

**IN THE MATTER OF** an application made by Newmarket-Tay Power Distribution Ltd. for leave to purchase all of the issued and outstanding shares of Midland Power Utility Corporation, made pursuant to section 86(2)(b) of the Ontario Energy Board Act, 1998;

**AND IN THE MATTER OF** an application made by Midland Power Utility Corporation for leave to transfer its distribution system to Newmarket-Tay Power Distribution Ltd., made pursuant to section 86(1)(a) of the Ontario Energy Board Act, 1998;

**AND IN THE MATTER OF** an application made by Midland Power Utility Corporation for leave to transfer its rate order to Newmarket-Tay Power Distribution Ltd., made pursuant to section 18 of the Ontario Energy Board Act, 1998;

**AND IN THE MATTER OF** an application made by Midland Power Utility Corporation seeking cancellation of its distribution license, made pursuant to section 77(5) of the Ontario Energy Board Act, 1998;

**AND IN THE MATTER OF** an application made by Newmarket-Tay Power Distribution Ltd. seeking an order to amend its distribution license, made pursuant to section 74 of the Ontario Energy Board Act, 1998, to serve the customers of the former Midland Power Utility Corporation.

## **INTERROGATORIES FROM THE SCHOOL ENERGY COALITION**

### **1.0-SEC-1**

[Ex. D/1, p. 19] Please provide full details of the planned harmonization of rates in year 11.

### **1.0-SEC-2**

[Ex. D/1, p. 20] Please explain the basis for the statement “NT Power’s Tay service area has seen better reliability performance” in light of the statement on the next page “NT Power does not maintain separate reliability statistics for its Tay Area”.

**1.0-SEC-3**

[Ex. D/1, p. 21, 23] Please explain how the transaction will result in reduced compensation costs, in light of the statement “NT Power is committed to retaining all MPUC staff members”.

**1.0-SEC-4**

[Ex. D/2, p. 23] Please provide the full calculations supporting Table 3, together with all assumptions and supporting spreadsheets, all in live Excel format.

**1.0-SEC-5**

Please confirm that the following correctly sets out approved distribution rates for MPUC and NT Power for 2017 and the resulting annual distribution bills. The monthly and volumetric charges are from current approved rate orders, and the average volumes are from the 2016 OEB Yearbook (with GS>50 kWh converted to kW using the EB-2012-0147 final ratio).

**NT Power vs. MPUC Annual Distribution Bills Comparison**

<i><b>MPUC Class and Average Load per Cust.</b></i>	<i><b>Billing Component</b></i>	<i><b>MPUC 2017 Rates</b></i>		<i><b>NT Power 2017 Rates</b></i>	
<i><b>Residential 628</b></i>	Monthly	23.20	\$278.40	21.25	\$255.00
	Volume	0.0107	\$80.64	0.0075	\$56.52
	Total Bill		\$359.04		\$311.52
<i><b>GS&lt;50KW 2518</b></i>	Monthly	22.62	\$271.44	30.55	\$366.60
	Volume	0.0167	\$504.61	0.0200	\$604.32
	Total Bill		\$776.05		\$970.92
<i><b>GS&gt;50KW 218.7</b></i>	Monthly	63.93	\$767.16	138.54	\$1,662.48
	Volume	3.2581	\$8,550.56	4.9827	\$13,076.60
	Total Bill		\$9,317.72		\$14,739.08

Please confirm it is reasonable to expect that, all other things being equal, MPUC residential customers will see a 13.2% reduction in rates in year 11, MPUC small business customers will see a 25.1% increase in rates in year 11, and MPUC commercial/industrial customers (as well as a typical school) will see a 58.2 % increase in rates in year 11. If not confirmed, please explain in detail the steps the parties plan to take to ensure that these harmonization impacts will not arise.

**1.0-SEC-6**

[Ex. D/4, p. 24, 26] Please provide the sharing agreement referred to, and all evidence supporting the improvements in reliability and quality of service that resulted from the arrangement. Please explain what “efficiencies gained in relation to after-hours service staff” will arise that are incremental to the current arrangements.

### **1.0-SEC-7**

[Ex. D/6, p. 28] Please provide the detailed calculations that show that the savings will fully finance the transaction and integration costs. Please confirm that NT Power does not expect the savings to finance the acquisition premium. If any spreadsheets or other demonstrations of the self-financing nature of the project have been provide to NT Power management or board of directors, please provide those documents in live format.

### **1.0-SEC-8**

[Ex. D/8, p. 28] Please confirm that NT Power's 2016 year end equity as reported in the OEB yearbook was 43.3% of total assets. Please confirm that this leaves NT Power with additional borrowing room of about \$3.6 million without leveraging the NT Power balance sheet below 40% equity. Please reconcile the amount of financing room available with the premium on the transaction.

### **1.0-SEC-9**

[Ex. D/9, p. 29] Please provide the agreement with the TD Bank for the new term debt.

### **1.0-SEC-10**

[Ex. E/2, p. 30] Please confirm that NT Power does not intend to share ESM earnings, if any, pro rata between the customers of the two utilities, but instead plans to spread any ESM earnings unequally to minimize the impact of rate harmonization. Please provide all internal documents, including any presentations, memoranda or other information provided to management, to the board of directors, to MPUC, or to the Town of Midland, that show how the division of the ESM amount would work in practice.

### **1.0-SEC-11**

[Schedule B, p. 1] Please confirm all of the unshaded areas on this map are currently served by Hydro One Distribution.

### **1.0-SEC-12**

[NT Power 2016 Financials, p. 4] Please explain why, while Distribution Revenue increased \$413,966 from 2015 to 2016, Gross Profit increased by \$1,472,427.

### **1.0-SEC-13**

[NT Power 2016 Financials, p. 19] Please explain NT Power's plan to refund to customers the substantial amounts currently owing relating to IFRS Conversion.

#### **1.0-SEC-14**

[NT Power 2016 Financials, p. 21] Please confirm that NT Power continues to pay 5.48% interest on \$23,742,821 owing to its shareholders, in aggregate \$1,301,107 per year. Please confirm that the long term debt rate included in NT Power's rates in its last rebasing was 5.87%, its ROE in that case was 9.85%, its income tax rate was 31.07%, and its working capital allowance was based on 15% of allowable costs. Please confirm that, if NT Power's revenue was adjusted to reflect the current levels of those Board-approved amounts, revenue from rates would have to be reduced by 11.4%, or just over \$2 million per year.

#### **1.0-SEC-15**

Please confirm:

- a) NT Power's last rebasing was for 2010 rates, in EB-2009-0269.
- b) If the current application is approved as filed, NT Power will next rebase in 2028, 18 years after its operations were last reviewed by the Board.
- c) Based on currently available information, a rebasing by NT Power today would result in a rate decrease for most customers.
- d) NT Power has not filed a Distribution System Plan, and does not plan to do so prior to its next rebasing.

#### **1.0-SEC-16**

[NT Power 2016 Financials, p. 27] Please provide the existing banking agreement referred to in Note 23.

#### **1.0-SEC-17**

Please provide the 2016 financial statements of MPUC. If they cannot be provided, please provide a full explanation, including an explanation as to the basis of the RRR filings for MPUC for 2016. Please provide any communications to or from the auditors for MPUC relating to whether the auditors can provide a "clean" (i.e. without any qualifications) audit opinion on a going concern basis as of December 31, 2016.

#### **1.0-SEC-18**

[MPUC 2015 Financials] Please confirm that MPUC is in financial difficulty. Please explain why MPUC continues to pay dividends to its shareholder equal to 78% of net income for the year.

#### **1.0-SEC-19**

[MPUC 2015 Financials, p. 27, 30] Please provide a copy of the credit facility agreement with the Canadian chartered bank. Please confirm that MPUC is currently in compliance with all covenants in that agreement. If they are not, please provide details.

## **1.0-SEC-20**

Please confirm:

- e) MPUC's last rebasing was for 2013 rates, in EB-2012-0147.
- f) If the current application is approved as filed, MPUC will next rebase in 2028, 15 years after its operations were last reviewed by the Board.
- g) Based on currently available information, a rebasing by MPUC today would result in a rate decrease.
- h) MPUC has not filed a DSP, and does not plan to do so prior to its next rebasing.

## **1.0-SEC-21**

Please confirm that, in every year since its last rebasing, MPUC has recorded capital additions that are less than its depreciation expense for the year, and less than its 2013 capital additions forecast in EB-2012-0147. Please confirm that, over the period since its last rebasing, MPUC had the lowest ratio of capital additions to depreciation of any LDC in Ontario. Please explain the factors that make that level of capital spending appropriate for MPUC. Please provide details of what plans, if any, NT Power has to increase capital spending in Midland to rectify this situation.

All of which is respectfully submitted this November 15, 2017.