



Niagara Power Incorporated

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November 5, 2012

Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 26th Floor
Toronto, Ontario
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Dear Madam:

**Re: Niagara Power Inc, for Leave to Purchase Shares of Niagara West Transformation Corporation from Peninsula West Power Inc.
Board File Number EB-2012-0355**

Please find enclosed Niagara Power's response to the Board Staff interrogatories with respect to the above noted application

Yours truly,

James Detenbeck

James Detenbeck
Chair

Response to Board Staff Interrogatories

Niagara Power Inc.

**Application for Leave to Acquire 50% share in Niagara West
Transformation Corporation from Peninsula West Power Inc.
Board file No. EB-2012-0355**

November 5, 2012

Question 1:

In the application evidence NPI states that the price being paid for the 50% share of NWTC is \$1 million, which is \$150,000 above book value. Please provide details on:

1i: Why this price will not have an adverse effect on the economic viability of NWTC or Grimsby Power?

NPI Response

The amount of \$150,000 above book value would be considered Goodwill and as such will not affect the economic viability of NWTC. Grimsby Power is not a party to this transaction and therefore, there will not be an economic impact to Grimsby Power.

1ii: The impact the proposed transaction will have on any future NWTC or Grimsby Power rate applications with the Board, and;

NPI Response

The purchase price transaction will not affect the operation of NWTC and therefore will have no impact on future NWTC rate applications. Grimsby Power is a customer of NWTC and if there is no impact on future NWTC rate applications then there by association is no impact on Grimsby Power.

1iii: How the premium of \$150,000 will be treated for regulatory purposes.

NPI Response

As stated in 1i above the \$150,000 premium would be considered Goodwill. As per Board direction Goodwill is not recoverable through rates. Therefore there is no impact from a regulatory perspective.

Question 2:

Page 199 of the application includes the minutes of a special meeting of the shareholders of NPI held in the Grimsby Power Boardroom on January 26, 2012. The minutes outline a presentation given by Joe Panetta that describe the benefits of placing NWTC's transformer asset "inside of Grimsby Power" as well as outlining the reasons why NPI should purchase the asset and in turn place it into Grimsby Power. Please provide further details on any plans to place NWTC's transmission assets within Grimsby Power and future rate implications on NWTC, Grimsby Power and its ratepayers.

NPI Response

The presentation includes a high level overview of ultimately placing the NWTC assets inside Grimsby Power Inc. The resolution noted on page 200 of the application states as follows:

RESOLVED that the municipal shareholder of Niagara Power Incorporated authorizes the Board of Directors of Niagara Power to purchase the shares currently held by Peninsula West Power Holdings in NWTC for \$1,000,000. (\$1Million) excluding closing costs.

As noted in the resolution above, the direction from the Shareholder only involves the purchase of shares by NPI and not a transfer of assets into Grimsby Power Inc. NPI considers that the movement of assets from NWTC to Grimsby Power Inc., if this is the direction taken, will be the subject of a separate application and as such the implications with respect to NWTC, Grimsby Power Inc., and the ratepayers also be the subject of this future application.

Question 3:

The pro-forma balance sheet provided as attachment 1.8.5 is titled “Proforma Balance Sheet On the amalgamation of NWTC and NPI”. Please clarify the record that the applicant is applying for a leave to acquire shares of NWTC and will not amalgamate NWTC with NPI. If NPI intends to amalgamate with NWTC please provide details and timelines for an application for leave to amalgamate with the Board.

NPI Response

NPI confirms to the Board that the application applies for leave to acquire shares of NWTC. In terms of the application there is no intention to amalgamate NWTC with NPI.