

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

AND IN THE MATTER OF the application by Hydro One Inc. for leave to purchase all of the issued and outstanding shares of Woodstock Hydro Holdings Inc. under section 86(2)(b) of the *Ontario Energy Board Act, 1998*.

AND IN THE MATTER OF an application by Woodstock Hydro Services Inc. for leave to dispose of its distribution system to Hydro One Networks Inc. under section 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 2014 Ontario Energy Board approved rate schedule of Woodstock Hydro Services 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*.

INTERROGATORIES

FROM THE

SCHOOL ENERGY COALITION

Exhibit A – Administrative Documents

SEC - 1 [A/1/1, p. 2]. Please provide details of the role of 1908873 Ontario Inc. in the transactions. Please provide a copy of any memorandum or similar document setting out the nature, components, and/or value of the “tax efficient integration” being used.

SEC - 2 [A/1/1, p. 3] Please confirm that WHSI’s rates were declared interim as of May 1, 2014. If they were not, please describe the mechanics proposed to apply the 1% retroactively to be effective as of that date.

SEC - 3 [A/1/1, p. 3] Please provide details of the “asset transfer and integration steps” referred to.

SEC - 4 [A/1/1, p. 3] Please confirm that, during the five year rate freeze, WHSI does not wish to continue to have available the Incremental Capital Module (other than the existing rider) and Z factors during to the period to and including 2019. Please specify all circumstances in which the Applicant believes that WHSI rates can be changed prior to 2019.

SEC - 5 [A/1/1, p. 5] Please confirm that the ROE for WHSI in 2013, calculated on a regulatory basis, was approximately 17%. If that figure is not correct, please provide a detailed calculation of the actual ROE of WHSI in 2013, calculated on a regulatory basis.

SEC - 6 [A/1/1, p. 5] Please explain why, in light of the 2013 overearnings of WHSI relative to Board-approved ROE, the ratepayers should not expect a 2015 rate application seeking a net rate reduction in excess of the proposed 1% rate rider. Please provide detailed data, such as budgets and calculations, to show that the 1% rate rider will be a net benefit to WHSI ratepayers.

SEC - 7 [A/1/1, p. 5] Please advise what separate regulatory accounts, if any, will be established to record costs and/or assets and liabilities of the former WHSI, separate from the Applicant, during the period until 2020.

SEC - 8 [A/1/1, p. 5] Please advise what securities or other regulatory bodies, such as the Ontario Securities Commission, have given their consent to the use by WHSI of USGAAP.

SEC - 9 [A/1/1, p. 5] Please provide any evidence in the possession of the Applicant or WHSI demonstrating that the ratepayers of WHSI “will be held harmless”.

SEC - 10 [A/2/1, p. 2] Please explain how the savings in OM&A costs of \$3.0 million per year will benefit the WHSI ratepayers, in addition to the 1% rate rider. If there are no savings beyond that, please advise.

SEC - 11 [A/2/1, p. 4] Please provide evidence to demonstrate that the proposed transactions will result in economies of scale. Please provide evidence to demonstrate that the past acquisitions by Hydro One have resulted in economies of scale. If they have not, please provide details of how this transaction is different from those past transactions. If Hydro One believes that the past transactions have resulted in economies of scale, please reconcile that claim with the determination of the Board that Hydro One is currently the second least efficient distributor in Ontario (from the 2013 PEG calculations), and has had negative productivity for at least the last decade [see EB-2010-0379, Report of the Board on Empirical Work, December 4, 2013, p. 14].

SEC - 12 [A/2/1, p. 8] Please confirm that Hydro One is planning to reduce investment in local electricity infrastructure relative to WHSI’s original plans. Please provide detailed justifications for those reduced investments.

SEC - 13 [A/2/1, p. 9] Please confirm that, if they were to be placed in Hydro One rate classes today, all WHSI residential customers would be in the UR class, GS<50 customers in the UGe class, and GS>50 customers in the UGd class. If that is not the case please provide the numbers of customers that would be in each class, and provide a cost per customer comparison with respect to the other classes in which those customers would be placed. With respect to customers that would be in the UR, UGe, and UGd

classes today, please confirm that the Hydro One cost per customer for each of those classes in 2019 as set out in EB-2013-0416 [Ex. G1/4/2, Attachment 5] is \$409.59 for UR [\$89,547,964 allocated cost divided by 218,631 customers], \$1,398.37 for UGe [\$25,117,570/17,962] and \$18,338.33 for UGd [\$35,337,954/1,927].

SEC - 14 [A/2/1, p. 10 and 15] Please confirm that the statement “In the long term, because the company’s fixed costs of operations will be spread over a wider customer base, Hydro One’s existing customers are expected to obtain a small price benefit” will also apply to WHSI customers. If that is not confirmed, please explain how WHSI customers will benefit “in the long term”. In either case, please confirm that this statement has also been true in the case of all past acquisitions of LDCs by Hydro One.

SEC - 15 [A/2/1, p. 12] Please confirm that the ICM rate rider is recovering a payment made by WHSI to Hydro One. Please confirm that, if the Applicant’s proposal is accepted, the ratepayers in the future will be paying Hydro One to cover the cost of a payment made to itself.

SEC - 16 [A/2/1, p. 12] Please advise whether Hydro One would consider it appropriate for the Board to make Hydro One’s commitments a) “to maintain or improve reliability”, and b) to meet or exceed specific service levels for reliability and customer service” conditions of Hydro One’s distribution licence. If Hydro One does not consider that appropriate, please explain why.

SEC - 17 [A/2/1, p. 13] Please confirm that Hydro One will be closing the Beachville Operating Centre. Please provide details of the operational impacts of that closing.

SEC - 18 [A/2/1, p. 18] Please advise how Hydro One proposes to set rates for WHSI customers in 2020 and beyond. If the choice between the options is not yet known, please advise how Hydro One proposes to ensure that WHSI customers will, in 2020 and beyond, enjoy some of the benefits of the efficiencies arising from the transactions.

SEC - 19 [A/2/1, p. 18] Please explain how Hydro One plans to comply with the following guidance from the Norfolk case:

“Concerning the setting of future rates, it is the Board’s expectation that at the time of rate rebasing HONI will propose rate classes for NPDI customers that reflect costs to serve the NPDI service area, as impacted by the productivity gains due to the consolidation.” [p.14]

SEC - 20 [A/2/1, p. 19 and A/3/1, Schedule 11, p. 24] Please provide all material impacts on the costs of WHSI from changing from CGAAP to USGAAP. Please provide all material impacts on the costs of WHSI from using USGAAP rather than IFRS starting in 2015.

SEC - 21 [A/3/1, p. 7] Please confirm that adding the WHSI residential customers to the UR class will increase the size of the class by more than 10%. Please provide a pro forma calculation showing the impact of that combination on allocated costs and rates.

Please confirm that adding the WHSI GS>50 customers to the UGd class would increase the size of that class by about 16%. Please provide a pro forma calculation showing the impact of that combination on allocated costs and rates.

SEC - 22 [A/3/1, p. 8 and Schedule 6, p. 34] Please confirm that a \$200,000 payment by Hydro One is not material. Please advise how a penalty of that amount will provide an incentive to meet reliability and customer service standards. Please confirm that this payment is the Vendor's sole remedy for breach of this commitment.

SEC - 23 [A/3/1, p. 14] Please provide the valuation required by section 1.8.1. Please provide the report of Henley International, if it is not the valuation requested.

SEC - 24 [A/3/1, p. 16] Please explain the relevance in this Application of the sentence "The transaction was completed on a commercial basis between a willing seller and a willing buyer." Please explain how such a transaction protects ratepayers of the seller.

SEC - 25 [A/3/1, Attach 4] Please revise this Corporation structure to include 1908873 Ontario Inc.

SEC - 26 [A/3/1, Attach 6, p. 3] Please provide the Exclusivity Agreement referred to.

SEC - 27 [A/3/1, Attach 6, p. 3 and 27] Please provide a list of the contents of the Confidential Disclosure Schedule [if it contains anything more than is described in s. 3.1(aa)] with sufficient particularity so that we can understand a) relevance and materiality in this proceeding, if any, and b) reason for confidentiality.

SEC - 28 [A/3/1, Attach 6, p. 4] Please provide access, on a confidential basis, to the Data Room.

SEC - 29 [A/3/1, Attach 6, p. 15] Please advise what adjustments, if any, apply as between the Purchaser and the Vendor in the event that the OEB approves a Negative Rate Rider that is greater than the one proposed by the Applicant.

SEC - 30 [A/3/1, Attach 6, p. 21] Please confirm that, as of the date of closing, WHSI will have no future obligations to employees for other post-employment benefits. If such obligations will be in existence at that time, what is the estimated amount of those obligations, and who has responsibility for those liabilities under this Agreement?

SEC - 31 [A/3/1, Attach 6, p. 32] Please explain the meaning of the term "Tax Bump" in s. 5.9.

SEC - 32 [A/3/1, Attach 6, p. 32] Please confirm that WHSI employees will be eligible for compensation levels for equivalent positions and seniority at Hydro One. Please provide an estimate of the incremental cost of increasing total compensation for those employees to Hydro One levels.

SEC - 33 [A/3/1, Attach 6, p. 33 and Schedule 6.7] Please provide a breakdown of each year's capital budget, and highlight any differences by category between the agreed capital budget and the previous capital budget of WHSI for those years.

SEC - 34 [A/3/1, Attach 6, Schedule 3.1(N)] Please provide documents 22 and 25.

SEC - 35 [A/3/1, Attach 6, Schedule 6.8] Please complete the rest of the table, for the years 2015 to 2020.

SEC - 36 [A/3/1, Attach 11 p. 13] Please confirm that the Applicant is proposing to leave WHSI's stranded meters in rate base, and continue to collect the weighted average cost of capital on those meters.

SEC - 37 [A/3/1, Attach 11, p. 16] Please confirm that WHSI has a balance in Account 1575 or 1576 owing to ratepayers of \$1,110,647, plus accrued interest, as of December 31, 2013. Please confirm that WHSI is proposing to defer clearance of that balance until 2020. Please provide a projection of the balance in the account as of the time WHSI expects to clear the account.

SEC - 38 [A/3/1, Attach 11, p. 18] Please advise which of the listed debt instruments being assumed by the Purchaser will be replaced by lower cost Hydro One debt, and in what years.

Respectfully submitted on behalf of the School Energy Coalition this 4th day of September, 2014

Jay Shepherd
Counsel for the School Energy Coalition