

B-VECC-1

Reference(s): B/T5/S1

Preamble:

- a) Please provide the smart meter service agreement which will continue to be used in the Brampton service territory.**
- b) Please provide the cost of the services under this agreement in each of 2016 and 2017.**
- c) Does the agreement allow for termination upon change of Brampton Hydro's ownership?**

Response:

- 1
- 2 a) The requested information is being provided in confidence for the reasons set out in the
- 3 cover letter to the Applicants' interrogatory responses.
- 4
- 5 b) The services provided under this agreement are expected to commence October 1, 2016. In
- 6 2016, the costs under this agreement are \$216,000, of which \$156,000 represents one time
- 7 project setup and implementation fees. In 2017, the estimated costs under this agreement
- 8 are \$240,000.
- 9
- 10 c) The agreement does not allow for termination upon a change in HOBNI's ownership.

B-VECC-2

Reference(s): B/T5/S5

Preamble:

- a) The Applicants' have stated that they will consolidate customer information systems as quickly as possible. Please explain how under consolidation of CIS the Applicant will ensure that customer service quality (service response, billing issues etc.) will be maintained (or improved) as part of this proposal.**

Response:

- 1 a) The migration to a common Customer Information System ("CIS") will be done using a
- 2 rigorous project management approach where scope, schedule and costs are monitored in
- 3 short intervals against plans and budget. Every effort will be made to ensure that this work
- 4 is seamless to customers and customer service quality is maintained.

B-VECC-3

Reference(s): B/T5/S1/Figure 5/pg. 5

Preamble:

a) With the exception of 2013 Enersource and HOBNI have significantly better SAIDI and SAIFI results than the other two Utilities over the 2010-2014 period. Please explain the reasons for this and what steps will be taken to ensure the superior service reliability in the Enersource and HOBNI service areas be maintained after consolidation.

b) Please update Figure 20 for 2015 data.

Response:

1 a) Enersource and HOBNI's SAIDI and SAIFI results, with the exception of 2013, are better
2 than Horizon Utilities and PowerStream's SAIDI and SAIFI results due to a number of
3 factors. As identified on page 6 of the Ontario Energy Board's ("OEB") *Report of the Board*
4 *on Electricity Distribution System Reliability Measures and Expectations* (EB-2014-0189),
5 dated August 25, 2015:

6
7 *"In Ontario, distributors operate under many varying business conditions that*
8 *have contributed to their current reliability performance, including their historical*
9 *asset investment strategy, their design criteria, age of assets, the amount of*
10 *underground assets mandated by the local authority, the mix of customers,*
11 *population density and localized weather events, etc."*

12
13 The circumstances described above apply to both Horizon Utilities and PowerStream. The
14 Applicants are committed to reliability across the entire service area of LDC Co. Please see
15 the Applicants' response to Interrogatory B-BOMA-6b).

16
17 b) Please see the Applicants' response to Interrogatory B-AMPCO-11b).

B-VECC-4

Reference(s): B/T5/S3

Preamble:

- a) Please provide a table showing the average 2015 annual residential distribution service rates (based on 800 and 1000 kWh/month for each of the current utilities.
- b) Do the Applicants intent to harmonize rates in the future?
- c) If yes, please explain what assurances are being given that no customers will be worse off than under harmonized rates.

Response:

- 1 a) The Applicants provide Table 1 below to show the average 2015 annual residential
- 2 distribution rates.

Table 1 - Annual Residential Distribution Rates

Distributor	Enersource	Horizon Utilities	HOBNI	PowerStream
800 kWh/mo	\$ 286.32	\$ 337.44	\$ 285.12	\$ 286.44
1000 kWh/mo	\$ 318.24	\$ 374.64	\$ 313.44	\$ 320.04

- 3
- 4 b) Rates will not be harmonized, and rate zones will continue until there is no
- 5 material adverse impact on customers from harmonization.
- 6
- 7 c) See the response to b) above.

B-VECC-5

Reference(s): B/T6/S1/Figure 25

Preamble:

- a) Using Figure 25 please provide a breakdown of the avoided capital costs into the noted categories: Information System; Operating Systems; Single Control Room; Harmonizing Engineering Standards.
- b) Please provide the most recent individual forecast for capital spending on these categories for each of the existing Utilities
- c) Using Figure 25 please provide a breakdown of the operating costs savings into FTE savings and other savings for each year.

Response:

- a) Please see the Applicants' response to Interrogatory B-AMPCO-4b) for a breakdown of capital synergies in Table 2. There are no incremental capital savings to convert from four control rooms to two/one control rooms, other than asset management and IT systems consolidation. The capital savings related to the harmonization of engineering standards are \$0.4MM annually starting in year two (included under supply chain discounts and rationalization in Table 2 of the Applicants' response to Interrogatory B-AMPCO-4b).
- b) Please see Tables 1 to 4 below for the forecast expenditures by utility for the requested categories. Please note that the Applicants do not track capital expenditures relating to engineering standards separately.

Table 1 – Forecast Capital Expenditures – Enersource

Enersource	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Information Systems	4,560,000	4,154,000	3,793,000	4,073,000	4,154,460	4,237,549	4,322,300	4,408,746	4,496,921	4,586,860
Operating/Engineering Systems	1,075,000	1,025,000	930,000	1,105,000	1,127,100	1,149,642	1,172,635	1,196,088	1,220,009	1,244,409
Control Room	-	-	-	-	-	-	-	-	-	-
Engineering Standards	-	-	-	-	-	-	-	-	-	-
	5,635,000	5,179,000	4,723,000	5,178,000	5,281,560	5,387,191	5,494,935	5,604,834	5,716,930	5,831,269

13 **Table 2 – Forecast Capital Expenditures – PowerStream**

Powerstream	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Information Systems	4,329,113	6,810,550	3,140,450	5,654,950	3,801,822	3,877,859	3,955,416	4,034,524	4,115,215	4,197,519
Operating/Engineering Systems	949,708	1,271,051	426,078	260,653	1,178,809	1,202,385	1,226,433	1,250,961	1,275,981	1,301,500
Control Room	52,986	53,371	53,757	229,688	1,043,544	1,064,415	1,085,703	1,107,417	1,129,565	1,152,157
Engineering Standards	-	-	-	-	-	-	-	-	-	-
	5,331,807	8,134,973	3,620,285	6,145,291	6,024,175	6,144,659	6,267,552	6,392,903	6,520,761	6,651,176

15 **Table 3 – Forecast Capital Expenditures – Horizon Utilities**

Horizon	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Information Systems	5,000,000	2,500,000	2,000,000	2,700,000	2,754,000	2,809,080	2,865,262	2,922,567	2,981,018	3,040,639
Operating/Engineering Systems										
Control Room										
Engineering Standards	-	-	-	-	-	-	-	-	-	-
	5,000,000	2,500,000	2,000,000	2,700,000	2,754,000	2,809,080	2,865,262	2,922,567	2,981,018	3,040,639

17 **Table 4 – Forecast Capital Expenditures – HOBNI**

HOBNI	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Information Systems	10,725,140	336,710	365,380	532,330	542,977	553,836	564,913	576,211	587,735	599,490
Operating/Engineering Systems										
Control Room										
Engineering Standards	-	-	-	-	-	-	-	-	-	-
	10,725,140	336,710	365,380	532,330	542,977	553,836	564,913	576,211	587,735	599,490

19 c) Table 5 below identifies the breakdown of the operating cost savings identified in Figure 25
 20 into FTE savings and Other savings for each year.

21 **Table 5 – Breakdown of Operating Cost Savings into FTE and Other Savings by Year**

(\$MMs)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Operating Synergies	7.2	20.1	31.7	40.6	42.5	42.5	42.5	42.5	42.5	42.5	354.6
Operating Transition Costs	20.9	11.1	8.2	2.3	0.5	-	-	-	-	-	43.0
Operating Synergies											
FTE	6.7	17.5	28.0	34.5	36.7	36.7	36.7	36.7	36.7	36.7	306.9
Other	0.5	2.6	3.8	6.0	5.8	5.8	5.8	5.8	5.8	5.8	47.7
Total Operating Synergies	7.2	20.1	31.8	40.5	42.5	42.5	42.5	42.5	42.5	42.5	354.6
Operating Transition Costs											
FTE	(17.5)	(10.0)	(7.8)	(2.0)	(0.3)	-	-	-	-	-	(37.6)
Other	(3.4)	(1.1)	(0.5)	(0.2)	(0.2)	-	-	-	-	-	(5.4)
Total Operating Transition Costs	(20.9)	(11.1)	(8.3)	(2.2)	(0.5)	-	-	-	-	-	(43.0)
Net Operating Synergies											
FTE	(10.8)	7.5	20.2	32.5	36.4	36.7	36.7	36.7	36.7	36.7	269.3
Other	(2.9)	1.5	3.3	5.8	5.6	5.8	5.8	5.8	5.8	5.8	42.3
Total Net Operating Synergies	(13.7)	9.0	23.5	38.3	42.0	42.5	42.5	42.5	42.5	42.5	311.6

22

B-VECC-6

Reference(s): B/T7/S2

At this reference it states:

Earnings in excess of 300 basis points above the Board's established regulatory return on equity ("ROE") for the consolidated entity would be divided on a 50/50 basis between LDC Co and its ratepayers. The ratepayer share of earnings will be credited to a newly proposed deferral account, for clearance at the next applicable annual IRM application filing. For example, if LDC Co over-earned in year six post consolidation, it would report the balance in the deferral account in the year eight IRM application which would be filed in year seven, and refund 12 50% of this balance to ratepayers over the twelve months commencing January 1 of year eight.

Preamble:

a) Please explain why shared earnings (if any) are forecast to disposed of two years after the year of earnings (rather than in following year)

Response:

- 1 a) Any earnings in excess of 300 basis points above the OEB's established regulatory return
- 2 on equity ("ROE") for the consolidated entity would be shared on a 50/50 basis between
- 3 LDC Co and its ratepayers. In the example provided above, there is a reference to "12
- 4 50%". The Applicants understand this to be a typographical error that should read "50%".
- 5 The earnings for year six post consolidation and exclusive of revenue and expenses that
- 6 would not otherwise be included for regulatory purposes, for which examples have been
- 7 provided in Exhibit B, Tab 7, Schedule 2, would be based on audited financial results.
- 8
- 9 Audited results would be available in the year following the year being evaluated for ESM
- 10 purposes. In the example above, audited results for year six will be available in year seven.
- 11 Consequently, the Applicants would include in an IRM application (filed in year seven) the
- 12 request to approve the disposition of any earnings sharing, if applicable, for rates effective in
- 13 year eight. Consequently, shared earnings (if any) would be disposed of two years after the
- 14 year of earnings.

A-VECC-7

Reference(s): B/T6/S5/pg.6; Attachment 10 PDF pg.64

Preamble:

- a) Please provide an update on the status of the Competition Bureau approval process. Specifically, when do the Applicant's expect to receive a decision as contemplated under section 6.6 Regulatory Approvals of the Share Purchase Agreement.**

Response:

- 1 a) On July 8, 2016, the Competition Bureau issued its clearance of the transaction in the form
- 2 of a "no action letter".

ATTACH 2-VECC-8

Reference(s): Attachment 2/pg.3; Attachment 3/pg.5

Preamble:

a) Post consolidation will the combined rate base of the new utility be used for the purpose of calculating any ICM materiality threshold? If not please explain.

Response:

- 1 a) Matters related to the ICM materiality threshold for future ICM applications will be addressed
- 2 in future ICM applications.

ATTACH2-VECC-9

Reference(s): Attachment 2/pg.12

Preamble:

a) Please explain why “Virtually all of the shared income increase beyond the 10 year rebasing deferral period attributed to acquired HOBNI net income.”

Response:

- 1 a) Please see the Applicants' response to Interrogatory ATTACH2-STAFF-18a) and b).

ATTACH10-VECC-10

Reference(s): Attachment 10/Section 5.2 (PDF pg. 167)

Preamble:

a) Please provide a list of all publicly filed litigation of any of the Applicant's which pose a potential material liability against the consolidated utility.

Response:

- 1 a) There is no publicly filed litigation which the Applicants anticipate would pose a potential
- 2 material adverse effect to the consolidated utility.

ATTACH11-VECC-11

Reference(s): Resolution for Transaction Approval; pg. 14 (PDF pg.37)

Preamble:

- a) At the above reference it states that PowerStream negotiated with the Province for the removal of a transfer tax of approximately \$200million which resulted in a PILS tax credit of \$60million. Please provide a copy of this agreement.**
- b) Please explain how this tax credit impacts the financing of the transaction.**

Response:

- 1 a) The language quoted is part of the City Of Vaughan's "Extract from Special Council meeting
2 minutes of October 7, 2015". The City of Vaughan report interprets HOBNI Purchaser
3 Promissory Note (included in Ex1.1 (132) of SPA – Attachment 10) as a removal of transfer
4 tax. The HOBNI Purchaser Promissory Note, however, does not mention the removal of
5 transfer tax; it is a mechanism to manage PILS tax liability arising from the transaction.
6
- 7 b) The Total Purchase price of \$607MM is not affected by the amount of the adjustable
8 promissory note, since the \$607MM payment for HOBNI shares will be comprised of a cash
9 payment and the adjustable note (see Attachment 1, p.13 – step 4 of the acquisition).

B-VECC-12

Reference(s): B/T6/S1/Figure 26/pg.4

Preamble:

- a) Please define the “Distribution Revenue” shown in Figure 26. Please explain why revenues (as opposed to net income) would increase under a consolidated utility as compared to these Utilities operating separately.**

1 Response:

- 2 a) The “Distribution Revenue” shown in Figure 26 includes fixed and variable customer
3 charges. Figure 26 shows that distribution revenues under LDC Co would decrease as
4 compared to *status quo* distribution revenues during the rebasing deferral period and
5 thereafter.

B-VECC-13

Reference(s): B/T6/S2

Preamble:

a) Please provide a breakdown of the \$96.3 million in consolidation costs by year for:

- i. Financing costs**
- ii. Severance costs**
- iii. Integration costs**

b) Please provide the programs underpinning the capex spending between 2016 and 2018 of \$53.3 million.

Response:

a) Table 1 below identifies the breakdown of the \$96.3MM in consolidation costs by year for financing, severance and integration.

Table 1 – Breakdown of Consolidation Costs (\$MM)

	Transition Cost - Operating					Transition Cost - Capital					Total
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020	
Financing costs	-	-	-	-	-	-	-	-	-	-	-
Severance costs	15.6	9.0	7.6	2.1	0.3	-	-	-	-	-	34.6
Integration costs	5.2	2.1	0.6	0.2	0.2	33.7	15.2	4.4	-	-	61.6
TOTAL	20.9	11.1	8.2	2.3	0.5	33.7	15.2	4.4	-	-	96.3

The financing costs are shown as \$nil in Table 1 above as the severance and integration costs will be funded through the anticipated productivity savings expected from the consolidation during the ten year rebasing deferral period (Exhibit B, Tab 6, Schedule 2, Page 1).

b) Please see the Applicants' response to Interrogatory B-BOMA-10d) for a breakdown of the capex spending of \$53.3MM.