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BY E-MAIL

July 19, 2016

Lisa (Elisabeth) DeMarco
Senior Partner
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Dear Ms. DeMarco:

**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, all parties filed interrogatories. By way of letter dated July 7, 2016 the OEB issued a letter setting out questions it had with respect to the interrogatories filed by the Electrical Contractors Association of Ontario (ECAO). The OEB noted that it was not clear that the three questions set out by the ECAO fit within the scope of the proceeding, nor was it clear that the interrogatories are proper.

The ECAO filed a responding letter with the OEB on July 14, 2016 in which it set out its response to the OEB's comments on each of its three interrogatories. The ECAO submitted that its interrogatories form part of its right to participate in the proceeding and are necessary in order to permit a full and satisfactory understanding of potential impacts on LDC Co.'s customers in terms of electricity cost and reliability from the proposed amalgamation. The ECAO then went on to respond to the OEB's comments on each of the proposed interrogatories.

A summary of both of the OEB's and ECAO's position with respect to each of the interrogatories is set out below.

(a) Question 1 – The OEB stated its view that the interrogatories relate to matters concerning the Affiliate Relationship Code or matters of compliance with legislation and as such the Panel does not see how the interrogatories are relevant to the proceeding. The ECAO was asked to clarify how the question fits within the scope of the proceeding. The ECAO responded; “While ECAO’s interrogatories may engage matters relevant to compliance with the Affiliate Relationships Code and legislation, they are primarily directed at the governance of LDC Co. and matters relating thereto, as they ask what measures LDC Co. has or will implement in order to address ECAO’s concerns related to cross-subsidization and competitive bidding, both of which have potential impacts on electricity prices.”

(b) Question 2 – The OEB noted that question two sets out hypothetical scenarios which assume LDC Co. will not be acting in the best interests of ratepayers. The ECAO takes the position that as the “OEB has already ruled that issues addressing competitive, market-based pricing for electricity services are within the scope of this proceeding, ECAO submits that the interrogatories posed in Question 2 are also within the scope of this proceeding.”

(c) Question 3 – The OEB stated its view that Question 3 contemplates potential non-compliance issues. ECAO submitted that its interrogatories are directed at understanding LDC Co.’s governance and measures to protect ratepayers.

The OEB has reviewed the responses provided by the ECAO and does not accept ECAO’s submission that responses to its interrogatories are required in order to provide the OEB with a full and satisfactory understanding of potential negative impacts on the customers of the proposed merged entity. The OEB accepts that ECAO’s stated concerns are directly related to the OEB’s legislated objectives. That does not mean that they are within the scope of this proceeding.

As EACO has clearly stated in its response to the OEB; the “no harm” test requires the OEB to consider whether the proposed merger, acquisition, amalgamation or divestiture will have an adverse effect relative to the status quo in relation to the OEB’s statutory objectives. The OEB applies the “no harm” test in consideration of matters that arise as a result of the proposed merger or acquisition.

ECAO references a recent Ministry of Labour investigation of Enersource Power Services (an affiliate of Enersource Hydro Mississauga Inc.) to underscore the relevance of its interrogatories that seek to understand whether measures will be in place to safeguard adequacy, reliability and quality of electricity.

The referenced recent investigation serves to demonstrate that the ECAO's stated concerns do not arise as a consequence of the proposed amalgamation. Situations that run counter to the OEB's stated objectives are reviewed routinely as part of the OEB's oversight and compliance framework. Concerns related to compliance with license conditions that do not directly arise as a consequence of the proposed transaction are better dealt with in processes designed for that purpose.

ECAO submits that the OEB has already ruled that it's proposed issue as set out below is within the proceeding and already – proposed question:

“Does the proposed consolidation, and its impact on the cost structure of the consolidating entities, promote economic efficiency in the electricity industry by fostering competitive, market--based pricing for electricity services?”

The OEB declined to include ECAO's issue but stated that it would consider it in the context of both the costs and benefits resulting from the proposed transaction. The OEB provided some latitude by accepting that it could be dealt within the context of one of the draft issues.

It is now clear to the OEB that ECAO's concerns are not related to matters that arise from the amalgamation and are not suited to the proceeding.

The license and code requirements of the applicants will remain intact if the merger is approved. The adequacy of those license conditions would only come into play in this proceeding if the merger itself were to result in the need for new license or code requirements. ECAO has not suggested that that is the case.

The OEB therefore does not require the applicants to answer the interrogatories as they are not within the scope of this proceeding.

Yours truly,

Original signed by

John Pickernell
Applications Administration

cc: All Parties