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January 23, 2015

RESS, EMAIL AND COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Application for approval of the amalgamation of Niagara West Transformation Corporation ("NWTC") and Grimsby Power Inc. ("GPI") under subsection 86(1)(c) of the *Ontario Energy Board Act*, 1998.
Board File No.: EB-2014-0344
Our File No. 123132**

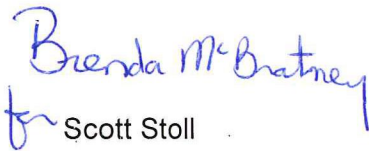
We are counsel to the Intervenor, Niagara Peninsula Energy Inc. ("NPEI"), in the above noted proceeding.

Pursuant to Procedural Order No. 1 dated January 7, 2015, please find attached the Interrogatories of NPEI for the Applicants, NWTC and GPI.

If there are any questions, please contact the undersigned.

Yours very truly,

AIRD & BERLIS LLP


for Scott Stoll

SAS/bm

Attach

cc: Applicant, GPI (*via email*)
Applicant, NWTC (*via email*)
Mark Rodger, Counsel to the Applicants GPI and NWTC (*via email*)
Brian Wilkie, Niagara Peninsula Energy Inc. (*via email*)

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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 Grimsby Power Inc. and Niagara West Transformation Corporation under section 86(1)(c) of the *Ontario Energy Board Act*, 1998 for leave to amalgamate and continue as Grimsby Power Inc.;

AND IN THE MATTER OF an application by Grimsby Power Inc. and Niagara West Transformation Corporation under section 84 of the *Ontario Energy Board Act*, 1998 for a determination that the Niagara West Transformation Corporation transmission system which will become part of the amalgamated distributor, is deemed to be a distribution system;

AND IN THE MATTER OF an application by Grimsby Power Inc. and Niagara West Transformation Corporation under section 78 of the *Ontario Energy Board Act*, 1998 seeking approval for Grimsby Power Inc. to charge Niagara Peninsula Energy Inc., an electricity distributor that will be embedded within the amalgamated distributor, the Board-approved Niagara West Transformation Corporation's transmission rate as a distribution rate from the completion of the proposed transaction until the amalgamated distributor's next rebasing;

AND IN THE MATTER OF an application by Grimsby Power Inc. and Niagara West Transformation Corporation under section 78 of the *Ontario Energy Board Act*, 1998 seeking approval for the amalgamated distributor to charge its customer other than Niagara Peninsula Energy Inc. a retail transmission rate that includes the incremental contribution of the Niagara West Transformation transformer station assets as if they were part of the revenue requirement until the amalgamated distributor's next rebasing;

AND IN THE MATTER OF an application by Grimsby Power Inc. and Niagara West Transformation Corporation under section 77(5) of the *Ontario Energy Board Act*, 1998 for cancellation of Niagara West Transformation Corporation's transmission licence, upon completion of the proposed transaction.

**INTERROGATORIES OF NPEI FOR THE
APPLICANTS, GPI AND NWTC**

NPEI Interrogatory #1

Preamble:

NPEI wants to ensure the Board has an understanding of the location, operation and connection of the Transmission Station with respect to GPI and NPEI.

Reference: Application form 1.8.5
Attachment 1.4.3(a), page 10, note 7

Questions:

- (a) Please confirm the transformer station is physically located within the NPEI service territory.
- (b) Can you provide an overview drawing of the transformer station and the distribution circuits exiting the transformer station, including metering and designation of location of ownership changes?
- (c) Please confirm NPEI is the Meter Market Participant for the transformer station.
- (d) Please provide the load for each of GPI and NPEI for each month for 2014 expressed in MW and as a percentage of the total load.
- (e) Please provide the total capacity of the station and provide the allocated capacity of GPI and NPEI.
- (f) Please confirm the consulting services provided by GPI to NWTC (\$15,172 in 2013) were provided on a full cost recovery basis.
- (g) Please confirm the Applicant's intent to allocate costs on a 50% NPEI and 50% GPI basis in the future? If so, please explain GPI's rationale for such allocation?
- (h) Please confirm that NWTC contracts out all operation and maintenance activities related to the transformer station.
- (i) Please confirm that GPI has no transmission assets. Is it GPI's intent to maintain the same contracts for operation and maintenance to ensure at least the same level of reliability?
- (j) Will the installation of the HAF Wind Project on NPEI's circuit further reduce NPEI's percentage of the demand on the transformer station?
- (k) What happens to the proposed allocation of costs if NPEI shifts load to other supply points such as Beamsville and Vineland?
- (l) Please confirm that if the transformer station was owned by Hydro One Networks Inc., NPEI would be considered a low-voltage customer.

- (m) Please confirm that neither GPI nor NWTC currently serve any customers within NPEI's service territory?
- (n) Please confirm that GPI will not serve any customers within NPEI's service territory in the future.
- (o) How many GPI customers will be impacted by the Application and proposed changes in future rates? What is the magnitude of the change?
- (p) How many NPEI customers will be impacted by the Application and proposed changes in future rates? What is the magnitude of the change?
- (q) Please provide the rationale for saying GPI's service territory will not change in section 1.3.4.
- (r) If the future rates are not considered as part of this Application, how is the Applicant proposing the Board apply the "no harm test" to the impacts on customers?
- (s) Did the Applicants consider any alternatives to the current Application? If so, please provide those alternatives and include an explanation of the benefits that would have resulted for NPEI under each alternative and why such alternative was not chosen. If no alternatives were considered, why not?
- (t) What is the rate of return that NWTC has earned in each of the past 3 years based on its actual equity component and based upon the deemed equity structure?
- (u) If the transformer becomes a distribution asset of GPI, please confirm the Transmission System Code will not apply to GPI and its dealings with NPEI.

NPEI Interrogatory #2

Preamble:

There are a number of financial impacts that will ultimately result from this proposal and subsequent proposals. The Applicants have indicated that there is a revenue deficiency of \$177,471.00. NPEI is seeking to understand the derivation of the revenue deficiency, the savings, and the potential savings from the proposed amalgamation.

Reference: Application, paragraphs 17 and 18;
Section 1.3.4 paragraphs 7, 8 and 9, page 10 of 17;
Attachment 1.4.3(a), page 11, note 8;
Attachment 1.4.3(b), page 7, note 5;
Attachment 1.9.1(b);
EB-2012-0355

Questions:

- (a) How was the revenue deficiency calculated? Please provide the calculation, inputs and assumptions including but not limited to return on equity, working capital allowance, cost of debt.
- (b) Please confirm the \$150,000 in goodwill referenced in EB-2012-0355 was not incorporated into this revenue deficiency calculation.
- (c) Please confirm there are no transactional costs being recovered by GPI or NWTC from customers for NPEI. If not confirmed, what is the amount of costs being recovered and from which customers?
- (d) Please provide a detailed list of savings to result from the proposed Application?
- (e) Please provide NWTC and GPI's allocation of those savings as between NPEI and GPI?
- (f) Why will the cost to NWTC of \$16,500 paid to a Director of NWTC for "supervision of operating activities" not be saved? If not, why not?
- (g) Please confirm those savings were incorporated into the proposed rate impact to NPEI of 25%.
- (h) Have the Applicants considered rate mitigation because of the 25% impact to NPEI?
- (i) How is the Applicant intending to allocate costs to NPEI under the proposed rate structure? Specifically, will GPI be bringing forward a detailed cost allocation study to support its rate case?
- (j) The Town of Grimsby's signature was not included in the shareholder resolution provided. Please provide an executed copy.

- (k) Will GPI receive any tax benefits, such as NWTC non-capital losses, from the transaction? If so, please specify the benefits including the amount and how such benefits will be allocated to consumers.

NPEI Interrogatory #3

Preamble:

The Board applies a “no harm test” to such transactions. NPEI wants to understand the Applicants’ understanding of the “no harm test” and its application to the current proposal.

Reference: Application, paragraph 11.

Questions:

- (a) Please confirm the “no harm test” should consider all customers impacted by the Application. If not, why not?
- (b) Please confirm the “no harm test” should consider more than a one year time horizon.
- (c) Please confirm NPEI and its customers interests should be considered under the “no harm test”.