EB-2016-0025

CROSS-EXAMINATION COMPENDIUM

OF THE

SCHOOL ENERGY COALITION

(Panel 1 – Finance)

But if you can come back in year six and say, no, no, no, now we need another rate increase, then suddenly we only have what we have in hand, and that is not much.

And so you understand why we're concerned about this. I am wondering if you can help understand why this proposal protects against that.

MR. CASS: So Jay, as I am sure you know, the January 2016 Rate Handbook does set out the Board's expectations, if there was a need or a desire to seek to terminate the deferred rate rebasing period at an early time.

MR. SHEPHERD: Yes.

MR. CASS: So I am not sure what the witnesses can add to that.

MR. SHEPHERD: Okay. I am just giving them the opportunity to give a fuller explanation, because, you know --

MR. BASILIO: The only thing I would add is, we do have our ratepayer interests in mind when we're making decisions. Part of -- certainly a significant motivation for doing this transaction is that it is a win-win. It is a win for shareholders, it's a win for ratepayers. There's certainly a lot of interest in seeing those ratepayer benefits realized in the first ten years as well as thereafter.

And so, again, I don't have a crystal ball for what might happen in years six or seven. It would be subject to Board policy if we, you know, if we were to come forward with a threshold issue. But there is an intention here to

MR. BASILIO: No. The shareholders approved the transaction on the basis of the customer and shareholder benefits in the business plan.

MR. SHEPHERD: Well, yes, except the shareholder benefits are a lot more than the customer benefits.

MR. BASILIO: No. They are not. In fact, if you were to do a present value of the $69 million annuity and the savings relative to the status quo in the first ten years compared to the present value of the after-tax benefits to the shareholders in the first ten years, you would find number 1 outweighs number 2 significantly.

MR. SHEPHERD: The first ten years you're talking about?

MR. BASILIO: In the first ten years shareholders have $425.9 million of pre-tax benefits. Now, some of those are amortized, right, because some of them are capital. So they're not all immediate. They don't all fall to the bottom line.

MR. SHEPHERD: Understood.

MR. BASILIO: Customers benefit in the first ten years, would all be the status quo. I don't think I need to go -- I mean --

MR. SHEPHERD: Not $400 million.

MR. BASILIO: Not $400 million, but thereafter they benefit by $69 million a year in perpetuity.

MR. SHEPHERD: I see. So you are saying if you count the savings forever the ratepayers benefit.

MR. BASILIO: If you count -- right, if you count the savings after the ten years forever and the savings within the first ten years, customers are far and away better off from a rate perspective. But they're also better off, in terms of a larger, more financially viable utility, and, you know, generally speaking -- sorry?

MR. SHEPHERD: How does that help them?

MR. BASILIO: It helps them with respect to distribution system investment.

MR. SHEPHERD: And what's the outcome that they get for that?

MR. BASILIO: More security of investment, that you've got a viable entity that can continue to provide long-term investment.

MR. SHEPHERD: How does that help them? I'm sorry, I don't understand. Does that improve --

MR. BASILIO: It helps them in terms of reliability.

MR. SHEPHERD: So you are saying your reliability is going to improve?

MR. BASILIO: I think over time it will, yes.

MR. SHEPHERD: Do we have a commitment in here for that?

MR. BASILIO: No, we don't. There are no commitments for those sorts of things. These are, I think, reasonable assertions that larger, better capitalized entities are generally more liquid and able to provide better for investment than smaller, liquidity-constrained entities.

MR. SHEPHERD: All right. So my next question is on SEC 31. You have refused to provide the shareholders'

MR. SHEPHERD: And so I thought that Mergeco would be doing the same thing, just with more areas; is that not right?

MR. GLICKSMAN: Ms. Butany mentioned to you -- you asked a question earlier about the DSP. Mergeco has not done a DSP. As John has indicated, the business plan is predicated on the DSPs of the individual utilities and that there are sufficient funds allowed for in the business plan to maintain the capital spending as per the current DSPs.

MR. SHEPHERD: So you won't be doing the same sort of ongoing prioritization that PowerStream does right now?

MR. GLICKSMAN: So currently, it is assumed that there will be sufficient capital availability recovered in rates to be able to support all of the initiatives that are in the current DSPs.

It could be -- I think what you're suggesting is when there is a new DSP, will those priorities be different.

That we cannot conjecture at this point in time.

MR. SHEPHERD: All right. I am not quite finished. I would like to ask one more question before the break, and I am not quite finished. I have to do a little bit more after the break. If you want to take a break now.

MS. HELT: Certainly, hmm-hmm.

MR. SHEPHERD: Let me ask one question, and this is from Staff 11. You are talking about making rate applications, and I am going to sort of bring in a bunch of different things that relate to this.

The thing I don't understand is, after closing, are you four LDCs or one LDC?

MS. BUTANY-DESOUZA: One LDC, with four rate zones.

MR. SHEPHERD: All right. And so you are contemplating that you will file your rate applications separately for the four rate zones, as if they were separate LDCs?

MS. BUTANY-DESOUZA: We will file likely -- and this is still in the development stage because we're not there yet -- but it would likely be one application, if you imagine one IRM application with three tabs to it, and each of those tabs pertains to the rates related to the particular rate zones.

Had PowerStream been on custom IR, their custom IR application had been filed and they came out of that with subsequent annual filings, then there would be an annual filing application with two annual filings in it.

Perhaps what we will be filing is an overall application that speaks to LDC Co. overall, and has four sections; one an annual filing for Horizon Utilities and three sections related to IRM for the other three rate zones.

MR. SHEPHERD: And then each of the four components could, depending on the year and the need, have an ICM in it as well?

MS. BUTANY-DESOUZA: It may. I think we indicated that in evidence.

MR. SHEPHERD: So a couple of things arise out of that. One is, you were asked somewhere how are you going to allocate common costs, and you don't have a system in place for allocating common costs, right?

MS. BUTANY-DESOUZA: Not as yet, no. That doesn't mean that we won't. It just means we don't right now because we're not one.

MR. SHEPHERD: But once you are one, you do have to allocate common costs as long as you have separate rate zones, right?

MS. BUTANY-DESOUZA: Yes, that's correct.

MR. SHEPHERD: And so at what point are you expecting that the Board will review your allocation methodology?

[Witness panel confers]

MS. BUTANY-DESOUZA: Respectfully, likely in that future rate application. That's not a matter for this application nor the satisfaction of the no harm test. That's a rates matter to be dealt with in a rates proceeding.

MR. SHEPHERD: So in your IRM application?

MS. BUTANY-DESOUZA: As an example.

MR. SHEPHERD: Well, you're not suggesting that it's first looked at in 2027?

MS. BUTANY-DESOUZA: No. I'm suggesting that in a future rate application, that that's when the Board would review that.

MR. SHEPHERD: Okay, thanks. And then the other part of this is, I think you have said that you will have four separate rate zones until the rates converge. Is that right?

MR. MACDONALD: Correct.

MR. SHEPHERD: All right. And then to the extent that there's any -- that they do any work for affiliates, for example, for example solar and stuff like that, that's done in the allocation process?

MR. MACDONALD: We would have service level agreements, as each of the predecessor utilities does.

MR. SHEPHERD: Right. Okay. I think I am just about done. Are you the ones to ask questions about the service level agreement with PowerStream Solar?

MR. WOLFF: You can ask the question, but if it's not something I am specifically familiar with, I would have to defer to the other panel, but maybe you can ask and then I can make the determination.

MR. SHEPHERD: All right. So you don't have a service level agreement yet, right?

MR. WOLFF: Not a final one, no.

MR. SHEPHERD: It is being negotiated right now as we speak.

MR. WOLFF: Correct.

MR. SHEPHERD: Well, not as we speak, because everybody is here, but...

But do I understand that you don't have a number yet? You don't have any dollar figures to tell the Board about how much the LDC Co. is going to be paid for the services it provides?

MR. WOLFF: I don't believe so. And I don't think that we've put any numbers together at this point.

MR. SHEPHERD: Do you know when those will be available?

MR. WOLFF: Not off the top of my head.

MR. SHEPHERD: Will they be available during this proceeding?

MR. WOLFF: I suspect not.

MR. SHEPHERD: Thank you.

I think that is all the questions I have of this panel.

MS. HELT: Thank you, Mr. Shepherd. What I would suggest at this time is that we just go off air for a couple of minutes, switch back to panel 1.

Mr. Aiken, how long do you think you will be with panel 1?

MR. AIKEN: I don't think I will be very long. Mr. Shepherd has covered a lot of my questions. I might be 15 minutes.

MS. HELT: And then Board Staff can proceed with our questions. And that might take us to about 12:30, which might be a good time to take a lunch break, unless Mr. Garner, do you have any questions?

MR. SHEPHERD: I do have some more questions of panel 1, though.

MS. HELT: You do?

MR. SHEPHERD: Yes.

MS. HELT: Oh. All right. I was not aware of that. How long will you be?

MR. SHEPHERD: 15 minutes.

applications. We were talking about what might be required to support future applications.

And, you know, a transfer pricing methodology or, you know, service level agreement -- I mean, we file transfer pricing methodologies with cost-of-service applications. We file service level agreements as well.

But, you know, in supporting ICM or other applications in the interim, that may be something that the Board wants to see.

We would certainly want to have those -- we would want to have those things in place for a variety of reasons, not so much -- I mean, of course having evidence for the Board, that's very important.

But frankly, these things are necessary to operate the business and be able to manage distinct business lines and evaluate their performance on an ongoing basis.

So, you know, these are analyses that we expect to go through, I would say, over the next several months, you know, to establish the businesses and business lines and be able to evaluate performance.

But the -- the sort of evidence I think you're suggesting that the Board would typically see, we suspect would have to be available at the next application, you know, perhaps an ICM application or update application or IRM application, something like that. Possibly, if the deal closes December 31st, that would be --

MS. BUTANY-DESOUZA: August 2017.

MR. BRETT: Hmm-hmm. So you're suggesting you the future, but we haven't gone through that analysis.

MR. SHEPHERD: So you don't know what the impact would be.

MR. PASTORIC: That's correct, that's correct.

MR. SHEPHERD: Okay, thanks.

I am trying to understand the three offices. And I would have thought that Mr. Glicksman and Mr. Basilio would be able to answer this, but they thought that you would prefer to be the people to answer it.

So let's start with the question, am I right in assuming that if you didn't start with these three head offices already you probably wouldn't build three? You would probably build one. Right?

MR. PASTORIC: It would make sense to look at economies of scale. So the answer would be most likely, yes, if everything was clean slate. But since we have three existing offices we're being put into using the existing facilities.

MR. SHEPHERD: Okay. So then the question is, why wouldn't you -- because we know for, example, that the Mississauga one -- there was a whole thing about, right, how big it was. You do have some extra room there, right?

MR. PASTORIC: There is a small section from our last rates case that was too costly to renovate; that's correct.

MR. SHEPHERD: And so -- and it is central. So I am not sure I understand why you wouldn't be thinking about selling one of the other ones.

MR. PASTORIC: Because in the case of any one office

Undertaking No. JTC1.4

Reference: Page 51 of Transcripts Volume 1

What contractual commitments have been made to the communities of each LDC? Did the Applicants contractually commit to maintain 3 head offices?

Response:

The Shareholders of the Applicants have agreed that:

- MergeCo will maintain the Corporate head office at Mississauga; the LDC head office in Hamilton; and the Sustainability & Innovation head office in Vaughan for at least ten years following consolidation unless all of the Shareholders agree to change any of those locations before the ten years expire; and
- MergeCo will maintain call centres in Vaughan and St. Catharines for at least ten years following consolidation, unless the directors, after consulting with all of the Shareholders, determine there is a commercially sound business reason to relocate either of the call centres before the ten years expire.

MR. SHEPHERD: That is not really helpful. I am asking you to give me an undertaking to provide the rationale. You can either give the undertaking, or you can refuse.

MS. SCHACHT: We will provide an undertaking.

MS. HELT: That will be undertaking JTCX1.5 and just to make sure I have it clear it is to provide an explanation or rationale for the number of executive management and non-management FTEs?

MR. SHEPHERD: No, no, executive management and management.

MS. HELT: And management sorry, FTEs. Thank you.

UNDERTAKING NO. JTCX1.5: TO PROVIDE AN EXPLANATION OR RATIONALE FOR THE NUMBER OF EXECUTIVE MANAGEMENT AND MANAGEMENT

MR. CASS: And, Maureen, the X designation is the confidentiality part?

MS. HELT: Yes.

MR. CASS: Yes, thank you.

MR. SHEPHERD: My next question is on BOMA 8, and there's confidential information in the response to (f).

I wonder if you can just tell us which of those categories of people -- you have a certain number of people that you are going to locate at the sustainable and innovation office.

Can you tell us which of those people are utility personnel and which are not? Are they by category, or are they in each one some utility and some not utility?

MS. SCHACHT: The numbers in BOMA 8 are all utility people.

MR. SHEPHERD: So then help me understand this. The first category here is obviously not a utility activity. That's -- the ratepayers don't pay for that.

[Witness panel confers]

MR. MACDONALD: Mr. Shepherd, you are correct in that that function is funded by the IESO.

MR. SHEPHERD: Yes.

MR. MACDONALD: But it is a licensed activity of the distributor.

MR. SHEPHERD: Let me rephrase it, then. Can you break down these people into the ones that the ratepayers are paying for and the ones the ratepayers are not paying for? Just give us a table.

MR. MACDONALD: Looking at the list in front of me in this response, we have just talked about conservation demand management.

The other activities looking at this list --

MR. SHEPHERD: Before you go any further, remember that this is marked as confidential, right? So I don't know how much of this chart is confidential. Maybe it is just the numbers, but --

MR. MACDONALD: I won't read them out. But I will say that these activities are, in front of me, are -- they're all core distribution functions.

MR. SHEPHERD: So all of them, except the first one, are paid for by the ratepayers?

model that would support a business case.

And fundamentally, I mean, it's a very large, complicated model, but the premise of the model is to take the regulated LDC projections for OM&A and capex, and associated balance sheets, so working capital, to create a rate-making model consistent with the Board's policy for rate-making.

So essentially what you're doing is taking capital and operating projections. You are determining regulated cash flows. That allows you to determine a regulated P&L statement and associated balance sheet. Then that is essentially kind of a starting point for looking at, you know, what do the four entities look like together, and then layering in synergies, the acquisition of Hydro One Brampton, and effectively how that is structured. So being able to perform some sensitivity on purchase price, debt financing, and the sheet that -- the top sheet of the document that you provided really is a summary, largely a summary of a sensitivity between what is paid for for Hydro One Brampton, how it is levered, and the impact on the credit rating statistics of the new merged entity.

Now, there is a lot more underneath in the model, but, you know, essentially that is what the model does and that is what we commissioned Deloitte to do, help us consolidate these to look at it from a rate-making perspective, to understand the regulatory cash flows, to be able to layer in the synergies, and ultimately to look at customer and shareholder impacts and some sensitivity around the

B-CCC-9

Reference(s): Ex. B/T2/S1/p. 3

Preamble:

Please explain how being the "second largest electricity distributor in the Province, based on number of customers" necessarily benefits the customer base.

Response:

The size of LDC Co, in and of itself, is not what benefits customers. It is the increased business scale that provides the opportunity for efficiency gains. It is these potential gains that are beneficial to the customer base. The existing four utilities operate in the current performance-based regulatory framework; one which incents LDCs to find efficiency gains that are ultimately beneficial to the customer base.

The merger of Enersource, Horizon Utilities and PowerStream and their joint acquisition of HOBNI is an opportunity for both operating and capital efficiencies, particularly in administrative, "back office" and IT functions. The consolidation of Customer Information Systems ("CIS") is an example of this. Each of the four utilities currently has its own CIS with separate operating and capital costs that drive a unit cost of operation based on its number of customers. Following consolidation the costs associated with operating the CIS will be lower.

The same cost rationalization is expected to be applied to most of LDC Co, especially in "back office" functions. The efficiency gains from the scale and lower unit cost of operation are ultimately for the benefit of the customer base under the OEB's incentive rate making framework.

MR. SHEPHERD: All right.

MR. BASILIO: I think I would offer a follow-up response to that, that the synergies and the costs and the transaction are considered in totality.

So these sort of considerations would have been built in to ...

MR. SHEPHERD: Sorry. So if the benefits are $600 million and the executives took 150 million of it, that would still be okay and not relevant to the Board? Really?

MR. BASILIO: I think, excuse me, if you follow the model through, the evidence we filed is that there are $425.9 million of net benefits in the first -- net cash benefits in the first ten years. Those $425.9 million of benefits, relative to the status quo, flow down through income and into dividends.

I mean, that is the way it works. Those net benefits are calculated as the difference between synergies and transaction costs.

MR. SHEPHERD: And it should not be relevant to the Board if the actual benefits available are a lot more?

MR. BASILIO: I believe the no harm test is no harm to customers, and the transaction remains financially viable.

MR. SHEPHERD: Okay.

MR. BASILIO: So on that basis, no, I don't think that question is relevant.

MR. SHEPHERD: All right. My next question is on SEC 13, and it is a simple question of clarification, I

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Model Updates Log

Version	Date	Notes	Major Changes
6	15-May-15	6th Draft	Major changes are as follows: - Some adjustments to NWC calculation assumptions - To be reviewed - Synergies scenarios added on Dashboard (100%, 75%, 50%, 0%) - "Other Assets" Chips account added
8	28-May-15	8th Draft	Major Changes are as follows: - Earnings Sharing Mechanism (ESM): Addition of the ESM methodology for 50-50 sharing of the amount over-earned by MergeCo during the pre-MergeCo rebasing years Sharing back to customers is based on 50% of the “extra” amount over the deemed ROE + 300bps. Inclusion of a separate “Deemed ROE” input for each year for flexibility in scenario testing of the ESM along with inclusion of a separate line-item in the Pro Forma Income Statement to show the impact with a 2-year lag. - Incremental Capital Module: Expectation that no Custom IR entity will file for an ICM. Default for Price Cap entities (Enersource and HOBNI is set to no filing of ICM). A toggle is added in the model which can be changed in order to view the ICM impact. - Definition of Working Capital and Other Balance Sheet Adjustments: Customer Deposits to be treated as “Other Assets/Liabilities” for the purposes of closing adjustments. For Enersource, restricted cash is left in as working capital. - Merger Synergies: Updated the model for the latest Opex and Capex synergies assumptions and updated scenario testing such that transition costs are always carried at 100% and only savings are impacted. - Working Capital Forecasting for Pro Formas: Previously the Pro Formas were based on the assumption that the regulated WCA will be set at 13% for the first 2 years and then at 9% as a default once LDCs transition to monthly billing. The Pro Formas will now be forecasted based on an estimate of the actual working capital levels - Currently this has been set at 5% of Cost of Power + OM&A as a base assumption (This assumption is to be discussed). The annual change in working capital is also calculated based on the 5% assumption - IRR Analysis: Initial investment for the merger + HOBNI acquisition for each LDC is based on the LDC’s proportionate share of MergeCo’s total shareholders equity. For the purposes of the IRR analysis, any balance “chips” after funding of equity investment (if any) in HOBNI acquisition, would be adjusted for as part of the initial investment (three separate line-items added in “IRR & Payback” sheet). - Calculation of Re-leverage “Chips”: Re-leverage “Chips” to be based on 60% of Total Assets + Target Working Capital (9% of Cost of Power + OM&A) for each LDC. Leads to a change in the leverage capacity for each LDC.
8_1	01-Jun-15		Split up working capital assumptions in Dashboard G17 into two inputs: - G17 - Input for working capital assumptions for on-going operations - K17 - Input for working capital assumptions for closing adjustments and "WC Chips" Added coding in "Update" button macro on Dashboard sheet to automatically update the AFFO:Debt chart for the synergy scenarios of 75% and 50%.
11	12-Jun-15	Version 11	Refer to Revision Tracker Sheet for details on changes from version 10 to 11.
11.4	16-Jun-15	11.4 (Dividends with ICM revenue)	Version 11.4 adjusted such that dividends (regulated) for NewCo include ICM revenue. ICM revenue included within dividends and reflected in Retained Earnings and Cash Flows.
11.5	30-Jun-15		- Change in synergies numbers based on revised synergies assumptions by the COOs - Increase in Corporate Communications capital transition costs for 2016 and change in Corporate Comm OPEX transition costs for 2016. - Incorporated additional data analysis as presented by the LDCs within the Key Metrics tab. The data analysis represents the analysis that was presented by the CFOs in their meetings with stakeholders. - Base scenario includes ICM revenue with full dividend payout (ICM recognized in Net Income) - Revision in definition of AFFO to revised S&P definition (2014) which is (EBITDA less Net Interet Expense less Current Tax Expense) Refer to Revision Tracket Sheet for details.

Merger Integration Dashboard

Savings and Costs Summary

	BUSINESS CASE					
	2016	2017	2018	2019	2020	TOTAL
Total Synergy Savings - Labour	$ 10,697,783	$ 19,872,689	$ 30,237,266	$ 36,470,934	$ 38,533,381	$ 135,812,052
Total Synergy Savings - Other	$ 6,059,949	$ 9,199,279	$ 10,870,875	$ 12,956,657	$ 12,958,394	$ 52,045,154
TOTAL SYNERGY SAVINGS	$ 16,757,732	$ 29,071,968	$ 41,108,140	$ 49,427,591	$ 51,491,775	$ 187,857,206
Total Avoided Costs - Labour	$ 1,224,801	$ 2,380,548	$ 2,460,918	$ 2,930,433	$ 2,951,348	$ 11,948,048
Total Avoided Costs - Other	$ 736,000	$ 754,000	$ 342,000	$ 492,000	$ 318,000	$ 2,642,000
TOTAL AVOIDED COSTS	$ 1,960,801	$ 3,134,548	$ 2,802,918	$ 3,422,433	$ 3,269,348	$ 14,590,048
Total Operating Savings	$ 18,718,533	$ 32,206,516	$ 43,911,058	$ 52,850,024	$ 54,761,123	$ 202,447,254
LESS: On-Going Costs	$ 6,479,151	$ 7,144,339	$ 7,205,526	$ 7,266,826	$ 7,266,826	$ 35,362,669
TOTAL NET OPERATING SAVINGS	$ 12,239,382	$ 25,062,177	$ 36,705,532	$ 45,583,197	$ 47,494,297	$ 167,084,585
TOTAL TRANSITION COSTS	$ 53,511,861	$ 26,259,548	$ 12,612,453	$ 2,297,385	$ 516,740	$ 95,197,987
TOTAL CAPITAL SAVINGS	$ 22,972,820	$ 22,564,587	$ 28,797,135	$ 23,203,972	$ 29,982,652	$ 127,521,167
OPEX Transition Costs	$20,866,208	$11,066,256	$8,187,207	$2,297,385	$516,740	

Merger Integration Dashboard

Savings and Costs Summary

	BUSINESS CASE					
	2016	2017	2018	2019	2020	TOTAL
Total Synergy Savings - Labour	$ 9,316,200	$ 18,720,178	$ 27,029,609	$ 31,232,632	$ 31,901,091	$ 118,199,710
Total Synergy Savings - Other	$ 5,559,949	$ 8,252,529	$ 9,633,113	$ 11,696,895	$ 11,724,182	$ 46,866,668
TOTAL SYNERGY SAVINGS	$ 14,876,148	$ 26,972,707	$ 36,662,722	$ 42,929,527	$ 43,625,273	$ 165,066,378
Total Avoided Costs - Labour	$ 1,214,801	$ 2,370,548	$ 2,450,918	$ 2,920,433	$ 2,941,348	$ 11,898,048
Total Avoided Costs - Other	$ 710,000	$ 728,000	$ 316,000	$ 466,000	$ 292,000	$ 2,512,000
TOTAL AVOIDED COSTS	$ 1,924,801	$ 3,098,548	$ 2,766,918	$ 3,386,433	$ 3,233,348	$ 14,410,048
Total Operating Savings	$ 16,800,949	$ 30,071,255	$ 39,429,640	$ 46,315,960	$ 46,858,621	$ 179,476,426
LESS: On-Going Costs	$ 6,185,213	$ 6,385,213	$ 6,380,213	$ 6,380,213	$ 6,380,213	$ 31,711,064
TOTAL NET OPERATING SAVINGS	$ 10,615,737	$ 23,686,043	$ 33,049,427	$ 39,935,747	$ 40,478,408	$ 147,765,362
TOTAL TRANSITION COSTS	$ 40,713,892	$ 15,653,103	$ 4,881,838	$ 260,000	$ 1,150,000	$ 62,658,833
TOTAL CAPITAL SAVINGS	$ 16,464,835	$ 21,375,102	$ 13,956,650	$ 14,063,487	$ 28,898,637	$ 94,758,712

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Dashboard

SCENARIO SELECTION

Current Scenario: Scenario 1 — **Update Model**

Instructions : Choose the LDC scenario to run within the model. Only one LDC can be run at a time.
Click on the "Update Model" button to run all scenarios and copy all data into the Database sheet for populating graphs and other data.

3-Way Merger + HOBNI Acquisition (Yes / No): Yes
("Yes" = 3-Way Merger and Acquisition of HOBNI; "No" = 3-Way Merger Only)

MergoCo / Standalone Analysis: Yes
(Yes = MergeCo analysis, No = Standalone LDCs analysis)

Scenarios
- Scenario 1 - PowerStream
- Scenario 2 - Enersource
- Scenario 3 - Hydro One Brampton
- Scenario 4 - Horizon Utilities

Current LDC Scenario Running — **PowerStream**

Key MergeCo / NewCo Assumptions Inputs

Working Capital % for On-going Ops.	5.00%
(Applied for changes in WC for on-going operations of MergeCo)	
Target NWC for Re-leveraging	13 00%
(To calculate Total Assets for Re-leveraging in the Balance Sheet Adj Sheet)	
Synergies Scenarios	100%
(Scenario applies to both CAPEX and OPEX synergies)	
Transition Cost Scenarios	100%
(Scenario applies to both CAPEX and OPEX transition costs)	
Working Capital % for Closing Adj.	5.00%
(Applied to closing adjustments and calculation of "WC Chips")	
PS Solar Benefit Sharing Income to MergeCo Shareholders	0.50%
PS Solar Benefit Sharing Cost to Class A Shareholders	0.70%
Include ICM Revenue	Yes

Current Scenario Key Results

	2015
PowerStream 2015 Rate Base (Mn)	$989.7
PowerStream Debt (%)	60.8%
PowerStream Equity (%)	39.2%
PowerStream FFO:Debt	12.8%

LDC Relative Valuation Summary - Based on EV Relative Values

LDCs	Regulated	Reg. & Non-Reg.
PowerStream	45.9%	46.0%
Enersource	31.6%	31.0%
Horizon Utilities	22.5%	23.0%
	100.0%	**100.0%**
Current Scenario	**45.9%**	**46.0%**

1. Calculate Value of "Chips" (Standalone - No Merger) - December 31, 2015 (Regulated Only)

Calculation of the value of additional debt and leverage capacity of each LDC (i.e. chips).

Existing Capital Structure (Standalone - No Merger)	**Debt**		**Equity**		**Total**
(2015 - Pro Froma)	**$M**	**%**	**$M**	**%**	**$M**
PowerStream	$602.4	60.2%	$398 9	39 8%	$1,001.4
Enersource	$389.7	59.8%	$262.1	40 2%	$651.7
Horizon Utilities	$217.3	47.6%	$239 6	52.4%	$456 9
Total	**$1,209.4**		**$900.6**		**$2,110.0**

Total Assets	**2014 (Actual)**		**Total**	**2015 (Pro Forma)**		**Total**
	Operating Assets ($M)	**Working Capital ($M) [1]**	**$M**	**Operating Assets ($M)**	**Working Capital ($M) [1]**	**$M**
PowerStream	$931.0	$131.5	$1,062 5	$970.0	$136 8	$1,106 8
Enersource	$573.9	$109.0	$682 9	$635.7	$115 6	$751 2
Horizon Utilities	$438.8	$76.7	$515 5	$450.8	$79 0	$529 8
Total	**$1,943.7**	**$317.2**	**$2,260.9**	**$2,056.5**	**$331.3**	**$2,387.8**

Notes:
[1] Working Capital is based on target Net Working Capital of 13% of sum of the Cost of Power and OM&A for each LDC.

Key Assumptions

Active Key Model Assumptions

Model Start Year	2014
PV Base Year	2014
Model Term	25

Payback Analysis Results

HOBNI Acquistion Premium Payback Period	6 Years

IRR Analysis Summary - PowerStream

Initial Equity Investment - Share Capital	$354 2
Initial Equity Investment - Retained Earnings	$99.4
Equity Investment in HOBNI Acquisition	$120 0
Total Equity Investment	**$573.5**
IRR (Post-Tax)	**9.57%**
IRR (Pre-Tax)	**13.02%**

IRR Analysis Summary - NewCo

Initial Equity Investment - Share Capital	$638 0
Initial Equity Investment - Retained Earnings	$323 0
Equity Investment in HOBNI Acquisition	$182.1
Total Equity Investment	**$1,143.1**
IRR (Post-Tax)	**9.91%**
IRR (Pre-Tax)	**13.49%**

MUN-CCC-13

Reference(s):

Preamble:

For each of the relevant municipalities please provide a list setting out the dividend payments received in 2015. In the materials provided to the City of Vaughan it estimated the payment to be $16 million. It also states that Vaughan can expect dividends to increase in the first 10 years, post transaction, by $62 million. What were the assumptions used to develop this forecast. What is the estimated increase in dividends expected for each of the relevant municipalities? Please include all assumptions.

Response:

The following Table 1 identifies the dividend payments received, by shareholder, in 2015.

Table 1 – 2015 Dividend Payments by Shareholder

Dividend Payments ($MM)		**2015 Actuals**
City of Vaughan	**$**	**12.7**
City of Markham	$	9.6
City of Barrie	$	5.8
Total PowerStream	**$**	**28.1**
City of Mississauga	$	14.4
BPC Energy Corporation	$	1.6
Total Enersource	**$**	**16.0**
City of Hamilton	$	9.6
City of St. Catharines	$	2.6
Total Horizon Utilities	**$**	**12.2**
Total Applicants	**$**	**56.3**

Following the merger transaction, the City of Vaughan's dividends are forecast to increase by approximately $62.8MM in the first ten years. This assumes that in the *status quo*, PowerStream would continue to pay 50% of net income as dividends for the regulated business, as well as rate retesting in each year. The dividend forecast for the unregulated business includes both PowerStream Solar and PowerStream Energy Services Inc. ("PESI").

The forecast dividends for each shareholder for the *status quo* scenario are identified in Table 2 below.

Table 2 – Forecast Dividend Payments by Shareholder 2016 – 2026 (*Status Quo* Scenario)

Status Quo Dividends ($MM)		**Total**
City of Vaughan	$	147.0
City of Markham	$	110.9
City of Barrie	$	66.5
City of Mississauga	$	176.5
BPC Energy Corporation	$	19.6
City of Hamilton	$	114.1
City of St. Catharines	$	30.5
Total	**$**	**665.0**

LDC Co dividends are based on 60% of net income, excluding the PowerStream Solar business net income. The PowerStream Shareholders (Vaughan, Markham, and Barrie) will continue to receive dividends generated by the PowerStream Solar business. Net operating synergies and ICM revenues are incorporated into the dividend forecast. Considering these effects, the total dividends expected to be paid to LDC Co Shareholders over a ten year period are identified in Table 3 below.

Table 3 – Forecast Dividend Payments by Shareholder 2016 – 2026 (LDC Co)

LDC Co Dividends ($MM)		**Total**
City of Vaughan	$	209.8
City of Markham	$	158.3
City of Barrie	$	94.9
City of Mississauga	$	238.3
BPC Energy Corporation	$	26.5
City of Hamilton	$	155.0
City of St. Catharines	$	41.4
Total	**$**	**924.2**

The corresponding increase of dividends to each Shareholder is identified in Table 4 below.

Table 4 – Forecast Dividend Increase by Shareholder 2016 - 2026 (LDC Co)

LDC Co Dividend Increase ($MM)	Total
City of Vaughan	$ 62.8
City of Markham	$ 47.4
City of Barrie	$ 28.4
City of Mississauga	$ 61.8
BPC Energy Corporation	$ 6.9
City of Hamilton	$ 41.0
City of St. Catharines	$ 10.9
Total	**$ 259.2**

MR. SHEPHERD: I have a copy of the e-mail that was sent to all of the applicants at 9:01 this morning. So what I am going to ask -- the reason I am raising it is so that I can get an undertaking on the record for you to answer it. But since you haven't seen it, you can't undertake yet.

But I wonder if I could ask if somebody will go look for it so we can get the undertaking on the record at some point this morning.

MR. CASS: Yes, we can do that. Yeah, I think at 9:01 we were probably starting to mobilize towards this room, so, yes, we can look at it.

MR. SHEPHERD: And not looking at your e-mails while you were walking?

[Laughter]

All right. Then I have one preliminary question that -- before I start into my main set of questions. What I am going to try to do is I am going to try to, as much as possible, refer to the non-confidential material for the numbers where I can.

I have tried to -- I have looked at the confidential model, and I have tried to see where in the evidence those numbers show up without being confidential. I am trying to use those ones instead. We will see whether I can go all the way there, but I will try.

But my first question is with respect to the pay-back for your transition costs. So I wonder if you could look at B-Staff-31, the operational plan which is attached to it. Page 77. B-Staff-31. Then you have your Titan operational plan attached to it, and I am on page 77.

MS. HELT: It looks like the system is a little slow right there, coming up on the screen.

MS. BUTANY-DESOUZA: We have it.

MR. SHEPHERD: Okay. So do you see these tables here? These are your calculation of the costs and benefits of the merger, basically, right?

MR. BASILIO: That's correct.

MR. SHEPHERD: And I am going to talk a little more about whether there are changes to the numbers, but are these essentially still correct? Or close enough?

MR. BASILIO: Yes.

MR. SHEPHERD: All right. Am I right in reading, under total cash savings, that by sometime early in 2018 you have paid back all of your costs?

MR. BASILIO: Yes.

MR. SHEPHERD: Now, you've referred throughout the evidence to the $96 million of transition costs. Do you recall that number? 96.3, I think it is.

MR. BASILIO: 97.3, I think, but close enough, yes.

MR. SHEPHERD: But the actual maximum number that you are ever out of pocket, if I am -- if I understand this correctly, is somewhere around $30 million, right? It is something in excess of 24.4, but not much because by the next year you are already positive.

MR. BASILIO: So on a net savings basis, I think that -- I mean, if you are taking the savings less transition costs, then of course that -- at no time are we out $97 million. We're out whatever we have incurred in the year less synergies realized.

So subject to check, I believe that is correct.

MR. SHEPHERD: All right. Now, the last thing about this is, this starts with savings in 2016. Obviously you are not going to have a whole lot of savings in 2016, unless the approval is tomorrow.

So would we be right to just assume that we take this -- and when I say right, I mean close enough -- if we just take this an move all of the dates out one?

MR. BASILIO: That's correct. And I believe we responded to an interrogatory in that regard, that we should consider 2016 as year one post transaction, and then moving forward from there.

So this grid now, if we were to read it like that, it would be years one through ten rather than 2016 to 2025.

MR. SHEPHERD: So then 2016 would actually be 2017?

MR. BASILIO: Exactly.

MR. SHEPHERD: All right. Awesome.

Now then, the secondary or preliminary questions I want to ask is with respect to the business plan model that you have provided on Monday.

And I am not going to ask questions about the guts of the model, at least not right now. But I want to ask some higher-level questions, and if any of these go into confidential territory, then jump up and down and flap your wings, as it were.

Year	MergeCo Revenue			Status Quo Companies						Dx. Revenue/Customer			
	Base Revenue	ICM Revenue	Total Revenue	PowerStream	Enersource	Horizon	HOB	Total	Savings	CUSTOMER	Status Quo	Merged	Savings
2016	$ 508,181,952	$ 3,715,736	$ 511,897,688	$ 196,630,243	$ 128,486,427	$ 115,013,988	$ 68,051,294	$ 508,181,952	-$ 3,715,736	978,352	$ 519	$ 523	-$ 4
	3.66%		4.11%	5.99%	8.47%	1.95%	3.12%	5.32%		1.28%	3.98%	2.79%	
2017	$ 526,801,686	$ 6,144,097	$ 532,945,783	$ 208,412,322	$ 139,367,172	$ 117,255,240	$ 70,173,198	$ 535,207,933	$ 2,262,150	990,904	$ 540.1	$ 538	$ 2
	2.77%		2.95%	4.17%	3.21%	1.05%	3.10%	3.09%		1.28%	1.79%	1.65%	
2018	$ 541,379,813	$ 7,305,490	$ 548,685,303	$ 217,099,939	$ 143,839,823	$ 118,482,547	$ 72,346,712	$ 551,769,021	$ 3,083,718	1,003,579	$ 550	$ 547	$ 3
	2.76%		3.01%	3.33%	3.54%	2.48%	3.09%	3.17%		1.27%	1.88%	1.72%	
2019	$ 556,317,787	$ 8,902,180	$ 565,219,966	$ 224,323,546	$ 148,928,735	$ 121,422,911	$ 74,581,174	$ 569,256,366	$ 4,036,400	1,016,296	$ 560	$ 556	$ 4
	3.03%		3.23%	4.20%	3.52%	2.16%	16.02%	5.13%		1.28%	3.80%	1.92%	
2020	$ 573,157,117	$ 10,320,213	$ 583,477,330	$ 233,738,871	$ 154,169,144	$ 124,043,264	$ 86,525,538	$ 598,476,817	$ 14,999,487	1,029,341	$ 581	$ 567	$ 15
	2.59%		2.95%	6.86%	3.48%	5.04%	2.97%	5.05%		1.28%	3.72%	1.65%	
2021	$ 588,012,886	$ 12,694,228	$ 600,707,114	$ 249,783,934	$ 159,534,043	$ 130,293,271	$ 89,095,381	$ 628,706,629	$ 27,999,515	1,042,519	$ 603	$ 576	$ 27
	2.60%		3.09%	4.38%	3.43%	3.20%	2.66%	3.65%		1.28%	2.34%	1.79%	
2022	$ 603,279,125	$ 15,997,951	$ 619,277,076	$ 260,722,714	$ 165,000,779	$ 134,467,346	$ 91,465,165	$ 651,656,004	$ 32,378,929	1,055,889	$ 617	$ 586	$ 31
	2.58%		3.05%	3.61%	3.41%	3.22%	9.28%	4.27%		1.28%	2.96%	1.75%	
2023	$ 618,867,282	$ 19,319,506	$ 638,186,788	$ 270,131,269	$ 170,619,251	$ 138,791,658	$ 99,953,241	$ 679,495,419	$ 41,308,630	1,069,374	$ 635	$ 597	$ 39
	2.59%		2.91%	2.74%	2.96%	2.63%	-1.35%	2.17%		1.28%	0.88%	1.61%	
2024	$ 634,885,609	$ 21,871,467	$ 656,757,076	$ 277,520,644	$ 175,663,821	$ 142,443,384	$ 98,601,548	$ 694,229,397	$ 37,472,321	1,083,057	$ 641	$ 606	$ 35
	2.59%		2.88%	2.03%	3.04%	2.00%	3.05%	2.43%		1.28%	1.13%	1.57%	
2025	$ 651,346,612	$ 24,299,679	$ 675,646,290	$ 283,155,480	$ 181,010,047	$ 145,294,542	$ 101,608,668	$ 711,068,737	$ 35,422,447	1,096,943	$ 648	$ 616	$ 32
	1.49%		1.80%	3.14%	2.05%	2.36%	2.83%	2.66%		0.89%	1.75%	0.90%	
2026	$ 661,025,013	$ 26,760,375	$ 687,785,388	$ 292,054,171	$ 184,726,178	$ 148,717,897	$ 104,479,957	$ 729,978,202	$ 42,192,814	1,106,712	$ 660	$ 621	$ 38
Avg.	2.67%		3.00%	4.04%	3.71%	2.61%	4.48%	3.69%	$ 195,247,860	1.24%	2.42%	1.74%	$ 183
	3.37%		-0.65%	3.08%	2.92%	3.08%	2.27%	2.92%		0.87%	2.03%	-1.51%	
2027	$ 683,282,668	$ -	$ 683,282,668	$ 301,044,648	$ 190,112,267	$ 153,295,643	$ 106,856,706	$ 751,309,263	$ 68,026,595	1,116,354	$ 673	$ 612	$ 61
	3.48%		3.48%	3.02%	3.08%	2.77%	2.54%	2.92%		0.87%	2.03%	2.58%	
2028	$ 707,045,628	$ -	$ 707,045,628	$ 310,136,124	$ 195,967,375	$ 157,539,317	$ 109,576,207	$ 773,219,023	$ 66,173,394	1,126,080	$ 687	$ 628	$ 59
	3.39%		3.39%	3.03%	3.05%	3.10%	2.12%	2.92%		0.87%	2.03%	2.50%	
2029	$ 731,026,728	$ -	$ 731,026,728	$ 319,521,443	$ 201,936,180	$ 162,427,031	$ 111,899,159	$ 795,783,813	$ 64,757,085	1,135,894	$ 701	$ 644	$ 57
	2.93%		2.93%	1.75%	2.92%	4.37%	2.37%	2.67%		0.87%	1.78%	2.04%	
2030	$ 752,459,137	$ -	$ 752,459,137	$ 325,113,683	$ 207,834,101	$ 169,529,373	$ 114,550,355	$ 817,027,511	$ 64,568,374	1,145,797	$ 713	$ 657	$ 56
	3.19%		3.19%	2.84%	2.84%	4.30%	2.37%	3.08%		0.87%	2.19%	2.29%	
2031	$ 776,430,610	$ -	$ 776,430,610	$ 334,353,208	$ 213,745,289	$ 176,815,295	$ 117,262,793	$ 842,176,585	$ 65,745,974	1,155,789	$ 729	$ 672	$ 57
	2.79%		2.79%	2.75%	2.82%	2.74%	2.36%	2.71%		0.86%	1.83%	1.91%	
2032	$ 798,077,426	$ -	$ 798,077,426	$ 343,556,216	$ 219,771,151	$ 181,660,906	$ 120,029,504	$ 865,017,777	$ 66,940,352	1,165,769	$ 742	$ 685	$ 57
	2.73%		2.73%	2.71%	2.81%	2.63%	2.34%	2.67%		0.86%	1.79%	1.85%	
2033	$ 819,849,406	$ -	$ 819,849,406	$ 352,861,330	$ 225,941,294	$ 186,430,172	$ 122,843,342	$ 888,076,139	$ 68,226,732	1,175,813	$ 755	$ 697	$ 58
	2.56%		2.56%	2.67%	2.55%	2.24%	2.32%	2.50%		0.86%	1.62%	1.69%	
2034	$ 840,857,805	$ -	$ 840,857,805	$ 362,266,509	$ 231,702,625	$ 190,602,113	$ 125,690,678	$ 910,261,925	$ 69,404,120	1,185,946	$ 768	$ 709	$ 59
	1.84%		1.84%	1.80%	1.84%	2.16%	1.44%	1.84%		0.86%	0.97%	0.96%	
2035	$ 856,291,164	$ -	$ 856,291,164	$ 368,792,692	$ 235,954,511	$ 194,719,231	$ 127,505,869	$ 926,972,303	$ 70,681,139	1,196,171	$ 775	$ 716	$ 59
	2.40%		2.40%	2.59%	2.72%	1.56%	2.31%	2.37%		0.86%	1.49%	1.53%	
2036	$ 876,862,622	$ -	$ 876,862,622	$ 378,353,267	$ 242,378,226	$ 197,760,760	$ 130,445,014	$ 948,937,267	$ 72,074,645	1,206,488	$ 787	$ 727	$ 60
	2.57%		2.57%	2.57%	2.68%	2.27%	2.47%	2.52%		0.85%	1.66%	1.70%	
2037	$ 899,408,261	$ -	$ 899,408,261	$ 388,081,683	$ 248,878,126	$ 202,249,134	$ 133,672,627	$ 972,881,571	$ 73,473,309	1,216,771	$ 800	$ 739	$ 60
	2.66%		2.66%	2.55%	2.64%	2.79%	2.43%	2.61%		0.86%	1.73%	1.79%	
2038	$ 923,352,161	$ -	$ 923,352,161	$ 397,977,585	$ 255,446,111	$ 207,886,056	$ 136,915,903	$ 998,225,655	$ 74,873,494	1,227,183	$ 813	$ 752	$ 61
	2.56%		2.56%	2.53%	2.47%	2.64%	2.37%	2.52%		0.85%	1.65%	1.70%	
2039	$ 947,035,429	$ -	$ 947,035,429	$ 408,036,891	$ 261,760,311	$ 213,377,572	$ 140,158,159	$ 1,023,332,933	$ 76,297,505	1,237,651	$ 827	$ 765	$ 62
	2.81%		2.50%	2.61%	2.72%	2.82%	2.29%	2.63%		0.86%	1.75%	1.62%	

Rate and Distribution Cost Comparison - 2016

Residential	800	kwh
GS<50	2000	kwh
GS>50	250	KW
Large	10000	KW

		Residential			GS<50			GS>50			Large		
30 Day Factor	1.014583	Fixed	kwh.	Typical	Fixed	kwh.	Typical	Fixed	KW	Typical	Fixed	KW	Typical
Enersource		$15.75	$0.0102	$23.91	$41.47	$0.0121	$65.67	$73.04	$4.3959	$1,172.02	$13,115.07	$2.8076	$41,191.07
Horizon		$18.80	$0.0121	$28.48	$41.21	$0.0106	$62.41	$376.98	$2.5413	$1,012.31	$23,704.20	$1.3985	$37,689.20
Hydro One Brampton		$14.32	$0.0118	$23.76	$24.77	$0.0164	$57.57	$123.36	$2.7940	$821.86	$4,631.56	$2.4556	$29,187.56
Powerstream (DRO)		$12.90	$0.0143	$24.34	$26.55	$0.0142	$54.95	$140.97	$3.3877	$987.90	$6,073.68	$1.4414	$20,487.68
Averages		**$15.44**	**$0.0121**	**$25.12**	**$33.50**	**$0.0133**	**$60.15**	**$178.59**	**$3.2797**	**$998.52**	**$11,881.13**	**$2.0258**	**$32,138.88**

Annual Distribution Bill Comparison - All LDCs 2016 General Service Rates

(monthly charge and volumetric rate)

	Utility	*Residential*		*GS<50*		*GS>50*		*Overall*
		800 kwh	*% of Avg*	*2000 kwh*	*% of Avg*	*250 KW*	*% of Avg*	*Ranking*
1	Hydro Hawkesbury	$188.16	55.3%	$332.04	50.0%	$7,352.88	61.9%	55.73%
2	E.L.K.	$219.48	64.5%	$309.24	46.6%	$6,994.14	58.8%	56.65%
3	Hearst (2015)	$264.12	77.6%	$368.40	55.5%	$5,923.44	49.8%	60.99%
4	Hydro 2000	$334.92	98.5%	$495.84	74.7%	$5,247.90	44.2%	72.43%
5	Lakefront	$266.16	78.2%	$493.92	74.4%	$11,315.46	95.2%	82.62%
6	Peterborough	$272.64	80.1%	$584.76	88.1%	$10,045.44	84.5%	84.25%
7	Kingston	$301.20	88.5%	$521.64	78.6%	$10,222.14	86.0%	84.38%
8	Westario	$311.88	91.7%	$563.28	84.9%	$9,177.84	77.2%	84.58%
9	Rideau St. Lawr. (2015)	$302.28	88.9%	$587.04	88.4%	$9,351.60	78.7%	85.32%
10	Brantford	$281.28	82.7%	$483.12	72.8%	$11,965.86	100.7%	85.38%
11	Orangeville	$316.20	93.0%	$621.48	93.6%	$8,625.90	72.6%	86.38%
12	Ottawa River	$292.08	85.9%	$564.24	85.0%	$11,289.00	95.0%	88.61%
13	Burlington	$305.52	89.8%	$635.28	95.7%	$9,559.32	80.4%	88.65%
14	Thunder Bay	$276.00	81.1%	$661.68	99.7%	$10,248.78	86.2%	89.01%
15	Entegrus	$301.68	88.7%	$597.60	90.0%	$10,832.64	91.1%	89.95%
16	COLLUS	$311.88	91.7%	$576.60	86.9%	$10,861.38	91.4%	89.97%
17	London	$313.20	92.1%	$636.60	95.9%	$9,780.00	82.3%	90.08%
18	Welland	$325.92	95.8%	$557.16	83.9%	$10,761.24	90.5%	90.09%
19	Hydro One Brampton	$285.12	83.8%	$690.84	104.1%	$9,862.32	83.0%	90.29%
20	Northern Ontario Wires	$409.08	120.3%	$718.44	108.2%	$5,052.30	42.5%	90.33%
21	Guelph	$365.40	107.4%	$524.76	79.1%	$10,215.66	85.9%	90.80%
22	Essex	$310.32	91.2%	$697.56	105.1%	$9,260.58	77.9%	91.41%
23	Veridian	$313.68	92.2%	$600.36	90.4%	$11,112.06	93.5%	92.05%
24	Halton Hills	$300.48	88.3%	$567.72	85.5%	$12,231.00	102.9%	92.25%
25	Milton (DRO)	$329.76	96.9%	$616.20	92.8%	$10,612.26	89.3%	93.02%
26	Renfrew (2015)	$306.84	90.2%	$703.80	106.0%	$9,870.54	83.0%	93.09%
27	Cambridge North Dumfries	$305.76	89.9%	$506.52	76.3%	$13,666.32	115.0%	93.72%
28	Tillsonburg	$354.72	104.3%	$749.04	112.8%	$7,764.18	65.3%	94.15%
29	Oshawa	$270.84	79.6%	$569.04	85.7%	$14,048.40	118.2%	94.51%
30	Powerstream (DRO)	$292.08	85.9%	$659.40	99.3%	$11,854.74	99.7%	94.98%
31	Woodstock	$367.44	108.0%	$650.28	98.0%	$9,412.62	79.2%	95.06%
32	Erie Thames	$366.00	107.6%	$606.48	91.4%	$10,671.30	89.8%	96.25%
33	Embrun	$320.76	94.3%	$558.84	84.2%	$13,229.16	111.3%	96.59%
34	St.Thomas	$330.60	97.2%	$669.84	100.9%	$11,455.02	96.4%	98.16%
35	Niagara-on-the-Lake	$346.80	101.9%	$737.28	111.1%	$9,801.18	82.5%	98.49%
36	WestCoast Huron	$425.28	125.0%	$642.72	96.8%	$8,964.00	75.4%	99.09%
37	Kenora	$371.52	109.2%	$611.04	92.1%	$11,550.00	97.2%	99.48%
38	Wasaga	$292.20	85.9%	$534.72	80.6%	$15,692.16	132.0%	99.49%
39	North Bay	$330.48	97.1%	$721.08	108.6%	$11,086.02	93.3%	99.68%
40	Midland	$382.92	112.6%	$663.60	100.0%	$10,390.74	87.4%	99.98%
41	Festival	$350.52	103.0%	$746.04	112.4%	$10,267.44	86.4%	100.60%
42	Brant County	$338.76	99.6%	$640.32	96.5%	$12,952.86	109.0%	101.67%

43	Centre Wellington	$325.20	95.6%	$671.40	101.1%	$12,968.82	109.1%	101.95%
44	Kitchener-Wilmot	$283.32	83.3%	$626.88	94.4%	$15,819.06	133.1%	103.60%
45	Innpower	$431.64	126.9%	$611.16	92.1%	$11,158.80	93.9%	104.28%
46	Sioux Lookout	$460.20	135.3%	$708.72	106.8%	$8,557.26	72.0%	104.68%
47	Horizon	$341.76	100.5%	$748.92	112.8%	$12,147.66	102.2%	105.16%
48	Enersource	$286.92	84.3%	$788.04	118.7%	$14,064.18	118.3%	107.13%
49	Greater Sudbury	$312.84	92.0%	$708.48	106.7%	$14,822.28	124.7%	107.80%
50	Niagara Peninsula	$396.72	116.6%	$790.20	119.0%	$11,383.86	95.8%	110.48%
51	Lakeland	$392.40	115.4%	$753.72	113.5%	$12,245.22	103.0%	110.64%
52	Hydro Ottawa	$340.80	100.2%	$725.16	109.2%	$14,611.80	122.9%	110.79%
53	PUC Distribution	$290.28	85.3%	$687.24	103.5%	$17,432.34	146.7%	111.84%
54	EnWin	$329.28	96.8%	$727.68	109.6%	$15,800.34	132.9%	113.12%
55	Whitby	$362.88	106.7%	$749.40	112.9%	$14,935.92	125.7%	115.08%
56	Orillia	$334.08	98.2%	$845.04	127.3%	$14,834.70	124.8%	116.77%
57	Grimsby (proposed)	$387.48	113.9%	$858.36	129.3%	$12,982.86	109.2%	117.48%
58	Oakville (interim)	$334.80	98.4%	$807.48	121.6%	$15,749.28	132.5%	117.52%
59	Newmarket-Tay	$323.28	95.0%	$834.72	125.8%	$15,794.52	132.9%	117.89%
60	Haldimand County	$438.96	129.0%	$779.28	117.4%	$12,805.02	107.7%	118.06%
61	Bluewater	$397.80	116.9%	$799.32	120.4%	$14,722.08	123.9%	120.40%
62	Wellington North	$434.52	127.7%	$930.12	140.1%	$11,205.30	94.3%	120.71%
63	Waterloo North	$384.36	113.0%	$765.12	115.3%	$16,627.26	139.9%	122.71%
64	Norfolk	$455.64	133.9%	$974.16	146.8%	$14,827.20	124.7%	135.15%
65	Canadian Niagara	$427.20	125.6%	$891.12	134.2%	$21,888.06	184.1%	147.99%
66	Toronto Hydro	$461.87	135.8%	$1,052.70	158.6%	$21,534.03	181.2%	158.51%
67	Algoma	$605.76	178.1%			$16,876.98	142.0%	160.03%
	AVERAGE	$340.18		$663.79		$11,886.16		

to allocate common costs, and you don't have a system in place for allocating common costs, right?

MS. BUTANY-DESOUZA: Not as yet, no. That doesn't mean that we won't. It just means we don't right now because we're not one.

MR. SHEPHERD: But once you are one, you do have to allocate common costs as long as you have separate rate zones, right?

MS. BUTANY-DESOUZA: Yes, that's correct.

MR. SHEPHERD: And so at what point are you expecting that the Board will review your allocation methodology?

[Witness panel confers]

MS. BUTANY-DESOUZA: Respectfully, likely in that future rate application. That's not a matter for this application nor the satisfaction of the no harm test. That's a rates matter to be dealt with in a rates proceeding.

MR. SHEPHERD: So in your IRM application?

MS. BUTANY-DESOUZA: As an example.

MR. SHEPHERD: Well, you're not suggesting that it's first looked at in 2027?

MS. BUTANY-DESOUZA: No. I'm suggesting that in a future rate application, that that's when the Board would review that.

MR. SHEPHERD: Okay, thanks. And then the other part of this is, I think you have said that you will have four separate rate zones until the rates converge. Is that right?

MS. BUTANY-DESOUZA: Until we determine such a time as we bring forward rate harmonization.

MR. SHEPHERD: No. But I think you said that you are expecting the rates to converge. That's actually going to be my question. How can the rates converge?

MS. BUTANY-DESOUZA: We have not said that.

MR. BASILIO: We haven't said that. I think what we’ve said in the evidence is that we will consider harmonization at such time as the rate differences are not material.

MR. SHEPHERD: Okay. So how are the rate differences going to be less than they are now if everybody is on IRM?

MR. BASILIO: That's looking forward ten years and it is very difficult to predict what -- I mean, we have projections in the model based on our DSPs.

I suppose -- excuse me for a sec.

It's a matter for cost allocation and rate design. We haven't done that yet, and we won't be undertaking that until the first rebasing year, which, based on our application is year ten, 2026 I guess now assuming -- 2027, sorry, yes, assuming closing at the end of the year.

MR. SHEPHERD: That is where I was going with this. You talk about, well, you're going to wait until the rates -- the differences are material. But you are actually going to wait until the next rebasing in 2027, right? You are not going to harmonize before then?

MR. BASILIO: No, that analysis would be undertaken at that time, rebasing.