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August 27, 2014
File No.: 136468.1001

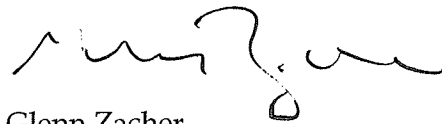
Kirsten Walli
Board Secretary
Ontario Energy Board
Yonge-Eglinton Centre
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Dear Ms. Walli:

Re: EB-2014-0217/EB-2014-0223 — Cambridge and North Dumfries Hydro Inc.'s ("CND") Section 86 MADD Application to Purchase Brant Country Power Inc. ("BCP") and Related Relief

I enclose two copies of CND's Responses to Interrogatories of Board Staff and Brantford Power Inc. ("BPI"). An electronic version of the Responses is being filed through the Board's RESS portal.

Yours truly,



Glenn Zacher

GZ/sc
Encl.

cc: Ian Miles, President & CEO, CND
Mark Rodger, Borden Ladner Gervais LLP, counsel for BCP
Paul Kwasnik, President & CEO, BPI
Board Staff

TORONTO
MONTRÉAL
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**EB-2014-0217/EB-2014-0223
Cambridge and North Dumfries Hydro Inc.
Brant County Power
Response to Interrogatories
Filed: August 27, 2014**

**Cambridge and North Dumfries Hydro Inc.'s
Responses to Interrogatories of Board Staff**

1.1-Staff

INTERROGATORY

Reference: Exhibit A, Tab 1, Schedule 1, Page 4, Section 3.1, Paragraph No. 13:

CND projects net annual savings from the transaction of approximately \$1.2 million to \$1.5 million, including reductions in operations, maintenance and administrative costs of \$1 to \$1.2 million per year; and (ii) reductions in capital expenditures of \$0.2 to \$0.3 million per year. More specifically, CND estimates that these savings will be realized through cost synergies in the following areas:...

Reference: Exhibit A, Tab 1, Schedule 1, Page 8, Section 3.1, Paragraph No. 20:

Further, neither CND's nor BCP's customers will bear any of the incremental transaction and integration costs (e.g. due diligence, negotiation, regulatory approvals, IT integration, etc.). These costs will be financed through productivity gains associated with the transaction and will not be included in CND's revenue requirement and therefore will not be funded by ratepayers.

1.1. Please provide a breakdown of the cost savings for each of the areas identified in Exhibit A, Tab 1, Section 3.1, Paragraph 13.

RESPONSE

The following table provides the breakdown of the estimated costs savings in the areas identified in Exhibit A, Tab 1, Section 3.1, Paragraph 13:

Table: Summary of Estimated Annual Cost Savings/Synergies

	Range of Savings/Synergies	
	\$MM	
Back Office Staff - Wages and Benefits	0.40	0.45
Advanced Trade Hires	0.30	0.30
Corporate Governance Costs	0.05	0.10
Information Systems Technology Costs	0.15	0.20
Future Regulatory Costs	0.05	0.10
Distribution System Monitoring Costs/Insurance	0.05	0.05
	1.00	1.20
Capital Expenditures	0.20	0.30

1.2-Staff

INTERROGATORY

1.2. Please provide the assumptions, analysis and calculations used to arrive at the projected net annual savings amounts.

RESPONSE

The following is a summary of the assumptions, analysis and/or calculations used by CND to arrive at the projected net annual savings amounts.

The assumptions, analysis and/or calculations utilized by CND were principally based on information obtained through a due diligence process conducted by CND, with support from its legal and financial advisors, including: (i) a detailed review of records and information provided by BCP through its legal counsel Borden Ladner Gervais; and (ii) review of publicly available information such as rate applications, regulatory filings, annual OEB yearbooks, and other documentation.

Back Office Staff – Wages and Benefits

CND anticipates operating the back office functions (e.g. senior management, finance and accounting, administration, customer care, etc.) for the consolidated operations of CND and BCP with approximately 4 to 5 fewer positions. These positions are expected to be eliminated through attrition, including expected retirement, vacant positions, and voluntary termination of employment. As of July 31, 2014, 2 of the positions identified are vacant and, assuming that the acquisition is approved, are not expected to be filled. Offsetting the decrease in back office positions is the addition of 1 new full-time position, as explained in Exhibit A, Tab 1, Schedule 1, Page 9, which will be devoted to supporting economic development and customer relations with new and existing commercial and industrial customers of BCP and CND. The estimated annual savings from the elimination of these positions is approximately \$0.4MM - \$0.45MM, based on the annual salaries for the positions identified, plus benefits.

Advanced Trade Hires

Based upon the employee demographics and retirement eligibility of trade personnel at CND and BCP, as well as estimated operating synergies that are assumed to materialize, CND anticipates that it could reduce the number of future hires for trade positions by approximately 2 full-time equivalents. In addition, BCP has experienced a retirement of 1 trade position in June 2014, which assuming the proposed transaction is approved, is not expected to be filled. The estimated savings from these positions is approximately \$0.3MM in wages and benefits.

Corporate Governance Costs

Subsequent to the acquisition of BCP, there will be only one Board of Directors that governs the consolidated operations. CND anticipates that the size of the Board of Directors will be consistent with CND's existing Board of Directors, which is comprised of 10 Board Members. BCP currently has 7 Board Members. As a result, savings will be realized from the reduction of annual fees and meeting fees paid to approximately 7 Board Members. The estimate savings from the reduction in Board Members, including annual fees, meeting fees, and expenses are approximately \$0.05MM-\$0.1MM per year.

Information Systems Technology Costs

CND has assumed cost savings related to information systems technology costs in the range of \$0.15MM-\$0.2MM per year. These costs savings will be realized principally through; (i) a reduction in hardware and software maintenance and license fees; and (ii) a reduction in third party support costs.

Currently, BCP and CND have separate and in most cases, differing information systems technology (hardware and software) to support their respective operations. As examples, the Customer Information Systems ("CIS"), Financial Systems, and GIS Technology are different in each organization. As part of the integration plans, CND intends to amalgamate and thereby

eliminate the duplication of these systems. The amalgamation of these systems is expected to result in a reduction in annual license fees, annual maintenance fees, support costs, as well as future software and hardware upgrade costs. The savings have been estimated based on the current costs associated with the systems to be eliminated, plus or minus 20%.

BCP currently outsources its information technology support to a third party; CND expects that, subsequent to the approval of the transaction, any on-going support and maintenance of the IT infrastructure will be completed by CND's Information Technology Services ("ITS") department. CND's ITS department consists of 6 full-time employees. The savings have been estimated based on the current costs associated with the third party support.

Future Regulatory Costs

The acquisition of BCP by CND is expected to result in the avoidance of future regulatory costs, including costs associated with the preparation of annual IRM Applications, Cost of Service Applications every five years, as well as the creation of additional capacity within the accounting and regulatory departments as a result of eliminating the duplication of processes and resources required to support quarterly and annual RRR requirements, on-going transaction processing and record keeping, and other regulatory reporting requirements.

In the absence of this transaction, BCP had intended to file a 2016 Cost of Service Application in 2015. As a result of this acquisition, CND estimates that \$0.2MM-\$0.25MM in costs for the preparation of an Application will be saved by BCP. This estimate is based on estimated costs for legal fees, consulting fees, other professional fees, as well as allocated intervenor and OEB costs. Consulting and professional fees would have been required to support the preparation of load forecasts, cost allocation models and rate design, as well as the preparation of a 5 year Distribution System Capital Plan.

Other costs, including staffing costs (wages, benefits, training, etc.), office supplies, etc. to support the preparation of various applications and regulatory submissions are also expected to be reduced as a result of the reduction in the number of applications to be filed.

The estimated annual cost savings related to future regulatory costs in the range of \$0.05MM - \$0.1MM is based on the sum of the estimated savings highlighted above, averaged over a four year period (the expected timing of CND's next Cost of Service Application).

Distribution System Monitoring/Insurance Costs

CND has assumed cost savings related to distribution system monitoring and insurance costs of approximately \$0.05MM per year.

CND operates a System Control Room, staffed with 6 full-time employees. CND intends to implement a 24 hour/7 day week System Control Room over the next few years. CND anticipates providing the distribution system monitoring services to BCP, which are currently outsourced to a third party.

CND has assumed that it will realize on insurance costs savings as a result of combining the operations of BCP and CND. Such savings are assumed to result from the reduction in property insurance coverage due to the elimination of redundant property (e.g. computer hardware, software, office furniture and equipment, etc.) over a period of time.

Capital Expenditures

CND has assumed annual capital expenditures savings of \$0.2MM-\$0.3MM, using 10% of BCP's average annual estimated capital expenditures over the next five years.

Specifically, CND estimates capital expenditure savings in the following areas:

- Reduction in third party engineering costs associated with the development, design and drawings required for BCP's distribution system capital projects on an annual basis, as well as long-term planning costs. BCP currently outsources these services to a third party. CND has an Engineering Department with 23 full-time employees, which includes 1 Vice President, 2 Supervisors, 1 Distribution and Renewables Engineer, 1 Design Engineer, 3 Design Technicians, 3 Mapping and Surveying Technicians, 6 System Control Room Operators (as described above), 1 GIS Technician, 2 Station

Maintenance, 1 Inspector, 1 Legal Co-ordinator and 1 Service Co-ordinator. CND's Engineering department is expected to assume the Engineering responsibilities for the BCP service territory.

- Reduction in material costs derived from CND supplier relationships and pricing due to increased volumes of transactions;
- Reduction in capital expenditures to support information systems technology infrastructure and solutions, including network systems, various software applications (Customer Information System, Financial System., GIS, etc.), communications systems (radios, telephones, wireless, etc.), disaster recovery solutions, cyber security, as well as the technology that supports the smart meter technology (e.g. Advanced Metering Infrastructure ("AMI")). As many of the operations of BCP and CND will be fully integrated over time, capital expenditures for duplicate and/or redundant systems are expected to be eliminated.

1.3-Staff

INTERROGATORY

1.3. Please identify any factors that may affect the achievement of the expected efficiencies and the recovery of costs associated with the proposed transaction in the timelines projected.

RESPONSE

The ability to achieve the expected efficiencies and the recovery of costs associated with the proposed transaction over the timelines projected will depend, in large part, on CND's ability to successfully integrate the operations of BCP and CND. A well-planned, timely, and effective integration should result in the costs savings and efficiencies to be realized in a timely and cost effective manner. In order to facilitate a well-planned, timely, and effective integration and consolidation of operations, CND is focusing on the following issues and/or factors:

- Integrating the back-office functions, including Customer Care, Finance and Accounting, Regulatory, and Human Resources;
- Integrating key information systems and infrastructure, including the Customer Information System and Financial System;
- Motivating and retaining executives and key employees through the integration;
- Consolidating and streamlining corporate governance, reporting, and administrative infrastructures;
- Managing and coordinating of separate geographical locations;
- Conforming standards, controls, procedures and policies, and business cultures;
- Clearly defining roles and responsibilities for all employees;
- Encouraging a positive relationship between the company, its employees, and the respective bargaining units. Approximately 70% of CND and BCP's employees are

unionized and each company is currently represented by a different union; as such this is very important to the success of the combined entity, particularly in realizing on productivity and efficiencies, and providing a high quality of services to customers; and

- Ensuring experience and availability of resources to perform critical integration tasks, while continuing to manage the day to day operations of the utilities.

While not specifically related to the proposed transaction, there are other risk factors, which are not unique to BCP and CND, that may impact the ability to achieve the expected efficiencies and the recovery of costs associated with the proposed transaction over the timelines projected, including, but not limited to:

- Changes in provincial energy policy and/or regulatory policies that could impact the operations of the consolidated entity, and which could lead to increased operating costs, increased oversight, or the consumption of resources;
- The impact of the Province's Long-Term Energy Plan, including unexpected expenditures arising therefrom;
- The risk that unexpected capital expenditures may be necessary to support renewable generation or resolve unforeseen technical issues;
- The risk to the distribution system and facilities posed by severe weather conditions, natural disasters or catastrophic events; and
- Unanticipated changes in electricity demand or costs.

2.1-Staff

INTERROGATORY

Reference: Exhibit A, Tab 1, Schedule 1, Page 3, Section 2, Paragraph No. 9:

CND is requesting, pursuant to the Report of the Board titled "Rate-making Associated with Distributor Consolidation, July 23, 2007, approval to defer the rate rebasing for up to five years from the closing of the proposed transaction

Reference: Exhibit A, Tab 2, Schedule 1, Section 1.6.2, Page 14:

Based on this indicative estimate, approximately 98.6% of the combined CND/BCP customer base will realize lower distribution rates in 2019 than would otherwise be expected in the absence of the proposed transaction. With the exception of the GS>50 kW customer class in the BCP service territory, 98.8% of BCP's existing customers are expected to realize lower distribution rates in 2019, as well as 100% of CND's existing customers. At the time of rate harmonization, CND will revisit its rate design and rate allocation principles in accordance with the Board's applicable rate-making principles to ensure that rates are just and reasonable for all customers and customer classes, including BCP's current GS>50 kW customer class, in accordance with the terms of the Agreement.

Reference: 2006 Electricity Distribution Rate Handbook, Chapter 13, Section 13.2

Distributors who have a merged, acquired, or amalgamated service area, and who have not yet fully harmonized the rates between or among the affected distribution utilities or service areas, may file a rate harmonization plan. The plan must include a detailed explanation, justification, implementation plan, and an impact analysis. In the event that the combined impact of 2006 electricity distribution rate increases and harmonization effects result in total bill increases for any customer class or group exceeding 10%, the applicant should include a discussion of proposed measures to mitigate any such increases in its mitigation plan.

- 2.1. **The estimate for the distribution rate impacts following harmonization of rates in 2019, indicates a 54.8% increase for Brant County Power Inc.'s GS>50 kW customer class. Please confirm that Cambridge and North Dumfries Hydro Inc. harmonization plan will include measures to mitigate the distribution rate**

increases for the customers in Brant County Power Inc.'s GS>50 kW customer class.

RESPONSE

CND confirms that its rate harmonization plan will include measures to mitigate the distribution rate increases for the customers in Brant County Power Inc.'s GS>50 kW customer class, in accordance with the Board's policy.

As explained in Exhibit A, Tab 1, Schedule 1, Page 6, CND intends to use commercially reasonable efforts to harmonize rates for customers of CND and BCP in 2019 and CND has specifically committed to establishing 2019 rates that are at least equivalent to, if not less than, the rates that would be set for BCP's customers in the absence of the proposed transaction.

As also explained in Exhibit A, Tab 1, Schedule 1, Page 8, Line 19, the 2019 rate comparison provided is an indicative estimate based on certain assumptions, including cost allocation and rate design models and assumptions underlying CND's 2014 Cost of Service Application. At the time of rate harmonization, CND will revisit its rate design and rate allocation principles in accordance with the Board's applicable rate-making principles to ensure that rates are just and reasonable for all customers and customer classes, including BCP's current GS>50 kW customer class.

3.1-Staff

INTERROGATORY

Reference: Exhibit A, Tab 1, Schedule 1, Page 8, Section 2, Paragraph No. 10:

CND and BCP, are further requesting pursuant to sections 74 and 77(5) of the OEB Act that upon approval of the proposed transaction, CND's electricity distribution license be amended to include BCP's service area and BCP's electricity distribution license be cancelled.

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

- a) 2014 Net Annual Peak Demand Savings Target of 20.98 MW**
- b) 2011-2014 Net Cumulative Energy Savings Target of 83.51 GWh.**

RESPONSE

CND confirms that, if the Board grants the requested relief, CND's amended licence should reflect the above noted targets.

4.1-Staff

INTERROGATORY

Reference: Exhibit A, Tab 2, Schedule 1, Page 21, Section 1.8.2:

The price paid by CND as part of the proposed transaction results in a premium over the book value of BCP's assets. The premium paid will not be included in CND's distribution revenue requirement and thus will not be funded by ratepayers.

- 4.1. Please provide the net book value of the Brant County Power Inc.'s assets being acquired by Cambridge and North Dumfries Hydro Inc.**

RESPONSE

The net book value of the Brant County Power Inc.'s assets being acquired, based on the net book value as at December 31, 2012, is approximately \$23.3MM. The net book value of Brant County Power Inc.'s assets as at December 31, 2013 is approximately \$23.7MM.

**EB-2014-0217/EB-2014-0223
Cambridge and North Dumfries Hydro Inc.
Brant County Power
Response to Interrogatories
Filed: August 27, 2014**

**Cambridge and North Dumfries Hydro Inc.'s
Responses to Interrogatories of Brantford Power Inc.**

A-Brantford-1

INTERROGATORY

Reference: Exhibit A, Tab 2, Schedule 1, Item 1.3.2 Page 5

This section provides a description of BCP's service Territory.

1. As BCPI is currently an embedded distributor customer of Brantford Power Inc. contributing approximately \$271,927 or 1.81% of BPI's total revenue requirements, please provide the following information:
 - 1.1. Are there any expected impacts resulting from the proposed transaction to the current embedded distributor relationship between BCPI and BPI?

RESPONSE

CND and BCP do not expect any impact from the proposed transaction to the embedded distributor relationship with Brantford Power Inc. ("BPI").

However, separate and apart from the proposed transaction, BCP's Asset Management Plan, filed with the Board in its 2011 Cost of Service Application (EB-2010-0125), identified the following capital projects that may impact the embedded distributor relationship between BCP and BPI in future years:

- Decommissioning of the MS#2 in 2015 (Exhibit 2, Tab 6, Schedule 1, Page 10); and
- New Feeder Plans with respect to the extension of a feeder line along Colborne St. West to Airport Road in 2014.

The decommissioning of the MS#2, and thereby the upgrading of the network from 8kv to 27.6kv, is currently planned for 2015, subsequent to BCP completing upgrades to its feeders in 2014. At the time of decommissioning of MS#2, BCP will no longer require the feed from BPI at Powerline Rd. BCP estimates that the financial impact to BPI as a result of this project will be a reduction in annual distribution revenue of approximately \$0.05MM per year.

Once the extension of the feeder line along Colborne St. West to Airport Rd. is completed, BCP anticipates transferring distribution customers from a feeder line on Colborne St. West currently supplied by BPI to BCP's feeder line. This transfer is likely to occur in the latter part of 2015. BCP estimates that the financial impact to BPI as a result of this project is a reduction in annual distribution revenue of approximately \$0.08MM per year.

These capital projects were identified as part of BCP's 2011 Asset Management Plan and are required to address future demand in BCP's service territory and to ensure on-going network reliability improvements (EB-2010-0125, Exhibit 2, Tab 6, Schedule 1, Page 51).

Subsequent to the completion of the above noted capital projects, BPI will continue to be an embedded distributor customer through Colborne St. E, as the Brantford M27 feeder feeds part of the City of Brantford and part of BCP's service area through a connection point. The feeder also continues through BCP's service area and is used to feed a portion of Hydro One Network Inc.'s load.

A-Brantford-1

INTERROGATORY

1.2. If the answer to question 1.1. is yes, provide the following information regarding such anticipated impacts:

1.2.1. Description and other pertinent details regarding the nature of such impacts;

1.2.2. The timing or schedule which might be contemplated for these impacts to materialize; and

1.2.3. If the impacts will affect the current embedded consumption levels purchased from BPI, provide an annual forecast of the expected embedded consumption levels for five years following the close of the transaction or for the duration of the anticipated impact period, whichever is greater.

RESPONSE

Please refer to the Response to Interrogatory A-Brantford 1.1.

B-Brantford-2

INTERROGATORY

**Reference: Exhibit B, Tab 3, Schedule 1 – Purchase and Sale Agreement – Execution
Copy – Schedule 3.1(n) – Contracts and Commitments – Items 10 and 14**

These two items relate to contracts and commitments of BCP with respect to the Powerline Municipal Transformer Station (MTS) jointly owned with BPI.

2. As BCPI and BPI currently jointly own and operate the Powerline MTS:

2.1. Are there any expected impacts resulting from the proposed transaction to the current joint ownership and operation of the Powerline MTS?

RESPONSE

CND does not anticipate any material financial or operational impacts resulting from the proposed transaction to the current joint ownership and operation of the Powerline MTS. The Powerline MTS represents a material asset to the on-going distribution operations of BCP. The Co-ownership Agreement between BPI and BCP is a material contract that CND is bound to under the terms of the Purchase and Sale Agreement and CND will abide by the terms and conditions thereunder.

CND believes that there may be future benefits to the co-ownership and operations of the Powerline MTS following the proposed transaction, including providing services to the co-owners, through CND's Network Control Operations and Transformer Station Maintenance departments. CND looks forward to future discussions with BPI regarding the potential provision of these foregoing services to the Powerline MTS.

CND notes that in addition to the joint ownership of the Powerline MTS and the embedded distributor customer relationships identified in Interrogatory B-Brantford-1, BCP and BPI's established relationship extends to:

- Both BPI and BCP are members of the working group of the Brant Integrated Regional Resource Planning Process ("Brant IRRP") for the Brant Area, which also includes the Ontario Power Authority, Hydro One Distributor, Hydro One Transmission, and the

Independent Electricity System Operator. The Brant IRRP was initiated in the spring of 2013 and is in the process of developing a load forecast, and identifying the needs and evaluating options to address the area needs in accordance with the regional planning requirements under the *Report of the Board "Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach"* dated October 18, 2012.

- There have been very preliminary discussions between BCP and BPI regarding the possibility of building a second jointly owned transformer station east of the City of Brantford, to support future load growth in the Cainsville Area, as well as supply availability in the north east part of BCP's service area (EB-2010-0125, Exhibit 2, Tab 6, Schedule 1, Page 53).

CND looks forward to continuing the established relationship with BPI following the proposed transaction.

B-Brantford-2

INTERROGATORY

2.2. If the answer in 2.1 is yes, provide the following information regarding such anticipated impacts:

2.2.1. Description and other pertinent details regarding the nature of such impacts;

2.2.2. The timing or schedule which might be contemplated for these impacts to materialize; and

2.2.3. Expected annual financial impact of these changes for the periods outlined in the response to question 2.2.2 above.

RESPONSE

Refer to Response to Interrogatory B-Brantford-2.1.