

INTERROGATORIES FROM THE CONSUMERS COUNCIL OF CANADA

RE: 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) of the *Ontario Energy Board Act, 1998* – **EB-2013-0196**

RE: An Application by Norfolk Power Distribution Inc. for leave to dispose of its distribution system to Hydro One Networks Inc. under section 86 (2)(b) of the *Ontario Energy Board, 1998* – **EB-2013-0187**

RE: An Application by Hydro One Networks Inc. seeking to include a rate rider in the 2013 Ontario Energy Board approved rate schedule for 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* – **EB-2013-0198**

1. (Exhibit A/T2/S1/p. 1) The evidence states that the proposed transaction protects Norfolk's customers through a commitment to freeze their base electricity distribution delivery rates for a period of five years from the closing of the transaction. In addition, their rates will be reduced a further 1% from the Board-approved 2012 rates.
 - a) For an average residential customer residing in Norfolk, what is the annual benefit flowing to that customer for the 5-year period?
 - b) Specifically, what other benefits will Norfolk customers obtain through the transaction?
 - c) Please explain the rationale for the 1% reduction.
2. Please explain what happens at the end of the five-year period. At that time what rates will Norfolk customers be charged? If HON seeks and obtains approval for significant increases through a customized incentive regulation model, will Norfolk customers be subject to those rates? What correspondence, if any, has HON provided to Norfolk customers regarding rate levels beyond the five-year freeze?
3. Under HON's proposal to set rates in 2015 and beyond using a customized rate-setting plan, please estimate what the average annual increases in rates might be.

4. (Exhibit A/T2/S1/p. 2) The evidence states that there will be no adverse impact on HONI Distribution's existing customers, operationally or through rate impacts. Please provide evidence to support this statement.
5. (Exhibit A/T2/S1/p. 2) The evidence indicates that HON will move its Dundas Field Business Centre functions from the City of Hamilton to the Town of Simcoe over a three-year period? What is the cost of doing this? What is the rationale for moving the Business Centre? How will it impact HON's existing customers, or their rates?
6. Please provide all information provided to HON's Board of Directors regarding the transaction.
7. (Exhibit A/T2/S1/p. 3) The evidence states that the completion of this transaction provides an example of where "significant operational savings can be achieved by combining an embedded LDC with HONI." Please provide a schedule setting out all projected operational savings. In addition, please explain how those savings will flow to ratepayers.
8. (Exhibit A/T2/S1/p. 2) The evidence states that Norfolk customers will benefit in the long term from access to the greater depth of expertise of HONI in the management and maintenance of the distribution system, and in the economies of scale that HONI can realize due to its size. Please specifically explain how Norfolk customers will benefit. Please provide evidence to support the assumption that Norfolk customers will benefit from HON economies of scale.
9. (Exhibit A/T1/S1/p. 2) The purchase price \$93 million. In light of the fact this approximately is 70% above the net book value of Norfolk Hydro, why is this transaction, at this price, in the best interests of HON's current customers? Can HON demonstrate that the costs to serve Norfolk's customers under a consolidated approach will be less than under the current system. Please explain.
10. Does HON have a written policy that guides its LDC acquisitions? If so, please provide a copy of that policy. Please indicate the extent to which HON's shareholder provides input regarding that policy. If no written policy exists, what steps does HON take in assessing potential acquisitions, and ultimately proceeding with them? What are the key drivers regarding HON's acquisitions? Specifically, what have been the key drivers regarding the acquisition of Norfolk Power?