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October 11, 2013

VIA EMAIL AND COURIER

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

Dear Ms. Walli:

Re: Application by Hydro One Inc. EB-2013-0196
Application by Norfolk Power Inc. EB-2013-0187
Application by Hydro One Networks Inc. EB-2013-0198

Pursuant to Procedural Order No. 5, we enclose the Interrogatories of Essex Powerlines Corporation, Bluewater Power Distribution Corporation, and Niagara-on-the-Lake Hydro, to Hydro One Inc., Hydro One Networks Inc., and Norfolk Power Distribution Inc. in respect of the above-noted proceedings.

Yours truly,

AIRD & BERLIS LLP

Dennis M. O'Leary

DMO:ct

cc: kristi.sebalj@ontarioenergyboard.ca.
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Intervenors

15571198.1

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

AND IN THE MATTER OF an 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 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.*

INTERROGATORIES OF ESSEX POWERLINES CORPORATION, BLUEWATER POWER DISTRIBUTION CORPORATION, AND NIAGARA-ON-THE-LAKE HYDRO (together "EBN") TO HYDRO ONE INC. ("HOI') HYDRO ONE NETWORKS INC. ("HONI") and NORFOLK POWER DISTRIBUTION INC. ("NP")

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Bluewater Power Distribution Corporation,
and Niagara-on-the Lake Hydro Inc.

These are EBN's interrogatories to HOI, HONI and NP. Rather than filing two separate sets of interrogatories, EBN has combined the interrogatories given that an interrogatory to HONI and NP may be the same but may require separate answers. At the outset of each interrogatory EBN has identified the entity to which the interrogatory is being directed. In all cases, reference to HONI includes HOI.

Historical Data

1. **HONI and NP:** Please provide the level of annual capital distribution spending by customer for the last five years for HONI and NP.

2. **HONI and NP:** Prior to the proposed acquisition of NP, what was the forecasted capital distribution spending by customer for the next five years (i.e. 2013- 2018) for both HONI and NP? Have these forecasts changed as a result of the proposed acquisition of NP? If so, please provide a detailed explanation.

3. **HONI:** Please provide copies of those documents in HONI's care and control that detail the recovery of or potential recovery of the purchase price of all LDCs acquired by HONI since 1998 that had more than 5,000 customers.

4. **HONI:** Please prepare a Table which includes the following information in respect of the greater of (by number of utilities) the 15 largest electric utilities which HONI has acquired or merged with since 1998 or all electric utilities which HONI has acquired which had a customer base of 5,000 or more (hereinafter referred to as the "Acquired Entities").

   (a) the name of each electric utility acquired or merged;

   (b) the closing date of the acquisition transaction ("Transaction") for each;

   (c) the base distribution rates (i.e., fixed rate and base volumetric rate, without rate riders and adders) in effect immediately prior to the Transaction in respect of:

      (i) each of the Acquired Entities;
      (ii) HONI

   for the residential rate classes (urban, medium and low), the general service rate classes (urban and general < 50 kW), and the urban and general service demand billed classes > 50 kW.

   If traditional bundled rates (i.e. including generated energy and transmission cost) were in place at the time of acquisition, please confirm this, and instead provide the base distribution rates applicable in the Acquired Entity at the time of the initial rate unbundling.

   (d) the current rates in effect today that are being paid by the ratepayers of each of the Acquired Entities for the above-noted rate classes.

(e) the date when, if applicable, rates of each of the Acquired Entities were harmonized with HONI's rates.

(f) the increase or decrease in capital spending in the 5 years following the acquisition of the Acquired Entities as a percentage of the capital spending by the Acquired Entity in the year immediately preceding the transaction.

5. **HONI:** Pursuant to the Board's Decision in HONI's rate case (EB-2009-0096), at paragraph 3.1, page 11, the OEB indicated that various trend measures demonstrated that HONI had limited success in controlling expenditure increases. Please provide details on what HONI has done since this rate case with respect to controlling expenditure increases. Please provide an indication of the results of these initiatives in percentage and dollar terms.

6. **HONI:** Pursuant to the Board's Decision in HONI's rate case (EB-2009-0096), at paragraph 3.2, page 18, the OEB indicated that HONI's compensation costs remained excessive in comparison to market indicators and further stated that HONI's compensation costs, including growth in headcount, was one of the areas in which HONI had to take further action to control expenditure increases. Please provide details on what HONI has done since this rate case to control compensation costs, including growth in headcount. Please provide an indication of the results of these initiatives in terms of percentage, dollars and headcount.

7. **NP:** What was NP's actual depreciation expense in the years 2010 through 2012, and what depreciation expense did it forecast for 2013?

8. **NP:** What amounts did NP actually expend on capital projects in each of the years 2010 through 2012, and what amount does it forecast it will spend on capital projects in 2013?

<u>Performance Data</u>

9. **HONI and NP:** Please provide SAIDI, SAIFI and CAIDI indexes for the last five years for both HONI and NP.

10. **HONI:** The 2012 OEB Electricity Yearbook reveals that HONI outage indices are SAIDI – 10.58; SAIFI – 3.15; and CAIDI – 3.36, while Norfolk is SAIDI – 1.78; SAIFI – 1.49. HONI pledges to maintain or improve reliability from the existing performance of NP. How does HONI plan to achieve this without eroding the indices of current NP customers? Once rates are merged, will the SAIDI, SAIFI and CAIDI indexes not also be merged? How will NP area ratepayers then know whether the prior service levels (i.e. pre-acquisition) are being maintained?

11. **HONI and NP:** Please provide all OEB service quality parameters filed for each of the last five years for HONI and NP.

12. **HONI and NP:** Please provide the average distribution outage response time for the last five years for both HONI and NP.

Proposed Efficiencies/Costs

13. **HONI:** The 2012 OEB Electricity Yearbook lists HONI's OM&A at $439.77/customer whereas Norfolk is at $333.43/customer, for a difference of $106.34/customer. The Application indicates that HONI plans to completely implement its operating structure (CIS, Customer Service, etc.) in NP. Please provide a detailed explanation as to how HONI will find efficiencies in the annual amount of approximately $2,020,460 (19,000 customers x $106.34). Please provide a detailed buildup budget or breakdown of the forecast efficiencies/savings anticipated by HONI.

14. **HONI:** Please provide a detailed build up budget showing the nature of and value of all anticipated efficiencies/savings that will be gained as a result of the NP acquisition. Please also advise and the particulars of:

    (a) How the efficiencies will be realized;

    (b) a timeline of when the efficiencies will be gained;

    (c) what, if any, effect these efficiencies will have on rates if successful;

    (d) what, if any, effect these efficiencies will have on rates if unsuccessful; and

    (e) any costs, including both operating costs and capital costs, which may be associated with anticipated efficiencies.

15. **HONI:** <u>Reference</u>: Ex. A/T3/S1, p. 12, ss. 1.6.7 – HONI identifies incremental costs associated with the transaction but does not state the amount. Please provide HONI's forecast of the amounts of incremental costs referenced at Subsection 1.6.7 and a breakdown in respect of these costs by their nature. Please also provide, if not provided in response to the above interrogatory, a detailed breakdown of HONI's forecast productivity gains that will "finance" these costs. Please include in your response all activities undertaken to date to generate these productivity gains, the status of such work, and the timeframe over which the steps leading to these productivity gains will be implemented.

16. **HONI and NP:** NP shares a Sensus AMI 'smart meter' system ("AMI system") and operation costs with eight neighbouring LDCs. Does HONI plan to replace the NP system with its own AMI network? If so, what are the estimated costs of converting? Will HONI continue to contribute to the AMI system's costs in future? If so, for how long? What is the forecast amount of HONI's continued contributions to the AMI system in future, if any, stated on an annual basis? Will NP AMI assets be written off and if so, when and how much?

17. **NP:** What was NP's contribution to the AMI system's costs for 2012 (actual) and 2013 (year to date) and what are the 2013 forecast costs?

18. **HONI and NP:** To the extent that HONI and NP will no longer be contributing to the AMI's system's costs in future, what analysis has HONI or NP undertaken which will determine the impact on the ratepayers of the other LDCs sharing in the AMI system's costs. Please produce any such analysis. Does NP have a contractual obligation to use and/or to continue financial contributions in support of the AMI system? If so, what is the remaining term of that obligation? If HONI does not intend to continue to use of and payment for the AMI system for the duration of any obligation, will HONI or NP be required to pay a penalty or other lump sum to fulfill the obligation of NP under the sharing arrangement? If so, what is the amount of such penalty or lump sum?

19. **HONI:** Reference: Ex. A/T2/S1, p. 3, s. 1.2 – Economic Efficiency and Cost Effectiveness – Please produce all studies, analyses and other documentation which has been generated which details the efficiency gains and cost effectiveness that will be achieved by the proposed acquisition of NP.

20. **HONI:** Reference: Ex. A/T2/S1, p. 4, s. 1.3 – Incremental Transaction Costs – Please produce a copy of all studies, reports and analyses which set out the productivity gains that HONI will achieve which will finance the transaction costs that will necessarily be incurred in respect of the proposed acquisition of NP. Does HONI propose to only apply revenues generated from the former NP power customers to satisfy these incremental transaction costs? Please provide a breakdown of all of the anticipated one-time transaction costs that will be incurred.

21. **HONI:** Reference: Ex. A/T2/S1, p. 5 - HONI states that it expects to realize operating synergies once it integrates the operation of NP into HONI and that the savings will offset the impact of the 1 percent reduction and rate freeze for former NP customers. Please produce all reports, studies and analyses which detail the cost savings and efficiency gains that will be realized which will offset the rate reduction and rate freeze. Please provide a summary table setting out the total cost savings annually for the number of years necessary for HONI to fully recover the costs of the 1 percent reduction and rate freeze at a reasonable discount rate.

22. **HONI:** Reference: Ex. A/T3/S1, p. 11, ss. 1.6.2 – HONI states that customers of NP will benefit in the long term from HONI's economies of scale. Please provide all studies, analyses or reports which detail the economies of scale which the current NP customers will benefit from in future.

23. **HONI and NP:** The MAAD Application states that up to 20 percent of HONI's workforce is eligible to retire in 2013 (EB-2013-0187, Ex.A/T3/S1, Attachment 7, p. 26). What percentage of NP's trade union employees are 50 years of age or older?

24. **HONI:** Please outline how many positions will be eliminated once the transaction is fully complete.

25. **HONI:** Please provide an estimate of the number of employment positions based in NP that HONI plans to maintain beyond the three-year transition plan. For each position or category of position, please indicate whether the duties of the position are planned to be:

(a) solely for operation and customer service in the NP service territory; (b) performing a function that will serve customers both within the existing NP service territory and in the present HONI service territories; or (c) a mixture of NP service functions and shared functions.

26. **HONI and NP:** Please provide an organization chart for the Operations Department at NP and for HONI (in the service area that will include NP in future). Please provide the total compensation costs for each of the positions identified in the organization chart for the years 2010-2012, the total number of full-time employees in each of these positions and the applicable salary ranges.

27. **HONI:** In estimating the efficiencies that HONI will be able to realize to recover the costs of acquiring NP, please indicate whether HONI has assumed that present NP staff will take over the function of current HONI staff who retire, thus allowing HONI an offsetting cost reduction. If so, please provide the number of positions and estimated total compensation savings involved.

28. **HONI:** Please confirm that HONI used a discounted cash flow model to calculate the price that HONI could cost-effectively pay for NP. Please provide a table showing the percentage change for the years 2019 and 2024, as compared with 2013 NP actuals, for the following line items in that model: operations and maintenance expense; administrative and general expense; capital expenditure; interest expense, and depreciation. Please also provide the discount rate that was used in such modeling. If the discount rate is greater than the WACC approved by the Ontario Energy Board, please explain why.

29. **HONI:** Please confirm that this transaction will result in the following cost/payments:

    (i) $39.1 million acquisition premium;
    (ii) Rate reduction revenue decline of > $2.45 million ($490,000 x 5 years);
    (iii) Transaction and transition costs > $2.45 million (estimated)
    Total $44.05 million

    (a) If HONI disagrees with the above figures, please provide HONI’s current forecast and an explanation for the difference.

    (b) Does HONI agree that it is this aggregate number which it must generate through efficiencies to avoid increasing rates and/or reducing earnings available to HONI’s owner as a result of this transaction? If not, please explain.

Rates

30. **HONI:** A study commissioned by HONI in 2011 (Mercer Report) concluded that HONI employee compensation levels are on average 13% higher than the industry market median. It is expected that current NP employees will be elevated to equivalent HONI compensation rates if this Application is approved. In NP’s rate application (EB-2011-0272), NP estimated its total 2012 employee compensation at $4,085,472, Ex.4/T2/S4,

Table 2.19, p. 3 of 10). Should the 13% increase occur, the operating cost of NP would increase approximately $531,000/year. Will existing HONI customers not be required to absorb this additional expense given that there will be no increase in rates for NP customers for the next several years? What specific plans will HONI undertake to achieve efficiencies and cost savings that it would not have undertaken had it not been the successful bidder for NP? For clarity, please specifically identify all steps HONI intends to take to achieve efficiencies and cost savings as a result of the acquisition of NP which are the result of the acquisition.

31. **HONI:** Please confirm what portion of the NP purchase price HONI intends to rate base. Is it $53.9 million as stated at Ex. A/T3/S1, p. 8?

32. **HONI:** Please provide a breakdown in Table format and copies of all internal documents which refer to or forecast costs related to the acquisition of NP, including but not limited to all transition costs, labour cost increases, revenue deficiencies as a result of NP's 1% rate reduction request, financing costs, and HONI opportunity costs.

33. **HONI:** Please outline HONI's planned approach to harmonization of the rates of NP with HONI rates which is planned for 2020. What is the estimated rate impact for NP customers once this harmonization occurs? Please provide calculations and assumptions used for the year of harmonization, including HONI's forecast for the distribution fixed and volumetric rates for each of its rate classes as at the time of harmonization.

34. **HONI:** <u>Reference</u>: Ex.A/T2/S1, p. 2, lines 9 – 11 -Please quantify the amount and provide a detailed justification, including calculations and assumptions, for the following statement: *"In the long term, because fixed costs of operations will be spread over a wider customer base, HONI Distribution's customers will see a small price benefit."* How many years are meant by the words "long term" in this sentence?

35. **HONI:** <u>Reference:</u> Ex.A/T2/S1, pps. 1 and 2 – HONI proposes a 1 percent reduction from the OEB-approved rates (EB-2011-0272) and then freezing NP's base electricity distribution rates for a period of 5 years. At the same time, HONI is proposing that its 5-year cost of service rate application in 2014 for rates effective 2015 – 2019 will be based on HONI's distribution existing customer base which will not include any capital or OM&A costs associated with serving, maintaining or operating customers within the NP service territory. Please provide a detailed response to the following questions:

    (a) If during the 2014 – 2019 periods the 1 percent reduction and rate freeze in the NP service territory result in a revenue deficiency relative to NP's currently approved rates, as adjusted annually, how do HONI customers benefit from the acquisition?

    (b) As the 1 percent reduction and rate freeze will reduce the return earned from distribution activities in the NP distribution area in the years 2014 – 2019, relative to NP's current and future rates without the acquisition, how does this reduced return benefit HONI's parent and the Government of Ontario?

(c) Please produce HONI's detailed calculations and analysis which forecasts the decline in revenue in in the NP service territory in each of the years 2014 – 2019 as a result of the 1 percent reduction and freeze of base rates. Please also indicate what increase or decline in revenues is forecast over this period as a result of load increases or decreases.

36. **HONI and NP –** What are the approved loss factors applied by HONI in 2012 and 2013 for each of its residential and general service rate classes? What are the approved loss factors for 2012 and 2013 for NP? When HONI harmonizes NP's rates in or about 2020, will it propose the HONI or NP loss factors for billing NP customers?

37. **HONI:** Please confirm which of HONI's customer classes will apply to NP residential customers (i.e., urban, medium or rural density, or some combination). If a combination, please provide HONI's forecasts of the percentage of residential customers that will be subject to each of the three residential rate classes. Please produce a copy of all analyses undertaken by HONI to confirm the appropriate application of its rates to NP residential customers (i.e., density studies and/or other studies).

38. **HONI and NP –** Please produce a road map and satellite map which outlines the boundaries of the service area of NP. Please provide the most current available information about the current number of NP customers in the:

(a) Town of Waterford;

(b) Town of Simcoe;

(c) Town of Port Dover; and

(d) The former Town of Delhi; and

(e) the western half of the former City of Nanticoke.

<u>Financing Premium</u>

39. **HONI:** HONI's response at Subsection 1.8.2 of the MAAD Application (Ex.A/T3/S1, p. 14) states that the premium paid over book value (of $39.1 million) "*will not be included in Hydro One Distribution revenue requirement and thus will not be funded by ratepayers*". This implies that to the degree that the cost of investment capital is not offset by other savings, the additional cost will reduce HONI's net income and shareholders' equity? Given that the shareholder of HONI is the Province of Ontario, and that the PILs attracted by HONI's net income as well as dividends are revenues used by the Province to pay down the electricity sector stranded debt, please either confirm that the net income reduction will be at the cost of Ontario taxpayers, or explain fully why this would not be the case.

40. **HONI:** HONI states at Subsection 1.8.3 of the MAAD Application (Ex.A/T3/S1, pp. 14, 15) that the acquisition will be financed "*through cash or its short-term commercial paper*

program … backed by a syndicated bank line of credit maturing June 2017. Long-term financing will be through its Medium-Term Note program which is fully operational and valid until September 2013, and planned to be renewed thereafter." Please provide the forecast annual financing costs which HONI will incur to pay the premium of $39.1 million, including explicitly HONI's assumption as to the term and interest rate. Please also identify the amount of cash which HONI intends to use for purposes of the transaction and clarify whether this cash was surplus to HONI's approved working capital allowance.

41. **HONI:** The additional premium that is paid for NP is required by accounting standards to be reallocated to the assets acquired and any additional intangibles in order to minimize goodwill. Please provide a detailed explanation (including any documents generated by valuators and related accounting records) as to how this premium will be reallocated. How are HONI customers going to be protected to ensure that the premium applied to the assets will not ultimately end up as part of HONI's rate base?

Share Purchase Agreement/Acquisition Terms

42. **HONI and NP:** Please provide the terms of the NP promissory note which will be redeemed as part of this transaction, including any costs, such as any penalty or early redemption fee.

43. **HONI:** What are the expected short and long-term financing rates assumed by HONI for the purchase of NP assets?

44. **HONI:** Reference: Ex.A/T2/S1, p. 2 - HONI is proposing to move its Dundas Field Business Centre functions from the City of Hamilton to the Town of Simcoe, over a 3-year period. What operations are currently undertaken at the Dundas Field Business Centre? What are the one-time forecast costs associated with the move (including any lease breakage penalties or termination fee)? Please provide a cost benefit analysis which compares the costs of HONI remaining in Hamilton versus the Town of Simcoe?

    HONI: To the extent that any distribution repair and maintenance activities are currently being operated out of the Dundas Field Business Centre and will be moved to the Town of Simcoe, please provide an analysis as to the impact of the move on HONI customers in the vicinity of the Dundas Field Business Centre. What is the anticipated impact on outage response times?

45. **HONI:** Reference: Ex. A/T3/S1, p. 11, ss. 1.6.3 – HONI states that Section 6.6 of the Share Purchase Agreement (SPA) outlines an agreed capital expenditure budget and forecast for NP for 2013 – 2017. Schedule 6.6 of the SPA contains CAPEX figures for years 2013 – 2017, which vary between $3.2 and 3.4 million. Please provide a breakdown for each of these years as to the capital expenditures anticipated for each of these years. Please also provide a Table which sets out the actual capital expenditures made by NP for the years 2007 – 2012 and its forecast capital expenditures for 2013 and its 2013 YTD actual expenditures.

46. **HONI:** Reference: Ex. A/T3/S1, p. 14, ss. 1.8.1, – HONI states that it used the commercial value of underlying assets in determining the value of NP. Please explain the term "commercial value" as used by HONI in this statement, noting whether "commercial value" is considered to arise from business cash flows, the market for system component equipment, other considerations, or a combination. HONI states that it also considered other components of the financial statements as well as cash flow projections, an assessment of asset condition, and one-time costs of integration of potential efficiency gains. Please produce all studies, reports, business plans and financial analyses which HONI used for the purposes of valuing NP. Without limiting the generality of this question, please provide a copy of the cash flow projections, any asset condition reports, and any other documentation relied upon by HONI for the purposes of its valuation of NP.

47. **HONI:** Reference: Ex. A/T3/S1, p. 15, ss. 1.8.6 – HONI states that certain environmental concerns were disclosed by NP and that liability for the properties in question will be transferred to HONI through the proposed share transfer. While the Schedule to the SPA which deals with environmental disclosure remains redacted, please confirm whether:

    (a) These environmental liabilities had any impact on the price paid by HONI. If they did, please explain how and by how much.

    (b) Whether any one potential environmental liability is currently estimated at more than $500,000 (in which case please confirm the number of properties which exceed this threshold).

    (c) Whether the aggregate of all potential environmental liabilities exceed $1 million (in which case, what is the current estimate of the aggregate of the potential environmental liabilities which HONI will assume)?

    (d) Is there any potential environmental liability disclosed to HONI as part of its due diligence which will impact the purchase price and if so, by how much?

    (e) Will any potential environment liability, if actualized, result in costs to the County of Norfolk, and if so, how has the County's exposure been accounted for?

48. **HONI and NP:** Reference: SPA Section 2.6 – The SPA provides that in the event the OEB does not approve the 1 percent negative rate rider, HONI shall pay NP $490,000. Please provide the basis and calculations behind this amount. Please explain how, in this event, the sum of $490,000 is intended to be utilized to benefit NP ratepayers. Does HONI intend to rate base all or any portion of this payment?

49. **HONI and NP:** Reference: SPA Schedule 3.1(N) – Contracts and Commitments. These questions relate to all of the Contracts and Commitments set out in the unredacted version of Schedule 3.1(N).

(a) Did HONI have an opportunity to review or was it apprised of the specifics of the contracts and commitments set out in Schedule 3.1(N) of the SPA before making its bid for NP?

(b) As a result of HONI's review of the contracts and commitments set out in Schedule 3.1(N), will HONI be seeking any adjustment in the purchase price? If so, by how much and in which direction? Please provide a detailed explanation of the reasons for any change?

(c) Following HONI's review of the contracts and commitments set out in Schedule 3.1(N), has HONI determined that it will be assuming an obligation which it did not anticipate for the purposes of its valuation of the shares of NP which is material, being in the aggregate more than $500,000 greater than the obligations that HONI anticipated? Please confirm the aggregate total amount of these unanticipated obligations.

50. **HONI and NP:** Reference: SPA, Schedule 3.1(O) – Material Contracts. These questions relate to all of the Material Contracts set out in the unredacted version of Schedule 3.1(O).

(a) Did HONI have an opportunity to review or was it apprised of the specifics of the material contracts set out in Schedule 3.1(O) of the SPA before making its bid for NP?

(b) As a result of HONI's review of the material contracts set out in Schedule 3.1(O), will HONI be seeking any adjustment in the purchase price? If so, by how much and in which direction? Please provide a detailed explanation of the reasons for any change?

(c) Following HONI's review of the material contracts set out in Schedule 3.1(O), has HONI determined that it will be assuming an obligation which it did not anticipate for the purposes of its valuation of the shares of NP which is material, being in the aggregate more than $500,000 greater than the obligations that HONI anticipated? Please confirm the aggregate total amount of these unanticipated obligations.

51. **HONI and NP:** Reference: SPA, Schedule 3.1(X) – Permitted Encumbrances. These questions relate to all of the Permitted Encumbrances set out in the unredacted version of Schedule 3.1(X).

(a) Did HONI have an opportunity to review or was it apprised of the specifics of the permitted encumbrances set out in Schedule 3.1(X) of the SPA before making its bid for NP?

(b) As a result of HONI's review of the permitted encumbrances set out in Schedule 3.1(X), will HONI be seeking any adjustment in the purchase price? If so, by how much and in which direction? Please provide a detailed explanation of the reasons for any change?

(c) Following HONI's review of the permitted encumbrances set out in Schedule 3.1(X), has HONI determined that it will be assuming an obligation which it did not anticipate for the purposes of its valuation of the shares of NP which is material, being in the aggregate more than $500,000 greater than the obligations that HONI anticipated? Please confirm the aggregate total amount of these unanticipated obligations.

52. **HONI:** In addition to the responses to earlier questions, as a result of HONI's due diligence and/or review of relevant documentation and information:

(a) Are there any unanticipated liabilities (or asset shortages) which HONI will assume as a result of the acquisition which in the aggregate exceed $500,000. If so, will the purchase price be adjusted and if so, by how much.

(b) Are there any unanticipated or unforecasted assets, accounts receivables or other benefits which will flow to HONI by reason of the transaction which were not included in its valuation of NP? If so, please provide details and values.

<u>Other</u>

53. **NP:** Please provide a high level summary of the other bids received for NP. The summary should include approximate total cash offer, nature, magnitude and duration of rate guarantees, if any, nature of any service quality guarantees, if any, and undertakings with regard to continuity of employment for NP employees.

54. **HONI:** Please provide a copy of any HONI Board of Directors communication/approvals relative to the acquisition.

55. **HONI:** Please produce any document alerting HONI's shareholder (i.e., the Government of Ontario) to the proposed acquisition and specifically, the premium it proposes to pay and the financing costs associated with this premium. Please also produce any document which demonstrates that the Government of Ontario approves the acquisition of NP as proposed.

56. **HONI:** Has the Government of Ontario sanctioned, authorized or approved the acquisition of NP by HONI?

57. **HONI:** Is it HONI's view that it does not require the sanction, authorization or approval of the Government of Ontario for this transaction? If so, what are the triggers and thresholds, if any, which would obligate HONI to obtain such approvals (for e.g. the dollar size of the acquisition?)

58. **HONI:** Please provide a detailed explanation as to how the proposed acquisition of NP meets objectives 1 and 2 of Subsection 1(1) of the *Ontario Energy Board Act, 1998.*

59. **HONI:** Reference: Ex. A/T3/S1, p. 11 – HONI states at Subsection 1.6.2 of its MAAD Application that it had agreed to establish an advisory committee to provide a form of communication between HOI and the County of Norfolk. How often will this committee meet and to what extent will HONI be required to consider and implement any requests from the County of Norfolk? Will the advisory committee be paid? If yes, how much? How will the committee be selected?