

EB-2015-0026

B2M Limited Partnership application for transmission
revenue requirement

OEB Staff Exhibit Book

1. EB-2013-0078/0079/0080 Application cover letter dated March 28, 2013 and section 6	3
2. EB-2013-0078/0079/0080 Board staff interrogatory #6 List 1.....	7
3. EB-2013-0078/0079/0080 Board staff interrogatory #7 List 1.....	13
4. EB-2013-0078/0079/0080 Board staff interrogatory #9 List 1.....	15
5. EB-2013-0078/0079/0080 Updated Application: cover letter dated October 1, 2013 and section 6	23
6. EB-2013-0078/0079/0080 Decision and Order dated November 28, 2013...	27
7. EB-2014-0330 Decision and Order dated December 11, 2014	37
8. EB-2011-0140 OEB letter dated August 22, 2011 (invitation to register for East-West Tie proceeding).....	41
9. EB-2011-0140 OEB letter dated December 20, 2011 (East-West Tie proceeding: information and announcement of meeting for registered transmitters)	43
10. EB-2011-0140 Phase 1 Decision and Order dated July 12, 2012 (East- West Tie designation proceeding): first page and Issue 14	45

Page left blank intentionally

Osler, Hoskin & Harcourt LLP
Suite 2500, TransCanada Tower
450 - 1st Street S.W.
Calgary, Alberta, Canada T2P 5H1
403.260.7000 MAIN
403.260.7024 FACSIMILE

OSLER

March 28, 2013

Gordon M. Nettleton
Direct Dial: 403.260.7047
gnettleton@osler.com

Calgary

Toronto

Montréal

Ottawa

New York

SENT BY COURIER

Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. box 2319
Toronto ON M4P 1E4

Attention: Kirsten Walli

Dear Ms. Walli:

**Re: Hydro One Networks' Request for Licensing of New Transmitter
EB-2013-0078**

I am writing to you on behalf of B2M Limited Partnership. Enclosed for filing is an application made pursuant to section 60 of the *Ontario Energy Board Act, 1998*, for electricity transmitter licence authorization.

B2M Limited Partnership's request for transmitter licensing authorization relates to a commercial transaction entered into between Hydro One and the Saugeen Ojibway Nation. This transaction involves separate yet related regulatory applications for (1) approval for Hydro One Networks Inc. to sell certain transmission assets to B2M Limited Partnership, (2) electricity transmitter authorization for B2M Limited Partnership so that it may own and operate the transferred transmission assets; and (3) leave to allow a new company to be owned by the SON to own up to a 30 percent interest in B2M Limited Partnership.

The OEB's standard form for applications made pursuant to section 60 is found in the attached filing at Section 9. In addition, full details of this transaction, including details respecting all three applications noted above are enclosed.

Please direct all correspondence in respect of this application to the following:

Susan Frank
Gordon Nettleton
Colin Slater
Alex Monem

Yours very truly,

ORIGINAL SIGNED BY GORDON M. NETTLETON

Gordon M. Nettleton
GMN:mpf

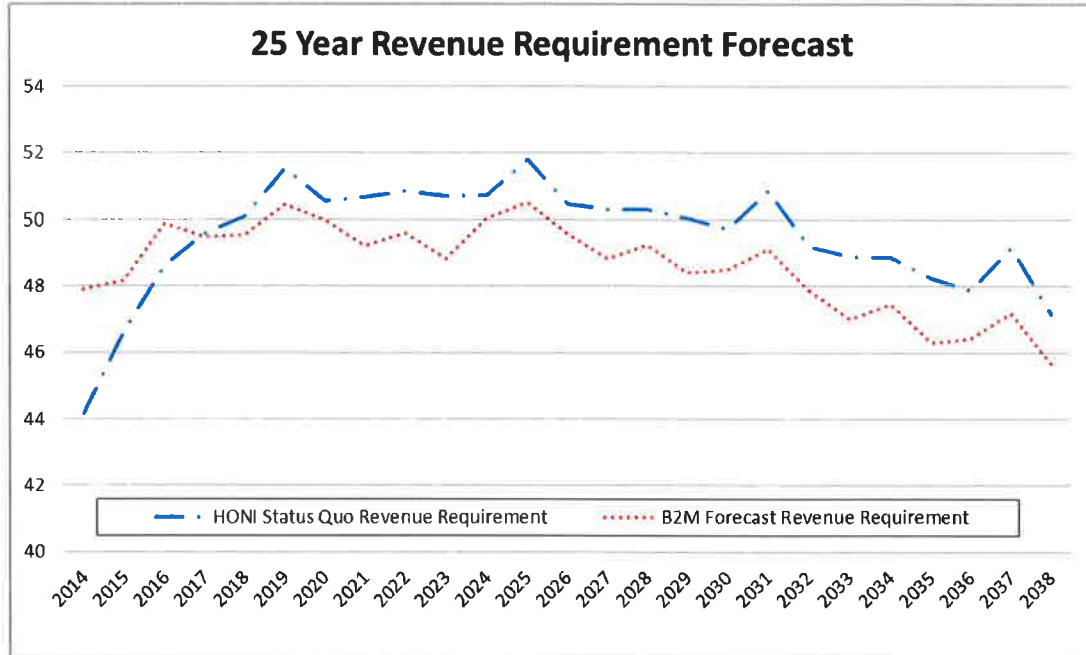
Attachment

osler.com

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 5, 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 cent or 0.53% increase in the 2014 Network UTR from \$3.80/kW/month to \$3.82/kW/month. From the

perspective of a typical HONI distribution rate paying customer, this increase would result in an estimated total monthly bill increase of \$0.03 for the first year after the completion of the transaction - declining thereafter.



6.7 Details respecting all rate impacts of the transaction will be considered in applications to be made by B2M LP and HONI pursuant to section 78 of the Ontario Energy Board Act, 1998. These applications are expected to be filed following timely approvals of the current applications that approve the transaction and in any event prior to year end 2013. The section 78 applications will establish the B2M LP initial revenue requirement for the Transferred Assets and adjust the provincial Uniform Transmission Rates (“UTR”). HONI will concurrently make application for a revised Rate Order for its approved 2014 revenue requirement to remove the costs (including return) for the Transferred Assets.

Page left blank intentionally

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

2
3 **Reference: Joint Submission**
4 **Section 6, Page 12, Paragraph 6.2**

5
6 “The preliminary estimate of the net present value of the customer benefit associated with
7 this transaction is \$10 million, calculated over the life of the Transferred Assets.”

8
9 **Interrogatory**

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

12
13 **Response**

14
15 Please refer to Attachment 1 to this response for a detailed set of revenue requirement
16 calculations that demonstrate the NPV of the benefit of the B2MLP transaction.

17
18 Please note that this represents the current estimate of the costs at this time. A final
19 version of this analysis will be provided as part of a future proceeding that will determine
20 the initial revenue requirement for B2MLP as well as the amount to be removed from
21 Hydro One Networks’ revenue requirement.

22
23 The analysis demonstrates that the effects of the transaction amount to a Net Benefit of
24 \$10.1Mn on a present value basis. The rate impacts will be positive for rate-payers by
25 year 4.

26
27 Please note the following assumptions used in the calculations:

- 28 • Transaction is executed on Jan 1, 2014
29 • Corporate Minimum tax applies to Hydro One
30 • B2MLP is taxable at 70% of normal to account for the assumed tax free status of the
31 SON’s 30% equity interest
32 • Incremental Costs associated with the transaction for which recovery will be sought
33 from rates are detailed in Exhibit I. Tab 1, Schedule 7
34 • 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
<i>Total</i>	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)
<i>Total</i>	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
<i>Total</i>	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	-	-	-	-	-	-	-	-	-	-
<i>Total</i>	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
<i>Total</i>	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	-	-	-	-	-	-	-	-	-	-
<i>Total</i>	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
<i>Total</i>	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	-	-	-	-	-	-	-	-	-	-
<i>Total</i>	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									

Page left blank intentionally

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 greater 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.

- 1 7.2 At the time of the filing, incremental ongoing costs for B2MLP were estimated at
2 \$1.1Mn every two years. They include the following:
- 3 • \$0.3Mn of annual corporate costs comprised of:
 - 4 ○ Additional Insurance - \$0.15Mn (annual)
 - 5 ○ Other Administration - \$0.11Mn (annual)
 - 6 • Regulatory Proceedings - \$0.5Mn (every 2nd year)
- 7
- 8 7.3 Confirmed
- 9
- 10 7.4 Please see Exhibit I, Tab 1, Schedule 6, Attachment 1 for annual spending
11 estimates. See response to 7.5 below for total spending over the life of the asset.
12
- 13 7.5 The current estimate of the Net Benefit of the transaction breaks down as follows:
- 14 • NPV of Incremental Costs \$(8.8)Mn
 - 15 • NPV of Tax Benefits \$18.9Mn
 - 16 • Net Benefit \$10.1Mn
- 17
- 18 7.6 For the first 3 years after the transaction, it is expected that rates will go up
19 marginally (0.53% in year 1) due to one-time incremental costs and the deferral of
20 near term tax benefits associated with the application of Capital Cost Allowance.
21 Starting in year 4 and thereafter over the life of the asset, rates are forecast to be
22 less than they otherwise would have been, due to the favourable tax status of the
23 partnership.

- 1 9.2 The term “Participant Funding” has been used to describe the advancement of funds
2 for third party expert advice and related costs that the SON is expected to incur with
3 respect to entering into the transaction. These transactional costs are described in
4 the June 12, 2012 letter agreement included as Attachment 1 to this response and
5 also referred to as Attachment D of the Hydro One Board of Directors’ approval.
6 To be clear, Hydro One Networks Inc. will not be lending any amounts to the SON
7 for purposes of funding partnership unit investment, as noted in the response to 9.1
8 above. The funding of such investments will be made as between third party
9 lending institutions and SON LP Co.
10
11 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 Formosa
President & CEO

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

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



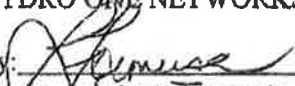
not the disputed cost item is reasonable and justified. Such decision shall be made by reviewing all supporting information and whether such information demonstrates that the disputed cost was incurred for the SON's participation in the Transaction and relates to the description of the Remaining Estimated 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.



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 Formosa
Title: President & CEO

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

CHIPPEWAS OF NAWASH FIRST NATION CHIPPEWAS OF SAUGEEN FIRST NATION

By: _____
Name: _____
Title: _____

By: _____
Name: _____
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
<ul style="list-style-type: none"> • 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



<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • 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



McCarthy Tétrault
LLP Suite 3300
421-7th Avenue S.W.
Calgary AB T2P 4K9
Canada
Tel: 403-260-3500
Fax: 403-260-3501

Gordon M. Nettleton
Partner
Direct Line: (403) 260-3622
Email: gnettleton@mccarthy.ca

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



Gordon M. Nettleton
Partner
Counsel to HONI & B2MLP

GMN/mpf

Pape Salter Teillet LLP



Alex Monem
Partner
Counsel to SON and SON LP Co.

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



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

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by B2M Limited Partnership for an electricity transmission licence pursuant to section 60 of the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an application by Hydro One Networks Inc. for leave to sell certain transmission assets to B2M Limited Partnership under section 86(1)(b) of the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an application by SON LP Co. for leave to acquire a partnership interest in B2M Limited Partnership under section 86(2) of the *Ontario Energy Board Act, 1998*.

BEFORE: Ken Quesnelle
Presiding Member

Ellen Fry
Member

Peter Noonan
Member

Decision and Order
November 28, 2013

Introduction

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").

The applications were amended on October 1, 2013 as described below. In the applications as amended,

1. B2M LP applied for an electricity transmission 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 electricity transmission assets (the "Bruce to Milton 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 34% partnership interest in B2M LP under section 86(2)(a) of the Act. **(EB-2013-0080)**.

The purpose of the applications is to give effect to a commercial transaction between HONI and the Saugeen Ojibway Nation (the "SON"), allowing the SON to acquire up to a 34% ownership interest in the Bruce to Milton Assets. Specifically, to facilitate the proposed transaction, 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 and formed for the purpose of the proposed transaction. 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, known as SON LP Co., would acquire up to a 34% ownership interest in B2M LP.

Subject to the condition set out below, the requests in the applications filed by B2M LP and HONI are granted. For the reasons indicated below, the Board will not make a determination on SON LP Co.'s application.

The Proceeding

Pursuant to its authority under section 21(5) of the Act, the Board decided to consider these applications together in a consolidated proceeding and issued its Notice of Applications and Hearing on May 1, 2013.

The Board has proceeded by way of a written hearing.

The Board granted the requests of the Power Workers' Union and Dennis Threndyle and Randy Threndyle (on behalf of Elda Threndyle and other individuals) to participate as intervenors in the proceeding. These intervenors filed interrogatories (IRs). Board staff also filed IRs and a submission. The Board also received two letters of comment. The applications were amended and updated evidence was filed on October 1, 2013. The amendments related to the composition and valuation of the Bruce to Milton Assets, the partnership interest to be held by SON LP Co. in B2M LP, and the provisions of the Limited Partnership Agreement. By way of Procedural Order No. 3, the Board invited submissions on the Applicants' updated evidence. No submissions were filed.

Board Findings

Application by HONI Pursuant to Section 86(1)(b) of the Act

HONI applied for leave of the Board to sell the Bruce to Milton Assets to B2M LP under section 86(1)(b) of the Act which states:

No transmitter or distributor, without first obtaining from the Board an order granting leave, shall,

- (b) sell, lease or otherwise dispose of that part of its transmission or distribution system that is necessary in serving the public;

In determining this application, the Board is guided by the principles set out in the Board's decision in proceeding RP-2005-0018/EB-2005-0234/EB-2005-0254/EB-2005-0257 (the "No Harm Decision"). In that decision, the Board found that the "no harm" test is the relevant test for the purposes of applications for leave to acquire shares or amalgamate under section 86 of the Act. The "no harm" test is a consideration of whether the proposed transaction would have an adverse effect relative to the status quo in relation to the Board's statutory objectives. The factors to be considered are those set out in section 1 of the Act and are attached to this Decision and Order as Appendix A. According to the no-harm test, if the proposed transaction would have a positive or neutral effect on the attainment of the statutory objectives, then the application should be granted.

The Board recognizes that HONI's application is an application under section 86(1)(b) to dispose of transmission system assets, whereas the No Harm

Decision addressed applications for leave to acquire shares under section 86(2) and amalgamate under section 86(1)(c). However, given that this proceeding, like the No Harm Decision, concerns a proposed change in system ownership, the Board finds that it is appropriate to apply the “no harm test” to HONI’s application under section 86(1)(b) of the Act. Based on the presented evidence, as discussed below, the Board finds that the proposed transaction passes the “no harm test”.

The proposed transfer price of the Bruce to Milton Assets is the net book value of the Bruce to Milton Assets. The evidence indicates that on transfer of the assets the associated operating and maintenance costs of the Bruce to Milton Assets will be assumed by B2M LP and removed from HONI’s portion of the Uniform Transmission Rate revenue requirement. The evidence further indicates that 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. The Applicants submit that ratepayers will in fact benefit from the proposed transaction, in the long term, as a result of the expected income tax benefits of the transactions. Specifically, the Applicants state that:

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 services 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.¹

The Board notes that this expected offsetting of costs and benefit to ratepayers is contingent on the Applicants obtaining favourable tax rulings from the federal and provincial authorities. The Board’s approval of the proposed transactions will therefore be conditional on Applicants obtaining the favourable tax rulings that have been contemplated by the Applicants in making the applications in this proceeding.

With respect to the management and operation of the assets, the Applicants submit that there will be no impact on reliability or quality of supply as a result of

¹ Updated Final Joint Submission, Paragraph 6.2

the proposed transaction as HONI, the current operator of the Bruce to Milton Assets, will remain the party responsible for the ongoing operation of the Bruce to Milton Assets. Specifically, the Applicants state that the Bruce to Milton Assets “will continue to be operated and maintained by HONI through a service level agreement”² with B2M LP. Based on the proposed arrangement, the Board is persuaded that reliability and quality of supply will not be adversely affected by the proposed transaction.

Application by SON LP Co. Pursuant to Section 86(2)(a) of the Act

SON LP Co. applied for leave of the Board to acquire up to a 34% partnership interest in B2M LP under section 86(2)(a) 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;

In its submission, Board staff noted that Section 86(2)(a) appears to assume that transmitters will be corporations with voting securities. Board staff also noted that B2M LP, given that it is a partnership and not a corporation, does not have voting securities, and accordingly SON LP Co. does not actually propose to acquire any voting securities. Board staff submitted that the extent to which the Board’s approval is required for the proposed acquisition of 34% of B2M LP by SON LP Co. is not perfectly clear.

In principle, based on the information in the application, the Board has no objection to the proposed acquisition of a 34% interest in B2M LP by SON LP Co. However, it is clear that the wording of subsection 86(2)(a) of the Act does not cover the acquisition of an interest in a limited partnership. Accordingly, leave from the Board under subsection 86(2)(a) is not required for the proposed acquisition of a 34% interest in B2M LP by SON LP Co.

² B2M LP’s Application for an Electricity Transmission Licence, Section 17

Application by B2M LP for an Electricity Transmission Licence

For the purpose of owning and operating the Bruce to Milton Assets, B2M LP applied for an electricity transmission licence under section 60 of the Act. In determining whether to approve B2M LP's electricity transmission licence application, the Board considered B2M LP's financial position, technical capability and conduct to assess its ability to own and operate a transmission facility in Ontario.

The applicant, B2M LP was formed for the purpose of the proposed transaction. The evidence indicates that Hydro One Inc., the parent company of the current owner and operator of the Bruce to Milton Assets, through wholly owned subsidiaries, will hold approximately a 66% interest in B2M LP. The evidence also indicates that B2M GP Inc., the general partner owned by Hydro One Inc. will be responsible for ensuring that the Bruce to Milton Assets are operated and maintained in accordance with all applicable regulatory standards through an operations and management services agreement with HONI. Based on this ownership structure, and these operating and maintenance arrangements, the Board finds that B2M LP can reasonably be expected to conduct its business appropriately and to operate the Bruce to Milton Assets reliably, with the appropriate technical capability. The Board therefore finds that it is in the public interest to grant the requested licence.

THE BOARD ORDERS THAT:**Based on the information provided in the applications,**

1. B2M LP's application for an electricity transmission licence is granted, on such conditions as are contained in the attached licence.
2. HONI is granted leave to sell the Bruce to Milton Assets to B2M LP.
3. The leave granted in paragraph 2 above is conditional on the Applicants obtaining favourable tax rulings with respect to their tax status from the federal and provincial authorities, as contemplated by the Applicants in making the applications for this proceeding.

4. The Applicants shall promptly notify the Board of the completion of the transactions referred to in paragraph 2.
5. Dennis Threndyle and Randy Threndyle shall file with the Board and serve on the Applicants their cost claims on or before **December 9, 2013**.
6. The Applicants may file with the Board and serve on Dennis Threndyle and Randy Threndyle any objections to the claimed costs on or before **December 19, 2013**.
7. Dennis Threndyle and Randy Threndyle may file with the Board and serve on the Applicants a response to any objections to their cost claims on or before **December 27, 2013**.
8. The Applicants shall pay the Board's costs of, and incidental to, this proceeding immediately upon receipt of the Board's invoice.

All filings to the Board must quote file numbers, **EB-2013-0078, EB-2013-0079 or EB-2013-0080**, be made through the Board's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Gona Jaff at gona.jaff@ontarioenergyboard.ca and Board Counsel, Michael Millar at michael.millar@ontarioenergyboard.ca.

ADDRESS

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

E-mail: boardsec@ontarioenergyboard.ca
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto November 28, 2013

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix A

Board objectives, electricity

1. (1) The Board, in carrying out its responsibilities under this or any other Act in relation to electricity, shall be guided by the following objectives:

1. To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.
2. To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.
3. To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances.
4. To facilitate the implementation of a smart grid in Ontario.
5. To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities. 2004, c. 23, Sched. B, s. 1; 2009, c. 12, Sched. D, s. 1.

Page left blank intentionally

**Ontario Energy
Board**

**Commission de l'énergie
de l'Ontario**



EB-2014-0330

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15;

AND IN THE MATTER OF an application made by B2M
Limited Partnership for an interim transmission rate order
pursuant to section 78 of the *Ontario Energy Board Act*,
1998;

BEFORE: Ken Quesnelle
Presiding Member

DECISION AND INTERIM ORDER

December 11, 2014

BACKGROUND

On November 28, 2013, B2M Limited Partnership ("B2M LP") received approvals (EB-2013-0078, EB-2013-0079, EB-2013-0080) from the Ontario Energy Board (the "Board") pursuant to sections 60 and 86(1)(b) of the Ontario Energy Board Act (the "Act") for a transmission licence and conditional leave to purchase certain Bruce to Milton Transmission Project assets (the "Transferred Assets") from Hydro One Networks Inc. ("Hydro One"). On January 17, 2014, B2M LP advised the Board that all conditions of the November 28th Order had been satisfied.

The limited partners of B2M LP will be B2M GP Inc ("GPCo"), Hydro One B2M LP Inc ("HO LP Co") and SON LP Co. Each of the Chippewas of Nawash First Nation and Chippewas of Saugeen First Nation ("SON") own the outstanding shares in SON LP Co. The contemplated transaction provides SON LP Co., as bare trustee for the SON, with a minority ownership interest in B2M LP formed to own and operate the Transferred Assets.

According to the application, the partnership requires rates to be in place in order to complete financing arrangements and proceed with the transaction. B2M LP requires authorization from the Board to collect transmission rate revenues in relation to the Transferred Assets.

B2M LP updated its application on December 4, 2014 with the Board's Cost of Capital parameters as issued on November 20, 2014. The applicant has requested a decision on its interim transmission revenue requirement by December 12, 2014.

The Application

On October 24, 2014 B2M LP applied under sections 78(3) and 21(7) of the Act for approval of its initial transmission revenue requirement and rates on an interim basis. The interim rate is proposed to commence coincident with the transfer of the Transferred Assets to B2M LP from Hydro One. The interim rate is designed to recover revenue equal to the current value and capital costs of the assets and their current related operations, maintenance and administration expenses. The applicant's interim revenues would be recovered through its share of the 2015 Uniform Transmission Rates as approved by the Board

B2M LP applied for a revised revenue requirement of \$40,550,724 on the basis of an average 2015 rate base value of \$523.9 million and other expenses. The amounts were

based on information that was reviewed by Hydro One and the application included a letter of support from Hydro One's Chief Financial Officer. The costs to be recovered are as follows:

Operations, Maintenance & Administration	\$ 853,266
Depreciation and Amortization	\$ 6,797,120
Return on Capital	\$34,548,831
Income Taxes	\$ (1,648,492)
Total Revenue Requirement	\$40,550,724

Currently, the revenue collected for service provided by the Transferred Assets is included in Ontario's 2014 uniform transmission rates and is paid to Hydro One by the Independent Electricity System Operator. This Decision will have the effect of re-allocating the revenues to the new owner of the assets. Consequently, the transfer of the associated revenue requirement will not have any impact on the total cost of transmission service in 2015.

B2M LP also indicated that its 2015 cost of service application for final rates will seek approval for the period commencing on the date interim rates take effect. The cost of service application will include information concerning required start-up costs, reduced tax costs, and forecasts of B2M LP's future incremental operating and capital costs over the period in which final rates are to be in effect.

DETERMINATION TO DISPOSE OF THIS PROCEEDING WITHOUT A HEARING

The Board notes that B2M LP has requested that this application proceed without further procedural steps, such as public newspaper notification or an interrogatory process.

Section 21(4)(b) of the Act provides that the Board may dispose of a proceeding without a hearing if it determines that "no person, other than the applicant, appellant or licence holder will be adversely affected in a material way by the outcome of the proceeding and the applicant, appellant or licence holder has consented to disposing of a proceeding without a hearing."

Given that the relief sought in the current proceeding is of an interim nature and that the rate will be subject to a full review in B2M LP's 2015 cost of service proceeding, the

Board has determined that no person will be adversely affected in a material way by the outcome of this proceeding, and, in accordance with section 21(4)(b) of the Act, will dispose of this matter without a hearing.

FINDINGS

The Board approves the rate relief requested by the applicant on an interim basis, effective January 1, 2015 pending the Board's final decision in B2M LP's 2015 cost of service application proceeding. This determination is made without prejudice to the Board's decision on the 2015 cost of service decision, and should not be construed as predictive, in any way whatsoever, of the Board's final determination with regards to the rates arising from the cost of service application. The Board will require B2M LP to file its 2015 cost of service transmission application no later than April 1, 2015.

IMPLEMENTATION

The rates and revenue shares for all Ontario transmitters for 2015 will be determined when the Uniform Transmission Rate Order is issued for January 1, 2015 (EB-2014-0357), incorporating the Board's findings for this case and the current Hydro One, Great Lakes Power Transmission and Canadian Niagara Power Transmission cases currently before the Board.

THEREFORE, THE BOARD ORDERS THAT:

1. The Uniform Transmission Rate revenue share requested by B2M LP in this application is approved on an interim basis, for transmission revenue requirement and rates effective January 1, 2015.
2. B2M LP shall file a full cost of service transmission rate application for final revenue requirement and rates, no later than April 1, 2015.

DATED at Toronto, December 11, 2014

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

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
27^e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL AND WEB POSTING

August 22, 2011

**To: All Licensed Electricity Transmitters
All Applicants and Potential Applicants for an Electricity Transmitter Licence
All Interested Parties**

**Re: Board File Number: EB-2011-0140
Electricity Transmission Infrastructure: The East-West Tie Line**

The Government of Ontario and the Ontario Power Authority (the "OPA") have identified five priority transmission projects for the province. One of the priority projects is a major new piece of transmission infrastructure to increase transfer capacity between the transmission system in the northwest and the rest of Ontario, namely an East-West tie line (the "E-W Tie").

On August 26, 2010, the Ontario Energy Board (the "Board") issued its policy entitled "Framework for Transmission Project Development Plans". In a letter to the Board Chair, dated March 29, 2011, the Minister of Energy suggested that the designation process outlined in the Board's policy framework could be used to select the most qualified and cost-effective transmission company to develop the E-W Tie. Consequently, by letter to the OPA Chief Executive Officer dated April 25, 2011, the Board Chair requested a report from the OPA regarding its preliminary assessment of the need for an E-W Tie.

On June 30, 2011, the Board received from the OPA its "Long Term Electricity Outlook for the Northwest and Context for the East-West Tie Expansion" (the "OPA Report"). The OPA report is available on the Board's website at <http://www.ontarioenergyboard.ca/OEB/Industry/Regulatory+Proceedings/Policy+Initiatives+and+Consultations/East-West+Transmission+Tie+Line>

On August 19, 2011, the Board received a Feasibility Study by the Independent Electricity System Operator (the "IESO") in relation to the E-W Tie, which is also available on the Board's webpage.

The OPA is responsible for independent transmission planning in Ontario and has advised the Board that there is a need to proceed with development work on the E-W Tie. The Board has received the OPA's preliminary assessment of need as a basis for a designation process. The Board expects the final determination of need to be made as part of a future application for leave to construct, not through the designation process.

The Board finds it advisable to invite licensed transmitters and those who have applied for a transmission licence (collectively "transmitters") to indicate their interest in filing a plan for the development of the E-W Tie. Parties who file a transmitter licence application before the deadline for registering interest below may also register and participate.

The OPA Report defines a specific solution as its preferred option but acknowledges that it may be possible for other solutions to meet the requirements for the line as described in the project scope criteria of the OPA Report. The Board will call the OPA's solution, with the additional requirements from the IESO Feasibility Study, the "Reference Option". Transmitters may propose alternative solutions that meet the requirements. A transmitter proposing a solution different from the Reference Option will bear the onus of proving that the alternative is the equivalent, in terms of performance, reliability, cost, etc., of the Reference Option. This would include a feasibility study prepared by the IESO or prepared by the transmitter to the IESO's requirements.

Registration Required

Transmitters who may be interested in filing a plan for the E-W Tie must register with the Board Secretary at BoardSec@OntarioEnergyBoard.ca by **4:45 pm on September 21, 2011** quoting file number **EB-2011-0140**, identifying the transmitter and a person to act as contact for the transmitter including name, telephone number and e-mail address.

Registration is required from any transmitter that intends to file a plan. Failure to register may disqualify a transmitter from participation in the designation process.

Further details on the project and the process will be made available in the coming weeks. Please contact the Market Operations hotline at 416-440-7604 or by e-mail at market.operations@OntarioEnergyBoard.ca with any questions. The Ontario Energy Board's toll-free number is 1-888-632-6273.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

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
27^e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416-481-1967
Télécopieur: 416-440-7656
Numéro sans frais: 1-888-632-6273



BY E-MAIL

December 20, 2011

To: All Electricity Transmitters Registered for the East-West Tie Line

**Re: Board File Number: EB-2011-0140
Information Package on the East-West Tie Line**

Thank you for registering your interest in the designation process for the East-West Tie Line. This letter sets out additional information and announces an informational meeting for registered transmitters.

The Designation Process

As described in the Ontario Energy Board's policy *Framework for Transmission Project Development Plans* a designation process is a hearing of the Board, convened to identify a licensed transmitter who will be entitled to recover its prudently incurred development costs for a specific transmission project. Development costs begin when a transmitter is designated and end when a leave to construct application is submitted. The designated transmitter will also be able to recover its cost of becoming designated. Unsuccessful applicants will not.

As the Board stated in its policy, "the designation process of the Board is not a procurement process where the end result is a contract." This transmitter designation process is not a tender call nor does it commit the Board in any way to designate a transmitter to undertake development work.

The East-West Tie Line Project

Attached to this letter are two packages of information intended to define the project that is the subject of this designation process. Attachment 1 is a description of the scope of the East-West Tie Line for the purposes of designation. Attachment 2 is a document of Minimum Technical Requirements for the Reference Option of the East-West Tie Line that provides minimum requirements for one possible solution for expanding the East-West Tie. These requirements should be used in costing any potential application for designation.

Planning Meeting and Next Steps

Board staff will convene a meeting at the Board's offices on the 25th floor of 2300 Yonge Street on Tuesday, January 10, 2012 at 9:30 am, to discuss with the registered transmitters the filing of plans and the process for the evaluation of plans. This meeting is for registered transmitters. Other stakeholders will have other opportunities to participate in the process.

In order to attend this first meeting, you must respond with your company's name, and the name, email and telephone number of each representative attending from your company, to East-West.Tie.Line@OntarioEnergyBoard.ca. This is to ensure that the meeting facilities are adequate for the attendees expected.

Information on the Board's website

Documents related to this process are available for public inspection on the Board's website¹ and at the office of the Board during normal business hours.

Contact

Please contact Laurie Reid at 416-440-7623 or by e-mail at East-West.Tie.Line@OntarioEnergyBoard.ca with any questions. The Ontario Energy Board's toll-free number is 1-888-632-6273.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Attachments: Project Definition for Designation for the East-West Tie Line
 Minimum Technical Requirements for the Reference Option of the
 East-West Tie Line

¹<http://www.ontarioenergyboard.ca/OEB/Industry/Regulatory+Proceedings/Policy+Initiatives+and+Consultations/East-West+Transmission+Tie+Line>



EB-2011-0140

IN THE MATTER OF sections 70 and 78 of the *Ontario Energy Board Act 1998*, S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF a Board-initiated proceeding to designate an electricity transmitter to undertake development work for a new electricity transmission line between Northeast and Northwest Ontario: the East-West Tie Line.

BEFORE: Cynthia Chaplin
Presiding Member and Vice-Chair

Cathy Spoel
Member

PHASE 1 DECISION AND ORDER

July 12, 2012

INTRODUCTION

On February 2, 2012, the Ontario Energy Board issued notice that it was initiating a proceeding to designate an electricity transmitter to undertake development work for a new electricity transmission line between Northeast and Northwest Ontario: the East-West Tie line. The Board assigned File No. EB-2011-0140 to the designation proceeding. Seven transmitters registered their interest in the designation process.

Issue 14: Should the designated transmitter be permitted to recover its prudently incurred costs associated with preparing its application for designation? If yes, what accounting mechanism(s) are required to allow for such recovery?

The Board finds that the designated transmitter will be permitted to recover from ratepayers its prudently incurred costs associated with preparing its application for designation, with one restriction. Cost recovery will be restricted to costs incurred on or after the date that the Board gave notice of the proceeding, February 2, 2012. This date represents the beginning of the proceeding and therefore is a date after which the designated transmitter could reasonably expect to recover its costs.

Applicant transmitters should identify the costs already incurred to prepare an application, as well as an estimate of the costs required to complete the designation proceeding, as part of their budgeted development costs. The Board will establish a deferral account for the designated transmitter in which the budgeted development costs, including amounts incurred after February 2, 2012 for the preparation of the application for designation, will be recorded for future recovery. As noted earlier in this decision, an applicant transmitter can choose not to seek recovery of all its costs, as a way to reduce the costs of its proposal to ratepayers.

Issue 15: To what extent will the designated transmitter be held to the content of its application for designation?

The Board will be choosing a designated transmitter based on the plans that applicants for designation file. Therefore, the Board will generally expect the designated transmitter to conform to its filed application, as it formed the basis for designation. However, the Board understands that there is a need for some flexibility, as the plan for the line will evolve as development work takes place.

The Board has discussed in the previous section of this decision the need for performance milestones and reporting obligations, and the expectation that these will be adhered to. Any development costs in excess of budgeted costs may not be recovered from ratepayers, and will be subject to a prudence review if recovery is sought. The leave to construct proceeding will provide an opportunity for the Board to assess the reasonableness of any deviations from other aspects of the designated transmitter's