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April 14, 2014

RESS, COURIER AND EMAIL

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

Dear Ms. Walli:

Re: Hydro One Inc. EB-2013-0196
Norfolk Power Inc. EB-2013-0187
Hydro One Networks Inc. EB-2013-0198

We are counsel to Essex Powerlines Corporation, Bluewater Power Distribution Corporation, and Niagara-on-the Lake Hydro Inc. (collectively "EBN"). Pursuant to Procedural Order No. 9 dated February 18, 2014, we attach the Submissions of EBN in respect of the Arguments of the Applicants.

Yours truly,

AIRD & BERLIS LLP

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ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Hydro One Inc. for leave to purchase all of the issued and outstanding shares of Norfolk Power Inc. under section 86(2)(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 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.

SUBMISSIONS OF
ESSEX POWERLINES CORPORATION
BLUEWATER POWER DISTRIBUTION CORPORATION, and
NIAGARA-ON-THE-LAKE HYDRO INC.

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<u>Introduction</u>

1. Pursuant to Procedural Order No. 9, these are the submissions of Essex Powerlines Corporation, Bluewater Power Distribution Corporation, and Niagara-on-the Lake Hydro Inc. ("**EBN**"). This argument has been formatted such that it begins with a review of the "no harm" test, followed by submissions about the Applicants' interpretation of the "no harm" test. The submission then turns to the evidence specifically, addressing the several material areas of concern which have been identified and the evidence (or lack thereof) which exists in this proceeding. Finally the submission responds specifically to the submissions made by the Applicants in the arguments filed on April 4, 2014.

2. It is appropriate to state at the outset the reasons for EBN's intervention in this proceeding. EBN is supportive of the rational consolidation of electrical utilities where the conditions are appropriate and will result in actual benefits being achieved. It does not follow that every merger or consolidation will result in net benefits or, at a minimum, no harm. It therefore remains incumbent upon the Ontario Energy Board ("**OEB"** or "**Board**") to consider the evidence adduced by an applicant to determine whether it has satisfied the onus incumbent upon it to prove that the consolidation will not result in harm. In those situations where a higher cost utility with higher distribution rates proposes to acquire a lower cost utility with generally lower distribution rates, EBN submits that the risk of harm to the ratepayers of the target utility is obvious upon acquisition and rate harmonization, as a result of which, the Board should be even more vigilant in its inquiry into the proposed transaction to determine the real likelihood of the assertions made by the Applicant that potential savings can compensate and avoid harm to the ratepayers of the acquired utility.

3. In this proceeding, EBN submits that the evidence adduced by Hydro One Networks Inc. ("**HONI**"), Hydro One Inc. ("**HOI**"), and Norfolk Power Distribution Inc. ("**Norfolk**") (jointly the "**Applicants**") is wholly inadequate and demonstrates that virtually no analysis or study was undertaken by HONI (and HOI) for the purposes of determining what synergies may realistically result, the appropriate levels of operating and maintenance expenditures, and the plans for and level of capital spending for the Norfolk service area in future. The record amounts to little more than very high level broad brush statements

about expected benefits without any underlying analysis or support. For these reasons and the detailed reasons set out in this submission, EBN submits that the Application should be denied.

No Harm Test and Prior Proceedings

4. EBN understands from both past decisions of the Board and the decision of the Board in this proceeding on the SEC motion in its Decision and Order dated January 24, 2014 that it intends to apply the "no harm" test. EBN believes that a brief review of the Board's consideration of this test and the issues and evidence which the Board considered important in prior proceedings would be helpful and illustrative of what should be expected of the Applicants in this proceeding.

5. Hints of a "no-harm" test were present in the Board's decision in *Hamilton Hydro*, released in January 2005, in which the Board granted leave for Hamilton Hydro Inc. and St. Catharines Hydro Utility Services Inc. to amalgamate.[1] In its Decision, the Board specifically referenced its objectives at that time, as set out in Section 1 of the *Ontario Energy Board Act*, *1998* ("**OEB Act"**).

6. Even at this early stage, it is noteworthy that the Board accepted on the basis of the evidence filed that the parties would be able to capitalize on economies of scale that would generate savings of $5.4 million annually, and that the amalgamation would not adversely affect the reliability, quality or safety of distribution.[2] In other words, the Board was satisfied on the basis of the evidence that there would be annual savings and no adverse impact on service reliability and quality relative to the status quo.

7. The "no-harm" test was first explicitly articulated by the Board in its combined 2005 Decision[3] ("**Combined Proceeding**") regarding the proposed acquisitions of shares of: (i) West Nipissing Energy Services Ltd. by Greater Sudbury Hydro Inc.;[4] (ii) Aurora

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[1] EB-2004-0504 (January 11, 2005) [*Hamilton Hydro*].
[2] *Ibid*, p. 3
[3] RP-2005-0018 at 5 (August 31, 2005) [*Combined Proceeding*].
[4] EB-2005-0234 (September 16, 2005) [*West Nipissing Energy*].

Hydro Connections Limited by PowerStream Inc.;[5] and (iii) Gravenhurst Hydro Electric Inc. by Veridian Connections Inc.[6]

8. The Board ruled that the "no-harm" test is the relevant test to employ for Section 86 applications and that the factors to be considered are those provided in Section 1 of the *OEB Act*, as had been previously explored in *Hamilton Hydro*. The Board concluded that the "no-harm" test requires it to examine two basic questions:

> (i) What impact will the transaction have on the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service?
>
> (ii) What impact will the transaction have on economic efficiency and cost effectiveness in the generation, transmission, distribution[,] sale and demand management of electricity and on the maintenance of a financially viable electricity industry?[7]

9. In selecting the "no harm" test, the Board stated that it was of the view that its mandate is to consider whether the transaction will have an adverse effect relative to the status quo in terms of the Board's statutory objectives. The Board did not set any limitations on its right to undertake relevant enquiries. If an adverse effect is apparent and/or alleged that will, for example, have a negative effect on prices or the adequacy, reliability and quality of electricity service, then the Board is obligated to enquire further. This is also true in respect of any apparent and/or alleged negative impact on economic efficiency and the cost effectiveness of a financially viable electricity distribution industry.

10. The three panels of the Board which were charged with responsibility to consider the three applications which were the subject of the Combined Proceeding, then issued separate Decisions. EBN sets out below some of the specific findings by the various Board panels. It does so for several reasons.

11. First, the findings of the Board panels from each of these proceedings indicate the importance of certain areas or issues which are common to MAAD applications.

[5] EB-2005-0254 (September 19, 2005) [*Aurora Hydro*].
[6] EB-2005-0257 (September 16, 2005) [*Gravenhurst Hydro Electric*].

[7] *Combined Proceeding*, *supra* para. 3 at 5.

12. Second, these Decisions demonstrate the level of analysis which the Board has undertaken in prior Decisions and the specificity of the evidence that was put before the applicable Board panel.

13. Finally, reference is made to these proceedings and one further notable example for comparison purposes to the evidence filed in this application. As one reviews the findings of the Board in respect of the following proceedings, it is appropriate to ask whether HONI has made the same degree and type of commitments to Norfolk ratepayers? Has HONI demonstrated the same degree of operations planning that the applicants in the following proceedings demonstrated? EBN submits that it becomes most evident that the commitments made by HONI in this application are a far cry from those made and the planning undertaken in the applications referenced below.

14. Beginning with the Greater Sudbury Hydro Inc. acquisition of the shares of West Nipissing Energy Ltd., the Board found that the no "harm test" was met by the evidence confirming that the transaction:

(a) ensured more <u>efficient system planning and capital investment</u>;

(b) provided opportunities for efficiency gains in rationalization of the organizational structure, human resources and engineering functions, as well as greater resource and cost management in the form of <u>lower overall distribution rate adjustments;</u>

(c) maintained or improved operational safety and system integrity <u>through a three-year capital and maintenance program</u>, which included normal system enhancements and system optimization in relation to the rationalization of substations;

(d) <u>had a positive impact on rates for residential customers</u>;

(e) <u>had a positive impact on operating costs</u>, which <u>may be reduced by</u> approximately <u>15%</u> as a result of system integration in the form of accounting, engineering, administration, regulatory affairs and billing and customer interactions systems; and

(f) was financed through cash resources on hand, thus having no impact on debt obligations and leaving sufficient cash to support operations and planned capital requirements.[8] **[emphasis added]**

15. In the acquisition by PowerStream Inc. of the shares of Aurora Hydro Connections Limited, the Board found that the "no harm" test had been satisfied by, *inter alia:*

(a) providing opportunities for efficiencies and economies of scale, which could mitigate the impact of increased upward pressure on distribution rates for electricity consumers currently served by the target;

(b) providing benefits to Aurora ratepayers due to the synergies of integrating within a larger, lower cost utility (based on figures from the years 2002 and 2003, the operation, maintenance and administration costs per customer of the acquirer were approximately 25% lower than the target entity);

(c) resulting in lower rates for electricity consumers currently served by the target, based on an analysis of current rates, than would be the case if it were to remain a stand-alone company; and

(d) commitments by the acquirer to:

(i) maintain or improve customer service levels and service offerings, including meeting or exceeding the minimum service level requirements established by the Board (including expected response times) and which are comparable to the service and reliability levels currently enjoyed by customers served by the acquirer (including on call services 24 hours a day, 7 days a week);

(ii) provide the target's current customers with a benefit from the harmonization of rates of at least $10,000,000 over a ten-year period relative to what they would otherwise be as compared to the target remaining a stand-alone company.[9] **[emphasis added]**

16. In approving the acquisition of the shares of Gravenhurst Hydro Electric Inc. by Veridian Connections Inc., the Board found that the "no harm" test was satisfied due to:

(a) projections that operations in the target service area would occur at a cost equal to or below the current operating costs, with the consolidation and rationalization of administrative functions expected to save up to $93.00 per customer in annual administrative costs;

[8] *West Nipissing Energy*, *supra* para. 7, at 9-10.
[9] *Aurora Hydro*, *supra* para. 8, at 11-13.

(b) a plan for capital investments that would assist with reliability and maintenance of the target's distribution system, the avoidance of supply restrictions, and increasing distribution supply capacity for future growth and rate stability for customers;

(c) an intention on the part of the acquirer, subject to technical review, to proceed with the target's 2005 capital budget plan, and a proposed five-year capital expenditure plan for system improvements to the target area that exceeds, on an annual basis, the average net annual capital expenditures made by the target since 2002 (with the five-year forecast of annual capital spending net of developer contributions and government grants);

(d) a capital programme enabling remote monitoring and control of the target's distribution system, as the acquirer's existing control centre operation (which operates 24 hours a day, 7 days a week) will assume general oversight and operating management of the distribution system, which combined with system automation improvements is expected to generally improve electrical reliability and reduce response time to power interruptions from their existing levels, and to improve employee and public safety;

(e) the capital spending strategy, which includes annual investments in system automation, capacity enhancements and system enhancements to meet customer and load growth requirements, and the sustainment of the general condition of assets to meet industry standards and ensure that reliability indices remain substantially below reference points established by the Board;

(f) rates for customers in the target's service area not anticipated to be higher than rate levels that would otherwise apply in the absence of the contemplated transaction; and

(g) financing from available cash reserves and unutilized credit, which will not appreciably affect the acquirer's cash flow-to-debt ratios.[10] **[emphasis added]**

17. In a more recent Decision, the Board approved the acquisition of the shares of Barrie Hydro by PowerStream Inc. (EB-2008-0335). The Board, in its oral decision,[11] found that the "no harm" test was satisfied by the applicants, the evidence having demonstrated that the merger would result in cost savings of between $5 million to $5.5 million per year, and capital expense savings averaging about $850,000 per year. Both the Board and parties to that proceeding were apparently satisfied by the evidence as filed, as, unlike here, the Board heard no evidence to suggest that the "no harm" test had

[10] *Gravenhurst Hydro Electric*, *supra* para. 9, at 8-10.

[11] EB-2008-0335, December 15, 2008, Tr. 1, pp. 188 - 192

not been satisfied. The importance of this decision, as in earlier decisions, is the specificity that the applicants demonstrated in terms of the demonstrable savings both in operating costs and capital expenditures. The same cannot be said of HONI in this Application.

18. It is appropriate to reflect upon the Board's findings in the above-mentioned proceedings and ask the following questions:

(i) Has HONI made similar commitments to Norfolk's ratepayers in respect of rates over time, other than the short term 1% reduction? EBN notes that the only commitment made is that HONI intends to consolidate Norfolk into the larger entity in 2019 or 2020.

(ii) Has HONI committed to pass along any savings generated to Norfolk's ratepayers? Again, other than the 1% reduction, no commitment has been made. Given the size differential between Norfolk and HONI, Norfolk's lower costs will have an imperceptible impact on HONI's rates, while HONI's higher proposed rates in 2019 will have a significant impact on existing Norfolk ratepayers.

(iii) Has HONI made a commitment to equalling or exceeding Norfolk's present service quality and reliability standards? The answer, once again, is No.

(iv) Has HONI made a commitment to continue with Norfolk's Asset Management Plan? The answer here is in the negative, as HONI intends to greatly reduce capital spending in the Norfolk service area, all without producing any asset condition review, plan or explanation for not adopting Norfolk's Asset Management Plan.

(v) Has HONI committed to achieving a measurable degree of savings as a result of the transaction? HONI has made no commitment, putting forward instead only unsubstantiated "forecasts" to which it has not proposed any sort of a binding mechanism which would embed the alleged results.

19. EBN submits that there are several conclusions that can be drawn from the above-noted MAAD applications which are relevant for the purposes of this proceeding. These include:

(a) Not surprisingly, the onus is on the applicant to satisfy the Board on the basis of actual credible evidence that no harm will result from the transaction;

(b) The test in virtually every application involves the Board looking at detailed evidence about the current and future impact of the transaction on:

(i) rates payable by the target utility;

(ii) proposed capital expenditures within the acquired utility;

(iii) net savings that are likely to be generated (i.e. savings in excess of one-time transactional and ongoing costs necessary to operate the acquired utility);

(iv) the impact on service reliability and quality.

(v) the impact on the ability of either or both utilities to raise capital.

20. Because the applicants in the above proceedings were able to provide demonstrable net benefits, the Board was not required to consider whether the transaction would have a negative impact on the LDC industry, being the second part of the "no harm" test. In contrast, in this Application, the benefits have only been alleged, not demonstrated, <u>and</u> there is uncontradicted evidence that this transaction, if approved, could have a negative impact on the industry. Accordingly, EBN submits that the Board should also consider the second question of the "no harm" test.

21. EBN further submits that the Board's review of this Application should be informed by recent jurisprudence. The uncontradicted evidence in this proceeding is that the premium being paid is a record premium over Norfolk's book value relative to historic acquisitions. While this premium may be welcomed by Norfolk's shareholder, the evidence does not support a finding that Norfolk ratepayers will find the transaction results as welcoming. EBN submits that the facts before the Board in this proceeding are not materially distinguishable from the facts before the Ontario Court of Appeal in the *Toronto Hydro-Electric System Limited* ("THESL") *vs. Ontario Energy Board* appeal heard October 9, 2009.[12] In that case, the Board found that THESL was paying an above-market rate of interest on an inter-company loan to its parent and that dividends appeared excessive given the utility's need for capital expenditures. EBN submits that those facts are no different than a situation where a utility has negotiated an excessive premium for the acquisition of the utility's shares where there is little evidence of any

[12] *Toronto Hydro-Electric System Limited v. Ontario Energy Board,* 2010 ONCA 284, Docket C49980

benefits to the utility's ratepayers. Specifically, the evidence in this proceeding is that ratepayers will face significant rate increases in five years' time and that the level of capital spending within Norfolk's service territory will decline dramatically. Like the THESL case, in this proceeding there is a proposed significant gain by the Norfolk shareholder but significant risk of higher costs being imposed in the near future on Norfolk ratepayers.

22. EBN submits that the findings of the Court of Appeal are equally applicable in this proceeding. At paragraph 50 of the Court's decision, which was unanimous, the Court stated:

> "The directors and officers of unregulated companies have a fiduciary obligation to act in the best interests of the company (which is often interpreted to mean in the best interests of the shareholders), while a regulated utility must operate in a manner that balances the interests of the utility's shareholders against those of its ratepayers. If a utility fails to operate in this way, it is incumbent on the OEB to intervene in order to strike this balance and protect the interests of the ratepayers."

23. There is no evidence in this application that Norfolk ratepayers were informed of the prospect of their paying HONI's higher rates commencing as early as 2019. There is also no evidence that Norfolk ratepayers were informed about the planned significant reduction in capital spending in Norfolk's service territory. In short, there is no evidence that Norfolk has balanced the interests of its shareholder against those of its ratepayers. EBN submits that the Board's application of the "no harm" test should be guided by the above Decision, and its inquiry should include whether Norfolk has balanced the interests of its ratepayers and shareholder. In EBN's view, the balance is clearly distorted in favour of Norfolk's shareholder, so it is incumbent on the Board to intervene.

24. There is no dispute that the Board must be guided by the objectives set out in Section 1 of the *OEB Act*. Specifically, these guiding objectives include:

> 1.(1) The Board, in carrying out its responsibilities under this or any other Act in relation to electricity, shall be guided by the following objectives:

1. to protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.

2. 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.

25. There is no limitation in terms of the above-noted objectives from a temporal or service area perspective. If the interests of consumers with respect to prices will be prejudiced at some future point, this is relevant for the purposes of the no harm test. If the transaction may have an impact beyond the service territory of the target and acquiring utility, or on the economic efficiency and cost-effectiveness of electricity distribution and the financial viability of the electricity industry, then the issues are relevant. Neither of the above objectives is limited to only the immediate term, and neither of the objectives is limited solely to issues surrounding the impacts within the service area of the involved utilities. In short, these objectives indicate that the Board is required to look at both the direct impacts on the involved utilities and their ratepayers specifically and the impact of the transaction on the industry broadly.

26. It should be noted that both HONI and Norfolk have argued from the very outset that the Board should apply a very narrow "no harm" test.[13] EBN submits that HONI and Norfolk must argue for such a narrow interpretation, as it is only if such an interpretation is given that the application can be granted.

27. In effect, the Applicants are asking the Board to accept form over substance. They are dangling a 1% rate reduction for five years as a means of avoiding the more important questions which relate to the impact on Norfolk's system from both a rates perspective and a service quality and reliability perspective. The real questions are: Is the 1% reduction the result of efficiencies gained, or is it illusory? Is the 1% reduction funded by a significant decrease in the capital expenditures in the Norfolk service area which will have a negative impact on service reliability and quality in the area? Will actual

[13] In HONI's and Norfolk's submissions in respect of the confidentiality issues both argued for a very narrow interpretation of the no harm test. These submissions are dated July 25, 2013 and August 28, 2013.

synergies and efficiencies be realized, or are they simply unsupported statements? By the narrow interpretation of the Applicants, promising a 1% reduction in rates for five years is sufficient to offset any and all other potential harms. This cannot be the extent of the "no harm" test; otherwise, EBN submits, it would allow any applicant the ability to, in effect, buy an approval through a short-term promise to reduce rates of the acquired utility and thus avoid the necessity of adducing evidence that the rate reduction is justified by the sustainable efficiencies that will be generated.

28. The Applicants argue for a narrow interpretation of the "no harm" test in the hope that the Board will not inquire into the underlying cost base of the acquiring utility and its potential impact on the acquired utility. The Applicants do not want the Board to consider the effect on the competitive marketplace of the acquisition of a municipally held utility by an entity that is not constrained by the commercial realities of an acquiring utility owned by a private entity or municipal corporation. The Applicants argue for a position where the Board will not even consider as an issue whether the acquisition will have a negative impact on consolidations of LDCs in future. They must make these arguments for fear that their applications will be denied.

<u>Application as Originally Filed</u>

29. The very narrow interpretation that the Applicants placed on the "no harm" test and their belief that virtually no evidence is required for the purposes of a MAAD's application is self-evident from the original application materials filed. Aside from producing a portion of the subject Share Purchase Agreement ("**SPA"**), dated April 2, 2013,[14] some very high level general statements and copies of publicly available financial statements, there was virtually no evidence filed about all of the relevant issues that have arisen in this proceeding. Neither of the Applicants filed any study, analysis, business case, forecast or plan which sets out how efficiencies and savings will be achieved, how Norfolk ratepayers will ultimately be affected by the transition costs associated with the transaction, and how they will be recovered. There is virtually no explanation for the apparent decision by HONI to reduce capital spending within the Norfolk distribution

[14] EB-2013-0187, Ex. A-3-1, Attachment 6, filed April 26, 2013

service area by a significant percentage. EBN suggests that it is instructive to review the application as originally filed, as the paucity of evidence becomes self-evident.

30. It appears to EBN that the Applicants believe that with a request to charge Norfolk ratepayers rates equal to Norfolk's 2012 base rates less 1% and to freeze these rates for five years, nothing else matters. While Norfolk ratepayers might appreciate this very modest rate reduction and freeze for five years, EBN submits that the Board should inquire whether this is the result of sustainable efficiencies, or is it simply a loss leader that will be recaptured by other means and at other times. It appears that the Applicants believe that where an acquiring entity promises a modest reduction in rates for a short fixed period of time, the "no harm" test would in all instances be satisfied. Clearly based upon past Board Decisions and the Board's determination on the SEC motion[15] in this proceeding, this narrow interpretation of the "no harm" test is incorrect.

31. Not surprisingly, intervenors to this proceeding asked numerous interrogatories of the Applicants requesting details to substantiate HONI's very high-level general assertions of what will occur. HONI and Norfolk originally refused to respond to many of the interrogatories asked based upon their narrow interpretation of the "no harm" test. As noted above, the Board did not agree to a material degree with the Applicants' positions and ordered further and better responses to a substantial number of the interrogatories.

32. The important point being made here is that the conduct of the Applicants speaks volumes to what they believed was necessary to obtain approval for a MAAD application. This view undoubtedly informed HONI as to the level and detail of analysis that it was required to undertake, not only for purposes of supporting this application but, more importantly, for purposes of its own due diligence of the transaction <u>before</u> reaching a deal. It is clear that HONI did not believe it necessary to undertake any sort of detailed business case analysis or evaluation considering how it will be able to generate efficiencies and savings from the transaction and how the significant transition costs that will be incurred will be recovered without harm to Norfolk or HONI ratepayers. It is also clear that it did not consider or analyze the asset condition and needs of the

[15] Decision and Order, January 24, 2014

Norfolk system at the level of detail necessary to produce a capital spending plan for Norfolk or to revise the Asset Management Plan previously produced by Norfolk's management. EBN notes that the Applicants have attempted at several instances in their Argument to try and fill in the evidentiary blanks. Of course, Argument is not evidence and therefore provides no support to the Application.

33. EBN now examines the evidence before the Board in respect of relevant issues under the following headings.

<u>Transition Costs</u>

34. As a result of the Board's decision on the SEC motion, HONI has confirmed that it will incur incremental costs as a result of the transaction in the range of $2.5 to $4 million (without providing details of these costs) (EBN Interrogatory No. 15 (February 10/14)). Nowhere in the record has HONI produced a credible and detailed plan or forecast as to how it intends to recover these costs. The record in fact suggests that the transition costs could in fact be significantly higher than the range HONI admitted in response to EBN IR No. 15. For example, this response does not include the loss of the business tax credit which will occur as a result of the transaction. In response to SEC No. 16 (February 10/14) HONI admitted that this credit of $33,750 in 2012 will be lost. This is an annual loss. While the amount on a one-time basis is modest, the value over time becomes significant. For example, the net present value of this loss over a 15-year period is over $325,000, using a discount rate of 6%.

35. The original application also made no mention of the fact that Norfolk has a contract which extends to 2024 with SENSUS in respect of its smart meter AMI system. HONI acknowledged in EBN Interrogatory No. 17 that AMI related expenditures were $154,571 in 2012 and as of October 2013, the year to-date totals were just under $130,000. Upon being ordered to provide a further and better response to EBN No. 16, HONI acknowledged that it will continue to operate this same system until "an assessment is made for it to be cost efficiently decommissioned". This statement by HONI confirms that: (i) it has not undertaken an assessment and therefore does not know the cost to decommission; (ii) there will be costs to decommission which are not included in the

transition estimates provided; and (iii) there are no efficiencies to be gained as HONI will be operating the same system.

36. EBN submits that the transition costs have also been understated as HONI has failed to provide an estimate for the cost to operate both its legacy system and the Norfolk systems on a stand-alone basis as it has confirmed it intends to do until the entities are consolidated around 2019 or 2020 (Board Staff IR No. 7.1). As a result, HONI has confirmed in response to IRs that it will need to maintain separate sub-accounts (Board Staff No. 8.1), and will have to set up new ledgers to record costs and/or assets and liabilities and to establish new service level agreements so that costs can be tracked separately in accordance with the *Affiliate Relationships Code* (VECC 3(b)). HONI has also not included the cost that will be necessary to effect the transfer of Norfolk from its use of the MIFRS accounting methodology to USGAAP, which is the methodology used by HONI in respect to the legacy systems (Board Staff IR 9.1). The estimates of the costs of these realities do not appear in evidence.

37. EBN further submits that three items discussed under the next heading also represent significant transition costs that HONI has ignored in its evidence. First, the rate freeze represents an unrecoverable cost calculated at $4.38 million.[16] Second, HONI will be forced to incur a penalty under Norfolk's existing loan with Infrastructure Ontario ("**IO**"). Finally, while the alleged benefit of removing boundaries between distribution territories is a noble goal, no cost estimate has been included in the evidence. Indeed, none of these costs have been included in evidence by HONI. It would therefore appear that HONI can baldly claim cost efficiencies because they have not turned their minds to the transition costs required to potentially achieve those efficiencies.

<u>Operating Synergies and Savings</u>

38. In response to several interrogatories, the Applicants referenced both the Board's Decision in the service area amendment combined proceeding RP-2003-0044 and the recent Report of the Ontario Distribution Sector Review Panel which suggests that the consolidation of electric utilities could generate operating synergies and savings. EBN

[16] See Table A attached

believes that in appropriate circumstances, the consolidation of electric utilities will generate operating synergies and savings but the statements quoted by HONI should not be confused with actual evidence. If every consolidation would generate synergies and savings, there would be no need for a MAAD applications and the "no harm" test. The review by the Board is required because not all consolidations will generate operating synergies and savings sufficient to offset negative financial and non-financial consequences.

39. In this proceeding, there is no doubt that HONI has a higher cost base per customer than Norfolk. This fact has been confirmed repeatedly in the Board's Electricity Year Book (EBN IR No. 13, February 10/14)[17]. So one begins from a position where it is known that HONI is the higher cost utility acquiring the lower cost utility. EBN submits this fact alone puts an even greater emphasis or onus on the Applicants to demonstrate that the proposed transaction will not result in harm. As is demonstrated below, HONI has not satisfied the onus. It has not shown that the transaction will generate operating synergies and savings which will offset other aspects of the transaction.

40. The analysis should begin by first examining the cost of the 1% reduction to Norfolk's 2012 base rates. HONI has confirmed that this will result in a $115,000 reduction in revenues in each year. It has attempted to minimize this impact by net present valuing the figure. The actual revenues foregone by the 1% reduction alone is $575,000. Conspicuous by its absence is any recognition by HONI that the price of inputs – materials, equipment and labour - will increase over the next 5 years. There is in fact no analysis in evidence which even attempts to demonstrate that alleged savings will offset these price increases.

41. In the Board's report, *Rate-making Associated with Distributor Consolidations,* dated July 23, 2007, the Board indicated its expectation that where consolidation occurs and the acquiring utility does not intend to immediately harmonize rates, the rates of the acquired utility would be annually adjusted pursuant to the current IR methodology (page 6). HONI is proposing a freeze. If one assumes that the IR formula currently in place

[17] EBN examines this issue later in this submission. The conclusion is that HONI is the higher cost utility.

continues to 2019, the impact on Norfolk's revenues, comparing anticipated revenues under the current IR formula to 2019 and revenues under the 1% reduction and freeze, is $4.38 million, as confirmed by the attached Table A.

42. This foregone loss of revenue is by no means any reflection of operating synergies and savings that HONI expects. It admitted in its response to Board Staff IR No. 2.2 that the level of rate reduction and the duration in which the reduced rate would remain in effect were matters of commercial negotiation. The rate reduction was a means of getting a deal. It is not dependent on the actual achievement of future operating synergies and savings, nor is there evidence that the quantum was determined on the basis of a forecast of synergies and savings.

43. Numerous interrogatories were asked of the Applicants to provide the details and forecasts for the anticipated operating synergies and savings. Initially, the Applicants refused to respond. This refusal lends credence to EBN's submission that no analysis or detailed plan was ever undertaken, i.e., that the Applicants had no answers to provide. In response to the Board Decision on SEC's motion, the Applicants have essentially put *all of their eggs into one basket*, being VECC IR No. 2 (February 10/14). VECC specifically asked HONI to provide the analysis as to the incremental cost of serving, maintaining and operating customers in the Norfolk service territory over the next five years in order to assess the overall financial implications of the rate reductions. Even in HONI's revised response (February 10/14), no detailed analysis, breakdown, plan or business case was produced. The revised response provides "high level categorizations", quotes from the service area amendment proceeding RP-2003-0044 and general unsupported statements about contiguity benefits and qualitative benefits that <u>*may*</u> arise. EBN submits that the response does not constitute reliable and credible evidence in support of HONI's assertions.

44. Importantly, under the section of HONI's response to VECC No. 2 (February 10/14) entitled "Efficiency and Qualitative Savings in the Norfolk Context", HONI admits that: "**the savings have not been quantified due to uncertainty…**" (page 5). Indeed, the only item identified specifically with a numerical value is the cost associated with the

Norfolk Board of Directors. HONI admits in response to VECC IR No. 6 that the high level information provided in respect to VECC IR No. 2 is the information that HONI's management considered in its assessment of the proposed transaction. This confirms EBN's belief that no detailed analysis was ever undertaken and therefore many of the assertions about savings and synergies are totally speculative. The only certainty in this proceeding is the absence of supporting evidence.

45. It is important to read the language used in HONI's response to VECC No. 2 (February 10/14) carefully. At page 3, HONI states that its cost of borrowing "is typically lower than that of local LDCs leading to savings and financing costs over time". It did not say that its costs of borrowing are lower than Norfolk's. EBN submits that HONI could not state this in light of the findings of EBN's expert, Ms. Zarnett of BDR North America Inc. ("**BDR**"), that Norfolk currently enjoys lower borrower rates on its IO loans than rates available to HONI. It is noteworthy that there is no reference to the lower loan rates in HONI's original application filing. BDR has confirmed that with the consummation of the transaction, IO loans will have to be repaid with all interest foregone which, in effect, amounts to a penalty. While HONI has not quantified this amount, and perhaps did not consider this effect of the transaction, it is a significant extra cost ultimately to be borne by ratepayers.

46. HONI attaches to its revised response to VECC No. 2 Table 1, being the alleged OM&A and capital expenditure savings arising as a result of the transaction. It includes three scenarios but does not include any detail as to how HONI arrived at the "forecast" OM&A and Capex expenditures that will occur subsequent to the transaction. There is no breakdown by cost type, department or by any other manner of how the figures used in the Table by HONI were determined. While further submissions will be made in respect of the Capex figures under the capital expenditures heading below, it should be noted that HONI's Table No. 1 includes an OM&A of $5.8 million representing the Norfolk management forecast under the "middle case" status quo versus the HONI "forecast" of $2.6 million. EBN submits that this forecast is preposterous on its face. The forecast is even more ridiculous when one recognizes that it is the higher cost utility that will take over the operations of Norfolk if the transaction proceeds and HONI operates Norfolk in

compliance with the *Affiliate Relationships Code*, which requires fully-allocated costs to be paid by the Norfolk entity prior to merger and rate harmonization. Plain and simple, there is no evidentiary basis to support a forecast which would involve a reduction in OM&A of more than 55%.

47. To be clear, HONI was asked in numerous interrogatories for the details of all anticipated forecast savings. For example, the Board ordered a further and better response to EBN No. 14, which specifically asked for a detailed build-up budget showing the nature of and value of anticipated efficiency savings that will result from the transaction and details about these. As in so many other instances, HONI simply referred back to its response to VECC No. 2. The list of referrals back to VECC IR No. 2 is extensive[18] and clearly demonstrates either a refusal, or more likely, an inability to produce evidence of HONI's analysis and effort devising strategies to generate efficiencies and savings.

48. EBN submits that the only means by which OM&A costs to serve Norfolk customers can be reduced by 55% is by the reallocation of those costs to HONI's legacy customers. In its response to EBN No. 24 (February 10/14) HONI states that it will redeploy 30 of 46 staff currently employed at Norfolk to other HONI positions. EBN understands this to mean that some of these individuals will continue to undertake work related to the provision of service to Norfolk ratepayers, others will assume responsibilities serving HONI legacy customers, and some will do both. What is missing in evidence is HONI's calculations of the fully allocated cost of those former Norfolk staff now employed by HONI when providing services to Norfolk. What is also missing is the fully allocated cost of current HONI staff when undertaking services formerly provided by Norfolk staff. HONI acknowledges in its original application filing that it will have to comply with the *Affiliate Relationships Code* and that service level agreements may be necessary. Yet, HONI has not filed any evidence forecasting the fully allocated costs of these services. EBN submits that the presumption which should be drawn is that these costs will in fact more than offset even the alleged savings from the redeployment of staff.

[18] HONI referenced VECC 2 in its response to the following interrogatories: SEC No. 17, 15; CCC No. 6, 9; EBN No. 14 (four times), 15, 20, 21, 22, 30, 32, 45 and 46

49. As noted by Ms. Zarnett, if there are HONI employees who can take on work necessary to provide service to Norfolk ratepayers, it means that they are currently not being fully utilized and HONI is not operating efficiently. Ms. Zarnett's evidence also questions whether any savings can arise given HONI's higher union wage rates for field staff and management. Indeed, HONI's evidence supports Ms. Zarnett's conclusion where it indicates that the wage levels of its field staff will increase by $62,000 annually as a result of the transaction.[19]

50. A further fact in EBN's submission which demonstrates that HONI's response lacks credibility is the statement at Figure 1 that the calculations were made "after accounting for differences between salary levels between Norfolk and HONI". Yet when HONI is asked in EBN IR No. 27 about what actual positions will shift, salaries and the impact on compensation, HONI responded by saying that:

> "Salary information, and therefore the related compensation impact for the staff that are expected to transition to Hydro One, is not available at this time as the integration plan is still under development".

51. It therefore appears that HONI's statement in respect of Figure 1 is not reliable. It also appears that HONI has no integration plan, as it is still under development. It intends to keep all of the Norfolk staff undoubtedly as a negotiated concession, and to the extent that they and existing HONI staff provide service to Norfolk, these costs should be allocated to Norfolk. HONI has not valued the corporate cost allocations in its application materials. This makes the savings claimed more than questionable.

Capital Spending

52. The SPA requires HONI to maintain a level of capital spending for the Norfolk system in a range of $3.2 to $3.4 million over the next five years.[20]. SEC asked HONI about what would happen in the event that it did not meet these obligations under the SPA if it

[19] HONI IRR to EBN IR#26, Figure 1 "outside union" Salaries increase from $1.094M to $1.157M despite a reduction in staff.
[20] EB-2013-0187, Ex. A-3-1, Attachment 6, p. 41 and Schedule 6.6

underspent relative to the SPA obligations. It responded saying that any recourse would be determined by a court of law or the OEB.

53. The reason for SEC's interrogatory was the fact that Norfolk's historic capital spending has been in amounts significantly higher than those proposed under the SPA. Indeed, HONI confirmed this in response to EBN IR No. 1. In this response, Norfolk confirmed that between 2008 and 2012, capital spending ranged from $4.3 million in 2008 to $4.72 million in 2012. The actual capital spending by customer ranged from $227 to $264 with a large increase in 2009 which is understood to be associated with the smart meter program at the time.

54. By comparison, HONI is promising to spend in the SPA no more than $3.4 million. This would reduce the actual capital spending by customer to only $177.[21] By comparison, the actual spending per customer by HONI was $620.12 in 2012.[22]

55. HONI does not provide any explanation as to why capital spending can be reduced by this amount. It does not state how Norfolk's Asset Management Plan is inappropriate. This should be of concern to the Board and to Norfolk ratepayers, particularly given that HONI's service and reliability indices are generally worse than Norfolk. Even more troubling is the fact that HONI is apparently contemplating an even greater reduction in capital spending. This is evident from Table 1 to VECC No. 2 (February 10/14). Using the medium case scenario, it is apparent that HONI does not intend to undertake the capital spending to which it has committed in the SPA. For ease of reference, the Capex figures from HONI's Table 1 are reproduced below. HONI's forecast is in the middle column. In no year does HONI forecast spending the minimum $3.2 - $3.4 million, as required under the SPA.

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[21] This figure is calculated using the 2012 number of customers - 19,147 divided into $3.4 million
[22] HONI IRR EBN # 1 (Ex. I/T5/S7), October 25, 2013

Year	Norfolk Management Forecast (Status Quo) ($millions)	Table 1 Savings "Forecast" by HONI ($millions)	Net Decrease
2014	5.0	3.1	1.9
2015	4.7	2.9	1.8
2016	4.6	2.9	1.7
2017	4.4	3.0	1.4
2018	4.5	3.1	1.1
2019	4.6	2.4	2.2

56. Indeed, looking at both the low and high scenario forecasts for capital spending by HONI in Table 1 (Schedule 2) to VECC IR. No. 2, it is apparent that under these scenarios as well, the minimum spending requirements of the SPA will not be met in every year.

57. The above Table can only mean one of two things. Either HONI is anticipating spending significantly less on capital than the amounts contemplated under the SPA (in some years just under half), or Table 1 to VECC IR No. 2 is meaningless. HONI was asked by SEC IR No. 14 for an explanation why spending even at the SPA level is lower and appropriate. It did not provide a reasonable response, and its "savings" forecasts as noted from the above Table suggests it will be reducing capital spending even more than what is contemplated under the SPA.

58. EBN submits that there is certainly no basis in the evidence to support such a decline in capital spending. One explanation for the above is that HONI is trying to recapture the additional costs that it will face as a result of this transaction through the deferral of needed capital spending. To add to the problem, the above Table indicates that the same low levels of Capex are to continue through the decade. It is apparently HONI's expectation that these low levels are sustainable, yet there is absolutely no evidence to support such forecasts.

<u>Rate Issues</u>

59. EBN submits that HONI's proposal to reduce Norfolk rates by 1% was motivated, at least in part, by its desire to divert attention on the part of both the community and the Board from the impact on Norfolk ratepayers of the inevitable consolidation and harmonization

with HONI. SEC, in Interrogatories 1, 3 and 4, asked for confirmation comparing rates and bills between the Norfolk and HONI rate classes. More specifically, SEC IR No. 1 asked for HONI to provide a breakdown as to which of its rate classes Norfolk ratepayers will be assigned. HONI responded by saying that it did not have the information. In other words, HONI has not undertaken an analysis of the eventual assignment of Norfolk ratepayers to its various rate classes. This of course will be of significant concern to Norfolk ratepayers, particularly the significant percentage of which will be assigned to HONI's residential low density and non-urban general service < 50kW classes.

60. It should be recalled that the County of Norfolk is 80% rural, with a population density of less than 30 customers per kilometer.[23] It is to be expected that the majority of Norfolk's current customers will therefore be assigned to HONI's medium density and low density residential rates and its non-urban general service rate class. If harmonization occurred upon approval of this transaction by the Board, these ratepayers would be significantly adversely affected. HONI's fixed monthly charge and volumetric rates are higher for these classes than for Norfolk's residential and general service rate classes.[24] It should also be recognized that HONI's line loss factor is 2-4% higher than Norfolk's depending upon the residential or general service class.[25]

61. HONI of course is not proposing that Norfolk's ratepayers accept immediate rate increases. It knows that such rate increases would not have been acceptable to Norfolk's shareholder and that such rate increases would likely have been terminal from the perspective of its MAAD application. HONI has therefore proposed "kicking the can" down the road in the hope that the inevitable rate impacts will be forgotten.

62. EBN asked its expert, Ms. Zarnett of BDR, to examine HONI's Custom IR Plan and to prepare a table comparing rates based upon HONI's filing (EB-2013-0416) and its forecast for rates in 2019 with those rates that Norfolk ratepayers will be paying over the next five years with the 1% reduction. The difference in some instances is clearly

[23] EB-2011-02781, Ex. 2/T1/S7, p. 2, noted in BDR Report of P. Zarnett, p. 9.
[24] Response to VECC IR No. 5; BDR Report, pp. 23-26
[25] Response to EBN IR No. 36

shocking. EBN submits that it is likely that neither HONI would propose nor would the Board accept rate increases of the magnitude identified in the BDR table. Undoubtedly some sort of a rate smoothing phase-in period would be required. While this might ease the pain, it would not eliminate it and it would continue the under recovery of costs and add to the actual costs of the transaction. Rate smoothing is not the answer. The only practical means of protecting Norfolk's ratepayers is to deny the Application.

63. Importantly, nowhere in the application materials does HONI or Norfolk state that the rates payable by Norfolk ratepayers will be lower when rates are harmonized than what would otherwise have been the case if the status quo continued. If HONI believed that its rates would be lower for Norfolk ratepayers at the time of harmonizing, it would have said so. The fact that it did not indicates that it accepts that rates will be higher than what they would be under the status quo. This is evidence of harm to Norfolk ratepayers.

<u>Service Quality and Reliability</u>

64. EBN asked several interrogatories requesting various service quality reliability indices of HONI for comparison to those of Norfolk. Attachment 1 to EBN No. 9 compares HONI's 2008 through 2012 SAIDI, SAIFI, and CAIFI to those of Norfolk. Norfolk's results are better in most instances by a material margin.

65. In its response to EBN IR No. 10 (Oct. 25/13), HONI attempted to limit the damage by referencing its service quality results for the Simcoe Region. Even with a more regional focus, the best that HONI could argue is that it demonstrated "similar levels of reliability", not equal or better levels. Indeed, when the levels are examined specifically, using 2012 as an example, Norfolk's reliability data was materially better in five of six measurements.

66. EBN IR No. 12 compared service quality indicators (HONI Simcoe Region) versus Norfolk for the period 2008-2012 in respect of emergency responses-rural areas. Norfolk had a 100% achievement in three of the five years with its lowest result being

94%. HONI's best year was 94% with an achievement rate in the mid-80% level in two years.

67. EBN submits that the Board should be concerned about the impact on Norfolk's service quality and reliability indicators, particularly given the intention of HONI to drastically reduce capital spending in Norfolk's service territory. There is no reason to believe that Norfolk will be operated to any higher standard than HONI's historical indices.

The BDR Report dated February 27, 2014

68. EBN retained Ms. Zarnett of BDR to undertake an independent review and analysis of the transaction utilizing her experience with prior transactions and expertise in such matters with a view to providing her opinion on the areas as set out in the BDR Report. EBN anticipated that the Applicants would allege that EBN intervened due to objectionable motives. In response, EBN looked to a recognized industry expert to take a fresh look at the evidence and to offer her resulting opinions. Specifically, BDR was asked to undertake the following (page 2 of the BDR Report):

- Review the evidence as to cost structures to determine whether they are likely to increase or decrease as a result of the intended transaction;
- To comment on non-financial impacts, such as quality of service;
- To consider and comment on whether the purchase price is at a level that would create a financial burden on the acquiring utility; and
- To develop and present a possible scenario for estimation of the impacts of harmonization of rates once the proposed rate freeze period expires.

69. EBN retained BDR because of its experience and familiarity with transactions of this nature. As noted in the attachments to the BDR Report, Ms. Zarnett and her colleague, Mr. John McNeil, have assisted other electric utilities in respect of prospective mergers and acquisitions. EBN submits that the Board should take comfort from the fact that BDR has been intimately involved in transactions of this nature previously and has acted

for and in support of involved utilities. The fact is that Ms. Zarnett worked for THESL for 14 years as a supervisor and manager with responsibility for office and field staff and customer service areas. This included financial modelling based on long-term capital plans.[26]

70. The Applicants asked a number of questions for the purpose of attempting to determine whether EBN attempted to influence BDR in respect of the opinions set out in the BDR Report. It is clear from EBN's responses to these interrogatories that no such influence was attempted and the BDR Report consists of the opinions of Ms. Zarnett which were reached as a result of her thoughtful and detailed review of the record and other relevant information.

71. Ms. Zarnett summarizes her conclusions at pages 2 – 5 of the BDR Report. Briefly stated, based upon her review of the evidence, she is of the opinion that:

- The Applicants have not shown that any significant reductions in costs related to field operations and capital work can be attributed to the transaction and that potential harm may occur as a result of the planned capital spending reductions.

- The Applicants savings estimate is overstated and the benefits that are achievable would not be achieved immediately.

- The Applicants have not supported their claim that lower cost of debt are a certain benefit of the transaction because Norfolk has already obtained cost-effective debt capital from IO and because there is no commitment that HONI will refinance the higher cost debt assumed in the transaction. BDR noted that HOI did not demonstrate that its cost of capital today is materially lower.

- There is no evidence that Hydro One's cost of capital rates would continue into the future when its cost of capital may be impacted both by increasing demands for borrowing to fund infrastructure and by the effects of having borrowed to fund the premiums of acquisitions.

[26] BDR Report, pp. 27 - 29

- Norfolk ratepayers may experience a decline in levels of service under HONI.

- The premium HOI proposes to pay for Norfolk is significantly higher than historic levels. BDR noted that the Applicants have not provided information to show that the excess premiums in this transaction, aggregated with premiums in other transactions in the works or planned, will not affect the capacity of HOI and/or HONI to borrow or that it will not increase the cost to do so.

- The premium paid in this transaction may be establishing a premium threshold or the standard for acquisitions of Ontario LDCs. This may prompt some municipal LDCs to compete at these inflated prices as a result of which these smaller LDCs will more quickly reach levels at which their ability to borrow will be impacted negatively.

- Finally, BDR confirms through its review of the 2019 rates proposed by HONI in its 2015 Custom IR application that Norfolk ratepayers could see significant rate increases, some in excess of 200%, and this does not include the impact of HONI's higher line losses.

72. In summary, EBN submits that the BDR Report amounts to a more fulsome and detailed analysis of the transaction and the consequential results than that undertaken by HONI. For example, Ms. Zarnett, at pages 14 through 16 of the BDR Report examined nine specific functions which must continue under HONI in an attempt to determine where the costs of these functions are resident. No similar attempt was made by HONI to any level of detail and certainly not to the level of detail provided by Ms. Zarnett.

73. It should be noted that the evidence of BDR has not been contradicted in evidence. BDR's opinions have gone unchallenged. The Applicants could have prepared and filed reply evidence to the BDR Report, but no such evidence was prepared and no request was made to respond to the opinions of Ms. Zarnett. EBN submits that the Board should draw the conclusion that HONI is not in a position as a matter of evidence to refute the opinions of Ms. Zarnett, and for this reason, it did not file or attempt to file any reply evidence.

REPLY OF EBN TO THE ARGUMENT IN CHIEF OF THE APPLICANTS

Introduction

74. In accordance with Procedural Order No. 9, each of the Applicants filed their Argument in Chief on April 4, 2014. Many of the issues raised by the Applicants have been addressed earlier in this submission. EBN relies upon these earlier submissions together with the following responses to the submissions of the Applicants. For ease of reference, EBN has organized its specific responses by the order of appearance in the submissions of the Applicants.

75. Beginning at paragraph 3 of Norfolk's argument, it appears that Norfolk's shareholder places a great deal of importance on the 1% reduction to 2012 base electricity delivery rates (exclusive of rate riders) by reason of its prominence right at the beginning of Norfolk's submissions. If Norfolk's shareholder was truly motivated by the rates that will be payable by its ratepayers in future, then one would have expected certain commitments and safeguards to be included in the SPA beyond the 1% reduction in distribution rates and the agreed annual Capex expenditures. For example, if the Board does not approve the 1% reduction, Norfolk ratepayers do not benefit and the shareholder receives $490,000.[27] There is no commitment to allocate these monies to ratepayers, and therefore the single most prominent benefit noted by the Applicants will be lost.

76. In the event that HONI does not undertake capital spending to the extent required in the SPA, there is no method of valuing the damages that Norfolk ratepayers will suffer. There is also no mechanism to protect Norfolk ratepayers from ultimately being harmonized up to the much higher rates forecast by HONI when the utilities are consolidated in or prior to 2020. The 1% reduction should be seen for what it is – a short term modest inducement.

77. Norfolk describes the proposed 1% reduction to base electricity delivery rates as being an example of a tangible benefit that its ratepayers will receive. EBN submits that it is

[27] SPA, p. 19, s. 2.6

important to calculate the potential impact on a ratepayer to determine if it truly is tangible as described. If we take two examples of Norfolk ratepayers currently paying $300 or $900 annually in delivery rates, these ratepayers will enjoy a respective annual $3.00 reduction (or 25 cents per month) or $9.00 annual (75 cents per month) reduction in delivery rates in the first year. This reduction can hardly be described as tangible when viewed at the ratepayer level. There is, of course, no evidence that Norfolk ratepayers were consulted on whether they view this “benefit” as being sufficient to justify the reduction in capital spending proposed by HONI, the possible negative impact on service quality and reliability standards, and the prospect of a significant increase in rates in 2019.

78. In paragraph 6, Norfolk acknowledges the widespread need for infrastructure renewal in the distribution sector and the associated capital requirements for this needed investment; yet Norfolk has agreed in the SPA to a reduction in capital spending in its distribution territory relative to historic spending levels. In other words, it notes the need for additional capital spending in its argument but agrees to a significant reduction in the SPA. As EBN has identified, looking at Schedule 2 to VECC IR No. 2, it appears that HONI is contemplating an even greater level of reduction in capital spending. It does not appear that Norfolk has recognized these intentions.

79. The Applicants appear at odds in respect of the relevance of other potential future transactions. Norfolk, at paragraph 11, references other pending HONI acquisitions to highlight the importance of this proceeding. HONI on the other hand, at pages 13 and 14, argues that the Board should pay no attention to these pending transactions which, according to the evidence filed at the SEC motion[28] would appear, as in the case of the Haldimand transaction, to involve a similarly excessive premium and a loss leader rate reduction.

80. EBN submits that as part of the “no harm” test, the Board is required to consider the potential impact of these future applications on the efficiency and cost effectiveness and

[28] Ex. K1.2 notes that HONI will propose a 1% reduction and freeze in Haldimand for 5 years. It will also “assume the Ontario Infrastructure debt cancellation charge.”

financial viability of the distribution industry. As noted by BDR, it is appropriate to look at this transaction as being a component of a series of transactions which will, at a future point, have a material negative impact on HONI through, for example, increasing its cost of capital due to the loss of distribution revenues and the excessive premiums paid. EBN agrees with Norfolk that the Board should be cognizant of these other pending transactions.

81. One must assume that Norfolk has scoured the record in the hope of finding actual evidence of savings that will be generated as a result of the transaction versus savings which have simply been presumed to occur. As noted earlier in this submission, the Applicants are relying largely on HONI's response to VECC IR No. 2. It is clear that the Applicants believe that this response and the Schedule attached to it are enough to satisfy the "no harm" test. EBN submits that the response is wholly inadequate for numerous reasons as discussed, including:

(i) It consists of high level presumptions with no real attempt to identify the specific actions that will be taken and value the savings that will result.

(ii) It acknowledges that HONI has made no decisions about Norfolk's existing debt.

(iii) It includes absolutely no details as to how the figures set out in Schedule 2 (Table 1) were calculated.

82. EBN submits that the Board should have real concern about the credibility of HONI's Table 1 (Schedule 2) to VECC IR No. 2 when it cannot produce in this proceeding any study, plan, business case, benefit cost analysis or breakdown for the alleged synergies and savings that will be generated in the next year or two, and yet it can project savings for the purposes of Table 1 out to 2023. There is no evidentiary support for the HONI "projections" for the OM&A and Capex figures in Table 1. The only evidentiary support for Norfolk's costs over the coming years was adduced in the Norfolk 2012 cost of service rebasing proceeding (EB-2011-0272). In this MAAD proceeding, the Applicants have simply alleged at a high level that savings will occur and argue that parties and the Board should, in effect, simply defer to the experience of HONI.

83. Despite stating the importance of a 1% rate reduction at paragraph 27, it appears that Norfolk is, in effect, throwing its ratepayers “under the bus”. It argues that the Board need not consider the potential impacts of future harmonization in this proceeding; yet it confirms, in paragraph 19, HONI’s intentions to consolidate the utilities in 2020. It is important to recognize that HONI has already filed evidence about its cost to serve in 2019 through its custom IR application (EB-2013-0416). As noted by HONI, the consolidation of the lower cost Norfolk might have a marginal downward impact on HONI’s rates. However, given the comparative size of the utilities, it is self-evident that such an effect will be virtually undetectable. What will be detected is the increase in the rates payable by Norfolk ratepayers. Norfolk is asking the Board to pay no attention to this issue. This is in spite of the fact that HONI was unable to advise in an interrogatory response what number or percentage of Norfolk ratepayers will be assigned to HONI’s various rate classes.[29] As Norfolk County is a predominantly rural area, EBN submits that it is possible that no or very few current Norfolk ratepayers will become eligible to pay the lowest HONI residential rate which applies to those who meet the high density urban rate classification. The fact that neither HONI nor Norfolk has specifically stated in evidence that any Norfolk ratepayer will be eligible for this rate gives rise to an adverse presumption which the Board should draw against the Applicants.

84. EBN submits that it should be expected that an applicant has considered how the ratepayers of a target utility will be assigned to the acquiring utility’s rate classes to determine the ultimate impact on those ratepayers. For example, if, as could be the case, 75% of Norfolk’s ratepayers fall into the HONI low density rural residential rate, EBN submits that the prospective rate shock these ratepayers will face in five short years is an issue that should be addressed in this proceeding. It is certainly evidence of a harm to those ratepayers.

85. Norfolk suggests, at paragraphs 30 and 31, that HONI has made a fair comparison between its cost to serve customers and Norfolk’s cost to serve customers. The fact is that HONI adduced evidence in respect of only two subsets of its residential rate classes – the high and medium density rate classes. It then compared its cost to serve these

[29] SEC IRs 1, 3 and 4

sub-classes against the average cost of Norfolk serving all of its rate classes. Again, there is no evidence that any current Norfolk ratepayer will even be eligible for the HONI high density urban rates. The fact that HONI has made such an apples to oranges comparison, in EBN's view, highlights the inadequacy of the evidence – there is nothing else which HONI can reference. The fact remains that HONI is the higher cost service provider and it has tried to deflect this reality and its implications on Norfolk ratepayers.

86. Norfolk returns again at paragraph 33 to HONI's response to VECC No. 2 and the unsubstantiated Table 1. HONI references the same Table at pages 7 and 8 of its Argument. Both refer to $2M in savings which will allegedly arise by the elimination of 30 of 46 positions, or 65% of Norfolk's staff. EBN submits that it is important to look carefully at what HONI is proposing as it is not proposing savings but rather a simple shifting of costs.

87. All of the back office work, including customer care, accounting, regulatory, and other necessary work that Norfolk currently undertakes, will be undertaken by HONI. It has acknowledged in evidence that it will need to allocate these costs back to Norfolk, as they are not included and should not be paid by HONI's legacy customers. Leaving aside this additional step which will be undertaken inside HONI (i.e., the tracking and allocating), it is clear that HONI has not netted from the $2M estimate the additional costs it will incur which it must allocate back to Norfolk. Again, the fact that HONI has not quantified this amount in evidence should give rise to an adverse presumption.

88. EBN notes that the Applicants are seeking, and Norfolk in particular, a rate rider in the 2013 Ontario Energy Board Approved Rate Schedule of Norfolk to give effect to a 1% reduction relative to 2012 base electricity delivery rates (exclusive of rate riders) under Section 78 of the Act. Norfolk is therefore requesting a rate Order and yet, the application is wholly inadequate relative to the Board's requirements for a rate application. EBN submits that HONI's response to VECC No. 2 does not support a finding that what Norfolk requests will result in just and reasonable rates. The evidence does not support a finding that the cost to serve Norfolk ratepayers will decline. The

evidence in fact leads to concern, particularly in the case of the material decline in capital spending, that Norfolk ratepayers could be materially harmed.

89. It is noteworthy that Norfolk has not denied the assertion by EBN that as a result of this transaction Norfolk will lose access to the low cost of financing afforded by IO. It is therefore appropriate for the Board to accept as confirmed that this will occur. Add to this the fact that HONI has not confirmed in evidence its intentions in respect of whether and when it will assume Norfolk's debt and the forecast of debt costs at that time,[30] EBN submits that there is no evidence before the Board which leads to the conclusion that the loss of IO financing will not be a harm to Norfolk ratepayers.

90. At paragraph 43, Norfolk briefly turns to the important issue of the future reliability and quality of service that Norfolk ratepayers will receive. EBN submits that Norfolk's interpretation of the evidence is simply in error. HONI made an assertion in response to Board Staff IR No. 5.1 (October 25, 2013) about providing equal or better service but provided no statistics, plans, studies or supporting evidence. It was a bald statement. In the same IR response, it referenced two feeders in the Village of Delhi as an example of optimizing supply, yet it included no analysis, such as the cost to remove the redundant feeder, nor any information about the undepreciated value of what would then become stranded assets. These costs could then have been compared against the operational savings, but this was not done. There is, therefore, no evidence in support of the assertions made by HONI.

91. EBN asked HONI and Norfolk to provide for the last 5 years the SAIDI, SAIFI and CAIDI indices. The response to EBN IR No. 9 clearly shows that Norfolk has provided better service. In an effort to salvage the point, HONI responded to EBN No. 10 stating a more relevant comparison would be to look at statistics for HONI's feeders within the area of Norfolk Power. It did not indicate the source of the information and whether all or only some of its feeders were included, but even here, the data shows that Norfolk more often than HONI achieved better service standards. EBN submits that these lower service levels are the levels that Norfolk ratepayers should expect if the transaction is

[30] Ex. I/T2/S2, p. 5

approved. There is no evidence, either historical or of HONI plans, which suggests otherwise. HONI has not committed to matching or bettering Norfolk's service record.

92. Norfolk, in several places, questions the qualifications of EBN's expert, BDR, and its author, Ms. Zarnett. Not surprisingly, its arguments are limited to ones of procedure which, as noted below, are without substance.

93. The fact is that EBN retained BDR as it desired to put forward the opinion of a recognized expert for the assistance of the Board. BDR examined the record in this proceeding, relevant evidence in the last Norfolk cost of service proceeding, and HONI's current custom IR filing, as well as other publicly available documentation for the purposes of developing the opinions given in the BDR Report. It is noteworthy that Norfolk acknowledges, at paragraph 9 of its Argument, that BDR has been supportive of past distributor acquisitions, amalgamations and mergers. It therefore appropriately does not question the expertise of BDR.

94. Instead, Norfolk attacks the BDR Report from a procedural perspective. Its submissions should fail for a number of reasons. First, the Report was filed in accordance with Rule 13 of the Board's *Rules of Practice and Procedure*. The author of the report, Ms. Zarnett, specifically identified the Rule and her observance of it. Second, Norfolk asked an interrogatory about Ms. Zarnett's understanding of Rule 13, which clearly indicates that it understood that the report was being filed as an expert opinion. If Norfolk wanted to challenge the BDR Report as appropriate expert opinion evidence in this proceeding, it should have brought a motion for an Order either disqualifying BDR or requesting a further process to deal with any issue. EBN submits that it is wholly inappropriate to remain silent until the argument stage of a proceeding and to then suggest that evidence should not be received for the purposes that it was filed.

95. Third, the BDR Report was filed as part of EBN's evidence. The parties asked interrogatories and had every ability to "test" the expert's credentials at that time. There is no question that the report was filed as an expert's report. The Applicants knew they could not challenge the credentials of the author and accordingly, they have resorted to a last minute procedural complaint which is without merit.

96. Norfolk suggests, in effect, that the Board should question the *bona fides* of EBN. This is most unfair. EBN and other silent distributors and stakeholders are concerned not by the fact that HONI has been successful reaching a deal with Norfolk, but by the terms of the deal and its impact both on Norfolk ratepayers and the industry generally. EBN supports the rational consolidation of utilities. EBN believes that Norfolk has resorted to attacking EBN's motives given its concern about the quality of the evidence supporting the Application.

97. Finally, EBN notes that counsel to Norfolk attached to its Argument a copy of a letter dated March 20, 2014, from the Minister of Energy ("Minister"). It also referenced the letter from the Minister in its Argument. This, of course, is improper, as the letter is neither relevant nor is it evidence. The filing of the letter should be considered even more improper if it was done to try and influence the Board's consideration of the matter by introducing some political equation.

98. Turning to HONI's argument specifically, EBN notes that HONI is similarly placing a great deal of reliance at the outset of its argument, on page 3, on its response to VECC IR No. 2. Aside from the concerns express earlier about the extent and quality of this evidence, EBN is concerned by the precedent which would be set should evidence of this nature be sufficient for the purposes of approving this MAAD application. HONI's limited response could become the template for future applications. EBN submits that the Board should be concerned by this prospect.

99. HONI suggests, at page 4, that there is no dispute about the compatibility of HONI's and Norfolk's distribution assets. There is no dispute that both utilities have poles, wires and transformers. What parties and the Board do not know is whether the systems are truly of the same class and type, or whether HONI's field staff and service centres will now have to stock and learn how to maintain equipment that Norfolk uses that is from different suppliers. The fact is that HONI's own evidence acknowledges that it will have to expend monies to bring equipment to HONI's standards.[31]

[31] Ex. A/T2/S1, p. 4

100. At page 5, HONI refers to its actual collective experience in the area of electricity distribution facility asset management, operations and care. If such experience exists, the logical question to ask is where is the analysis or presentation with estimates and valuations that were provided to HONI's management and/or its board to support the acquisition? Despite repeated requests, this has not been produced in evidence. This gives rise to the presumption that such analysis and plans simply do not exist.

101. HONI's Asset Risk Assessment ("**ARA**") process is a good example of this concern. At page 6, HONI states that the ARA incorporates field assets assessment, including visual inspections and evaluations. It identifies current asset needs and creates a line of site to future needs. According to the footnotes, these words have been taken out of evidence filed in other proceedings. Perhaps the ARA process generated evidence in support of the relief sought in those other proceedings, but there is no evidence that the ARA process was used to develop any asset plan for the Norfolk system going forward in this proceeding. If it was in fact used, EBN submits that the Board should be most concerned by the fact that HONI has failed to file in evidence in this proceeding the results of its alleged application of the ARA process. The assertion in argument that it applied some structured and analytical review process is not evidence that this occurred.

102. It should be recalled that HONI initially refused to respond to VECC IR No. 2 and numerous other interrogatories from the parties asking for evidence of HONI's analysis and review of the savings that might be generated as a result of the transaction. The Board in its Decision and Order dated January 24, 2014, alerted HONI to the fact of the Board's intention, amongst other things, to compare HONI's prospective cost structures to existing cost structures. One would have expected a detailed and thorough analysis, business case, study and/or plan to be produced in response to the Board's Decision and Order. Instead, HONI produced its high level response to VECC IR No. 2 and referred all other interrogatory questions asking for the details of HONI's analyses and reviews back to the response to VECC IR No. 2. Importantly, HONI makes no reference in the response to the ARA process or any other methodology or analytical process used for the purposes of developing the "forecasts". HONI has had no less than three

opportunities in this proceeding to detail in evidence the procedures and processes employed to value the alleged savings that would be generated.

103. Referencing the ARA in Argument is obviously not evidence that it was ever used. Equally important, it would be wholly inappropriate to allow an applicant to refer to matters after the evidentiary stage of a proceeding has closed, as it would then, as it has here, prevent interested parties from asking relevant questions. Had HONI referred to its ARA in evidence, parties would have asked for the particulars of how it was used and the results generated. The fact is that there is no evidence that the ARA was used. Reference to it in Argument is improper.

104. Similarly, for the first time in its argument, HONI provides its calculations in respect of the cost of debt. This, of course, is not evidence either and should not be relied upon by the Board for the purposes of this Application as it was not subject to scrutiny through the interrogatory process. It would be appropriate to ask why HONI did not undertake a comparison of the cost of capital under the status quo scenario and provide a comparison to the proposed cost structures which will exist if the transaction is approved. This would have included reference to the early interest payment penalty on the IO loans. It would also have required HONI to state its forecasts for current and future debt.

105. HONI was incorrect in construing BDR's response to mean that it was not intended to compare rates. More specifically, it was intended to point out that for purposes of understanding the potential for changes in cost structure, attention should be on the ability (or otherwise) to attain reductions in costs in the future, and that there is no value for the present purpose in an analysis that compares <u>embedded or historic</u> debt costs. In addition, in comparing the <u>average</u> embedded debt costs, HONI ignores the fact that these summary figures reflect the time at which the debt was issued, and the term or duration of that debt, factors which have no bearing on the ability to achieve cost-effective borrowing in the future. Interest rates have declined significantly over the last decade, and rates for shorter terms are lower than for longer terms. Therefore, a capital structure weighted heavily with older and longer term borrowings would have a higher

weighted average cost than one weighted heavily with more recent and shorter term borrowings.

106. In respect of the comparison of HONI's 2012 average embedded cost of debt of 5.24% with Norfolk's (which is 5.51%, which is the Board-approved – not 5.59% as used by HONI), HONI first points to its 2012 weighted average cost of debt of 5.24%, and then draws attention to the interest rates on Norfolk's bank loans (ranging from 6.12% to 7%), implying that the rates for Norfolk's bank loans are appropriate compared with HONI's weighted average embedded rate in 2012 of 5.24%. Two of these loans, at 6.02% and 7% respectively, were taken in 2004. In that year, according to Exhibit B2, Tab 1, Schedule 2, page 2, EB-2013-0416, HONI's loans in that year were at rates between 6.06% and 6.33%. Norfolk's third bank loan, at a rate of 6.37% was taken in 2007, the same year in which Norfolk also borrowed from IO at 5.01%. In 2007, HONI made borrowings at 4.93% and 5.23%.

107. HONI also criticizes EBN's response to its interrogatory for failing "to distinguish the difference in effective terms between Hydro One's corporate bonds and NPDI's serial bonds." Yet HONI, in pointing to a 2012 weighted average cost of capital of 5.24%, ignores the fact that this includes issues with terms of 5 years and 10 years, as well as longer terms which, in view of the yield curve that exists in current markets, results in a lower average embedded cost. Furthermore, HONI, in its evidence in EB-2013-0416, Exhibit B1, Tab 2, Schedule 1, indicates that it intends to issue debt in an equal mix of 5, 10 and 30-year terms. For 2014, HONI forecasts the applicable rates at 3.10%, 4.09% and 4.93% respectively, for a weighted average of 4.04%, applicable to a weighted average term of only 15 years. By comparison, the applicable interest rate for the IO loans for which principal is repaid during the 25-year term would be in the range of 4.06% and 4.28%, as per the IO rate schedule attached to EBN's evidence.

108. In EBN's submission, when considered in conjunction with the necessity to repay loans, potentially with penalties, the resulting cost of debt to customers may be worse than under status quo, and at best would not be significant enough to justify an argument that

improvements in the cost of financing are a source of synergies to justify the transaction costs.

Conclusion

109. EBN supports electric distributor consolidation in appropriate circumstances. It hopes that the ratepayers of Norfolk will benefit from such a transaction in future. It believes that Norfolk ratepayers will be harmed by the transaction proposed by the Applicants in this proceeding. The evidence is that there will or likely will be harm in the following areas:

(a) A significant reduction in capital spending without evidence to support that the change is prudent in the context of the need to build and sustain the system.

(b) Rates which may increase for medium and rural density ratepayers by 42% and 238%, respectively, upon harmonization.

(c) Rates which may increase for general service customers transitioning to HONI's UGe or GSe rates by 62% to 218%, respectively upon harmonization.

(d) Norfolk will lose the availability of low cost debt financing through IO.

(e) Norfolk will be required to pay the balance of interest owing on the IO loans in an amount not disclosed by HONI

(f) Costs resulting from the transaction were not fully identified in the original application, such as the small business tax credit, additional regulatory burden, SENSUS agreement, etc.

(g) There is real concern that OM&A costs are being shifted to HONI and its legacy customers given that there has been no attempt to value the services that HONI will provide to Norfolk following consolidation.

(h) HONI has made no commitment to meet or exceed the service quality and reliability standards achieved by Norfolk historically.

(i) The premium paid over the book value of Norfolk's assets could have a negative impact on the industry generally by setting a threshold level for premiums that cannot be matched by commercially driven utilities, thereby acting as a disincentive to future consolidation.

110. It should be noted in respect of this latter point that the Ontario Distribution Sector Review Panel stated, at page 34, that:

> "The Panel recommends that the Ontario government, as the shareholder of Hydro One Inc., should give it clear, unambiguous direction to lead and engage in fair, market-value based discussions with LDCs in order to create the new regional distributors."

111. It appears, given the opinion of Ms. Zarnett, that the premium being paid by HONI is not fair and market-value based, consistent with the Panel's recommendations. For the reasons set out in the BDR Report, given the apparent intention of HONI to continue with acquisitions at a premium over what is commercially reasonable, the Board should have concern about the impact on HONI's future cost of capital and the prospect for further consolidations in the industry generally. EBN does not, in fact, believe that what HONI is proposing with this Application is consistent with the Distribution Sector Panel Report which called upon shoulder-to-shoulder LDCs which would assume more planning than demonstrated in this Application and which called upon HONI to put its distribution assets "on the table" for regional consolidation rather than to act as the acquirer.

112. The Applicants understood that the evidentiary onus is upon them to demonstrate that the transaction will not result in a net harm to Norfolk ratepayers and the industry generally. It must do both, and yet EBN submits the evidence demonstrates the opposite.

113. The fact is that the Applicants have adduced very little reliable evidence. They are, in effect, asking for the assumptions they have asserted to be taken on faith, yet they do this knowing that it is an indisputable fact that HONI is the higher cost operator. EBN respectfully submits that in such instances, it is incumbent upon the Board to require from the higher cost utility a higher standard of evidence and demonstrable proof that no harm will result. EBN further submits that given the unprecedented premium being paid to Norfolk for its shares without any demonstrable benefit to its ratepayers, it is the Board that is the only remaining entity which will protect the interests of ratepayers. Here, the Board specifically indicated it wished to undertake a comparison of the cost structures of Norfolk under the status quo versus Norfolk following approval of the transaction. HONI and Norfolk have not adduced evidence which allows this comparison to occur.

114. EBN submits that the Applicants will suggest in their Reply argument that the Board can address the concerns outlined in this submission (capital spending, proper cost allocation, the impact to existing Norfolk ratepayers, etc.) through the imposition of conditions to its approval. EBN submits that such an approach is inappropriate at two levels. First and foremost, the only effective way to protect Norfolk ratepayers from any of the harms outlined in this submission is to deny the Application, otherwise the Board is subjecting those ratepayers who have been lulled into a sense of confidence by the temporary and artificial 1% rate reduction to an unwelcome impact. Second, if the Board approves this Application with its lack of evidence and analysis, particularly when compared to the previous Board Decisions outlined at the beginning of this submission, a very low standard for future MAAD applications will have been set.

115. It is submitted that it is not the desired intention of any government or entity that existing utilities be operated on a more costly and less efficient basis than is currently the case. EBN submits that this is the conclusion which must be drawn on the basis of the application materials, and as such, the Applications should be denied.

All of which is respectfully submitted.

Date: April 14, 2014.

"Original signed by,

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Comparison of Norfolk Total Revenue from Distribution Rates
Transaction Scenario with Status Quo Scenario
With Transaction

Year		
2012	$11,637,118	As approved in 2011-0272
2013	$11,692,976	IRM - see status quo scenario
2014	$11,692,976	Assume no rate change, pending approval of rate reduction
2015	$11,520,747	Net of 1% Reduction
2016	$11,520,747	Freeze
2017	$11,520,747	Freeze
2018	$11,520,747	Freeze
2019	$11,520,747	Freeze

Without Transaction

		Price Esc	Prod Factor	Stretch Factor	Price Cap Index	
2012	$11,637,118					
2013	$11,692,976	1.60%	0.72%	0.40%	0.48%	Based on Norfolk 2013 IRM
2014	$11,856,678	1.70%	0%	0.30%	1.40%	Based on PEG report and assumes Norfolk in the middle group
2015	$12,022,671	1.70%	0%	0.30%	1.40%	Assumes continuation of 2014 levels
2016	$12,190,989	1.70%	0%	0.30%	1.40%	Assumes continuation of 2014 levels
2017	$12,361,663	1.70%	0%	0.30%	1.40%	Ignores effect of rebasing in the status quo scenario, since data to estimate rebased revenue requirement is not available
2018	$12,534,726	1.70%	0%	0.30%	1.40%	Assumes continuation of 2014 levels
2019	$12,710,212	1.70%	0%	0.30%	1.40%	Assumes continuation of 2014 levels

Difference in Revenue from Distribution Rates

	Nominal $
2014	$163,702
2015	$501,925
2016	$670,242
2017	$840,916
2018	$1,013,979
2019	$1,189,465
	$4,380,228