August 19, 2016

By RESS and Courier

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

Dear Ms. Walli;

Re: Enersource, Horizon Utilities and PowerStream (collectively, the "Applicants") MAADs Application (EB-2016-0025)

The Applicants are in receipt of the Ontario Energy Board's ("OEB") Procedural Order ("PO") #3 in which the OEB indicated that OEB Staff and Intervenors shall file with the OEB and serve the Applicants with a list of the topics they will be asking questions on at the Technical Conference on or before August 17, 2016.

The Applicants have received AMPCO's Technical Conference questions in advance and have prepared written responses which are being filed along with this correspondence through the OEB's RESS system, as directed in PO #4.

The Applicants have provided a live Excel spreadsheet in response to AMPCO TCQ 6b).

AMPCO TCQ 8 requests information on the Applicants' anticipated headcount reductions. The Applicants' employees have not been advised of particulars of the reductions in headcount. Consequently, the Applicants are filing their response to AMPCO TCQ 8 in confidence.

The Applicants have reviewed the input received from OEB Staff, Building Owners and Managers Association ("BOMA"), Energy Probe ("EP"), School Energy Coalition ("SEC"), and the Vulnerable Energy Consumers Coalition ("VECC"). The Applicants have determined that questions can be best addressed by presenting two panels:

Panel 1: Finance

John Basilio, SVP & CFO, Horizon Utilities
John Glicksman, EVP & CFO, PowerStream
Indy Butany-DeSouza, VP, Regulatory Affairs, Horizon Utilities
Elena Yampolsky, Manager, Strategic Support & Planning, PowerStream

Panel 2: *Operations*

Norm Wolff – EVP & CFO, Enersource
Colin Macdonald, SVP, Regulatory Affairs & Customer Service, PowerStream
Dan Pastoric, EVP & Chief Customer Officer, Enersource
Brenda Schacht, VP, Human Resources, Horizon Utilities

Curricula Vitae ("CVs") for these panel members are attached.

We trust that this will assist in having an effective the Technical Conference.

Yours truly,

Original signed by Indy J. Butany-DeSouza

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Fred Cass, Aird & Berlis LLP
James Sidlofsky, Borden Ladner Gervais LLP
Intervenors of Record

TC-AMPCO-1

Reference(s): General

Preamble:

a) Please update the evidence to reflect the impact of the recent OEB Decision regarding the PowerStream Inc. Application EB-2015-0003.

Response:

a) The August 4, 2016 Decision of the Ontario Energy Board ("OEB") (the "Decision") on PowerStream's Custom Incentive Regulation ("CIR") Application (EB-2015-0003) impacts the pre-filed evidence and interrogatory responses as follows.

It was anticipated that PowerStream would have a five year rate plan on a CIR basis. Instead, the Decision set rates for two years, 2016 and 2017. It was further assumed that in 2021, following the end of the five year rate plan term, rates would be established for the PowerStream rate zone through a "price cap plus Incremental Capital Module ("ICM")" regime. This rate setting mechanism will now start in 2018 and continue during the ten year rebasing deferral period.

The business case for the merger incorporated a five year rate plan for PowerStream with a rebasing in each year: 2016 to 2020. In the interests of conservatism, recognizing that OEB decisions rarely award the full requests in rate applications, the business case model assumed that: i) OM&A expenditure would be reduced in each of the five years by $5MM; and ii) capital expenditure would be reduced by $10MM in each of 2016, 2017 and 2018.

The OEB Decision set PowerStream's 2016 rates on a price cap basis with an adjustment of 1.8%. Rates for 2017 were established on a cost of service basis. The 2017 revenue requirement calculation incorporates a $5.6MM reduction in OM&A spending and a $15.8MM decrease in capital spending as ordered by the Board. The financial impacts of the Decision are shown in Table 1, below:

Table 1: Financial Impact of PowerStream Rate Decision (2016 to 2020)

	Applied-for Distribution Revenue	$1,092MM
A	Applied-for Distribution Revenue Adjusted for Business Case Model Assumptions for Reductions in OM&A and Capital	$1,053MM
B	Distribution Revenue Resulting from Decision[1]	$1,019MM
A-B	Difference in Distribution Revenue	$34MM

Notes:

1. Assumes a 1.8% price cap with no ICM in 2018, 2019 and 2020

The $34MM difference in distribution revenue identified in Table 1 is for the five year period, 2016 to 2020. Of this amount, $13MM relates to 2016, a year in which PowerStream is expected to remain a stand-alone utility. The net decrease in distribution revenue has a correspondingly small impact on net income for the 2017 to 2020 time period: approximately $5MM/ year pre-tax and $3.7MM/ year after-tax. This represents: i) less than 1% of the forecast combined average annual Distribution Revenue Requirement in the model for those years; and ii) less than 3% of forecast average annual regulated net income in the model for those years.

Lastly, the Applicants submit that LDC Co will have a measure of flexibility to absorb the relatively small impact through further efficiency discoveries as it moves through the merger transition period.

Based on the above analysis, the Applicants submit that the Decision does not have a material impact on the following matters for the post-consolidation period: i) the business case model; ii) projected customer benefits; and iii) financial viability.

It would be onerous to update all evidence to reflect the PowerStream Decision; the Applicants estimate that the exercise would take several weeks. The Applicants submit that the above evidence demonstrates the minimal impact arising from the Decision for the post-consolidation period, and that a restatement of Application evidence is unnecessary

TC-AMPCO-2

Reference(s): B-AMPCO-2

Preamble:

The response indicates that Navigant was engaged by and performed the analysis for the City of Markham. The Applicants do not have and are unable to provide the detailed analysis to support the statement that the benefits to the City of Vaughan indicate future utility rate reductions of $40 per customer per year.

a) Have the Applicants performed a similar analysis to show future rate reductions for customers?

b) If not, could this analysis be undertaken?

Response:

a) Please see slide 9 *"Customer Benefits – Rate Revenue"* of Attachment 2 entitled *"Financial Summary"*, of the Application, for the Applicants' analysis of customer average distribution revenue reductions. This slide demonstrates an average reduction of $42 or 6.2% across forecast period, and average decrease of $59 or 8.0% post rebasing.

b) The revenue reduction analysis referenced in a) above provides a suitable proxy for the Navigant rate reduction analysis.

TC-AMPCO-3

Reference(s): B-AMPCO-4

Preamble:

a) Please discuss if the budget numbers post 2015 include the productivity savings that were previously identified in the last rebasing or Custom IR applications of each LDC pre-merger.

b) Please discuss if this application has any impact on those projected savings by LDC.

Response:

a) In the business case the budgets were used by each company as a base case and then synergies were established on top of the productivity savings already established. Therefore, the budget numbers post 2015 include productivity savings identified in the last rebasing and Custom IR applications.

b) No, the Application does not have any impact on the projected savings.

TC-AMPCO-4

Reference(s): B-AMPCO-5 (b)

Preamble:

The Applicants confirm that some incremental in-house staffing costs are included in the transition costs.

a) Please provide the $ amount for incremental in-house staffing costs included in the transition costs.

Response:

a) Incremental in-house staffing costs of $37.6 MM is included in transition costs. Please see the Applicants' response to Interrogatory B-BOMA-10a), Table 1.

TC-AMPCO-5

Reference(s): B-AMPCO-9

Preamble:

The response indicates the aggregate ICM revenue is $130 million.

a) Please provide a breakdown of this amount by LDC.

Response:

a) Please see the Applicant's response to Interrogatory B-SEC-18.

TC-AMPCO-6

Reference(s): B-AMPCO-15

Preamble:

a) The response provides information on the % of asset in very poor, poor and fair condition by asset type. AMPCO seeks to have the information provided at the total asset level and asks that the Applicants please complete the following Table (provided in the original interrogatory).

LDC	Total # of Assets	% of Assets At or Beyond Typical Useful Life	% of Assets in Poor or Very Poor Condition	% of Assets in Fair Condition
Enersource				
Horizon				
PowerStream				
Hydro One Brampton				

b) Please provide the live excel spreadsheets for Tables 1 to 4 provided in the response.

Response:

a) The Applicants' response to Interrogatory B-AMPCO-15 provided the total # of assets, % of assets in very poor, poor and fair condition by asset type to provide a more complete representation of the condition of the assets. Providing the requested information at the total asset level does not provide an accurate representation of the asset health, and the magnitude of risk resulting from the asset health.

Providing the asset health at a total asset level does not account for: the variation in asset categories included in the Asset Condition Assessment ("ACA") between Enersource, Horizon Utilities, PowerStream and HOBNI; the variation in volume of assets within each asset category; and the variation in replacement cost of the assets within each asset category. Additionally, some assets are measured by the number of units while other assets are measured by length which would undermine the value of calculating a single measure at a total asset level using it as a basis for any analysis of the health of a distribution system.

b) The Applicants have filed 'live' versions of the excel spreadsheets as requested.

TC-AMPCO-7

Reference(s): B-AMPCO-18

Preamble:

The response provides information on the analytical tools, system resources and monitoring to improve power quality.

a) Please identify specific improvements that are new as a result of LDC Co. and are not already in place.

Response:

a) The Applicant’s response on how system power quality will be monitored and improved for customers under LDC Co. was provided in the response to Interrogatory B-AMPCO-19. The analytical tools, system resources, and monitoring identified in the Applicants’ response to Interrogatory B-AMPCO-19 are already in place.

TC-AMPCO-8

Reference(s): B-Staff-7 (c)

Preamble:

The payroll savings result from redundant positions largely in administration and back-office functions.

a) Please provide the total number of redundant positions included in the payroll savings.

Response:

a) The total number of redundant position included in the payroll savings is [redacted].

TC-AMPCO-9

Reference(s): B-STAFF -8

Preamble:

The Applicants cannot estimate the impact on projected savings should these risks materialize.

a) Please explain further why the Applicants cannot assess the impact on projected savings should these risks materialize.

Response:

a) The Applicants have not assessed the impacts from the risks identified in the response to Interrogatory B-STAFF-8 at the time of the preparation of interrogatory responses.

As risks materialize, LDC Co will look to adjust its business plan to mitigate any negative impacts to customers or the business to the greatest extent possible.

With respect to Information Technology, the Applicants have no reason to believe that the systems will take longer to integrate than planned.

With respect to Union Agreements, the ability to move or reduce staff will be guided by collective agreement terms and conditions, as well as further dialogue with union representatives to confirm the process. Any barriers to the ability to relocate individuals to centralized locations or to achieve FTE reductions, will negativity impact synergies as well as increasing transition costs. Only preliminary relocation plans have been developed to date that require further review and approval prior to commencing discussions with union representatives.

With respect to OEB Decision timing, the schedule provided by the OEB, since the initial interrogatory responses were given, has provided the Applicants with greater confidence that the process has the potential to be concluded within the 2016 calendar year.