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Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2701
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Sale of Brant County Power Inc. to Cambridge and North Dumfries
Hydro Inc. ("CND")
Application under Section 86 of the Ontario Energy Board Act, 1998
Board File Nos. EB-2014-0217/EB-2014-0223**

Introduction:

We are counsel to Brant County Power Inc. ("BCP") and its sole shareholder, the County of Brant. In October, 2013 our clients initiated a competitive Requests for Proposals process in connection with the potential sale of Brant County Power. On May 20, 2014 the County of Brant entered into a binding share purchase agreement to sell BCP to CND, and on June 16, 2014, CND, BCP and the County of Brant filed an application with the Board (the "Application") requesting the approval of the proposed transaction, the amendment of the CND Distributor Licence to include BCP's service area, and the cancellation of BCP's Distributor Licence.

Following publication of notice of the Application, only Brantford Power Inc. ("BPI") sought intervenor status. On July 31, 2014, Procedural Order No. 1 was issued approving Brantford Power Inc.'s request for intervenor status and setting out the deadlines for the filing of interrogatories by Board Staff and Intervenors and for the Applicants' interrogatory responses. Interrogatories were filed by Board Staff and Brantford Power on August 14, 2014 and were answered by CND on August 27, 2014.

On September 9, 2014, the Board issued Procedural Order No. 2 providing an opportunity for parties to file submissions on the applications. By letter dated September 19, 2014, BPI advised that it had no further questions or comments relating to these proceedings. Board Staff filed their written submissions on September 19, 2014.

The Board Staff Submission:

In their submission, Board Staff described the "no-harm test" ("if the proposed transaction would have a positive or neutral effect on the attainment of the statutory objectives, then the application should be granted"¹). Board Staff also referred to the Board's Report on *Rate-making Associated*

¹ Board Staff submission, pp. 3-4

with *Distributor Consolidation* issued July 23, 2007, in which the Board advised that “distributors that apply to the Board for approval of a consolidation transaction may propose to defer the rate rebasing of the consolidated entity for up to five years from the date of closing of the transaction”; that a “distributor will be required to specify its proposal for rate rebasing as part of the MAAD application”; and that parties should indicate in the MAAD application “whether they intend to undertake a rate harmonization process after the proposed transaction is completed and, if they do, to provide a description of the plan”.

At page 4 of their submission, Board Staff concluded that “the evidence in this proceeding reasonably demonstrates that the proposed transaction will not have an overall adverse effect relative to the status quo in relation to the Board’s statutory objectives”.

Board Staff also considered the Application in the context of the following other factors:

- **Price and Financial Viability**

Board Staff accepted CND’s evidence that any premium paid on the transaction “will not be funded by rate payers” and that “the premium paid will have no material impact on CND’s financial viability”.²

- **Economic Efficiency and Cost Effectiveness**

Board Staff observed that “CND projects net annual cost savings from the transaction of approximately \$1.2 million to \$1.5 million, including (i) 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; and that CND has also indicated that neither CND’s nor BCP’s customers will bear any of the incremental transaction and integration costs. Board Staff concluded that “the proposed transaction can reasonably be expected to result in savings and operational efficiencies.”³

- **Service Quality and Reliability**

Board Staff described CND’s performance in this regard (Board Staff observe that CND “has exceeded the OEB’s service quality indicators in each of the past five years”) and discussed CND’s commitment to meeting or exceeding current service levels and service quality for 2014-2019; its commitment to maintain BCP’s Paris, Ontario operations and administration centre for at least five years following the closing of the transaction; its provision of a three-year employment guarantee to BCP’s staff; and its with respect to long-term capital planning. Board Staff concluded that “Based on the evidence provided by CND...CND can reasonably be expected to maintain the service quality and reliability standards currently provided by BCP”.⁴

- **Rate Rebasing and Rate Harmonization**

Board Staff noted that CND had requested approval to defer its next rebasing to 2019, at the time of CND’s next scheduled cost of service application, and that CND has committed to not making

² Board Staff Submission, at p.5

³ Board Staff submission, at pp. 5-6

⁴ Board Staff Submission, at p.6

any incentive regulation mechanism or cost of service applications in respect of BCP's service area between 2015-2018. CND has stated that this will result in BCP customers avoiding rate increases they would otherwise incur. Board Staff confirmed CND's commitment to establishing 2019 rates that are at least equivalent to, if not less than, the rates that would be set for BCP customers in the absence of the proposed transaction.

CND has confirmed that it will revisit its rate design and rate allocation principles in accordance with the Board's applicable rate-making principles at that time to ensure rates are just and reasonable for all customers and customer classes, including BCP's current GS>50kW customer class; and Board Staff submitted that, consistent with the Board's 2007 Report, the issue of rate harmonization is better examined at the time of rebasing.

- **The Board Staff Conclusion**

Board Staff concluded that, "based on the evidence provided by CND, the proposed transaction will not have an adverse effect relative to the status quo in relation to the Board's statutory objectives and therefore meets the 'no-harm' test. Accordingly, Board Staff submits that the application should be approved as filed."

BCP and the County of Brant support the Board Staff Submission:

BCP and the County of Brant support the Board Staff conclusion and their recommendation that the Application should be approved as filed. CND and the County of Brant respectfully submit that the proposed transaction satisfies the Board's no-harm test and should be approved as filed, and specifically the following relief should be granted:

- Approval for CND to purchase all of the issued and outstanding shares of BCP pursuant to section 86(2)(a) of the *Ontario Energy Board Act, 1998*; and
- Upon approval of the proposed transaction, CND's electricity distribution licence be amended to include BCP's service area and that BCP's electricity distribution licence be cancelled.

Yours very truly

BORDEN LADNER GERVAIS LLP

Original Signed by J. Mark Rodger

J. Mark Rodger

Incorporated Partner*

*Mark Rodger Professional Corporation

Copy: Mayor Ron Eddy, County of Brant
Ed Glasbergen, CEO, Brant County Power Inc.
Paul Emerson, County of Brant
Michael Bradley, County of Brant
Ian Miles, President & CEO, CND.

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