain all source documentation and expense reimbursement claims for at least two years after the commencement of the partnership. At the request of Hydro One, the SON shall make such source documentation and claims available for review by Hydro One or its agents. The information relating to the legal advice provided to the SON shall be redacted in a way sufficient to preserve its confidentiality.

6. Hydro One is under no obligation to pay any requested funding amount where such payment would result in the total of all requested funding exceeding the amount which is the sum of the Initial Actual Incurred Costs and the Remaining Cost Estimate.

7. The Parties agree to discuss and attempt to resolve any concerns with respect to the reasonableness of requested funding amounts within 10 days from the date each funding request is received by Hydro One. If discussions do not resolve such concerns either Party may refer such concerns to Meyers Norris Penny, an independent accounting firm mutually agreed to by the Parties, for determination of whether the disputed cost item is reasonable or not. Meyers Norris Penny shall only make a determination of whether or

not the disputed cost item is reasonable and justified. Such decision shall be made by reviewing all supporting information and whether such information demonstrates that the disputed cost was incurred for the SON's participation in the Transaction and relates to the description of the Remaining Estimated Costs shown in Appendix A. Such decision shall be final and binding upon the Parties. If the disputed item is determined to be justified, Hydro One shall pay such amounts forthwith in the manner contemplated in paragraph 4. If the disputed cost item is determined to be unreasonable Meyers Norris Penny shall provide its determination of the amount that, in their opinion, is reasonable and justified within 30 days from the date of the dispute referral ("Revised Amount"). Thereafter, the requested funding amount shall be altered to take into account the Revised Amount and the resulting requested funding total shall be paid forthwith by Hydro One in the manner contemplated in paragraph 4.

8. SON agrees to keep Hydro One reasonably informed of the timing and incurrence of the Remaining Cost Estimate expenditures.

9. Notwithstanding paragraph 6, the Parties acknowledge that the Remaining Cost Estimate is SON's estimate of actual costs to be incurred for the Transaction. If the total of all requested funding amounts exceed 80% of the Remaining Cost Estimate total, senior representatives of the Parties agree to meet and discuss the likelihood that the Remaining Cost Estimate total may be exceeded, the reasons for this outcome, and potential steps that may be taken to mitigate such outcomes, including the possibility of Hydro One agreeing to have the Remaining Cost Estimate amended.

10. The Parties agree that all amounts paid by Hydro One under this Agreement shall be recovered as Hydro One costs under the terms of the Master Implementation Agreement. For greater certainty, as these costs pertain to the completion of the Transaction, the limited partnership contemplated under the Master Implementation Agreement to own and have responsibility for the transmission service provided by the Bruce to Milton transmission line facilities, shall seek to recover all amounts paid under this Agreement in its transmission rates and if recovered in such rates to then pay and reimburse Hydro One for such amounts out of its revenues in priority to any amounts distributed to the limited partners. If cost recovery through rates is not possible, the amounts will be treated as part of the equity investment by the limited partner that is wholly owned by Hydro One in the limited partnership contemplated by the Transaction.

11. The Parties agree that this letter is a binding agreement with respect to the arrangements contemplated herein.

12. The Parties agree that this agreement shall not be assigned or transferred by either of the Parties without the prior written consent of the other Party, such consent not to be unreasonably withheld.

hydro one

If you are in agreement with the foregoing, please so indicate by signing in the appropriate space provided below and returning one executed copy.

Yours truly,

HYDRO ONE NETWORKS INC.

By: ____________________
Name: Laura Formusa
Title: President & CEO

Acknowledged and agreed to this 18th day of June, 2012

CHIPPEWAS OF NAWASH FIRST NATION	CHIPPEWAS OF SAUGEEN FIRST NATION
By:____________________	By:____________________
Name:____________________	Name:____________________
Title:____________________	Title:____________________

Appendix A

For ease of reference:

"Initial Actual Incurred Costs" means costs actually incurred by the SON and its third party advisors in respect of the Transaction, up to May 1, 2012, for the negotiation of financing terms and key elements of the Master Implementation and Heads of Agreement, the reasonableness of which have been reviewed and accepted by Hydro One.

"Remaining Cost Estimate" means SON's estimate of its costs and those of its third party advisors in respect of the Transaction from May 2, 2012 and until closing of the Transaction.

Initial Actual Incurred Costs

SON Costs	$115,000
Pape Salter & Teillet LLP	$140,000
McMillan LLP	$110,000
Total Initial Actual Incurred Costs	**$365,000**

Appendix B

Remaining Cost Estimate

SON Cost Estimate	$480,000
• Master Implementation, Partnership Agreement Negotiations • Participation in tax ruling and other regulatory processes • Negotiation of commercial loan agreements and ancillary documents • Negotiation of commercial guarantee agreements and ancillary documents • Administration/co-ordination duties with First Nation • SON financial expert to facilitate financial aspects of the agreements and co-ordination with council	
Pape Salter & Teillet LLP Cost Estimate	$440,000

hydro one

- Complete negotiations of Master Implementation, Partnership and ancillary agreements with HONI - Conduct of community workshops and consultations - Participate in and review of all advance tax ruling materials and filings - Negotiate and finalize all Loan, Intercreditor and Guarantee Agreements - Prepare for and participate in all regulatory processes - Conduct/administration of Transaction Closing	
McMillan LLP Cost Estimate	$530,000
- Complete negotiations of Master Implementation, Partnership and ancillary agreements with HONI - Conduct of community workshops and consultations - Participate in and review of all advance tax ruling materials and filings - Negotiate and finalize all Loan, Intercreditor and Guarantee Agreements - Prepare for and participate in all regulatory processes - Conduct/administration of Transaction Closing	
Bank Fees for Financing on Transaction Closing	$200,000
Legal Fees Incurred by Bank for Financing on Transaction Closing	$400,000
Total Remaining Cost Estimate	**$2,050,000**

Ontario Energy Board (Board Staff) INTERROGATORY #10 List 1

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].

Interrogatory

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

Response

The in-service date for the Bruce to Milton Assets was May 14, 2012. The other reference, Anishnaabekiing Naagnigewin Agreement Section 11, Appendix 5, Page 1, Paragraph 3, of January 1, 2013 was an earlier planning date for in-service.

Ontario Energy Board (Board Staff) INTERROGATORY #11 List 1

Reference: Application by B2M LP for an Electricity Transmitter Licence Section 9, page 9, Item 10 "Information About Each Key Individual"

Interrogatory

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

Response

B2M LP is a limited partnership which carries on business through its sole general partner, B2M GP Inc. Michael Penstone is the sole director, officer and employee of B2M GP Inc. His information is included in the application.

Ontario Energy Board (Board Staff) INTERROGATORY #12 List 1

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

Interrogatory

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.

Response

12.1 The legal name of the applicant is 1893080 Ontario Inc., which is defined in the application as "SON LP Co" to more easily identify the corporation as the entity through which SON were making their investment. It is the intention of SON to change the name of 1893080 Ontario Inc. to Saugeen Ojibway Nations Finance Corporation.

12.2 See Attachment 1 to this response.

12.3 See Attachment 1 to this response.

12.4 See Attachment 1 to this response.

1.2 Identification of the Parties

1.2.1 Name of Applicant

Legal name of the applicant: 1893080 Ontario Inc.

Name of Primary Contact:

	Last Name	First Name	Initial
Mr. ○ Mrs. ○ Miss ○ Ms. ○ Other ☒ Chief	Lee	Scott	
	Title/Position		
	President		

Address of Head Office:

City	Province/State	Country	Postal/Zip Code
Toronto	Ontario	Canada	M5J 2T3
Phone Number	**Fax Number**	**E-mail Address**	
416 865-7837	416 865-7048	michael.templeton@mcmillan.ca	

1.2.2 Other Party to the Transaction (if more than one attach a list)

Name of the other party: ______

Name of Primary Contact:

	Last Name	First Name	Initial
Mr. ○ Mrs. ○ Miss ○ Ms. ○ Other ○ ______			
	Title/Position		

Address of Head Office:

City	Province/State	Country	Postal/Zip Code
Phone Number	**Fax Number**	**E-mail Address**	

PART II : CERTIFICATION AND ACKNOWLEDGMENT

2.1.1 Certification and Acknowledgment

I certify that the information contained in this application and in documents provided are true and accurate.

Signature of Key Individual	Print Name of Key Individual SCOTT LEE	Title/Position PRESIDENT
Scott Lee.	Date JUNE 25, 2013	Company 1893080 ONTARIO INC.

(Must be signed by a key individual. A key individual is one that is responsible for executing the following functions for the applicant: matters related to regulatory requirements and conduct, financial matters and technical matters. These key individuals may include the Chief Executive Officer, the Chief Financial Officer, other officers, directors or proprietors.)

Power Workers Union (PWU) INTERROGATORY #1 List 1

Interrogatory

Who appoints officers and directors of Hydro One B2M Holdings Inc., B2M GP Inc. and Hydro One B2M LP Inc.?

Response

The President and CEO of Hydro One Inc. is authorized to appoint the directors and officers of the companies listed in the question.

Power Workers Union (PWU) INTERROGATORY #2 List 1

Interrogatory

Are the above entities wholly owned subsidiaries of Hydro One Networks Inc.?

Response

Hydro One B2M Holdings Inc., Hydro One B2M LP Inc. and B2M GP Inc. are all wholly owned subsidiaries of Hydro One Inc, directly or indirectly.

Power Workers Union (PWU) INTERROGATORY #3 List 1

Interrogatory

Where is the head office of Hydro One B2M Holdings Inc., B2M GP Inc., Hydro One B2M LP Inc. and the B2M Limited Partnership?

Response

The head office for the aforementioned companies is located at 483 Bay St, Toronto, ON.

Power Workers Union (PWU) INTERROGATORY #4 List 1

Interrogatory

To the extent that the above entities will hold debt or are capable of holding debt, is that debt guaranteed by Hydro One Networks Inc. or another Hydro One affiliate?

Response

Hydro One Inc. is the only entity within the Hydro One group of companies that issues debt to third party public debt investors. Its subsidiaries, including wholly-owned Networks and majority-owned B2MLP, are allocated a portion of specific debt issues from Hydro One Inc.'s overall debt portfolio.

For a broader discussion of the handling of debt instruments by Hydro One subsidiaries, please refer to EB-2012-0031, Exhibit B1, Tab 2, Schedule 1. For convenience, a copy is included herein as Attachment 1 to this response.

EB-2012-0031 – EXHIBIT B1, TAB 2, SCHEDULE 1

COST OF THIRD PARTY LONG-TERM DEBT

1.0 HYDRO ONE TRANSMISSION LONG-TERM DEBT

The debt portfolio for Hydro One Transmission, as set out in Exhibit B2, Tab 1, Schedule 2, is based on debt issued by Hydro One Networks Inc. to Hydro One Inc., of which the Transmission business is mapped a portion. Hydro One Networks Inc. issues debt to Hydro One Inc., reflecting debt issues by Hydro One Inc. to third party public debt investors.

Third party public debt investors hold all of the long term debt issued by Hydro One Inc. Hydro One Inc.'s debt financing strategy takes into consideration the objectives of cost effectiveness, distributing debt maturities evenly over time, and ensuring the term of the debt portfolio is compatible with the long life of the Company's assets.

Hydro One Inc. has a Medium Term Note ("MTN") Program that provides ready access to issue debt with a term greater than one year into the Canadian debt capital markets. The standard maturity terms in the area of five, ten and thirty years are preferred by investors and represent the main financing which Hydro One Inc. utilizes to execute its financing strategy and raise the required funds. The short form base shelf prospectus for the current $3.0 billion MTN Program is provided in Exhibit A, Tab 11, Schedule 2. Hydro One Inc. also maintains $1.5 billion in liquidity facilities which would be drawn in the event it cannot access the long term debt markets for financing.

2.0 CREDIT RATINGS

As Hydro One Inc. issues medium term notes in the Canadian public debt markets, credit ratings are a requirement. The credit ratings of Hydro One Inc.'s debt obligations by

Dominion Bond Rating Service, Moody's Investors Service and Standard & Poor's Rating Services are as follows:

Table 1
Credit Ratings for Hydro One Inc.

Rating Agency	Short-term Debt	Debt
Standard & Poor's Rating Services (S&P)	A-1	A+
Dominion Bond Rating Service (DBRS)	R-1(middle)	A(high)
Moody's Investors Service (Moody's)	Prime-1	Aa3

The most recent rating agency reports are provided in Exhibit A, Tab 11, Schedule 1.

3.0 COST OF LONG-TERM DEBT

The long term debt rate is calculated as the weighted average rate on embedded debt, new debt and forecast debt planned to be issued in 2012, 2013 and 2014. The weighted average rate on long term debt rate is 4.95% for 2013 and 4.83% for 2014. Details of Hydro One Transmission's long term debt rate calculation for the 2012 bridge year and 2013 and 2014 test years are identified at Exhibit B2, Tab 1, Schedule 2, pages 4 to 6.

The amount of each Hydro One Networks Inc. debt issue that is mapped to the Transmission business is based on its most recent forecast of borrowing requirements. Borrowing requirements are driven mainly by debt retirement, capital expenditures net of internally generated funds, and the maintenance of its capital structure. For example, in December 2011, Hydro One Inc. issued $100 million of forty-year notes with a coupon rate of 4.00%, of which $70 million was mapped to Hydro One Transmission as shown on line 30 of Exhibit B2, Tab 1, Schedule 2, page 3. The interest rates of debt issues mapped to the Transmission business, as shown in Exhibit B2, Tab 1, Schedule 2, are equal to the actual interest rates on debt issued by Hydro One Networks Inc. to Hydro One Inc., and by Hydro One Inc. to third party public debt investors.

3.1 Embedded Debt

The Board has determined in its December 11, 2009 Cost of Capital Report that for embedded debt, the rate approved in prior Board decisions shall be maintained for the life of each active instrument, unless a new rate is negotiated, in which case it will be treated as new debt. Hydro One Transmission's embedded long term debt, which was issued during the period from 2000 to 2011, is shown on lines 1 to 27 of Exhibit B2, Tab 1, Schedule 2, page 4. The rates on these embedded debt issues were approved by the Board as part of the Board's Decision in EB-2011-0268.

3.2 New Debt

The Board has determined in its Cost of Capital Report that the rate for new debt that is held by a third party will be the prudently negotiated contract rate. This would include recognition of premiums and discounts. The following discusses new debt issued during 2011 and 2012, which are shown on lines 28 and 29 of Exhibit B2, Tab 1, Schedule 2, page 4.

In December of 2011, Hydro One Inc. issued $100 million of notes, of which $70 million was mapped to Hydro One Transmission, as shown on line 28 of Exhibit B2, Tab 1, Schedule 2, page 4.

In January of 2012, Hydro One Inc. issued $300 million of notes, of which $154 million was mapped to Hydro One Transmission, as shown on line 29 of Exhibit B2, Tab 1, Schedule 2, page 4.

3.3 Forecast Debt

Hydro One Transmission’s forecast borrowing requirements are $686 million remaining for 2012, $927 million for 2013 and $870 million for 2014. For planning purposes it is assumed that debt issuance will be evenly distributed over the standard terms in the area of five, ten and thirty years, which are preferred by investors, while limiting total annual maturities for Hydro One Inc. to $600 million to avoid undue refinancing risk.

Table 2 lists the fixed rate MTN's which Hydro One Networks Inc. plans to issue in 2012, and will be mapped to the Transmission business, as shown on lines 30 to 32 of Exhibit B2, Tab 1, Schedule 2, page 4.

Table 2
Forecast Debt Issues for remainder of 2012

2012		
Principal Amount ($Millions)	**Term (Years)**	**Coupon**
225.0	5	2.29%
230.3	10	3.16%
230.3	30	4.04%

Table 3 lists the fixed rate MTN's which Hydro One Networks Inc. plans to issue in 2013, and 2014 will be mapped to the Transmission business, as shown on lines 30 to 35 of Exhibit B2, Tab 1, Schedule 2, page 6.

Table 3
Forecast Debt Issues for 2013 and 2014

2013			2014		
Principal Amount ($Millions)	**Term (Years)**	**Coupon**	**Principal Amount ($Millions)**	**Term (Years)**	**Coupon**
150.0	5	2.69%	289.8	5	3.25%
388.4	10	3.56%	289.8	10	4.12%
388.4	30	4.44%	289.8	30	5.00%

3.4 Interest Rates for 2012, 2013 and 2014 Forecast Debt Issues

Transmission business borrowing will be financed at market rates applicable to Hydro One Inc. Table 4 summarizes the derivation of the forecast Hydro One Inc. yield for each of the planned issuance terms for 2012, 2013 and 2014.

Table 4
Forecast Yield for 2012-2014 Issuance Terms

	2012		
	5-year	**10-year**	**30-year**
Government of Canada	1.48%	2.10%	2.69%
Hydro One Spread	0.81%	1.06%	1.35%
Forecast Hydro One Yield	2.29%	3.16%	4.04%
	2013		
	5-year	**10-year**	**30-year**
Government of Canada	1.88%	2.50%	3.09%
Hydro One Spread	0.81%	1.06%	1.35%
Forecast Hydro One Yield	2.69%	3.56%	4.44%
	2014		
	5-year	**10-year**	**30-year**
Government of Canada	2.44%	3.06%	3.65%
Hydro One Spread	0.81%	1.06%	1.35%
Forecast Hydro One Yield	3.25%	4.12%	5.00%

Each rate is comprised of the forecast Canada bond yield plus the Hydro One Inc. credit spread applicable to that term. The ten year Government of Canada bond yield forecast for 2012 is based on the three month out forecast from February 2012 Consensus Forecasts, and for 2013 is based on the twelve month out forecast from February 2012 Consensus Forecasts. The ten year Government of Canada bond yield forecast for 2014 is based on February 2012 Global Insight Forecast. The five and thirty year Government of Canada bond yield forecasts are derived by adding the February 2012 actual average spreads (five to ten year for the five year forecast and thirty to ten year for the thirty year forecast) to the ten year Government of Canada bond yield forecast. Hydro One's credit spreads over the Government of Canada bonds are based on the average of indicative new issue spreads for February 2012 obtained from the Company's MTN dealer group for each planned issuance term.

Hydro One assumes that forecast debt issuance interest rates for each test year will be updated consistent with the ROE methodology, upon the final decision in this case. For rates effective January 1, 2013, the forecast interest rate for Hydro One Transmission debt issues will based on the September 2012 Consensus Forecasts and the average of indicative new issue spreads for September 2012 which will be obtained from the Company's MTN dealer group for each planned issuance term. For rates effective January 1, 2014, the forecast interest rate for Hydro One Transmission debt issues will be based on the September 2013 Consensus Forecasts and the average of indicative new issue spreads for September 2013 which will be obtained from the Company's MTN dealer group for each planned issuance term. In addition Hydro One assumes that long term debt rate will be updated to reflect and take into account the actual issuances of debt since the time of original application consistent with the OEB's Decision in EB-2010-0002 and changes in the interest rate forecast.

3.5 Treasury OM&A Costs

Treasury OM&A costs are incurred to:

- execute borrowing plans and issue commercial paper and long term debt;
- ensure compliance with securities regulations, bank and debt covenants;
- manage the company's daily liquidity position, control cash and manage the company's bank accounts;
- settle all transactions and manage the relationship with creditors; and

- communicate with debt investors, banks and credit rating agencies.

These costs are $1.6 million for 2013 and $1.7 million for 2014 as shown on line 36, page 5 and line 37, page 6 of Exhibit B2, Tab 1, Schedule 2.

3.6 Other Financing-Related Fees

Column (e) of Exhibit B2, Tab 1, Schedule 2 ("Premium, Discount and Expenses") represents the costs of issuing debt. These costs are specific to each debt issue and include commissions, legal fees, debt discounts or premiums on issues or re-openings of issues relative to par, and hedge gains or losses.

Other financing related fees, $3.6 million in 2013 and $3.3 million 2014, identified on line 37 page 5 and line 38 page 6 of Exhibit B2, Tab 1, Schedule 2, include the Transmission allocation of Hydro One Inc.'s standby credit facility, annual credit rating agency, banking, custodial and trustee fees.

Power Workers Union (PWU) INTERROGATORY #5 List 1

Interrogatory

To the extent that there are capital calls or additional financing required by any of the subsidiaries, will Hydro One Networks Inc. or another Hydro One affiliate provide that capital or additional financing?

Response

Please refer to Exhibit I, Tab 2, Schedule 4.

Power Workers Union (PWU) INTERROGATORY #6 List 1

Interrogatory

Who employs the employees who currently maintain, service or otherwise are responsible for the transmission line which is the subject of this Application? What are the general categories of work that these employees engage in with respect to the transmission line in question?

Response

The employees who currently maintain, service or otherwise are responsible for the transmission line which is the subject of this Application are employees of HONI. The general categories of work that these employees engage in with respect to the transmission line in question are:

- Transmission system monitoring and control
- Asset operation
- Forestry and vegetation management
- Power Equipment Maintenance and Testing
- Protection and Control Equipment Maintenance and Testing
- Outage Management
- Crew Dispatch
- Records maintenance, and
- General Administrative support

Power Workers Union (PWU) INTERROGATORY #7 List 1

Interrogatory

Assuming that this Application is approved:

a. Which entity will decide when work needs to be done on the transmission line which is the subject of this Application?
b. Which entity will determine or estimate the annual budget for annual operating, maintenance and capital improvement? Which entity will provide the annual operating plan? What will happen in the event of cost overruns?

Response

a. The general partner, B2M GP Inc., will be responsible for all policy decisions of the partnership including the nature and timing of operational and maintenance work that concerns the BxM assets. These decisions will be made based upon advice and recommendations from HONI as well as input from the Partners including SON LP Co. HONI will in turn be operating and maintaining the B2M assets and lines on a day to day basis in accordance with the operations services and management services agreement (the "Operations Agreement) to be signed by HONI and B2M GP Inc.

b. With respect to determination of the annual budgets for operating, maintenance and capital improvement, this will be managed by B2M GP Inc. based upon advice and recommendations from HONI and input from the Partners including SON LP Co. In the case of cost overruns, B2MLP will fund the costs from short-term credit facilities or other immediately available resources and if the latter are not available, B2M GP Inc. may issue a notice to the Partners requesting equity contributions in accordance with the procedures outlined in the proposed Amended Partnership Agreement.

Power Workers Union (PWU) INTERROGATORY #8 List 1

Interrogatory

Is there any agreement or understanding between Hydro One and any of its affiliates and Hydro One B2M Holdings Inc., B2M GP Inc. and Hydro One B2M LP Inc. which would prevent these entities from hiring their own employees or engaging contractors?

Response

There is no specific agreement between Hydro One and any of its affiliates and Hydro One B2M Holdings Inc., B2M GP Inc. and Hydro One B2M LP Inc. and also B2MLP which would prevent these entities from hiring their own employees or engaging contractors.

There is an understanding that HONI will provide the bulk of services to B2MLP including operation, maintenance and administration and thus will employ the individuals providing those services.

As stated in the 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 services agreement with HONI.*

Power Workers Union (PWU) INTERROGATORY #9 List 1

Interrogatory

Will any of these entities or the B2M Limited Partnership have direct hire employees? If so, who will hire these employees? Please provide examples of the numbers and positions of any such employees.

Response

B2M GP Inc. has one employee. There are no other employees planned for B2M GP Inc. There are no employees of the other entities, Hydro One B2M Holdings Inc., Hydro One B2M GP Limited Partnership. and Hydro One B2M LP Inc.

Power Workers Union (PWU) INTERROGATORY #10 List 1

Interrogatory

Article 2.1 of the Agreement for Operations Services and Management service between Hydro One Networks and Bruce-to-Milton GPco. states that HONI shall be the exclusive supplier of Operations Services to B2M LP. Does that mean that B2M Limited Partnership cannot hire its own employees or engage contractors to provide services? Does that mean that Hydro One Networks will provide those services with its own employees or by using contractors?

Response

Please see the response to the Exhibit I, Tab 2, Schedule 8.

Power Workers Union (PWU) INTERROGATORY #11 List 1

Interrogatory

What type of Operations Services will be provided pursuant to the Agreement? Please provide significant examples.

Response

Please see the response to the Exhibit I, Tab 2, Schedule 6.

Power Workers Union (PWU) INTERROGATORY #12 List 1

Interrogatory

Whose equipment will be used to provide these Operations Services? Who will direct the work of the employees?

Response

Please see the response to the Exhibit I, Tab 2, Schedule 8.

Power Workers Union (PWU) INTERROGATORY #13 List 1

Interrogatory

Article 9.1 of the Agreement indicates that the Agreement has an initial term of five years. Article 9.2 states that either party may terminate the Agreement at the end of a five year term with at least 12 months' written notice. Are there any other agreements between the parties to provide operations services? Are there any other entities contracted to provide operations services to B2M Limited Partnership?

Response

There are no other agreements between the parties to provide operations services.

There are no other entities contracted to provide operations services to B2M Limited Partnership.

Power Workers Union (PWU) INTERROGATORY #14 List 1

Interrogatory

Can Hydro One sell or otherwise convey its interest in the B2M Limited Partnership to an arm's length party? And if so, on what terms and with what restrictions?

Response

The terms and restrictions on transfers of partnership units will be set out in the limited partnership agreement ("LPA") to come into effect on completion of the contemplated transactions. The terms of the draft LPA on which the parties currently agree contemplate that Hydro One can transfer part of its interest in the B2M Limited Partnership to an arm's length party so long as Hydro One retains a partnership interest of at least 50%, provided that such third party transferee agrees to sign on to the LPA.

Landowners INTERROGATORY #1 List 1

Interrogatory

What other Transmission lines has Hydro One sold in the past ?

Response

Hydro One has not sold any other operating transmission lines in the past.

<u>Landowners INTERROGATORY #2 List 1</u>

<u>Interrogatory</u>

How does the price received compare to the sale of other transmission lines that Hydro One has sold ?

<u>Response</u>

This is not applicable. Please see response to Exhibit I, Tab 3, Schedule 1.

Landowners INTERROGATORY #3 List 1

Interrogatory

Is Hydro One earning this type of revenue from all of its lines?

Response

This is not applicable. Please see response to Exhibit I, Tab 3, Schedule 1.

<u>Landowners INTERROGATORY #4 List 1</u>

<u>Interrogatory</u>

How was the price determined? Was it based on construction costs or revenue and profit margins?

<u>Response</u>

The value of the transaction will be determined with reference to the net book value of the transferred tangible and intangible assets at the closing date. The net book value is effectively equal to a portion of the project costs, less the depreciation expense incurred in the period between the in-service and closing dates.

A valuation done by Deloitte & Touche LLP has indicated that net book value corresponds to fair market value. Please refer to Attachment 1 of Exhibit I, Tab 1, Schedule 4 for a copy of the valuation.

Landowners INTERROGATORY #5 List 1

Interrogatory

Does Hydro One measure revenues on a line by line basis and is there historical cost and revenue accounting documentation ?

Response

HONI does not measure revenue for individual transmission lines and there exists no documentation with respect to revenue for individual transmission assets.

HONI does keep detailed records with respect to historical costs of its assets.

Landowners INTERROGATORY #6 List 1

Interrogatory

Based on its annual revenues what is the Earning Before Interest and Taxes of Hydro One?

Response

The annual consolidated Hydro One Inc. 'Earnings Before Interest and Taxes' for 2012 was $1,224 million.

Landowners INTERROGATORY #7 List 1

Interrogatory

What happened to $410 million?
The public stated cost of the line was $650 million Hydro sold a 30% interest in the line for $72 million. This places the capitalization at $240 million. What happened to $410 million?

Response

The proposal detailed in this application calls for the transfer of the line assets related to the BxM project, excluding station assets, from HONI to B2MLP at net book value. This amount currently stands at approximately $600Mn; reflecting the historical project cost less the depreciation incurred to date.

Contemplating a transaction amount of $600Mn and employing the current OEB-approved Debt/Equity ratio of 60%/40% means that the partnership will be subject to a debt of $360Mn and the equity portion of the entity will be $240Mn. This proposal calls for the SON to acquire an interest of up to 30% of the equity portion, which amounts to $72Mn.

Please refer to Page 3 of Appendix 3 of the original application for a breakdown of the financial ownership structure of B2MLP.

Landowners INTERROGATORY #8 List 1

Interrogatory

Has Hydro One ever calculated the capital asset value of all of its transmission line assets?

If so, what is the capitalized value of Hydro One?

Response

Please see the response to Exhibit I, Tab 3, Schedule 5.

Landowners INTERROGATORY #9 List 1

Interrogatory

a) How does the sale of this line and potentially all other line impact landowners on this line and on the thousands of kilometres of lines across the province ?

Hydro One has expropriated (or acted under the threat of expropriation) thousands of Kilometres of transmission lines and much of it through a right of way easement where Hydro controls the land use and the landowner retains the responsibility for municipal taxes and land maintenance.

b) How does this asset ownership change if Hydro One is sold to a private entity?

Response

a) The proposed sale will not affect landowners. HONI will continue to operate the line under contract to B2MLP. Operation and maintenance functions will be completed as if the line remained in the pool of transmission assets owned and operated by HONI. The terms and conditions of easements acquired by HONI remain the same. Landowners situated along HONI's other transmission lines will also not be impacted by this sale.

b) Hydro One Inc. is a corporation incorporated under the Ontario Business Corporations Act. A sale of Hydro One Inc. to a private entity would mean a change only in the identity of the shareholder. In the event of such a sale, ownership of B2MLP's assets would not change.

Landowners INTERROGATORY #10 List 1

Interrogatory

Why was this sale of this publicly owned asset not put out for public tender?

Response

A public tender process was not used because such a process would not achieve the policy and business objectives associated with the transaction.

As described in Section 5.0 of the Joint Submission, timely development, execution and implementation of the BxM Project has been the result of the ongoing engagement between HONI and the Saugeen Ojibway Nation. The development of economic partnerships with First Nations is a policy objective of the Ontario Government as stated in the Long Term Energy Plan (LTEP). The LTEP states that "Ontario will encourage transmission companies to enter into partnerships with aboriginal communities, where commercially feasible and where those communities have expressed interest." The proposed transaction achieves these objectives as it is aimed at providing SON with a mechanism that provides economic participation in the BxM Project.

Landowners INTERROGATORY #11 List 1

Interrogatory

Were other landowners on the line offered this type of financial arrangement during the 2007 to 2013 expropriation (threat of) period?

Response

No such arrangements were offered to landowners along the line. Please see the response to Exhibit I, Tab 3, Schedule 10.

As explained in the response referenced above, SON was not engaged as "landowners". The financial arrangement reached between HONI and the SON is intended to meet both business and public policy objectives based on commercial terms and conditions and without adverse impacts to rate payers. To ensure fairness of all asset valuations underlying the transaction an independent third party assessment was carried out and relied upon by the parties. This assessment is included in Exhibit I, Tab 1, Schedule 4.

HONI also notes that it developed and implemented a comprehensive and transparent set of compensation principles that have been used for the acquisition of real property interests required for the BxM Project. These have been referred to as the Hydro One Networks Inc. Land Acquisition Compensation Principles (LACP). The LACP principles were developed as an alternative approach to expropriation and as a means that provided landowners directly affected by the Project with an opportunity to receive compensation based on the entitlements found under the Ontario Expropriations Act and to provide reasonable incentive compensation for the early acquisition and timely resolution of such required real property interests. Using the LACP voluntary approach, the vast majority of the landowners affected by the BxM Project have reached agreements without recourse to the Ontario Municipal Board.

Landowners INTERROGATORY #12 List 1

Interrogatory

How is SON financing this Agreement?

Response

SON LP Co will borrow the acquisition cost of its interest in B2MLP from a third party financial institution arranged through TD Securities. The proposed terms of the financing are outlined in the draft term sheets attached as Appendix 10 to the applications filed with the OEB.

Landowners INTERROGATORY #13 List 1

Interrogatory

Is anyone (Hydro One or SON employees or agents of both) earning brokerage fees or financial bonuses for this transaction?

Response

There are no Hydro One or SON employees or agents involved in the B2MLP transaction that will be earning a brokerage fee or financial bonus relating specifically to this transaction.

Landowners INTERROGATORY #14 List 1

Interrogatory

Why were many (perhaps most) affected landowners on the corridor not contacted directly about this transaction?

A number of land owners did not receive written notification about this sale while others did. Why was there a discrepancy in this process?

Response

The Ontario Energy Board issued a Letter of Direction on May 1, 2013 related to this proceeding along with a copy of the Notice of Application and Hearing. For convenience, a copy of these documents is included herein in Exhibit I, Tab 3, Schedule 14, Attachment 1.

In the OEB letter, the applicants were directed to serve notice on parties in the following manner:

- English version of the Notice … be published, in one issue of the Globe & Mail newspaper
- French version of the Notice … be published in one issue of Le Droit newspaper
- serve a copy of the Notice … on the intervenors in Board proceeding EB-2007-0050

Hydro One complied with the direction in full by serving notice to all intervenors of EB-2007-0050 (Original application seeking leave to construct for the BxM project) and by publishing the notice in the prescribed newspapers.

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

Ontario

BY EMAIL

May 1, 2013

Susan E. Frank
VP & Chief Regulatory Officer
Hydro One Networks Inc.
8th Floor, South Tower
483 Bay Street
Toronto ON M5G 2P5

LETTER OF DIRECTION

Dear Ms. Frank:

Re: 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

The Ontario Energy Board (the "Board") has now issued its Notice of Applications and Hearing relating to the above referenced applications (the "Notice"). Please note that you must publish the Notice within **fourteen days** of the date of this letter. If publication is not possible within fourteen days, you must inform the Board Secretary immediately.

You are directed:

1. To arrange immediately for the enclosed English version of the Notice headed with the Ontario Government logo and the words "Ontario Energy Board", to be published, in one issue of the *Globe & Mail* newspaper;

   Please note that invoices regarding publication are not to be sent to the Board.

2. To arrange immediately for the enclosed French version of the Notice headed with the Ontario Government logo and the words "Commission de l'énergie de l'Ontario", to be published in one issue of *Le Droit* newspaper;

Please note that invoices regarding publication are not to be sent to the Board.

3. To immediately serve a copy of the Notice, in person, by courier or by registered mail, on the intervenors in Board proceeding EB-2007-0050.

4. To file with the Board, both electronically and hard copy, an affidavit proving publication and, where applicable, service of the Notice immediately thereafter;

5. To make a copy of the applications and evidence, and any amendments thereto, available for public review at Hydro One Networks Inc.'s office and on its website;

6. To make a copy of the Notice available for public review at Hydro One Networks Inc.'s office and on its website; and,

7. To provide a copy of the applications and evidence, and any amendments thereto, to anyone requesting the material.

You are further directed not to include any document(s) or material(s) when serving the Notice other than document(s) or material(s) expressly required by this Letter of Direction to be served.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

Encl.
cc: Gordon M. Nettleton, Osler, Hoskin & Harcourt LLP
Colin Salter, Pape Salter Teillet LLP
Alex Monem, Pape Salter Teillet LLP

Ontario Energy Board

Commission de l'énergie de l'Ontario

EB-2013-0078
EB-2013-0079
EB-2013-0080

NOTICE OF APPLICATIONS AND HEARING

APPLICATION BY B2M LIMITED PARTNERSHIP FOR AN ELECTRICITY TRANSMITTER LICENCE;

APPLICATION BY HYDRO ONE NETWORKS INC. FOR LEAVE TO SELL CERTAIN TRANSMISSION ASSETS TO B2M LIMITED PARTNERSHIP; AND

APPLICATION BY SON LP CO. FOR LEAVE TO ACQUIRE UP TO A 30% PARTNERSHIP INTEREST IN B2M LIMITED PARTNERSHIP

The Applications

B2M Limited Partnership ("B2M LP"), Hydro One Networks Inc. ("HONI") and SON LP Co. (collectively, the "Applicants") filed three separate but related applications dated March 28, 2013 with the Ontario Energy Board ("the Board"). Specifically:

1. B2M LP applied for an electricity transmitter licence under section 60 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B) (the "Act"). **(EB-2013-0078)**;
2. HONI applied for leave of the Board to sell certain transmission assets to B2M LP under section 86(1)(b) of the Act **(EB-2013-0079)**; and
3. SON LP Co. applied for leave of the Board to acquire up to a 30% partnership interest in B2M LP under section 86(2) of the Act. **(EB-2013-0080)**.

The Board will consider these applications (the "Applications") together in a consolidated proceeding.

The purpose of the Applications is to allow the Saugeen Ojibway Nation (the "SON") to acquire up to a 30% ownership interest in certain electricity transmission assets located between HONI's Bruce and Milton transmission stations (the "Bruce to Milton Assets"). HONI seeks approval to sell the Bruce to Milton Assets to B2M LP, a limited partnership owned by Hydro One Inc. through wholly owned subsidiaries. B2M LP would become a licensed electricity transmitter for the purpose of owning and operating the Bruce to Milton Assets. Thereafter, a corporation owned and controlled by the SON, SON LP Co., would acquire up to a 30% ownership interest in B2M LP; the remaining 70% would be held indirectly by Hydro One Inc. through its wholly owned subsidiaries.

The Bruce to Milton Assets are two 500 kV transmission circuits, including 717 steel-lattice transmission towers, and certain rights to HONI's existing transmission corridor on which the circuits are located. The transmission line runs from Kincardine to Milton (approximately 180 kms).

According to the Applications, there will be no impact on reliability or quality of supply as a result of the proposed transactions as HONI will remain the party primarily responsible for the ongoing operation and management of the Bruce to Milton Assets. The Applications also indicate that HONI and SON have applications before federal and provincial authorities in relation to their tax positions. According to the Applications, the proposed transactions will not proceed unless favorable tax rulings are obtained.

Application of Section 86(2) of the Act

SON LP Co.'s application for leave to acquire up to a 30% ownership interest in B2M LP is made under section 86(2) of the Act 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).**

The Board will consider the extent to which section 86(2) applies to the acquisition of a partnership interest as contemplated in the proposed transactions.

How to see the Applications

To see a copy of the Applications, go to the Consumer page of the Board's website and enter the Board assigned file numbers (**EB-2013-0078, EB-2013-0079 or EB-2013-**

0080) in the "Find an Application" box. A copy can also be seen at the Board's office and at HONI's office at the addresses indicated below, or on HONI's website www.HydroOne.com.

Written Hearing

The Board intends to proceed with this matter by way of a written hearing unless a party satisfies the Board that there is a good reason for not holding a written hearing. If you object to a written hearing, you must provide written reasons why you believe an oral hearing is necessary. Any submissions objecting to a written hearing must be received by the Board and copied to the Applicants within **10 days** of the publication or service date of this notice.

How to Participate

Comment

If you wish to give your opinion on the proceeding to the Board Members hearing the Applications, you are invited to send a written letter of comment to the Board no later than **30 days** after the publication or service date of this notice. A complete copy of your letter of comment, including your name, contact information, and the content of the letter, will be provided to the Applicants and the Hearing Panel.

Observe

If you do not wish to actively participate in the proceeding but you do wish to receive documents issued by the Board, you may request observer status. Your written request must be received by the Board no later than **10 days** from the publication or service date of this notice.

Personal Information in Letters of Comment and Observer Requests

All letters of comment or letters requesting observer status will be placed on the public record, which means that the letters can be seen at the Board's office and will be available on the Board's website. Before placing the letters on the public record, the Board will remove any personal (i.e. not business) contact information from the letters (i.e. the address, fax number, phone number, and e-mail address of the individual). However, the name of the individual and the content of the letter will become part of the public record. Please address your letter to the Board Secretary at the address below, and reference file numbers **EB-2013-0078, EB-2013-0079 and EB-2013-0080** at the top of your letter.

Intervene
If you wish to actively participate in the proceeding (e.g., submit questions, file argument), you may request intervenor status from the Board no later than **10 days** after the publication or service date of this notice. Instructions for requesting intervenor status are available on the Board's website at www.ontarioenergyboard.ca/participate. Everything an intervenor files with the Board, including the intervenor's name and contact information, will be placed on the public record, which can be seen at the Board's office and will be available on the Board's website.

If you do not have internet access, please call 1-877-632-2727 to receive information about this proceeding and how to participate.

IMPORTANT

IF YOU DO NOT FILE A WRITTEN OBJECTION TO A WRITTEN HEARING OR DO NOT PARTICIPATE IN THE HEARING IN ACCORDANCE WITH THIS NOTICE, THE BOARD MAY PROCEED WITHOUT YOUR PARTICIPATION AND YOU WILL NOT BE ENTITLED TO ANY FURTHER NOTICE IN THE PROCEEDING.

Addresses

The Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Attention: Board Secretary
Filings:
https://www.pes.ontarioenergyboard.ca/eservice/
E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

Hydro One Networks Inc.
8th Floor, South Tower
483 Bay Street
Toronto ON M5G 2P5
Attention: Susan E. Frank
VP & Chief Regulatory Officer
Email: Susan.E.Frank@HydroOne.com
Tel: 416-345-5700
Fax: 416-345-5870

Counsel for the Applicants:
Osler, Hoskin & Harcourt LLP
Suite 2500, 450-1st Street S.W.,
Calgary, AB T2P 5H1
Attention: Gordon Nettleton
Email: GNettleton@osler.com
Tel: 403-260-7047
Fax: 403-260-7024

Pape Salter Teillet LLP
546 Euclid Avenue
Toronto, ON M6G 2T2
Attention: Colin Salter
Email: csalter@pstlaw.ca
Tel: 416-916-2989 x3
Fax: 416-916-3726

Pape Salter Teillet LLP
546 Euclid Avenue
Toronto, ON M6G 2T2
Attention: Alex Monem
Email: amonem@pstlaw.ca
Tel: 416-916-2989 x6
Fax: 604-681-3050

DATED at Toronto, May 1, 2013

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Ontario Energy Board

Commission de l'énergie de l'Ontario

Ontario

EB-2013-0078
EB-2013-0079
EB-2013-0080

AVIS DE REQUÊTES ET D'AUDIENCE

DE B2M LIMITED PARTNERSHIP EN VUE D'OBTENIR UN PERMIS DE TRANSPORT D'ÉLECTRICITÉ;

D'HYDRO ONE NETWORKS INC. EN VUE D'OBTENIR L'AUTORISATION DE VENDRE CERTAINS ACTIFS DE TRANSPORT À B2M LIMITED PARTNERSHIP; ET

DE SON LP CO. EN VUE D'OBTENIR L'AUTORISATION D'ACQUÉRIR JUSQU'À 30 % DES TITRES DE PARTICIPATION DE B2M LIMITED PARTNERSHIP

Les requêtes

B2M Limited Partnership (« B2M LP »), Hydro One Networks Inc. (« HONI ») et SON LP Co. (collectivement, les « requérants ») ont déposé trois requêtes distinctes, mais connexes, datées le 28 mars 2013 auprès de la Commission de l'énergie de l'Ontario (« la Commission »). Plus précisément :

1. B2M LP a déposé une requête en vue d'obtenir un permis de transport d'électricité en vertu de l'article 60 de la *Loi de 1998 sur la Commission de l'énergie en Ontario*, L.O. 1998, chap. 15 (annexe B) (la « Loi »). **(EB-2013-0078)**;
2. HONI a déposé une requête en vue d'obtenir l'autorisation de la Commission de vendre certains actifs de transport à B2M LP en vertu de l'article 86(1)(b) de la Loi **(EB-2013-0079)**; et
3. SON LP Co. a déposé une requête en vue d'obtenir l'autorisation de la Commission d'acquérir jusqu'à 30 % des titres de participation de B2M LP en vertu de l'article 86(2) de la Loi. **(EB-2013-0080)**.

La Commission examinera ces requêtes (les « requêtes ») ensemble en une seule et même instance.

Le but de ces requêtes est de permettre à la nation Saugeen Ojibway (la « NSO ») d'acquérir jusqu'à 30 % des titres de participation de certains actifs de transport d'électricité situés entre les stations de transmission Bruce et Milton d'HONI (les « actifs de Bruce à Milton »). HONI sollicite l'approbation de vendre les actifs de Bruce à Milton à B2M LP, une société en commandite qui est la propriété d'Hydro One Inc. par l'entremise de filiales en propriété exclusive. B2M LP deviendrait un transmetteur d'électricité autorisé dans le but de gérer et d'exploiter les actifs de Bruce à Milton. Par la suite, la société gérée et administrée par la NSO, SON LP Co., s'approprierait jusqu'à 30 % des titres de participation de B2M LP; 70 % des titres restants appartiendront indirectement à Hydro One Inc. par l'entremise de ses filiales en propriété exclusive.

Les actifs de Bruce à Milton comportent deux circuits de transmission de 500 kV, dont 717 tours de transmission en treillis d'acier, et certains droits au corridor de transport actuel d'HONI’s dans lequel se trouvent les circuits électriques. La ligne de transmission passe de Kincardine à Milton (environ 180 km).

Selon les requêtes, les transactions proposées ne nuiront ni à la fiabilité, ni à la qualité de l'approvisionnement, car HONI demeurera la partie principale chargée de l'exploitation et de la gestion actuelles des actifs de Bruce à Milton. Les requêtes indiquent également qu'HONI et la NSO ont déposé des requêtes auprès des autorités fédérales et provinciales relatives à leurs situations fiscales. Selon les requêtes, les transactions proposées ne seront pas mises en œuvre tant que des décisions fiscales favorables ne seront pas rendues.

Application de l'article 86(2) de la Loi

La requête de SON LP Co. en vue d'obtenir l'autorisation d'acquérir jusqu'à 30 % des titres de participation de B2M LP est déposée en vertu de l'article 86(2) de la Loi qui stipule :

> **À moins d’avoir obtenu au préalable de la Commission une ordonnance l’y autorisant, nul ne doit :**
>
> **(a) acquérir d’un transporteur ou d’un distributeur un nombre de valeurs mobilières avec droit de vote qui, avec celles qu’il détient déjà, seul ou avec un ou plusieurs membres du même groupe ou personnes qui ont un lien avec lui, représentent au total plus de 20 pour cent des valeurs mobilières avec droit de vote du transporteur ou du distributeur; ou**
>
> **(b) acquérir le contrôle de toute personne morale qui détient, directement ou indirectement, plus de 20 pour cent des valeurs mobilières avec droit de vote d’un transporteur ou d’un distributeur si ces valeurs constituent un élément**

d'actif important de cette personne morale. 1998, chap. 15, annexe B, par. 86 (2).

La Commission tiendra compte de la portée de l'article 86(2) en ce qui concerne l'acquisition des titres de participation comme envisagé dans le cadre des transactions proposées.

<u>Comment consulter les requêtes</u>

Pour consulter un exemplaire des requêtes, rendez-vous sur la page Consommateurs du site Web de la Commission et entrez les numéros de dossier (**EB-2013-0078, EB-2013-0079 ou EB-2013-0080)** dans la case « Trouvez une requête ». Des exemplaires sont également disponibles pour consultation au bureau de la Commission ainsi qu'au bureau d'HONI aux adresses indiquées ci-dessous, ou encore sur le site Web d'HONI à www.HydroOne.com.

<u>Audience écrite</u>

La Commission entend procéder par voie d'audience écrite, à moins qu'une partie ne présente à la Commission des raisons qui justifient de ne pas tenir une telle audience. Si vous vous opposez à une audience écrite, vous devez fournir des arguments écrits précisant en quoi une audience orale est nécessaire. Les objections à une audience écrite doivent parvenir à la Commission et aux requérants au plus tard dans les **10 jours** de la date de publication ou de signification du présent avis.

<u>Comment participer</u>

Commentaires

Si vous souhaitez donner votre opinion sur l'instance aux membres de la Commission qui étudient ces requêtes, nous vous invitons à faire parvenir une lettre de commentaires à la Commission dans les **30 jours** suivant la publication ou la signification du présent avis. Une copie intégrale de votre lettre de commentaires, incluant votre nom, vos coordonnées et le contenu de vos observations, sera fournie aux requérants ainsi qu'au comité d'audience.

Observateur

Si vous ne souhaitez pas participer activement à l'instance, mais que vous désirez recevoir les documents publiés par la Commission, vous pouvez présenter une demande de statut d'observateur. Vous devez faire parvenir votre demande par écrit à la Commission au plus tard **10 jours** après la date de signification ou de publication du présent avis.

Renseignements personnels dans les lettres de commentaires et les demandes du statut d'observateur

Toute lettre de commentaires ou requête de statut d'observateur sera versée au dossier public, ce qui signifie qu'elle peut être consultée au bureau de la Commission et qu'elle sera publiée sur son site Web. Avant de verser les lettres au dossier public, la Commission supprimera tous les renseignements personnels (c.-à-d. autre que commerciaux) de la lettre (c.-à-d. l'adresse, le numéro de télécopieur, le numéro de téléphone et l'adresse courriel de la personne). Toutefois, le nom de la personne et le contenu de la lettre feront partie du dossier public. Veuillez adresser votre lettre au secrétaire de la Commission à l'adresse indiquée plus bas et citer les numéros de dossier **EB-2013-0078, EB-2013-0079 et EB-2013-0080** dans l'en-tête de votre lettre.

Intervention

Si vous souhaitez participer activement à l'instance (p. ex., soumettre des questions, déposer des arguments écrits), vous pouvez présenter votre requête de statut d'intervenant auprès de la Commission au plus tard dans les **10 jours** suivant la signification ou la publication du présent avis. Vous pouvez connaître les directives sur la façon de demander le statut d'intervenant sur le site Web de la Commission à l'adresse www.ontarioenergyboard.ca/participate. Tous les documents qu'un intervenant dépose auprès de la Commission, notamment son nom et ses coordonnées, seront versés au dossier public, ce qui signifie qu'ils seront disponibles pour consultation au bureau de la Commission et sur son site Web.

Si vous n'avez pas accès à l'Internet, veuillez composer le 1-877-632-2727 pour obtenir des informations sur l'instance et sur la façon de participer.

<u>IMPORTANT</u>

SI VOUS NE PRÉSENTEZ PAS D'OBSERVATIONS ÉCRITES S'OPPOSANT À UNE AUDIENCE ÉCRITE OU SI VOUS NE PARTICIPEZ PAS À L'AUDIENCE CONFORMÉMENT AUX TERMES DU PRÉSENT AVIS, LA COMMISSION PEUT PROCÉDER SANS VOTRE PARTICIPATION ET VOUS NE RECEVREZ AUCUN AUTRE AVIS CONCERNANT CETTE INSTANCE.

Adresses

La Commission
C.P. 2319
2300, rue Yonge, 27e étage
Toronto (Ontario) M4P 1E4
À l'attention de la secrétaire de la Commission
Dépôts :
https://www.pes.ontarioenergyboard.ca/eservice/
Courriel : boardsec@ontarioenergyboard.ca
Tél. : 1-888-632-6273 (sans frais)
Téléc. : 416-440-7656

Hydro One Networks Inc.
8e étage, Tour du Sud
483, rue Bay
Toronto (Ontario) M5G 2P5
À l'attention de Susan E. Frank
Vice-présidente et chef de la réglementation
Courriel : Susan.E.Frank@HydroOne.com
Tél. : 416-345-5700
Téléc. : 416-345-5870

Avocats des requérants
Osler, Hoskin & Harcourt LLP
450-1st Street S.W., bureau 2500
Calgary (Alberta) T2P 5H1
À l'attention de Gordon Nettleton
Courriel : GNettleton@osler.com
Tél. : 403-260-7047
Téléc. : 403-260-7024

Pape Salter Teillet LLP
546, avenue Euclid
Toronto (Ontario) M6G 2T2
À l'attention de Colin Salter
Courriel : csalter@pstlaw.ca
Tél. : 416-916-2989, poste 3
Téléc. : 416-916-3726

Pape Salter Teillet LLP
546, avenue Euclid
Toronto (Ontario) M6G 2T2
À l'attention de Alex Monem
Courriel : amonem@pstlaw.ca
Tél. : 416-916-2989, poste 6
Téléc. : 604-681-3050

FAIT à Toronto, le 1 mai 2013

COMMISSION DE L'ÉNERGIE DE L'ONTARIO

Original signé par

Kirsten Walli
Secrétaire de la Commission

Landowners INTERROGATORY #15 List 1

Interrogatory

Why was the news of the OEB hearing not publicized in local media along the Bruce Milton line ?

We have contacted a number of local media companies and they have received neither press release or advertising insertions,

Response

Please refer to the response to Exhibit I, Tab 3, Schedule 14.

Landowners INTERROGATORY #16 List 1

Interrogatory

If the line was for sale, why were landowners (or the general public) on the corridor not offered the same opportunity to purchase a portion of the line. Why is this deal only available to SON?

During the expropriation process, landowners were given no opportunity to participate in a profit sharing agreement.

Response

Please see Response to Exhibit I, Tab 3, Schedules 10 and 11..

Landowners INTERROGATORY #17 List 1

Interrogatory

What investment banking firms were employed to provide financial assessment and assistance in the capital evaluation of this asset?

Response

No investment banking firms were employed in preparing a financial assessment or in providing a capital evaluation of this asset.

Deloitte & Touche LLP, a large accounting and consulting firm, was retained to provide a valuation opinion on the assets. A report was provided to Hydro One Inc., entitled 'Estimate Valuation of the Bruce to Milton Transmission Project' as at May 31, 2012. The entire report is included herein as Attachment 1 to Exhibit I, Tab 1, Schedule 4.