EB-2016-0025

Ontario Energy Board

Enersource Hydro Mississauga Inc., Horizon Utilities Corporation, and PowerStream Inc.

Application for approval to amalgamate to form LDC Co. and for LDC Co. to purchase and amalgamate with Hydro One Brampton Networks Inc.

ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")
CROSS-EXAMINATION COMPENDIUM

Line		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
1		**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
2												
3	**MergeCo 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	$ 661,025,013
4												
5	**Incremental ICM Revenue**	$ 3,715,736	$ 6,144,097	$ 7,305,490	$ 8,902,180	$ 10,320,213	$ 12,694,228	$ 15,997,951	$ 19,319,506	$ 21,871,467	$ 24,299,679	$ 26,760,375
6		$ 511,897,688	$ 532,945,783	$ 548,685,303	$ 565,219,966	$ 583,477,330	$ 600,707,114	$ 619,277,076	$ 638,186,788	$ 656,757,076	$ 675,646,290	$ 687,785,388
7												
8	**Stand Alone D.R.:**											
9	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	$ 292,054,171
10	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	$ 184,726,178
11	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	$ 148,717,897
12	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	$ 104,479,957
13		$ 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	$ 729,978,202
14												
15	**TOTAL CUSTOMERS (Key Metrics tab)**	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	1,106,712
16												
17	**D.R./Customer**											
18	Status Quo	$ 519	$ 540.1	$ 550	$ 560	$ 581	$ 603	$ 617	$ 635	$ 641	$ 648	$ 660
19	Merged	$ 523	$ 538	$ 547	$ 556	$ 567	$ 576	$ 586	$ 597	$ 606	$ 616	$ 621
20												
21												
22	**F Restated chart:**											
23		**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
24	MergeCo	$ 508	$ 527	$ 541	$ 556	$ 573	$ 588	$ 603	$ 619	$ 635	$ 651	$ 661
25	StandAlone	$ 508	$ 535	$ 552	$ 569	$ 598	$ 629	$ 652	$ 679	$ 694	$ 711	$ 730
26												
27	Difference between MergeCo with ICM & Status Quo		$ 2,262,150	$ 3,083,718	$ 4,036,400	$ 14,999,487	$ 27,999,515	$ 32,378,929	$ 41,308,630	$ 37,472,321	$ 35,422,447	$ 42,192,814
28	(line 13 - line 6)											
29			$97,174,658.98									

Line		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
30											
31											
32											
33											
34		**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
35											
36	**MergeCo Distribution Revenue**	$ 683,282,668	$ 707,045,628	$ 731,026,728	$ 752,459,137	$ 776,430,610	$ 798,077,426	$ 819,849,406	$ 840,857,805	$ 856,291,164	$ 876,862,622
37											
38	**Incremental ICM Revenue**	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
39		$ 683,282,668	$ 707,045,628	$ 731,026,728	$ 752,459,137	$ 776,430,610	$ 798,077,426	$ 819,849,406	$ 840,857,805	$ 856,291,164	$ 876,862,622
40											
41	**Stand Alone D.R.:**										
42	PowerStream	$ 301,044,648	$ 310,136,124	$ 319,521,443	$ 325,113,683	$ 334,353,208	$ 343,556,216	$ 352,861,330	$ 362,266,509	$ 368,792,692	$ 378,353,267
43	Enersource	$ 190,112,267	$ 195,967,375	$ 201,936,180	$ 207,834,101	$ 213,745,289	$ 219,771,151	$ 225,941,294	$ 231,702,625	$ 235,954,511	$ 242,378,226
44	Horizon	$ 153,295,643	$ 157,539,317	$ 162,427,031	$ 169,529,373	$ 176,815,295	$ 181,660,906	$ 186,430,172	$ 190,602,113	$ 194,719,231	$ 197,760,760
45	HOB	$ 106,856,706	$ 109,576,207	$ 111,899,159	$ 114,550,355	$ 117,262,793	$ 120,029,504	$ 122,843,342	$ 125,690,678	$ 127,505,869	$ 130,445,014
46		$ 751,309,263	$ 773,219,023	$ 795,783,813	$ 817,027,511	$ 842,176,585	$ 865,017,777	$ 888,076,139	$ 910,261,925	$ 926,972,303	$ 948,937,267
47											
48	**TOTAL CUSTOMERS (Key Metrics tab)**	1,116,354	1,126,080	1,135,894	1,145,797	1,155,789	1,165,769	1,175,813	1,185,946	1,196,171	1,206,488
49											
50	**D.R./Customer**										
51	Status Quo	$ 673	$ 687	$ 701	$ 713	$ 729	$ 742	$ 755	$ 768	$ 775	$ 787
52	Merged	$ 612	$ 628	$ 644	$ 657	$ 672	$ 685	$ 697	$ 709	$ 716	$ 727
53											
54											
55	**F Restated chart:**										
56		**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
57	MergeCo	$ 683	$ 707	$ 731	$ 752	$ 776	$ 798	$ 820	$ 841	$ 856	$ 877
58	StandAlone	$ 751	$ 773	$ 796	$ 817	$ 842	$ 865	$ 888	$ 910	$ 927	$ 949
59											
60	Difference between MergeCo with ICM & Status Quo	$ 68,026,595	$ 66,173,394	$ 64,757,085	$ 64,568,374	$ 65,745,974	$ 66,940,352	$ 68,226,732	$ 69,404,120	$ 70,681,139	$ 72,074,645
61	(line 46 - line 39)										

Undertaking No. JTC1.7

Reference: Page 83 of Transcripts Volume 1

Provide a year-by-year breakdown of the numbers in Table 1 of the response to Technical Conference Question TC-AMPCO-1.

Response:

The requested breakdown is provided in Table 1, below. Please note that all amounts in the table are draft pending the final rate order, other than 'Applied for Distribution Revenue", which is based on PowerStream's 2016-2020 Custom IR Application (EB-2015-0003), as updated in August 2016, following the OEB's decision in that application.

Table 1 – Impact of OEB Decision on PowerStream Custom IR Application (EB-2015-0003)

$MM		2016	2017	2018	2019	2020	Total
Applied for Distribution Revenue		$187.0	$210.3	$221.4	$232.0	$241.6	$1,092.3
Applied for Distribution Revenue, adjusted for business case assumptions	A	$180.7	$203.2	$213.3	$223.2	$232.6	$1,053.0
Decision [1]	B	$167.7	$203.2	$209.5	$216.1	$222.8	$1,019.3
Difference in Distribution Revenue	C=(A-B)	($13.0)	$0.0	($3.8)	($7.1)	($9.8)	($33.7)

1. Amounts in this undertaking response are based on the preliminary estimate of the decision impact, before final rate order.

Undertaking No. JTC1.8

Reference: Page 86 of Transcripts Volume 1

Update the response to part a) of the response to Interrogatory ATTACH3-Staff-30 to take into account the PowerStream decision.

Response:

The Applicants estimate that, based on the Business Case assumptions, the total incremental capital to be sought via ICM until the end of the rebasing deferral period would increase by approximately $70MM, as result of the Decision of the OEB in PowerStream's Custom IR Application. This may translate to approximately $13MM of incremental ICM revenue, above that which has already been identified in the MAADs Application.

Undertaking No. JTC1.9

Reference: Page 86 of Transcripts Volume 1

Add two lines to Table 1 of the response to Interrogatory B-CCC-22b) as follows:
a) Return on Equity in dollars; and,
b) Return on Equity in percentage terms.

Response:

The Applicants provide a revised Table 1 of the response to Interrogatory B-CCC-22b) to include a) Return on Equity in dollars; and b) Return on Equity in percentage terms in Table 1 below.

Table 1 – Revised Table 1 Estimated ROE for Rebasing Deferral Period

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Forecast Rate Base in Model, $MMs (A)	$2,696.7	$2,851.0	$2,984.2	$3,117.9	$3,260.7	$3,419.5	$3,586.5	$3,732.8	$3,858.0	$3,990.2
Deemed Equity % (B)	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Forecast Deemed Equity, $MMs (C)=(A)*(B)	$1,078.7	$1,140.4	$1,193.7	$1,247.2	$1,304.3	$1,367.8	$1,434.6	$1,493.1	$1,543.2	$1,596.1
Value of 300bps ROE on Forecast Deemed Equity, $MMs 3%*(C)	$32.4	$34.2	$35.8	$37.4	$39.1	$41.0	$43.0	$44.8	$46.3	$47.9
ROE in Business Case Model, $MM	$76.8	$100.3	$116.3	$132.6	$137.8	$133.0	$132.9	$128.2	$133.8	$139.0
ROE in Business Case Model, %	7.1%	8.8%	9.7%	10.6%	10.6%	9.7%	9.3%	8.6%	8.7%	8.7%

Undertaking No. JTC1.10

Reference: Page 104 of Transcripts Volume 1

Provide an explanation of whether the $98MM referenced in the response to Interrogatory B-Staff-22b) is a plus or minus; and the rationale.

Response:

The $98MM referenced in the response to Interrogatory B-Staff-22b) is a ‘minus’, i.e., if the *status quo* rebasing assumptions were used for the merged scenario, the distribution revenue received in the first 10 years would be higher. The $98MM represents the difference in NPV of Distribution Revenue between the *status quo* and merged scenarios; this is approximately $80MM, after-tax.

Undertaking No. JTC1.12

Reference: Page 116 of Transcripts Volume 1

Provide the most recent and approved Appendix 2-AB for each of Horizon Utilities, Hydro One Brampton and PowerStream. Provide a similar schedule for Enersource which identifies future capital expenditures and was filed with the last rebasing application, if available.

Response:

The Applicants have provided the most recent Appendix 2-AB for each of Horizon Utilities, HOBNI, and PowerStream in Tables 1 to 3, below. A similar schedule for Enersource, that was filed as part of the Fourth Generation Incentive Rate-setting ("Price Cap IRM and ICM") application (EB-2015-0065) is provided in Table 4, below.

Table 1: Horizon Utilities Appendix 2-AB (EB-2014-0002)

CATEGORY	Historical Period						Forecast Period (planned)				
	2010 (CGAAP)	2011 (CGAPP)	2011 (MIFRS)	2012 (MIFRS)	2013 (MIFRS)	2014 (MIFRS)	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Actual	Actual	Plan					
	$ '000						$ '000				
System Access	13,558	8,914	5,629	6,602	6,369	7,540	8,063	8,040	7,464	7,660	7,841
System Renewal	14,082	22,475	17,171	14,091	18,425	14,872	16,450	26,926	31,800	33,040	34,538
System Service	3,583	3,125	2,374	2,885	2,151	4,101	4,140	295	535	2,032	2,057
General Plant	6,208	4,584	4,584	8,748	12,559	10,760	9,487	5,887	5,827	4,411	5,036
TOTAL EXPENDITURE BEFORE SMART METERS	**37,432**	**39,098**	**29,758**	**32,326**	**39,505**	**37,273**	**38,140**	**41,148**	**45,626**	**47,143**	**49,472**
Smart Meter Implementation				23,278			-				
TOTAL EXPENDITURE INLCUDING SMART METERS	**37,432**	**39,098**	**29,758**	**55,604**	**39,505**	**37,273**	**38,140**	**41,148**	**45,626**	**47,143**	**49,472**
Hydro One Contribution	-	-	-	10,000	-	-	-				
TOTAL EXPENDITURES	**37,432**	**39,098**	**29,758**	**65,604**	**39,505**	**37,273**	**38,140**	**41,148**	**45,626**	**47,143**	**49,472**
Change in WIP	- 2,841	743	743	4,654	- 1,597	2,019	175				
TOTAL ADDITIONS	**34,590**	**39,841**	**30,501**	**70,258**	**37,908**	**39,292**	**38,315**	**41,148**	**45,626**	**47,143**	**49,472**

Horizon Utilities Custom IR EB-2014-0002, Appendix 2-AB

Table 2: HOBNI Appendix 2-AB (EB-2014-0083)

CATEGORY							Forecast Period (planned)				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Actual	Actual	Bridge Year	As Settled				
	$ '000						$ '000				
System Access	26,058	22,210	11,601	15,198	11,970	18,399	17,759	14,999	14,445	14,878	15,081
System Renewal	4,090	7,289	7,169	8,694	12,123	9,073	8,880	9,311	10,330	10,121	9,007
System Service	1,135	1,843	942	1,439	1,475	715	1,485	600	530	624	677
General Plant	2,010	4,387	4,365	2,181	4,505	3,697	9,741	9,289	3,966	3,982	3,741
Total Expenditure	**33,294**	**35,730**	**24,077**	**27,512**	**30,073**	**31,885**	**37,865**	**34,197**	**29,271**	**29,605**	**28,505**

Hydro One Brampton Networks Inc. Cost of Service Rate Application EB-2014-0083 Ex. 2, Tab 5, Schedule 1 and Settlement Proposal filed October 9, 2014, page 16

Table 3: PowerStream Appendix 2-AB (EB-2015-0003)

CATEGORY	Historical Period					Proposed				
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Actual	Plan					
	$ '000					$ '000				
System Access	21,007	19,888	17,030	26,229	24,145	28,232	28,470	29,561	28,726	31,867
System Renewal	11,527	16,974	22,254	39,186	42,388	48,715	51,500	52,052	52,971	52,406
System Service	22,885	13,770	34,780	17,946	27,322	38,322	32,072	29,920	26,963	23,022
General Plant	7,877	24,200	19,593	26,148	24,545	17,531	19,458	13,867	16,741	18,106
Sub-Total	**63,296**	**74,832**	**93,657**	**109,509**	**118,400**	**132,800**	**131,500**	**125,400**	**125,401**	**125,401**
Non-Rate Base	2,278	1,196	2,628	1,364	2,489					
Grand Total	**65,574**	**76,028**	**96,285**	**110,873**	**120,889**	**132,800**	**131,500**	**125,400**	**125,401**	**125,401**

PowerStream Inc. Custom IR EB-2015-0003, Ex. G, Tab 2, Page 3

Table 4: Enersource Historical and Forecasted Capital Expenditures (gross capex values) (EB-2015-0065)

CATEGORY	Historical Period					Proposed					
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Actual	Actual						
	$ '000					$ '000					
System Access	11,858	9,860	10,712	11,228	16,497	17,200	13,015	13,130	12,825	13,105	13,490
System Renewal	11,422	16,224	20,887	31,257	36,058	34,735	37,243	38,240	40,280	38,570	38,490
System Service	14,326	11,493	10,055	9,474	16,452	12,408	17,916	18,123	18,162	17,238	10,568
General Plant	9,052	29,220	6,831	6,230	10,682	12,796	11,337	10,281	10,794	10,755	9,984
Sub-Total	**46,658**	**66,797**	**48,485**	**58,189**	**79,689**	**77,139**	**79,511**	**79,774**	**82,061**	**79,668**	**72,532**
Churchill Meadows CCRA Payment					40,479						
TOTAL EXPENDITURES	**46,658**	**66,797**	**48,485**	**58,189**	**120,168**	**77,139**	**79,511**	**79,774**	**82,061**	**79,668**	**72,532**

Enersource Hydro Mississauga Inc. Price Cap IRM and ICM Application EB-2015-0065, Interrogatory Response Supp-Staff-15, page 167

Undertaking No. JTC1.13

Reference: Page 123 of Transcripts Volume 1

Review the response to B-SEC-18. Correct the response and table in B-SEC-18 as necessary to identify only capital which is incremental to previously Board-approved capital expenditures. Confirm if the ICM requests depart from previously Board-approved capital expenditures.

Response:

Please see Table 1 below which includes an added column for totals and some clarifying formatting and labeling changes. There is no need for changes to the dollar amount entries relative to the table provided in response to Interrogatory B-SEC-18e), as the original table is correct. By definition, “Incremental Capital” and “Net Incremental Capital” are incremental to Board-approved capital expenditures.

Table 1 - Revision to Table B-SEC-18e)

Total Incremental Capital ($MM)												
Enersource	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Total 2015-2025**
Incremental Capital	55.4	24.6	17.3	13.6	16.6	16.6	23.2	24.6	26.1	27.5	29.2	274.5
Depreciation	1.4	0.6	0.4	0.3	0.4	0.4	0.6	0.6	0.7	0.7	0.4	6.5
Net Incremental Capital	54.0	24.0	16.9	13.3	16.2	16.2	22.6	24.0	25.4	26.8	28.8	268.0
ICM Revenue - Included in I/S - 1 Year Lag	-	3.7	5.4	6.5	7.4	8.6	9.7	10.8	12.1	13.4	14.8	92.3
PowerStream	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Total 2015-2025**
Incremental Capital	45.0	40.5	23.4	4.7	9.1	0.7	22.3	21.6	-	-	5.0	172.2
Depreciation	1.1	1.0	0.6	0.1	0.2	0.0	0.6	0.5	-	-	0.1	4.2
Net Incremental Capital	43.9	39.5	22.8	4.6	8.9	0.7	21.8	21.0	-	-	4.9	168.0
ICM Revenue - Included in I/S - 1 Year Lag	-	-	-	-	-	-	-	1.0	2.0	2.0	2.0	7.2
Hydro One Brampton	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Total 2015-2025**
Incremental Capital	4.0	10.9	-	9.5	4.3	4.2	7.8	8.5	9.2	9.9	10.8	79.1
Depreciation	0.1	0.3	-	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.1	1.8
Net Incremental Capital	3.9	10.6	-	9.3	4.2	4.1	7.6	8.3	9.0	9.7	10.7	77.2
ICM Revenue - Included in I/S - 1 Year Lag	-	-	0.8	0.8	1.5	1.8	2.1	2.5	2.9	3.4	4.0	19.7
Horizon Utilities	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Total 2015-2025**
Incremental Capital	1.5	0.3	1.5	0.4	2.0	15.7	14.8	13.5	16.2	11.1	17.2	94.3
Depreciation	0.0	0.0	0.0	0.0	0.1	0.4	0.4	0.3	0.4	0.3	0.2	2.1
Net Incremental Capital	1.5	0.3	1.5	0.4	2.0	15.3	14.4	13.2	15.8	10.8	17.0	92.1
ICM Revenue - Included in I/S - 1 Year Lag	-	-	-	-	-	-	1.0	1.6	2.3	3.0	3.5	11.4
Total	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Total 2015-2025**
Total Incremental Capital	**103.2**	**74.4**	**41.2**	**27.6**	**31.2**	**36.2**	**66.3**	**66.5**	**50.2**	**47.3**	**61.4**	**605.4**
Total Net Incremental Eligible Capital	**54.0**	**34.6**	**16.9**	**22.6**	**20.3**	**35.5**	**66.3**	**66.5**	**50.2**	**47.3**	**-**	**414.2**
Total Forecast ICM Revenue	**-**	**3.7**	**6.1**	**7.3**	**8.9**	**10.3**	**12.7**	**16.0**	**19.3**	**21.9**	**24.3**	**130.6**

"Total Net Incremental Eligible Capital" is the total amount that is both incremental to Board-approved capital expenditures pursuant to each distributor's last rebasing application, as well as being eligible for ICM treatment due to coinciding with an IRM year.

These savings will result in overall lower LDC Co electricity distribution rates, in comparison to the rates of the individual LDCs absent the three-way amalgamation and the acquisition of HOBNI.

Figure 25 – Total Net Synergies

($MMs)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
Gross Synergies											
Operating	7.2	20.1	31.7	40.6	42.5	42.5	42.5	42.5	42.5	42.5	354.6
Capital	23.0	22.6	28.8	23.2	30.0	8.0	8.0	8.0	8.0	8.0	167.6
Total Synergies	30.2	42.7	60.5	63.8	72.5	50.5	50.5	50.5	50.5	50.5	522.2
Transition Costs											
Charged to Operating	20.9	11.1	8.2	2.3	0.5	-	-	-	-	-	43.0
Charged to Capital	33.7	15.2	4.4	-	-	-	-	-	-	-	53.3
Total Transition Costs	54.6	26.3	12.6	2.3	0.5	-	-	-	-	-	96.3
Net Synergies											
Operating	(13.7)	9.0	23.5	38.3	42.0	42.5	42.5	42.5	42.5	42.5	311.6
Capital	(10.7)	7.4	24.4	23.2	30.0	8.0	8.0	8.0	8.0	8.0	114.3
Total Net Synergies	(24.4)	16.4	47.9	61.5	72.0	50.5	50.5	50.5	50.5	50.5	425.9

Benefits

(a) Overview

The Applicants anticipate that as a result of the consolidation, the following material savings will be generated (values are pre-tax):

- Aggregate gross OM&A savings of $355MM in LDC Co over the first ten years following consolidation, or 14% of total OM&A expenditures, thereafter continuing at a savings rate of approximately 15% annually, (i.e., not cumulative).

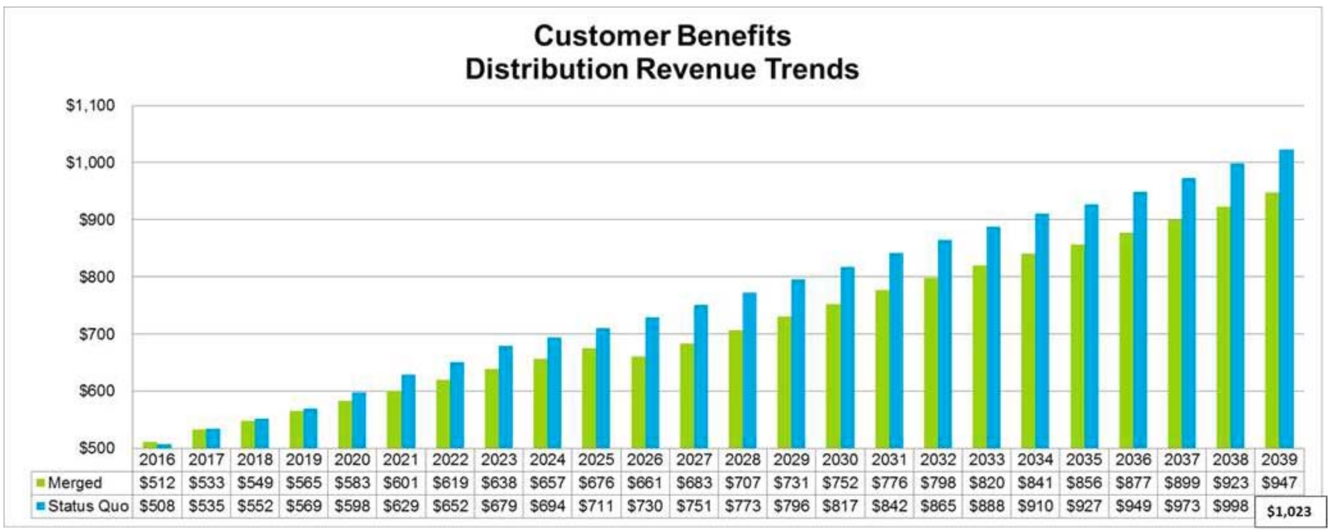
- Aggregate gross capital expenditure ("CapEx") savings of $168MM in LDC Co over the first ten years following consolidation, thereafter continuing at a sustained level of $8MM annually.

LDC Co will incur transition costs of approximately $96MM, primarily in the first three years following consolidation, with respect to systems and process integration and human resource costs.

In the absence of the proposed consolidation, the Parties would continue to regularly rebase their rates, through successive Custom IR applications (further described below) in order to recover ongoing increases in their cost structures. Under the merger, no such rebasing occurs during the Rebasing Deferral Period during which the savings accrue to shareholder interests. Consequently, as a result of the proposed consolidation (and consolidations generally), customers benefit from relatively lower rates during the Rebasing Deferral Period.

The overall relative benefit to customers under the “Merged” versus “Status Quo” scenarios is illustrated in the chart below.

Figure 26 – Distribution Revenue Trends



	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Merged	$512	$533	$549	$565	$583	$601	$619	$638	$657	$676	$661	$683	$707	$731	$752	$776	$798	$820	$841	$856	$877	$899	$923	$947
Status Quo	$508	$535	$552	$569	$598	$629	$652	$679	$694	$711	$730	$751	$773	$796	$817	$842	$865	$888	$910	$927	$949	$973	$998	$1,023

Overall, the proposed consolidation is also expected to deliver lower distribution costs to LDC Co customers averaging an aggregate of:

- $48.6MM per year, or 5.9%, through the entire Forecast Period.
- $19.5MM per year, or 3.3%, through the Rebasing Deferral Period.
- $69.3MM per year, or 8.0%, following a transfer of merger benefits to customers in 2026.