Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #1 List2

Interrogatory

REFERENCE: i) Supplemental Evidence, page 2, lines 19-22

a) Please outline those areas/services for which "the execution of applicable services agreements" for applicable shared services will be required.

Response

a) The areas/services currently identified as likely to require service level agreements (SLAs) remain the same as those previously described in the response to VECC IR #3 (Exhibit I, Tab 2, Schedule 3).

Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #2 List2

Interrogatory

REFERENCE: i) Supplemental Evidence, page 1, lines 12-17
ii) Exhibit I, Tab 2, Schedule 3 (VECC Interrogatory #3)

QUESTION:

a) Do the options/alternatives under consideration for integrating the business affairs of NPDI with HONI impact at all on either:

i) The anticipated areas outlined in response to VECC #3 as to what systems, processes or functions would be leveraged so as to achieve integration efficiencies ,or
ii) The level of efficiency savings that is anticipated will be achieved?

b) If not, why not?

c) If yes, what areas will impacted and what will be the degree of impact on the anticipated efficiency savings?

Response

a) i) No
ii) No or minimal.

b) Please see the response to VECC supplementary IR # 3.

c) Not applicable.

Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #3 List2

Interrogatory

REFERENCE: i) Supplemental Evidence, page 3, lines 1-7
ii) Exhibit I, Tab 2, Schedule 3 (VECC Interrogatory #3)

a) Please provide additional information regarding the activities, anticipated staffing levels and annual costs associated with the new business unit that will have responsibility for the acquired NPDI distribution business.

b) What impact will the creation and funding of this new business unit have on the integration efficiencies and, more specifically, the overall level of savings that Hydro One Networks had anticipated per VECC #3?

Response

a) The new business unit will have no staff; however, NPDI staff will be offered positions within Hydro One's workforce, which will help manage the attrition rate of HONI's existing staff complement that are nearing retirement age, and will assist in managing the expanded service area. As noted in the Supplemental evidence at page 3, lines 1-7, for operational purposes the new business unit will be integrated with HONI. It is for regulatory and reporting purposes over the five year rate freeze that the new business unit will be kept separate from the records of HONI. As such, there are no or only minor additional costs relating to regulatory filings (e.g., RRR reporting) expected to be incurred from this approach.

b) As noted in part a) above, given that the separate business unit is being maintained purely for regulatory and reporting purposes and with no staff of its own, there will be minimal impact on integration efficiencies or the overall level of savings.

Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #4 List2

Interrogatory

REFERENCE: i) Supplemental Evidence, page 2, lines 8-15
ii) Updated Exhibit A, Tab 1, Schedule 1, page 4, lines 14-22
iii) Board Decision, EB-2008-0053, page 4

a) How long a transition period does HONI anticipate will be required? What would be the major impediments to establishing a date for the completion of the transition?

b) VECC notes that in other Decisions the Board has set a time frame for the completion of the transaction and required that a new application be made if the transaction was not completed by that date. Does HONI consider that such an approach would be appropriate in this case?

c) If not, why not?

d) If yes, what does HONI consider would be a reasonable timeframe and why?

e) If the Board adopted such an approach and the transaction were not completed, would the 1% rate reduction granted to NPDI remain in effect?

Response

a) As noted at page 4, line 1 of the Supplemental Evidence, up to an 18 month transitional period is contemplated. At present, the major impediment to completion of the transition is business system integration.

b) to d) HONI suggests that a more appropriate approach, if completion has not occurred by the end of the transitional timeframe, would be for HONI to inform the Board and request an extension. The Board could then decide what process is required to consider the request. In HONI's view, this would be a more flexible and efficient regulatory approach. It is also consistent with the approach the Board uses in its Conditions of Approval for Leave-to-Construct applications, in which the applicant is required to inform the Board of material changes to the project's timing.

e) Hydro One disagrees with this premise and Hydro One has indicated in part b) above. However, if the transaction was not completed (i.e., did not close) there would be no basis for the 1% rate reduction to continue.

Vulnerable Energy Consumers Coalition (VECC) INTERROGATORY #5 List2

Interrogatory

REFERENCE: i) Updated Application, Exhibit A, Tab 2, Schedule 1, pages 7-8

QUESTION:

a) In the initial Application HONI proposed "to harmonize rates at the earliest opportunity after the five-year rate freeze period" (Exhibit A, Tab 2, Schedule 1, page 7). The Updated Application does not contain a similar "proposal" and indicates that the approach adopted "will depend on the situation at the time of setting new rates for Norfolk". Please explain why and under what circumstances, HONI now believes it would be inappropriate to harmonize distribution rates after the five-year freeze.

Response

a) The initial application was filed on April 26, 2012. Since then, the level of acquisition interest and activity occurring in the distribution sector has increased significantly, and more acquisitions are possible. As a result, HONI has been re-evaluating its harmonization plans with a view toward keeping them flexible enough to respond to changing circumstances.