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January 30, 2015

**VIA RESS, EMAIL AND COURIER**

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

Dear Ms. Walli:

**RE: EB-2014-0213 – Hydro One application to purchase Woodstock Hydro**

On behalf of Hydro One Inc. and Hydro One Networks Inc. (collectively, "Hydro One"), enclosed are Hydro One's responses to undertakings made on January 15, 2015 in the above-noted proceeding.

In addition, Hydro One has set out at Schedule "B" hereto corrections which should be made to the transcript of the January 15, 2015 hearing.

Yours very truly,

**McCarthy Tétrault LLP**

*Signed in the original*

Gordon M. Nettleton

**Schedule “A”**

(See attached)

**UNDERTAKING J1.1**

**Undertaking**

To advise whether at the time the transactions take place the companies still own the utility or whether it occurs after the transfer of assets.

**Response**

When the transaction closes, Hydro One Inc. ("HOI") will have purchased all of the issued and outstanding shares of the holding company Woodstock Hydro Holdings Inc. ("WHHI") through HOI's wholly-owned affiliate 1908873 Ontario Inc. The distribution utility, Woodstock Hydro Services Inc. ("WHSI"), remains as a wholly-owned subsidiary of WHHI.

Contemporaneously with the closing, the following additional and intermediary steps will occur:

- 1908873 Ontario Inc. and WHHI will be amalgamated.
- The WHSI shares then held by the amalgamated entity will be transferred to HOI.

Following these steps, WHSI will have become a wholly owned subsidiary of HOI and WHSI will continue to own and operate its distribution system.

Within 18 months of the OEB's approval, WHSI's distribution system will be transferred to and integrated with Hydro One Networks Inc. ("HONI")'s distribution system. During this time, the WHSI shares held by HOI will be transferred to HONI and WHSI will be wound-up.

This structure provides tax efficiencies, allowing the City of Woodstock to utilize its income tax exempt status and allowing HOI and HONI to remain tax neutral. The structure will not negatively impact HONI's or WHSI's ratepayers.

**UNDERTAKING J1.2**

**Undertaking**

To confirm whether Woodstock Hydro has filed a distribution system plan.

**Response**

Woodstock Hydro has not filed a 5 year Distribution System Plan.

## **Schedule “B”**

### *Corrections to transcript dated January 15, 2015*

- Pages 21-22:
  - Page 21, line 26 and page 22, line 8: reference is made to Woodstock Hydro “38” staff. This should read “36” staff.
  - Page 22, line 1: “...all the direct are not necessary” should read “...all the indirect are not necessary”
- Pages 119/120:
  - At page 119, line 26, Mr. Shepherd states: “The rule that is currently approved by the Board that is the prior rule, [if] you like, but is actually the current rule until the Board decides the current case, is that you look at a municipal area and determine whether it qualifies. I believe that's the old rules. Can you accept that, subject to check?”
  - The above proposition is incorrect. Hydro One does not have a “municipal” rule applicable to the assignment of rate classifications. Hydro One normally applies two considerations when it considers existing or proposed rate classifications. These are: (i) identification of areas containing 3,000 or more customers and (ii) where such condition is met, whether line densities of at least 60 customers per circuit kilometer exist (see page 118, lines 20-22 of the transcript). As explained on page 119, lines 6 -9, Hydro One first identifies clusters of 3000 customers and then looks at the density of those customers.
- Page 136, line 7:
  - Page 136, line 7: “WHSI’s last rebasing in 2011-0426” should read “WHSI’s last Board approved revenue requirement, approved on April 26, 2011,”