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## THE BOARD OF DIRECTORS

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July 5, 2016

BY EMAIL & BY COURIER

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

Ms. Walli:

**Board File No. EB-2016-0025 --- Application For Leave To Amalgamate to form  
LDC Co. and for LDC Co. to amalgamate with Hydro One Brampton Networks  
Inc. (Hydro One Brampton) and continue as LDC Co.  
Energy Probe – Interrogatories to Applicants**

Pursuant to Procedural Order No. 1, issued June 15, 2016, attached please find the interrogatories of Energy Probe Research Foundation (Energy Probe) to the Applicants in the EB-2016-0025 proceeding.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh  
Case Manager

cc. Gia M. DeJulio, Enersource Hydro Mississauga Inc. (By email)  
Indy Butany-DeSouza, Horizon Utilities Inc. (By email)  
Colin Macdonald, PowerStream Inc. (By email)  
Erin Henderson, Hydro One Networks Inc. (By email)  
James Sidlofsky, Borden Ladner Gervais LLP (By email)  
Randy Aiken, Consultant to Energy Probe (By email)

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**EB-2016-0025**

**Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, and PowerStream Inc.**

**Application for approval to amalgamate to form LDC Co. and for LDC Co. to purchase and amalgamate with Hydro One Brampton Networks Inc.**

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**INTERROGATORIES OF  
ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

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**July 5, 2016**

**Enersource Hydro Mississauga Inc., Horizon Utilities  
Corporation, and PowerStream Inc.**

**EB-2016-0025**

**ENERGY PROBE RESEARCH FOUNDATION  
INTERROGATORIES**

**Interrogatory #1**

**Ref: Exhibit B, Tab 2, Schedule 1, page 2**

**The evidence states that once the consolidation is completed and the businesses are integrated, LDC Co expects to be compliant with all OEB codes, distribution licences, IESO market rules and statutes and regulations.**

- a) Does LDC Co expect to be compliant with all such codes, licences, market rules, statutes and regulations during the consolidation and integration process? If not, please provide specific areas of non-compliance that are expected.**
- b) Does LDC Co expect to be compliant with all current settlement agreements approved by the Board during the consolidation and integration process? In particular, with respect to the Horizon settlement agreement in EB-2014-0002, does LDC Co expect to be compliant with the agreement in all areas? If not, please explain why not and provide detailed explanations as to why it cannot be compliant with each specific part of the agreement.**

**Interrogatory #2**

**Ref: Exhibit B, Tab 2, Schedule 1, page 10**

- a) Please provide examples of revenues that would be excluded in the calculation of the ROE and not otherwise included for regulatory purposes.**
- b) Please provide examples of expenses that would be excluded in the calculation of the ROE and not otherwise included for regulatory purposes.**
- c) Would any transition costs be included in the calculation of the ROE? Please explain fully.**

**Interrogatory #3**

**Ref: Exhibit B, Tab 2, Schedule 1, Figures 2-5**

**Please disaggregate the rate riders shown in each of Figures 2 through 5 into the following three categories:**

- a) rate riders that will expire based on the dates already determined by the Board,**
- b) rate riders that will remain in place for ten years until the next rebasing, and**
- c) rate riders that LDC Co is proposing that the Board should limit the duration of.**

**Interrogatory #4**

**Ref: Exhibit B, Tab 2, Schedule 1, page 15**

**The evidence states that the applicants are requesting approval to continue to track costs to the regulatory asset accounts currently approved by the Board for each of the four LDCs.**

- a) Please confirm that the tracking may be related to costs and/or revenues and not just costs.**
- b) For each of the four LDCs, please provide a list of the regulatory asset accounts that are currently in place, along with the description of each of the accounts.**

**Interrogatory #5**

**Ref: Exhibit B, Tab 5, Schedule 1, page 2**

**Please provide all the background information and assumptions used to support the conclusion that projected rate increases upon rebasing would have been higher than under price cap IR.**

**Interrogatory #6**

**Ref: Exhibit B, Tab 5, Schedule 1**

- a) Please update Figure 20 to include data for 2015.**
- b) Will LDC Co continue to report SAIDI and SAIFI based on the four former LDC areas? If not, please explain how customers will be able to determine if their reliability metrics have improved or deteriorated?**
- c) The evidence indicates that the LDC Co column in Figure 21 is the arithmetic average of the four previous columns. Please add a column to Figure 21 that shows the SAIDI and SAIFI figures if they were calculated as if the four LDC's were only one LDC. Please confirm that this calculation would be more comparable to the future SAIDI and SAIFI figures for LDC Co in the future as compared the arithmetic average shown.**

**Interrogatory #7**

**Ref: Exhibit B, Tab 5, Schedule 2**

- a) Please provide the assumptions used for the increase in OM&A shown for each of the LDCs shown in Figure 22, such as inflation, productivity enhancements, etc.**
- b) Please provide the assumptions used for the increase in OM&A shown for the merged entity in Figure 22, such as inflation, productivity enhancements, etc.**
- c) Please provide a similar table that shows the number of FTE's.**

**Interrogatory #8**

**Ref: Exhibit B, Tab 5, Schedule 3**

- a) Please update Figure 23 to reflect actual 2015 data.**
- b) Has any forecast been made of the OM&A cost per customer for LDC Co for the next 10 years, based on the OM&A forecast shown in Figure 22? If yes, please provide it for each of the 10 years.**

### **Interrogatory #9**

**Ref: Exhibit B, Tab 5, Schedule 5**

**The evidence states that LDC Co will consider the present service levels of each of the four current LDCs and will reconcile to the highest levels among them.**

- a) Please provide a table/tables that show the Service Quality Indicators for each of the four LDCs for the last five years for which actual figures are available, including the five year average for each SQI.**
- b) Please confirm that the target for each of the SQI's for LDC Co going forward is the best average figure shown. If this cannot be confirmed, please provide the target for each SQI from LDC Co.**

### **Interrogatory # 10**

**Ref: Exhibit B, Tab 6, Schedule 1**

- a) Please confirm that the transition costs charged to capital will not be included in rate base at any time, including rebasing after the deferral period. If this cannot be confirmed, please provide a detailed list of the capital expenditures included in this line item, along with the associated cost and an explanation of why these transition costs will ultimately end up in rate base.**
- b) Please confirm that the applicants do not expect any transition costs after the fifth year.**
- c) Please confirm that the total transition costs forecast to be incurred, will be paid for by the third year.**
- d) Please confirm that the net savings to the shareholder at the end of five years is \$173.4 million.**

### **Interrogatory #11**

**Ref: Exhibit B, Tab 6, Schedule 1**

**Please confirm that the figures represented in Figure 26 are distribution revenues and not revenue requirement. If this cannot be confirmed, please indicate all assumptions, such as rate base, return on equity, debt rates, etc. assumed in the calculation of the revenue requirement.**

**Interrogatory #12**

**Ref: Exhibit B, Tab 6, Schedule 2**

**The evidence states that the incremental consolidation costs will not be included in the ratepayer funded LDC Co revenue requirement. Will the incremental consolidation costs also be removed from the calculation of the actual and deemed return on equity in future years? Will the incremental consolidation costs be included or excluded in RRR filing data used to calculate efficiency cohorts in the future?**

**Interrogatory #13**

**Ref: Exhibit B, Tab 7, Schedule 1**

- a) For each of the four LDCs and for each year of the 10 year rebasing deferral period, please indicate what stretch factor would be used under the price cap mechanism. In particular, would each individual LDC continue to use its own efficiency cohort ranking, along with the associated stretch factor, until LDC Co is included in the efficiency cohort ranking and the four existing LDCs are removed?**
- b) Based on the most recent stretch factor assignments available, please provide the assignment of each of the four LDCs by group, along with the associated stretch factor.**

**Interrogatory #14**

**Ref: Exhibit B, Tab 7, Schedule 2**

- a) What is the expected dollar value of the 300 basis point deadband proposed by the applicants in the first year in which earnings sharing with ratepayers could take place?**
- b) The evidence suggests that any ICM recovery rate rider revenue would not be included in the calculation of the earnings sharing. Please confirm that the assets would not be included in the rate base used for the earnings sharing calculation. Please further confirm that the ICM related assets would not be included in rate base until the first cost of service or custom IR proceeding following the 10 year deferral period. If this cannot be confirmed, please explain fully.**

- c) **Please explain what is meant by the exclusion from the earnings sharing mechanism calculation the rate of return on monthly billing capital and operating implementation costs should LDCs be permitted to recover these costs from ratepayers.**