

# **Board Staff Interrogatories**

**Application by 1798594 Ontario Inc. for a distribution licence;  
Applications by Toronto Hydro Energy Services Inc. for leave to sell  
streetlighting assets; and  
Application by Toronto Hydro-Electric System Limited and  
1798594 Ontario Inc. for leave to amalgamate**

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

## 1. Reference:

### **Section 1.6.8 of the Application Form for Applications under Section 86 of the Ontario Energy Board Act, 1998**

Section 1.6.8 requires the applicant to “describe the changes, if any, in distribution or transmission rate levels (as applicable) and the impact on the total bill that may result from the proposed transaction”.

### **Ontario Energy Board’s February 11, 2010 Decision in EB-2009-0180 EB-2009-0181, EB-2009-0182 and EB-2009-0183, Page 19**

The Board stated: “With respect to rate impacts for current customers, the Board notes that the City of Toronto represents the customer most directly impacted and it supports the transaction. The Board concludes that the rate impacts that have been estimated are not unreasonable. However, these impacts have been estimated on the basis of the proposed transactions, and both the assets to be transferred and the proper net book value for those assets have yet to be determined. The Board will revisit this aspect of the proceeding if the Applicants choose to revise the transactions and file additional evidence. If the impacts are potentially unreasonable then actions to mitigate those impacts will be considered.”

- 1.1. Please confirm that the distribution rates of customers other than streetlighting and unmetered scattered load customers will not be affected by the revised proposed transaction. If this understanding is incorrect, please provide a detailed description of expected changes in rates and the impact on the total bill by customer classes.
- 1.2. Please describe the expected impact of the revised proposed transaction on streetlighting and unmetered scattered load customers’ distribution rates.

## 2. Reference: Applicants’ Additional Evidence, Page 3, Item No. 6

The applicants state “...Upon request of the Board, the Applicants will also provide an Amended and Restated Asset Purchase Agreement setting out the revised transaction details once the specific transfer amounts are ultimately approved by the Board”

- 2.1. Is a draft copy of the “Amended and Restated Asset Purchase Agreement” available?
- 2.2. If so, please provide a copy. If not, please file the Agreement with the Board as soon as it becomes available.
- 2.3. Please provide the intended date for closing the revised proposed transaction.

**3. Reference: Applicants’ Additional Evidence, Page 6, Item No. 2**

The Applicants seek “findings by the Board that the ratebase, revenue requirement, and rate consequences of the transfer will be determined in the context of THESL’s general application for 2012 rates commencing May 1, 2012.”

- 3.1. Please elaborate on how THESL would envisage this process as working including how THESL proposes to deal with any timing issues arising from the difference between the decision date in this proceeding and the proposed implementation date of May 1, 2012.

**4. Reference: Applicants’ Additional Evidence, Page 17**

The Applicants state “Nevertheless the Applicants acknowledge that the DRC methodology is not a perfect proxy for continuous historical cost information that normally underlies recognized asset values for the purpose of rate setting. A significant conceptual difference between these two approaches is that the DRC method adopts (as it must) the current replacement cost as the basis for the calculation, whereas historical cost accounting naturally reflects a lower nominal historical acquisition cost since that is built up over time as equipment is acquired, and partially reflects lower nominal acquisition costs prevailing several decades ago without the effect of intervening inflation.”

- 4.1. Recognizing that depreciated replacement cost is generally higher than depreciated historical acquisition cost due to the effects of inflation, and with reference to the distribution assets being transferred to THESL, for a representative sample of like assets from within the THESL distribution system, please state the approximate percentage amount by which depreciated replacement cost exceeds depreciated historical cost for the assets sampled.