B-BOMA-1

Reference(s): Exhibit B, Tab 3, Schedule 2, Page 2 of 9

Preamble:

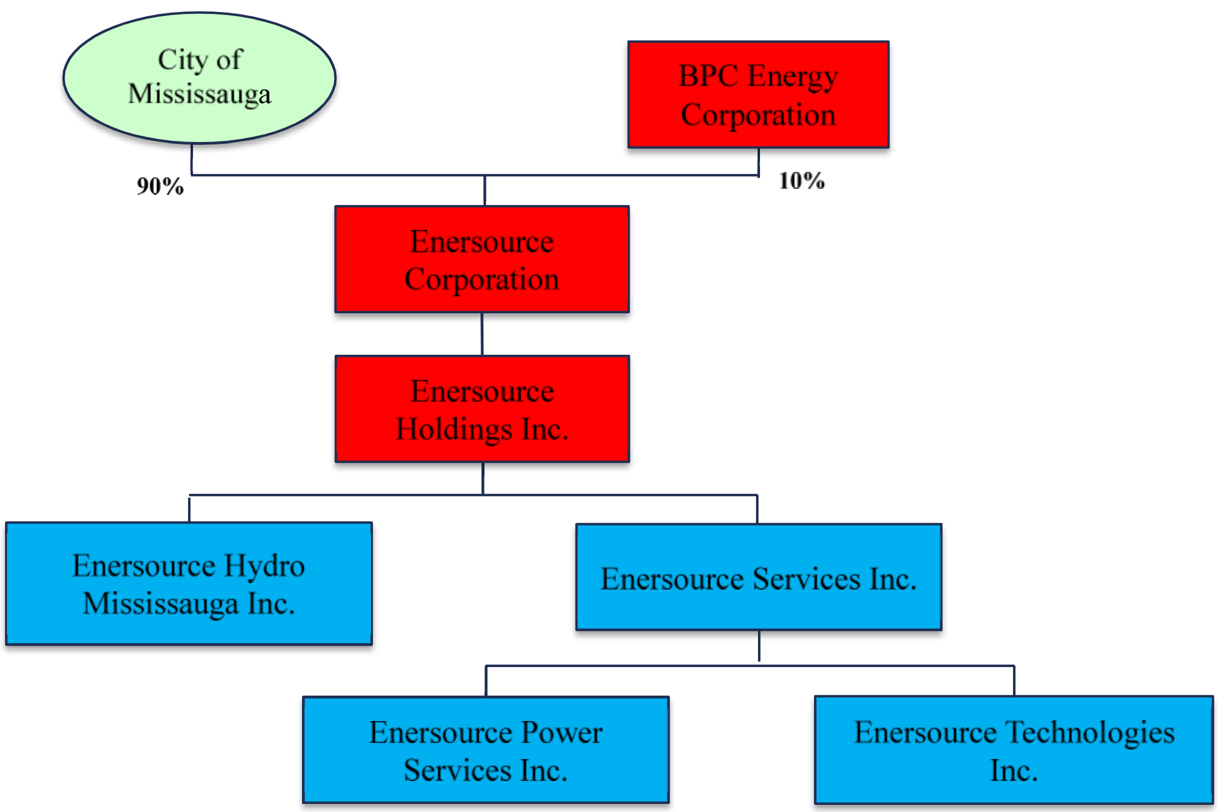
a) Please provide a corporate diagram which shows the various Enersource companies after the creation of Enersource Holdings.

b) Please confirm that Enersource Holdings will hold the Enersource Corporation's interest in LDC Co.

c) What is the reason for the creation of Enersource Holdings' positional between Enersource and Enersource Hydro Mississauga Inc. and Enersource Services Inc.?

Response:

a) Below is a diagram which represents the Enersource corporate structure following steps 1a) and 1b) as listed on Exhibit B, Tab 4, Schedule 1, page 1 of 2:



b) The Applicants cannot confirm that statement. Following the amalgamation and creation of LDC Co., MergeCo. will hold 100% of LDC Co.

c) Enersource Holdings Inc. will be inserted in between Enersource Corporation and Enersource Hydro Mississauga Inc. and Enersource Services Inc. so that following the amalgamation, the ownership structure will continue to be exempt from tax in accordance with Section 149 of the *Income Tax Act.*

B-BOMA-2

Reference(s): Exhibit B, Tab 3, Schedule 2, Page 3; Attachment 1

Preamble:

Horizon Utilities Corporation apparently owns a 99.99% ownership and is the managing partner of the Solar Sunbelt.

a) **Please provide a copy of partnership agreement between Horizon Utilities Corporation ("HUC") and the Solar Sunbelt General Partnership.**

b) **Please provide the Services Level Agreement under which the HUC supplies management services to the Solar Sunbelt Partnership, including its general partner. If no such Agreement exists, please outline the service HUC supplies to the Partnership as managing partner, the compensation it receives, and the resources it uses to provide the service.**

c) **Is Horizon Solar Corporation the general partner? If not, what role does Horizon Solar Corp. play in the partnership? If not, which company is? Is Solar Sunbelt LP a limited partnership? If so, which entities are the limited partners? Is HUC the sole, limited partner? What are the percentage interests?**

d) **Please confirm that HUC is an affiliate of Horizon Solar Corporation and Solar Sunbelt GP.**

Response:

a) The Applicants have provide a copy of the partnership agreement as B-BOMA-2-ATTACH1.

b) Horizon Utilities Corporation does not have an existing Service Level Agreement with Solar Sunbelt General Partnership, including its general partner. The services supplied to the partnership are documented in Horizon Utilities' 2015-2019 Custom IR Application (EB-2014-0002), Exhibit 4, Tab 4, Schedule 3, pages 1-15.

c) The partnership is a General Partnership. There are only two partners: i) Horizon Utilities Corporation; and ii) Horizon Solar Corporation. Two partners are required to establish a partnership. Horizon Solar Corporation is a special purpose entity with no other assets, that was established for the sole purpose of creating the partnership. Horizon Utilities

Corporation has a 99.99% interest with the remaining interest held by Horizon Solar Corporation.

d) The Applicants confirm that Horizon Utilities Corporation is an affiliate of Horizon Solar Corporation and Solar Sunbelt GP.

CONFIDENTIAL

HORIZON UTILITIES CORPORATION

-and-

HORIZON SOLAR CORP.

PARTNERSHIP AGREEMENT

July 1, 2010

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CONFIDENTIAL

Page

PARTNERSHIP AGREEMENT

THIS AGREEMENT is dated as of the 1st day of July, 2010.

AMONG:

HORIZON UTILITIES CORPORATION, a corporation incorporated under the laws of the Province of Ontario,

-and-

HORIZON SOLAR CORP., a corporation incorporated under the laws of the Province of Ontario (the "**Newco**"),

In consideration of the premises, the mutual covenants and the terms and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I
INTERPRETATION

1.1 Definitions. In this Agreement, except as otherwise expressly provided, the following words or expressions shall have the following meanings:

(a) "**Act**" means the *Partnerships Act* (Ontario) as amended, and any re-enactments, replacements or substitutions thereof;

(b) "**Agreement**" means this general partnership agreement and all instruments supplemental hereto or in amendment hereof; "hereof", "hereto" and "hereunder" and similar expressions shall mean and refer to this Agreement and not to a particular article or section; "Article" or "Section" shall mean and refer to the specified article or section of this Agreement;

(c) "**Auditors**" means KPMG LLP, or such other firm of accountants whose partners are members in good standing with the Canadian Institute of Chartered Accountants and who are appointed as auditors to the Partnership in accordance with this Agreement;

(d) "**Authorized Signatory**" means the President and Chief Executive Officer, the Senior Vice-President and Chief Financial Officer, the Vice-President, Finance, and the Vice-President, Corporate Services of the Managing Partner;

(e) "**Business Day**" means every day except Saturdays, Sundays and any day on which banks are not open for business in Toronto, Ontario, Canada;

(f) "**Capital Account**" has the meaning attributed to such term in Section 7.1;

(g) "**Capital Contribution**" means the aggregate amount in money, or the fair market value in money of property, rights or interests in property, contributed to the Partnership by a Partner in accordance with and as permitted by this Agreement;

(h) "**Declaration**" means the Master Business Licence issued to the Partnership pursuant to the *Business Names Act* (Ontario);

(i) "**Fair Market Value**" has the meaning attributed to such term in Section 10.3.

(j) "**FIT Contracts**" means the contracts to be entered into by the Partnership in respect of Solar Projects with the OPA under the OPA Feed-in Tariff Program;

(k) "**GAAP**" when used in respect of accounting terms or accounting determinations relating to a Person, means generally accepted accounting principles in effect from time to time in Canada, being those accounting principles set forth in the handbook or other official record of accounting principles in Canada from time to time published by the Institute of Chartered Accountants in Canada, as such principles may be amended, varied or replaced by International Financial Reporting Standards (IFRS) then in effect and generally accepted in Canada and adopted or required to have been adopted by the Person;

(l) "**HHI**" means Hamilton Holdings Inc.;

(m) "**Horizon**" means Horizon Utilities Corporation;

(n) "**HUC Trust Indenture**" means the Trust Indenture entered into between Hamilton Utilities Corporation and The Canada Trust Company dated July 15, 2002;

(o) "**Income Tax Act**" means the *Income Tax Act* (Canada) as amended, and any re-enactments, replacements or substitutions thereof;

(p) "**Initial Partners**" mean Horizon and Newco;

(q) "**Interest**" means all of the right, title and interest of a Partner in and to the Partnership at any particular time arising pursuant to and under the provisions of this Agreement, including without limitation all of the right, title and interest of the relevant Partner in and to the Partnership Assets;

(r) "**Managing Partner**" means Horizon;

(s) "**Newco**" means Horizon Solar Corp.;

(t) "**OPA**" means the Ontario Power Authority;

(u) "**Partner**" and "**Partners**" have the meanings set out in the recitals;

(v) **"Partnership"** means the partnership existing under the Act and known as Solar Sunbelt General Partnership or such other name as registered by the Partners in accordance with this Agreement;

(w) **"Partnership Assets"** means all of the properties and assets, real and personal, tangible and intangible, in which the Partnership has an interest, legal, beneficial or otherwise, from time to time;

(x) **"Partnership Business"** shall have the meaning set forth in Section 2.3;

(y) **"Person"** includes an individual, partnership, unincorporated association, organization, or syndicate, corporation, trustee, executor, administrator or other legal personal representative;

(z) **"Prior Consent"** has the meaning attributed to such term in Section 9.1;

(aa) **"Registrar"** means the registrar appointed pursuant to the *Business Names Act* (Ontario);

(bb) **"Solar Projects"** means the development, construction, financing and operation of solar generation projects;

(cc) **"Transfer"** includes, in reference to any Interest of or Unit held by a Partner, (i) any transfer of such Interest or Unit or any part thereof, directly or indirectly, by operation of law, by court order, by judicial process, or by foreclosure, levy or attachment, (ii) any sale, assignment, gift, donation, redemption, conversion or other disposition of such Interest or Unit, directly or indirectly, pursuant to an agreement, arrangement, instrument or understanding by which legal title to or beneficial ownership of such Interest or Unit passes from one Person to another Person or to the same Person in a different legal capacity, whether or not for value, and (iii) the granting, directly or indirectly, of any lien, security, charge, mortgage, pledge or encumbrance in or extending or attaching to such Interest or Unit, and "Transferred" shall be construed accordingly;

(dd) **"Unanimous Consent"** means a resolution of the Partners approved by both of the Partners, or an instrument in writing signed by both of the Partners; and

(ee) **"Unit"** means a unit of Interest of a Partner in the Partnership.

1.2 **Interpretation**. In this Agreement, except as otherwise expressly provided:

(a) the headings preceding the text, Articles and Sections hereof are for convenience only and do not form a part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof;

(b) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP, consistently applied;

(c) all references to currency herein are deemed to mean currency of Canada;

(d) any reference to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto, with all amendments made thereto and in force from time to time, and to any statute or regulation that may be passed which has the effect of supplementing or superseding the statute so referred to or the regulations made pursuant thereto;

(e) any reference to a Person (including, without limitation, a partnership) shall include and shall be deemed to be a reference to any Person that is a successor or permitted assign of such Person; and

(f) words importing the masculine gender include the feminine or neuter gender and vice versa and words importing the singular include the plural and vice versa.

ARTICLE II
PARTNERSHIP ORGANIZATION

2.1 Formation. The Partners hereby agree to form the Partnership pursuant to and in accordance with the Act and the terms of this Agreement. Except as expressly stipulated in this Agreement to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act.

2.2 Name. The Partnership shall carry on business under the name Solar Sunbelt General Partnership or such other name or names as may from time to time be determined by Unanimous Consent, provided a Declaration with respect to any modified name is filed with the Registrar as required by the *Business Names Act* (Ontario).

2.3 Partnership Business. The business of the Partnership shall be:

(a) to develop, finance, own, construct and operate Solar Projects, including, (a) entering into contracts with building owners and connection agreements; (b) applying for and entering into FIT Contracts; and (c) entering into contracts with equipment suppliers and all other Persons providing installation and maintenance contracts; and (d) the ownership of solar generation equipment, including, without limitations, panels and inverters;

(b) to acquire and hold title to the Partnership Assets and to borrow money on the credit of the Partnership;

(c) to do such other things and enter all such contracts, documents and instruments as shall be ancillary to or required to carry out the matters set out above; and

(d) to conduct such other businesses as may from time to time be determined by the Partners

(collectively, the "**Partnership Business**").

2.4 Other Activities. This Agreement shall not restrict the freedom of any Partner to conduct any business or activity whatsoever for its own account without any accountability to any other Partner. Each Partner shall have the right to engage in any business or venture for its own individual profit. No Partner by reason of this Agreement has any interest in any property owned by another Partner, or any business or venture engaged in by any other Partner, other than the Partnership Assets and the business of the Partnership.

2.5 Principal Office. The principal place of business of the Partnership shall be at such locations as the Managing Partner may select in the Province of Ontario, with the principal place of business currently being at 55 John Street North, Hamilton, Ontario. The Managing Partner may change the location of the Partnership's principal office within the Province of Ontario as is necessary or desirable for the operation of the Partnership's Business.

2.6 Fiscal Year. The fiscal year of the Partnership shall end on December 31 in each year unless changed by the Managing Partner.

2.7 Auditors. All accounting for the Partnership shall be in accordance with Canadian GAAP and practices applied on a consistent basis except as otherwise expressly provided in this Agreement. The Partnership shall utilize the services of the Auditors or such other firm as is approved by the Partners by Unanimous Consent from time to time. The Auditors of the Partnership may also act on behalf of any Partner and any entity affiliated with either of the Partners. The Partnership's books of account and financial statements shall be prepared on a review engagement basis, or to such other standard as is authorized by the Partners.

2.8 Books of Account. The Managing Partner shall keep or cause to be kept and maintain, or cause to be kept and maintained, on behalf of the Partnership full, complete and accurate books of account and records of the Partnership with respect to the Partnership's business and financial affairs at its principal place of business. Such books of account and records shall be retained for a minimum period of six years and shall be made available for inspection by any Partner or his or her agent at the expense of such Partner at all reasonable times during normal hours at the principal place of business of the Partnership.

2.9 Reports. Within 120 days following the end of the fiscal year of the Partnership, the Auditors of the Partnership shall prepare financial statements for the immediately preceding fiscal year.

2.10 Banking. The Partnership may maintain a bank account or accounts with the bank or banks selected by the Partners. All cheques, bills, notes, drafts or other banking instruments or documents shall be signed on behalf of the Partnership by any two (2) Authorized Signatories, one of whom must be either the President and Chief Executive Officer or the Senior Vice-

President and Chief Financial Officer, or by such other Persons as may be authorized by the Partners.

2.11 Execution of Instruments. All deeds, transfers, assignments, contracts, obligations, certificates and other instruments shall be signed on behalf of the Partnership by any two (2) Authorized Signatories, one of whom must be either the President and Chief Executive Officer or the Senior Vice-President and Chief Financial Officer, or by such other Persons as may be authorized by the Partners. Any Person authorized to sign any instrument on behalf of the Partnership may certify as a true copy any copy of an instrument, resolution or other document of the Partnership.

ARTICLE III
MANAGEMENT OF THE PARTNERSHIP

3.1 Authority of Managing Partner. Subject to this Agreement, the Managing Partner shall carry on the business of the Partnership and have the power and authority to manage, control, administer and operate the business and affairs of the Partnership and to represent and make all decisions in connection with the Partnership. For greater certainty, the Managing Partner shall have exclusive authority to execute all applications for FIT Contracts, options to lease, applications for all necessary permits and authorizations and supply, installation and maintenance agreements, leases and other contracts, instruments and documents in respect of the Partnership Business.

3.2 Third Party Dealings. No Person dealing with the Partnership shall be required to inquire into the authority of the Managing Partner to take any act or proceeding, to make any decision or to execute and deliver any instrument, deed, agreement or document for or on behalf or in the name of the Partnership.

3.3 Borrowing Powers. The Managing Partner may for and on behalf of the Partnership (i) borrow money for the business of the Partnership, (ii) from time to time without limit as to amount, may draw, make, execute and issue promissory notes, evidences of indebtedness and other negotiable or non-negotiable instruments related to such borrowings, and (iii) secure the payment of sums so borrowed by the mortgage, pledge, charge, assignment or hypothecation of all or any part of or any interest in Partnership Assets or by the assignment of money owing or to be owing to the Partnership and may engage in any other means of financing. Without limiting the generality of the foregoing, the Partnership may borrow money from any Partner if approved by Unanimous Consent.

3.4 Title to Property. The Managing Partner shall hold title to the Partnership Assets for the benefit of the Partnership. All Partnership Assets shall be recorded as property of the Partnership on its books and records irrespective of the name in which legal title to such Partnership Assets is held.

3.5 Unanimous Consent. A resolution in writing signed by both Partners as contemplated in Section 1.1(dd), whether in the same document or by counterpart, shall be as valid and effectual as if passed at a duly constituted meeting of the Partners.

ARTICLE IV
LIABILITY AND INDEMNIFICATION

4.1 Allocation of Liability. Each of the Partners shall, in respect of the other, be liable for the obligations, liabilities and losses of the Partnership in proportion to their respective Interest in the Partnership. No Partner shall, in respect of the other Partner, be liable for any obligations incurred by any other Partner, whether incurred before or after the execution of this Agreement, except obligations incurred by or in connection with or on behalf of the Partnership pursuant to the terms of this Agreement. Each Partner agrees to indemnify and save harmless each other Partner in the event that such other Partner has paid any obligation or liability in excess of that Partner's proportionate share.

ARTICLE V
CAPITAL CONTRIBUTIONS

5.1 Units. The Interests of the Partners in the Partnership shall be divided into Units. Each Unit shall have attached thereto the same rights and obligations as, and shall rank equally and *pari passu* with, each other Unit with respect to distributions, allocations and voting in accordance with the terms of this Agreement. No Unit shall have any preference or right in any circumstance over any other Unit and each Unit shall be subject to the restrictions on assignment and transfer contained in this Agreement.

5.2 Contribution by Initial Partners. Contemporaneously with the execution and delivery of this Agreement:

(a) Horizon shall make a capital contribution of $99,900 to the capital of the Partnership in consideration for the issuance to it of 999 Units; and

(b) Newco shall make a capital contribution of $100 to the capital of the Partnership in consideration for the issuance to it of 1 Units.

5.3 Additional Capital Contributions by Initial Partners. The Units will be issued in consideration of capital contributions made by the Initial Partners from time to time based on subscriptions at a price equal to one thousand dollars ($100.00) per Unit.

ARTICLE VI
RESTRICTIONS ON TRANSFER

6.1 No Transfer. No Partner shall Transfer any or all of such Partner's Units except with the prior written consent of all the other Partners. Any attempted Transfer of a Unit by a Partner made in violation of this Agreement shall be null and void.

ARTICLE VII
ACCOUNTS, ALLOCATIONS AND DISTRIBUTIONS

7.1 Capital Account. The Managing Partner shall establish and maintain on the books of the Partnership a capital account for the Partners (the "**Capital Account**"), which account shall be credited with each contribution to the capital of the Partnership made by the Partner and credited or debited, as the case may be, with amounts of capital allocated or distributed to the Partner from time to time.

7.2 Current Accounts. The Managing Partner shall establish and maintain on the books of the Partnership a current account for the Partners, which account shall be credited with all amounts, other than capital, in respect of which Partners are to be charged, all in accordance with generally accepted accounting principles.

7.3 No Right to Withdraw Amounts. No Partner shall have the right to withdraw any amount or receive any distributions from the Partnership, except as expressly provided in this Agreement.

7.4 No Interest. No interest shall be paid to any Partner on any amount in his Capital Account or current account.

7.5 Allocations between Partners. Except as otherwise provided in this Agreement:

(a) all allocations of income, gains and proceeds allocatable to the Partners for the purposes of the Income Tax Act, allocations of tax credits with respect to the operations of the Partnership and all distributions to the Partners shall be made on a pro rata basis in proportion to each Partner's respective Interest in the Partnership at the time of such allocation.

(b) all allocations of non-capital losses, other tax credits and other expenses allocatable to the Partners for the purposes of the Income Tax Act shall be made on a pro rata basis in proportion to each Partner's respective Interest in the Partnership at the time of such allocation.

7.6 Distributions. No distributions of any of the Partnership Assets (including Capital Contributions or income) shall be made to the Partners in such capacity except in accordance with this Agreement. Unless otherwise agreed to by the Partners with Unanimous Consent, all such distributions shall not be made until FIT Contract revenues are received and thereafter a distribution policy will be established subject to debt service requirements and covenants specified in credit agreements for any third party borrowings by the Partnership.

7.7 **Financing.** Except as otherwise provided in this Agreement:

(a) the Partnership expects to fund up to $40,000,000 through Capital Contributions from the Partners to develop and fund the Partnership Business and to undertake a non-recourse financing of the Partnership as feasible and subject to restrictions contained in the HUC Trust Indenture; and

(b) the Partnership may require operating lines which may be guaranteed by Horizon or HHI.

7.8 **Return of Capital.** No Partner shall be entitled to a return, or to demand a return, of any of such Partner's Capital Contribution or entitled to any distribution or allocation except as provided herein.

7.9 **Timing of Distributions and Allocations.** Subject to Sections 7.5 and 7.6, where any amount is to be allocated or distributed to any Partner, such allocation or distribution shall be made among the Partners of record at the end of each fiscal year, in the case of any allocation, and as at the date of the distribution in the case of any distribution.

7.10 **Distributions of Excess Funds.** Subject to Section 7.6, to the extent that the Partnership has funds on hand at the end of any calendar quarter, which are not, in the opinion of the Managing Partner, needed to satisfy existing or foreseeable obligations of the Partnership, the Managing Partner may distribute such funds to the Partners within 30 days following the end of each such quarter.

7.11 **Limitation on Distributions.** No distributions shall be made unless, after making the distribution, sufficient property of the Partnership remains to satisfy all liabilities of the Partnership. Notwithstanding anything contained herein, the Managing Partner may require the Partners to, and shall itself, return (in proportion to the distribution made thereto) all or part of such distributions as have rendered the Partnership unable to satisfy all liabilities of the Partnership and may require any Partner to, and shall itself, forthwith return to the Partnership any amount distributed to such Partner in excess of such Partner's entitlement.

7.12 **Deficit in Accounts.** The Units of a Partner in the Partnership shall not terminate by reason of a negative or zero balance in any accounts maintained on the books of the Partnership with respect to such Partner.

ARTICLE VIII
ADMISSION OF PARTNERS

8.1 Admission. A Person may be admitted as a Partner of the Partnership only if approved by Unanimous Consent and upon such terms and conditions, at such time or times, and for such Capital Contributions as shall be determined by the Partners acting with Unanimous Consent.

8.2 Agreements. No new Partner, whether admitted as a Partner or an assignee of a Unit, shall be admitted to the Partnership until such Partner has signed an agreement in a form satisfactory to the Partners, acting with Unanimous Consent, adopting this Agreement including a covenant to be bound by all the actions taken by the Partnership prior to the date such new Partner becomes a Partner.

ARTICLE IX
WITHDRAWAL FROM PARTNERSHIP

9.1 Withdrawal. A Partner may withdraw from the Partnership at any time only with the prior consent in writing of all of the other Partners (a "**Prior Consent**").

9.2 Distributions. Upon the withdrawal of a Partner in accordance with this Agreement, an amount equal to the Fair Market Value of the Units of such Partner determined as at December 31 in the year immediately preceding the date of the Prior Consent shall be paid to the withdrawing Partner by the Partnership in full and final satisfaction of all right, title and interest of such Partner in and to the Partnership and such Partner's Units. The withdrawing Partner shall not be entitled to any further or additional distribution or payment from the Partnership, whether in respect of such Partner's current account, Capital Account or otherwise. Any terms and conditions related to the payment to be made to a retiring or withdrawing Partner, if any, shall be specified in the Prior Consent.

9.3 Fair Market Value. For the purposes of Section 9.2, Fair Market Value of a Unit in the Partnership shall be determined by agreement of both Partners, or if agreed by the Partners, as follows:

> The Fair Market Value of the entire Partnership as a going concern shall be determined by an independent third-party appraiser appointed and selected by Unanimous Consent. The appraiser shall determine the value of all Partnership Assets owned by the Partnership and shall subtract therefrom the amount of any liabilities of the Partnership (including loans from Partners). The Fair Market Value of a particular Partner's Units in the Partnership shall be that Partner's proportionate share of the Fair Market Value of the entire Partnership allocated in proportion to such Partner's Interest in the Partnership.

ARTICLE X
DISSOLUTION OF PARTNERSHIP

10.1 Events of Dissolution. The Partnership shall continue notwithstanding the admission, withdrawal, bankruptcy, receivership, insolvency, dissolution, liquidation or winding up of any Partner and, subject to the Act and any other applicable legislation the Partnership shall not be dissolved or have its affairs wound up except if approved by Unanimous Consent.

10.2 Distribution. Upon dissolution, the net proceeds from the liquidation of the Partnership Assets shall be distributed in the following order of priority:

(a) to pay the expenses of liquidation and the debts and liabilities of the Partnership to its creditors;

(b) to provide for such reserves as the Partners may by Unanimous Consent, deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership;

(c) to the Partners in payment of the credit balance, if any, in each Partner's current account;

(d) to the Partners in payment of the balance, if any, in each Partner's Capital Account, as reduced by any debit balance in each Partner's current account;

(e) the balance, if any, to the Partners proportionately to their Capital Contributions at the date of the commencement of the dissolution of the Partnership.

10.3 Return of Capital. Except as provided in this Agreement, no Partner shall have the right to demand or receive a return of its Units in the Partnership in a form other than cash, provided, however, that nothing in this section is to be construed to prohibit a return of capital in a form other than cash, and nothing in this section shall be construed as conferring a right on the part of any Partner to demand a return of such Partner's Capital Account or current account.

10.4 Term and Termination of Partnership. The term of the Partnership is for an indefinite period unless dissolved or terminated by Unanimous Consent. Notwithstanding the foregoing, the Partnership shall terminate when all of the Partnership Assets have been disposed of and the net proceeds therefrom (after payment of or due provision for the payment of, all debts, liabilities and obligations of the Partnership to creditors) have been distributed as provided in this article.

10.5 Final Accounting. Within 60 Business Days of the completed dissolution of the Partnership each Partner shall be furnished with a statement prepared by the Auditors setting out the assets and liabilities of the Partnership as at the date of the completed dissolution.

ARTICLE XI
INSOLVENCY OR BANKRUPTCY – GENERAL RULES

11.1 Insolvency or Bankruptcy. Where a Person becomes entitled to all or any part of the Units of a Partner on the insolvency or bankruptcy of such Partner, or otherwise by operation of law, in addition to any other restrictions upon Transfer which may be applicable, such entitlement will not be recognized or entered in the register of the Partnership until such Person:

(a) has produced evidence satisfactory to the Partners of such entitlement;

(b) has agreed in writing to be bound by the terms of this Agreement and to assume the obligations of a Partner under this Agreement; and

(c) has delivered such other evidence, approvals, and consents in respect of such entitlement as the Partners may require and as may be required by law or by this Agreement.

ARTICLE XII
NOTICES

12.1 Notices. Any notice, communication, payment or demand to be given pursuant to this Agreement will be sufficiently given or made for all purposes if delivered personally to the Partner, if sent by receipt confirmed telecommunications, or sent by ordinary first class mail to the address of record of the relevant Partner. For purposes hereof the address of record of each of the Partners is set forth below:

(a) To Horizon at:

Horizon Utilities Corporation
55 John Street North
Hamilton, ON L8R 3M8

Attention: Corporate Secretary
Fax: (905) 522-0119

(b) To Newco at:

Horizon Solar Corp.
55 John Street North
Hamilton, ON L8R 3M8

Attention: Corporate Secretary
Fax: (905) 522-0119

Any such notice shall be deemed to be received upon personal delivery, upon the day sent by telecommunications as aforesaid, or upon the fifth Business Day after mailing. In the event of any disruption in the Canadian postal service occurring before the deemed receipt of a mailed document, the document will be deemed to have been received on the fifth Business Day following resumption of the Canadian postal service. Either Partner may change its address by giving notice of such change to the other Partner in accordance with this article.

ARTICLE XIII
GENERAL

13.1 Severability. If any article, section or any portion of any section of this Agreement is determined to be unenforceable or invalid, that unenforceability or invalidity shall not affect the enforceability or validity of the remaining portions of this Agreement and such unenforceable or invalid article, section or portion of a section shall be severed from the remainder of this Agreement.

13.2 Further Assurances. Each Partner shall execute and deliver any and all documents and writings and do all things necessary or expedient for the formation of the Partnership and the achievement of its purposes in accordance with this Agreement.

13.3 Time. Time shall be of the essence hereof and no extension or variation of this Agreement shall operate as a waiver of this provision.

13.4 Binding Effect. This Agreement shall be binding upon and enure to the benefit of the Partners and each of their respective successors and permitted assigns.

13.5 Entire Agreement. This Agreement constitutes the entire agreement between the Partners with respect to the subject matter hereof and supersedes all prior correspondence, agreements, negotiations, discussions and understandings, if any, written or oral.

13.6 Amendments and Waivers. This Agreement may not be amended or modified in any respect except by Unanimous Consent. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

13.7 Third Party Beneficiaries. The parties intend that this Agreement shall not benefit or create any right or cause of action in, or on behalf of, any Person other than the parties hereto and no Person, other than a party hereto shall be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum.

13.8 Governing Law. This Agreement and its application and interpretation shall be governed and construed in accordance with the laws of the Province of Ontario. Each Partner irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

13.9 Counterparts. This Agreement may be executed in counterparts. This Agreement may also be adopted by an acknowledgement signed by a Person pursuant to Section 8.2 with the same effect as if that Person had executed a counterpart of this Agreement. All counterparts and adopting documents shall constitute one and the same Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF this Agreement has been executed as of the date first above written.

HORIZON UTILITIES CORPORATION

By: ________________________

Name: Max A. Cananzi

Title: President
and Chief Executive Officer

By: ________________________

Name: John G. Basilio

Title: Senior Vice-President
and Chief Financial Officer

HORIZON SOLAR CORP.

By: ________________________

Name: Max A. Cananzi

Title: President
and Chief Executive Officer

By: ________________________

Name: John G. Basilio

Title: Senior Vice-President
and Chief Financial Officer

B-BOMA-3

Reference(s): Exhibit B, Tab 3, Schedule 2, Page 5

Preamble:

a)

i. **Is PowerStream Energy Holdings Trust ("PEHT" or the "Trust") the same entity as PowerStream Holdings Inc., the entity displayed in Figure 8? If not, please show where the trust fits in.**

ii. **Please provide the documents pursuant to which the Trust is created.**

iii. **What is its current function?**

iv. **Why does it remain on the most recent organization charts?**

v. **Please provide a list of agreements between the PEHT and PowerStream or any of its affiliates.**

b) Please provide the amount of dividends that PowerStream Holdings Inc. has received from PowerStream Inc. in each of the last five years. Please provide similar information for the Enersource and Horizon holdcos.

Response:

a)

i) No. PowerStream Holdings Inc. (“PHI”) is a separate legal entity. The Trust is a shareholder in PowerStream Energy Services Inc. (“PESI”). PESI was structured in this manner to constitute it as a tax paying entity, rather than a PILs paying corporation.

ii) The documents pursuant to which the Trust was created have no bearing on the Board’s consideration of the effect of the transactions for which the Applicants seek approval when considered in light of the Board’s statutory objectives and are not within the scope of this proceeding.

iii) See response in (i) above.

iv) See response in (i) above.

v) Any agreements such as those referred to in this question have no bearing on the Board's consideration of the effect of the transactions for which the Applicants seek approval when considered in light of the Board's statutory objectives and are not within the scope of this proceeding.

b) The amount of dividends paid by PowerStream Inc. in last five years is shown in Table 1 below (in thousands of dollars). Please note that PowerStream Holdings Inc. was incorporated in 2013, so in 2012-2013 dividends were paid directly to PowerStream shareholders.

Table 1 – PowerStream Dividends

PowerStream Inc	2012	2013	2014	2015	2016
PowerStream (core)	16,087	14,916	16,575	17,108	14,293
PowerStream Solar			6,159	11,008	5,974
Total dividends	**16,087**	**14,916**	**22,734**	**28,116**	**20,267**

The amount of dividends paid to Enersource and Horizon holding companies is shown in Table 2 below.

Table 2 – Horizon Utilities and Enersource Dividends

Horizon	2012	2013	2014	2015	2016
Total Dividends	7,456	9,918	13,556	13,346	12,119

Enersource	2012	2013	2014	2015	2016
Total Dividends	12,384	11,514	13,344	15,639	TBD

B-BOMA-4

Reference(s): Tab 3

Preamble:

a) What are the net metering thresholds?

b) What is their significance?

Response:

a) Section 6.7.2 of the Distribution System Code ("DSC") requires that distributors "shall, upon request, make net metering available to eligible generators in its licensed service area in accordance with the Net Metering Regulation, on a first-come first-served basis, unless the cumulative generation capacity from net metered generators in its licensed service area equals one percent of the distributor's annual maximum peak load for the distributor's licensed service area, averaged over three years, as determined by the Board from time to time".

The net metering thresholds are provided in Exhibit B, Tab 3, Schedule 6, Figures 15 through 18 for each of the Parties. These amounts are calculated in accordance with Section 6.7.2 of the DSC as 1% of the average peak load of the preceding three years.

b) Exhibit B, Tab 3, Schedule 6, Figure 19 provides the combined net metering threshold of the combined entity. This is the amount of capacity the distributor must make available for renewable generation net metering projects. The available threshold far exceeds the actual net metering connected to the distribution systems.

B-BOMA-5

Reference(s): Tab 4, Schedule 1

Preamble:

a) Please indicate for which of the steps from 1(a) to 7(b) you are seeking the Board's approval in this case, and under which sections of the Ontario Energy Board Act.

Response:

a) The Applicants have provided the OEB Approvals Sought in the Application at Exhibit B, Tab 2, Schedule 1, p.8-9. For ease of reference, the Applicants have provided an extract of the same, below.

The relief requested by the Applicants is the following:

1. LDC acquisitions and transfers of Enersource, Horizon Utilities, PowerStream and HOBNI distribution systems, licences and rate orders to LDC Co:

(a) leave for Enersource Holdings Inc. to acquire all of the issued and outstanding shares of Enersource pursuant to Section 86(2)(a) of the OEB Act;

(b) leave for Enersource, Horizon Utilities and PowerStream to amalgamate and continue as a corporation referred to as LDC Co, pursuant to Section 86(1)(c) of the OEB Act;

(c) leave for LDC Co to acquire all of the issued and outstanding shares of HOBNI pursuant to Section 86(2)(b) of the OEB Act;

(d) leave for HOBNI to transfer its distribution system to LDC Co pursuant to 24 Section 86(1)(a) of the OEB Act;

(e) leave for LDC Co and HOBNI to amalgamate 1 and continue as LDC Co, pursuant to Section 86(1)(c) of the OEB Act;

(f) leave for Enersource, Horizon Utilities, PowerStream and HOBNI to transfer their distribution licences and rate orders to LDC Co, pursuant to Section 18 of the OEB Act;

(g) leave for LDC Co to acquire the 50% of the shares of Collus PowerStream Utility Services Corp. currently owned by PowerStream, pursuant to Section 86(2)(a) of the OEB Act.;

(h) the issuance of a new electricity distribution licence for LDC Co under Section 60 of the OEB Act that will come into existence on the completion of the transfers of the distribution-related assets of the former Enersource, Horizon Utilities, PowerStream and HOBNI to LDC Co, to be followed immediately by the cancellation of the distribution licences of Enersource, Horizon Utilities, PowerStream and HOBNI.

The licence application is being filed separately from the current Application.

B-BOMA-6

Reference(s): Exhibit B, Tab 5, Schedule 1 – Overall Impact of Transaction

Preamble:

a) Page 2 – Please provide a copy of the OEB letter/decision under which Enersource received approval to defer the rebasing. When does Enersource intend to rebase?

b) Page 3 – Is the applicant committed in a legally binding fashion to improving the quality, reliability and adequacy of electricity service for its customers? If so, to what extent. Please answer for each of "quality", "reliability", and "adequacy".

c) Page 5 – Why is each of the Enersource, Horizon, PowerStream SAIDI higher in 2014 than it was in 2010? What is causing the diminished performance? Please discuss fully. Has the LDC Co. committed to any specific SAIDI targets over the deferred rebasing period or otherwise?

d) For each of Horizon Utilities and PowerStream (the two largest partners), SAIFI is worse in 2014 – 1.91 and 1.72 vs. 1.24 and 0.81 than in 2010.
   i. Please explain Horizon Utilities
   ii. Please explain PowerStream
   iii. Has the LDC Co. committed to any specific SAIFI targets over the deferred rebasing period or otherwise?

e) In light of the declining performance in both SAIDI and SAIFI, why should the Board, and ratepayers believe that reliability will be maintained or enhanced by the merger? Please explain fully.

f) Is the applicant committed in a legally binding fashion to maintaining the reliability, quality, and adequacy of the company, relative to the status quo?

Response:

a) The Applicants provide the attached letter as B-BOMA-6-ATTACH1 dated March 22, 2016 from the OEB to Enersource whereby the OEB concluded that it will not require Enersource's 2017 rates to be set on a cost of service basis. As indicated in Exhibit B, Tab 2, Schedule 1, at page 8 (and in several other locations throughout the Application) the Applicants have selected a ten year rebasing deferral period.

b) The four consolidating distributors hold OEB Electricity Distribution Licences, and it is expected that LDC Co will also hold a Distribution Licence. Among the conditions of the

Distribution Licence is the requirement that the licensee comply with the OEB's Distribution System Code ("DSC"), among other Codes. Among its many requirements with respect to the operation of the distribution system, the DSC provides:

4.1.1 A distributor shall follow good utility practice in managing the power quality of the distributor's distribution system and define in its Conditions of Service the quality of service standards to which the distribution system is designed and operated.

4.4.1 A distributor shall maintain its distribution system in accordance with good utility practice and performance standards to ensure reliability and quality of electricity service, on both a short-term and long-term basis.

The OEB's Report of the Board: *Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach* ("RRFE"), issued October 18, 2012, establishes performance outcomes that it expects distributors to achieve in four distinct areas. Among those areas is "Operational Effectiveness – Continuous improvement in productivity and cost performance is achieved; and distributors deliver on system reliability and quality objectives". The OEB requires regular reporting by distributors of performance information in categories including (among others) Service Quality, System Reliability, and Asset Management. System Reliability and Asset Management information is provided pursuant to the OEB's RRFE performance outcome of Operational Effectiveness.

The OEB monitors this information and makes it publicly available (with indications of year-to-year trends and whether OEB targets have been met) through distributor-specific scorecards and an annual *Yearbook of Electricity Distributors*. It is expected that LDC Co, as a licensed electricity distributor, will be subject to the OEB's reporting requirements.

c) The main driver for the higher SAIDI value in 2014 relative to 2010 for Enersource, Horizon Utilities, and PowerStream is the impact of Major Event Days ("MEDs") which are outside the control of the utility. For an explanation of MEDs please see the Applicants' response to Interrogatory B-AMPCO-11a).

Enersource's 2014 MED adjusted SAIDI of 0.53 is lower than its 2010 MED adjusted SAIDI of 0.55. Horizon Utilities' 2014 MED adjusted SAIDI of 1.05 is higher than its 2010 MED adjusted SAIDI of 0.90 due to the increase in outages caused by material and equipment failures. PowerStream's 2014 MED adjusted SAIDI of 1.23 is higher than its 2010 MED adjusted SAIDI of 0.64. 2010 was an outlier year for PowerStream with milder weather and lower equipment failure rates than usual. PowerStream's 2014 MED adjusted SAIDI is consistent with the MED adjusted SAIDI for 2013, 2012, and 2011.

The MED adjusted SAIDI metrics are provided in Table 1 of the Applicants' response to Interrogatory B-AMPCO-11a).

The Applicants have not committed to any specific SAIDI targets for LDC Co over the deferred rebasing period or otherwise.

d) The interrogatory submitted by BOMA states *"For each of Horizon Utilities and PowerStream (the two largest partners), SAIFI is worse in 2014 – 1.91 and 1.72 vs. 1.24 and 0.81 than in 2010."* The 2010 reliability metrics of 1.24 and 0.81 stated in the interrogatory for Horizon Utilities and PowerStream respectively are the SAIDI metrics. The 2010 SAIFI metrics are 1.80 and 0.92 for Horizon Utilities and PowerStream, respectively. The 2014 SAIFI statistic for PowerStream is 1.71 not 1.72.

As such the applicants have provided answers to d(i) and d(ii) based on the following statement: *"For each of Horizon Utilities and PowerStream (the two largest partners), SAIFI is worse in 2014 – 1.91 and 1.71 vs. 1.80 and 0.92 than in 2010".*

d) i) The main driver for the higher SAIFI for Horizon Utilities is the impact of MEDs. Horizon Utilities' 2014 MED adjusted SAIFI of 1.34 is lower than its 2010 MED adjusted SAIFI of 1.71.

The MED adjusted SAIFI metrics are provided in Table 1 of the Applicants' response to Interrogatory B-AMPCO-11a).

d ii) PowerStream's 2014 MED adjusted SAIFI of 1.48 is higher than its 2010 MED adjusted SAIFI of 0.91. 2010 was an outlier year for PowerStream with milder weather and lower equipment failure rates than usual. PowerStream's 2014 MED adjusted SAIFI is consistent with the MED adjusted SAIFI for 2013, 2012, and 2011.

The MED adjusted SAIFI metrics are provided in Table 1 of the Applicants' response to Interrogatory B-AMPCO-11a).

d iii) The Applicants have not committed to any specific SAIFI targets for LDC Co over the deferred rebasing period or otherwise.

e) Please refer to the responses to parts c) and d) above. As identified, the performance in both SAIDI and SAIFI adjusted for MEDs is not declining, with the exception of PowerStream's SAIDI and SAIFI.

PowerStream's MED adjusted SAIDI and SAIFI performance is declining due to an increasing number of equipment failures due to aging infrastructure and vegetation. PowerStream has been addressing equipment failures by increasing capital investment since 2012 and will continue to do so as proposed in its Custom IR Application (EB-2015-0003), pending approval from the OEB. Further, the Applicants are committed to reliability across the entire service area of LDC Co.

With respect to mitigating the impact of MEDs, LDC Co will have a larger pool of resources to draw upon to address severe storm related outages. Not all severe weather events will affect the entire service territory due to the broad geographic area covered by the combined service territories. This will allow LDC Co to rapidly redistribute field crews to the areas affected by a severe storm. The Applicants anticipate LDC Co being able to restore service to customers quickly and effectively.

f) Please see the Applicants' response to Interrogatory B-BOMA-6b), above.

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BY E-MAIL

March 22, 2016

Gia M. DeJulio
Director, Regulatory Affairs
Enersource Hydro Mississauga Inc.
2185 Derry Road West
Mississauga, ON L5N 7A6

Dear Ms. DeJulio:

Re: Applications for 2017 Electricity Rates

This letter is in response to your letter expressing an interest to defer Enersource Hydro Mississauga Inc.'s rebasing of its rates beyond the 2017 rate year.

The OEB has reviewed your letter, as well as Enersource's financial and non-financial scorecard performance from 2010 to 2014. Based on this review, the OEB has concluded that it will not require Enersource's 2017 rates to be set on a cost of service basis. The OEB will place Enersource on the list of distributors whose rates will be scheduled for rebasing for the 2018 rate year. The OEB may reassess this conclusion as new scorecard performance information becomes available for 2015.

If Enersource intends to seek a rate adjustment for 2017 rates, the OEB expects Enersource to adhere to the process for Price Cap Incentive Rate-setting applications for the 2017 rate year.

If Enersource subsequently seeks a further deferral the OEB will consider whether the Annual Incentive Rate-setting Index method that was developed for distributors intending longer periods without rebasing should be applied. The OEB will also consider whether the filing of a distribution system plan would be required at that time.

Yours truly,

Original signed by

Kirsten Walli
Board Secretary

B-BOMA-7

Reference(s): Exhibit B, Tab 5, Schedule 5

Preamble:

Your evidence has mentioned two types of merger-related costs – Transaction Costs and Integration Costs.

a) **Please itemize the different categories of transaction costs, eg. legal costs, accounting costs, financial advisory costs, etc. for each of the applicants (holdcos). Please provide the total amount of each type of cost and the total costs by year incurred, or estimated to be incurred.**

b) **In your presentation day comments and in your prefiled evidence, you mentioned that the transaction costs would be borne by the individual holdcos of each of the utilities, not by the LDCs themselves.**

   i. **Please confirm that is the case, and what is the amount for each holdco.**
   ii. **What is your estimate of merger post-closing transaction costs, including the transaction costs for the acquisition of Brampton Hydro? What are the amounts forecast to be, and provide separate amounts for the merger itself and the subsequent acquisition of Brampton Hydro?**
   iii. **Please provide same data for Brampton acquisition post-closing transaction costs.**

Response:

a) The Applicants believe that BOMA may be referring to Exhibit B, Tab 6, Schedule 2 in which the Applicants referenced two types of distributor consolidation costs: transaction development costs and implementation/integration costs. The former costs are those which are incurred before the consolidation occurs and the latter costs are those which are incurred after the transactions occur. Page 1 of that schedule provides many examples of the different types of incremental consolidation costs. Also at page 2 of that schedule, the Applicants have provided yearly transition cost details in *Figure 27 - Total Cash Savings* which summarizes operating and capital expense transition costs, and *Figure 28 Total Operating Expenditure Savings*, which further breaks down operating expense transition costs by payroll and non-payroll categories.

The breakdown of transaction costs among the LDC Co shareholders is not relevant, and it is not within the scope of this proceeding. The sharing of costs that will not be borne by ratepayers is a matter of negotiations among the shareholders of the consolidating LDCs, and the OEB's *Handbook to Electricity Distributor and Transmitter Consolidations* provides that matters relating to negotiating strategies are out of scope.

b) i) The Applicants confirm that transaction development costs and implementation/integration costs are and will be borne by the shareholders of the consolidating LDCs and not the ratepayers. As discussed in part a) above, the magnitude and type of costs broken down by shareholder responsibility is irrelevant.

ii) As first described at Exhibit B, Tab 2, Schedule 1, the purchase price for HOBNI is $607MM, subject to post-closing adjustments.

iii) See ii) above.

B-BOMA-8

Reference(s): Exhibit B, Tab 5, Schedule 5

Preamble:

a) The evidence suggests that growth opportunities will be pursued, where prudent. Does the merged utility have a particular optimal size for the utility, in terms of assets or numbers of customers, etc., or an idea of what geographic region it would eventually like to occupy?

b) Given that the new utility will embrace the space of many large municipalities, including St. Catharines, Hamilton, Mississauga, Vaughan, Markham, Barrie, which reflect a substantial variation in economic strength and attractiveness to investing companies, how will the utility manage the competing pressure for investment in utility infrastructure, to facilitate economic development in each of the various municipalities?

c) To what extent will the new utility be consistent with the configuration of six regional utilities proposed by the committee on utility consolidation [McFadden, Elston, Laughren]?

d) The merger proposes three head offices for the utility. While one can understand the reluctance of municipalities and utility executives to give up a head office, especially when expensive new facilities have been constructed, why is it necessary to have a head office to "effectively utilize existing facilities"? Did the company assess the feasibility of selling or leasing some or all of the current PowerStream head office as an efficiency and consolidation measure?

e) Why do "sustainability and innovation" need a separate "head office"? Are not sustainability and innovation desired characteristics for the organization rather than facilities which require their own facilities, much less a "head office"?

f) What functions are included within sustainability and innovation? How many people work for each of these "functions"? Please provide an organization chart for these functions.

g) Where will the ESCO head office be located? Please provide the service level agreements between the LDC Co. and the ESCO, which underpin sharing of common facilities costs with the ESCO.

Response:

a) The Applicants do not have an optimal size for the utility. The Application before the OEB is for the consolidation of the four utilities: Enersource, Horizon Utilities, PowerStream and HOBNI. The service territories of the four utilities comprise the intended geographic region that LDC Co will occupy.

b) It is not a requirement of the utility to facilitate economic development but, rather, to comply with its license requirements including investments to provide customer connections and maintain/ replace distribution system infrastructure.

Such requirements are satisfied through the distribution system plans of the merging utilities, which continue in the new merged entity.

There is no expectation of "competing pressure" as contemplated by the question nor do the Applicants believe this is relevant to the operation of the utility.

c) The recommendations of the report of the Ontario Distribution Sector Panel (the "ODSP Report") referred to in the question above as the "committee on utility consolidation [McFadden, Elston, Laughren]" were not accepted by the provincial government. Any measure against the ODSP Report is not germane to this Application. The government subsequently accepted the recommendations of the Premier's Advisory Committee on Government Assets (the "Clark Panel Report"), which addressed distribution consolidation in general through its review of Hydro One Networks Inc. and Hydro One Brampton Networks Inc.

d) The Applicants have not reviewed the feasibility of selling or leasing some or all of the current PowerStream head office. Please see the Applicants' response to Interrogatory B-AMPCO-3b).

e) The Sustainability and Innovation office requires separate space because this facility houses all of the administration functions with respect to shared services (i.e., Human

Resources, Supply Chain Management, Information Technology). This office also houses CDM and non-regulated functions.

f) The functions and the forecast of staff levels at the Sustainability and Innovation office are as follows:

[redacted]

Please see Exhibit B, Tab 5, Schedule 5 and the Presentation Day presentation, slide 11 for a description of the functions in the Sustainability and Innovation office.

g) The ES Co head office will be located at the Sustainability and Innovation office. The service level agreements have not yet been prepared.

B-BOMA-9

Reference(s): Exhibit B, Tab 6, Schedule 2, Page 1; Schedule 1, Page 2, Figures 25, 27, 28

Preamble:

Please provide a detailed description, and the calculation for each of the following:

a) claimed operational and capital investment costs; and

b) claimed savings, in the tables and in the text.

Response:

a) Please see the Applicants' response to Interrogatory B-STAFF–9a) for transition costs.

b) Please see the Applicants' response to Interrogatory B-AMPCO–4b) for capital expenditure savings and Interrogatory B-STAFF-7a) for operating savings.

B-BOMA-10

Reference(s): Consolidation Costs (or Integration Costs)

Preamble:

a) The integration cost (not including "transaction costs" that are to be paid by the utilities' owners, the holdcos) is estimated, in the evidence to be $43.1 million in operating costs, of which $37.6 million are "payroll related" costs, $5.5 million non-payroll related operating costs, and capital costs of $53 million. BOMA would like to gain a better understanding of the nature and make-up of these costs, and the year(s) in which they will be incurred. The payroll related costs of $37.6 million occur in years 2016 through 2020. Please break down the payroll cost into components, explain each component, and for each component, show the dollar amount and year(s) incurred.

b) Please identify separately the costs of each OM&A item noted in Schedule 2, including:

i. "integration of customers";

ii. "alignment of financial and regulatory reporting requirements";

iii. staff related costs;

iv. transition of assets and related management to one standard;

v. due diligence to negotiate the terms of the consolidation [are these transaction costs, or are they implementation costs, payable by ratepayers?];

vi. costs associated with all regulatory, legal, and statutory reviews to and in order to receive necessary regulatory approvals [are these transaction costs, or are they implementation costs, payable by ratepayers, or a third category of costs?].

c) For the non-payroll transaction costs of $5.5 million in years 2016 through 2020, a breakdown of these costs into constituent cost.

d) The implementation capital cost of $53.3 million will be incurred in years 2016 through 2018. Please identify, describe and provide these costs for each of the IT system changes, including as noted in Tab 2, Page 1, CIS, ERP, GIS, OMS, SCDA, costs to create a single control room [initially, you propose two control rooms].

e) Are the costs to move from two control rooms to a single control room included in the $53.3 million, or will they be incremental if and when a decision is made to move the single control room?

f) Are there any other integration costs, other than the ones covered in Figures 25, 27, and 28?

Response:

a) The components of the payroll transition costs that occur in the years 2016 to 2020 include severance, outplacement support, and employee training as summarized in Table 1 below.

Table 1 – Breakdown of Payroll Transition Costs ($MM)

Payroll Transition costs	2016	2017	2018	2019	2020	Total 2016 - 2020
Outplacement support	$ 0.1	$ 0.1	$ -	$ -	$ -	$ 0.2
Severance	$ 15.6	$ 9.0	$ 7.6	$ 2.0	$ 0.3	$ 34.5
IT Integration labour and training	$ 1.8	$ 0.9	$ 0.2	$ -	$ -	$ 2.9
Total	**$ 17.5**	**$ 10.0**	**$ 7.8**	**$ 2.0**	**$ 0.3**	**$ 37.6**

b)

i) The transition costs for integration of customers are expected to be absorbed by existing headcount.

ii) The transition costs for alignment of financial and regulatory reporting requirements are expected to be absorbed by existing headcount.

iii) Staff related costs include payroll costs of $37.6MM in the years 2016 through to 2020, as presented in Figure 28 Exhibit B, Tab 6, Schedule 2 and identified in Table 1, above. These costs relate to: severance; outplacement support; IT integration; labour and training. There is an additional $0.1MM of non-payroll costs for human resources activities such as benefits and compensation review and collective bargaining. These non-payroll costs are included in Table 2, below.

iv) The total cost of the transition of assets and related management to one standard is $1.0MM in the years 2016 to 2020.

v) The Applicants confirm that the costs incurred in performing due diligence to negotiate the terms of the consolidation are transaction costs, and are not part of the $43.0MM in consolidation operating costs specified in Exhibit B, Schedule 2, Tab 6.

vii) The Applicants confirm that the costs associated with all regulatory, legal and statutory reviews and in order to receive necessary approvals are transaction costs, and are not part of the $43.0MM in consolidation operating costs specified in Exhibit B, Schedule 2, Tab 6.

Other OM&A items which make up the total transition costs of $43.0MM are IT consulting of $1.1MM; transition Project Manager for Metering of $0.5MM; consulting fees for Supply Chain studies of $0.4MM and Corporate Relations and rebranding of $2.4MM.

c) A breakdown of the non-payroll transaction costs of $5.5MM in years 2016 through 2020 is identified in Table 2 below.

Table 2 – Breakdown of Non-Payroll Transition Costs

Non-Payroll Transition Costs	2016	2017	2018	2019	2020	Total 2016 - 2020
Standards and Design Manual Integration	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 0.2	$ 1.0
Benefit and Compensation review	$ 0.1	$ -	$ -	$ -	$ -	$ 0.1
Legal for Collective Bargaining	$ 0.1	$ -	$ -	$ -	$ -	$ 0.1
IT consulting	$ 0.5	$ 0.3	$ 0.3	$ -	$ -	$ 1.1
Transition Project Manager for Metering	$ 0.2	$ 0.2	$ 0.1	$ -	$ -	$ 0.5
Consulting Fees for Supply Chain studies	$ 0.2	$ 0.2	$ -	$ -	$ -	$ 0.4
Corporate Relations and Rebranding	$ 2.3	$ 0.2	$ -	$ -	$ -	$ 2.4
Total	**$ 3.4**	**$ 1.1**	**$ 0.6**	**$ 0.2**	**$ 0.2**	**$ 5.5**

d) A breakdown of the implementation capital costs of $53.3MM by year is identified in Table 3 below.

Table 3 – Breakdown of Implementation Capital Cost

Implementation Capital Cost	2016	2017	2018	2019-2025	Total
IT - CIS Consolidation	13.8	9.1	2.0	-	25.0
IT - ERP Consolidation	5.9	2.0	-	-	7.9
IT - Engineering Systems Consolidation	4.8	3.1	2.4	-	10.3
IT - Infrastructure Consolidation	7.5	0.5	-	-	8.0
Corporate Branding	1.4	-	-	-	1.4
Consolidation of other operational activities	0.4	0.4	-	-	0.8
TOTAL	**33.7**	**15.2**	**4.4**	**-**	**53.3**

Costs to integrate engineering systems include the consolidation of existing Geographic Information Systems ("GIS"), Outage Management Systems ("OMS") and other supporting systems into a single consolidated GIS-OMS system.

e) As stated in the Applicants' response to part d) above, implementation costs include the costs relating to the system transition to one GIS-OMS platform. The Applicants do not expect to incur any additional transition costs relating to the transition from two control rooms to one.

f) At this time, the Applicants do not foresee any significant additional integration costs, other than the ones covered in Figures 25 (Exhibit B, Tab 6, Schedule 1), 27, and 28 (Exhibit B, Tab 6, Schedule 2).

B-BOMA-11

Reference(s): Savings, Exhibit B, Tab 6, Schedule 1

Preamble:

The synergy forecast at Tab 6, Schedule 1 asserts that the total anticipated savings, net of transaction costs over the proposed ten year rebasing deferral period, is $312 million in operating costs and $114 million in avoided capital costs, for a total of $426 million in total cash savings. BOMA would like to better understand the source of these savings.

a) Please confirm that the "transaction costs" at Tab 6, Schedule 1, Page 1, Line 8 should read transition costs, or consolidation costs. BOMA understands transaction costs to be the costs incurred by the applicants, owners of the holdcos, and not recovered in rates, as explained at Tab 6, Schedule 2, Page 1, Lines 18-22. Please confirm our understanding, or explain if we are not correct.

b) Please provide background details and calculations to support the claimed operating (payroll) cost savings (before costs) of $306.9 million over the ten year period 2016 to 2025 (Table 28). Please show the savings on an annual basis for that period. Please relate these cost savings to the payroll costs to be incurred, referred to in the previous question.

c) Please provide background details, itemized by operating cost line items of the forecast $47.8 million in operating (non-payroll) cost savings over the years 2016 to 2025 and on an annual basis. The proposal appears to show no basis for the forecast reduction in non-payroll operating costs.

d) The applicant has stated that the annual operating and capital savings are expected to be sustainable beyond the ten year deferred rebasing period. Will the applicants provide a firm and binding commitment to that effect, so as the issue does not become contentious at a future rebasing proceeding in the distant future? Please clarify what is meant by "sustainable".

Response:

a) The Applicants confirm that the sentence in Exhibit B, Schedule 1, page 1, line 8 should read “transition costs”.

b) Please see the Applicants’ response to Interrogatory B-SEC-21.

c) Please see the Applicants' response to Interrogatory B–Staff–7a), for the details of the $47.8MM in operating (non-payroll) savings period.

d) Although annual operating and capital savings are expected to be sustainable beyond the ten year deferred rebasing period, the Applicants cannot provide a firm and binding commitment to that effect. The Applicants use the word “sustainable" to indicate that the savings are anticipated to be maintained.

B-BOMA-12

Reference(s): Comparison to Status Quo – Exhibit B, Tab 6, Schedule 1, Page 4, Figure 26; Exhibit B, Tab 5, Schedule 1

Preamble:

The applicants claim that ratepayers will benefit by lower distribution rates over the term of the merger, including over the term of the ten year deferred rebasing period to the extent of an average of $19.5 million per year, or 3.3%. These alleged benefits begin in 2017 at $2 million benefit [in 2016, there is no benefit – rather a loss] and increase to $31 million in 2026.

a) Please provide detailed calculations justifying claimed savings relative to the status quo. Please do this by explaining both the proposed annual increases in the revenue requirements of the four utilities for each of the ten years under the status quo, and the revenue requirement of the LDC Co. as depicted in Figure 26, for each of the ten years of the deferred rebasing period, from 2016 to 2025. Please provide detailed explanations and costs comparisons. Please assume identical regulatory treatment of capital expenditures in both the status quo and merger cases, i.e. equal access to ICM (unless you can justify a different assumption), and explain any differences in proposed capital expenditures in the two cases.

b) Please itemize the sources of the measures alluded to, in very general terms, under the heading "Customer Value Creation" at Exhibit B, Tab 3, Schedule 1, Page 2, and relate the answer to the question in detail to the discussion of savings above.

c) Please relate the calculation on the status quo option to the OM&A costs in the status quo option scenario, depicted at Figure 22, with further breakdown of costs, and a buildup to the revenue requirement.

d) The evidence states that during the deferred rebasing period, LDC Co. may apply for rate adjustments using the Board's ICM as may be necessary, and in accordance with applicable Board policies [Exhibit B, Tab 7, Schedule 1, Page 1]. Do the revenue requirement numbers for the merger option depicted in Tab 26 include any incremental revenue requirements due to the additional capital expenditures over the deferred rebasing period in the subsequent years of the project? Please discuss and provide details of the amount of capital expenditures and its impact on the revenue requirement. If not, please explain the lack of such numbers, and whether this lack compromises the comparison in Table 26. Please provide your best estimate of the incremental capex that will be undertaken during the period.

e) What are the LDC Co.'s plans for applying under ICM in respect in each of the ten years commencing 2017 of rate year; over the first five years as a whole? Please list projects with best cost estimates available at this time.

f) Please confirm that the planned capital spending during the deferred rebasing 2016-2025 period will be higher than in the subsequent period [2026-2039]. Why is that the case? Please provide an estimate of the planned capital expenditures for the two periods, cited above. Please indicate for the deferred rebasing period, how much of the proposed capital expenditure will be proposed pursuant to ICM requests, and how much will be absorbed by the utilities until rebasing.

g) In dealing with (f) above, please provide any restraints or conditions imposed by the existing settlement agreements (Horizon) or Board decisions for each of PowerStream, Horizon, Enersource and Hydro Brampton.

Response:

a) The calculation of revenue requirement for the standalone utilities, i.e., the *status quo,* and the calculation of distribution revenue for LDC Co are identified in B-BOMA-12-ATTACH1 The difference between the distribution revenue of LDC Co and the total of the standalone companies represents the benefits to the customers, as shown in Figure 26. The underlying assumption is that there is no difference in total capital requirement between the *status quo* and LDC Co, so the only difference between the LDC Co total capital expense and the capital plans of the standalone companies is capital synergies. Please also see the response to Interrogatory B-SEC-18a) to e).

b) Please see the Applicants' response to Interrogatory B-Staff-3.

c) Please see the Applicants' response to Interrogatory B-Staff-3 for the breakdown of forecasted OM&A costs. For the build up to the revenue requirement please refer to part a) above.

d) The revenue amounts in Figure 26 include ICM revenue. For the details of ICM amounts, please see the Applicants' response to Interrogatory B-AMPCO-9e).

e) LDC Co will apply for ICM only for the rate zones that will be under Price Cap IR. For the timing of ICM application by rate zone please see the Applicants' response to Interrogatory B-Staff-28b) Figure 1. A detailed list of the projects is not available.

f) For the explanation of higher capital requirements in the years after rebasing, please see the Applicants' responses to Interrogatories B-Staff-19b) and c). For the details on ICM capital, please see the Applicants' response to Interrogatory B-AMPCO-9.

g) There are no particular restraints or conditions arising from Horizon Utilities' Settlement Agreement (EB-2014-0002) or the decisions of the OEB in the Enersource 2013 Cost of Service application (EB-2012-0033) or HOBNI Cost of Service application (EB-2014-0003). PowerStream awaits a decision from the OEB on its 2016 Custom IR application (EB-2015-0003). Therefore, any potential conditions from that OEB decision are, as yet, unknown. Both Horizon Utilities for the remaining three years of its Custom IR rate plan term and PowerStream for its 2016-2021 Custom IR rate plan term are limited by OEB policy in the Report of the Board *A Renewed Regulatory Framework for Electricity Distributors: A Performance Based Approach*, dated October 18, 2012, which specifies on page 13, that while on a Custom IR term, a distributor may not file an ICM. Each of Horizon Utilities and PowerStream would only be able to apply for ICM when their Custom IR terms expire.

Distribution Revenue of LDC Co vs StandAlone, $000s

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PowerStream	196,630	208,412	217,100	224,324	233,739	240,989	248,467	256,179	264,134	272,339
Enersource	128,486	130,961	133,451	135,990	138,581	141,223	143,918	146,568	149,267	152,019
Horizon	115,014	117,255	118,483	121,423	123,944	126,516	129,143	131,824	134,561	137,354
HOBNI	68,051	70,173	72,347	74,581	76,894	79,284	81,751	84,297	86,923	89,634
LDC Co Distribution Revenue	508,182	526,802	541,380	556,318	573,157	588,013	603,279	618,867	634,886	651,347
Incremental ICM Revenue	3,716	6,144	7,305	8,902	10,320	12,694	15,998	19,320	21,871	24,300
Total Distribution Revenue , incl. ICM	$ 511,898	$ 532,946	$ 548,685	$ 565,220	$ 583,477	$ 600,707	$ 619,277	$ 638,187	$ 656,757	$ 675,646
Stand Alone Distribution Revenue										
PowerStream	$ 196,630	$ 208,412	$ 217,100	$ 224,324	$ 233,739	$ 249,784	$ 260,723	$ 270,131	$ 277,521	$ 283,155
Enersource *	$ 128,486	$ 139,367	$ 143,840	$ 148,929	$ 154,169	$ 159,534	$ 165,001	$ 170,619	$ 175,664	$ 181,010
Horizon	$ 115,014	$ 117,255	$ 118,483	$ 121,423	$ 124,043	$ 130,293	$ 134,467	$ 138,792	$ 142,443	$ 145,295
HOBNI *	$ 68,051	$ 70,173	$ 72,347	$ 74,581	$ 86,526	$ 89,095	$ 91,465	$ 99,953	$ 98,602	$ 101,609
	$ 508,182	$ 535,208	$ 551,769	$ 569,256	$ 598,477	$ 628,707	$ 651,656	$ 679,495	$ 694,229	$ 711,069
	3,716	(2,262)	(3,084)	(4,036)	(14,999)	(28,000)	(32,379)	(41,309)	(37,472)	(35,422)

* In the highlighted cells, Distirbution revenue is not equal to the revenue requirement, because under the Stand Alone Scenario Enersource is assumed to apply for a Custom IR in 2017, and HOBNI in 2020

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Distribution revenue of MergeCo, $000s											
PowerStream		196,630	208,412	217,100	224,324	233,739	240,989	248,467	256,179	264,134	272,339
Enersource		128,486	130,961	133,451	135,990	138,581	141,223	143,918	146,568	149,267	152,019
Horizon		115,014	117,255	118,483	121,423	123,944	126,516	129,143	131,824	134,561	137,354
HOBNI		68,051	70,173	72,347	74,581	76,894	79,284	81,751	84,297	86,923	89,634
MergeCo Distribution Revenue		508,182	526,802	541,380	556,318	573,157	588,013	603,279	618,867	634,886	651,347
PowerStream	Custom IR - same as stand Alone	196,630	208,412	217,100	224,324	233,739					
	PCI for Price Cap Regime						3.1%	3.1%	3.1%	3.1%	3.1%
	Move to Price Cap regime						240,989	248,467	256,179	264,134	272,339
Distribution Revenue in MergeCo		196,630	208,412	217,100	224,324	233,739	240,989	248,467	256,179	264,134	272,339
Enersource	Custom IR - same as stand Alone	128,486									
	PCI for Price Cap Regime		1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.8%	1.8%	1.8%
	Move to Price Cap regime		130,961	133,451	135,990	138,581	141,223	143,918	146,568	149,267	152,019
Distribution Revenue in MergeCo		128,486	130,961	133,451	135,990	138,581	141,223	143,918	146,568	149,267	152,019
Horizon	Custom IR - same as stand Alone	115,014	117,255	118,483	121,423						
	PCI for Price Cap Regime					2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
	Move to Price Cap regime					123,944	126,516	129,143	131,824	134,561	137,354
Distribution Revenue in MergeCo		115,014	117,255	118,483	121,423	123,944	126,516	129,143	131,824	134,561	137,354
HOBNI	2016 Rate Application	68,051									
	PCI for Price Cap Regime		3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
	Move to Price Cap regime		70,173	72,347	74,581	76,894	79,284	81,751	84,297	86,923	89,634
Distribution Revenue in MergeCo		68,051	70,173	72,347	74,581	76,894	79,284	81,751	84,297	86,923	89,634

Enersource - Stand Alone Revenue requirement

$000's	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Net Fixed Assets	654,586	687,610	720,143	753,982	787,653	821,066	854,237	887,024	920,051	953,087
Cost of power	861,136	886,971	913,580	940,987	969,217	998,293	1,028,242	1,059,089	1,090,862	1,123,588
OM&A	54,115	55,198	56,302	57,428	58,576	59,748	60,943	62,162	63,405	64,673
Sum	915,252	942,168	969,881	998,415	1,027,793	1,058,041	1,089,185	1,121,251	1,154,267	1,188,261
WCA rates	13.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
WCA	118,983	70,663	72,741	74,881	77,084	79,353	81,689	84,094	86,570	89,120
Rate Base	755,718	741,761	776,618	811,944	847,902	883,712	919,340	954,724	990,108	1,025,689
check to model	*755,718*	*741,761*	*776,618*	*811,944*	*847,902*	*883,712*	*919,340*	*954,724*	*990,108*	*1,025,689*
	8.9%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
Return on RB	26,994	27,593	28,890	30,204	31,542	32,874	34,199	35,516	36,832	38,156
PILs	5,926	6,057	6,342	6,630	6,924	7,216	7,507	7,796	8,085	8,376
Interest expense - long term debt	21,547	21,149	22,143	23,150	24,175	25,196	26,212	27,221	28,230	29,244
Interest expense - short term debt	629	641	671	702	733	764	794	825	855	886
OM&A	54,115	55,198	56,302	57,428	58,576	59,748	60,943	62,162	63,405	64,673
Depreciation	33,694	33,724	34,587	36,012	37,520	39,143	40,860	42,725	43,995	45,528
Other revenue (-)	(4,897)	(4,995)	(5,095)	(5,197)	(5,301)	(5,407)	(5,515)	(5,625)	(5,738)	(5,853)
Revenue Requirement	**138,007**	**139,367**	**143,840**	**148,929**	**154,169**	**159,534**	**165,001**	**170,619**	**175,664**	**181,010**
Total Distribution RR in Retesting Years	-	139,367	143,840	148,929	154,169	159,534	165,001	170,619	175,664	181,010
check to the model	*26,994*	*27,593*	*28,890*	*30,204*	*31,542*	*32,874*	*34,199*	*35,516*	*36,832*	*38,156*

Horizon - Stand Alone Revenue requirement

$000's	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Net Fixed Assets	427,609	445,952	466,963	490,193	528,929	559,126	587,008	616,723	640,674	671,037
Cost of power	564,041	580,962	598,391	616,342	634,833	653,878	673,494	693,699	714,510	735,945
OM&A	60,800	61,700	62,600	63,600	64,800	66,100	67,400	68,800	70,200	71,600
Sum	624,841	642,662	660,991	679,942	699,633	719,978	740,894	762,499	784,710	807,545
WCA rates	12.0%	12.0%	12.0%	12.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
WCA	74,981	77,119	79,319	81,593	52,472	53,998	55,567	57,187	58,853	60,566
Rate Base	495,425	513,900	535,776	560,171	562,034	598,026	628,634	659,053	687,552	716,421
	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
Return on RB	18,430	19,117	19,931	20,838	20,908	22,247	23,385	24,517	25,577	26,651
PILs	4,046	4,196	4,375	4,574	4,589	4,883	5,133	5,382	5,614	5,850
Interest expense - long term debt	10,459	10,849	11,311	11,826	11,866	12,626	13,272	13,914	14,516	15,125
Interest expense - short term debt	428	444	463	484	486	517	543	569	594	619
OM&A	60,800	61,700	62,600	63,600	64,800	66,100	67,400	68,800	70,200	71,600
Depreciation	26,640	26,853	25,825	26,243	27,661	30,313	31,254	32,260	32,725	32,368
Other revenue (-)	(5,789)	(5,905)	(6,023)	(6,144)	(6,266)	(6,392)	(6,520)	(6,650)	(6,783)	(6,919)
Revenue Requirement	**115,014**	**117,255**	**118,483**	**121,423**	**124,043**	**130,293**	**134,467**	**138,792**	**142,443**	**145,295**
Total Distribution RR in Retesting Years	115,014	117,255	118,483	121,423	124,043	130,293	134,467	138,792	142,443	145,295

HOBNI - Stand Alone Revenue requirement

$000's	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Fixed Assets	373,249	384,856	409,354	425,970	441,711	457,540	473,620	483,613	497,383	510,735
Cost of power	484,545	499,081	514,054	529,475	545,359	561,720	578,572	595,929	613,807	632,221
OM&A	27,860	27,973	28,834	29,399	32,934	33,600	34,200	34,800	35,500	36,214
Sum	512,405	527,055	542,888	558,875	578,294	595,320	612,772	630,729	649,307	668,435
WCA rates	13.0%	13.0%	13.0%	13.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
WCA	66,613	68,517	70,575	72,654	43,372	44,649	45,958	47,305	48,698	50,133
Rate Base	428,311	447,570	467,681	490,316	477,212	494,275	511,538	525,921	539,196	554,192
	9.30%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
Return on RB	15,933	16,650	17,398	18,240	17,752	18,387	19,029	19,564	20,058	20,616
PILs	3,498	3,655	3,819	4,004	3,897	4,036	4,177	4,295	4,403	4,525
Interest expense - long term debt	14,679	15,339	16,028	16,804	16,355	16,940	17,531	18,024	18,479	18,993
Interest expense - short term debt	370	387	404	424	412	427	442	454	466	479
OM&A	27,860	27,973	28,834	29,399	32,934	33,600	34,200	34,800	35,500	36,214
Depreciation	16,160	17,664	19,007	20,790	22,412	23,087	23,615	30,496	27,529	28,772
Other revenue (-)	(6,686)	(6,820)	(6,956)	(7,095)	(7,237)	(7,382)	(7,530)	(7,680)	(7,834)	(7,990)
Revenue Requirement	**71,814**	**74,848**	**78,534**	**82,565**	**86,526**	**89,095**	**91,465**	**99,953**	**98,602**	**101,609**
Total Distribution RR in Retesting Years	-	-	-	-	86,526	89,095	91,465	99,953	98,602	101,609

PowerStream - Stand Alone Revenue requirement

$000's	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Net Fixed Assets	970,353	1,042,602	1,106,467	1,180,027	1,251,056	1,330,736	1,406,065	1,450,519	1,489,127	1,541,608
Cost of power	988,301	1,017,950	1,048,488	1,079,943	1,112,341	1,145,712	1,180,083	1,215,485	1,251,950	1,289,508
OM&A	91,216	93,112	94,920	97,195	99,193	106,277	108,403	110,571	112,782	115,038
Sum	1,079,517	1,111,062	1,143,408	1,177,138	1,211,534	1,251,989	1,288,486	1,326,056	1,364,732	1,404,546
WCA rates	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
WCA	80,964	83,330	85,756	88,285	90,865	93,899	96,636	99,454	102,355	105,341
Rate Base	1,012,144	1,089,807	1,160,290	1,231,532	1,306,407	1,384,795	1,465,037	1,527,746	1,572,178	1,620,708
	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
Return on RB	37,652	40,541	43,163	45,813	48,598	51,514	54,499	56,832	58,485	60,290
PILs	8,265	8,899	9,475	10,057	10,668	11,308	11,963	12,475	12,838	13,234
Interest expense - long term debt	22,445	24,168	25,731	27,310	28,971	30,709	32,489	33,879	34,865	35,941
Interest expense - short term debt	874	942	1,002	1,064	1,129	1,196	1,266	1,320	1,358	1,400
OM&A	91,216	93,112	94,920	97,195	99,193	106,277	108,403	110,571	112,782	115,038
Depreciation	45,952	50,747	53,031	53,336	55,867	59,705	63,274	66,474	68,867	69,186
Other revenue (-)	(9,774)	(9,995)	(10,221)	(10,452)	(10,687)	(10,927)	(11,171)	(11,421)	(11,675)	(11,934)
Revenue Requirement	**196,630**	**208,412**	**217,100**	**224,324**	**233,739**	**249,784**	**260,723**	**270,131**	**277,521**	**283,155**
Total Distribution RR in Retesting Years	196,630	208,412	217,100	224,324	233,739	249,784	260,723	270,131	277,521	283,155

ATTACH2-BOMA-13

Reference(s): Attachment 2 – Financial Summary

Preamble:

a) Please confirm that Table on Page 6 shows that the incremental net income earned by the merged utility relative to the forecast net income to be earned.

b) Please provide a table showing the purchased HOBNI net income for each of the years from 2016 to 2039. Please correlate that with the net income in HOBNI's 2015, 2014, and 2013 audited Financial Statements.

Response:

a) The Applicants confirm that the forecast incremental net income earned by LDC Co, relative to the forecast net income on a stand-alone basis, is provided in the table in Attachment 2, page 6. As stated in Attachment 2, page 6, "*Merged Net Income is higher during [the] rebasing deferral period and the post rebasing, as a result of purchased HOBNI net income plus capital and operating synergies*."

b) The Applicants provide the forecast HOBNI net income for each of the years from 2016 to 2039 in Table 1 below.

Table 1 – HOBNI Forecast Net Income (2016-2039)

	Audited Financial Statements			Purchased HOBNI NI																							
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Net Income	16.4	13.9	14.3	13.4	13.6	13.1	13.4	11.0	11.9	13.2	9.5	14.0	15.2	19.7	20.4	21.0	21.7	22.3	23.0	23.7	24.4	25.1	25.9	26.7	27.5	28.3	29.1

ATTACH2-BOMA-14

Reference(s): Pages 8-9

Preamble:

What is the customer benefit relative to the status quo during the ten year deferred rebasing period [Table – Customer Benefits/Distribution Revenue per Customer Trends]. Please provide the calculations underlying these proposed benefits. Please explain fully.

Response:

a) As shown in the Table below, the customer benefit relative to *status quo* during the ten-year rebasing deferral period is forecast to be approximately $219MM, with an average annual savings per customer of approximately $211.

Table 1 – Annual Savings per Customer

LDCCo Distribution Revenue, $MM	$	5,909.30
Stand Alone Distribution Revenue, $MM	$	6,128.05
Customer benefits in ten year deferral period, $MM	**-$**	**219**
Average # of customers		1,036,625
Annual savings per customer, $	**-$**	**211.02**

For the details of the calculation, please see the Applicants' response to Interrogatory ATTACH2-BOMA-14-ATTACH1.

BOMA 14	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
LDC Co Distribution Revenue	$ 508,181,952	$ 526,801,686	$ 541,379,813	$ 556,317,787	$ 573,157,117	$ 588,012,886	$ 603,279,125	$ 618,867,282	$ 634,885,609	$ 651,346,612
Incremental ICM Revenue (+) (Net of Tax)	$ 3,046,904	$ 5,038,160	$ 5,990,502	$ 7,299,787	$ 8,462,575	$ 10,409,267	$ 13,118,320	$ 15,841,995	$ 17,934,603	$ 19,925,736
LDC Co Distribution Revenue	$ 511,228,856	$ 531,839,846	$ 547,370,315	$ 563,617,574	$ 581,619,692	$ 598,422,153	$ 616,397,444	$ 634,709,277	$ 652,820,212	$ 671,272,348
Stand Alone or *Status Quo* D.R.:										
PowerStream	$ 196,630,243	$ 208,412,322	$ 217,099,939	$ 224,323,546	$ 233,738,871	$ 249,783,934	$ 260,722,714	$ 270,131,269	$ 277,520,644	$ 283,155,480
Enersource	$ 128,486,427	$ 139,367,172	$ 143,839,823	$ 148,928,735	$ 154,169,144	$ 159,534,043	$ 165,000,779	$ 170,619,251	$ 175,663,821	$ 181,010,047
Horizon	$ 115,013,988	$ 117,255,240	$ 118,482,547	$ 121,422,911	$ 124,043,264	$ 130,293,271	$ 134,467,346	$ 138,791,658	$ 142,443,384	$ 145,294,542
HOB	$ 68,051,294	$ 70,173,198	$ 72,346,712	$ 74,581,174	$ 86,525,538	$ 89,095,381	$ 91,465,165	$ 99,953,241	$ 98,601,548	$ 101,608,668
Stand Alone DR	$ 508,181,952	$ 535,207,933	$ 551,769,021	$ 569,256,366	$ 598,476,817	$ 628,706,629	$ 651,656,004	$ 679,495,419	$ 694,229,397	$ 711,068,737
TOTAL CUSTOMERS	978,352	990,904	1,003,579	1,016,296	1,029,341	1,042,519	1,055,889	1,069,374	1,083,057	1,096,943
D.R./Customer										
Status Quo	$ 519	$ 540.1	$ 550	$ 560	$ 581	$ 603	$ 617	$ 635	$ 641	$ 648
Merged	$ 523	$ 537	$ 545	$ 555	$ 565	$ 574	$ 584	$ 594	$ 603	$ 612

LDC Co Distribution Revenue, $MM	$	5,909.30
Stand Alone Distribution Revenue, $MM	$	6,128.05
Customer benefits in ten year deferral period, $MM	**-$**	**219**
Average # of customers		1,036,625
Annual savings per customer, $	**-$**	**211.02**

ATTACH2-BOMA-15

Reference(s): Dividends

Preamble:

The table on page 8 [should be page 7] shows the much larger holdco dividend (to its municipal owners) over the term of the project relative to the status quo.

a) Please confirm the percentage of utility net income represented by the net income earned by the holdco over the period 2016-2025.

b) Please provide the total amount of dividends paid (not NPV) over the twenty-five year period.

c) Please provide the total amount paid over twenty-five years in excess of the total amount that will be paid under the status quo.

d) Please provide the total amount and the excess amount relative to the status quo paid in each year of the deferred rebasing ten year period; and in each year during the subsequent fifteen year period. What level of dividend, as a percentage of net revenue, is assumed in the table on page 7 for each of those years?

e) Please provide the calculations which justify the forecast dividends in both the merger and status quo case. Please show each line in the financial projections (model) used to develop these dividend amounts for each of the first ten years. For each year, show the net income, how the net income is estimated, and what percentage of the net income is deemed allocated to dividends.

Response:

a) The percentage of Holdco net income forecast for LDC Co over the period of 2016-2025 is provided in Table 1 below.

Table 1 – Percentage of Holdco Forecast Net Income Earned by LDC Co

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
% Utility Net Income of Hold Co Net Income	93%	95%	95%	96%	96%	95%	96%	96%	96%	96%

b) The total amount of dividends paid over the 2016 - 2039 period is approximately $2,522MM.

c) The total amount of incremental dividends forecast relative to the *status quo* is approximately $177MM during the 2016-2039 period.

d) During the deferred rebasing period of 2016-2025, total dividends of $924MM are forecasted to be paid, representing approximately $148MM incremental dividends that are forecast to be paid under *status quo*.

Subsequent to the rebasing deferral period, total dividends of $1,598MM are forecast to be paid, representing approximately $30MM incremental to the dividends that are forecast to be paid under *status quo*.

e) A 60% dividend policy is applied to net income for the regulated and unregulated business. The *status quo* case assumes payout ratios of 50% for PowerStream, 57% - 65% for HOBNI, and 60% for both Enersource and Horizon Utilities.

Tables 2 and 3 below provide how the forecast dividends are calculated for the years 2016-2025.

Table 2 – Forecast Dividends for the Consolidated Utility

Merged ($MM)	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Revenue	$ 539	$ 560	$ 576	$ 593	$ 611	$ 629	$ 647	$ 666	$ 685	$ 704
OM&A	$ 248	$ 229	$ 219	$ 209	$ 214	$ 223	$ 228	$ 234	$ 239	$ 245
Interest Expense	$ 66	$ 71	$ 74	$ 77	$ 79	$ 83	$ 87	$ 90	$ 92	$ 94
Depreciation	$ 123	$ 130	$ 131	$ 133	$ 137	$ 145	$ 151	$ 164	$ 165	$ 167
Income Taxes	$ 18	$ 23	$ 26	$ 30	$ 31	$ 30	$ 30	$ 29	$ 31	$ 32
Net Income	$ 84	$ 108	$ 126	$ 144	$ 150	$ 148	$ 151	$ 149	$ 158	$ 166
Allocation to dividends	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Regulated Dividends (60%)	$ 50	$ 65	$ 75	$ 87	$ 90	$ 89	$ 90	$ 89	$ 95	$ 99
Unregulated Dividends	$ 12	$ 13	$ 11	$ 11	$ 10	$ 9	$ 8	$ 8	$ 6	$ 5
Total Dividends	$ 63	$ 78	$ 87	$ 97	$ 100	$ 98	$ 99	$ 98	$ 100	$ 104

Table 3 – Forecast Dividends under Status Quo

Status Quo ($MM)	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Net Income - PowerStream	$ 37	$ 40	$ 43	$ 45	$ 48	$ 50	$ 53	$ 56	$ 58	$ 60
Dividend (50%)	$ 19	$ 20	$ 21	$ 23	$ 24	$ 25	$ 27	$ 28	$ 29	$ 30
Net Income - Enersource	$ 21	$ 28	$ 29	$ 31	$ 32	$ 33	$ 34	$ 36	$ 37	$ 38
Dividend (60%)	$ 13	$ 17	$ 18	$ 18	$ 19	$ 20	$ 21	$ 21	$ 22	$ 23
Net Income - Horizon	$ 21	$ 22	$ 23	$ 24	$ 23	$ 24	$ 25	$ 26	$ 27	$ 28
Dividend (60%)	$ 13	$ 13	$ 14	$ 14	$ 14	$ 14	$ 15	$ 16	$ 16	$ 17
Net Income - Hydro One Brampton	$ 13	$ 12	$ 12	$ 11	$ 16	$ 17	$ 17	$ 18	$ 18	$ 19
Dividend (57-65%)	$ 8	$ 7	$ 7	$ 6	$ 10	$ 11	$ 11	$ 12	$ 12	$ 12
Total Regulated Net Income - Status Qu	$ 93	$ 103	$ 107	$ 110	$ 119	$ 124	$ 130	$ 135	$ 140	$ 146
Total Regulated Dividends	$ 51	$ 57	$ 59	$ 61	$ 67	$ 70	$ 74	$ 77	$ 79	$ 82
Unregulated Dividends	$ 13	$ 13	$ 12	$ 11	$ 11	$ 10	$ 9	$ 8	$ 6	$ 5
Total Dividends - Status Quo	$ 64	$ 70	$ 71	$ 73	$ 78	$ 80	$ 82	$ 85	$ 85	$ 88

ATTACH2-BOMA-16

Reference(s): Page 6

Preamble:

i. **What is the NPV of the net income of LDC Co. vs. status quo net income over the first ten years? Figure 27 among others shows that total cash savings from the merger over the deferred rebasing period are $425.9 million relative to the total incremental costs of approximately $96 million. The savings are approximately 4.25 times the incremental implementation costs of the LDC Co. This result translates into an increase in net income of LDC Co. relative to status quo of approximately $366 million over the first ten years of the merger (see chart on page 6). Over the first five years, the amount is approximately $156 million.**

ii. **Please confirm that none of the $156 million is to be shared with the ratepayers and very likely none of the $366 million (which includes the $156 million is shared with ratepayers, given the very high 300 basis point deadband embedded in the Board policy).**

iii. **Please estimate, using your net income forecasts for the rebasing deferral period, and the 300 basis points (three percentage points) deadband in the current Board policy, the amount of net income in the years 21, 22, 23, 24, 25, the second five years of the deferred rebasing period that would be available to share with ratepayers.**

iv. **Please confirm the incremental income is over three times the incremental costs incurred by the utility of $96 million over the same ten year period.**

a) **Please provide the LDC Co. forecast return on equity over the ten year deferred rebasing period, including full calculations.**

b) **Please confirm the figures, or provide corrections, in the above paragraph.**

c) **Given the fact that the income under the merger scenario is 3.5 times the amount that the LDC Co. needs to pay implementation costs of the merger, please confirm that the balance of the net income will go to increase the LDC Co.'s profitability (return on equity).**

d) **Given the fact that the incremental income resulting from the merger is over 356% of the merger implementation costs, why did the applicants not request a shorter rebasing period than ten years (other than the fact that they were authorized to go to ten years)? Please discuss fully.**

e) **Attachment 2, Page 6: Please show the calculation, with respect to the contribution of HOBNI income to net income described in the text. Also show the HOBNI net income, net of the cost of purchasing that net income, amortized in a reasonable manner over the appropriate period, of the purchased income, and show what percentage of the total increase is net income relative to the status quo it provides,**

over each of the deferred rebasing term, and the balance of the term, in each case compared with the amounts contributed to net income by the proposed synergies.

f) Please show a calculation that links the proposed savings to the net income over the ten year deferred rebasing period.

Response:

i) The NPV of the net income of the *status quo* over the first ten years is forecast to be $653MM as compared to the NPV of the net income of LDC Co which is forecast to be $865MM. The difference is $212MM.

ii) Total net savings over the first ten years (including both capital and operating savings) is forecast to be $425.9MM net of transition costs. Please see Exhibit B, Schedule 1, page 2, Figure 25 for a breakdown of the synergies. In the first five years net savings are forecast to be $173.4MM; in the remaining five years net savings are forecast to be $252.5MM.

iii) In the model for LDC Co, the 300 basis point dead band was not triggered. As a result, the model forecasts that an earnings sharing mechanism is not triggered in years 2021 to 2025.

iv) The NPV of the difference in net income over the first ten years is $212MM as indicated in i) above, which is just over twice the forecast total transition costs. Ignoring the time value of money, the difference in net income is $1,066MM for the *status quo* as compared to $1,424MM for LDC Co, for a difference of $358MM which is more than thrice the forecast total transition costs.

a) The forecast return on equity over the ten year rebasing deferral period is provided in Table 1, below.

Table 1 - Forecast Return on Equity

Forecast Return on Equity (Regulated Only)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net Income	$ 84	$ 108	$ 126	$ 144	$ 150	$ 148	$ 151	$ 149	$ 158	$ 166
Shareholders' Equity	$ 1,116	$ 1,160	$ 1,210	$ 1,267	$ 1,328	$ 1,387	$ 1,447	$ 1,506	$ 1,570	$ 1,636
Forecasted Return on Equity	7.5%	9.3%	10.4%	11.4%	11.3%	10.7%	10.4%	9.9%	10.0%	10.1%

b) The Applicants have made the necessary corrections to parts ii) to iv), above.

c) Net income is forecast as shown in Table 1 above.

d) The Applicants have selected the deferred rebasing period, according to the OEB's *Handbook to Electricity Distributor and Transmitter Consolidations*.

e) Table 2 below provides the contribution of HOBNI income to the net income of the LDC Co, percentage of *status quo* net income and operating expense ("OPEX") synergies as a percentage of *status quo* net income.

Table 2 HOBNI ($MM)Net Income

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
HOBNI Net Income	$ 13.4	$ 12.4	$ 11.8	$ 11.1	$ 16.1	$ 16.7	$ 17.3	$ 17.9	$ 18.5	$ 19.1
% of LDCCo Net Income	15%	11%	9%	7%	10%	11%	11%	12%	11%	11%
Cost of Purchasing HOBNI (over 25 years)	$ 8.1	$ 8.1	$ 8.1	$ 8.1	$ 8.1	$ 8.1	$ 8.1	$ 8.1	$ 8.1	$ 8.1
HOBNI Net Income Net of Costs	$ 5.3	$ 4.4	$ 3.8	$ 3.0	$ 8.1	$ 8.6	$ 9.3	$ 9.8	$ 10.4	$ 11.0
% of LDCCo Status Quo NI	6.6%	4.8%	3.9%	2.9%	7.7%	7.9%	8.1%	8.2%	8.4%	8.6%
OPEX Synergies	-$ 13.6	$ 9.0	$ 23.5	$ 38.3	$ 42.0	$ 42.5	$ 42.5	$ 42.5	$ 42.5	$ 42.5
OPEX Synergies Net of Tax	-$ 11.2	$ 7.4	$ 19.3	$ 31.4	$ 34.4	$ 34.8	$ 34.8	$ 34.8	$ 34.8	$ 34.8
OPEX Synergies as % of Status Quo NI	-12.8%	6.6%	14.9%	21.2%	22.3%	22.9%	22.5%	22.7%	21.5%	20.5%

f) The calculation that links the proposed savings to the net income over the ten year deferred rebasing period is provided in the Applicants' response to Interrogatory B-SEC-27-ATTACH1.

ATTACH4-BOMA-17

Reference(s): Attachment 4

Preamble:

a) What are the current debt ratings of each of the utilities; of each of the individual holdcos?

b) Please describe in detail how the AFFO debt ratio is calculated.

Response:

a) Table 1 and Table 2 below identify the current debt rating of each of the utilities and each of the individual holdcos respectively. In some instances, debt has not been rated and is identified by "not-rated" in the tables below.

Table 1 - Current Debt Ratings of Each Utility

LDCs - Current Debt Ratings		
LDCs	Standard and Poors Global	DBRS
Enersource	not rated	not rated
Horizon Utilities	not rated	not rated
PowerStream	A	A
HOBNI	not rated	not rated

Table 2 - Current Debt Ratings of Each Holdco

Holdcos - Current Debt Ratings		
Holdco	Standard and Poors Global	DBRS
Enersource Corporation	A	A
Horizon Holdings Inc.	A	not rated
PowerStream Holdings Inc.	not rated	not rated
Brampton Distribution Holdco Inc.	not rated	not rated

b) The Adjusted Funds From Operations ("AFFO") debt ratio is calculated as follows:

$$\mathrm{AFFO} = \frac{\mathrm{Earnings}^1}{\mathrm{Total\ Long{-}term\ Debt}}$$

1. Earnings = Earnings before interest and taxes plus depreciation and amortization expense, less net interest expense and less current tax expense

ATTACH4-BOMA-18

Reference(s): Attachment 4, Page 2 – Exhibit B, Tab 2, Schedule 1, Page 5 of 16

Preamble:

a) Please explain fully the bullet "structural approach to equity financing to manage transfer and departure tax barrier". What are these barriers and how does the structural approach to equity financing remove the barrier? Please provide a detailed explanation, including the necessity for an Ontario Revenue Department ruling on the matter.

b) When does the company expect a tax ruling on the structure?

c) What would be the financial, business consequences of not obtaining the ruling?

d) Are the applicants obliged to proceed with the transaction whether they obtain the ruling or not? Would they proceed without the ruling?

e) What is the impact on ratepayers of the proposed approach to equity financing?

Response:

The contemplated structure and transfer is beyond the scope of this Application such that the Applicants are not requesting any corresponding relief. The purpose of including the disclosure in lines 1-7 of Exhibit B, Tab 2, Schedule 1, page 5 was to advise the OEB that the Applicants are contemplating and developing such a structure and would bring such forward subject to the disclosed conditions. The contemplated structure has no implication to the benefits articulated in the Application.

Consequently, the Applicants do not believe that the questions are relevant to a decision on the Application.

This notwithstanding, the following information is being provided in response to the questions:

a) Please refer to Appendix H of the Business Plan provided in the Applicants' response to Interrogatory B-Staff-1. The principal barrier to equity financing is the Departure Tax described in that document. Generally speaking, such tax is applicable under a corporate structure where a PILs-paying corporation fails one of the tests described in that document i.e., ceases to be exempt from tax under s149(1) of the *Income Tax Act (Canada)*. This effectively limits private investment to 10% of the outstanding shares of a municipally-owned corporation.

b) The Applicants are still developing the structure and have not yet finalized or filed any corresponding rulings requests.

c) There are no consequences to the benefits outlined in the Application. The principal implication is the ability of the consolidated entity to obtain growth-based capital to support endeavours such as further acquisitions or non-regulated business investment.

d) The partnership is not a condition for proceeding with the merger transaction described in the Application.

e) Please see the Applicants' response to Interrogatory B-Staff-14b).

GEN-BOMA-19

Reference(s): General

Preamble:

a) Please provide the deferred rebasing period that the Board allowed:

i. **in the Woodstock case, and**

ii. **in every other merger case approved in the last five years.**

b) Please provide a copy of the applicant's (on behalf of the LDC Co.) licence application.

Response:

a) i) The OEB approved a deferred rebasing in the HONI/ Woodstock Application (EB-2014-0213) for a period of five years from the date of closing of the share purchase transaction.

ii) As a general matter, the Applicants identify that the OEB extended the rebasing deferral period to a maximum of ten years in its *Report of the Board: Rate-Making Associated with Distributor Consolidation* dated March 26, 2015. The OEB further confirmed the extension of the rebasing deferral period to a maximum of ten years in the *Handbook on Electricity Distributor and Transmitter Consolidations*, released on January 19, 2016. The Applicants identify that the decisions of the OEB are available on the OEB's website for review.

b) The Applicants will be filing a distribution licence application on behalf of LDC Co shortly. The distribution licence application will be provided to all the Intervenors in this Application proceeding, once available.

B-BOMA-20

Reference(s): Exhibit B, Tab 2, Schedule 1, Pages 10-11

Preamble:

For each of the rate riders proposed by each of the four distributors, please indicate each rate order that will remain in place for the ten year deferred rebasing period, and why that is the case, and what mechanisms will be used to refund to ratepayers any over collection from that rate order. Please estimate the amount of over collection that will occur relative to the amount that the rate rider was designed to collect.

Response:

The only rate order that has no expiry date and will remain in place for the ten year rebasing deferral period is Enersource's ICM Rate Rider as identified in Table 1 of the Applicant's response to Interrogatory B-EP-3. As directed by the OEB on pages 11 and 12 of its Decision and Rate Order dated April 7, 2016 for Enersource's IRM and ICM Application (EB-2015-0065):

> *"The ICM rate riders will be effective until Enersource's next cost of service rate order ... As the payment amount is a known, actual number, the OEB does not find it necessary to order Enersource to track collected revenues from the ICM rate riders for the purpose of a possible adjustment."*

Please see the Applicants' response to Interrogatory B-SEC-6b) for an estimate of the immaterial amount of collection variance over the eleven-year period 2016-2026.

ATTACH23-BOMA-21

Reference(s): Attachment 23

Preamble:

a) Please provide the audited 2015 Annual Financial Statements for each of the Enersource, Horizon, PowerStream, and Brampton utilities, as well as

b) the 2016 first quarter (if available), unaudited financial statements.

Response:

Please see the Applicants' response to Interrogatory MPA-SEC-33 for the responses to both part a) and b).

PUR-BOMA-22

Reference(s): Purchase

Preamble:

The evidence is that the LDC Co. has agreed to purchase Brampton Hydro from the Province of Ontario for $607 million.

a) What is the amount of the premium over the book value of Brampton Hydro? Please explain why a premium has been paid.

b) When did Hydro One sell (or transfer) Brampton Hydro to the Province of Ontario, and what was the compensation paid by the Province? What compensation did Hydro One receive? Did the Province pay a premium over the then book value of Brampton Hydro to Hydro One? Please discuss.

c) *Ref: Attachment 23*: Please provide the financial calculation underpinning the pro forma financial statements for the first full year after the merger. Please show how the figures are derived, starting with the most recent numbers available from the four existing companies, any accounting charges, triggered by the merger process, and ending with the numbers as displayed.

d) Please reconcile, or provide a continuity schedule for, the pro forma income statement for the first full year following merger completion, net income with the 2015 net income or the 2015 net income, for the four utilities (Enersource, PowerStream, Horizon, and Brampton), and separately for the three purchasing utilities.

e) If, in answering part (d), the 2014 net income is used as the most recent available audited statements as a base, please also show major adjustments from 2014 to 2015 net income before doing the reconciliation with the pro forma financial statements, at Schedule 23.

f) Please show the regulated company's (LDC Co.) pro forma statements in the same general format and explain the difference between the regulated entity numbers, and the LDC's corporate numbers, given that the LDC Co. includes an unregulated business division.

Response:

a) The Applicants are paying 50% above the rate base value of HOBNI. The purchase price was negotiated between the Applicants and the Province of Ontario.

b) The Applicants are not party to details concerning the transfer of the shares of HOBNI to Brampton Distribution Holdco Inc. (an entity owned by the Province). In addition, the details of that transfer are outside the scope of this proceeding.

c) The pro forma financial statements for the first full year after the consolidation are based on the projected 2016 year results from the Business Case Model. The Business Case Model is submitted in the Applicants' response to Interrogatory ATTACH2-SEC-27; for the explanation of the first year pro forma please see the Applicants' response to Interrogatory PUR-BOMA-22-ATTACH1.

d) A continuity schedule for the pro forma income statement for the first full year following the merger completion in comparison to the 2015 actual results is presented in PUR-BOMA-22-ATTACH1.

e) The 2014 audited statements are not used as a base to answer d).

f) Please refer to the response provided in d) above.

LDC Co
Pro Forma Summarized Income Statement
First Full Year Following Completion of Transaction

($000s)	MAADs	Model	Notes
Revenue			
Distribution revenue	511,898	511,898	adding grossed up ICM revenue
Other income from operations	27,579	27,580	=(11.∑Pro Forma FS'!$H$77+ 11.∑Pro Forma FS'!$H$97)
	539,477	539,477	
Expenses			
Operating expenses	247,618	247,618	net of synergies (1st year synergies are negative)
Depreciation and amortization	123,001	123,001	= 11.∑Pro Forma FS'!$H$84
	370,619	370,619	
Income from operations	168,858	168,858	
Interest expense	66,358	66,358	= 11.∑Pro Forma FS'!$H$96
Income before payments in lieu of taxes	102,500	102,500	
Payments in lieu of taxes	18,450	18,450	
Net Income	84,050	84,050	= 11.∑Pro Forma FS'!$H$106

LDC Co
Pro Forma Summarized Balance Sheet
First Full Year Following Completion of Transaction

($000s)	MAADs	Model	
ASSETS			
Current assets			
Cash and equivalents	46,603	46,603	=(11.∑Pro Forma FS'!$H$30+ 11.∑Pro Forma FS'!$H$35)
Accounts receivable - trade	429,465	429,465	=SUM(11.∑Pro Forma FS'!$H$33, 11.∑Pro Forma FS'!$H$32)
Inventory and work in process	16,049	16,049	= 11.∑Pro Forma FS'!$H$31
Prepaid expenses	9,375	9,375	= 11.∑Pro Forma FS'!$H$37
Current payments in lieu of taxes	1,755	1,755	=- 11.∑Pro Forma FS'!$H$47
	503,247	503,248	
Non-current assets			
Property, plant, and equipment	2,435,990	2,435,990	= 11.∑Pro Forma FS'!$H$12
Goodwill	293,460	293,460	= 11.∑Pro Forma FS'!$H$16
Future payments in lieu of taxes	57,612	57,611	=(11.∑Pro Forma FS'!$H$14- 11.∑Pro Forma FS'!$H$181)
Investments	8,682	8,682	= 11.∑Pro Forma FS'!$H$17
	2,795,744	2,795,743	
Total Assets	3,298,991	3,298,991	
LIABILITIES			
Current liabilities			
Accounts payable - trade	315,437	315,437	= 11.∑Pro Forma FS'!$H$23
Accounts payable - affiliates	29,455	29,455	=- 11.∑Pro Forma FS'!$H$34
Credit support for service delivery	59,716	59,716	= 11.∑Pro Forma FS'!$H$42
	404,608	404,608	
Long-term liabilities			
Long-term borrowings	1,723,118	1,723,118	Net of closing adjustments, Future Income taxes and employee benefits
Employee future benefits	54,947	54,947	= 11.∑Pro Forma FS'!$H$45
	1,778,065	1,778,065	
Total Liabilities	2,182,673	2,182,673	
SHAREHOLDER'S EQUITY			
Share Capital	743,506	743,506	=(11.∑Pro Forma FS'!$H$50+ 11.∑Pro Forma FS'!$H$51)
Contributed surplus	15,218	15,218	= 11.∑Pro Forma FS'!$H$52
Retained earnings	357,594	357,594	
Total Shareholder's Equity	1,116,318	1,116,318	
Total Liabilities and Shareholder's Equity	3,298,991	3,298,991	

LDC Co
Pro Forma Summarized Statement of Cash Flow
First Full Year Following Completion of Transaction

($000s)	MAADs	Model	
Operating activities			
Net income	84,050	84,050	
Add (deduct) non-cash items			
Depreciation and amortization	123,001	123,001	= 11.∑Pro Forma FS'!$H$178
Net change in employee future benefits	1,235	1,235	= 11.∑Pro Forma FS'!$H$179
Net change in other assets and liabilities	(1,498)	(1,497)	=(11.∑Pro Forma FS'!$H$180+ 11.∑Pro Forma FS'!$H$181)
	206,788	206,789	
Investing activities			
Capital expenditures	(284,670)	(284,670)	= 11.∑Pro Forma FS'!$H$184
	(284,670)	(284,670)	
Financing activities			
Long-term borrowing	128,312	128,312	= 11.∑Pro Forma FS'!$H$188
Dividends	(50,430)	(50,430)	= 11.∑Pro Forma FS'!$H$190
	77,882	77,882	
Net change in cash	-	0	
Cash at the beginning of the year	46,603	46,603	
Cash at the end of the year	46,603	46,603	

LDC Co
Pro Forma Summarized Income Statement
First Full Year Following Completion of Transaction

($000s)	2015 MIFRS financial statements Purchasing Utilities	 Combined 4 Utilities	2016 Business Case Core Business	Increase in 2016
Revenue				
Energy Revenue	2,402,218	2,861,350	2,898,023	36,673
Distribution revenue	399,876	467,955	511,898	43,943
Other income from operations	34,727	39,358	27,579	(11,779)
	2,836,821	3,368,663	3,437,500	68,837
Expenses				
Cost of Power	2,402,218	2,861,350	2,898,023	36,673
Operating expenses	220,705	248,567	247,618	(949)
Depreciation and amortization	93,649	111,895	123,001	11,106
	2,716,572	3,221,812	3,268,642	46,830
Income from operations	120,249	146,851	168,858	22,007
Interest expense	48,049	59,488	66,358	6,870
Income before payments in lieu of taxes	72,200	87,363	102,500	15,137
Payments in lieu of taxes	2,101	4,112	18,450	14,338
Net Income	70,099	83,251	$ 84,050	$ 799

Consolidated
Pro Forma Summarized Income Statement
First Full Year Following Completion of Transaction

($000s)	2015 MIFRS financial statements Purchasing Utilities	Combined 4 Utilities	Unregulated Businesses	2015 Consolidated 4 Utilities	2016 Business Case Unregulated	2016 Consolidated	Increase in 2016
Revenue							
Energy Revenue	2,402,218	2,861,350		**2,861,350**		**2,898,023**	36,673
Distribution revenue	399,876	467,955		**467,955**		**511,898**	43,943
Other income from operations	34,727	39,358	37,579	**76,937**		**27,579**	(49,358)
	2,836,821	3,368,663	37,579	**3,406,242**		**3,437,500**	31,258
Expenses							
Cost of Power	2,402,218	2,861,350		**2,861,350**		**2,898,023**	36,673
Operating expenses	220,705	248,567	24,709	**273,276**		**247,618**	(25,658)
Depreciation and amortization	93,649	111,895	6,937	**118,832**		**123,001**	4,169
	2,716,572	3,221,812	31,646	**3,253,458**		**3,268,642**	15,184
Income from operations	120,249	146,851	5,933	**152,784**		**168,858**	16,074
Interest expense	48,049	59,488	913	**60,401**		**66,358**	5,957
Income before payments in lieu of taxes	72,200	87,363	5,020	**92,383**		**102,500**	10,117
Payments in lieu of taxes	2,101	4,112	256	**4,368**		**18,450**	14,082
Net Income	70,099	83,251	4,764	**88,015**	**5,865**	**$ 89,915**	$ 1,901

Note: The unregulated business in the business case model is included as one line item to Net Income

PD-BOMA-23

Reference(s): Presentation Day

Preamble:

The slide, under the title "Centralized Utility Function" shows that certain utility functions will be centralized, including:

- **corporate**
- **finance**
- **human resources**
- **regulatory affairs**
- **information technology**
- **procurement**
- **asset management and engineering**
- **services**

Please provide estimates of the savings (capital and OM&A) which you expect to achieve through centralization of these functions, which are now carried out by the four utilities, and over what period of time.

Response:

Please see the Applicants' response to Interrogatory B-STAFF-3a) for the OM&A savings expected as a result of centralization. Table 1 below provides a forecast of capital savings expected as a result of centralization.

Table 1 – Capital Savings Expected as a result of Centralization

Centralized Function Savings	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Capital Synergies											
Corporate	-	-	-	-	-	-	-	-	-	-	-
Finance	-	-	-	-	-	-	-	-	-	-	-
Human Resources	0.9	2.0	1.8	2.2	2.3	2.3	2.3	2.3	2.3	2.3	20.7
Regulatory	-	-	-	-	-	-	-	-	-	-	-
Information Technology	17.8	20.8	13.8	15.1	22.0	-	-	-	-	-	89.5
Procurement	-	-	-	-	-	-	-	-	-	-	-
Asset Management & Engineering	1.4	0.3	1.2	0.2	-	-	-	-	-	-	3.1
Total Capital Synergies	**20.1**	**23.1**	**16.8**	**17.5**	**24.3**	**2.3**	**2.3**	**2.3**	**2.3**	**2.3**	**113.3**

B-BOMA-24

Reference(s): Ibid, Page 15

Preamble:

It is stated:

a) What will be the estimated savings in moving from four call centres to two call centres – Vaughan and St. Catharines?

b) When will the consolidation be achieved? What is the target date for opening the two call centres, and closing the call centres in Vaughan and Mississauga?

Response:

a) Please see the Applicants' response to Interrogatory B-SEC-13.

b) The consolidation of call centres from four to two is dependent on the convergence onto a single Customer Information System ("CIS") which is planned to occur within approximately 30 months after close.

There will be a staged transfer of call centre services to Vaughan and St. Catharines. The closing of these functions within Mississauga and Brampton will follow.

PD-BOMA-25

Reference(s): Ibid, Page 20

Preamble:

a) What is the current capital structure of Brampton Hydro?

b) What will be the capital structure of the merged utility?

c) What amount will have to be injected into Merge Co (merger of holdcos) to maintain a prudent capital structure? How much will be contributed by each predecessor holdco?

d) Why is the injection required? Please describe the capital structure that would prevail prior to the injection of the additional equity, and how does it arise? Please show all relevant calculations?

Response:

a) The capital structure of HOBNI was 41.6% debt to total capitalization at June 30, 2016.

b) As identified in Exhibit B, Tab 6, Schedule 6, page 8, lines 11 and 12, the pro-forma target capital structure of the consolidated merged utility is in the range of 60% to 63% of debt to total capitalization. Please refer to page 7 of Attachment 3 – *Summary of the Financing Plan for the Transaction* for an analysis of the HOBNI Acquisition Financing.

c) As identified in Figure 33, in Exhibit B, Tab 6, Schedule 5, page 3, the total capital contribution or new equity requirement is forecast to be $182.1MM, of which an estimated $124.7MM and $64.6MM is contributed by PowerStream and Enersource shareholders respectively. An estimated payment of $7.2MM would be made to Horizon Utilities' shareholders based on its forecast balance sheet.

d) The equity injections are required so that the level of borrowing to support the purchase of HOBNI is at 70% of the HOBNI purchase price. This will 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 (Exhibit B, Tab 6, Schedule 5, page 3). The Applicants anticipate that LDC Co will maintain a financial capital structure close to 60% debt as a result of the acquisition of HOBNI.

Prior to the injection of the additional equity, the level of borrowing to support the purchase of HOBNI is 100% of the HOBNI purchase price. This level of borrowing (100%) would not support the A-range target rating of the parties. Please see Attachment 3: Summary of the Financing Plan for the Transaction for sensitivity analysis with respect to optimizing the capital structure to retain an A-range rating. Please also see the Applicants' response to Interrogatory B-SEC-27, in which the live Business Case Model has been provided.

PD-BOMA-26

Reference(s): Ibid, Page 25

Preamble:

a) What specific new technologies and best work practices will be introduced, and where, to improve or maintain overall service levels?

b) Is there a commitment (firm) to maintain or to improve customer service levels?

Response:

a) The consolidation of the four distributors affords the opportunity to adopt the best practices from each or select an alternate approach. This determination is made when various work streams are examined and integrated; this work has started for some areas and is in progress. An example, however, is the integration of Enterprise Resource Planning ("ERP") systems. This technology will allow for efficient scheduling of capital projects and the associated resources.

b) Overall service levels will be maintained. Please see Exhibit B, Tab 5, Schedule 5, pages 7 and 8.