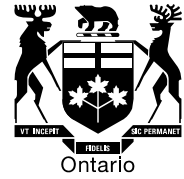


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BY E-MAIL

March 10, 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 on EBN Evidence
EB-2013-0196, EB-2013-0187 and EB-2013-0198**

In accordance with Procedural Order No. 9, please find attached Board staff's interrogatories on evidence filed by Essex Powerlines Corporation, Bluewater Power Distribution Corporation, and Niagara-on-the Lake Hydro Inc. in the above referenced proceeding.

Yours truly,

Original signed by

Gona Jaff
Project Advisor
Licensing and Performance Reporting

Attachment

cc: All Parties to the Proceeding



Board Staff Interrogatories

Evidence of Paula Zarnett (BDR)

on behalf of

Essex Powerlines Corporation, Bluewater Power Distribution Corporation, and Niagara-on the Lake Hydro Inc. (EBN)

EB-2013-0196

EB-2013-0187

EB-2013-0198

March 10, 2014

INTERROGATORY NO. 1

References: (a) Evidence of Paula Zarnett, BDR on behalf of EBN, Page 13

BDR therefore concludes that the Applicants have not shown that any significant reductions in costs related to field operations. The planned reductions in capital work have not been shown to be prudent, and may be the source of harm to customers.

(b) Hydro One's Responses to Interrogatories dated February 10, 2014
Exhibit I/Tab 2/Schedule 2/page 2

With the elimination of an artificial electrical border between contiguous distributors, operational efficiencies arise in various areas, such as the ability to: rationalize local space needs through the elimination or repurposing of duplicate facilities like service centres; to more efficiently schedule operating and maintenance work and dispatch crews over a larger service area; and to more efficiently utilize work equipment (e.g., trucks and other tools), leading to lower capital replacement needs over time. Additionally, the elimination of the electrical border allows for more rational and efficient planning and development of the distribution system. All of the above provide the potential to result in operating and capital savings, both immediate and over time, which would provide long term benefits to ratepayers relative to the status quo.

Interrogatories:

- 1.1. Please indicate whether in reaching the above referenced conclusion [reference (a) above], BDR considered the information provided by HONI [reference (b) above]. If so, please provide details including whether BDR disagrees with HONI's assertion that the elimination of electrical borders between contiguous distributors will potentially result in operating and capital savings.
- 1.2. Board staff interprets BDR's conclusion [reference (a) above] to mean that the transaction will result in reductions in costs related to field operations, but such reductions are not significant in BDR's view. Please confirm whether Board staff's interpretation is correct. If confirmed, please provide BDR's estimate of the reductions. If not confirmed, please provide an explanation.
- 1.3. Please confirm whether it is BDR's position that HONI's planned capital expenditure reduction is not prudent. If so, please provide evidence supporting this position.

INTERROGATORY NO. 2

Reference: Evidence of Paula Zarnett on behalf of EBN, Page 14

.... BDR has drawn the conclusion that the Applicants' savings estimate is overstated, and that such benefits which may be achievable would not be achieved immediately. Furthermore, if HONI is in fact able to eliminate 30 positions within NPDI, while maintaining its own level of FTEs at levels determined for its legacy service territory and customers, it suggests that HONI's resources are above the efficient levels to serve the legacy service territory and customers.

Interrogatories:

- 2.1. Please provide the percentage by which BDR believes the Applicants' projected savings are overstated along with supporting information.
- 2.2. Please identify any savings projected by HONI that in BDR's view are not achievable and indicate why they are not achievable.
- 2.3. Is it BDR's position that HONI's plan to eliminate 30 of the 46 positions currently required to operate NPDI is not achievable? If so, please provide specific information supporting BDR's position.
- 2.4. Is it BDR's view that HONI cannot achieve any economies of scale? If so, please explain the basis for this view.

INTERROGATORY NO. 3

Reference: Evidence of Paula Zarnett on behalf of EBN, Pages 4-5

The Applicants have not provided any information to show that the excess premiums involved in this transaction, aggregated with the premiums from other transactions in the works or planned, will not affect the capacity of Hydro One to borrow, or increase its cost to do so.

Interrogatories:

- 3.1. Is it BDR's position that the proposed transaction price will affect the financial viability of HONI or its parent company? If so, please provide evidence supporting this position.