

July 31, 2012

**RESS, EMAIL AND COURIER**

Ontario Energy Board  
2300 Yonge Street  
27th Floor  
Toronto, ON M4P 1E4

Attention: Ms. K. Walli, Board Secretary

Dear Ms. Walli,

**Re: EB-2011-0140 -- East-West Tie Designation Proceeding -- Compliance with Board Phase 1 Decision and Order**

Further to the Phase 1 Decision and Order in the above noted proceeding, EWT LP is writing to confirm its compliance with the Board's directions to EWT LP regarding the separation between EWT LP and Hydro One Networks Inc. ("**HONI**").

In its decision, the Board expressed the concern that if HONI and EWT LP continue to share employees in Phase 2 of this proceeding, the existing protocols would not provide adequate protection against inadvertent sharing or disclosure of information between HONI and EWT LP. Accordingly, the Board requires EWT LP to make arrangements to ensure "that no individual will be performing work concurrently for HONI and EWT LP" during Phase 2 of this proceeding.

With respect to this direction, EWT LP confirms that, as of the effective date of the Board's direction and for the duration of Phase 2 of the designation proceeding, no HONI employee will participate or be involved in any manner whatsoever in the preparation of EWT LP's designation plan, in the administration of Hydro One Inc.'s partnership interest in EWT LP or in the management or operations of EWT LP. To this end, we have been advised that Mssrs. Marcello, Penstone and Struthers have resigned from the EWT LP management team and from any officer or director position of EWT LP's general partner and will have no further dealings in any manner with EWT LP for the duration of the Phase 2 process. In addition, those HONI employees previously identified in the designation proceeding as being involved in EWT LP's designation application are no longer participating in EWT LP matters in any manner. The existing HONI protocols will continue to apply to these individuals, isolating them from the East-West Tie process. Enclosed is a letter from Hydro One Inc. confirming these arrangements.

EWT LP notes that Hydro One Inc., not HONI, currently holds one third of the outstanding limited partnership interest in EWT LP. As such, in respect of its partnership interest in EWT LP, Michael J. Mueller, an independent director of Hydro One Inc., will be responsible for the management of Hydro One Inc.'s business interests in EWT LP. This will include reviewing and approving EWT LP's development plan prior to filing, administering Hydro One Inc.'s partnership interest in EWT LP and reporting to the Hydro One Inc. Board of Directors on matters related to the foregoing. Mr. Mueller is neither a HONI nor a Hydro One Inc. employee. Mr. Mueller will continue to carry on his duties as a director of Hydro One Inc., except with respect to any HONI matters that relate to the East-West Tie and this proceeding that may arise before the Hydro One Inc. Board of Directors, at which time Mr. Mueller will recuse himself from that aspect of any Board meeting and not be apprised of any related documentation. Mr. Mueller is sufficiently separate from HONI to avoid any inadvertent disclosure of relevant information. Furthermore, Mr. Mueller does not have and will not have an office in a HONI location or building and will not carry out any activities in respect of EWT LP or the designation proceeding in those locations. The enclosed letter from Hydro One Inc.'s solicitor of record confirms these arrangements and attaches a copy of Mr. Mueller's bio.

EWT LP understands that Hydro One Inc. will continue to receive legal advice from the law firm of Osler, Hoskin & Harcourt LP, in particular from Gordon Nettleton, who is solicitor of record for Hydro One Inc. in these proceedings, and from Rocco Sebastiano, who will continue to advise on the administration of Hydro One Inc.'s partnership interest in EWT LP.

We trust that this letter is satisfactory confirmation of EWT LP's interpretation and compliance with the Board's direction, as noted above. Should you have any questions or concerns, please contact the undersigned or EWT LP's legal counsel, Charles Keizer.

Yours truly,

A handwritten signature in cursive script, appearing to read "A. Andrew McPhee".

Andy McPhee  
EWT LP

Enclosures

**Hydro One Inc.**  
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Toronto, Ontario M5G 2P5  
www.HydroOne.com

Tel: (416) 345 6306  
Fax: (416) 345 6054

**Laura Formosa**  
President & CEO



July 27, 2012

**EMAIL AND COURIER**

EWT LP  
181 Bay Street Suite 300  
Toronto, ON M5J 2T3

Attention: Mr. Andy McPhee

Dear Mr. McPhee,

**Re: Hydro One Inc. Management Changes To Comply with Ontario Energy Board Phase 1 Decision and Order in EB-2011-0140 – East West Tie Designation Proceeding**

Hydro One Inc. (“**Hydro One**”) is writing to advise EWT LP of internal changes it is making related to the above noted Decision and Order and required separation between EWT LP and Hydro One Networks Inc. (“**HONI**”) during Phase 2 of the OEB proceeding.

In its decision, the Board expressed the concern that if HONI and EWT LP continue to share employees in Phase 2 of this proceeding, the existing protocols Hydro One has in place would not provide adequate protection against inadvertent sharing or disclosure of information between HONI and EWT LP. Accordingly, the Board requires EWT LP to make arrangements to ensure “that no individual will be performing work concurrently for HONI and EWT LP” during Phase 2 of this proceeding.

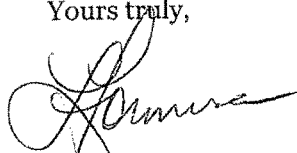
In view of these circumstances, Hydro One confirms that, as of the effective date of the Board’s direction and for the duration of Phase 2 of the designation proceeding, no HONI employee will participate or be involved in any manner whatsoever in the preparation of EWT LP’s designation plan, in the administration of Hydro One’s partnership interest in EWT LP or in the management or operations of EWT LP. To this end, we hereby advise and confirm that effective immediately, Messrs. Marcello, Penstone and Struthers are officially resigning from the EWT LP management team, and any officer or director position of EWT Inc. and will have no further dealings in any manner with EWT LP for the duration of the Phase 2 process. In addition, those HONI employees previously identified in this OEB process as being involved in EWT LP’s designation application are no longer participating in EWT LP matters in any manner. The existing Hydro One protocols will continue to apply to these individuals, isolating them from the East -West Tie process.

Hydro One will advise EWT LP within the time limits described in the OEB Decision and Order of the manner and representative(s) it will use for the continued management of Hydro One’s interest in EWT LP during the Phase 2 process. Hydro One will continue to receive legal advice from the

law firm of Osler, Hoskin & Harcourt LP, in particular Gordon Nettleton, who is solicitor of record for Hydro One Inc. in these proceedings, and Rocco Sebastiano, who will continue to advise on the administration of Hydro One's partnership interest in EWT LP.

We trust the foregoing is satisfactory.

Yours truly,

A handwritten signature in black ink, appearing to read "L. Formusa", written in a cursive style.

Laura Formusa  
President & CEO  
Hydro One Inc.

Osler, Hoskin & Harcourt LLP  
Suite 2500, TransCanada Tower  
450 1st Street S.W.  
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OSLER

Calgary

Toronto

Montréal

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New York

July 31, 2012

Gordon M. Nettleton  
Direct Dial: 403.260.7047  
gnettleton@osler.com  
Our Matter Number: 1131253

**BY ELECTRONIC MAIL AND COURIER**

EWT LP  
181 Bay Street, Suite 300  
Toronto ON M5J 2T3

Attention: Mr. Andy McPhee

Dear Mr. McPhee:

**EB-2011-0140--Board Decision and Order in Phase 1 of the East-West Tie  
Designation Proceeding ("Phase 1")**

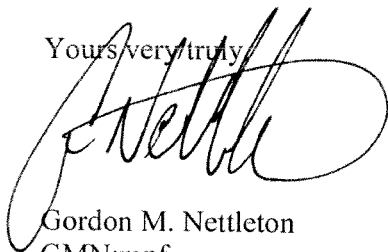
Further to the Board's Phase 1 Decision and Order, and on behalf of Hydro One Inc., I am writing to confirm the arrangements Hydro One Inc. has put in place with respect to the administration of its partnership interest in EWT LP and its involvement in the preparation of EWT LP's development plan.

Hydro One Inc. holds one third of the outstanding limited partnership interest in EWT LP. As such, in respect of its partnership interest in EWT LP, Michael J. Mueller, an independent director of Hydro One Inc., will be responsible for the management of Hydro One Inc.'s business interests in EWT LP. This will include reviewing and approving EWT LP's development plan prior to filing, administering Hydro One Inc.'s partnership interest in EWT LP and reporting to the Hydro One Inc. Board of Directors on matters related to the foregoing. Michael J. Mueller is neither a HONI nor a Hydro One Inc. employee. Michael J. Mueller will continue to carry on his duties as a director of Hydro One Inc., except with respect to any HONI matters that relate to the East-West Tie and this proceeding that may arise before the Hydro One Inc. Board of Directors, at which time Michael J. Mueller will recuse himself from that aspect of the Board meeting and not be apprised of any related documentation. It is Hydro One Inc.'s belief that Michael J. Mueller is sufficiently separate from HONI to avoid any inadvertent disclosure of relevant information. The Bio of Michael J. Mueller is attached to this letter.

Furthermore, Michael J. Mueller does not have and will not have an office in a HONI location or building and will not carry out any activities in respect of EWT LP or designation proceeding in those locations.

Hydro One Inc. will continue to receive legal advice from me, as its solicitor of record in the designation proceeding.

Yours/very truly

A handwritten signature in black ink, appearing to read "G. Nettleton", written over the typed name below.

Gordon M. Nettleton  
GMN:mpf

Michael J. Mueller is a former Global leader of PricewaterhouseCoopers' (PwC) Private Company Services/Middle Market Practice and a former member of PwC's Global Audit Leadership Team, Global Advisory Leadership Team and the Global Markets Council. Prior to his retirement from PwC in July 2007, his previous positions with the firm also included National Managing Partner for Canada and Senior Relationship partner for a number of the firm's most significant clients. He is also a Chartered Accountant, and a Chartered Business Valuator. Until 2009, he was a Certified Insolvency Practitioner. In December 2008, Mr. Mueller was appointed to the Ontario Economic Advisory Panel by the Minister of Finance of Ontario and in July 2010 was appointed as a member of the Board of Directors of SMART Technologies Inc. Mr. Mueller's past community involvement includes: member of the Board of Governors of the Stratford, Shakespearean Festival Canada; President of the Windsor Symphony Society; President, Better Business Bureau of Windsor and Essex Counties; and is a current Director of the Windsor-Essex Economic Development Commission, Chair of the Odette School of Business, University of Windsor and a member of Caesars Windsor, Compliance Committee. He has been a Director of our company since March 30, 2007.