

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

AND IN THE MATTER OF the application by Hydro One Inc. for leave to purchase all of the issued and outstanding shares of Norfolk Power Inc. under section 86(2)(b) of the *Ontario Energy Board Act, 1998*.

AND IN THE MATTER OF an application by Norfolk Power Distribution Inc. for leave to dispose of its distribution system to Hydro One Networks Inc. under section 86(1)(a) of the *Ontario Energy Board Act, 1998*.

AND IN THE MATTER OF an application by Hydro One Networks Inc. seeking to include a rate rider in the 2013 Ontario Energy Board approved rate schedule of Norfolk Power Distribution Inc. to give effect to a 1% reduction relative to 2012 base electricity delivery rates (exclusive of rate riders) under section 78 of the *Ontario Energy Board Act, 1998*.

SECOND SET OF INTERROGATORIES

FROM THE

SCHOOL ENERGY COALITION

Exhibit A – Administrative Documents

SEC - 8 [Letter from Norfolk counsel dated April 25, 2013]. Please provide a copy of the original RFP documents including all attachments.

SEC - 9 [A/1/1, p. 3] Please confirm that the acquirer still intends to seek IRM increases annually to Norfolk rates. Please advise whether Norfolk is expected to be on 3rd or 4th Generation IRM, and whether the Applicant wishes to continue to have available the Incremental Capital Modules and Z factors during to the period to and including 2019. If ICM and/or Z factors are to remain available, please advise how integration of Norfolk into the Applicant will be handled. Conversely, if a rate freeze is being proposed, please confirm that, after the 1% reduction is implemented, the Applicant proposes that there will be no changes to the rates for Norfolk customers until 2019. Please specify all circumstances in which the Applicant believes rates can be changed prior to 2019.

SEC - 10 [A/1/1, p. 4 and a/2/1, p. 2] Please advise what separate accounts, if any, will be established to record costs and/or assets and liabilities of the former Norfolk Power, separate from the Applicant, during the period until 2019 or 2020.

SEC - 11 [A/2/1, p. 1] Please advise how the proposed transaction is consistent with the following objectives of the Board, and in particular the underlined components [OEB Act, section 1, #1 and #2]:

“To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.

To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.”

SEC - 12 [A/2/1, p. 2] Please explain the business reason for moving the Dundas Field Business Centre from Hamilton to Norfolk. Please provide any business case or similar documents analysing in whole or in part the costs and/or benefits of that move.

SEC - 13 [A/2/1, p. 2] Please provide the factual basis on which the Applicant claims that Hydro One can realize economies of scale.

SEC - 14 [A/2/1, p. 2 and Share Purchase Agreement, Schedule 6.6] Please provide a description of the legal or regulatory recourse that the ratepayers in Norfolk would have in the event that the Applicant fails to meet its capital spending commitments as set out in Schedule 6.6 of the Share Purchase Agreement. Please explain why the annual capital spending commitments in that Schedule, ranging from \$3.2 million to \$3.4 million per year, are significantly lower than the actual capital additions by NPDI of \$4.3 million in 2010, \$5.8 million in 2011, and \$4.7 million in 2012 (as reported in the Yearbook for each of those years). Please explain why the NPDI Financial statements show capital spending of \$7.0 million in 2012 and \$5.1 million in 2011. If the difference relates to the timing of spending vs. closing to rate base, please provide a reconciliation of the figures, and please provide the capital work in progress figure for December 31, 2012.

SEC - 15 [A/2/1, p. 4] Please provide all documents or analyses that include any details of “the productivity gains associated with the transaction”.

SEC - 16 [A/2/1, p. 7] Please explain how the Applicant proposes to calculate the impact of tax changes on Norfolk ratepayers if the assets and costs of Norfolk have been integrated into the Applicant’s accounts.

SEC - 17 [A/3/1, p. 6] Please provide a map showing the current NPDI service territory and the immediately adjacent service territories of the Applicant.

SEC - 18 [A/3/1, p. 14] Please provide any valuations of any of the assets, or the business as a whole, in the possession of NPDI, the County, or the Applicant.

SEC - 19 [A/3/1, p. 17] Please advise whether the former President of NPDI, Brad Randall, is under any confidentiality restrictions with respect to the proposed transactions, the

RFP, or the negotiations that have led to the Share Purchase Agreement.

SEC - 20 [A/3/1, Attach 6, p. 21] Please provide a copy of the Shareholder Declaration. For each of the requirements, commitments or restrictions contained in the Shareholder Declaration, please advise the extent, if any, to which that requirement, commitment or restriction would continue to apply to the NPDI business after the transaction, and if so, the legal or regulatory basis on which it would continue to apply.

Respectfully submitted on behalf of the School Energy Coalition this 10th day of October, 2013

Jay Shepherd



Jay Shepherd

Professional Corporation
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BY EMAIL and RESS

August 5, 2013
Our File No. 20130196

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

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2013-0187/196/198 – Hydro One Norfolk MAADs

We are counsel for the School Energy Coalition. This letter is sent to explain our early submission of Preliminary Interrogatories to the Applicants in this proceeding.

SEC is involved in this proceeding because of our concern that Norfolk ratepayers will, in the long run, be worse off if served by Hydro One, as opposed to their current distributor. This would be contrary to the “no harm” test. Central to this concern are the current and potential future disparities between Norfolk and Hydro One rates in the residential and general service classes.

In reviewing these issues of concern, we see that there are some key preliminary questions that could be answered early, with resulting benefits to the process. With those answers, SEC would then be able to either a) revise its concerns (in fact, they may be answered fully), or b) narrow its detailed interrogatories to focus on the actual situation as it is expected to evolve over time.



Jay Shepherd Professional Corporation

To that end, we have attached seven questions that seek to achieve those efficiencies. If the Applicants can respond to these questions early in the process, the remainder of the proceeding will, in our view, be less complicated and more productive for all parties.

We have included with the attached interrogatories a live Excel spreadsheet with the two tables referred to in the questions.

All of which is respectfully submitted.

Yours very truly,
JAY SHEPHERD P. C.

Jay Shepherd

cc: Wayne McNally, SEC (email)
Interested Parties

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PRELIMINARY INTERROGATORIES
FROM THE
SCHOOL ENERGY COALITION

Exhibit A – Administrative Documents

SEC - 1 Please provide a table showing how many of the current Norfolk customers would be in each of the UR, R1, UGe, GSe, UGd, and GSd classes of Hydro One if they were immediately assigned to those classes for 2013. Please base the assignment of those customers on the 2012 rebasing customer numbers for Norfolk, i.e. 17,026 Residential, 1,986 GS<50, and 165 GS>50, on the assumption those customer numbers have not changed for 2013. Please provide details of all assumptions used to assign numbers of customers between urban and non-urban classes.

SEC - 2 Please provide a similar table allocating the volumetric billing determinants for Norfolk's Residential, GS<50, and GS>50 customers to the six named Hydro One rate classes, assuming those customers were assigned to those classes for 2013. Please use the billing determinants from the 2012 rebasing, i.e. 149,120,393 kwhr Residential, 61,992,882 kwhr GS<50, and 344,556 KW GS>50.

SEC - 3 Attached to these Preliminary Interrogatories is a table comparing distribution bills for Norfolk customers with average volumes in each of the Residential, GS<50, and

GS>50 classes at 2013 approved Norfolk rates and 2013 approved Hydro One distribution rates, assuming either that all Norfolk customers would be in the UR, UGe, and UGd classes, or all Norfolk customers would be in the R1, GSe, and GSd classes. An Excel version of the table is also attached. With respect to this table:

- a. Please confirm that all calculations are correct, or provide corrected calculations if they are incorrect.
- b. In the event that the Applicants believe that including additional components of the bill provide a fairer comparison of bills, please provide that alternate comparison including details of all calculations.
- c. Hydro One has advised the Board and parties that it plans to file, early in 2014, a distribution rate application for the period 2015 through 2019. Based on the current state of that application, please advise the currently forecast monthly and volumetric rates for all classes for 2019. Using those forecast monthly and volumetric charges, please complete the two right hand columns of the distribution bills comparison table in the same manner as the existing two Hydro One columns.

SEC - 4 Attached to these Preliminary Interrogatories is a table comparing distribution revenues from Norfolk customers in the Residential, GS<50, and GS>50 classes at 2013 approved Norfolk rates and 2013 approved Hydro One distribution rates, applying the 2012 rebasing billing determinants. As with the previous table, the Hydro One calculations are based on both an urban and non-urban scenario, and an Excel version of the table is attached. With respect to this table:

- a. Please confirm that all calculations are correct, or provide corrected calculations if they are incorrect.
- b. If the Applicants have a forecast of customer numbers and volumetric billing determinants, and/or rates for Norfolk (without the proposed transactions) for 2019, please complete the column third from the right for 2019 revenues from Norfolk at Norfolk rates. If the Applicants do not have such forecasts, please leave that column blank.
- c. Using the rates referred to in SEC-3(c), please calculate the 2019 forecast revenues from Norfolk customers in the urban and non-urban scenarios for the two right hand columns. If the Applicants have filled in the column third from the right using customer numbers and volumetric billing determinants different from 2012, please use those new figures for the last two columns as well, so that all three right hand columns are calculated on as comparable a basis as possible.
- d. If the Applicants believe that the comparisons referred to are inappropriate, or other comparisons would be fairer, please provide the comparisons requested, but also the alternative comparisons, with all calculations, and a full explanation as to why the alternative is preferable.

SEC - 5 Please provide all memoranda, reports, analyses, valuations, business cases, or other documents in the possession of Norfolk, its shareholders, or Hydro One, that provide any analysis of the purchase price, or forecast the recovery of the purchase price

over time in any way, or provide any analysis of how the purchaser will recover the purchase price. By way of example, and without limiting the generality of the foregoing, please include any calculations of payback periods, net present value or total value of incremental distribution revenues, accretion of operational savings to the purchaser and/or to the ratepayers both before and after the five year period, and any other such calculations. In the event that pro forma financial statements have been prepared for any future years, please include those documents as well.

SEC - 6 Please provide any documents prepared by or on behalf of Hydro One in the last twenty-four months analysing the recovery or potential recovery of the purchase price of any other LDC purchased by Hydro One since 1998.

SEC - 7 Please provide any calculations prepared by or on behalf of Hydro One analysing the impact of the 1% reduction in rates for Norfolk customers, as proposed in the Application. If any such analysis includes any analysis or forecast of how Hydro One will recover that reduction over time, please provide that analysis or forecast as well.

Respectfully submitted on behalf of the School Energy Coalition this 5th day of August, 2013

Jay Shepherd

Hydro One Norfolk Annual Distribution Bills Comparison

Norfolk Class and Average Load per Cust.	Billing Component	Norfolk 2013 Rates	Hydro One 2013 Urban	Hydro One 2013 General (R1)	Norfolk 2019 Rates @2%/yr.	Hydro One 2019 Urban	Hydro One 2019 General
Residential 730	Monthly	\$250.44	\$198.00	\$286.20	\$282.04		
	Volume	\$190.97	\$221.54	\$293.72	\$215.06		
	Total	\$441.41	\$419.54	\$579.92	\$497.10		
GS<50KW 2601	Monthly	\$599.76	\$168.12	\$477.48	\$675.43		
	Volume	\$486.91	\$519.99	\$1,242.55	\$548.34		
	Total	\$1,086.67	\$688.11	\$1,720.03	\$1,223.76		
GS>50KW 174	Monthly	\$2,946.60	\$387.84	\$667.44	\$3,318.34		
	Volume	\$8,268.90	\$14,436.43	\$23,740.56	\$9,312.10		
	Total	\$11,215.50	\$14,824.27	\$24,408.00	\$12,630.44		

Sources:

Norfolk Rate Order dated April 4, 2013 for 2013 Rates

Hydro One Rate Order dated December 20, 2012 for 2013 Rates

Escalation at 2% compounded = 1.12616 factor

Hydro One Norfolk Distribution Revenues Comparison

<i>Norfolk Class</i>	<i>Billing Component</i>	<i>Billing Determinants</i>	<i>Norfolk 2013 Rates</i>	<i>Hydro One 2013 Urban</i>	<i>Hydro One 2013 General (R1)</i>	<i>Norfolk 2019 Rates</i>	<i>Hydro One 2019 Urban</i>	<i>Hydro One 2019 General</i>
Residential	Monthly	204,312	\$4,263,991	\$3,371,148	\$4,872,841			
	Volume	149,120,393	\$3,250,825	\$3,771,255	\$5,000,007			
	Total		\$7,514,816	\$7,142,403	\$9,872,848			
GS<50KW	Monthly	23,832	\$1,191,123	\$333,886	\$948,275			
	Volume	61,992,882	\$967,089	\$1,032,801	\$2,467,937			
	Total		\$2,158,212	\$1,366,688	\$3,416,212			
GS>50KW	Monthly	1,980	\$486,189	\$63,994	\$110,128			
	Volume	344,556	\$1,364,511	\$2,382,260	\$3,917,602			
	Total		\$1,850,700	\$2,446,254	\$4,027,729			
TOTALS			\$11,523,728	\$10,955,344	\$17,316,789			

Sources:

Billing Determinants from 2012 Rebasing

