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July 8, 2013

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario M4P 1E4

Attention: Ms. Walli:

Dear Ms. Walli:

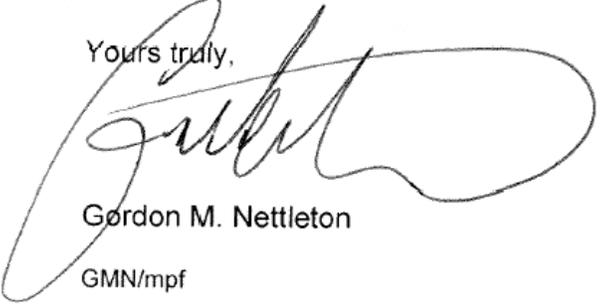
Re: Hearing Proceedings EB 2013-0078, EB-2013-0079; EB2013-0080 -

In accordance with Board Procedural Order No. 1 concerning the above matters, enclosed please find the written joint final submission of B2M Limited Partnership, Hydro One Networks Inc. and SON LP Co.

Procedural Order No. 1 clearly articulated final argument from the applicants being filed today barring any intervenor evidence being filed before the close of business on Friday, July 5, 2013. We can advise that after the close of business on July 5, 2013 Hydro One Networks Inc. received correspondence from Mssrs. Dennis and Randy Threndyle which contained additional questions in follow up to the original information request responses that had been provided. A copy of this letter is attached.

The Applicants submit that this step has not been for the purpose of filing evidence and in fact is tantamount to a second round of information requests – a step that is not at all contemplated in the procedure set down for these proceedings. In any event, from our preliminary review of the additional questions the matters raised are restatements of issues raised in the allowed interrogatory request/response stage. The Applicant's submit that the original interrogatories have been answered fully. Respectfully, we see no benefit gained in delaying the process so that these ancillary questions may be responded to and for the final argument stage to be delayed and rescheduled. For these reasons the Applicants request the Board continue with the process as set out in Procedural Order No. 1.

Yours truly,



Gordon M. Nettleton

GMN/mpf

Enclosures

212991/454307
MT DOCS 12616120v1

IN THE MATTER OF an application made by B2M Limited Partnership for electricity transmitter licensing authority made pursuant to section 60 of the *Ontario Energy Board Act* 1998, S.O, (“Act”)

AND IN THE MATTER OF other related applications made by Hydro One Networks Inc. and SON LP Co. for approvals to transfer transmission assets and acquisition of an ownership interest in B2M Limited Partnership made pursuant to section 86 of the Act.

Joint Final Submissions of the Applicants

1. In accordance with the Board’s Procedural Order No. 1 dated June 5, 2013 into Ontario Energy Board Proceedings EB-2013-0078, EB-2013-0079 and EB-2013-0080, B2M Limited Partnership (“B2M LP”), Hydro One Networks Inc. (“HONI”) and SON LP Co. (collectively referred to as the “Applicants”) are pleased to provide joint final submissions.
2. The applications being considered in these proceedings are to give effect to a commercial transaction between HONI. and the Saugeen Ojibway Nation (“SON”) that represents the foundation of a new partnership between these organizations. This partnership is the culmination of a long history of engagement between SON and HONI aimed at addressing SON community concerns and providing a means for SON to participate in economic opportunities related to new transmission investment, based on fair, and commercially reasonable terms and standards, and without long-term material adverse impacts to rate payers.
3. The arrangement underpinning the Application achieves public policy objectives found in Ontario’s Long Term Energy Plan, specifically the establishment of commercial partnerships with Aboriginal communities for new transmission infrastructure projects. The formation and structuring of B2M LP, together with the transfer of specific assets from HONI to the B2M LP and the opportunity for SON LP Co. to acquire up to a 30% minority interest in B2M LP provides a commercially sound way to instill economic opportunities that are intended to provide long-term investment returns for the benefit of SON communities.
4. The terms of the agreement ensure that HONI will continue to maintain and operate the transferred assets in the same manner by which it maintains and operates all other HONI owned transmission facilities.¹ This provides a key assurance to the public and to the Board that the transferred assets will be operated and maintained in accordance with industry standards and Ontario’s market rules and that no new reliability or safety issues will arise from the proposed transaction.
5. The relief sought in these applications concern transmitter licence authorization for B2M LP; leave of the Board to allow HONI to sell certain transmission assets to B2M LP; and leave of the Board to permit SON LP Co. to acquire up to a 30% partnership interest in B2M LP. The Board’s established practice is to assess such transactions on the basis of

¹ See Response to Ontario Energy Board (Board Staff) Interrogatory #8 List 1 (Ex. I-1-8)

the “no harm” test.² The Applications meet this requirement as no long-term material adverse impacts to rate payers are expected to arise from the transaction. Three substantive observations are made in support of this view.

6. First, with respect to rates, the transaction will result in a transfer of the contemplated transmission assets at net book value, which is equal to fair market value as confirmed by an independent third party valuator, Deloitte & Touche LLP.³ The associated operating and maintenance costs of the transferred transmission assets will also be assumed by B2M LP and removed from HONI’s cost of service. Incremental transaction and operating costs of B2M LP are forecast to be offset by the income tax benefits of the transaction over the long term.⁴ The result of these changes will be that the provincial transmission network pool revenue requirement will be unaffected or slightly reduced relative to the status quo.
7. Second, neither Hydro One Inc. nor any of its affiliates will be providing financing to SON LP Co. for the ownership interest it intends to take in B2M LP. Rather, the entirety of this source of financing will be obtained independently from third party financial lending institutions.⁵ Financial return on and of SON LP Co.’s ownership investment will be directly related to financing efficiencies (which are entirely SON LP Co.’s responsibility) and B2M LP carrying out its affairs in a prudent and economically efficient manner. All of these objectives are in alignment with overall rate payer interests and do not cause harm to rate payers.
8. Third, and as noted above, the ongoing maintenance and operation of the transferred assets will continue to be carried out by HONI, to the same standards and using the same practices as they do so now, thus ensuring the ongoing standards of care, safety and reliability of this portion of the transmission grid. From a landowner perspective, HONI’s continued involvement means that the transaction will be seamless and cause no changes to the manner in which the transmission assets are maintained and operated in the future.
9. The importance of this economic partnership between HONI and SON cannot be overstated. The transaction demonstrates that mutually beneficial and commercially sound arrangements can be achieved in creative ways that promote the development and implementation of new energy infrastructure, consistent with the Ontario Government’s Long Term Energy Plan objectives.
10. The applications filed in these proceedings have set forth complete details of the arrangement and transaction. No party has raised material issues respecting the prudence or reasonableness of the arrangements. Nor has any party submitted any evidence challenging the public interest objectives which the Applicants view will be achieved through the granting of the relief sought.

² See Ontario Energy Board Reasons For Decision RP-2005-0018/EB-2005-0234/EB-2005-0254/EB-2005-0257 (the combined MAAD Proceedings); see also Reasons For Decision EB-2008-0332/EB-2008-0350.

³ See Response to Ontario Energy Board (Board Staff) Interrogatory #4 List 1 (Ex. I-1-4)

⁴ See Response to Ontario Energy Board (Board Staff) Interrogatory #6 List 1 Attachment 1 (Ex. I-1-6 Attachment 1)

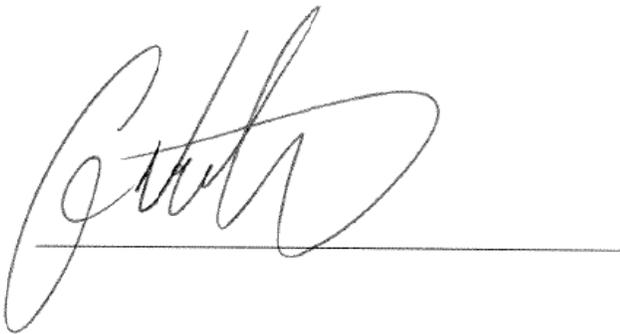
⁵ Application Joint Submission paragraph 2.11 at page 5.; see also Response to Ontario Energy Board (Board Staff) Interrogatory #9 List 1 (Ex. I-1-9)

11. The Applicants note that closing terms and conditions of the transaction specified in these applications are contingent upon the receipt of favourable tax rulings from both provincial and federal taxation authorities. The Applicants have committed to continue to keep the Board informed as to the status of the tax rulings.⁶ In the Applicants view, the combined effect of these commercial pre-requisites and update commitment provide appropriate comfort to allow the requested relief to be granted.
12. In that regard, the Applicants are mindful of the current favourable market conditions existing for financing. SON LP Co. is desirous to take advantage of these circumstances, which will maximize the benefits to the SON communities and thus most fully achieve the Government of Ontario's policy objectives. This outcome will only be achieved through a timely completion of this transaction facilitated by the Board's continued expedited consideration of the applications.
13. Based on the foregoing, the Applicants respectfully submit the evidentiary record in these proceedings is complete and demonstrates that the public interest is best served by the granting of the requested relief.

ALL OF WHICH IS RESPECTFULLY SUBMITTED DATED THIS 8TH DAY OF JULY 2013.

Gordon M. Nettleton
Counsel to B2M Limited Partnership
And Hydro One Networks Inc.

Alex Monem
Counsel to SON LP Co.



⁶ See Joint Submission at page paragraph 4.13 at page 9.

July 05, 2013

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

Dear Ms. Walli:

Re :

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

Our response to documents from Mr Jamie Waller Hydro One

Further to the above correspondence of last week, we have a number of supplementary questions. For simplicities sake, we have put our comments into bold thype

The Value of the Asset AND How the Price was Determined

The Deloitte document clearly says that the value of the asset is \$581 million. It also says that the asset cost about \$600 million.

We are unclear as to how the \$240 million valuation can be justified.

We are not experts in corporate mergers and acquisitions and by their own admission neither is Hydro One, (Exhibit I /Tab 3/ Schedule 1/Page 1 of 1).

Is the limited partnership the best option for this new partnership?

What other purchase options were explored and why were they not used?

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.

It is stated that this sale was a policy objective to encourage “partnerships with aboriginal communities.”

Why was this partnership exclusively with SON and excluded other First Nations along the Grand River and the traditional territories of Mississauga Nations?

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.

Since there are no SON or Hydro One Employees that will be earning a brokerage fee or financial bonus relating specifically to this transaction, then is there any other person, agent, company or institution that stands to earn a brokerage fee or bonus from this transaction?

We see that legal fees by the SON will be over \$2 million. This appears to be very substantial given the sale price of \$72 million. Nor does this figure include Hydro One legal costs? (should this say Or does this figure.)

What are the total legal and administrative costs and how they accounted for in this asset sale?

*Interrogatory*⁴

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.

Neither the Globe and Mail nor the Ottawa Le Droit have significant media penetration of the landowners on the Bruce to Milton Line. We believe that an effort needs to be made to communicate to landowners in a timely and precise fashion and to inform and educate them on the benefits and implications of this asset sale that resides on their land.

Secondly, we ask that landowners be compensated for their time and expense in this process.

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.

We have been told that if the right of way easement line were to be sold to a private concern, that the ownership of the right of way would revert to the province. Is it possible for someone to confirm this.

Thank you for time and consideration

Yours truly

Dennis Threndyle
Randy Threndyle