

September 23, 2015

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: EB-2015-0003 – PowerStream Inc. Custom IR Application - 2016-2020 – Threshold Scope Issue

PowerStream Inc. (“PowerStream”) filed a custom incentive rate application with the Ontario Energy Board (“OEB”) on May 22, 2015, under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that PowerStream charges for electricity distribution, to be effective January 1, 2016, and for each following year through to December 31, 2020.

On September 16, 2015, as directed by Procedural Order No. 1, OEB Staff filed a letter with the OEB which attached a proposed agreed issues list containing non-disputed issues. OEB Staff’s letter noted that there was one disputed issue related to the announced merger between PowerStream, Enersource Hydro Mississauga Inc., Horizon Utilities Inc. and Hydro One Brampton Networks Inc.

On September 18, 2015, the OEB issued Procedural Order No. 3 stating that the OEB considers that the proposed merger is a threshold question related to this application. The OEB requested submissions regarding the threshold question as to what, if any, consideration should be given by the OEB to the announced merger between PowerStream, Enersource Hydro Mississauga Inc., Horizon Utilities Inc. and Hydro One Brampton Networks Inc. as part of its review of the application.

These are the submissions of the Consumers Council of Canada (“Council”) regarding the threshold issue.

The Council submits the merger is in scope in this proceeding. PowerStream has filed its application based on a five-year forecast of its costs and revenues as a stand-alone utility. While no finalized full merger agreement has been reached, PowerStream has confirmed that there are documents that set out the broad framework of the agreement that is being translated into the full final merger agreement. (Technical Conference Transcript, pp. 18-19). Canada Newswire sent out a joint press release dated Tuesday, September 15, 2015 entitled, “Local Electric

Utilities Set to Approach Municipal Councils for Merger Approval". In the press release it outlined some of the expected benefits of the merger, including:

- 5.9% lower average annual customer distribution rates than with maintaining separate utilities, due to costs savings;
- \$355 million (15%) in operating savings over the first 10 years; and
- 24% increase in company earnings relative to the status quo, including improved returns for all municipal shareholders which will provide increased revenue for use in their communities.

The press release also stated that voting by the relevant Municipal Councils is expected to conclude by early October. It appears that the final agreements by the participating parties related to the merger are imminent.

Therefore, before deciding how to proceed with PowerStream's Application the OEB should await the filing of the documents related to the merger. Specifically, the documents requested by the School Energy Coalition ("SEC") in their Notice of Motion, which was submitted to the OEB on September 18, 2015. The Council supports this Motion. These documents are very important for informing the OEB of the implications regarding the costs and revenues to serve PowerStream's customers during the proposed Custom IR plan term resulting from the merger. In addition to information sought regarding savings, information regarding the general terms of the merger, and the financial information and projects are important to help understand what types of costs and savings of the merger are to be allocated to PowerStream's customers (as opposed to other parties).

Once the facts are known (e.g. the arrangements, timing, forecast savings etc.) the OEB can then decide how to proceed with the current application. Until the documents related to the merger have been filed with the OEB it would be premature to proceed further with this application, which is seeking approval of five years of rates for a stand-alone utility. The Settlement Negotiation Process is scheduled to commence on September 28, 2015. The Council submits that this process be deferred.

It would be inappropriate, from a ratepayer perspective, for the Board to set rates for five years based on a cost of service that we know will be different, if and when the merger is approved. PowerStream's current forecasts are not applicable to a merged entity. From the Council's perspective, it is critical in setting just and reasonable rates, that the Board base its decisions on the best available information.

Yours truly,

Ruth Greey

Ruth Greey

Consumers Council of Canada

Cc: PowerStream, Regulatory Affairs; Jamie Sidlofsky, BLG; All parties