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Via Email and RESS Filing

October 1, 2013

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

Dear Ms. Walli:

**Re: Application Update
EB 2013-0078; EB 2013-0079; EB-2013-0080**

We are writing on behalf of Hydro One Networks Inc. ("HONI"), B2M Limited Partnership ("B2MLP") and SON LP Co., the applicants in the above referenced proceedings ("Applicants"). The purpose of this letter is to provide an update regarding the composition and asset valuation of the transmission circuits to be transferred from HONI to B2MLP and the resulting ownership interest to be held by SON LP Co. in B2MLP. Also included is an update regarding the advanced tax ruling requests.

As the Board is aware, the overall purpose of these applications is to give effect to a commercial transaction allowing HONI to transfer contiguous 500 kV transmission assets between Bruce and Milton to B2MLP. The majority of these assets were part of the Bruce to Milton Transmission Reinforcement Project and approved pursuant to the Board's EB 2007-0050 Decision.

In the applications before the Board, the circuits to be transferred have been incorrectly referred to as HONI's B501M and B502M circuits. While these circuits are located between the Bruce and the Milton transmission stations, the correct circuit number references are B560V and B561M.

The change in circuit reference gives rise to a further clarification. As depicted in the attached schematic map found at Tab 1 to this update, circuits B560V and B561M utilize the EB 2007-0050 approved transmission facilities located north of Highway 7 and which extend to HONI's Bruce transmission station. South of Highway 7, and to the HONI Milton switching station, the B560V and B561M circuits use the HONI assets that predate the Bruce to Milton Transmission Reinforcement Project. Circuit assets were configured in this manner due to the discontinuous nature of the approved new rights of way.

For purposes of the requested Licence, the Applicants suggest that the following language be used in Schedule A to describe the assets of B2MLP:

- Circuit B560V, terminating at the north end near Bruce A TS at tower #2A inclusive, and at the south end at Milton SS at tower #726 inclusive; and
- Circuit B561M, terminating at the north end near Bruce B SS at tower #2 inclusive, and at the south end at Milton SS at tower #726 inclusive.

This clarification also affects the valuation of the transferred assets. The original asset valuation estimate had assumed that the transferred circuits included all of the new Bruce to Milton Transmission Reinforcement Project assets. A lower asset value estimate is now associated with B560V and B561M assets between Bruce and Milton since the assets located south of Highway 7 are older and predate the Bruce to Milton Transmission Reinforcement Project. The revised forecast of the Net Book Value of the assets as of January 1, 2014 is approximately \$532M as compared to the estimated \$600M included in the original application.¹

This valuation change has resulted in a revision to the commercial framework between SON, B2MLP and HONI. HONI and SON have agreed that SON LP Co. will continue to have the opportunity to invest up to \$72M in partnership units of B2MLP. This investment opportunity does not represent a change from the original commercial framework. However, the effect of the asset valuation reduction means that should SON LP Co. invest up to the \$72M limit, SON LP Co.'s overall ownership interest would nominally increase from 30% to approximately 34% based on the current asset value estimate.

Since March 2013, when the original applications were filed, the applicants have refined business plans and financial cost estimates for B2MLP. Updates are contemplated to the initial revenue requirement forecast. In the coming weeks, B2MLP will be making an application for interim rate approval effective January 1, 2014. The revenue requirement updates will be described in that application. These updates are not expected to alter the overall positive net benefit to ratepayer outcome described in the applications now under consideration. The rate filing will be made upon receipt of the advanced tax rulings currently being sought.

All other elements of the transaction described in the original applications remain in effect. Assuming that the relief being sought is granted, B560V and B561M will continue to be maintained and operated on behalf of B2MLP by HONI on a seamless basis and will be unaffected by the circuit asset composition.

With respect to status of the advanced tax rulings, the Applicants are pleased to report that discussions with federal and provincial authorities have resulted in two minor amendments being made to the Limited Partnership Agreement ("LPA").² The Applicants have been advised that implementation of these amendments will allow satisfactory advanced tax rulings to be issued on an expedited basis. Given this, the Applicants have taken immediate steps to implement these changes by executing a Letter Agreement and revising the LPA. Copies of these documents as well as applicable Band Council Resolutions are enclosed and found at Tab 2 to this update. These materials are intended as updates to each of the three applications.

For completeness, also enclosed for filing are updated pages to each of the three original applications where references are made to the circuit names and asset valuation estimates.

¹ Numbers provided are indicative and represent the forecast asset valuation as of January 1, 2014. Final valuation is to be conducted upon closing of the transaction and is subject to change.

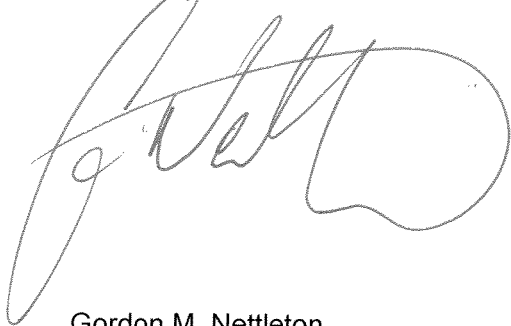
² The first concerns future dispositions of the B2MLP partnership units. A purchasing party must now meet an eligibility requirement based on tax status. The second amendment removes language limiting the liability of B2MLP's general partner.

These materials are enclosed as Tab 3 (Updates to Application EB-2013-0078), Tab 4 (Updates to Application EB-2013-0079) and Tab 5 (Updates to Application EB-2013-0080).

We trust the foregoing is satisfactory.

Yours truly,

McCarthy Tétrault LLP

A large, stylized handwritten signature in black ink, likely belonging to Gordon M. Nettleton. The signature is fluid and cursive, with a large loop at the end.

Gordon M. Nettleton
Partner
Counsel to HONI & B2MLP

GMN/mpf

Pape Salter Teillet LLP

A smaller, more compact handwritten signature in black ink, likely belonging to Alex Monem. The signature is cursive and appears to be a first name followed by a last name.

Alex Monem
Partner
Counsel to SON and SON LP Co.