



PUBLIC INTEREST ADVOCACY CENTRE
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ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7
Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. <http://www.piac.ca>

September 11, 2009

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Ms. Walli

Re: EB-2009-0180, EB-2009-0181, EB-2009-0182, EB-2009-0183
Application by 1798594 Ontario Inc. for a distribution licence;
Applications by Toronto Hydro Energy Services Inc. and
1798594 Ontario Inc. for leave to sell street lighting assets; and
Application by Toronto Hydro-Electric System Limited and
1798594 Ontario Inc. for leave to amalgamate

Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

As Counsel to the Vulnerable Energy Consumer's Coalition (VECC), I hereby enclose our Interrogatories to the Applicants.

Yours truly,

Original signed

Michael Buonaguro
Counsel for VECC

Cc: Toronto Hydro Energy System Limited
J. Mark Rodger Counsel

Toronto Hydro Corporations and its Subsidiaries

Application by 1798594 Ontario Inc for a Distribution Licence

**Application By Toronto Hydro Electric System Inc and 1798594 Ontario Inc.
for leave to sell Streetlighting assets: and**

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

OEB File Nos.: EB-2009-0180, EB-2009-0181, EB-2009-0182, EB-2009-0183.

Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

VECC Question #1

Reference: Cover Letter and Transaction Diagram

- a) As an alternative to the transfer of SEL assets from THESI and Integration of assets and operations with Distribution assets and operations, why could THC/THESL not seek permission of the OEB to operate a non-utility business (SEL) under a Service Agreement with the City or THESI. Explain in detail why this would not achieve the same/similar purpose.
- b) Provide *segregated* Pro forma statements for the Streetlighting and Expressway Lighting Business for 2008 and projected (8 and 4) 2009
- c) Provide estimates of the Return on Capital Deployed and the Return on shareholders' equity for the SEL business for 2008 and projected 2009.

VECC Question #2

Reference Cover Letter Page 3

Preamble

Our clients submit that incorporating the Streetlighting System within a single distribution utility will result in enhanced safety, increased efficiencies and reliability and the prevention of unauthorized access to street lighting infrastructure. Furthermore, when considering the contribution associated with the service contract negotiated with the City of Toronto in 2005 as part of the acquisition of the assets, the impact on rates for all customer classes is minimal.

- a) provide Copies of all Service Level Agreements between The City and THESI and THESI and THESL that contain reference to Streetlighting assets and/or services.
- b) Provide full details of the contribution associated with the service contract(s)

VECC Question #3

Reference: B Tab 5 Affidavit of Mr. Couillard Paragraph 37

- a) If there is no clear demarcation between Distribution and Streetlighting assets how were/are the streetlighting assets defined
 - i. At the transfer to THESI
 - ii. At the proposed transfer to 1798594 Ontario Inc. and to THESL
- b) Provide a schedule with a complete list and value (original cost and net book value) for approximately \$60 million in net assets transferred to THESI
- c) Provide a schedule with a complete list and value (original cost and net book value) for net assets proposed to be transferred to 1798594 Ontario Inc. and to THESL.
- d) Identify and provide detailed explanations of any assets listed in the answer to parts b) and c) that could be considered distribution rather than streetlighting.
- e) Provide any regulatory definitions (including Ontario Hydro) that delineate street lighting from distribution assets and operations.

VECC Question #4

Reference B Tab 5 Affidavit of Mr. Couillard Paragraph 39

- a) Explain in detail why separation of distribution assets and operations from non distribution business activities is not a requirement of the Act
- b) Explain why separation of distribution business is not a requirement of the Affiliate Relations Code. Cite specific clauses and sub clause to support your answer(s)
- c) Why does being under Incentive Regulation change the requirements for separation of distribution and non-utility businesses, assets and operations. Explain in detail with reference to the Act and Codes, including specific cites to the governing documents.

VECC Question #5

Reference B Tab 5 Affidavit of Mr. Couillard Exhibit N

- a) provide copies of all correspondence between Ontario Hydro and the City and THESL (or their predecessors) regarding Streetlighting (including Expressway Lighting
- b) Provide a timeline showing the interaction between the City and /or the electric utility (or predecessors) and Ontario Hydro.
- c) Provide any correspondence between the City and or the Electric Utility (Or predecessors) regarding streetlighting and or Expressway Lighting and
 - i. The provincial government
 - ii. The Ontario Energy Board

- d) Confirm/correct the Following
 - i. Prior to amalgamation streetlighting was owned/operated by the 6 municipalities and/or Metro
 - ii. Expressway Lighting (provide breakdown by system) was owned/operated by Metro
- e) Were all the Streetlighting systems separated from the THESL predecessor utilities at the time of amalgamation? Provide a short synopsis.
- f) At amalgamation in 1998 provide the breakdown of the net valuations of streetlights and expressway lighting transferred from each of the predecessor municipalities and Metro

VECC Question #6

Reference B Tab 6 Affidavit of Mr. La Planta Paragraph 5 and Exhibit A

- a) List the main assets and loads connected to distribution on Streets/Boulevards and Expressways and for each identify ownership (municipal, private etc.) and the end use class
- b) Explain why Streetlight assets and loads are different to other assets listed in the answer to part a)
- c) List all the reasons why THESL (or its successor), as opposed to an affiliate or third party should provide streetlighting service for the City of Toronto. Include all key business and economic reasons.
- d) Provide a list of Ontario jurisdictions where
 - i. streetlighting assets are owned by the regulated utility (wires company)
 - ii. streetlighting service is provided by the regulated electric/wires company
- e) List Ontario jurisdictions where the municipal streetlighting service is provided by:
 - i. The regulated electric utility
 - ii. A non-regulated affiliate of the electric utility
 - iii. A third party contracted to the municipality

VECC Question #7

Reference C Tab 7 Transaction Documents Asset Purchase Agreement THESI and Newco and Schedule 2.1 a

- a) Provide a list of SL assets by Ward (44) and Expressway Location (Schedule 2.1 a) and value (original cost and net book value)

- b) Provide aggregate annual continuity schedules for all streetlighting and (Separately) expressway lighting assets from the date of amalgamation of the City of Toronto In 1998 to the present.
 - i. Opening Balance
 - ii. capital additions
 - iii. Retirements
 - iv. Depreciation.
 - v. Closing Balance
 - vi. Indicate Ownership of assets at year end and note any transfers by date of transfer
- b. Provide a detailed list and valuation of the items listed in Paragraph 2.2 b-e inclusive of the Agreement
- c. Provide a copy of Schedule 1.1 or alternatively a listing of SEL employees by position (#) and for each group the average total compensation (regular pay, overtime and benefits) for 2009 and projected for 2010
- d. Provide a Summary schedule that shows THESL Total Compensation for 2009 and projected 2010 by Employee group with three columns for each year
 - i. Electric Distribution Employees
 - ii. Streetlighting and Expressway Lighting Employees
 - iii. Total Post Merger Employees.
- e. Provide details of the OMERS Pension Liabilities for each of THESL and SEL Employees
- f. Provide a list of all third party contracts related to SEL supply and services together with the approximate value, the expiry date and whether each may be renewed without tender.

VECC Question #8

Reference C Tab 7 Transaction Documents Asset Purchase Agreement THESI and Newco and Schedule 5.8 and Affidavit of Mr. Laplanta

- a) Provide an updated status of the legal/damage claims against THESI in Schedule 5.8
- b) Does THESI have comprehensive insurance against such claims? Provide details.
- c) Provide an estimate of the residual liability (range of costs)
- d) With regard to the recent Level III emergency provide a list and status report of Claims against THESI and (separately) THESL.
- e) Does THESI have comprehensive insurance against such claims? Provide details.

- f) Provide an estimate of the residual liability (range of costs)
- g) Will THESI's insurer continue to cover the claims if and when THESL assumes ownership of SEL?

VECC Question #9

Reference: Tab E Tab 15 Financial Documents

- a) For THC and or THESL provide copies of the latest Bond rating agency report(s) and in particular, the latest pro forma 5- year outlook for THC and THESL
- b) If not included in the above, provide a 5 year pro forma Income, Balance sheet and Cash Flow projection for THESL in the same format as the Newco Business Plan
- c) Compare the standalone pro formas for THESL and Newco on a line by line basis and provide comprehensive notes
- d) Provide any correspondence with the Bond/debt rating agencies regarding the proposed transfer of SEL assets and amalgamation
- e) Provide an assessment of how THESL/Newco's Business Risk may change as a result of the transfer/amalgamation
- f) Provide a 5 year projection of capital and borrowing for THESL distribution business
- g) Provide a 5 year projection of the capital and borrowing for THESL if SEL is included

VECC Question #10

Reference: EB-2009-0243 Recovery of Remediation Costs for Contact Voltage Level III Emergency

- a) To avoid VECC asking the same questions again, please provide for the record of this proceeding a copy of THESL's evidence and interrogatory responses to VECC from application EB-2009-0243.