

**EB-2009-0180**  
**EB-2009-0181**  
**EB-2009-0182**  
**EB-2009-0183**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Schedule B;

**AND IN THE MATTER OF** an application pursuant to section 60 of the *Ontario Energy Board Act, 1998* by 1798594 Ontario Inc. seeking an electricity distribution licence;

**AND IN THE MATTER OF** an application pursuant to section 86(1)(a) of the *Ontario Energy Board Act, 1998* by Toronto Hydro Energy Services Inc. seeking an order granting leave to sell streetlighting assets as an entirety or substantially as an entirety to 1798594 Ontario Inc.;

**AND IN THE MATTER OF** an application pursuant to section 86(1)(b) of the *Ontario Energy Board Act, 1998* by Toronto Hydro Energy Services Inc. seeking an order granting leave to sell streetlighting assets necessary in serving the public to 1798594 Ontario Inc.;

**AND IN THE MATTER OF** an application pursuant to section 86(1)(c) by Toronto Hydro-Electric System Limited and 1798594 Ontario Inc. seeking leave to amalgamate;

**AND IN THE MATTER OF** a request pursuant to section 77(5) of the *Ontario Energy Board Act, 1998* by 1798594 Ontario Inc. and Toronto Hydro-Electric System Limited seeking the cancellation of their distribution licences.

**AND IN THE MATTER OF** an application pursuant to section 60 of the *Ontario Energy Board Act, 1998* by Toronto Hydro-Electric System Limited for an electricity distribution licence.

Interrogatories

of the

**School Energy Coalition**

The following are the interrogatories of the School Energy Coalition to the Applicants in this proceeding:

1. Ref. Corporate and Regulatory Steps:
  - (a) Please explain the purpose of NewCo. Why is it necessary to incorporate a new company, transfer the assets of THESI to the new company, and then merge the new company with THESL? Why not just transfer the assets of THESI to THESL and/or amalgamate THESI and THESL?
2. Under both the existing and proposed ownership model, the City of Toronto is the sole shareholder of the company that owns/will own the streetlighting asset.
  - (a) Please confirm the above is correct.
  - (b) Please state what rate of return, if any, the City of Toronto currently receives on the streetlighting assets;
  - (c) Please provide a schedule showing the total cost to NewTHESL of owning and operating the streetlighting system (total cost of capital; depreciation; operations and maintenance including insurance costs, and taxes) in the first year.
  - (d) The OEB's decision in EB-2007-0680 set the revenue to cost ratio for the streetlighting rate class (for the 2008 and 2009 test years) at 40%. Assuming no change in rates and an increase in costs to NewTHESL as described in (c) above, what would the resulting revenue to cost ratio be?
  - (e) Please state whether the cost of owning and operating the streetlighting assets, in the event they are transferred to THESL, will be fully allocated to the streetlighting customers, with the result that those customers will see an increase in their distribution rates.
  - (f) Please confirm also that none of the costs referred to in (c) above that are associated with NewTHESL's owning and operating the streetlighting system will be paid for by any customers other than streetlighting customers.
  - (g) Given that the revenue to cost ratio for the streetlighting assets is already well below unity, how can NewTHESL ensure that other rate classes will not absorb some of the increased costs related to NewTHESL's ownership and operation of the streetlighting assets?
3. Other than distribution revenues, will NewTHESL derive any revenues from its ownership of the streetlighting assets? If so, what are they?
4. The application states that:
  - (a) the Toronto Hydro Electric Commission sold its streetlighting assets to the City of Toronto for \$1 in 1989.

- (b) The City of Toronto sold the streetlighting assets (which by then also included the assets for the former commissions of Scarborough, East York, North York, Etobicoke, and York) to THESI for \$65 million.

Please:

- (i) Confirm the above is correct.
- (ii) Explain when, and for how much, the streetlighting assets of the former commissions in Scarborough, East York, North York, Etobicoke, and York, were transferred to the City of Toronto. If these assets had previously been transferred to their respective former municipalities (City of Scarborough, City of North York, etc.) please also provide that information.
- (iii) provide an fixed asset continuity schedule in respect of the streetlighting assets, from 1988 to 2009.

5. Given Mr. Lapianta's evidence that there is no clear demarcation point between current distribution assets and the streetlighting assets, please:

- (a) explain how a value (net book value or otherwise) was determined for the streetlighting assets.
- (b) state whether a valuation of the streetlighting assets has been done within the past five years, and if so, please provide a copy.

6. The Asset Purchase Agreement (Tab 7) states that the purchase price for the streetlighting assets is \$66.066 million. Please confirm that this is the amount NewTHESL proposes to include in its regulated rate base in respect of the streetlighting assets and that this represents what THESL states to be the net book value of the assets.

7. The Licence Application by Newco (Tab 2, para. 19(b) and (c)) describes various operational efficiencies and savings anticipated as a result of the proposed amalgamation. Please provide an estimate of the dollar value of the savings described therein as well as any other potential costs savings identified by the applicants.

8. Pursuant to Article 3.1 of the Asset Purchase Agreement, NewTHESL will assume all liabilities ("contingent, accrued, present and future") related to the streetlighting business. Attached to the Asset Purchase Agreement as Schedule 5.8 thereto is a list of current potential liabilities. Please:

- (a) Confirm that the liabilities NewTHESL will assume pursuant to the Asset Purchase Agreement is not limited to those listed in Schedule 5.8 and could include liabilities not currently known.
- (b) How does NewTHESL propose to allocate the costs of these liabilities, including defence costs as well as judgment and/or settlement costs?

9. Ref: Affidavit of Ben Lapianta
- (a) Pg. 3: please provide a copy of the "Contact Voltage Review";
  - (b) Please describe the regulatory system under which the former electric utilities operated in in 1989 when they owned the streetlighting assets. For example:
    - (i) were they under a cost of service regime?
    - (ii) Did they receive a return on equity for capital employed?
  - (c) Paras. 15-16: please provide an estimate of the number of times per year that THESL crews are dispatched for a call that turns out to be street-light related;
  - (d) Please provide an estimate of the number of times per year that a THESI crew is dispatched for a call that turns out to be distribution-system related.
  - (e) Para. 17: Please explain why the safety concerns described can't be resolved by having THESL enter into a services agreement with THESI whereby THESL performs all maintenance work on the streetlight system with ownership of the system remaining in THESI.
  - (f) Paras. 22 and following: with respect to the ARC issues, please explain why an exemption from ARC for the purposes of sharing safety-related information would not resolve the safety concerns addressed in this part of the affidavit.
10. Ref: Section C, Tab E: Special Resolution of Toronto Hydro Energy Services Inc. dated June 15, 2009:
- (a) Please provide a copy of the "Draft Agreement" referred to in the recitals of the Special Resolution;
  - (b) Please provide a copy of the minutes of the "Board Meeting" of the Parent company of Toronto Hydro Energy Services Inc., Toronto Hydro Corporation. The Board Meeting was held June 1, 2009 and is referred to in the recitals of the Special Resolution.