Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4
Telephone: 416- 481-1967
Facsimile: 416- 440-7656
Toll free: 1-888-632-6273

Commission de l'énergie de l'Ontario
C.P. 2319
27e étage
2300, rue Yonge
Toronto ON M4P 1E4
Téléphone: 416- 481-1967
Télécopieur: 416- 440-7656
Numéro sans frais: 1-888-632-6273

Ontario

BY E-MAIL

July 6, 2016

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, and PowerStream Inc. (the applicants)
Application for approval to amalgamate to form LDC Co. and for LDC Co. to purchase and amalgamate with Hydro One Brampton Networks Inc.
OEB File Number: EB-2016-0025

In accordance with Procedural Order No. 1, please find attached OEB Staff Interrogatories in the above proceeding. The attached document has been forwarded to the applicants and to all other registered parties to this proceeding.

Yours truly,

Original Signed By

Judith Fernandes
Project Advisor

Encl.

OEB Staff Interrogatories

**Enersource Hydro Mississauga Inc.,
Horizon Utilities Corporation & 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.

EB-2016-0025

July 6, 2016

1-Staff-1
Ref: Exh B/T2/ Sch 1, p. 2
Exh B/T5/ Sch 2

It is stated that it is the intention of the applicants that the proposed consolidation provide a material benefit to their customers. The applicants submit that the proposed consolidation will not have an adverse effect in terms of the factors identified in the Board's objectives in section 1 of the OEB Act. Rather, as can be seen in Exhibit B, Tab 5, Schedule 2 (in which the applicants have provided a comparison of the cost structure among the parties, *status quo* versus post consolidation), it is anticipated that customers will benefit from the consolidation.

a) Please comment on the particular aspects of the transaction that will result in the anticipated productivity improvements.
b) Please identify any factors that may affect the achievement of the expected efficiencies.

1-Staff-2
Ref: Exh B/T5/ Sch 1, p.1-2

The proposed consolidation is expected to deliver material electricity ratepayer savings relative to the *status quo,* i.e., in the absence of a consolidation. Ratepayers of LDC Co are expected to enjoy lower rates through the ten year rebasing deferral period in comparison to the *status quo* for the reasons discussed below. Ratepayers are also expected to experience greater savings in comparison to the *status quo* from the time of the first anticipated rebasing, ten years following the completion of the consolidation, due to cost savings resulting from synergies.

a) Please identify the particular areas of business in which the applicants expect to derive synergies as a result of the proposed consolidation.
b) Please explain what assumptions have been made by the applicants with respect to the expected synergies and ratepayer savings.
c) Please identify any risks that may impact the anticipated synergies and savings.

1-Staff-3
Ref: Exh B/T5/ Sch 1, p.2
Exh B/T5/Sch.5, p.3-4

It is stated that LDC Co will be focused on reducing operating expenditures. It will improve productivity through better utilization of existing assets. In the description provided on distribution system operations, a distinction is made between decentralized regionalized functions, as those focused on the delivery of service at the asset level in the field and centralized transactional/informational services/functions that are technology focused. Figure 24 provides a listing of centralized and decentralized functions.

a) Please provide the anticipated reduction in operating expenditures in each of the functions listed in Figure 24.
b) Please provide the assumptions that the applicants are making for the anticipated operating expenditure reductions.
c) Please provide the extent of synergies that the applicants expect to be generated from the centralized functions and from the decentralized functions.

1-Staff-4
Ref: Exh B/T5/ Sch 5, p.7

It is stated:

LDC Co will set the following IT objectives for business applications:

- Establish a stable, consolidated, secure information technology infrastructure environment to sustain the operations of the new company and minimize operational risk during the transition period following the consolidation;

IT related cost savings range from $1.1MM in year one post consolidation up to $10MM in year five and beyond.

a) Please explain what is meant by “establish a stable, consolidated, secure information technology infrastructure environment”. Please explain whether this entails the establishment of a new IT system or whether this only involves the combination of the individual IT systems of the four distributors.

b) Please provide the assumptions that are being made for the projected savings.

1-Staff-5
Ref: Exh B/ T5/ Sch 5, p.8

It is stated:

Two call centres will be designated for LDC Co: one in St. Catharines; and the other in Vaughan. A possible future consolidation to one call centre will be evaluated for its feasibility. Two control rooms will be designated for LDC Co: one in Hamilton; and the other in Vaughan. A possible future consolidation to one control room will be evaluated for its feasibility.

a) Please advise of the present number of call centres and control rooms among the consolidating distributors.
b) Please explain what impact the proposed call centre/control room consolidation will have on service quality and reliability of service.

1-Staff-6
Ref: Exh B/ T5/ Sch 5, p.8,9

It is stated:

The head offices of each of Holdco, LDC Co and ES Co will be located in respective separate communities to efficiently utilize existing facilities. The determination of locations for the head offices and each of operating entities was based on practical considerations for both current and future business requirements.

All three offices will continue to support the regulated function.

a) Please confirm whether the applicants plan to build any additional offices.

1-Staff-7
Ref: Exh B/ T5/ Sch 5, p.8

The Applicants have estimated that sustained operating, maintenance and administration (“OM&A”) savings net of transition costs will be approximately $42.5MM in year five and beyond. The OM&A savings will be achieved through $270MM (net of transition costs) in savings over the first ten years post consolidation from payroll reductions and $42MM (net of transition costs) for non-payroll cost reductions. The OM&A budget for LDC Co is therefore anticipated to be approximately 15% lower than the sum of the OM&A budgets for the Parties, three to five years following completion of the consolidation.

a) Please identify the specific operational areas/functions where the planned payroll and non-payroll reductions will occur.
b) Please explain what assumptions have been made by the applicants for the proposed payroll and non-payroll reductions.
c) Please identify risks that could negatively impact the applicants' projected OM&A savings, setting out the applicants' projected savings if those risks materialize.

1-Staff-8
Ref: Exh B/ T6/ Sch 1, p.1

The total anticipated savings net of transaction costs over a ten year rebasing deferral period resulting from the merger of Enersource, Horizon Utilities and PowerStream, and the acquisition of HOBNI total approximately $312MM in operating costs and approximately $114MM in avoided capital costs, which represent $426MM in total cash savings. These operating and capital savings will benefit customers through lower rates than the *status quo*, and will benefit shareholders through increased and more stable dividends. The approximately $114MM in capital savings, net of any transition costs (Figure 25, below), over the ten year rebasing deferral period arise mainly due to moving to single, common Information Systems (a single customer billing system, for example) and Operating Systems (a single Control Room, for example), harmonizing engineering standards and adopting best work practices.

a) Please identify the areas of the distributors' businesses where the applicants anticipate these savings to be generated.

b) Please identify risks that could negatively impact the projected savings, setting out what the applicants' projected savings would be if those risks materialize.

1-Staff-9
Ref: Exh B/ T6/ Sch 2, p.1

The applicants state that the aggregated consolidation costs are approximately $96.3 million and that these costs will be funded through the anticipated productivity savings expected from the consolidation during the ten year rebasing deferral period and will not be included in the ratepayer funded LDC Co revenue requirement.

The consolidation costs are stated as follows:

> …include, but are not limited to: due diligence on the part of all Parties; due diligence to negotiate the terms of the consolidation; costs associated with all regulatory, legal and statutory reviews in order to receive necessary regulatory approvals; integration costs of IT systems including CIS, ERP systems and other technology-related support systems; integration of operational systems including GIS, OMS and Supervisory Control and Data Acquisition ("SCADA") systems; integration of customers; alignment of financial and regulatory reporting processes; staff related costs and transition of assets and related management to one standard.

a) Please provide a breakdown of the $96.3 million of aggregated consolidation costs into the categories outlined above by year. Please specify whether the anticipated savings are capital or expense dollars.

b) Please provide the non-unionized staff related costs associated with the consolidation.

c) Please state how the merged entity will ensure that these costs will not be included in the ratepayer funded LDC Co revenue requirement.

d) Please identify any factors that may affect the achievement of the expected efficiencies and the recovery of costs associated with the proposed transaction in the timelines projected.

1- Staff-10
Ref: Exh B/T6/Sch 2, p. 2

On the above referenced page, Figure 27 – Total Cash Savings and Figure 28-Total Operating Expenditure Savings are presented which provide savings by year for these two categories for the period 2016 to 2025.

a) Please provide a breakdown of the anticipated CAPEX savings shown in Figure 27 equivalent to what is provided for the OPEX savings in Figure 28.

b) Please provide an equivalent version of "Figure 27 – Total Cash Savings" with total savings shown on an accounting accrual basis.

1-Staff -11
Ref: Exh B/ T2/Sch1, p.10-11
Exh B/ T8/Sch1, p. 1

The applicants are requesting that the rate orders of the predecessor distributors be transferred to LDC Co following the completion of the consolidation. Each of Enersource, Horizon and Hydro One Brampton has a rate order that contains a number of rate riders established in order to dispose of balances in specified deferral and variance accounts. The applicants provided their 2016 OEB approved (Enersource, Horizon and Hydro One Brampton) and the proposed (PowerStream) rate riders.

a) For the rate riders approved by the OEB which have an expiry date within the requested deferred rebasing period, please confirm whether any extension or amendment is being sought through this application and if so, provide details for each rate rider.
b) Exhibit B, Tab 8, Schedule 1, Page 1 refers to the implementation of **new** or extension of existing rate riders. Please confirm if new rate riders will be applied for during the deferred rebasing period, and if so, please confirm if the request for new rate riders is being made in this application and provide details of those rate riders.
c) For rate riders approved by the OEB which do not expire during the deferred rebasing period, the applicants suggest that the OEB may have to limit the duration of certain riders:
    i. Please identify the specific rate riders for each of Enersource, Horizon and Hydro One Brampton for which the applicants suggest that the OEB may have to limit the duration of certain riders.
    ii. Please confirm that the applicants are requesting through this application that the OEB limits the duration of the specific riders identified in a. above.

1-Staff-12
Ref: Exh /T2/Sch1, p. 11

It is stated:

Enersource has an adjustment that contains an OEB-approved reduction to revenue requirement for International Financial Reporting Standards-Canadian Generally Accepted Accounting Principles ("IFRS-CGAAP") Transitional Property Plant and Equipment ("PP&E") Amounts, calculated based on a four year normal Cost of Service ("COS") rate cycle (2013-2016). This adjustment should not continue beyond 2016. Unlike approved rate riders, this is an annual reduction to revenue requirement whereby a variance account was not established to track any over/under refund.

a) Please advise how and when the applicants intend to address this matter.

1-Staff-13
Ref: Exh B/ T4/ Sch1, p. 2

In Step 6, the applicants state that articles of amendment are filed for Horizon Solar Corp., PowerStream Energy Services Inc. and Hydro One Brampton Networks Inc. to change the names of those corporations and also states that these actions do not require Board approval.

a) Hydro One Brampton Networks Inc. is an OEB licensed entity whose licence, it appears, would be affected by a name change. Please confirm whether an application will be made for a licence amendment for the proposed name change.

1-Staff-14
Ref: Exh B/T2/Sch1, p. 5

It is stated:

Subject to supportive tax rulings sought from the Ministry of Finance 1 (Ontario), the Parties envision a transfer of the distribution business from LDC Co to a Limited Partnership structure ("LDC LP") in order to attract investment while managing certain taxes imposed under the *Electricity Act, 1998,* such as Transfer Tax and Payments in Lieu of Taxes.

a) Please confirm whether parties anticipate an increase in private ownership as a result of the envisioned transfer of the distribution business from LDC Co to a limited partnership structure.
b) Please explain if this corporate structure is expected to affect the tax provision that would be included in rates.

1-Staff-15
Ref: Exh B/T2/ Sch1, p. 15

The applicants are requesting approval to continue to track costs to the regulatory asset accounts currently approved by the OEB and to seek disposition of their balances at a future date. Regarding the applicants' plans for deferral and variance accounts:

a) *The Report of the Board on Electricity Distributors' Deferral and Variance Account Review Report* provides that under the Price Cap IR, the distributor's Group 1 audited account balances will be reviewed and disposed if the pre-set disposition threshold is met. Please confirm that the applicants plan to request their deferral and variance accounts for disposition consistent with this policy.

b) Please explain how the account balances will be tracked (i.e. separately for each distributor or on a consolidated basis).

1-Staff-16
Ref: Exh B/T4/, Sch 2, p. 2

LDC Co is to acquire Hydro One Brampton for a purchase price of $607M, subject to certain purchase price adjustments. With the most current information to date, please provide an estimate of the final purchase price after these adjustments.

1-Staff-17
Ref: Exh B/ T6/ Sch 4, p. 1

It is stated that:

Subject to purchase price adjustments previously described, the $607MM of consideration payable for HOBNI is $202MM (the “Premium”) above its projected 2015 OEB approved rate base of $405MM. Subject to ongoing rate applications and OEB reviews, the rate base portion of the consideration payable is recoverable from ratepayers. The Premium is not recoverable from ratepayers….

a) Please state how the rate base portion of the consideration payable is proposed to be recovered from ratepayers.
b) Please state how it will be ensured that the premium payment will not be recovered from ratepayers.

1-Staff-18
Ref: Attachment 2, p. 6, 12

It is indicated that merged net income is higher than status quo net income as a result of Hydro One Brampton’s net income plus capital and operating synergies.

Per the 2015 financial statements filed with the OEB in the Reporting and Record-Keeping Requirements (RRR) filings, the applicants’ net incomes are as follows:

(In Thousands)	**Enersource**	**Horizon**	**Powerstream**	**Hydro One Brampton**
2015 Net Income	$ 19,583	$ 25,012	$ 25,445	$ 14,253
2014 Net Income	$ 2,295	$ 4,140	$ 13,874	$ 13,701

a) Hydro One Brampton had the lowest 2015 net income out of the four distributors. Please explain why Hydro One Brampton’s net income is identified as a main contributing driver for the higher merged net income.

b) The graph on page 12 presents net income sensitivity, where 100%, 75% or 50% of synergies are achieved.

    i. The forecasted synergies throughout the application equate to the 100% of synergies achieved scenario in the sensitivity analysis (e.g. merged net income of $87M). Please indicate whether this means that the forecasted synergies in the application are the most optimistic scenario that can be predicted to be achieved.

ii. Please comment on the reasonableness of the forecast and the assumptions used in the forecast (e.g. whether assumptions are aggressive or conservative).

iii. Please explain the expected likelihood of meeting 50%, 75% and 100% of expected synergies, and key dependencies.

1-Staff-19
Ref: Attachment 2, p. 6, 10

On page 6, it is indicated that merged net income is higher post rebasing as a result of contribution of Hydro One Brampton income partially offset by lower ongoing capital expenditure requirements and resulting lower rate base.

a) Please explain why Hydro One Brampton's income is expected to be a contributor to higher merged net income in the post rebasing period.
b) Please explain why there are lower ongoing capital expenditure requirements starting in the rebasing year.
c) On page 10, capital synergies drop from $30M to $8M in 2021. Please explain why there is a drop and how it impacts net income as presented on page 6.

1- Staff-20

Ref: Attachment 2, p. 9

Please explain the causes/assumptions that are the basis for the $19.5M, or 3.3% reduction in revenues relative to status quo in the first ten years of the consolidation.

1- Staff-21
Ref: Exh B/ T6/ Schs 4-6

The applicants have arranged for a $500 million Working Capital Facility and a $625 million Acquisition Facility to finance the Hydro One Brampton acquisition at a purchase price of $607 million.

The targeted amount of debt financing for the acquisition transaction is $424.9 million. The remaining $182.1 million will be financed by shareholder contributions.

a) Please explain how the applicants determined that a $500 million working capital facility was appropriate.

b) Given that the amount of debt financing for the acquisition transaction is stated as $424.9 million, which exceeds the projected 2015 OEB approved rate base of $405 million, please explain why this should not raise concerns that costs related to the premium would be recovered from ratepayers.

c) It is indicated that the premium of $202 million is not recoverable from ratepayers. The remaining $405 million, which represents the projected 2015 OEB approved Hydro One Brampton rate base, will be recoverable from rate payers. Even if the full $405 million is recoverable from ratepayers, recovery will occur over a number of years whereas the Acquisition Facility is a two year term loan. Please explain how the applicants will ensure that it has sufficient cash flows to repay the withdrawn amount in two years as well as in future years, when the Holdco's own trust indenture needs to be repaid.

d) Please explain how the applicants plan to maintain sufficient cash flow to pay the interest expense from drawing on these facilities.

e) In Schedule 6, debt facilities as at December 31, 2014 for each of the applicants are discussed. The projected debt structure post consolidation only includes the Working Capital Facility, Acquisition Facility and the Debenture Program.

   i. Please indicate how much existing debt of each of the applicants will still be in place after consolidation.
   ii. If no existing debt will be in place post-consolidation, please explain and discuss whether the Working Capital Facility is sufficient to meet LDC Co.'s cash flow needs stemming from each applicant as well as new cash flow needs from the consolidated entity.
   iii. Please provide the weighted average interest rate and annual debt cost of all of LDC Co.'s regulated constituents that are currently reflected in customers' rates.
   iv. Please provide details on the total amount of debt issued by affiliates, the terms, and expiry dates. Please explain the parties' proposal for renewing any affiliate debt over the term.

f) LDC Co. plans to establish a long-term borrowing program through the issuance of senior unsecured debentures under a new trust indenture.

i. Please explain LDC Co.'s strategy in ensuring that it will be able to successfully attract the required debt capital.
ii. The applicants expect the terms of such program to be usual and customary to large publicly-rated rate-regulated utilities. Please explain what financing terms are expected.

1-Staff-22
Ref: Exh B/T6/Sch 3, p. 1

It is stated that:

Subject to assumptions and risks further described herein, the proposed consolidation is expected to deliver meaningful shareholder benefits summarized as follows:

Holdco

- Increase in the Net Present Value ("NPV") of earnings of approximately $276MM from $1,154MM to $1,430MM from 2016 to 2036 (the "Forecast Period") relative to the status quo, a 24% increase.

a) Please state the rate-setting assumptions (e.g. annual rebasing, rebasing every five years with annual IR for the intervening years) that were assumed in both the status quo and merge scenarios and the reasons for any differences
b) Please state the impacts of these assumptions on the identified expected NPV increase of approximately $276 million.

1-Staff-23
Ref: Exh B/T6/Sch 3, p. 1

It is stated that:

Holdco expects to adopt a dividend policy with dividends computed on shared earnings determined in a manner consistent with that used by the OEB for purposes of its distribution rate-making policies. Such basis is commonly referred to as Modified International Financial Reporting Standards ("MIFRS"). MIFRS is a modified basis of IFRS used by Canadian corporations for financial statement purposes. Holdco generally expects to pay dividends of up to 60% of earnings on this basis.

a) Please state whether or not the anticipated dividend policy would be different from the policies that would have been anticipated in the absence of the merger and, if so, how.

1-Staff-24
Ref: Exh B/T6/Sch 5, p. 2

It is stated that:

LDC Co anticipates maintaining a financial capital structure of approximately 60% debt as a result of the acquisition of HOBNI. Holdco will manage its business to continue to support an A range rating.

a) Please state where in the A range rating referred to above Holdco is assuming that it will manage its business to be at, e.g. high, middle, low.
b) Please provide a sensitivity analysis as to how much of an impact this assumption would have on the costs of the merger.

1-Staff-25
Ref: Exh B/T6/Sch 5, p. 3

It is stated that:

The level of borrowing to support the transaction has been set in a range of 70-75% of the HOBNI purchase price to optimize the cost of financial capital for Holdco, while also providing sufficient ongoing liquidity to support its sustainment-based investment requirements at a target A-range credit rating.

a) Please state how it was determined that a range of 70-75% of the Hydro One Brampton purchase price was the appropriate one to optimize the cost of financial capital for Holdco.

1-Staff-26
Ref: Exh B/T6/Sch 5, p. 5

It is stated that:

The Applicants assume a 4% debt cost of financing for the HOBNI acquisition; which is reasonable relative to recent bond forecasts. This suggests that Holdco may be able to achieve or modestly outperform the debt cost assumption in the model if it were to issue fixed-rate debt within three to twelve months following the closing of the transaction.

a) Please provide supporting calculations and/or assumptions on which the 4% debt cost assumption is based.
b) Please state the basis for the view expressed that Holdco may be able to achieve or modestly outperform the debt cost assumption in the model if it were to issue fixed rate debt within three to twelve months following the closing of the transaction.

1- Staff-27
Ref: Attachment 3, pages 6, 7
Exh B/T6/Sch 5, p. 3

a) Please explain how the information presented in Attachment 3, page 6 correlates to that in Figure 33 of Exhibit B, Tab 6, Schedule 5, Page 3.
b) In Figure 33, new equity for HHI is ($7.2M). Please explain why the amount is negative and what this means in terms of the financing Horizon is contributing.
c) In Attachment 3, page 6, please explain what the "Chips" represent.
d) In Attachment 3, page 7, the rating trigger of 13% is met under the 100%, 75% and 50% synergies scenario at some point from 2016 to 2038.
    i. Please explain the impact of the rating trigger to LDC Co.
    ii. Please explain what action LDC Co. will take when the rating is triggered.
    iii. With reference to the expected likelihood of meeting 50%, 75% and 100% of expected synergies requested at 1-Staff-15 above, please explain if and quantify how meeting 50% and 75% of synergies could affect the cost of capital.
    iv. Please explain the applicants' strategy for mitigating the effects of higher borrowing costs, which would impact customers upon rebasing.
    v. Please describe the applicants' strategy for managing new or changing debt costs in the interest of its customers over the long term.

1-Staff-28
Ref: Exh B/ T6/ Sch 3, p. 1

It is stated that "The assumption for future rate levels in the valuation was based on annual rebasing for the Applicants going forward from the time of the next rebasing application."

a) Please elaborate on the above specifically discussing why annual rebasing was assumed from the time of the next rebasing and what impact this assumption had on the valuation as compared to an assumption that rebasing would occur only every five years.

b) Please state the plan for all applications for rate changes from the merged entity or its rate zones which are presently anticipated in the period until 2025. Please include in this plan when the applicants propose seeking approval for certain rate-setting issues such as:
   i. The earnings sharing mechanism for the Horizon rate zone
   ii. The stretch factor to be used for the zones on the Price Cap IR
   iii. The ROE to be used for earnings sharing of the consolidated entity
   iv. Any rate riders that are expected to end during the term

1-Staff-29
Ref: Exh B/T7/Sch 1, p. 1

It is stated that:

During the rebasing deferral period, LDC Co. may apply for rate adjustments using the Board's ICM as may be necessary and in accordance with applicable Board policies with respect to eligibility for, and the use of, the ICM.

Given that it is also stated that Enersource, Hydro One Brampton, Horizon and PowerStream would be separate rate zones and LDC Co. would not be expected to file its first rebasing application with the OEB for ten years, please state the basis on which it is envisaged that the OEB would assess an ICM application from LDC Co. filed during the rebasing deferral period. For example, would ICM applications be expected for the separate rate zones, or would they be at the LDC Co. level and if the latter how this would be done given that LDC Co. would not yet have rebased.

1-Staff-30
Ref: Attachment 3/Summary of the Financing Plan

The evidence indicates that a key assumption of the plan is that "Holdco may file for ICM in each year".

a) Please provide the current estimate of the total incremental capital to be sought via ICM until rebasing.
b) Please provide details on what ICM amounts, if any, are reflected in the revenue and net income projections in Attachment 2.
c) Please confirm that any ICM would only be for those rate zones that will be on the Price Cap IR rate-setting.

1-Staff-31
Ref: Exh B/T7/S2, p. 1-2

It is stated that:

Earnings in excess of 300 basis points above the Board's established regulatory return on equity ("ROE") for the consolidated entity would be divided on a 50/50 basis between LDC Co and its ratepayers. The ratepayer share of earnings will be credited to a newly proposed deferral account, for clearance at the next applicable annual IRM application filing. For example, if LDC Co over-earned in year six post consolidation, it would report the balance in the deferral account in the year eight IRM application which would be filed in year seven, and refund 50% of this balance to ratepayers over the twelve months commencing January 1 of year eight.

a) LDC Co. will be comparing the current year's ROE to the OEB's established ROE for the consolidated entity.
   i. Please explain how LDC Co. proposes that the "OEB's established ROE" would be calculated as this would include the established ROEs of four distributors with no adjustment to these numbers for 10 years.
   ii. Please explain how the proposed deferral account will operate and how ESM amounts will be tracked in the account. Please provide a draft accounting order that includes a description of the mechanics of the account and examples of general ledger entries.

b) For the example cited above with LDC Co. over-earning in year six post consolidation, please state how the refunding of the 50% balance to ratepayers is envisaged to occur given the existence of the four rate zones. Please discuss in this response whether or not in a scenario in which the LDC Co. earnings in excess of 300 basis points were attributable to some rate zones, but not all, whether it is envisaged that customers in all rate zones, or only customers in the over-earning rate zones would receive refunds.

c) LDC Co. would begin reporting on the ROE outcome for ESM purposes commencing in year 7 post consolidation, for audited year 6 results. Does LDC Co. intend to report ROE for years 1 to 6 for RRR purposes? If not, why not.