



June 6, 2016

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

Re: Application for Hydro One Inc. to purchase Great Lakes Power Transmission Inc.
AMPCO Interrogatories
Board File No. EB-2016-0050

Dear Ms. Walli:

Attached please find AMPCO's interrogatories in the above proceeding.

Please do not hesitate to contact me if you have any questions or require further information.

Sincerely yours,

Mark Passi
Chairman, Board of Directors

**Hydro One Inc. Purchase of Great Lakes Power Transmission Inc.
AMPCO Interrogatories**

AMPCO-1

Ref: Exhibit A, Tab 1, Schedule 1, Attachment 5, Hydro One Annual Report 2015 Page 29

Preamble: Hydro One's Annual Report 2015 states the following:

Great Lakes Power Transmission Purchase Agreement

On January 28, 2016, Hydro One reached an agreement to acquire from Brookfield Infrastructure various entities that own and control Great Lakes Power Transmission LP, an Ontario regulated electricity transmission business operating along the eastern shore of Lake Superior, north and east of Sault Ste. Marie, Ontario, for \$222 million in cash, subject to customary adjustments, plus the assumption of approximately \$151 million in outstanding indebtedness. The acquisition is pending a *Competition Act* approval as well as regulatory approval from the OEB.

- a) Please explain and quantify all of the "customary adjustments".
- b) Please provide the status of the Competition Act approval.
- c) Please identify and discuss all of the risks to HOI and GLPT associated with the proposed transaction.
- d) Please identify and discuss all of the risks to ratepayers of the proposed transaction.

AMPCO-2

Ref: Exhibit A, Tab 1, Schedule 1, Page 6

- a) Please provide a copy of Hydro One's audited 2015 financial statements.

AMPCO-3

Ref: Exhibit A, Tab 1, Schedule 1, Page 8

Preamble: The evidence indicates savings realized during the deferral period will be used by HOI to offset transaction costs and premiums incurred in respect of the transaction.

- a) Please provide a breakdown and estimate of the transactions costs and indicate the year the costs will be incurred.

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- b) Please provide the amount of the premiums to be paid through savings realized during the deferral period.

AMPCO-4

Ref: Exhibit A, Tab 1, Schedule 1, Page 9

Preamble: HOI proposes to calculate GLPT's revenue requirement by applying an annual inflation adjustment. HOI proposes having the productivity and stretch factor set at 0%.

- a) Please provide the source of the annual inflation factor to be used.

AMPCO-5

Ref: Exhibit A, Tab 1, Schedule 1, Page 9

Ref: OEB Handbook for Electricity Distributor and Transmitter Consolidations Page 5

Preamble: The Handbook states:

"As part of the regulatory framework, distributors are expected to achieve certain outcomes that provide value for money for customers. One of these outcomes is operational effectiveness, which requires continuous improvement in productivity and cost performance by distributors and that utilities deliver on system reliability and quality objectives. The OEB uses processes to hold all utilities to a high standard of efficiency and effectiveness."All of these measures are in place to ensure that distributors meet expectations regardless of their corporate structure or ownership. The OEB assesses applications for consolidation within the context of this regulatory framework."

- a) Given that the OEB will assess consolidation applications in the context of the RRFE and improvements in productivity and cost performance, please explain why it is appropriate for HOI to exclude a productivity factor in the calculation of GLPT's annual revenue requirement.

AMPCO-6

Ref: OEB Handbook for Electricity Distributor and Transmitter Consolidations Page

Preamble: The Handbook provides the opportunity to defer rebasing for a period up to ten years from the closing of the transaction. HOI has selected a ten year rate rebasing deferral period.

- a) Please provide the underlying analysis that supports the specific ten year rebasing deferral period selected instead of a 5 year, 6 year, 7 year, 8 year or 9 year deferral period.

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- b) Please discuss how in the selection of a 10 year rebasing deferral period, HOI arrived at the appropriate balance between the incentives provided to utilities and the protection provided to customers.

AMPCO-7

Ref: OEB Handbook for Electricity Distributor and Transmitter Consolidations Page 8

Preamble: The Handbook states “ Specifically, the OEB will test the financial ratios and borrowing capacity of the resulting entity, as the improvement in financial strength is one of the expected underlying benefits of consolidation.

- a) Please provide HOI’s response to this expectation in terms of improvements to financial ratios and borrowing capacity.

AMPCO-8

Ref: OEB Handbook for Electricity Distributor and Transmitter Consolidations Page 1

Preamble: The Handbook states “Consolidation permits a larger scale of operation with the result that customers can be served at a lower per customer cost.”

- a) Please provide the cost per customer for HONI and GLPT for the years 2011 to 2015 and the forecast cost per customer under the base and high potential scenarios.

AMPCO-9

Ref: Exhibit A, Tab 2, Schedule 1, Page 9, Table 3

Preamble: The evidence states that the productivity of transmitters is generally measured by “OM&A per gross fixed assets.”

- a) Please provide more information on the background of this measure and its acceptance by the OEB.
- b) Table 1: Please provide the Actual OM&A and GFA amounts used in the calculation for the years 2011 to 2015 for HONI and GLPT.
- c) Please provide the same table based on Total Cost per gross fixed assets.
- d) Please provide other metrics used in the industry to measure the productivity of transmitters.

AMPCO-10

Ref: Exhibit A, Tab 2, Schedule 1, Page 9, Table 6

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- a) Please provide the SAIDI and SAIFI results for HONI and GLPT excluding Major Event Days and Scheduled Outages for the years 2010 to 2015.

AMPCO-11

Ref: Exhibit A, Tab 2, Schedule 1, Page 10

Preamble: Hydro One does not believe that this transaction will have any negative impact on reliability or its trend, and believes that, once best practices of both organizations are amalgamated, these metrics could improve further.

- a) Please confirm this improved reliability performance is expected to occur without an increase in costs.

AMPCO-12

Ref: Exhibit A, Tab 2, Schedule 1, Page 1

Preamble: Hydro One indicates that existing GLPTLP debt covenants prevent GLPT from bring amalgamated absent consent of the debt holders and potential renegotiation of the fundamental terms of the GLPTLP debt instruments. Renegotiation of these terms is expected to result in the occurrence of substantial costs.

- a) Please provide an estimate of these costs.