

EB-2013-0079

UPDATED FINAL JOINT SUBMISSION

Applications made by B2M Limited Partnership for electricity transmitter licensing authority made pursuant to section 60 of the Act and SON LP Co. for leave to acquire an ownership interest in B2M Limited Partnership made pursuant to section 86 of the Act.

Updated Pages - 1, 2, 4, 5, 7, 8, 12, 14

IN THE MATTER OF an application made by Hydro One Networks Inc. for leave to sell certain transmission assets made pursuant to section 86 of the *Ontario Energy Board Act* 1998, S.O. (“**Act**”)

AND IN THE MATTER OF other related applications made by B2M Limited Partnership for electricity transmitter licensing authority made pursuant to section 60 of the Act and SON LP Co. for leave to acquire an ownership interest in B2M Limited Partnership made pursuant to section 86 of the Act.

JOINT SUBMISSION

1.0 INTRODUCTION

- 1.1 This joint submission is made on behalf of Hydro One Networks Inc., B2M Limited Partnership, and SON LP Co. It is made in support of three interrelated applications for Ontario Energy Board (“**OEB**” or “**Board**”) approvals regarding the sale of certain transmission assets to a new transmitter, the licensing of that transmitter, and the purchase of up to a 34 percent partnership interest in the newly licensed transmitter by a third party. The approvals sought are in respect of a commercial transaction contemplated by the parties involved. Satisfactory approval of all three applications is necessary in order for the proposed transaction to take effect.
- 1.2 Hydro One Networks Inc. (“**HONI**”), is applying pursuant to section 86(1)(b) of the Act for approval to sell certain transmission assets located between its Bruce and Milton transmission stations. The proposed purchaser of these assets is a newly formed limited partnership, B2M Limited Partnership (“**B2M LP**”).
- 1.3 B2M LP is seeking transmitter licensing authority in accordance with section 60 of the Act so that it may own and operate the transferred assets as its transmission system. Following the transfer of the transmission assets to B2M LP, the partners of B2M LP will be a subsidiary company of Hydro One Inc. (“**Hydro One**”) and a corporation formed by the Saugeen Ojibway Nation (“**SON**”) referred to as “SON LP Co.” The general partner, B2M GP Inc., will be owned and controlled indirectly by Hydro One Inc. through a 100 percent controlled subsidiary.
- 1.4 SON LP Co. is applying pursuant to section 86(2) of the Act for approval to purchase up to a 34 percent partnership interest in B2M LP. SON LP Co. will be owned and controlled by SON. SON LP Co.’s investment in B2M LP is intended to provide SON with an important economic opportunity that will be used to support the ongoing needs of its First Nation communities and their members.

- 1.5 The purpose of these three applications is to give effect to a key commercial arrangement negotiated between the SON and Hydro One which has fundamentally allowed for the timely development, construction and in-service operation of HONI's Bruce to Milton Transmission Reinforcement Project ("**BxM Project**" or "**Project**").
- 1.6 The BxM Project was approved by the Board pursuant to Proceeding EB- 2007-0050. The Project comprises two 500 kV transmission circuits, now known as B560V and B561M. Construction and operation of these facilities has provided necessary transmission system reinforcement capabilities for the Ontario bulk transmission grid. HONI's success in developing and implementing this Project has, in part, been based upon the commercial efforts undertaken to address directly affected interested parties including the SON. This approach has resulted in the Project proceeding through to in-service in a timely and efficient manner and without any legal challenges being made regarding the development and implementation of the Project.
- 1.7 This filing provides additional information regarding the proposed transaction. It is organized as follows:
- Section 2 describes the parties involved in the transaction.
 - Section 3 describes the transmission assets to be transferred.
 - Section 4 provides details of the proposed transaction and describes the transaction documents.
 - Section 5 examines the economic efficiency and viability of the transaction including the commercial rationale for the SON's involvement in the transaction.
 - Section 6 examines the potential impacts that the transaction may have on consumers.
 - Section 7 describes the relief requested and timing considerations associated with the transaction.
 - Section 8 includes the OEB Form of Application made by HONI for Leave to Sell the BxM Project transmission assets to B2M LP in accordance with Section 86(1) of the Act.
 - Section 9 includes the OEB Form of Application made by B2M LP for a Transmitter Licence approval in accordance with Section 60 of the OEB Act.
 - Section 10 includes the OEB Form of Application made by SON LP Co., for Leave to Purchase up to a 34 percent partnership interest in B2M LP in accordance with Section 86(2) of the Act.
 - Section 11 provides all supporting information referred to in the above as scheduled Appendices.

2.0 DESCRIPTION OF PARTIES INVOLVED IN THE TRANSACTION

2.1 This section provides a description of the parties involved in the proposed transaction.

A. Hydro One Networks Inc.

2.2 HONI is the owner and operator of the BxM Project. HONI is the largest transmitter and distributor of electricity in the Province of Ontario. HONI and its regulated affiliates serve distribution and transmission customers throughout the province of Ontario. HONI owns 96% of the transmission assets in Ontario, with almost 29,000 km of high-voltage transmission lines transmitting 142 TWh of electricity [annually]. HONI also owns and operates 26 interconnections with neighbouring provinces and states, with a total export capacity of 6,000 MW. The distribution system delivers electricity at lower voltages to homes, farms and businesses through its network of poles and power lines. HONI's distribution network is the largest in the province, with over 123,000 km of wires serving 1.3 million customers, mostly in rural areas.

2.3 HONI is a wholly owned subsidiary of Hydro One Inc., which is a business corporation wholly owned by the Province of Ontario. An organizational chart for the Hydro One group of companies is found in Section 11, Appendix 1.

2.4 The audited Financial Statements of HONI Transmission for 2010, 2011 and 2012 are found in Section 11 Appendix 2. All other information that Hydro One has filed with the Ontario Securities Commission for the past two years (i.e. annual information forms and financial statements) is available through SEDAR at www.sedar.com.

B. B2M Limited Partnership

2.5 B2M LP is a limited partnership formed under the laws of Ontario for purposes related specifically to the transaction. B2M LP will be acquiring certain BxM Project transmission assets from HONI, as well as certain pre-existing HONI transmission assets, such that it will own a set of continuous transmission circuits running from the Bruce Nuclear Generation Complex to Hydro One Networks' Milton TS. These circuits are known as B560V and B561M. The business to be carried out by B2M LP will concern the provision of electric transmission service in Ontario that is provided by the transferred assets. B2M LP confirms that it will comply with all applicable OEB licence, code and rule requirements following the completion and closing of the transaction.

2.6 As B2M LP is a newly formed limited partnership, no historical audited financial information or statements are available.

C. Hydro One B2M Holdings Inc., B2M GP Inc., Hydro One B2M LP Inc.

2.7 Hydro One B2M Holdings Inc. is a wholly owned subsidiary company of Hydro One and has been formed for purposes of this transaction. Following certain intercompany transfer steps associated with the transaction, Hydro One B2M Holdings Inc. will have two subsidiary companies also formed for purposes of the transaction. These are: B2M GP Inc. and Hydro One B2M LP Inc.

- 2.8 B2M GP Inc. will hold the general partner interests and carry out the general partner responsibilities of B2M LP, and will also retain substantially all of Hydro One's partnership interests in B2M LP. 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.
- 2.9 Hydro One B2M LP Inc. and B2M GP Inc. will hold Hydro One's interest in B2M LP. The aggregate partnership interest in B2M LP held by Hydro One (through its ownership of Hydro One B2M Holdings Inc., the parent of Hydro One B2M LP INC. and B2M GP INC.) will be 66 percent and under the assumption that SON LP Co is able to obtain all necessary financing to acquire a 34 percent partnership interest in B2M LP.
- 2.10 An organizational chart depicting the ownership structure of these entities following the intercompany transfer steps is found in Section 11 Appendix 3.
- 2.11 As each of Hydro One B2M Holdings Inc., B2M GP Inc., and Hydro One B2M LP Inc. are newly formed entities, no historical audited financial information or statements are available.

D. Saugeen Ojibway Nation ("SON")

The Saugeen Ojibway Nations consist of the Chippewas of Saugeen First Nation and the Chippewas of Nawash Unceded First Nation. SON traditional territory extends east from Lake Huron to the Nottawasaga River and south from the tip of the Bruce Peninsula to the Maitland River system, 11 miles south of Goderich. SON traditional waters include the lakebed of Lake Huron from the shore to the international boundary with the United States and the lakebed of Georgian Bay to the halfway point. SON assert Aboriginal and Treaty rights throughout its traditional territory, including an established commercial fishing right in the waters of Lake Huron and Georgian Bay. A significant proportion of the assets that comprise the BxM Project are situated within the area SON identify as their traditional territory.

E. SON LP Co.

SON LP Co is an Ontario corporation that has been formed specifically as the vehicle for SON to be able to participate in the B2M LP. 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. As a bare trustee and agent, SON LP Co will be a flow through vehicle for income tax purposes, allowing SON, as First Nations to

3.0 DESCRIPTION OF TRANSFERRED ASSETS

- 3.1 The proposed transferred assets consist in the main of towers and conductors from the recently completed BxM Project. This section of the 500 kV transferred line runs from the Bruce Nuclear Generating complex at Kincardine to a point near Hwy 7 just east of Acton. At that point, the new line is joined to a short section of the pre-existing 500 kV Bruce to Milton line, which then carries on from Hwy 7 south to Milton TS. These continuous transmission circuits are now known as B560V and B561M. The BxM Project facilities were constructed and placed into operation in accordance with approvals made in respect of OEB Proceeding 2007-0050, received in 2008 and placed in service in April and May, 2012, while the original Bruce to Milton line was placed in service in May, 1980..
- 3.2 The B560V and B561M circuits extend across parts of Bruce, Grey and Wellington Counties and the Regional Municipality of Halton. Each circuit being transferred is approximately 176 km in length and they have a combined capacity of approximately 3,000 MW. For further clarity the demarcation points of each transferred circuit is provided below:
 - Circuit B560V, will be 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
 - Circuit B561M, will be 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.A map showing the location of circuits B560V and B561M is found in Section 11 Appendix 4.
- 3.3 The assets to be transferred include 717 steel-lattice transmission towers, the transmission lines and certain rights to HONI's existing transmission corridor on which the circuits are located (the "Transferred Assets"). For clarity, none of HONI's transmission station assets are part of the Transferred Assets. Further details concerning the BxM Project, including the Transferred Assets, may be found in the evidence filed by HONI during OEB Proceeding 2007-0050, all of which is electronically available via the OEB website.
- 3.4 The current net book value of the Transferred Assets is approximately \$600 million.
- 3.5 A final net book value calculation of the Transferred Assets will occur on the closing of the transaction and which amount will form the final basis for the transaction.

4.0 TRANSACTION DETAILS

- 4.1 The overall objective of the transaction is to formalize a long-term cooperative commercial arrangement between HONI and SON and in so doing, provide the SON with the opportunity to invest in and acquire up to a 34 percent ownership interest in the Transferred Assets.
- 4.2 The steps involved in the transaction are described in the Anishnaabeking Naagnigewin Agreement dated June 18, 2012 as supplemented by the side letter agreement of December 18, 2012 (collectively, the "AN Agreement"). An updated copy of the AN Agreement is found in Section 11, Appendix 5.
- 4.3 Under the terms of the AN Agreement, Hydro One will facilitate the creation of a limited partnership (B2M LP), incorporate and organize two entities that will hold the general partnership interest (B2M GP Inc) and a nominal limited partnership interest (Hydro One B2M LP Inc.) in B2M LP. Hydro One will also incorporate and organize a corporation (SON LP Co.) that will subsequently be sold to the SON and used by the SON to hold the SON's limited partnership interest in B2M LP.
- 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.
- 4.5 SON LP Co. will acquire limited partnership units in B2M LP which in total represents up to 34 percent of the value of the Transferred Assets.
- 4.6 Valuation of the interests held by Hydro One (indirectly) and SON LP Co. in B2M LP will be based on the net book value of the Transferred Assets.
- 4.7 Cash consideration paid by SON LP Co. to B2M LP for the acquisition of limited partnership units will, in the final step of the transaction, be used to reduce the level of debt that B2M LP will have owing to B2M GP Inc. such that a 60/40 capital structure is maintained for B2M LP.
- 4.8 Based on the Transferred Assets having a net book value of approximately \$532 million at the time of the transaction closing, the Transferred Assets will be financed by \$319 million in total debt and equity of \$213 million. The cost of the debt is expected to have an average interest rate and term similar to the outstanding debt of Hydro One or HONI allocated to the Transferred Assets, as may be adjusted from time to time.

An example outlining the closing steps, calculations and descriptions of the transaction is found at Schedule A of the December 18, 2012 Side Letter Agreement (see Section 11 Attachment C).

6.0 POTENTIAL CONSUMER IMPACTS OF THE TRANSACTION

- 6.1 The structure of the proposed transaction will not cause a material change in the manner in which the Transferred Assets are operated and maintained. HONI will remain the party primarily responsible for the ongoing operation and management of the Transferred Assets through the execution of an operations and management services agreement with B2M GP Inc. and B2M LP. The operations and management services agreement will be cost of service based employing the same resources and standards used by HONI today in operating and managing the Transferred Assets. In light of these circumstances, there is no expected material change in cost incurrence and the reliability and quality of service that will be provided by the Transferred Assets is expected to remain unchanged.
- 6.2 The proposed transaction is structured so that favourable tax rulings regarding the taxable position of B2M LP and SON LP Co. can result in reductions to the rates that B2M LP charges for transmission service to customers over the long term. 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.
- 6.3 In the short term, the transaction is expected to cause a slight increase in rates during the first year following the completion of the transaction. This result is largely due to incremental transaction and administration costs and the delayed benefit of tax deductions related to capital cost allowance. However, after year 3, the favourable tax position of B2M LP is expected to cause B2M LP's revenue requirement to fall below what would have otherwise been charged had the assets remained with HONI and thus provide a benefit to rate payers. This favourable rate differential is expected to remain for the balance of the life of the assets.
- 6.4 The current breakdown of the estimated incremental transaction and administration costs concern the following:
- Costs incurred to negotiate and complete the transaction;
 - Costs associated with all necessary regulatory approvals;
 - Ongoing regulatory costs incurred by B2M LP;
 - Ongoing administration and management costs of B2M LP;
 - Incremental insurance costs incurred by B2M LP; and
 - Audit and accounting costs incurred by B2M LP.
- 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.
- 6.6 The analysis depicting this result is found in Figure 1 below. From a rate impact perspective, the expected Year 1 increase over the "HONI Status Quo Revenue Requirement" (approximately \$3.7 million) would cause an estimated \$0.02 or 0.53% increase in the 2014 Network UTR from \$3.80/kW/month to \$3.82/kW/month. From the

7.0 REQUESTED RELIEF & TIMING CONSIDERATION

- 7.1 The parties to the transaction respectfully request the OEB to approve the contemplated asset transfer by HONI to B2M LP, the granting of a transmitter licence to B2M LP and the purchase by SON LP Co. of up to a 34 percent ownership interest in B2M LP.
- 7.2 In the collective view of the parties, the transaction is in the public interest and is consistent with the objectives found in the Ontario Energy Board Act, 1998. The proposed transaction will not cause harm to transmission rate payers. The transaction will not proceed unless favourable tax rulings are obtained and the parties are prepared to have all requested approvals made conditional to ensure of this outcome. Under this assumption, transmission rates to customers are not adversely affected in the long term and in fact a positive rate impact is expected in the medium to long-term.
- 7.3 The proposed transaction will ensure that the Transferred Assets are operated in a safe and reliable manner and without any change to the manner and conduct that they are managed today by HONI.
- 7.4 The proposed transaction establishes a new and important benchmark for the parties. In particular, Hydro One and SON will become commercial partners with a common alignment of economic interests. This is an important step towards creating co-operative economic opportunities for First Nations and establishes a structure and model that may be used in the future for other large-scale transmission projects.
- 7.5 Timely consideration of these applications is essential to the parties. SON and Hydro One have been engaged for over 6 years in a process that would allow the BxM Project to be developed, approved and implemented in a timely way, while protecting SON's long-term interests. It is because of this engagement that the BxM Project has proceeded so efficiently and is now operational. The proposed transaction is a critical component of the relationship between SON and Hydro One that has made this possible and it is essential that this transaction is now brought to conclusion. More specifically, SON requires expedited consideration to ensure financing steps can be taken at a time while borrowing costs in capital markets remain at an all-time low, and provincial government loan guarantee programs remain in effect that are intended to promote First Nation economic opportunities in the development of Ontario transmission projects.
- 7.6 For clarification, the assumptions throughout this application that underpin the success of the transaction are based upon a final execution date of January 1, 2014. In order to meet this closing date, the parties are seeking approval of the 3 applications on or about August 31, 2013. This timing will accommodate the filing of the Section 78 Revenue Requirement proceeding such that approvals can be obtained prior to the proposed execution date.

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UPDATED SECTION 8

Updated Pages – 1 - 5

Ontario Energy Board
Commission de l'énergie de l'Ontario



Application Form for Applications under Section 86(1)(b) of the *Ontario Energy Board Act, 1998*

Application Instructions

1. Purpose of this Form

This form is to be used by parties applying under section 86(1)(b) of the *Ontario Energy Board Act, 1998* (the "Act"). Please note that the Board may require information that is additional or supplementary to the information filed in this form and that the filing of the form does not preclude the applicant from filing additional or supplementary information.

2. Completion Instructions

This form is in a writeable PDF format. The applicant may, however, complete responses on additional pages if the space provided is not sufficient. The applicant must either:

- type answers to all questions, print two copies and sign both copies; or
- print a copy of the form, clearly print answers to all questions, make a copy and sign both copies.

Please send both copies of the completed form and two copies of any attachments to:

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

If you have any questions regarding the completion of this application, please contact the Market Operations Hotline by telephone at 416-440-7604 or 1-888-632-6273 or e-mail at market.operations@oeb.gov.on.ca.

The Board's "Performance Standards for Processing Applications" are indicated on the "Corporate Information and Reports" section of the Board's website at www.oeb.gov.on.ca. Applicants are encouraged to consider the timelines required to process applications to avoid submitting applications too late. If the submitted application is incomplete, it may be returned by the Board or there may be a delay in processing the application.

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

Commission de l'énergie l'Ontario
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 2300, rue Yonge
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 Toronto ON M4P 1E4
 Téléphone: 1-888-632-6273
 Télécopieur: (416) 440-7656



Application Form for Applications under Section 86(1)(b) of the Ontario Energy Board Act, 1998

For Office Use Only	
Application Number	EB -
Date Received	

PART I : IDENTIFICATION OF PARTIES

1.1 Name of Applicant

Legal name of the applicant: Hydro One Networks Inc.

Name of Primary Contact:

Mr. <input checked="" type="radio"/>	Mrs. <input type="radio"/>	Last Name	First Name	Initial
Miss <input type="radio"/>	Ms. <input type="radio"/>	Struthers	Alexander	N
Other <input type="radio"/>		Title/Position		
		Vice President, Chief Administration and Chief Financial Officer		

Address of Head Office:

City	Province/State	Country	Postal/Zip Code
Toronto	ON	Canada	M5G 2P5
Phone Number	Fax Number	E-mail Address	
416-345-6140	416-345-6058	sandy.struthers@hydroone.com	

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

Name of the other party: B2M Limited Partnership

Name of Primary Contact:

Mr. <input checked="" type="radio"/>	Mrs. <input type="radio"/>	Last Name	First Name	Initial
Miss <input type="radio"/>	Ms. <input type="radio"/>	Penstone	Michael	D
Other <input type="radio"/>		Title/Position		
		Managing Director		

Address of Head Office:

City	Province/State	Country	Postal/Zip Code
Toronto	ON	Canada	M5G 2P5
Phone Number	Fax Number	E-mail Address	
416-345-5444	(416) 345-4141	mike.penstone@b2mlp.ca	

1.3 If the proposed recipient is not a licensed distributor or transmitter, is it a distributor or transmitter that is exempted from the requirement to hold a distribution or transmission licence?

- Yes
- No

PART II: DESCRIPTION OF ASSETS TO BE TRANSFERRED

2.1 Please provide a description of the assets that are the subject of the proposed transaction.

The B2M line includes the 500 kV circuits known specifically as B560V and B561M. Please refer to section 3 of the Supplementary Application Information filing for a further description of the assets to be transferred.

2.2 Please indicate where the assets are located - whether in the applicant's service area or in the proposed recipient's service area (if applicable). Please include a map of the location.

The assets interconnect at the north west end with Hydro One Networks' Bruce A and B transmission stations near Kincardine and at its south east end with HONI's Milton Switching Station in the Regional Municipality of Halton. Please see Section 11 - Appendix 4 to the Supplementary Application Information filing for a map that shows the location of the assets.

2.3 Are the assets surplus to the applicant's needs?

Yes

No

If yes, please indicate why the assets are surplus and when they became surplus.

2.4 Are the assets useful to the proposed recipient or any other party in serving the public?

Yes

No

If yes, please indicate why.

The assets will remain an integral part of the bulk transmission system, delivering power produced from the Bruce Power Development and the surrounding distributed generation sources to the Milton Switching Station.

2.5 Please identify which utility's customers are currently served by the assets.

This line is part of the bulk transmission system and thus supports, directly or indirectly, all the customers of Ontario including those of HONI and the Local Distribution Companies (LDC).

2.6 Please identify which utility's customers will be served by the assets after the transaction and into the foreseeable future.

This line will continue to serve the customers of Ontario in the same fashion as it does currently.

PART III: DESCRIPTION OF THE PROPOSED TRANSACTION

3.1 Will the proposed transaction be a sale, lease or other?

- Sale
- Lease
- Other

If other, please specify. _____

3.2 Please attach the details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed transaction.

3.3 Would the proposed transfer impact any other parties (e.g. joint users of poles) including any agreements with third parties?

- Yes
- No

If yes, please explain how.

3.4 Would the proposed transfer impact distribution or transmission rates of the applicant?

- Yes
- No

If yes, please explain how.

The revenue requirement for HONI will be adjusted to accommodate the removal of the associated rate base and OMA costs. The revenue requirement for B2M will subsequently include these costs. If Leave to Sell is granted, B2M LP will initiate a proceeding for approval of its initial requirement and an adjustment will be made to the HONI's current revenue requirement.

3.5 Will the transaction adversely affect the safety, reliability, quality of service, operational flexibility or economic efficiency of the applicant or the proposed recipient?

- Yes
- No

If yes, please explain how.

PART IV: WRITTEN CONSENT/JOINT AGREEMENT

- 4.1 Please provide the proposed recipient's written consent to the transfer of the assets by attaching:
 - a) a letter from the proposed recipient consenting to the transfer of the assets;
 - b) a letter or proposed sale agreement jointly signed by the applicant and the proposed recipient agreeing to the transfer of the assets; or
 - c) the proposed recipient's signature on the application.

PART V: REQUEST FOR NO HEARING

- 5.1 Does the applicant request that the application be determined by the Board without a hearing? If yes, please provide:
 - a) an explanation as to how no person, other than the applicant or licence holder, will be adversely affected in a material way by the outcome of the proceeding; and
 - b) the proposed recipient's written consent to dispose of the application without a hearing.

The proposed transaction results in an inter-company transfer of assets. The proposed transaction contemplates the transferred assets to continue to be operated and maintained by HONI in the same manner as is currently carried out. Performance and reliability will be unaffected. In light of these circumstances, HONI does not view the application to require a public hearing.

PART VI: OTHER INFORMATION

- 6.1 Please provide the Board with any other information that is relevant to the application. When providing this additional information, please have due regard to the Board's objectives in relation to electricity.

As described in the Supplementary Application Information filing, concurrently filed applications have been made for transmitter licensing of the asset purchaser (B2M LP) and approval for SON LP Co. to purchase up to a 34% interest in B2M LP. This transaction supports Government of Ontario objectives to promote economic partnerships with First Nations in transmission developments.

PART VII : CERTIFICATION AND ACKNOWLEDGMENT

7.1 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 Original signed by A. Struthers	Title/Position CAO & CFO
	Date <u>March 28, 2013</u>	Company Hydro One Networks 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.)

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UPDATED SECTION 10

Updated Pages - 7, 8, 10, 11, 12

An application for a transmitter licence for B2M LP has been submitted for approval under docket number EB-2013-0078. A copy of this Application is found at Section 9 of the Supplementary Application Information filing.

B2M LP and SON LP Co. confirm that they will each comply with all licence, code and rule requirements.

1.6. Consumer Protection

1.6.1. Please explain whether the proposed transaction will cause a change of control of any of the transmission or distribution system assets, at any time, during or by the end of the transaction.

SON LP Co. will be acquiring up to a 34 percent ownership interest in B2M LP. The remaining 66 percent of B2M LP will be held (indirectly) by Hydro One Inc. The general partner of B2M LP will be owned and controlled by Hydro One Inc. B2M LP's general partner intends to enter into an operating agreement and service levels agreement with HONI for the ongoing operation and maintenance of the transmission facilities owned by B2M LP. In light of this structure, the proposed acquisition of up to a 34 percent interest in B2M LP by SON LP Co. will not cause a change of control of any of the transmission assets to be acquired by B2M LP during or by the end of the transaction.

1.6.2. Please indicate the impact the proposed transaction will have on consumers with respect to prices and the adequacy, reliability and quality of electricity service.

SON LP Co.'s acquisition of up to a 34 percent ownership interest in B2M LP is not expected to have any adverse impact on consumers with respect to prices and the adequacy, reliability and quality of electricity service. Overall the involvement of SON LP Co. in this transaction is expected to have a favourable impact to ratepayers through a reduction in rates over the long term. For further information regarding this topic, please see Section 6 of the Supplementary Application Information filing.

1.6.3. Please describe the steps, including details of any capital expenditure plans, that will be taken to ensure that operational safety and system integrity are maintained after completion of the proposed transaction.

After completion of the proposed sale of a 34% interest in B2M LP to SON LP Co., the assets owned by B2M will continue to be maintained and operated by HONI in the same fashion and to the same standards, and will be subject to the same IESO market rules, as is currently the case. Operational safety and system integrity standards will be unaffected. The ongoing costs to operate and maintain the assets owned by B2M LP will be recovered through periodic revenue requirement applications made pursuant to section 78 of the Act.

1.6.4. Please provide details, including any capital expenditure plans, of how quality and reliability of service will be maintained after completion of the proposed transaction. Indicate where service centres will be located and expected response times.

The assets owned by B2M LP will continue to be maintained and operated by HONI in the same fashion and to the same standards, and will be subject to the same IESO market rules, as they are currently. Thus quality and reliability of service will be unaffected. HONI's existing service centres currently used to operate and maintain the assets will continue to be used following the close of the transaction. Response times to serve the B2M LP assets are not expected to change as compared to the time taken by HONI today to operate and maintain the assets. As such, the sale of a 34% interest in B2M LP to SON LP Co. will not have an effect on quality and reliability of service.

1.6.5. Please indicate whether the parties to the proposed transaction intend to undertake a rate harmonization process after the proposed transaction is completed. If yes, please provide a description of the plan.

A rate application under section 78 will be filed by B2M LP later in 2013 to establish its initial revenue requirement as of 2014 and to adjust the provincial Uniform Transmission Rates ("UTR").

1.6.6. If the application is for an amalgamation, please provide a proposal for the time of rebasing the consolidated entity in accordance with the five-year limit set by the Board.

N/A

1.8. Financial Viability

1.8.1. Please provide a valuation of any assets or shares that will be transferred in the proposed transaction. Provide details on how this value was determined, including any assumptions made about future rate levels.

Valuation of the partnership units to be acquired by SON LP Co. from B2M LP will be based on the net book value, which approximates fair market value, of the assets that are transferred from HONI to B2M LP. The transaction contemplates SON LP Co.'s acquiring up to a 34 percent of ownership interest in B2M LP based on the net book value of the transferred assets. SON LP Co.'s actual take up of partnership interests will be dependent upon its availability to finance this purchase, which in turn is dependent upon provincial loan guarantee programs and the prevailing long term cost to borrow funds as determined in the capital markets.

1.8.2. If the price paid as part of the proposed transaction is significantly more than the book value of the assets of the selling utility, please provide details as to why this price will not have an adverse effect on the economic viability of the acquiring utility.

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.

1.8.3. Please provide details of the financing of the proposed transaction.

Please refer to Section 4 of the Supplementary Application Information filing.

1.8.4. If the proposed transaction involves a leasing arrangement, please identify separately any assets in the service area that are owned, from those assets that are encumbered by any means, e.g., subject to a lease or debt covenant.

A leasing arrangement is not involved in this transaction.

1.8.5. Please outline the capital (debt /equity) structure, on an actual basis, of the parties to the proposed transaction prior to the transaction and on a pro forma basis after completion of the proposed transaction. In order to allow the Board to assess any potential impacts on the utility's financial viability, please include the terms associated with the debt structure of the utility as well as the utility's dividend policy after the completion of the proposed transaction. Please ensure that any debt covenants associated with the debt issue are also disclosed.

B2M LP and SON LP Co. are newly formed entities and as such no historical audited financial statements are available. Please refer to Section 11 Appendix 9 of the Supplementary Application Information filing for Pro Forma statements.

The debt for the entity will be in the form of a note payable by B2M LP to GPCo. The financing to support this debt will be provided, indirectly, by Hydro One Inc. through a collateral agreement identical in nature to that currently held by Hydro One Inc. with all of its subsidiaries including HONI. This debt is expected to have an average interest rate and term that is similar to that currently held by HONI's Transmission Business in relation to the Bruce to Milton line.

The equity will ultimately be held by 3 parties in total:

- Hydro One B2M LP Inc. – 0.1%
- B2M GP Inc. – 65.9%
- SON LP Co. – 34%

See Section 1.3.4 above for illustration of the corporate structure.

Barring exceptional circumstances, a substantial portion of the income of B2M LP is expected to be distributed to its partners annually, subject to the requirements of prudent operation and management of assets transferred to B2M LP. As the transferred assets comprise newly built 500 kV transmission towers and circuits, there is very little planned capital investment required for many years, and hence, there is no expectation that there will be a need to retain significant earnings or to issue new debt to fund capital improvements over the short to medium term.

Furthermore, it is expected that, barring an extraordinary event such as major storm damage which would necessitate material capital replacements, the annual depreciation expense for The Line will generally exceed capital expenditures. As such, rate base for B2M LP will generally decline over time, along with the underlying debt and equity amounts needed to support it. This will require cash distributions to the partners in excess of partnership income in order to keep debt and equity amounts aligned with the OEB-approved 60/40 capital structure.

Nonetheless, any and all activities, including the partnership distributions made by B2M LP, will be in keeping with the maintenance of the long-term financial stability of the regulated entity, as determined by the general partner.

1.8.6. Please provide details of any potential liabilities associated with the proposed transaction in relation to public health and safety matters or environmental matters. These may be matters that have been identified in the audited financial statements or they may be matters that the parties have become aware of since the release of the most recently audited financial statements. If there are any pre-existing potential liabilities regarding public health and safety matters or environmental matters for any party to the proposed transaction, provide details on how the parties propose to deal with those potential liabilities after the transaction is completed. Specify who will have on-going liability for the pre-existing potential liabilities.

Acquisition of up to a 34 percent interest in B2M LP by SON LP Co. is not contemplated to in any way cause public health, safety or environmental issues, liabilities or concerns. On-going liability of the assets to be owned and operated by B2M LP will be the responsibility of its general partner, who in turn, is a wholly owned and controlled subsidiary of Hydro One.

1.9. Other Information

1.9.1. If the proposed transaction requires the approval of a parent company, municipal council or any other entity please provide a copy of appropriate resolutions indicating that all such parties have approved the proposed transaction.

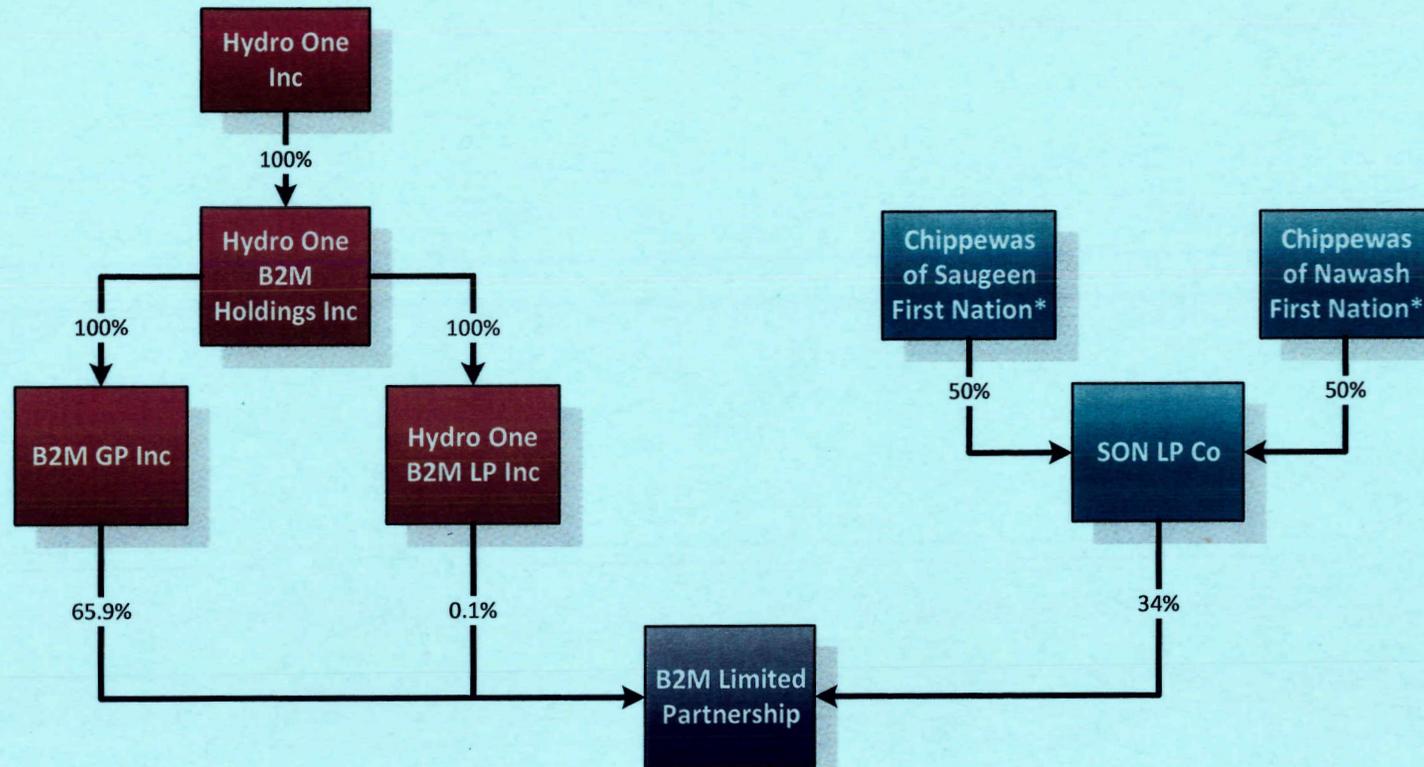
Please see Band Council Resolutions enclosed as part of Section 11 Appendix 6 to the Supplementary Application Information filing.

1.9.2. Please list all suits, actions, investigations, inquiries or proceedings by any government body, or other legal or administrative proceeding, except proceedings before the Board, that have been instituted or

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UPDATED APPENDIX 3

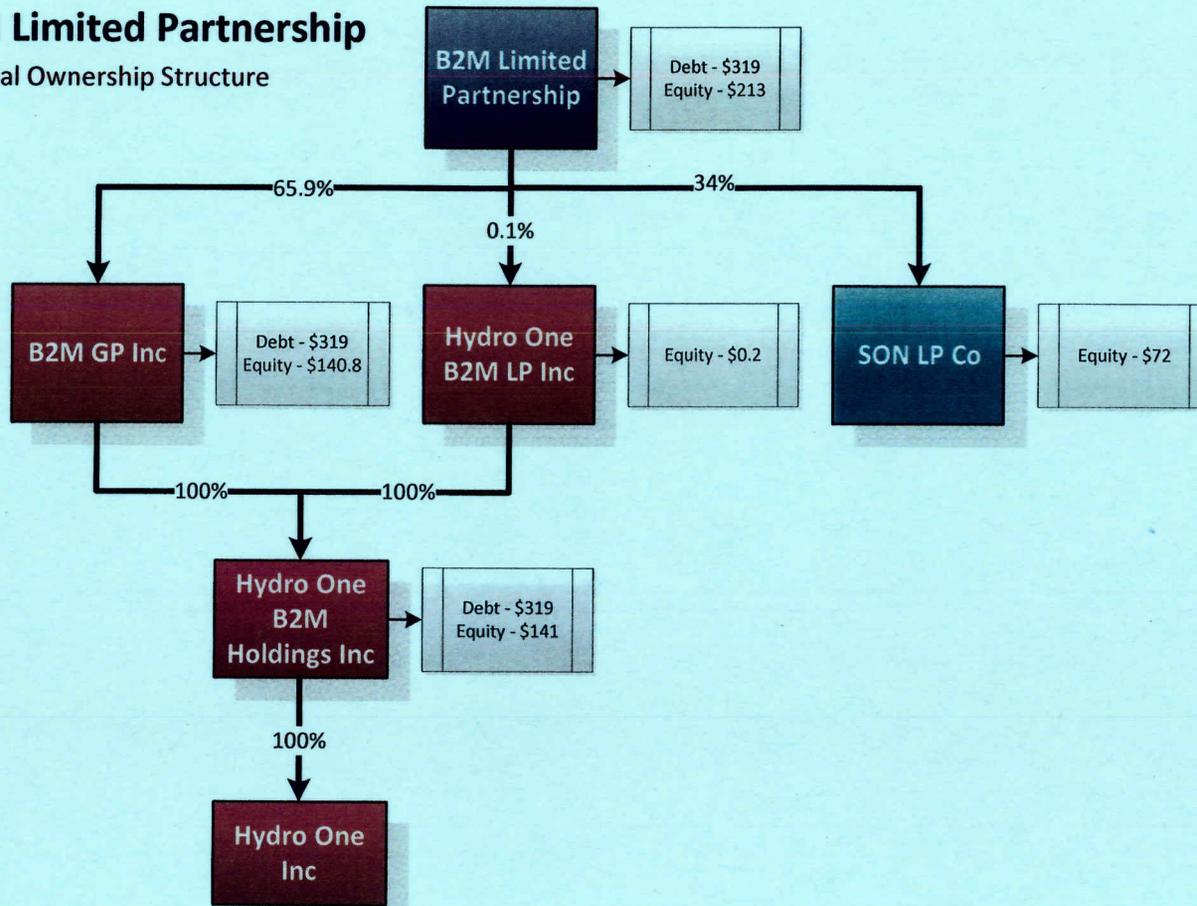
Organizational Chart for Hydro One Inc. Partnership Interest in B2M LP



* a Band within the meaning of Section 2(1) of the *Indian Act* (Canada)

B2M Limited Partnership

Financial Ownership Structure



* All numbers in \$Mn, Assumes sale price of \$532Mn which is subject to final valuation