

August 21, 2015

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

Dear Ms. Walli:

Re: **Hydro Ottawa Limited Custom Incentive Regulation ("Custom IR")  
Application for 2016-2020 Electricity Distribution Rates and Charges –  
Responses to Intervener Undertakings - Board File Number EB-2015-0004**

1. Hydro Ottawa Limited ("Hydro Ottawa") herein encloses twenty (20) of remaining twenty-one (21) responses to OEB Staff and intervener undertakings received pursuant to the technical conference held August 13 and 14<sup>th</sup>. Hydro Ottawa will endeavour to have a response to its last undertaking JTC2.44 by Monday August 24, 2015.
2. Two of the twenty (20) responses to undertaking contain confidential information. The two undertaking responses are JTC2.14 and JTC2.43. Pursuant to Rule 10.01 of the OEB's Rules of Practice and Procedure, Hydro Ottawa herein requests that certain information filed in response to these two undertaking responses be kept confidential. Details regarding the two undertakings and the basis for Hydro Ottawa's request for confidentiality are provided below.

**JTC2.14 – 2016-2020 Compensation Breakdown**

3. Hydro Ottawa requests confidential treatment of its breakdown of 2017-2020 year over year compensation increases (as expressed in percent and monetary terms) on the grounds that this information reveals sensitive wage and benefits information the disclosure of which could be used by interested parties to calculate or otherwise ascertain expected year over year wage and benefit changes during the 2017-2020 period. Disclosure of such information would interfere with Hydro Ottawa's upcoming labour negotiations slated for 2017 and prejudice the collective bargaining process. Such interference would impair Hydro Ottawa's negotiating position could put upward pressure on Hydro Ottawa's compensation costs and result in additional non-forecasted compensation costs to Hydro Ottawa.

**Hydro Ottawa Limited / Hydro Ottawa limitée**

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4. Hydro Ottawa submits that according confidential treatment to its breakdown of its 2017-2020 compensation costs is warranted because public disclosure risks harming the long term financial interests of Hydro Ottawa. What's more, Hydro Ottawa notes that the OEB has generally accorded confidential treatment to compensation information that may be prospectively used to interfere with labour negotiations.<sup>1</sup>
5. Hydro Ottawa is providing a non-confidential redacted version of the data set out in response to Undertaking JTC2.14. Hydro Ottawa's redactions protect only that information that pertains to the percent increase and year over year compensation changes.

#### **JTC2.43 –Market Appraisal Reports**

6. Hydro Ottawa requests confidential treatment of three<sup>2</sup> market appraisals reports. Hydro Ottawa's request for confidential treatment of the three market appraisal reports relates to the entirety of the three reports, however, pursuant to rule 5.1.4c)ii) of the OEB's Practice Direction on Confidential Filings Hydro Ottawa has provided beginning in paragraph 10 below a non-confidential summary description of the type of information contained in the document.
7. Hydro Ottawa seek confidential treatment of its three market appraisal reports the grounds that the three reports reveal sensitive information that would otherwise normally be treated as confidential by Hydro Ottawa. Examples of the confidential information contained in the three market appraisal reports include:
  - the estimated market value (including underlying assumptions and calculations associated with various sale scenarios) and hence forecasted proceeds that Hydro Ottawa may expect to earn from the disposition of its three facilities;
  - limiting conditions and considerations that may impact the sale of the three facilities; and
  - market activity and value of relevant land sales in the Ottawa area as illustrative comparators of market value.

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<sup>1</sup> Horizon Application EB-2010-0131

<sup>2</sup> Altus Group Limited Market Appraisal Reports dated October 23, 2014 for Hydro Ottawa's 3025 Albion Road facility, 4565 Bank Street facility and 1970 Merivale Road facility.

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8. Hydro Ottawa submits that according confidential treatment to the market appraisals of its current facilities is warranted because public disclosure risks harming the financial interests of Hydro Ottawa its shareholder and customers in the following material way:
- Disclosure risks prejudicing Hydro Ottawa's ability to successfully negotiate a reasonable purchase price for each of the facilities because the market appraisals could be used by potential buyers to challenge Hydro Ottawa's market listing price;
  - Disclosure of the market appraisal reports and results would represent a significant interference to Hydro Ottawa's bargaining position potentially resulting in a significantly lower overall sale price of the Hydro Ottawa facilities than would be otherwise available in competitive market conditions. Such an outcome would be detrimental to both Hydro Ottawa's customers and shareholder.
9. Finally, Hydro Ottawa notes that publication, in whole or in part, of the three market appraisal reports is prohibited without consent of the appraiser Altus. Consent to publish the three market appraisal reports has not been secured by Hydro Ottawa.

**Summary Description of three Altus Market Appraisal Reports**

10. Attachment 1 filed in confidence is an update appraisal report prepared for Hydro Ottawa by Altus Group Limited for
- a) 3025 Albion Road dated March 26, 2015 as at October 23, 2014
  - b) 1970 Merivale Road dated March 26, 2015 as at October 23, 2014
  - c) 4565-4601 Bank Street dated March 26, 2015 as at October 23, 2014.
11. The three reports contain expert analysis of market information, key findings and an analysis and opinion on the current market value on the three facilities. Included in the documents are sale scenarios as well as discussion of limiting conditions and considerations that may impact the sale of the three facilities. Finally the reports contain information related to market activity and value of relevant land sales in the Ottawa area as illustrative comparators of market value.
12. Each of the reports is structured in the same manner and contains the following
- Cover letter
  - Property Photos
  - Report contains the following sections
    - Market value and Exposure time
    - Location and physical characters
    - Land use controls

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Highest and Best use  
Notable Property Features / Issues  
Direct capitalization method  
Direct Comparison Procedures  
Conclusion

Certification

Appendix A:      Terms of Reference  
                         Scope of Work  
                         Limiting Conditions  
                         Definitions

Appendix B:      Market Rent Analysis

Appendix C:      Sales of Comparable Properties

13. Text-searchable electronic copies of Hydro Ottawa's responses to interrogatories are being provided to all registered interveners and a copy will be posted and available for public review on Hydro Ottawa's website.

14. Please don't hesitate to contact me should you have any questions.

Yours truly,

A handwritten signature in black ink, appearing to be "Geoff Simpson", with a long horizontal line extending to the right.

Geoff Simpson  
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cc:      Christie Clark, OEB  
         Fred Cass (Aird & Berlis)  
         EB-2015-0004 Intervenors

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