

Hydro One Networks Inc.

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Oded Hubert

Vice President
Regulatory Affairs



BY COURIER

November 4, 2015

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

Dear Ms. Walli:

EB-2015-0026 – B2M LP Cost of Service Application - Undertaking Responses

Please find enclosed responses to undertakings provided at the Oral Hearing in the above-noted proceeding. The following undertakings are being filed:

October 30, 2015 - K1.01
October 30, 2015 - K1.02
October 30, 2015 - K1.03

An electronic copy of these undertaking responses have been filed using the Board's Regulatory Electronic Submission System (RESS).

Sincerely,

Oded Hubert

cc. Intervenors

Enclos.

UNDERTAKING - K1.1

Undertaking

To provide the effect of disallowance of start-up costs and any further related information.

Response

If the start-up costs are disallowed this would cause a direct loss to the partnership of \$7.7 million. SON's share of that loss is approximately \$2.6 million. If SON cannot meet the equity call to fund the shortfall of \$2.6 million outlined above, SON's share in the partnership would decrease to approximately 33% from the current level of 34.2%. The estimated reduction in payments to SON over time due to the reduction in their equity share would amount to approximately \$8 million (\$3.2 million on a PV basis). This represents a disproportionately negative impact on the SON communities.

Furthermore, the portion of the partnership owned by SON is not subject to income taxes. The reduction in SON's ownership stake due to disallowance of the \$7.7 million in start-up costs would therefore cause a reduction in the Tax benefits enjoyed by ratepayers due to SON's participation. The estimated gross reduction in Tax benefits to ratepayers in this case amounts to approximately \$1.8 million (\$1.4 million on a PV basis).

Therefore, the decision to disallow the recovery of start-up costs would reduce the overall revenue requirement from 2016 to 2019 when the recovery was planned. However, the overall effect on ratepayers would be *de minimis*, as the disallowance represents a change of less than 0.01% to a customer's Total Bill in any one of the years.

However, the effect would be very significant on the members of the SON community not only on the treatment of costs now, but for the ongoing sharing of revenue between the partners and the economic benefit back to the SON community through the life of the project.

In addition to the significant and disproportionate negative effect disallowing the costs would have on the SON communities, this decision would have long term effects on the ability of First Nations groups to commercially participate in infrastructure builds on their traditional territories in the future. Presumably, they would be expected to self-fund the millions of dollars it reasonably takes in order to participate in commercial deals such as this. Such funding for small, impoverished communities would make participation prohibitive in which case the relationship would revert to a more traditional IBA whereby rate payers receive no benefit, the spirit of cooperation is not strong, and the motivation for making a long-term partnership succeed would not exist.

UNDERTAKING - K1.2

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3 **Undertaking**
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5 To clarify the definition of “System Availability”.
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7 **Response**
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9 “System Availability” is a measure of the extent to which the transmission line(s) are
10 available for use within the system. For the purposes of quantifying this metric, the cause
11 of the forced outages that would contribute to the unavailability of the transmission lines
12 (B560V and B561M) would be limited to factors affecting assets owned by B2M LP as
13 opposed to terminal equipment, owned by Hydro One, which could also cause the
14 transmission line(s) to be removed from service.

UNDERTAKING - K1.3

Undertaking

To file the letter of October 8, 2014 from Hydro One to the Saugeen Ojibway nation counsel with an explanation.

Response

With respect to the inquiry by CME in oral cross-examination on the existence of a Funding Agreement with a budget closer to \$4.3 million, attached is a letter dated October 8, 2014 from Hydro One to the Saugeen Ojibway nation counsel proposing an amendment to the original Funding Agreement, dated June 18, 2012, documented in Exhibit J1.2, Tab 4.

This letter agreement of October 8, 2014 sets forth the terms under which Hydro One agrees to provide SON with participation funding in the amount of up to \$1,855,892 (which is in addition to the funding already agreed to in the funding letter agreement dated June 18, 2012). As demonstrated below, the summation of the participation funding from the June 18, 2012 letter agreement and the October 8, 2014 proposed amendment equates to the \$4.3 million expenditure identified in Exhibit E1, Tab 1, Schedule 2 related to SON costs of the total \$7.7 million start-up costs.

Cost Breakdown	Cost (\$)	Description of Cost
Participation Funding Letter Agreement (dated June 18, 2012)		
1. Initial Actual Incurred Costs	\$365,000	These costs represent the costs actually incurred by the SON and its third party advisors in respect of the transaction up to May 1, 2012.
2. Remaining Cost Estimate	\$2,050,000	These costs represent SON's estimate of its costs and those of its third party advisors in respect of the transaction from May 1, 2012 and until closing of the transaction.
3. Subtotal	\$2,415,000	<i>Summation of Lines 1 and 2</i>
Participation Funding Letter Agreement (dated October 8, 2014)		
4. Actual Deficit Costs	\$763,592	These costs represent the difference between the "estimated costs" of the June 18, 2012 Funding Letter Agreement and the costs actually incurred by the SON and its third party advisors in respect of the transaction, up to April 30, 2014.
5. Estimated Remaining Costs	\$1,092,000	These costs represent SON's estimate of its costs and those of its third party advisors in respect of the transaction from May 1, 2014 until the closing of the transaction.
6. Subtotal	\$1,855,592	<i>Summation of Lines 4 and 5</i>
Total	\$4,270,592	<i>Summation of Lines 3 and 6</i>

Hydro One Networks Inc.
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com



October 8, 2014

PRIVILEGED AND CONFIDENTIAL

Saugeen Ojibway Nation
c/o Pape, Salter, & Teillet LLP
546 Euclid Ave.
Toronto, Ontario M6G 2T2

Attention: Chief Vernon Roote and Chief Arlene Chegahno

Dear Sir/Madame:

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 in an amount of up to \$1,855,592.36 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"). In consideration of the mutual benefits of collaboration the Parties agree to the following:

1. For the purposes of this agreement, incurred costs are defined as 'prudent and reasonable Travel, Accommodation and Meal expenses, legal fees, financial advisor's fees, financing fees, SON coordinator salary, SON negotiation team, SON administration and SON community workshops, that are directly related to the negotiation, financing, and acquisition of an equity interest in the limited partnership. To be reimbursable, all expenses incurred must be necessary for the Transaction and in compliance with Hydro One's Employee Business Expense Policy ("Policy"). A summary of this Policy is shown in Appendix B. Hydro One at its discretion may refuse to reimburse expenses not in compliance with this agreement.
2. Documentation requests for reimbursement of business expenses must be submitted on the appropriate expense reimbursement request form as shown in Appendix C. Each expense shall be separately identified. Forms shall be dated and signed by the individual

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requesting reimbursement of expenses. While original receipts are recommended for all expenses submitted for reimbursement, photocopies will be accepted. Requests for reimbursement lacking complete documentation will not be reimbursed until such time that the complete and appropriate documentation is received by Hydro One.

3. Within fifteen days following execution of this Agreement and receipt of the supporting information set out in paragraphs 2 and 4, Hydro One shall pay to McMillan LLP, for and on behalf of the SON, an amount on account of the incurred costs in respect of the Transaction as of the date hereof and not previously reimbursed by Hydro One as set out in Appendix A (the "Actual Deficit Costs"). McMillan LLP, upon receipt of the payment from Hydro One, shall promptly pay to the respective payees the amounts invoiced by them. The SON acknowledges that no other reimbursable costs have been incurred under the predecessor funding arrangement dated June 18, 2012.
4. The SON acknowledges that supporting information in the form of engagement letters, and invoices will be provided to Hydro One to confirm the accuracy and reasonableness of the Actual Deficit Costs. The information relating to the legal advice provided to the SON shall be redacted in a way sufficient to preserve its confidentiality.
5. 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 A. The SON shall assemble the supporting documentation including, invoices and expense reimbursement forms it received 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 reimbursement to Hydro One in respect of Ongoing Actual Incurred Costs on account of the Remaining Cost Estimate items shown in Appendix A.
6. Within fifteen days of receiving requests for reimbursement and subject to paragraphs 1 and 2 above, Hydro One shall make payments to McMillan LP, for and on behalf of the SON.
7. The Parties acknowledge that the inclusion of reasonable supporting documentation with each request for reimbursement is a condition precedent to Hydro One making payment of any such request. 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.
8. Hydro One is under no obligation to pay any requested reimbursement amount where such payment would result in the total of all requested reimbursement exceeding the amount which is the sum of the Actual Deficit Costs and the Remaining Cost Estimate.

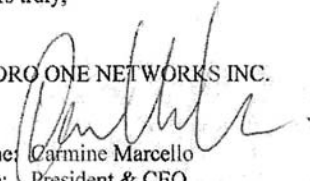
3

9. The Parties agree to discuss and attempt to resolve any concerns with respect to the reasonableness of requested reimbursement amounts within 10 days from the date each request is received by Hydro One. If discussion 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 demonstrated that the disputed costs was incurred for the SON's participation in the Transaction and relate to expenses reimbursable hereunder. 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 6. 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 reimbursement amount shall be altered to take into account the Revised Amount and the resulting requested reimbursement total shall be paid forthwith by Hydro One in the manner contemplated in paragraph 6.
10. SON agrees to keep Hydro One reasonably informed of the timing and incurrence for the Remaining Cost Estimate expenditures.
11. 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.
12. The Parties agree that this letter is a binding agreement with respect to the arrangements contemplated herein.
13. 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 unreasonable 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.

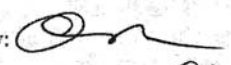
Yours truly,

HYDRO ONE NETWORKS INC.

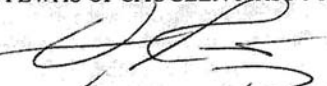
By: 
Name: Carmine Marcello
Title: President & CEO

Acknowledged and agreed to this _____ day of _____, 2014

CHIPPEWAS OF NAWASH FIRST NATION

By: 
Name: Arlene Chegahno
Title: Chief - Chippewas
of NAWASH

CHIPPEWAS OF SAUGEEN FIRST NATION

By: 
Name: VERNON ROOTÉ
Title: CHIEF.

Appendix A



CHIEFS AND COUNCILS SAUGEEN OJIBWAY NATION

Chippewas of Saugeen, RR 1, Southampton ON N0H 2L0 519-797-2781
Chippewas of Nawash, RR 5, Wiarton ON N0H 2T0 519-534-1689

September 12, 2014

Lee Anne Cameron
Director, First Nations and Metis Relations
Hydro One
TCT5, South Tower

September 12, 2014

Dear Ms. Cameron

RE: Amendment of Remaining Cost Estimate

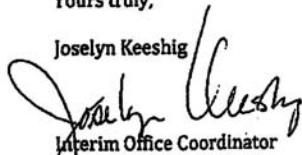
Please find enclosed a proposed amendment to the Remaining Cost Estimate required to complete the acquisition by Saugeen Ojibway Nations ("SON") of an equity interest in the Bruce to Milton transmission line. Pursuant to section 10 of the Funding Letter Agreement of May 2012, SON are requesting a meeting with senior representatives of Hydro One to discuss this amendment and the funding requirements for this transaction.

SON are very pleased with the hard work that each of the parties has undertaken to get to this point. There is much work to be done to bring this transaction to a close and fulfill the vision of the Anishnaabeking Naagnigewin Agreement. Amending the Remaining Cost Estimate is an essential step in this process.

I understand that September 26, 2014 is now the date of SON and Hydro One's next meeting. I look forward to meeting you in person.

Yours truly,

Joselyn Keeshig



Interim Office Coordinator
Saugeen Ojibway Nation
Environment Office

SON – Estimated Budget #2 under June 18, 2012 Funding Letter

For ease of reference:

“Actual Deficit Costs” means the difference between the estimated costs in Appendix A of the June 18, 2012 Funding Letter Agreement and the costs actually incurred by the SON and its third party advisors in respect of the Transaction, up to April 30, 2014, for the completion of the key elements of the Closing Agenda, the reasonableness of which have been reviewed and accepted by Hydro One. *The Actual Deficit Costs do not presently include costs associated with the 8th reimbursement request and will be updated once the latter has been reviewed and accepted by Hydro One.*

“Estimated Remaining Costs” means SON’s estimate of its costs and those of its third party advisors in respect of the Transaction from May 1, 2014 and until closing of the Transaction.

Actual Deficit Costs

SON Costs (includes financial advisor)	\$80,921.41
Pape Salter & Teillet LLP	\$360,238.55
McMillan LLP	\$322,432.40
Total Actual Deficit Costs	\$763,592.36

Estimated Remaining Costs

SON Cost Estimate	\$167,000.00
<ul style="list-style-type: none"> • SON JT Council and SON JT WG Team (\$30,000.00) • SON BO Coordinator and SON JT Administration (\$40,000.00) • Community workshops and consultation (\$30,000) • SON Financial Advisor (\$60,000.00) • SON Financial Corporation (\$7,000) 	
Pape Salter & Teillet LLP Cost Estimate	\$175,000.00
<ul style="list-style-type: none"> • Conduct of community workshops and consultations • Assist in the negotiation and finalization of all Loan, Intercreditor and Guarantee Agreements • Interface with the Ontario Government and the Ontario Finance Authority in respect of the transaction and the guarantee; 	

Appendix B Hydro One's Employee Business Expense Policy Summary

Funding Type	Definition/Direction	Maximum Payment
Accommodations	<p>Reimbursement will be made for single accommodation in a standard room. There will be no reimbursement for hotel suites, executive floors or concierge levels when traveling.</p>	<p>The federal online accommodation directory which provides information on service providers offering government rates should be used.</p> <p>http://rehelv-acrd.tpsgc-pwgsc.gc.ca/rechercher-search-eng.aspx</p>
Travel	<p>Air travel Is permitted if it is the most practical and economical way to travel. Economy (coach) class is the standard option for ticket purchase.</p> <p>Vehicle Choosing the Appropriate Vehicle When road transportation is the most practical, economical way to travel, the order of preference is:</p> <ul style="list-style-type: none"> • rental vehicle • personal vehicle, if it is more economical than a rental vehicle <p>Hydro One will assume no financial responsibility for the use of your own vehicle other than paying the km rate.</p> <p><u>Rental Vehicle</u> When renting a vehicle, a compact model or its equivalent is required. Any exceptions must be:</p> <ul style="list-style-type: none"> - documented and approved prior to the rental if possible; and - guided by the principle that the rental vehicle is the most economical and practical size, taking into account the business purpose, number of occupants and safety (including weather) considerations. <p><u>Personal Vehicle</u> Reimbursement and Rates recoverable expenses for mileage may be reimbursed at the rate of \$0.40/km</p>	<p>Fight is to be most economical.</p> <p>Rental vehicles should also be selected from the preferred list.</p> <p>http://rehelv-acrd.tpsgc-pwgsc.gc.ca/rechercher-search-eng.aspx</p> <p>Mileage to be reimbursed at \$0.40/km</p>

<ul style="list-style-type: none">• Prepare for and participate in all regulatory processes• Conduct/administration of Transaction Closing• Assist in the set up and on going administration of the SON Finance Corporation as it takes up its role as Limited Partner• Present to Joint Council regarding all of the above and seek approvals where required.• Such other matters as are required.	
McMillan LLP Cost Estimate	\$150,000.00
<ul style="list-style-type: none">• Conduct of community workshops and consultations• 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	\$400,000.00
Legal Fees Incurred by Bank for Financing	\$200,000.00
Total Estimated Remaining Costs	\$1,092,000.00

Appendix B
Hydro One's Employee Business Expense Policy Summary

NOTES:	<p>Claimants must submit original itemized receipt with all claims (credit card slips are not sufficient)</p> <p>For amounts greater than \$30.00, accordingly the GST/HST requirements request that the claimant provide the receipts with the vendor's GST/HST registration number and GST/HST amount, where reasonably available.</p> <p>The rules and principles governing travel, meals and hospitality reflect the Ontario Public Service Travel, Meal and Hospitality Expenses Directive. The objective of the directive is to ensure that such expenses are modest, appropriate and strike a balance among economy, health and safety, and efficiency of operations. Ontario Public Service directive can be located at the following link.</p> <p>https://www.ontario.ca/government/travel-meal-and-hospitality-expenses-directive-2010</p>
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Appendix B
Hydro One's Employee Business Expense Policy Summary

	<p><u>Parking and Tolls</u> Reimbursement is provided for necessary and reasonable expenditures on parking, as well as tolls for bridges, ferries and highways, when driving on Hydro One business. Valet parking will not be reimbursed</p>							
<p>Meals</p>	<p>Reasonable and appropriate meal expenses may be reimbursed. You may incur a meal expense when you are on Hydro One business and you submit the following:</p> <p>Original, itemized receipts are required and reimbursement must not exceed the actual amount spent. Taxes and gratuities are included in the meal rates. Reimbursement is for restaurant/prepared food only. Reimbursement will not be provided for meals consumed at home or included in the cost of transportation, accommodation, seminars or conferences.</p> <p>Alcohol cannot be claimed and will not be reimbursed as part of a travel or meal expense. There are no exceptions to this rule.</p> <p>Reimbursement for meal expenses incurred during Hydro One business is subject to the maximum rates set out in the chart. These rates include taxes and gratuities</p>	<p align="center">Meal Rates -Maximum Amount</p> <table> <tr> <td>breakfast</td> <td align="right">\$8.75</td> </tr> <tr> <td>lunch</td> <td align="right">\$11.25</td> </tr> <tr> <td>dinner</td> <td align="right">\$20.00</td> </tr> </table>	breakfast	\$8.75	lunch	\$11.25	dinner	\$20.00
breakfast	\$8.75							
lunch	\$11.25							
dinner	\$20.00							
<p>Tips/Gratuities</p>	<p>You may be reimbursed for reasonable gratuities for porter, hotel room services, and taxis. Keep a record of gratuities paid.</p> <p>Examples of reasonable amounts for gratuities include:</p> <ul style="list-style-type: none"> - 10%-15% on a restaurant meal - 10% on a taxi fare -\$2-\$5 for housekeeping for up to two nights in a hotel, up to \$10 for a longer stay -\$2-\$5 per bag for a porter 							
<p>Non-Reimbursable items (non-exclusive list) :</p>	<ul style="list-style-type: none"> • Internet /wireless services • Telephone and cell phone services • Individual office supplies i.e. printing, paper, ink, pens • Office supply rental equipment i.e. printers • Utility bills i.e. Hydro bills, water and sanitation fees, garage and recycling 							

