

Board Staff Interrogatories

**Application by 1798594 Ontario Inc. (NewCo) for a distribution
licence;**

**Applications by Toronto Hydro Energy Services Inc. (THESI) for leave
to sell streetlighting assets; and**

**Application by Toronto Hydro-Electric System Limited (THESL) and
1798594 Ontario Inc. for leave to amalgamate**

EB-2009-0180, EB-2009-0181, EB-2009-0182 and EB-2009-0183

Ref: Tab 1, Cover Letter, Page 2.

The letter states in part "...The Applications do not make any submissions or representations in respect of other regions in the Province of Ontario"

Is it the applicants' position that the construction, design and operation of the streetlighting system in the City of Toronto are different than those in other similar urban areas in the Province of Ontario? If yes, please explain the differences.

1. Ref: Tab 2, NewCo's Application for an Electricity Distribution Licence, Section 9, Page 7.

The applicant states "...For more than 80 years, the streetlighting system was designed and installed as part of an integrated distribution system for the City of Toronto, with no provision being made for definitive demarcation points to effectively separate THESL distribution assets from the streetlighting system..."

Is it the applicant's position that the assets associated with the streetlighting system in the City of Toronto meet the definition of the distribution system as defined in the *Ontario Energy Board Act, 1998*?

2. Ref: Tab 2, NewCo's Application for an Electricity Distribution Licence, Section 19 (a), Page 20.

The applicant states "...NewTHESL can further enhance access by streamlining various different technical and administrative standards as between the streetlighting system and the currently licensed distribution system..."

(a) Please provide an overview of the differences in technical standards between the streetlighting system and the distribution system.

(b) Please provide an overview of the differences in technical standards between a streetlighting system owned and operated by an electricity distributor and a streetlighting system owned and operated by an entity other than an electricity distributor.

3. Ref: Tab 3, NewCo and THESL's Application for Leave to Amalgamate, Section 1.1.1. Page 1. and Section 1.3.4, Page 4.

NewCo and THESL request to cancel THESL's existing electricity distribution licence and request that the Board issue a new licence to the amalgamated entity under the same name "Toronto Hydro-Electric System Limited" and with the same service area. No application form for a new electricity distribution licence for the amalgamated entity has been filed.

- (a) Since the proposed amalgamation does not affect THESL's electricity distribution licence (i.e. the amalgamated entity will operate under the same name in the same service area), can the applicants provide reasons for their request to cancel the existing THESL licence and request a new distribution licence under the same name and with the same service area? If there are no reasons, do the applicants wish to withdraw these requests?
- (b) If the applicants wish to continue with the requests above and the Board grants the applicants leave to amalgamate, can the applicants confirm that the amalgamated entity will file an application form for a new distribution licence?

4. Ref: Tab 3, NewCo and THESL's Application for Leave to Amalgamate, Section 1.6.8, Page 12.

- (a) Would NewTHESL continue to bill the Streetlighting class on the basis of "\$ / connection" and "\$ / kVA" only, and if so, please provide an estimate of how much those rates and charges would increase?
- (b) Alternatively, would NewTHESL include additional monthly charges and/or obtain lump-sum payments from the Streetlighting customer(s) to recover the additional cost, and if so how would those rates and/or payments be established?

5. Ref: Tab 5, Affidavit of J.S. Couillard, Paragraph 40. (c), Page 12.

The affidavit states in part "...modern principles of cost allocation and the separation of rate class will ensure that the remainder of the LDC system will remain unaffected by the reuniting of ownership."

- (a) Does NewTHESL intend to accomplish this objective by increasing its use of direct allocation in the cost allocation model? If so, please provide details.
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- (b) If NewTHESL were to use direct allocation of operating cost and balance sheet accounts to the Streetlighting class, which accounts in the Uniform System of Accounts would be the main ones allocated to that class?
- (c) In addition to or instead of direct allocation, does NewTHESL intend to accomplish its objective of keeping the remainder of the system unaffected by altering the allocation factor for any operating costs and/or assets? If so, which accounts (or groups of accounts) would likely be the main ones affected, and by approximately how much would the share allocated to the Streetlight class be increased compared to the share currently allocated by THESL?

6. Ref: Tab 5, Exhibit L, Excerpt of Ontario Hydro Municipal Service Guide – Regulation of Municipal Utilities, Section 3.2 at page 4 dated May 1, 1985.
Please provide a complete copy of the Ontario Hydro Municipal Service Guide – Regulation of Municipal Utilities dated May 1, 1985.

7. Ref: Tab 6, Affidavit of B. LaPianta, Paragraph 14, Page 5.

Does the information in this paragraph indicate that the streetlighting system is now providing service to some unmetered scattered load customers (i.e. the bullets in the list other than the first one)? If that is the case and the streetlighting system and the distribution system were combined, would additional costs be allocated to the unmetered scattered load customers compared to the status quo? If so, approximately how much additional cost would be allocated to the unmetered scattered load customers?

8. Ref: Tab 7, Asset Purchase Agreement, Section 8.1(a), Page 12.

The above referenced section states in part "...if required by the OEB, the OEB shall have approved the transfer of the Purchased Assets to the Purchaser"

Is it the applicants' position that leave of the Board may not be required to transfer the streetlighting assets from THESI to NewCo as sections 86(1)(a) and (b) apply to transmitters and distributors only and THESI is neither a distributor nor a transmitter?

- (a) If so, please confirm this understanding.
 - (b) If not, please clarify the referenced statement.
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9. Ref: Tab 7, Asset Purchase Agreement, Schedule 5.8 (Legal and Regulatory Proceeding), Pages 20-21

- (a) In addition to the legal and regulatory proceedings listed on this schedule, please provide a list of all claims made to THESL in respect of damage or injury related to the streetlighting assets?
- (b) Has THESI or THESL received any claims for contact voltage in addition to those listed in the above referenced document?
- (c) Have the Applicants considered how NewTHESL would allocate the cost of legal claims to customer classes? Would they be allocated by direct allocation to the Streetlight class, and hence not at all to other classes?
- (d) In summary, would those electricity customers currently served by THESL incur additional costs associated with the legal proceedings and claims related to the streetlighting assets with NewTHESL than they would have under the status quo?

10. Ref: Tab 17, NewTHESL 2010 Pro Forma Financial Statements

- (a) For ease of reference, please provide for the record of this proceeding a copy of the 2010 pro forma financial statements in THESL's distribution rate application EB-2009-0139/ Exhibit B1/ Tab 7/ Schedule 1.
 - (b) Please provide an overview of the financial outlook of THESL (i.e. if it were to operate as a stand alone utility) compared to the outlook after the proposed amalgamation with NewCo.
 - (c) Please provide an explanation of why the stand-alone utility is forecast to have net income of \$73.3 million in 2010 whereas the amalgamated entity is forecast to have net income of \$67.8 million.
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