EB-2013-0196
EB-2013-0187
EB-2013-0198

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 Norfoik 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.*

NOTICE OF MOTION

The School Energy Coalition ("SEC") will make a motion to the Ontario Energy Board ("the Board") at its offices at 2300 Yonge Street, Toronto, on a date and at a time to be fixed by the Board.

PROPOSED METHOD OF HEARING

SEC proposes that the motion be dealt with by oral submissions.

THE MOTION IS FOR:

1. An order requiring Hydro One Networks Inc. and/or Norfolk Power Distribution Inc. to provide the information requested in:

    a. Board Staff Interrogatories 4.2, 7.2, and 9.2.
    b. VECC Interrogatory 2(a).
    c. SEC Interrogatories 1, 2, 3(c), 4(c), 5, 6, 7, 8, 14, 15, 16, 18, and 19.

d. CCC Interrogatories 3, 6, 9, and 10.

e. EBN Interrogatories 2, 3, 4, 5, 6, 13, 14, 15, 16, 20, 21, 22, 24, 25, 26, 27, 28, 30, 32, 33, 37, 43, 44, 45, 46, 53, 54, 55, 56, and 57.

2. Extension of the time periods set out in Procedural Order #5 with respect to intervenor evidence and submissions until a reasonable time after the information requested in this motion is provided to the parties.

3. Such further and other relief as SEC may request and the Board may grant.

THE GROUNDS FOR THE MOTION ARE:

1. The Board issued a Notice of Applications and Hearing with respect to the above-described Applications, to be considered by way of a consolidated proceeding, on May 31, 2013.

2. SEC is an intervenor in this proceeding.

3. Pursuant to Procedural Order #5 issued July 12, 2013, Board Staff and the intervenors delivered written interrogatories to the Applicants on October 11, 2013. Board Staff and the intervenors sought various information and material that were in addition to the Applicants' evidence, and are relevant to the proceeding. The Applicants either refused to provide such information and materials, or provided an incomplete response to such requests, with respect to the fifty-one questions listed above.

General

4. SEC has not taken a position on the issues in this proceeding, including whether or not the acquisition of Norfolk by Hydro One (the "Acquisition") is in the public interest and consistent with the Board's statutory objectives. SEC is not in a position to make such a determination until it is able to review a full evidentiary record, and thus base its submissions on a reasonable factual foundation.

5. In deciding to intervene in this proceeding, SEC considered that there were a number of possible reasons why the Acquisition might not be approved, depending on the facts as they emerge on the record.

6. In considering these possibilities, SEC was aware that Hydro One has acquired many LDCs in the past, and may acquire more in the future, so determining whether any of the possible reasons for refusal are applicable in this case may also have implications for other possible acquisitions of LDCs in the future.

7. Two of the factors which, in SEC's view, may mean that approval is not appropriate are a) the problem of Hydro One's high rates relative to other LDCs including Norfolk, and b) the potential impact of the high price paid by Hydro One in this Acquisition on the rational consolidation of the electricity distribution sector. Both have the potential to materially harm ratepayers.

8. ***Rate Differential.*** Hydro One, the acquiror in this transaction, has higher rates for most customers than almost all other LDCs, and has a markedly higher cost structure. This cost structure issue has been shown to be getting worse rather than better, as seen in the recent studies of distributor productivity done as part of the RRFE proceeding[1]. The Board has expressed concern about Hydro One's high costs, particularly compensation costs, in past cases[2]. In 2012, the average distribution revenue per customer of Hydro One was $1,032.86. The average distribution revenue per customer for the entire sector was $676.56, and the average distribution revenue per customer for Norfolk Power was $621.43[3].

9. If Hydro One completes the Acquisition, the rates charged to Norfolk customers are expected at some time in the future to be harmonized with the rates charged to Hydro One customers. If the rates charged to Hydro One customers at the time of the harmonization are higher than the rates

[1] e.g. "Empirical Research in Support of Incentive Rate Setting in Ontario", Pacific Economics Group, May 2013, Evidence filed for the Board in EB-2010-0379. On this issue, all other experts essentially agreed with the PEG conclusion.
[2] EB-2009-0096, Decision with Reasons, pp. 11, 18.
[3] All figures are derived from the OEB's 2012 Yearbook of Electricity Distributors, published August 22, 2013, and are the result of dividing total distribution revenue by total number of customers.

that would have been charged to Norfolk customers without the Acquisition, Norfolk customers will receive an incremental rate hike at that time, and the rate increase may be very large.

10. Hydro One acquired about ninety other LDCs in 1999 and 2000, and in 2007 sought to harmonize their rates with those of the Hydro One "legacy" customers. As a result, most of the acquired customers experienced very substantial rate increases[4].

11. Hydro One is now proposing to go through another round of acquisitions of LDCs. It is submitted that the Board must be concerned about whether the customers of those newly acquired LDCs – including the current ratepayers of Norfolk Power - will also experience substantial rate increases in the future.

12. The Board's objectives include a mandate "***To protect the interests of consumers with respect to prices***"[5].

13. In determining whether to approve a transaction such as the Acquisition, the Board applies the "no harm" test, described recently by the Board as follows:

> *"The "no harm" test consists of a consideration as to whether the proposed transaction would have an adverse effect relative to the status quo in relation to the Board's statutory objectives. If the proposed transaction would have a positive or neutral effect on the attainment of the statutory objectives, then the application should be granted."*[6]

14. If the ratepayers of Norfolk Power will have higher future rates as a direct result of the Acquisition, and relative to the status quo, then the "no harm" test is not met. If the rate increase approximates the difference between Hydro One's average distribution revenue per customer and Norfolk Power's average distribution revenue per customer, the resulting increase would be 66.2% at current rates[7], and would be significantly higher after a five year rate freeze, coupled with Hydro One rate increases under their planned custom IR application for 2015-2019.

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[4] Rate Order, EB-2007-0681.
[5] OEB Act, Section 1(1), #1.
[6] EB-2008-0332/0350, Decision and Order, p. 4.
[7] ($1032.86-$621.43)/$621.43.

15. The following interrogatories seek information necessary for the Board to determine if one of the results of the Acquisition is likely to be that Norfolk Power customers will have higher future rates, and if so by how much:

    a. Staff 7.2.
    b. SEC 1, 2, 3(c), 4(c)
    c. CCC 3
    d. EBN 4, 6, 22, 30, 33, 37

16. In addition to its direct application in this proceeding, this issue raises the question of whether distributors with higher rates have a built-in advantage in acquisitions of other LDCs, because in the future their harmonized rates for those acquired customers will exceed by a greater margin the marginal costs to serve those customers, relative to potential acquirors with lower rates. If the Board determines that to be the case in this proceeding, and that it is potentially applicable in other cases of competitive acquisitions, this may lead to the perverse result that the Board's approach to MAADs applications may inadvertently be favouring acquirors with higher rates. This may not be in the public interest, and the Board may wish to assess whether that is the case. In addition to being necessary to determine whether there is a "higher rates" advantage, the information requested in these interrogatories is also necessary for the Board to make this general policy assessment.

17. ***Rational Consolidation of the Distribution Sector.*** It is the policy of the Board to facilitate the rational consolidation of the electricity distribution sector in Ontario.

18. In the last major round of consolidation, in 1999/2000, most of the acquisitions were completed by Hydro One. Hydro One has advised that it is currently discussing M&A transactions with a number of distributors[8].

19. If the price paid by Hydro One for Norfolk Power is significantly higher than the price other distributors are willing or able to pay for Norfolk Power, there are a number of possible reasons for that fact:

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[8] Ex. I/1/3.2.

a. Hydro One is able to generate higher levels of productivity improvement in an acquisition, whether through economies of scale or more efficient operations, than can be generated by other potential acquirors.

b. Hydro One is more experienced than other utilities at assessing acquisitions, and therefore is able to assume higher levels of risk.

c. Hydro One's higher future rates on harmonization mean that the net present value of the future revenue stream from the customers is higher for Hydro One than for acquirors with lower rates.

d. Hydro One has more available sources of funds, and so is able – whether by way of general policy, long term strategy, or decisions in individual transactions - to price an acquisition on a "predatory" basis to ensure that other potential acquirors will be unsuccessful in their bids, and are less likely to bid in other competitive situations.

20. The Board's statutory objectives include the mandate "***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***"[9].

21. If Hydro One is able to offer generally higher prices for the purchase of other distributors than could other potential acquirors, the effect may be that acquisitions will generally be by Hydro One, and that will produce a particular configuration of the electricity distribution sector in the future. If the reason for Hydro One's advantage is greater productivity opportunities or ability, the Board may determine that the "Hydro One advantage" is in the public interest. Conversely, if the reason for Hydro One's advantage is some of the others noted above, the Board may determine that allowing Hydro One to exercise that advantage (e.g. higher rates, or market dominance) is contrary to the public interest, as it will not promote cost effectiveness, economic efficiency, and/or the financial viability of the electricity industry.

22. Hydro One alleges that, in proceeding with the Acquisition, it relied on its "business judgment", and seeks to exclude from review by the Board anything related to how, or whether, it in fact exercised business judgment. In responding to VECC 2, Hydro One says:

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[9] OEB Act, Section 1(1), #2.

> *"Hydro One does not consider the information that it has used for purposes of analyzing and exercising its business judgment to proceed forward with the transaction to be in issue. Hydro One therefore declines to provide the requested information."*[10]

The assumption that Hydro One's "business judgment" is sacrosanct, and impervious to any Board review, permeates the responses to the interrogatories. This assumption is only arguable if Hydro One's "business judgment" does not include anti-competitive elements that would thwart the rational consolidation of the electricity distribution sector, and therefore be contrary to the public interest. The Board can only determine that by looking at how that "business judgment" was in fact exercised.

23. The following interrogatories seek information necessary for the Board to determine if the price offered by Hydro One is unusually high and, if so, the reason for that high price:

    a. Staff 4.2
    b. VECC 2(a)
    c. SEC 5, 6, 7, 8. 15. 18
    d. CCC 6, 9, 10
    e. EBN 2, 3, 13, 14, 15, 16, 20, 21, 24, 25, 26, 27, 28, 32, 43, 45, 46, 53, 54, 55, 56, 57

24. In addition to its application in this proceeding, this issue could have application to other possible acquisitions of LDCs, including those in respect of which Hydro One is already engaged in discussions. The Board's determination of this question in this proceeding could have a material impact on competition for LDC acquisitions and therefore on the rational consolidation of the distribution sector.

25. In the following sections of this Notice, SEC has grouped the fifty-one interrogatories that are the subject of this Motion into three categories:

[10] Ex. I/2/2.

a. Interrogatories relating to the potential harm that may be caused in the future to Norfolk Power ratepayers as a result of substantial rate increases at the time of harmonization with Hydro One legacy customers.

b. Interrogatories relating to the excessive price being paid, if any, the reasons for the excessive price, and the potential impacts on the electricity distribution sector and its rational consolidation.

c. Other interrogatories that do not fit into either of the first two categories.

26. The grounds set forth below do not set out the full text of each of the interrogatories at issue in this Motion. The full text is included in the Appendix to this Notice of Motion, organized in the same order as paragraph 1 above, for ease of reference.

Interrogatories Relating to "High Rates"

27. ***Harmonization Plan.*** Both Staff 7.2 and EBN 33 seek information with respect to Hydro One's plans to harmonize rates between their legacy customers and Norfolk Power's current ratepayers.

28. In the original Application, Hydro One proposed to harmonize rates in 2020[11]. In these interrogatory responses, Hydro One advises that it no longer has a harmonization plan, but does not provide any information on what will happen to Norfolk Power customers at the end of the five year rate freeze that has been proposed. This appears to be contrary to Board practice.

29. The impact on Norfolk Power ratepayers in year 2020 and beyond is clearly relevant to the question of whether they are harmed by the Acquisition, especially since the acquiror, Hydro One, has significantly higher rates than other LDCs. All other things being equal, and based on Hydro One's history, Norfolk Power rates will be harmonized with Hydro One legacy rates, and the result will be a substantial rate increase for the Norfolk Power customers[12].

[11] Ex. A/1/1, p. 3

[12] If Hydro One's rates are currently 50.3% higher than Norfolk Power's rates [I/3/4, p. 3 – assuming GS treatment], Norfolk's rates are frozen at 2012 levels less 1% until 2019, and Hydro One's Custom IR averages a 4% increase per year, the effect would be – assuming no changes in volumes and numbers of customers – that Norfolk customers in 2019 would pay a total of about $11,670,000 in rates. In 2020, at Hydro One rates, their rates would be $22,788,000,

30. ***Applicable Hydro One Rate Classes and Volumes.*** Interrogatories SEC 1 and EBN 37 seek information on the Hydro One rate classes that will be applicable to Norfolk Power customers in the future. Interrogatory SEC 2 seeks the volumes expected to be applicable to each of the Hydro One rate classes, so that future rate and revenue impacts of the Acquisition can be determined.

31. Hydro One responds that they do not know the Hydro One rate classes that would be applicable to Norfolk Power customers, and so refuse to answer all three questions.

32. SEC submits that Hydro One should be ordered to ascertain and then disclose this information, for two reasons:

    a. Without information on the applicable Hydro One rate classes and related volumes, it is impossible for the Board and parties to assess whether Norfolk Power ratepayers face a significant future rate increase.
    b. If Hydro One has not, in fact, considered the rates applicable to Norfolk Power ratepayers in the future, that would be relevant to the question of whether the price paid for Norfolk Power is based on a reasonable commercial judgment, or is motivated by other factors.

33. It is therefore submitted that, if Hydro One declines to provide this information, they will not have met their onus to demonstrate that the Acquisition will produce no harm to ratepayers.

34. ***Hydro One Rates 2015-2019.*** Hydro One has advised stakeholders publicly that it plans to file a custom IR application in February covering its distribution rates for the period 2015-2019. The details of the application will be approved by management

requiring a total average increase in rates of 95.4% in 2020. Put another way, assuming 1.3% rate increases annually for Norfolk Power from 2014 to 2019, the total savings from the 1% reduction and freeze are about $2.3 million. This amount is recovered by Hydro One on harmonization in 2020 in the first 3 months of the new rates, and thereafter Norfolk Power customers are paying significantly higher rates, indefinitely into the future, at a rate about 80% higher than they would otherwise be paying. All figures assume no changes to volumes or cost structure. Even if all Norfolk customers are Urban Hydro One customers, which is unlikely, the rate increase for Norfolk Power customers in 2020 is 14.2% and the Hydro One payback for the reduction and freeze is less than 18 months.

shortly, and approved by Hydro One's Board of Directors before the end of 2013. Interrogatories SEC 3(c) and CCC 3 seek information on those planned rates. SEC 4(c) seeks information on the expected impacts of those rates on Norfolk Power customers.

35. Hydro One declines to answer, in part on the ground that the rates in the custom IR application have not been finalized, and in part because the information is not relevant.

36. SEC submits that the Board should order disclosure of this information. A comparison of the status quo scenario to the Acquisition scenario requires knowledge of any material differences between rate increases for Norfolk Power and Hydro One. In addition, if there will be a large rate increase in 2020, it is necessary for the Board to be have evidence on that increase, in order to estimate impacts on ratepayers as clearly as possible.

37. ***Hydro One Cost Problems.*** Interrogatories EBN 5, 6 and 30 seek information on Hydro One's response to its well-known problems with keeping its costs under control. The first two interrogatories refer to comments of the Board in EB-2009-0096 about those cost issues.

38. Hydro One has refused to answer these questions on the basis of relevance.

39. SEC has included these questions in the category of rates, because continued problems with cost control may have been, and continue to be, one of the reasons why Hydro One's rates are higher than other LDCs, including Norfolk Power, and why Norfolk Power ratepayers can expect a substantial rate increase at the end of the freeze period.

40. SEC submits that these questions should be answered because they assist the Board in determining whether Norfolk Power customers will be harmed due to rate increases, in part due to continued insufficient control of Hydro One's overall cost increases.

41. ***Economies of Scale.*** Hydro One argues in the Application that economies of scale as a result of the Acquisition will benefit Norfolk Power ratepayers[13]. Interrogatory EBN 22 seeks "studies, analyses or reports" dealing with economies of scale.

42. The response refers to SEC 11 and VECC 3, but neither of those interrogatory responses includes "studies, analyses or reports", so the response to EBN 22 is incomplete and non-responsive.

43. SEC seeks this information because SEC does not understand how economies of scale can benefit Norfolk Power ratepayers, when the eventual rates that will be charged will be the rates charged to Hydro One legacy customers.

44. SEC submits that, having claimed economies of scale, the Applicants should be required to provide any studies, analyses or reports they have that deal with their own claim, either supporting it or otherwise.

45. ***Past Rate Increases.*** Interrogatory EBN 4 seeks information on what has happened, from a rate point of view, to the customers of other LDCs acquired by Hydro One.

46. Hydro One declines to answer on the ground that the information requested is not relevant to the Acquisition and the no harm test for Norfolk Power.

47. It is submitted that if the information requested in the interrogatory shows, as expected, a pattern in which ratepayers of acquired LDCs have experienced substantial rate increases, that is relevant to whether the Board believes that Norfolk Power ratepayers will experience a result consistent with that pattern.

Interrogatories Relating to "Excessive/Predatory Price" or "Rational Consolidation"

48. ***Purchase Price Analysis and Valuations.*** Interrogatories SEC 5, EBN 28, and EBN 43 ask for information on how Hydro One developed or justified the purchase price for the Acquisition. Interrogatories SEC 18 and EBN 46 ask for information on valuations of Norfolk Power.

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[13] Ex. A/T3/S1, p. 11

49. All five of these interrogatories have been refused on the ground of relevance.

50. Hydro One argues that, in setting the value and therefore establishing the price, Hydro One is exercising commercial or business judgment, and that should not be reviewable by the Board. That is only true if Hydro One is paying a commercially reasonable price. If Hydro One is paying any other price, the issue of their motive for so doing is raised, and thus whether it is anti-competitive. SEC submits that, if Hydro One in fact is overpaying for Norfolk Power, this is relevant to the Board in determining whether the Acquisition is in the public interest. The information requested in these interrogatories is essential in determining whether the price is excessive relative to reasonable commercial practice.

51. ***Recovery of Cost of Freeze.*** Interrogatory SEC 7 seeks any analyses Hydro One has on how they will recover the cost of reducing and freezing Norfolk Power rates for five years. The response does not provide any such analyses, but does not explain why none exist or are available. As noted in footnote 12 above, the cost of the reduction and freeze may be $2.3 million.

52. SEC submits that information on how Hydro One will recover the costs of the reduction and freeze, and from whom, is relevant to whether the proposed reduction and freeze should be approved by the Board.

53. ***Past Purchase Price Recovery.*** Interrogatories SEC 6 and EBN 3 seek information and documents relating to how Hydro One recovered the purchase price in the case of past acquisitions of LDCs. Hydro One has refused to answer both questions on the grounds of relevance.

54. SEC submits that documentation and information with respect to past acquisitions will assist the Board in understanding how Hydro One will recover the purchase price in this Acquisition. If the reason disclosed in the information is high rates, for example, that may help the Board to make a determination as to whether the Acquisition is in the public interest. Conversely, if Hydro One is able to show that in its parent company it retains the unamortized purchase premiums from past acquisitions, or alternatively that it has written off those purchase

premiums against income as unrecoverable, that may bolster Hydro One's claim that the ratepayers do not ultimately bear those amounts in rates.

55. ***Acquisition Policy.*** Interrogatory CCC 10 seeks information on Hydro One's policy for acquisitions of LDCs. Hydro One refuses to answer on the ground of relevance.

56. It is submitted that, if Hydro One's acquisition policy includes, for example, a pricing strategy that would prevent other acquirors from bidding, or stipulates a future revenue analysis that includes the impact of Hydro One's higher rates, the policy will assist the Board in determining if the Acquisition is in the public interest and passes the no harm test. There are many possible configurations of the policy that would be of assistance to the Board, either in suggesting actions that are harmful to the ratepayers, or alternatively supporting the Acquisition as being in the public interest. It is not possible to enumerate all of the possibilities, only to provide examples as above.

57. ***RFP Documents/Other Bids.*** Interrogatory SEC 8 seeks the RFP documents, to see what the bidders were bidding to. Interrogatory EBN 53 then seeks a summary of the unsuccessful bids. Hydro One has declined to answer both on the basis of relevance.

58. SEC submits that disclosure of a summary of the unsuccessful bids goes to whether the successful bid by Hydro One is commercially reasonable, and therefore consistent with the Board's objective #2. Disclosure of the RFP documents is a necessary step in support of that information. In addition, the RFP documents on their own will disclose any conditions in the bidding that would be harmful to the ratepayers, would protect the ratepayers, or otherwise consider the public interest as it relates to the bids.

59. ***Government Approval.*** Interrogatories EBN 55, 56 and 57 seek information on whether government approval for the Acquisition was needed, was requested, or was given. Hydro One has declined to answer on the grounds of relevance.

60. Rational consolidation of the electricity distribution sector is a key element of government policy, but the government has not made any statement as to whether a consolidation dominated by provincially-owned Hydro One, as opposed to by regional LDCs, is consistent

with the government's direction. Whether the government participated in the decision to pursue the Acquisition, or not, and on what basis, will inform the Board on this question. Further, if the government was not involved in this decision, either by consultation or approval or otherwise, then any argument by the Applicants that the Acquisition supports government policy of sector consolidation is unsupported and may be challenged by SEC and others.

61. SEC therefore submits that this material is relevant and will be of assistance to the Board. The answers should be provided.

62. ***Board of Directors Information.*** Interrogatories CCC 6 and EBN 54 seek documentation provided to or from the Board of Directors of Hydro One dealing with the Acquisition. Hydro One has refused to answer on the grounds of relevance.

63. The Board has regularly ordered production of Board of Directors materials in the past, particularly relating to the basis on which certain categories of decisions are made. While there are often issues relating to confidentiality of those documents, the Board has recognized that the very same information provided to the Board of Directors – which by definition must be relevant to the transactions for which Board of Directors approval is being sought – is also highly likely to be relevant to the related approval being sought from this Board. Subject to confidentiality, the statements made to the Board of Directors should be entirely consistent with the statements made to this Board. The only major difference is likely to be level of detail, which can only benefit the Board in its deliberations.

64. SEC submits that the information provided to or from the Hydro One Board of Directors with respect to the Acquisition is necessarily relevant to these Applications, and should be produced. We note that SEC is not making any submission on whether all or any part of that disclosure should be treated as confidential. That is a matter that should be dealt with in accordance with the relevant Board policy, at such time as Hydro One makes a confidentiality claim.

65. ***Productivity Gains.*** Interrogatories SEC 15, CCC 9, EBN 14, 14, 20, and 21, all relate in various ways to Hydro One's claims that productivity gains will be achieved through the Acquisition. Some ask for documents, some ask for explanations, and some seek information

on components of productivity. Hydro One has essentially responded to all of them by refusals based on relevance.

66. The primary argument by Hydro One in support of any acquisition of an LDC is that there will be efficiency and productivity improvements that are in the public interest. That is, acquisitions in general go to the Board's second objective in Section 1(a) of the OEB Act.

67. However, there are numerous costs associated with a transaction of this type, and it is productivity gains that allow the acquiror to recover those costs, including potentially any purchase price premium. That is why production of things such as forecasts of productivity improvements, and pro forma forward budgets, have been ordered in past MAADs cases[14].

68. In this case, because of the high price, the need for this information is even greater. The magnitude of any unrecoverable amounts being paid out by Hydro One in the Acquisition will assist the Board in determining whether Hydro One established the price on the basis of its commercial judgment, as it claims in the Application and in many of the interrogatory responses, or on some other basis. If it was on some other basis, the Board's conclusion on that point will go to the issue of whether the Acquisition is in the public interest consistent with the second statutory objective in Section 1(1) of the OEB Act, or in fact whether it is contrary to the public interest when viewed through the lens of that objective.

69. ***Specific Cost Impacts.*** Interrogatories Staff 4.2, VECC 2(a), EBN 2, 15, 16, 17, 24, 25, 26, 27, and 45 all seek various types of information with respect to costs that will or may arise as a result of the Acquisition. Hydro One has in general refused to answer these questions on the grounds of relevance, although in a few cases there is no outright refusal, but the answer is non-responsive and does not provide the information requested.

70. SEC submits that this information is required in order to determine the total unrecoverable amounts being paid out by Hydro One related to the transaction. As noted above, those amounts will inform the Board as to whether Hydro One exercised commercial judgment as

[14] E.g. EB-2008-0335.

claimed, and therefore whether the public interest, as mandated in the second statutory objective, is being met.

Other Interrogatories

71. ***USGAAP.*** Interrogatory Staff 9.2 seeks information on whether the request in the Applications to move to USGAAP for Norfolk continues unamended. This is part of an implied general question of whether, in light of the changes to the Applications described in some of the interrogatory responses, the Applications are now up to date or not. Hydro One's response is basically non-responsive, i.e. they don't know what they currently intend.

72. SEC submits that, unless the Applicants plan to file an evidence update to make all of the changes to the Applications clear, a definitive response to this interrogatory is required so that the Board will know what is being requested.

73. ***Capital Commitments.*** Interrogatory SEC 14 seeks information on how the capital spending commitments of Hydro One, as acquiror, which appear to be inserted for the benefit of the ratepayers, can in fact be enforced by the ratepayers. Hydro One's answer refers to the lack of a "legal opinion", which was not referred to in the question, but does not provide any information on the enforceability of the capital spending commitments.

74. SEC submits that Hydro One should be required to state how they believe the capital spending commitments are enforceable. If they are not willing or able to do so, they should be required to withdraw any reference to any such unenforceable commitments in the Applications.

75. ***Tax Impacts.*** Interrogatory SEC 16 seeks information on how Hydro One will account for the tax impacts of the Acquisition in the separate books kept with respect to Norfolk Power. Hydro One appears to have misunderstood the question, thinking it dealt only with tax rate changes.

76. The question was in fact intended to get at changes (likely increases) in the levels of income tax Norfolk may be required to pay annually because it is owned by Hydro One. With that clarification, SEC submits that Hydro One should be required to answer the question.

77. ***Confidentiality Commitment of Brad Randall.*** Interrogatory SEC 19 seeks information on whether former President Brad Randall is under any confidentiality restrictions with respect to the Acquisition. Hydro One appears to have misunderstood the question, thinking it related to the circumstances under which Mr. Randall left Norfolk Power.

78. The question was in fact intended to find out whether Mr. Randall would be disqualified as a witness due to confidentiality commitments, if called by SEC or by any other party. With that clarification, SEC submits that Hydro One should be required to answer the question.

79. ***Impact on Service to Hydro One Customers.*** Interrogatory EBN 44 seeks information on the impacts on certain Hydro One customers of the planned move of the Dundas office to Simcoe. Hydro One's answer is non-responsive to the question.

80. SEC submits that the no harm test applies, not just to the ratepayers of Norfolk Power, but also to the ratepayers of Hydro One. In the event that a key element in the Acquisition is harmful to some of the Hydro One ratepayers (e.g. due to erosion of service quality), that fact would be relevant to the Board's determination on these Applications. Therefore, it is submitted that Hydro One should be ordered to provide a full response.

THE FOLLOWING DOCUMENTARY MATERIAL AND EVIDENCE WILL BE RELIED UPON AT THE HEARING OF THE MOTION:

1. The Record in EB-2013-0187/196/198, including all interrogatory responses.

2. Such further and other material as counsel may advise and the Board may permit.

October 30, 2013

Jay Shepherd Professional Corporation
2300 Yonge Street
Suite 806
Toronto, Ontario M4P 1E4

Jay Shepherd
jay.shepherd@canadianenergylawyers.com
Tel: 416-483-3300
Cell: 416-804-2767
Fax: 416-483-3305

Counsel for the School Energy Coalition

TO: **Ontario Energy Board**
2300 Yonge Street, Suite 2701
Toronto, ON M4P 1E4

Kirsten Walli, Board Secretary
Tel: 416-481-1967
Fax: 416-440-7656

AND TO: **Michael Engelberg**
Assistant General Counsel
Hydro One Networks Inc.
483 Bay Street
Toronto, ON M5G 2P5
Tel: 416-345-6305
Fax: 416-345-6972
mengelberg@hydroone.com

AND TO: **Jamie Waller**
Senior Regulatory Coordinator
Hydro One Networks Inc.
483 Bay Street
8th Floor – South Tower
Toronto, ON M5G 2P5

Tel: 416-345-6948
Fax: 416-345-5866
regulatory@hydroone.com

AND TO: **J. Mark Rodger**
Borden Ladner Gervais LLP
Scotia Plaza
40 King St. W
Toronto, ON M5H 3Y4
Tel: 416-367-6190
Fax: 416-361-7088
mrodger@blg.com

AND TO: **Jody McEachern**
Acting Chief Executive Officer
Norfolk Power Distribution Inc.
483 Bay Street
Toronto, ON M5G 2P5
Tel: 519-426-4440 Ext. 2264
Fax: 519-426-4514
jmceachern@norfolkpower.on.ca

AND TO: **Intervenors of record**

APPENDIX

ONTARIO ENERGY BOARD (BOARD STAFF)

INTERROGATORY #4 LIST 1

INTERROGATORY

Reference: Exhibit A, Tab 2, Schedule 1, Page 2, Lines 18-20:

HOI has guaranteed a local presence within NPI's office on Victoria St. in the Town of Simcoe for a minimum of three years and will move its Dundas Field Business Centre functions from the City of Hamilton to the Town of Simcoe over a three-year period.

4.1 Please indicate the impact of moving the Dundas Field Business Centre from Hamilton to the Town of Simcoe on HONI's existing customers.

4.2 Please provide the cost of moving this office and indicate whether this cost is included in the Incremental Transition Costs found on page 4 of Exhibit A/Tab2/Schedule1.

RESPONSE

4.1 The Dundas Field Business Centre (“FBC”) provides technical, scheduling, and administrative support to all of HONI’s Zone 2 operations, which includes both the Norfolk and Dundas areas. The effectiveness of the FBC is not dependent on geography as it is not a service center. As a result, there will be no negative impact to HONI’s customers by relocating the Dundas FBC. HONI has been assessing the need to vacate the Dundas office for several years, due to the age of the facility. The relocation of the FBC to the Town of Simcoe will provide a viable solution.

4.2 Neither the costs nor the benefits of moving the centre are included in the Incremental Transition Costs.

ONTARIO ENERGY BOARD (BOARD STAFF)

INTERROGATORY #7 LIST 1

INTERROGATORY

Reference: Exhibit A, Tab 2, Schedule 1, Page 7, Lines 8-11:

According to the Applications, HONI expects to rebase its electricity distribution rates along with NPDI's distribution rates in 2020 and to harmonize the two rates at the same time. "Until that time, HONI Distribution proposes to retain two separate rate schedules for customers in each of the service areas- that is those currently served by HONI Distribution and those currently served by NPDI."

7.1 Please indicate whether HONI is applying under section 18 of the *Ontario Energy Board Act, 1998* for leave to transfer NPDI's rate order to HONI.

7.2 Please provide HONI's plan to address the rate differentials between the two service territories at the time of the harmonization, with particular emphasis on potential rate shock for HONI NP customers.

RESPONSE

7.1 HONI wishes to provide an update and clarify that the relief it is now seeking in this application. .

At the present time, HONI is involved in commercial negotiations with other Ontario electricity distributors regarding transactions similar to the present one. The results of those negotiations may have a bearing on the long-term organizational structure HOI and/or HONI choose to use for newly acquired distribution investments.

These circumstances may affect the organizational structure HONI and HOI may choose to adopt in respect of the proposed transaction. This determination will not be known until the conclusion of the other commercial negotiations. In light of this, and to afford flexibility with respect to the regulated licensing aspects of the present transaction, HONI now intends to have NPDI operate its regulated affairs under its existing distribution licence in the short term. Modifications to NPDI’s existing rate order, as set out in the application, are now sought by NPDI (and not HONI) to take into account the contemplated rate reduction and the five year rate freeze period. Consequently, HONI is no longer seeking in this application to amend its distribution licence. nor is NPDI seeking leave to have its distribution assets transferred to and form part of HONI's distribution licence. If and when future organizational changes are determined to be appropriate, HONI and NPDI would, at that time, make the applicable applications to the Board.

The intent of these changes is to provide HOI and HONI with organizational flexibility. None of these changes will have any adverse effects upon customer rates as again these changes all relate to how HOI and HONI intend to arrange their corporate affairs and the regulatory licensing of its investments. Based on the foregoing and as it concerns the requests for relief found at Exhibit A, Tab 1, Schedule 1 of the application, the applicants summarize the amended requested relief as follows:

- Hydro One Inc. continues to seek approval from the Board for leave to purchase all of the issued and outstanding shares of Norfolk Power Inc. made pursuant to section 86(2)(b) of the *Ontario Energy Board Act, 1998*;
- Norfolk Power Distribution Inc. is no longer seeking approval from the Board, as was originally applied-for, for leave to transfer its distribution system to Hydro One Networks Inc. made pursuant to section 86(1)(a) of the *Ontario Energy Board Act, 1998*;
- Norfolk Power Distribution Inc. is no longer seeking cancellation of its distribution licence as was originally applied-for pursuant to section 77(5) of the *Ontario Energy Board Act, 1998*;
- Hydro One Networks Inc. is no longer seeking an order to amend its distribution licence made pursuant to section 74 of the Ontario Energy Board Act, 1998; and
- Norfolk Power Distribution Inc., not Hydro One Networks Inc., is now the party now seeking to include a rate rider in the 2013 OEB-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), made pursuant to section 78 of the Ontario Energy Board Act, 1998. The rate order amendment would take effect following the successful closing of the proposed transaction.

7.2 Following the requested five-year rate freeze of NPDI's rates, Hydro One will file a rate application for NPDI rates for 2019. At the present time, HONI expects to file an application that may propose moving NPDI customers to an existing HONI rate class or classes, creating a new customer rate class or some other potential option. Any future proposed rate applications will satisfy the Board's "Filing Requirements for Electricity Distribution Rate Applications" and will require OEB approval.

ONTARIO ENERGY BOARD (BOARD STAFF)

INTERROGATORY #9 LIST 1

INTERROGATORY

Reference: Exhibit A, Tab 2, Schedule 1, Page 8, Lines 16-22:

HONI requests approval to utilize USGAAP for accounting purposes in relation to HONI NP. Approval to use USGAAP for HONI NP will simplify the future rate integration to HONI Distribution; will avoid incremental costs or productivity losses by simplifying processes and avoiding the need for workarounds; and will facilitate HOI's consolidated reporting for securities filing purposes (possibly including future U.S. Securities and Exchange Commission), thus avoiding incremental costs and/or reduced productivity. It would be inefficient and costly to maintain different accounting regimes for divisions within HONI.

9.1 Please confirm that MIFRS was used as the basis for the calculation of NPDI's 2012 regulated revenue requirement. If this cannot be confirmed, please state which accounting standard was used and provide an explanation.

9.2 Please specify whether HONI is requesting approval to use USGAAP for HONI NP for:
(a) financial reporting purposes;
(b) regulatory purposes; or
(c) both financial reporting and regulatory purposes .

9.3 If the answer to item No. 9.2 is “(a) financial reporting purposes”, please identify how this would impact HONI NP's rates and regulatory accounting and reporting that were established using MIFRS.

9.4 If the answer to item No. 9.2 is "(b) regulatory purposes or (c) financial reporting and regulatory purposes", please confirm whether the Board-prescribed MIFRS accounting for regulatory reporting and rate-making purposes will continue to be used for HONI NP, and if so,

a. Please explain how MIFRS regulatory accounting and rate-making will be preserved under USGAAP. Please provide full particulars.

b. Please confirm that HONI NP will maintain its regulatory accounting books under MIFRS and continue reporting to the Board using MIFRS for regulatory reporting and rate-making purposes. If this cannot be confirmed, please provide a detailed explanation.

c. Please confirm that there would be no impact on HONI NP's current base revenue requirement, particularly with respect to HONI NP's capitalization policies under MIFRS. If this cannot be confirmed, please provide a detailed explanation.9.1 Please confirm that MIFRS was used as the basis for the calculation of NPDI's 2012 regulated revenue requirement. If this cannot be confirmed, please state which accounting standard was used and provide an explanation.

9.5 Please confirm that HONI's plan to use USGAAP for HONI NP will not impose additional cost to HONI NP's customers. If this cannot be confirmed, please provide the details of expected costs and whether recovery of these costs will be sought from customers.

RESPONSE

9.1 Confirmed.

9.2 Per the Board report EB-2008-0408 (Page 2; final paragraph), "*The Board does not prescribe financial reporting for regulated utilities. The accounting principles required for financial reporting in Canada are prescribed by the AcSB and other accounting standards boards. The Board does set the requirements for regulatory accounting, reporting and filing.*"

As discussed in Board Staff Interrogatory Response 3.2, Hydro One is still contemplating the overall organizational structure it intends to adopt. If NPDI is integrated with HONI, USGAAP will be used for regulatory purposes.

9.3 Not applicable

9.4 Please see 9.2 above.

9.5 HONI confirms that the use of USGAAP will not impose additional costs to HONI NP's customers. The adoption of USGAAP, in the near term, will reduce base revenue requirement to what it would otherwise be under MIFRS due to the adoption of an overhead capitalization policy, consistent with its Distribution and Transmission businesses.

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

INTERROGATORY #2 LIST 1

INTERROGATORY

REFERENCE: i) Exhibit A, Tab 1, Schedule 1, page 3 (lines 5-11)
ii) Exhibit A, Tab 2, Schedule 1, page 5 (lines 4-10)

PREAMBLE: Hydro One Networks is proposing to freeze (after the implementation of a 1% rate reduction) the base distribution rates for NPDI's customers. Hydro One Networks submits that the net savings, after considering transaction and integration costs will more than offset the impact of offering a 1% reduction relative to 2012 base distribution delivery rates for five years.

a) Has Hydro One Networks undertaken any analysis as to the incremental cost of serving, maintaining and operating customers in the NPDI service territory over the next five years in order assess the overall financial implications of reducing and then freezing the rates in the NPDI service territory for 5 years given that these incremental costs will not be recovered from Hydro One Networks' legacy customers?

- If yes please provide.
- If no, what is the basis for Hydro One Network's claim as set out in reference (ii) and what assurance can Hydro One Networks provide that this "freeze" does not come at the expense of customer interest regarding reliability and/or financial viability?

RESPONSE

a) Hydro One understands the issue in this proceeding is whether the present transaction will cause adverse effects to rate payers relative the transaction not proceeding. Hydro One does not consider the information that it has used for purposes of analyzing and exercising its business judgment to proceed forward with the transaction to be in issue. Hydro One therefore declines to provide the requested information. During the 5 year rate freeze period, Hydro One will be at risk for the incurrence/recovery of incremental costs. Hydro One does not intend to recover these types of prior period costs, if incurred, in future rate applications. Future rates will be based on then prevailing forward test year principles.

SCHOOL ENERGY COALITION (SEC)

INTERROGATORY #1 LIST 1

INTERROGATORY

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.

RESPONSE

HONI does not have information on the geographic dispersion of customers or kilometers of distribution line within Norfolk's service area necessary to allow the requested table to be provided. For further information on rate classification, please refer to Board Staff Interrogatory Response 7.2.

SCHOOL ENERGY COALITION (SEC)

INTERROGATORY #2 LIST 1

INTERROGATORY

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.

RESPONSE

Please refer to SEC Interrogatory Response 1.

SCHOOL ENERGY COALITION (SEC)

INTERROGATORY #3 LIST 1

INTERROGATORY

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>5O 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 Rl, 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.

RESPONSE

a. For the Norfolk calculation, HONI notes that LV charges should be included resulting in a total Distribution charge of $449.41, $1,111.64 and $11,852.34 for the residential, GS<50 and GS>50 classes, respectively. Except as noted, HONI has reviewed the table and not found errors in the calculation of distribution charges for 2013, assuming base rates that exclude distribution riders. For further information on rate classification, please refer to Board Staff Interrogatory Response 7.2.

b. The rate classes that Norfolk customers will be transitioned to at the end of the 5-year rate freeze cannot be confirmed at this time. In order for HONI to analyze and assess a comparison of Norfolk and HONI rates, assumptions regarding rate classes after the 5 year rate freeze period would be necessary. The merits of this analysis is unclear given the uncertainty involved. Certainty, however, does exist over the rate benefit provided to Norfolk customers in the 5 year rate freeze period and relative to a status quo scenario of the proposed transaction not proceeding. Please refer to Board Staff Interrogatory Response 2.

c. The forecast HONI 2019 monthly and volumetric distribution charges are not currently available as the work associated with the business plan, cost allocation and rate design has not been completed or approved by Hydro One's Board of Directors. Given the rate classes that Norfolk customers will be transitioned to following the end of the 5-year rate freeze is not known, the information requested cannot be provided at this time.

SCHOOL ENERGY COALITION (SEC)

INTERROGATORY #4 LIST 1

INTERROGATORY

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.

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

Norfolk Class	*Billing Component*	*Billing Determinants*	*Norfolk 2013 Rates*	*Hydro One 2013 Urban*	*Hydro One 2013 General (R1)*	*Norfolk 2019 Rates*	*Hydro One 2019 Urban*	*Hydro One 2019 General*
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

RESPONSE

a. HONI has reviewed the table provided and has not found any errors in the calculation of revenues for 2013. Hydro One notes the table assumes base rates only and excludes any distribution riders.

b. The Applicants do not have a forecast of 2019 revenues at Norfolk rates.

c. Please refer to SEC Interrogatory Response 3.

d. As noted in the response to OEB Interrogatory 7.2, the rate classes that Norfolk customers will be transitioned to at the end of the 5-year rate freeze cannot be confirmed at this time. As such, HONI believes that a comparison of revenues for Norfolk customers at existing Norfolk and HONI rates is not appropriate.

SCHOOL ENERGY COALITION (SEC)

INTERROGATORY #5 LIST 1

INTERROGATORY

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.

RESPONSE

Please see EBN Interrogatory Response 13.

SCHOOL ENERGY COALITION (SEC)

INTERROGATORY #6 LIST 1

INTERROGATORY

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.

RESPONSE

Please refer to EBN Interrogatory Response 5.

SCHOOL ENERGY COALITION (SEC)

INTERROGATORY #7 LIST 1

INTERROGATORY

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.

RESPONSE

Hydro One estimated the impact of the 1% reduction in rates for Norfolk customers based on the assumption that Distribution Revenue is equal to approximately $11.5M per year. One per cent of this amount is equal to approximately $115,000 per year. The present value of this stream over 5 years is approximately $490,000 over the five year rate reduction period.

SCHOOL ENERGY COALITION (SEC)

INTERROGATORY #8 LIST 1

INTERROGATORY

[Letter from Norfolk counsel dated April25, 2013]. Please provide a copy of the original RFP documents including all attachments.

RESPONSE

HONI declines to provide the requested information. It does so on the grounds that the RFP documents were provided to HONI on a confidential basis and the RFP documents are not materials that are relevant in determining the “No Harm” test. Please refer to CCC Interrogatory Response 6.

SCHOOL ENERGY COALITION (SEC)

INTERROGATORY #14 LIST 1

INTERROGATORY

[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.

RESPONSE

HONI is not in possession of a legal opinion regarding 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." Any such recourse would presumably be determined by a court of law or the OEB.

Please refer to VECC Interrogatory Response 3 for a further discussion on efficiency gains.

The $7.0M of capital spending indicated in the 2012 NPDI financial statements includes $2.3M of previous years smart meter spending that had been recorded in regulatory deferral accounts and moved to fixed asset accounts in 2012, as approved in NPDI's 2012 rate application.

The amount of $5.8M in 2011 as reported in the OEB Yearbook is an error. The amount of $5.1M reported on NPDI's financial statements is correct. NPDI will request a correction of this error in the yearbook.

SCHOOL ENERGY COALITION (SEC)

INTERROGATORY #15 LIST 1

INTERROGATORY

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

RESPONSE

HONI declines to provide the requested information. Information concerning productivity gains associated with the transaction is commercially sensitive and relates to the business judgment exercised by HONI in its decision to participate in the transaction. It is not information that may be viewed as relating to whether the transaction may adversely affect rate payers relative to the status quo (i.e. no transaction) scenario. That said, HONI has provided examples of productivity gains and operational savings that can be achieved by combining NPDI with HONI, in Section 1.2 of Exhibit A, Tab 2, Schedule of the application. Please refer to VECC Interrogatory Response 3.

SCHOOL ENERGY COALITION (SEC)

INTERROGATORY #16 LIST 1

INTERROGATORY

[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.

RESPONSE

Hydro One, as mentioned in VECC Interrogatory Response 3, Hydro One will track the assets and costs of NPDI in a separate ledger. Any impact from tax changes will be tracked in NPDI's regulatory account for tax rate changes which will continue to be separately maintained.

SCHOOL ENERGY COALITION (SEC)

INTERROGATORY #18 LIST 1

INTERROGATORY

[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.

RESPONSE

Hydro One declines to provide the requested information. The requested information is commercially sensitive and used by Hydro One in the exercise of its business judgment to proceed with the transaction. It is not information that concerns whether the present transaction is likely to cause adverse effects to rate payers relative to a status quo (i.e. no transaction) scenario.

SCHOOL ENERGY COALITION (SEC)

INTERROGATORY #19 LIST 1

INTERROGATORY

[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.

RESPONSE

Hydro One declines to respond to the information request. The involvement of NPDI's past employees in the negotiations of the proposed transaction are not relevant to whether the transaction may cause adverse effects to rate payers relative to a status quo (i.e. no transaction) scenario.

CONSUMERS COUNCIL OF CANADA (CCC) INTERROGATORY #3 LIST 1

INTERROGATORY

Reference: Exhibit A, Tab 2, Schedule 1, Page 1:

(Exhibit A/T2/S1/p. 1)

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.

RESPONSE

Norfolk rates will be lowered by 1% and frozen until the end of the 5-year period. Please refer to Board Staff Interrogatory Response 7.2 for additional information.

Hydro One's legacy customers will be subject to the changes approved under HONI's Custom COS application.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #2 LIST 1

INTERROGATORY

2. 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.

RESPONSE

2. For NPDI, the capital expeditures over the next 5 years are irrelevant as NPDI rates will be lowered and frozen. For Hydro One, there has been no forecast capital change as a result of the acquisition. As stated in the application, HONI's Custom COS will be produced using HONI's existing customer base and will not include any capital and OM&A associated with serving, maintaining, and operating customers within the NPDI service territory.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #3 LIST 1

INTERROGATORY

3. 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 .

RESPONSE

3. HONI declines to provide the requested information. It does so on the grounds that the requested information is not relevant to the application before the Board The present application seeks authorization for a specific transaction that is not in any way directly or indirectly connected to the purchase price of all LDCs acquired by HONI since 1998 that added more than 5,000 customers or the recovery or potential recovery of the purchase price associated with any of those historical transactions.

   As described in its submission dated August 28, 2013, HONI interprets application of the “no harm test”, as derived from RP-2005-0018/EB-2005-0234/EB-2005-0254/EB-2005-0257 (the “Combined Proceeding”) to be one that considers whether a proposed transaction – and not other real or potential transactions - would have an adverse rate impact to the applicant’s rate payers. The test, and thus the evidentiary proceeding involved, is one focused directly upon the present transaction and not other transactions – whether real or potential[1].

   The requested information does not pertain to the present transaction. Instead it pertains to the analysis and details of historical transactions which have no relationship whatsoever to the present transaction As a result, HONI submits that none of the requested information can reasonably be viewed as providing any level of assistance to the Board regarding application of the “no harm test” in these circumstances.

[1] Please refer to Ontario Energy Board Decision in the Combined Proceeding – page 6

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #4 LIST 1

INTERROGATORY

4. Please prepare a Table which includes the following information in respect of the greater of (by number of utilities) the 15 1argest 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.

RESPONSE

4. The information requested in this interrogatory is either not available or is readily available on the public record. Regardless, for the reasons described in EBN

Interrogatory Response 3, HONI declines to provide the information as it is not relevant to the issues respecting the application at hand.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #5 LIST 1

INTERROGATORY

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.

RESPONSE

5. HONI declines to provide the requested information. HONI’s expenditure management since the EB-2009-0096 case are not matters that are relevant to whether the present transaction may be viewed as reasonably causing an adverse rate impact to rate payers relative to a status quo (i.e the proposed transaction not proceeding) scenario. The terms of the proposed transaction cause HONI to assume a level of cost and integration risk so that NPDI rate customers are provided with a 5 year guaranteed reduction in rates relative to what the status quo would be as well as a having this rate fixed over the five year time period. HONI’s management of its historical expenditures does not have bearing on the proposed rates arising from the present transaction. Details concerning the beneficial rate impact to Norfolk ratepayers associated with the present transaction are found in Board Staff Interrogatory Response 2.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #6 LIST 1

INTERROGATORY

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.

RESPONSE

6. Please refer to EBN Interrogatory Response 5.

CONSUMERS COUNCIL OF CANADA (CCC)

INTERROGATORY #6 LIST 1

INTERROGATORY

Reference: Exhibit A, Tab 2, Schedule 1, Page 2:

(Exhibit A/T2/S1/p. 2)

Please provide all information provided to HON's Board of Directors regarding the transaction.

RESPONSE

HONI declines to provide the requested information. The information HONI has used and relied upon in exercising its business judgement are matters that are beyond the scope of the issues before the Board in this proceeding. The relevant issue in the present proceeding is whether or not the present transaction may have an adverse effect to consumers when taking into account prices and the adequacy, reliability and quality of electricity services (i.e., “no harm”).

CONSUMERS COUNCIL OF CANADA (CCC)

INTERROGATORY #9 LIST 1

INTERROGATORY

Reference: Exhibit A, Tab 1, Schedule 1, Page 2:

(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.

RESPONSE

With respect to the purchase price, please refer to Board Staff Interrogatory Response 1 and to address the economies of scale to serve Norfolk customers, please refer to VECC Interrogatory Response 3 and SEC Interrogatory Response 11.

CONSUMERS COUNCIL OF CANADA (CCC)

INTERROGATORY #10 LIST 1

INTERROGATORY

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?

RESPONSE

HONI declines to provide the requested information. HONI views this information to be confidential and commercially sensitive and is not relevant to the issues in this proceeding.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #13 LIST 1

INTERROGATORY

13. 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.

RESPONSE

13. HONI declines to provide the requested information. It does so because the request concerns commercially sensitive information used by HONI in exercising its business judgment for the purpose of evaluating and entering into the present transaction. The information HONI has used and relied upon in exercising its business judgement are matters that are beyond the scope of the issues before the Board in this proceeding. The relevant issue in the present proceeding is whether or not the present transaction may have an adverse effect to consumers when taking into account prices and the adequacy, reliability and quality of electricity services (i.e., "no harm"). Disclosure of commercially sensitive information used by HONI in exercising its business judgment (including the publication of results of financial models) to unaffected consumers, such as HONI's competitors like EBN, could reasonably be viewed as being for an indirect purpose of assessing how HONI develops bids for future acquisition transactions. The economic efficiencies and cost-effectiveness HONI is relying on to meet the "no harm" test are described in the Application in Exhibit A, Tab 2, Schedule 1 and elaborated upon in Response to Board Staff Interrogatory 2 as they relate to rate-payer impacts. These efficiencies and cost savings are relevant as they arise only if the present transaction is approved and do not arise under a status quo scenario.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #14 LIST 1

INTERROGATORY

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.

RESPONSE

14. Please refer to EBN Interrogatory Response 13.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #15 LIST 1

INTERROGATORY

Reference: Ex. AIT3/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?

RESPONSE

Please refer to EBN Interrogatory Response 13.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #16 LIST 1

INTERROGATORY:

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?

RESPONSE:

NPDI does not share a Sensus AMI ‘smart meter’ system (“AMI system”) with neighbouring LDCs. NPDI acquired its own system and obtained the best possible price by coordinating the request with several other LDCs. Each LDC operates its own AMI system. There is no sharing of operations costs with other LDCs.

Detailed integration issues such as those described in this Interrogatory Request are matters of ongoing consideration including assessment of how the NP AMI network will be integrated into HONI’s systems.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #20 LIST 1

INTERROGATORY

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.

RESPONSE

20. Please refer to EBN Interrogatory Response 13.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #21 LIST 1

INTERROGATORY

21. 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.

RESPONSE

21. Please refer to VECC Interrogatory Response 3 and SEC Interrogatory Response 11.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #22 LIST 1

INTERROGATORY

22. 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.

RESPONSE

22. Please refer to SEC Interrogatory Response 11 and VECC Interrogatory Response 3.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #24 LIST 1

INTERROGATORY

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

RESPONSE

24. Please refer to EBN Interrogatory Response 27.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #25 LIST 1

INTERROGATORY

25. 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.

RESPONSE

25. Please refer to EBN Interrogatory Response 27.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #26 LIST 1

INTERROGATORY

26. 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.

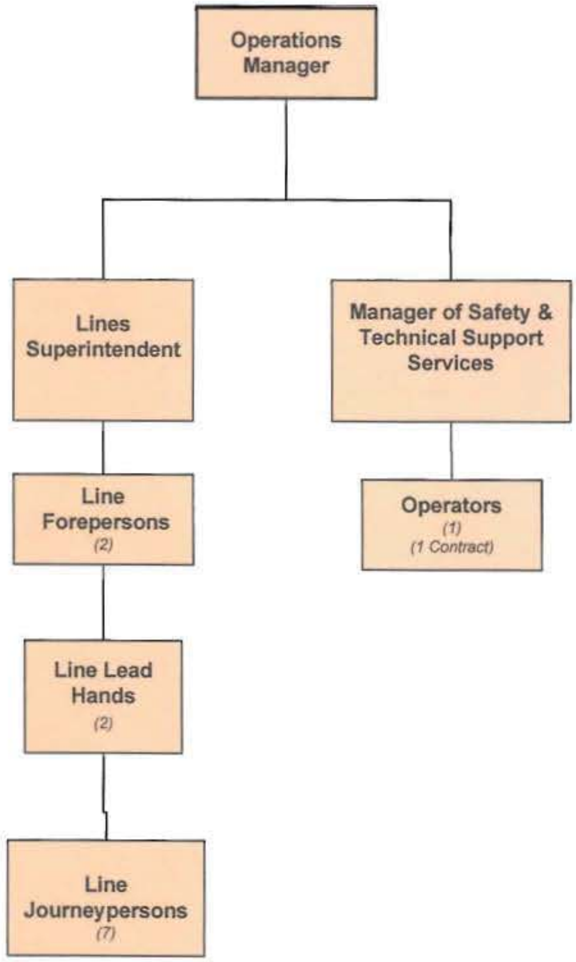
RESPONSE

26. Please refer to Attachment 1 for the organizational chart for the operations department at NPDI. Hydro One does not have an organizational chart for the service areas that will include NPDI in the future.

    HONI declines to provide the requested salary information as it is not relevant to the issues involved in the present application, namely whether the proposed transaction is likely to cause adverse effects to rate payers relative to a status quo (i.e. the transaction not proceeding) scenario.

NORFOLK POWER INC.

Operations Department October 2013



ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #27 LIST 1

INTERROGATORY

27. 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.

RESPONSE

27. Hydro One's plan is to integrate acquired NPDI staff into Hydro One's combined workforce, thus providing broader career opportunities and allowing for the renewal of Hydro One's workforce as staff retire. At this time, Hydro One's integration plan regarding the NPDI acquisition remains under development; hence, the requested information is not yet available.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #28 LIST 1

INTERROGATORY

28. 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.

RESPONSE

28. Please refer to EBN Interrogatory Response 13.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #30 LIST 1

INTERROGATORY

30. 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 of10). 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 undertake to achieve efficiencies and cost savings as a result of the acquisition of NP which are the result of the acquisition.

RESPONSE

30. As stated in Board Staff Interrogatory Response 3, HONI’s Custom COS 5 year application will be based on HONI distribution’s existing customer base and it will not include any costs associated with the NPDI service territory. Therefore, HONI customers will not absorb any additional salary expenses as a result of this transaction. Please refer to VECC Interrogatory Response 3 with regard to operational efficiencies and cost savings.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #32 LIST 1

INTERROGATORY

32. 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.

RESPONSE

32. Please refer to EBN Interrogatory Response 13.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #33 LIST 1

INTERROGATORY

33. 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.

RESPONSE

33. Please refer to OEB Interrogatory Response 7.2

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #37 LIST 1

INTERROGATORY

37. 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 for.ecasts 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).

RESPONSE

37. Please refer to Board Staff Interrogatory Response 7.2.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #43 LIST 1

INTERROGATORY

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

RESPONSE

43. Hydro One declines to provide the short and long term financing rates it has assumed in its economic modelling of the proposed transaction as this information is commercially sensitive and pertains to the analysis and business judgment Hydro One has used in its determination to proceed forward with the transaction. These are not matters that are relevant to this proceeding. The issue in this proceeding concerns whether the proposed transaction may have adverse effects to rate payers as compared to the status quo (i.e. no transaction) scenario. The requested information does not pertain to such matters.

For further information on financing rates, please refer to EBN Interrogatory Response 40.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #44 LIST 1

INTERROGATORY

Reference: Ex. A/T2/S1, p. 2

44. 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?

    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?

RESPONSE

44. Please refer to Board Staff Interrogatory Response 4.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #45 LIST 1

INTERROGATORY

Reference: Ex. A/T3/S1, p. 11, ss. 1.6.3

45. HONI states that 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.

RESPONSE

45. Please refer to EBN Interrogatory Response 13.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #46 LIST 1

INTERROGATORY

Reference: Ex. A/T3/S1, p. 14, ss. 1.8.1

46. 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.

RESPONSE

46. Please refer to EBN Interrogatory Response 13.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #53 LIST 1

INTERROGATORY

53. 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.

RESPONSE

53. NPDI declines to provide the requested information. It does so on the grounds that the requested information is not relevant to the application before the Board. Please refer to EBN Interrogatory Response 13.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #54 LIST 1

INTERROGATORY

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

RESPONSE

54. Please refer to EBN Interrogatory Response 13.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #55 LIST 1

INTERROGATORY

55. 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.

RESPONSE

55. The purchaser of Norfork Power Inc. is Hydro One Inc., a non-regulated entity, not Hydro One Networks as the question appears to presume. As such, any documentation of communication or approvals between Hydro One Inc. and its shareholder does not form part of the OEB's "no-harm" test. The requested information is accordingly not being provided.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #56 LIST 1

INTERROGATORY

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

RESPONSE

56. Please refer to EBN Interrogatory Response 55.

ESSEX / BLUEWATER / NIAGARA-ON-THE-LAKE (EBN)

INTERROGATORY #57 LIST 1

INTERROGATORY

Reference: Ex. AIT3/S1, p. 11 –

57. 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?)

RESPONSE

57. Please refer to EBN Interrogatory Response 55.