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July 21, 2015

The Honourable Bob Chiarelli
Minister of Energy
4th Floor, Hearst Block
900 Bay Street
Toronto, ON
M7A 2E1

Subject: Hydro One Initial Public Offering

Dear Minister,

The purpose of this letter is to provide you with an interim report regarding the selection process for the active bookrunners for the Initial Public Offering (IPO) of Hydro One. You have asked me to review the proposed IPO plan, observe the proposal and presentation processes and provide advice regarding the fairness and transparency of the procurement process. This report is intended to convey my conclusions on the work completed to date, more specifically the important step of selecting the active bookrunners for the IPO. I plan to report further to you at the completion of the next stage, i.e., the selection of the full underwriting syndicate.

Summary of work completed to date

As you know, the Restructuring Secretariat has designed and implemented a process for the selection of the active bookrunners for the IPO, which included the formation of a Selection Panel to review and assess the submissions by the eight proponents which had been invited to participate. The Selection Panel has now recommended that Royal Bank of Canada be selected as the Lead Active Bookrunner and that Bank of Nova Scotia act as an Active Bookrunner. The next phase, i.e. the selection of the full underwriting syndicate, will be completed in the coming weeks and will be covered in a separate report.

The work which I have carried out so far on your behalf as process advisor included, among others, the following:

- Review of the proposed IPO process and selection criteria;
- Inquiries directed at the Ministry, the Restructuring Secretariat, legal counsel and others;
- Providing advice from time to time, as requested by any of the above;
- Participating, with legal counsel, in discussions with bidding firms;
- Reviewing proposals from bidding firms and attending certain presentations;
- Observing the deliberations of the Selection Panel and reviewing the documentation of the Panel's work

Conclusions

On the basis of the work just described, I have concluded that the process for the selection of the active bookrunners among the invited firms was a fair process and was carried out in a fair and professional manner. The process and the evaluation criteria were communicated to the proponents in a clear manner and responses to queries from firms were shared with all other firms. The evaluations carried out by the Selection Panel were thorough and their deliberations have led to a clear consensus on the firms to be recommended.

Care was taken to ensure there were no conflict of interest issues and possible concerns about the objectivity of the Selection Panel were handled promptly and seriously.

Finally, I can report that I received full cooperation from all officials with whom I interacted in the course of my work, i.e., representatives of the Ministry and the Restructuring Secretariat, and their advisors.

I would be pleased to provide you with further details on this report should you so request.

Yours respectfully,

A handwritten signature in dark ink, appearing to read "L. Denis Desautels", with a stylized flourish at the end.