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PC: Denis Desautels
provides report on
selection process for
members of syndicate
formed for H1 IPO.

L. Denis Desautels OC, FCA

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October 23, 2015

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

S- H1



Subject: Hydro One Initial Public Offering

Dear Minister,

The purpose of this letter is to provide you with a report regarding the selection process for members of the syndicate formed for the Initial Public Offering (IPO) of Hydro One. This follows my earlier report to you on the selection process for the active bookrunners for the IPO. You have asked me to review the proposed IPO plan, observe the processes followed for the selection of the firms to be involved in the IPO as well as the roles assigned to each, and the sharing of the fees within the agreed fee structure. This report would be my final report to you on the part of my mandate relating to the procurement process for the Hydro One IPO.

Summary of work completed for syndicate selection

Following consultations with different partners, including myself, the Restructuring Secretariat designed and implemented a process for the selection of the firms which would be included in the IPO syndicate. That process provided for invitations to a significant number of firms (44 Canadian investment banks) to express their interest in participating in the IPO and to provide information to the Secretariat to complement the publicly available information on each firm that had been gathered by the lead bookrunners, i.e., RBC Capital Markets and Scotiabank. A selection panel was assembled to make recommendations on a syndicate structure and on the remuneration of each of the participating investment banks. Given the number of institutions which expressed an interest and the time constraints, it was judged impractical to meet with each one, as was done for the selection of the active bookrunners. Therefore, the Selection Committee relied primarily on an analysis of the capabilities and experience of the participating firms prepared by the Secretariat from all information collected, complemented by members' own familiarity with each firm. After independently completing their evaluations, the Selection Committee met in my presence on August 17, 2015 to arrive at a final syndicate structure and recommendation.

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

- Discussions with the Restructuring Secretariat on the syndicate selection process;
- Providing advice to the Secretariat on the syndicate selection process;
- Reviewing invitation letters to investment banks;

- Reviewing the material prepared for the Selection Panel after receipt of responses from investment banks;
- Observing the deliberations of the Selection Panel;
- Reviewing the documentation of the work of the Secretariat and of the Panel to assess its accuracy and completeness.

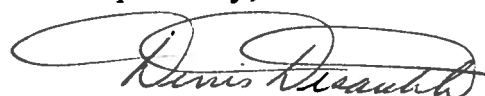
Conclusions

On the basis of the work just described, I have concluded that the process followed for the selection of the members of the IPO syndicate and for determining the structure of the syndicate was a fair process and was carried out in a fair and professional manner. The process was explained to the firms which might be interested in a clear manner and there was no deviation from that process by the Secretariat. The evaluation of the firm's capabilities by Selection Panel members was carried out in a thorough and objective manner and their deliberations have led to a clear consensus on the preferred syndicate structure.

No conflict of interest issues were identified, whether in relation to members of the Selection Committee or members of the syndicate. 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 Restructuring Secretariat and Hydro One, 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 "Denis Desautels", is written over a horizontal line.