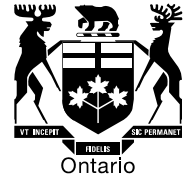


Ontario Energy Board
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BY E-MAIL

February 6, 2014

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

Dear Ms. Walli:

**Re: Board Staff Interrogatories
Application by Lakeland Power Distribution Ltd. and Parry Sound Power
Corporation for an Order of the Board granting leave to Amalgamate and
related matters
Board File Numbers: EB-2013-0427 and EB-2013-0428**

In accordance with Procedural Order No. 2, please find attached Board staff's interrogatories respecting the above referenced application.

Yours truly,

Original Signed By

Gona Jaff
Project Advisor, Licensing and Performance Reporting

Attachment

cc: Applicants



Board Staff Interrogatories

**APPLICATION BY LAKELAND POWER DISTRIBUTION LTD AND PARRY
SOUND POWER CORPORATION FOR LEAVE TO AMALGAMATE AND
RELATED MATTERS**

EB-2013-0427/ EB-2013-0428

February 6, 2014

INTERROGATORY NO. 1

Reference: Application Summary, Page 5:

The projected net synergy savings are expected to be in excess of \$300 K annually.

Interrogatories:

- 1.1. Please provide the assumptions, analysis and calculations used to arrive at the \$300 K amount.

INTERROGATORY NO. 2

Reference: MAAD Application, Section 1.6.7, Page 30:

The incremental costs that the parties expect to incur are consulting due diligence and legal costs surrounding the agreement preparations and transition. In addition, penalties to cancel existing outsourcing contracts will also be incurred. As all employees will be retained, severance costs will not be incurred. It is expected that the systems currently in place at LPDL will be sufficient to incorporate the PSPC operations. In the long term, because fixed costs of operations will be spread over a wider customer base, distribution customers should see a small price benefit. In total, the parties estimate that they will incur a one-time transition cost of \$280 K equivalent to a year of synergy savings. These costs will be financed through productivity gains.

- Legal/consulting/MAAD/tax \$100 K
- IT transition costs \$180 K

Interrogatories:

- 2.1. Please identify the existing outsourcing contracts that will be canceled as a result of the proposed amalgamation along with the associated cancellation penalty amount and confirm whether the penalty amount is included in the projected cost of \$280 K.
- 2.2. Please identify any factors that may affect the achievement of the expected efficiencies and the recovery of costs associated with the proposed transaction in the timeline projected.

INTERROGATORY NO. 3

Reference: Application Summary, Page 2:

The closing date of the Proposed Transaction is the day following the approval of this application by the Board. If the Board grants leave to LPDL and PSPC to amalgamate, upon closing of the Proposed Transaction, PSPC requests, pursuant to section 77(5) of the Act, that its electricity distribution licence be cancelled. LPDL has requested, under section 74 of the Act, that its distribution licence be amended to include in its service area the area currently served by PSPC.

Interrogatories:

3.1. Please confirm that, if the Board grants the requested relief, LPDL's amended licence should reflect the following Conservation and Demand Management Targets:

- (a) 2014 Net Annual Peak Demand Savings Target of 3.06 MW; and
- (b) 2011-2014 Net Cumulative Energy Savings Target of 14.34 GWh.

INTERROGATORY NO. 4

Reference: Application Summary, Page 27:

As a result of the due diligence process, a number of capital projects in the PSPC were identified as being a priority for system integrity and safety. These were addressed in PSPC asset management plan and will be undertaken by MergeCo as early as possible in 2014. All other capital plans filed in LPDL's asset management plan through its 2013 CoS filing will also be completed.

Interrogatories:

4.1. Please indicate whether any material project by LPDL or PSPC will be affected by the proposed amalgamation. If so, please provide details.

INTERROGATORY NO. 5

Reference: Exhibit 9, Draft Merger Participation Agreement between, Lakeland Holding Ltd and Parry Sound Hydro Corporation , section 4.3(1)(c):

4.3 Mutual Conditions

(1) The obligations of each of the Parties to complete the Amalgamations shall be subject to the fulfilment of all of the following conditions on or before the Closing Date:

(c) the OEB shall have approved the Amalgamations in accordance with the MAAD Application **and as may be required pursuant to Section 80 of the OEB Act** (emphases added by Board staff) provided that no terms or conditions required by the OEB in connection therewith shall have a Material Adverse Effect on either Lakeland HoldCo or Parry Sound HoldCo or Merged HoldCo;

Reference: Section 80 of the *Ontario Energy Board Act, 1998*

80. No transmitter or distributor or affiliate of a transmitter or distributor shall acquire an interest in a generation facility in Ontario, construct a generation facility in Ontario or purchase shares of a corporation that owns a generation facility in Ontario unless it has first given notice of its proposal to do so to the Board and the Board,

- (a) has not issued a notice of review of the proposal within 60 days of the filing of the notice; or
- (b) has approved the proposal under section 82. 1998, c. 15, Sched. B, s. 80.

Reference: Section 81 of the *Ontario Energy Board Act, 1998*

81. No generator or affiliate of a generator shall acquire an interest in a transmission or distribution system in Ontario, construct a transmission or distribution system in Ontario or purchase shares of a corporation that owns a transmission or distribution system in Ontario unless it has first given notice of its proposal to do so to the Board and the Board,

- (a) has not issued a notice of review of the proposal within 60 days of the filing of the notice; or
- (b) has approved the proposal under section 82. 1998, c. 15, Sched. B, s. 81.

Interrogatories:

5.1. Please indicate whether a notice under section 80/81 of the *Ontario Energy Board Act, 1998* will be filed with the Board as contemplated in the Draft Merger Participation Agreement. If the answer is no, please provide an explanation.

6. INTERROGATORY NO. 6

Reference: Exhibit 9, Draft Merger Participation Agreement between, Lakeland Holding Ltd and Parry Sound Hydro Corporation.

Interrogatories:

6.1. Please indicate whether the Merger Participation Agreement referenced above (including schedules) has been finalized. If so, please provide the final version.