



Newmarket-Tay Power Distribution Ltd.



December 6, 2017

Ms. Kirsten Walli
Board Secretary

Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Suite 2700
Toronto, ON M4P 1E4

Dear Ms. Kristen Walli:

**Re: Newmarket-Tay Power Distribution Ltd. and Midland Power Utility Corporation application under section 86 of the *Ontario Energy Board Act, 1998* and application for other related relief (the “Application”)
EB-2017-0269 – Interrogatory Responses**

Please find enclosed the Newmarket-Tay Power Distribution Ltd. and Midland Power Utility Corporation (collectively, the “Applicants”) responses to Board Staff and School Energy Coalition interrogatories in the above-noted matter.

Pursuant to Procedural Order No. 1, the scheduled response date for the interrogatories is December 8, 2017. On November 14, a letter was written to the Board suggesting an expedited interrogatory process (see enclosure). Newmarket-Tay Power Distribution Ltd. (“NT Power”) and Midland Power Utility Corporation (“MPUC”) are appreciative of SEC providing the interrogatories prior to the scheduled November 17th date. It is hoped that these schedule savings will allow for submissions to be completed in the coming weeks.

NT Power and MPUC will make every effort to provide their closing submissions as soon after receipt of parties’ submissions as reasonably possible, in the hopes of allowing for a decision to be issued in this matter as soon as possible.

Yours very truly,

[Original Signed by]

Laurie Ann Coolegge
Chief Financial Officer
Newmarket-Tay Power Distribution
905-953-8548 ext 2268
lauriec@nmhydro.ca

[Original Signed by]

Phil Marley
President & CEO
Midland Power Utility Corporation
705-526-9362 ext 204
pmarley@midlandpuc.on.ca



McCarthy Tétrault LLP
Box 48, Suite 5300
Toronto Dominion Bank Tower
Toronto ON M5K 1E6
Canada
Tel: 416-362-1812
Fax: 416-868-0673

Héloïse Apestéguy-Reux
Associate
Direct Line: (416) 601-7809
Direct Fax: (416) 868-0673
Email: hapesteguyreux@mccarthy.ca

November 14, 2017

Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Suite 2700
Toronto, ON M4P 1E4

Attention: Ms Kirsten Walli
Board Secretary

Dear Ms. Walli:

Re: EB-2017-0269 – Newmarket-Tay Power Distribution Ltd. and Midland Power Utility Corporation application under section 86 of the Ontario Energy Board Act, 1998 and application for other related relief (the “Application”)

Timing of proceeding

We are counsel to Newmarket-Tay Power Distribution Ltd. in the above-noted application.

This letter is in regards to the timing of this proceeding. Newmarket-Tay Power Distribution Ltd. and Midland Power Utility Corporation (the “**Applicants**”) filed the Application in this proceeding with the Ontario Energy Board (the “**Board**”) in mid-July 2017. This was followed by a letter of clarification filed on August 11, 2017 and a Notice of Hearing issued on August 31, 2017. Two intervention requests were filed, and the Board issued a letter on October 6, 2017 requesting additional information in regards to the Capredoni Enterprises intervention request. Procedural Order no. 1 was issued on October 30, 2017.

The Board’s *Performance standards for processing applications*¹ state that the performance standard for a section 86 application (written hearing) is 130 days. The Application was filed in mid-July with an intended closing date that took into account the 130 day performance standard.

In order to assist in moving the proceeding forward as expeditiously as possible, efforts will be made to reply to interrogatories as quickly as possible once these are filed by Board Staff and the School Energy Coalition. If it is possible for either or both of Board Staff or the School Energy Coalition to provide a subset of their respective interrogatories ahead of the scheduled November 17th deadline, this would be very helpful to the Applicants.

Moreover, should there be any other steps that the Applicants can take to assist the Board in keeping the process moving forward, the Applicants request that the Board please advise of such steps.

¹ Available at <https://www.oeb.ca/industry/applications-oeb/performance-standards-processing-applications>

**mccarthy
tetrauit**

page 2

In closing, the Applicants note that they understand that the Board must ensure that it undertakes a complete process for the consideration of the Application and that internal Board schedules must be taken into account when it comes to the timing of Board proceedings. The Applicants further understand that the intervention request filed by Capredoni Enterprises required some time to be considered by the Board. The Applicants therefore request that to the extent possible at this time, the Board proceed at as timely a pace as possible for the remainder of this proceeding. As noted, the Applicants will be pleased to assist as they can in this regard.

Please do not hesitate to contact the undersigned if you have any questions in relation to the foregoing.

Sincerely,

Signed in the original

Héloïse Apestéguy-Reux

HA

cc. J. Mark Rodger, counsel to Midland Power Utility Corporation



Newmarket-Tay Power Distribution Ltd.



Interrogatory Responses

EB-2017-0269

Due Date

12-8-2017

ONTARIO ENERGY BOARD

IN THE MATTER OF an application by Newmarket-Tay Power Distribution Ltd. for leave to purchase all of the issued and outstanding shares of Midland Power Utility Corporation under section 86(2)(b) of the *Ontario Energy Board Act, 1998* S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Newmarket-Tay Power Distribution Ltd. for leave to amalgamate with Midland Power Utility Corporation under section 86(1)(c) of the *Ontario Energy Board Act, 1998* S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Midland Power Utility Corporation for leave to transfer its distribution system to Newmarket-Tay Power Distribution Ltd. under section 86(1)(a) of the *Ontario Energy Board Act, 1998* S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Midland Power Utility Corporation for leave to transfer its rate order to Newmarket-Tay Power Distribution Ltd. under section 18(1) of the *Ontario Energy Board Act, 1998* S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Midland Power Utility Corporation to cancel its distribution licence pursuant to section 77(5) of the *Ontario Energy Board Act, 1998* S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Newmarket-Tay Power Distribution Ltd. for an order to amend Newmarket-Tay Power Distribution Ltd.'s licence pursuant to section 74 of the *Ontario Energy Board Act, 1998* S.O. 1998, c. 15, (Schedule B).

EB-2017-0269

INDEX

List of Attachments.....	8
Board Staff IR - 1.....	10
Board Staff IR - 2.....	11
Board Staff IR - 3.....	12
Board Staff IR - 4.....	13
Board Staff IR - 5.....	14
Board Staff IR - 6.....	16
Board Staff IR - 7.....	18
Board Staff IR - 8.....	19
Board Staff IR - 9.....	21
Board Staff IR - 10.....	24
Board Staff IR - 11.....	26
Board Staff IR - 12.....	27
Board Staff IR - 13.....	29
Board Staff IR - 14.....	30
Board Staff IR - 15.....	31
Board Staff IR - 16.....	32
Board Staff IR - 17.....	33
Board Staff IR - 18.....	35
Board Staff IR - 19.....	36
Board Staff IR - 20.....	38
Board Staff IR - 21.....	40
Board Staff IR - 22.....	41
Board Staff IR - 23.....	42
Board Staff IR - 24.....	43
Board Staff IR - 25.....	44
Board Staff IR - 26.....	47
School Energy Coalition IR – 1	50
School Energy Coalition IR - 2	51

School Energy Coalition IR - 3	52
School Energy Coalition IR - 4	53
School Energy Coalition IR - 5	54
School Energy Coalition IR - 6	56
School Energy Coalition IR - 7	57
School Energy Coalition IR - 8	58
School Energy Coalition IR - 9	59
School Energy Coalition IR - 10	60
School Energy Coalition IR - 11	61
School Energy Coalition IR - 12	62
School Energy Coalition IR - 13	63
School Energy Coalition IR - 14	64
School Energy Coalition IR - 15	65
School Energy Coalition IR - 16	66
School Energy Coalition IR - 17	67
School Energy Coalition IR - 18	68
School Energy Coalition IR - 19	69
School Energy Coalition IR - 20	70
School Energy Coalition IR - 21	71

LIST OF ATTACHMENTS

- A. TD Commitment Letter for Debt
 - Reference: OEB – 15, SEC – 9 and SEC - 16
- B. Deferral and Variance Accounts
 - Reference: OEB - 22
- C. Pro Forma Financial Statements 2018
 - Reference: OEB - 24
- D. Comparative Cost Analysis Workbook
 - Reference: SEC - 4
- E. After Hours Service Agreement MPUC and NT Power
 - Reference: SEC – 6
- F. MPUC Credit Facility Agreement with Canadian Chartered Bank
 - Reference: SEC -19

INTERROGATORIES OF ONTARIO ENERGY BOARD STAFF

BOARD STAFF IR - 1

1-Staff-1

Ref: Exh B/ p. 14 and Schedule A

Corporate charts of the parties to the proposed consolidation transaction are provided as Schedule A.

a) Please provide a corporate chart after the completion of the consolidation transaction.

b) Please confirm whether there will be any changes to the ownership shares of Newmarket Hydro Holdings Inc. and Tay Hydro Inc. following the amalgamation of Newmarket-Tay Power Distribution Ltd.(NT Power) and MPUC Utility Corporation (MPUC).

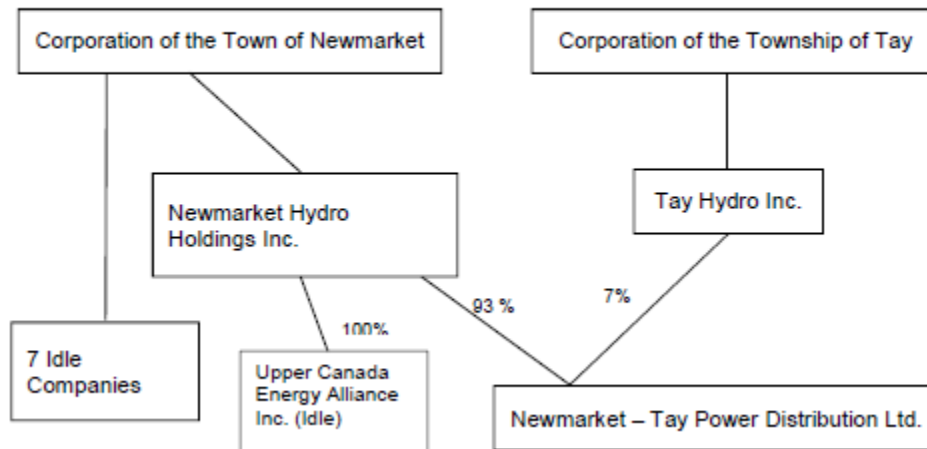
RESPONSE

a) The corporate chart below reflects the Combined Utility (as defined in the Application) post transaction.

b)

Corporate Chart of NT Power Post Transaction

Corporate Chart of NT Power:



c) NT Power confirms there will be no changes to the ownership of the shares of Newmarket Hydro Holdings Inc. and Tay Hydro Inc. following the amalgamation of Newmarket-Tay Power Distribution Ltd. (“NT Power”) and Midland Power Utility Corporation (“MPUC”).

BOARD STAFF IR - 2

1-Staff-2 Ref: Exh B/ p.17

The application states that the share purchase price will be \$27,663,911 and that NT Power will also pay MPUC an additional fixed amount of \$200,000 in respect of MPUC's transaction costs and expenses.

a) Please explain how NT Power intends to fund the additional \$200,000 to be paid for MPUC's transaction costs and expenses.

b) Please confirm whether NT Power intends to recover this amount through rates. If so, please provide an explanation for why NT Power is seeking recovery through rates for these costs/expenses.

RESPONSE

- a) NT Power intends to fund the additional \$200,000 to be paid to the Town of Midland for Midland's transaction costs and expenses using the savings that it expects to generate given the anticipated efficiency gains and synergies arising from the proposed consolidation.

- b) Confirmed, the \$200,000 will not be recovered through rates.

BOARD STAFF IR - 3

1-Staff-3 Ref: Exh B/ p.17

According to the application, the share purchase agreement provides for a number of measures including economic development initiatives in the community.

a) Please describe in detail what the economic development initiatives entail and how the applicants expect to fund these initiatives, confirming whether these will be paid for by ratepayers.

RESPONSE

NT Power supports economic development in the communities in which it operates, as set out in Schedule 6.3 of the Share Purchase Agreement (See Schedule E of the Application). NT Power is committed to shopping locally when it is economic to do so using transparent and fair charge out rates and fair charge out rates. Other initiatives are achieved in two ways: participation in utility coordination and planning to ensure electric distribution construction projects are well coordinated with municipal, gas, and telecom infrastructure such that new development is serviced in a timely and efficient manner. This coordination and planning provides an efficient process for new business developers, is in keeping with good utility practice, and is included within rates.

As part of NT Power's Conservation Demand Management ("CDM") activities, NT Power works with local Chambers of Commerce and municipal governments to showcase the communities it serves as efficient and economic places to do business through offering an easily accessed and complete suite of energy conservation programs. This is allowable outreach under the current CDM Framework and is funded through NT Power's CDM budget. No other specific initiatives are currently contemplated.

BOARD STAFF IR - 4

1-Staff-4 Ref: Exh B/ p.18

The application states that once NT Power has acquired all of the shares of MPUC, NT Power and MPUC will amalgamate promptly following the acquisition to form the combined utility.

- a) Please advise when the share acquisition transaction is expected to close and when the amalgamation will be completed.
- b) Please confirm if a new name is anticipated for the utility following the amalgamation transaction.

RESPONSE

- a) The transaction is expected to close on the first day of the month that is no later than thirty-five (35) days following the date of OEB approval. The amalgamation will occur immediately after the transaction close.
- b) No new name is contemplated following the amalgamation transaction. The continued legal name will be “Newmarket – Tay Power Distributions Ltd.”.

In accordance with section 6.16 of the Share Purchase Agreement (Application - Schedule E), “Midland Power” branding will continue to be a presence in the local community to provide continuity post transaction and mitigate rebranding of asset costs for a period of ten (10) years following the transaction close. This will provide the most benefit to customers as a continued local community presence will minimize confusion.

NT Power is requesting permission from the Town of Midland to continue the use of the Midland Power name and identity consistent with the intent of section 6.16 of the Share Purchase Agreement.

BOARD STAFF IR - 5

1-Staff-5 Ref: Exh B/ p.19

NT Power states that it expects there could be a modest increase in the distribution rates for MPUC's commercial customers which can be mitigated by (i) the significant efficiencies expected to be generated; (ii) NT Power's lower ongoing cost structures; and (iii) NT Power's intent to migrate the Midland and Tay service territories to a direct connection to the IESO grid.

- a) Please indicate the quantum of the expected increase in rates for MPUC's commercial customers.
- b) Please provide an illustration of the extent to which the applicants expect to mitigate the expected increase as the applicants have suggested by (i), (ii), and (iii).

RESPONSE

- a) At the time of rebasing of the Combined Utility, the Board will determine rates based on principles of revenue recovery, cost allocation and rate design in place at that time.

For the purpose of providing a "quantum" as requested, NT Power can provide the following calculation, which is based on the expected difference in annualized monthly rates in year ten (10) based on NT Power current delivery rates (as adjusted pursuant to the annual IR index adjustment mechanism) and MPUC's current delivery rates (as adjusted pursuant to the price cap IR adjustment mechanism with MPUC as cohort 4): for GS<50 and GS>50 customers respectively, the estimated quantum would be \$160 (17%) and \$1,730 (15%). However, NT Power notes that this calculation does not take into account the Board mandated principles of revenue recovery, cost allocation and rate design nor the effects of direct connection to the IESO grid.

- b) NT Power expects to mitigate any increases for commercial customers by applying, in accordance with the Board's policies in place at the time of rebasing of the Combined Utility, the efficiencies and lower cost structures expected as a result of the proposed transaction. NT anticipates that any increases for commercial customers will be mitigated by Board mandated principles of revenue recovery, cost allocation and rate design.

The cost synergy savings are estimated to be \$1.3M and are expected to decrease the revenue requirement of the Combined Entity for rate harmonization. The migration of MPUC and Tay service areas to a direct connection to the IESO grid is also expected to lower customers bill costs in relation to line losses.

BOARD STAFF IR - 6

1-Staff-6 Ref: Exh B/ pp.22-24

The proposed transaction is expected to result in cost reductions. Table 3 sets out annual OM&A and capital costs for NT Power and MPUC and the synergies anticipated from the transaction on a yearly basis for ten years post-transaction.

- a) Please confirm whether the level of synergies set out in Table 3 represents the level of costs savings expected from undertaking the transaction and whether transition/ transaction costs are included in the cost savings. If not, please provide a revised table showing for each year, the costs of each distributor (pre-transaction) and the costs of each distributor (post transaction), the level of transition costs that the parties will incur on a yearly basis and the level of cost savings, after taking into account transition costs.
- b) On page 22, the applicants anticipate reductions in operating, maintenance and administration (OM&A) costs ranging from \$248K to \$1,424K. However, Table 3 reflects synergies ranging from \$153K, in year 1 to \$1,308K in year 10. Please provide an explanation for this difference.
- c) Table 3 reflects synergies in capital in Year 5 amounting to \$773K. Please provide a detailed explanation of what this represents and why this synergy is expected to arise in Year 5.
- d) Please confirm whether Year 1 in the table represents the year 2017 or 2018.

RESPONSE

- a) Table 3 (page 23) does not reflect the transaction costs. The transition costs were included within the synergies. The table below outlines the: cost of each distributor, transaction costs, transition costs and synergies.

Comparative Cost Analysis (000's)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
OM&A										
NT Power	6,854	7,052	7,257	7,467	7,684	7,907	8,136	8,372	8,615	8,865
MPUC	2,534	2,586	2,635	2,685	2,736	2,788	2,841	2,895	2,950	3,006

Newmarket- Tay Power Distribution Ltd. & Midland Power Utility Corporation
MAAD Interrogatory Responses
 EB-2017-0269

NT POWER- Transaction Cost	1,200	-	-	-	-	-	-	-	-	-
MPUC- Transition Cost	95	99	101	103	105	107	109	111	114	116
Synergies	(248)	(608)	(858)	(927)	(1,193)	(1,219)	(1,314)	(1,345)	(1,388)	(1,424)
Total	10,435	9,129	9,135	9,328	9,332	9,583	9,772	10,034	10,291	10,563

- b) The difference of the annual reductions on page 22 and Table 3 (page 23) is the transition cost for annual rent of the 16984 Highway 12 property.
- c) Capital synergies identified within Table 3 (page 23) relate to the rationalization of two (2) large vehicles in year five which were scheduled to be replaced at that time.
- d) The year 2018 represents “Year 1” in Table 3 (page 23).

BOARD STAFF IR - 7

1-Staff-7 Ref: Exh B/ pp.26-27

The applicants have identified various business operations in which efficiencies are anticipated to drive cost savings.

- a) Please provide the costs attributable to the specific business operations which make up the projected cost savings arising from this transaction.
- b) Please explain what assumptions have been made by the applicants with respect to the expected cost savings.
- c) Please identify risks that could negatively impact the projected cost savings, setting out the projected savings if those risks materialize.

RESPONSE

- a) The efficiencies expected in specific business operations units are listed in the following table:

Efficiencies By Business Operations \$000's	
	Year 10
Management and Staff	700
Board of directors	33
Fleet and associated maintenance costs	120
Software licensing and maintenance costs	91
Professional fees	426
Facilities	55
Total	<u>\$ 1,424</u>

- b) The assumptions with respect to the expected cost savings are:
 - a. Reduction of governance costs i.e. Board of directors
 - b. Elimination of duplicate memberships and professional fees
 - c. Reduced fleet maintenance due to identified capital synergies
 - d. Natural attrition through retirements and as employees otherwise leave the Combined Utility
 - e. Reduced consulting cost through the redeployment of existing staff resources
- c) The risks that could negatively impact the projected cost savings are:
 - a. Unforeseen changes in provincial energy policies
 - b. Regulatory policy changes that impact resource requirements
 - c. Risks associated with the integration of information systems
 - d. Risks of natural or unexpected occurrences i.e. environmental disasters
 - e. Employment standard policy changes

BOARD STAFF IR - 8

1-Staff-8 Ref: Exh B/pp. 21, 25 and 27

On page 21, it is stated that NT Power is committed to retaining all Midland Power staff members as well as continuing the existing level of operational capability in the Midland and Tay communities. However, page 27 of the application also references the consolidation of the Tay and Midland operations and administrative facilities, which is expected to result in cost savings.

- a) Please provide a list of the existing operation centres in the NT Power and Midland service areas and describe which customers are served by each of these centres.
- b) Please describe the changes that are planned for each of these operation centres as a result of this consolidation transaction.
- c) Please confirm whether there will be any new operations centre constructed and where this will be situated relative to the existing operation centres.
- d) Please confirm whether all Midland Power staff will be retained post-transaction and, if so, for what length of time NT Power intends to retain these staff.
- e) Please provide a detailed explanation of any staff changes planned post transaction, when these changes will be implemented, and how this is expected to impact future operational capability.
- f) Please comment on the anticipated effect of any proposed changes in staff and/or operation centres on service quality, reliability, and cost effectiveness/cost efficiency of electricity distribution for the acquired area.

RESPONSE

- a) NT Power and MPUC operation centres:
 - a. 590 Steven Court, Newmarket, ON L3Y 6Z2
 - i. Serves all customers in NT Power's, Newmarket service area
 - b. 489 Finlayson Street, Port McNicoll, L0K 1R0
 - i. Serves all customers in NT Power's, Tay service area
 - c. 16984 Highway 12, Midland, ON L4R 4P4
 - i. Serves all customers in MPUC's service area

- b) Post consolidation all operational and administrative functions for the Tay and MPUC service areas will be consolidated at 16984 Highway 12, Midland. The 489 Finlayson Street, Port McNicoll consists of a yard, shop, and administrative building. The shop and yard will be used for vehicle and material storage. The administrative building is proposed to be leased to a third party at prevailing market rates.
- c) No new operation centre is contemplated.
- d) All existing MPUC staff will be retained until such time as they retire or otherwise leave the employment of NT Power.
- e) As staff retire or otherwise leave the employment of NT Power post transaction the need for their replacement will be reviewed from the perspective of service quality, reliability, efficiency, worker and public safety and overall operational capability.
- f) The proposed changes of consolidating all operational and administrative functions for the Tay and MPUC service areas at the 16984 Highway 12, Midland location makes the most efficient use of the facilities with minimal transition costs. The 489 Finlayson Street, Port McNicoll location and 16984 Highway 12 location are within six (6) kilometers (10 minutes travel time) of each other. There will be minimal impact on Tay and MPUC customers and others that need or desire in-person contact with utility staff.

An overall improvement in service quality, reliability, and cost effectiveness/cost efficiency of electricity distribution for the acquired area in conjunction with Tay area is expected.

BOARD STAFF IR - 9

1- Staff-9 Ref: Exh B/pp. 20-21, p. 23 (Table 3)

The application states that NT Power sees an opportunity for improving reliability through the potential to unembed the Tay area and the Midland service area. The applicants state that they intend to prepare a plan to connect the Tay area and the Midland service area directly to the IESO controlled-grid at Waubashene transformer station.

- a) Please explain how electricity distribution service is currently provided to the Tay area and the Midland service area.
- b) Please provide further information on the process by which NT Power would have to arrange for the unembedding of these service areas, which OEB Staff understands would entail disconnecting from a “host” distributor’s system and connecting directly to the Hydro One high voltage transformer station.
- c) Please provide the timeline that NT Power is targeting for this change.
- d) Please confirm whether NT Power would have to construct assets to connect to Waubashene transformer station.
- e) Please provide the anticipated costs for unembedding service to the Tay area and the Midland service areas including the cost for the construction of assets for a direct connection to the high voltage system, if required.
- f) Please explain how NT Power intends to recover costs associated with the unembedding of service to the Tay area and the Midland service areas if this occurs during the deferred rebasing period.
- g) Please explain what is meant by “the combined utility could use local resources to service certain outages instead of waiting for the distribution provider to address an issue with its system”, elaborating on the specific benefits for customers.
- h) The applicants submit that the plan to un-embed the MPUC and Tay service areas will result in significant benefit to Midland customers and NT Power customers by the elimination of costs attributable to embedded distribution. NT Power estimates that the elimination of losses related to embedded distribution could result in a three percent average savings on MPUC customers overall electricity bills.
 - i. Please confirm whether the estimated cost savings only relates to elimination of losses or whether this includes other costs eliminated which are attributable to embedded distribution.

- ii. Please confirm whether the applicants have incorporated these estimated cost savings in the projected synergies in Table 3 on page 23.

RESPONSE

- a) Electric distribution service is provided by Hydro One Networks Inc. (“HONI”) to the Tay and MPUC service areas through shared 44kV feeders. Tay is served by the Waubaushene M1 and M6 feeders. MPUC is served by the Waubaushene M2, M3, M4, and M7 feeders. Most of these feeders also serve HONI customers.
- b) The process to unembed the Tay and MPUC service areas would begin with operational discussions with HONI to identify potential redeployment of some of the existing shared feeders from Waubaushene transformer station (M1, M2, M3, M4, and M7) with sufficient capacity for the combined Tay and MPUC load to dedicated feeders. All of the feeders are in the Township of Tay and are in close proximity to the Tay service area.
- c) Should the discussions noted in (b) above find unembedding to be practicable, then a project plan would be developed that would include a scope of work, a timeline of three to five years and costs for the unembedding. This project plan would be included in the Distribution System Plan so that it would be subject to customer and other stakeholder review and comment.
- d) Please see the response to (c) above. This has yet to be determined.
- e) Please see the response to (c) above. These have yet to be determined.
- f) Please see the response to (e) above. Depending on the quantum of the costs, they would either be financed by NT Power and recovered at rebasing, or an Incremental Capital Module would be filed with the OEB.
- g) As all of the feeders supplying MPUC and Tay are shared with and owned by HONI, repair of any failure on the shared portions must be attended to by HONI and subject to the availability of HONI resources. Should the feeders supplying MPUC and Tay be dedicated and owned by the Combined Utility, then the Combined Utility’s local resources could attend to any failures. This is expected to reduce outage times for these types of failures and result in improved reliability.

h)

- i. The estimated savings relate only to loss elimination. No other costs have been included.
- ii. These estimated cost savings have not been factored into the synergies as they would not be a part of the Combined Utility's underlying costs to serve customers. The potential cost savings are a result of the configuration of the distribution network emanating from Waubaushene transformer station as a whole.

BOARD STAFF IR - 10

1- Staff-10 Ref: Exh B/pp. 20-21

Table 2 shows existing reliability metrics for MPUC and NT Power. OEB Staff observes that from 2014 to 2016, the SAIDI and SAIFI statistics for MPUC are lower, indicating better performance than those shown for NT Power. As well, NT Power’s statistics are at their highest in 2016.

a) Please explain how the no harm test is satisfied with respect to expected reliability for MPUC customers in light of the statistics provided in Table 2.

RESPONSE

Table 2 showed MPUC’s “Loss of Supply and Major Event Days (“MED”) adjusted” reliability metrics for 2016 instead of only the Loss of Supply adjusted metrics as shown for all the other reliability metrics in Table 2. Below is an adjusted Table 2 that shows reliability metrics adjusted for Loss of Supply only.

Adjusted Table 2: Loss of Supply Adjusted

	Measures	2012	2013	2014	2015	2016
System Reliability	SAIDI					
	MPUC	1.12	1.46	0.04	0.33	3.23
	NT Power	0.72	0.78	0.68	0.58	1.05
	SAIFI					
	MPUC	1.02	0.57	0.01	0.18	1.27
	NT Power	0.5	0.54	0.79	0.67	1.02

In 2016, the OEB required LDCs to restate historical reliability statistics taking into account Major Event Days. Below is an adjusted Table 2 showing reliability metrics adjusted for both Loss of Supply and MEDs.

Adjusted Table 2: Loss of Supply and MED Adjusted

	Measures	2012	2013	2014	2015	2016
System Reliability	SAIDI					
	MPUC	1.12	1.46	0.04	0.33	0.68
	NT Power	0.56	0.51	0.68	0.58	0.42
	SAIFI					
	MPUC	1.02	0.57	0.01	0.18	0.7
	NT Power	0.38	0.43	0.79	0.67	0.57

Using the latest OEB reliability metrics as shown in the 2016 Scorecard that OEB made public in September 2017 (subsequent to the filing of Table 2 in the Application), the data shows that over the last five (5) years, NT Power’s SAIDI and SAIFI statistics were better than MPUC’s reliability except for 2014 and 2015 where MPUC had exceptionally good reliability. The amalgamation provides opportunities to implement best practices from both NT Power and MPUC, and the Combined Utility intends to work towards achieving the best from both LDCs. NT Power has steadily improved reliability over the past three (3) years despite having to conduct several planned outages over the past five (5) years to facilitate a major bus rapid transit (“BRT”) infrastructure project in the Newmarket area.

The above-noted considerations demonstrate that the no harm test is satisfied in regards to reliability.

BOARD STAFF IR - 11

1- Staff-11 Ref: Exh B/pp. 21-22

NT Power states that it expects to be able to deliver its above-standard customer service to MPUC customers.

a) Please provide, in a table similar to Table 2, the annual service quality indicator statistics for MPUC and NT Power for each of the years from 2012 to 2016.

RESPONSE

a) A table similar to Table 2 has been developed from the 2016 scorecard annual service quality indicator statistics for both MPUC and NT Power below.

	Measures	2012	2013	2014	2015	2016	Target Industry
Service Quality	New Residential/Small Business Services Connected on Time						
	MPUC	100.00%	100.00%	100.00%	100.00%	100.00%	90.00%
	NT Power	100.00%	100.00%	100.00%	100.00%	100.00%	
	Scheduled Appointments Met On Time						
	MPUC	100.00%	100.00%	100.00%	100.00%	99.40%	90.00%
	NT Power	98.60%	94.90%	96.50%	98.00%	99.80%	
	Telephone Calls Answered On Time						
	MPUC	100.00%	100.00%	100.00%	100.00%	99.90%	65.00%
	NT Power	88.50%	83.60%	84.90%	84.00%	81.80%	

NT Power and MPUC are both committed to service quality and have successfully exceeded the industry target annually from 2012 to 2016. Post amalgamation, the Combined Utility expects to continue delivery of above-standard customer service.

BOARD STAFF IR - 12

1- Staff-12 Ref: Exh B/pp. 17, 18, 23

The purchase price is expected to be \$27.7M plus \$200k for transaction costs and expenses, which is 1.7 times MPUC's approved rate base and net regulatory assets of \$15.8M as at the 2015 year end. It is stated that the recovery of the purchase price premium will be accomplished through estimated synergy savings.

a) From page 23, the sum of OM&A and capital synergies from years one ten is \$10.2M. However, any over-earnings above 300 basis points in years six to ten will be shared with ratepayers, thereby, reducing synergies that will be kept by the shareholder. The purchase price premium is \$11.9M (\$27.7M-\$15.8M).

i. Please explain how NT Power expects to be able to fully recover the costs of the premium paid.

ii. Please also indicate when NT Power expects to be able to fully recover the costs of the premium paid.

b) The synergies proposed to use to recover the purchase price premium is incurred over a ten year period. Please explain how NT Power will ensure financial viability of the combined utility in the initial years post-amalgamation.

c) Please provide what the premium being paid represents as a proportion of NT Power's net fixed assets.

RESPONSE

a) The purchase price premium of \$11.9M

i. NT Power expects to be able to recover the costs of the premium paid through the cost synergy savings from year one (1) to year ten (10). The cost synergy savings from year six (6) to ten (10) will be reduced for any over earnings above 300 basis points to be shared with ratepayers. The Combined Utility earnings from year eleven (11) forward will be utilized to recover the balance of the premium paid.

ii. NT Power estimates to fully recover the cost of the premium paid in year eleven (11) forward following the transaction. Starting in year eleven (11), the cost of the premium will be recovered from return on equity.

b) NT Power has ensured the financial viability for the Combined Utility by modelling the financial outlook for several years post-amalgamation. The following table reflects the financial ratios projections of the Combined Utility.

Newmarket- Tay Power Distribution Ltd. & Midland Power Utility Corporation
MAAD Interrogatory Responses
 EB-2017-0269

Combined Utility Financial Ratios

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Third party debt to capital	47.7%	48.1%	49.1%	49.1%	48.8%	48.4%	47.8%	47.1%	46.2%	45.3%
Debt service coverage ratio	3.8x	3.7x	3.8x	3.9x	4.1x	4.2x	4.4x	4.5x	4.7x	4.8x
Return on Equity (After-tax)	4.0%	5.7%	6.3%	6.6%	7.1%	7.2%	7.4%	7.5%	7.6%	7.6%

- c) The purchase price premium of \$11.9M is 12% of NT Power's 2016 net fixed assets.

BOARD STAFF IR - 13

1- Staff-13 Ref: Exh B/p. 27

The application states that the combined utility will prepare one set of financial statements.

- a) Please indicate when the combined utility is expecting to consolidate the financial records.
- b) If each of the applicants use different accounting policies, please explain any impact this may have when the financial records are consolidated.
- c) Please confirm whether either of the applicants intends to make changes, or is required by an accounting standards body to make changes to its accounting policies, as a result of the proposed amalgamation. If so, please describe the impact of any accounting changes and whether they will reduce or increase the earnings of the amalgamated utility.

RESPONSE

- a) NT Power expects to consolidate financial records promptly following the OEB's approval.
- b) NT Power and MPUC were both originally on Canadian GAAP and migrated to IFRS accounting policies. NT Power and its independent auditors have not identified any impact to consolidating financial records due to different accounting policies.
- c) NT Power confirms neither applicant intends to, nor is required to make changes to the accounting policies as a result of the proposed amalgamation.

BOARD STAFF IR - 14

1- Staff-14 Ref: Exh B/p. 28

The application states that NT Power is confident that it will be in a position to finance incremental transition costs using the savings which it expects to achieve given the anticipated efficiency gains and synergies arising from the proposed transaction. Please quantify the transition costs and compare it to the cost savings anticipated by year from year 1 to 10 post-transaction.

RESPONSE

Please refer to the Staff IR – 6, a) for the transition costs and cost savings comparison for year one (1) to ten (10) post- transaction.

BOARD STAFF IR - 15

1- Staff-15 Ref: Exh B/p. 29

NT Power states that it is financing 90% of the proposed transaction with new term-debt from the bank.

- a) Has NT Power already secured the financing? Please explain the status of this.
- b) Please elaborate on the terms of the debt, including the interest rate and repayment terms.

RESPONSE

- a) Please refer to Attachment A for the TD Bank commitment letter. NT Power has a secured financing commitment upon OEB approval of the proposed transaction.
- b) The interest rates will be available when these are set shortly prior to the closing of the financing of the transaction. The repayment term will be twenty-five (25) to thirty (30) years.

BOARD STAFF IR - 16

1- Staff-16 Ref: Exh B/p. 11, 30

NT Power requests approval of a ten-year deferral period for the rebasing of MPUC rates and the rates of the combined utility.

- a) Please confirm that approval for the ten-year deferral period is being sought for both MPUC and the combined utility.
- b) Please confirm whether NT Power expects to migrate from its existing rate plan to having its rates adjusted by the Price Cap IR adjustment mechanism. If so, please confirm when this will occur.

RESPONSE

- a) Confirmed – more specifically, approval of the ten-year deferral period is being sought in relation to MPUC, and NT Power’s intent is to re-base the Combined Utility at the end of this ten-year period.
- b) NT Power is currently setting its rates pursuant to the Annual IR Index rate setting mechanism. Pursuant to the Board’s March 26, 2015 *Report of the Board on Rate-Making Associated with Distributor Consolidation* (the “Consolidation Report”) and the Board’s Handbook to Electricity Distributor and Transmitter Consolidations (the “Handbook”), a distributor who is a party to a consolidation transaction and who is on the Annual IR Index will continue to have rates based on the Annual IR Index during the deferral period, until it selects a different rate-setting option (see Handbook page 14 and Consolidation Report page 11). Therefore, NT Power may select to migrate from its existing plan to a different option, but a final decision on this has not been made at this time.

BOARD STAFF IR - 17

1- Staff-17 Ref: Exh B/pp. 19, 25

On page 19, NT Power states that: “As a result of item (a) above, MPUC’s distribution rates would remain the same, aside from a small mechanistic adjustment, for the next ten years.”

On page 25, NT Power notes that NT Power is currently in cohort 2 (stretch factor of 0.15%) while MPUC is currently in cohort 4 (stretch factor of 0.45%).

- a) Please describe the “small mechanistic adjustment”.
- b) As read, item (a) means that MPUC customers would likely be under the Price Cap IR rate-setting adjustment with or without the purchase and amalgamation, except for the possibility of rebasing.
 - i. While rate increases approved in cost of service applications may be higher than the price cap IR rate adjustment would provide, please provide the applicants’ views on whether there may be other “benefits” from rebasing (e.g., adjusting inter-class subsidization and revenue-to-cost imbalances, increased costs for improved or new services).
- c) If MPUC were to continue to operate under cohort 4, the Price Cap IR rate adjustment would be $IPI - 0.45\%$ (under the current rate-setting formula). If MPUC migrated to the NT Power cohort 2 after amalgamation, the annual rate-setting mechanism would be $IPI - 0.15\%$. All else being equal, MPUC customers would face higher increases after amalgamation with NT Power than it would as a stand-alone utility. This ignores cost or operational pressures that MPUC might have to address if it continued as a stand-alone utility.
 - i. Please provide further explanation and support for how the “no harm” test is satisfied for MPUC’s customers under the rate-setting proposal described on page 9.

RESPONSE

- a) The “small mechanistic adjustment” is describing Chapter 3, *OEB Filing Requirements* in the price cap IR setting mechanism. The price cap IR consists of a sharing benefit that attributes MPUC’s stretch factor to be within cohort four (4).

In the application, it was assumed the price cap mechanism adjusting MPUC customer rates would be calculated using MPUC's current cohort (cohort four (4)).

- b) As the rebasing of the Combined Utility's rates is proposed to take place in ten (10) years, it is difficult to predict the issues in that rebasing application but NT Power expects that it will include cost allocation.
- c) The price cap mechanism pursuant to which MPUC rates would be increased is to be calculated based on the price cap adjustment as calculated using MPUC's existing cohort (cohort 4). NT Power does not propose to change the calculation of the price cap adjustment such that the part of the price cap formula relating to cohort would change during the deferral period.

Should the Board find the above approach unacceptable, NT Power would be amenable to the Board requiring that MPUC's rates be adjusted during the deferral period by the Annual IR Index adjustment, instead of the price cap mechanism adjustment.

- i. Not applicable, refer to Staff IR - 17, c).

BOARD STAFF IR - 18

1- Staff-18 Ref: Exh B/p. 30

The application states that NT Power plans to implement an earnings sharing mechanism (ESM) starting in year 6 of the deferred rebasing period. It is also stated that the proposed ESM is not identical to that set out by the OEB and that approval is sought of the proposed ESM.

a) Please provide a detailed explanation of how the proposed ESM plan is different from that set out by the OEB in the OEB's Handbook to Electricity Distributor and Transmitter Consolidations (Handbook), issued on January 19, 2016, identifying the specific differences for which approval is sought.

RESPONSE

The Handbook states, "the OEB determined that under the ESM, excess earnings are shared with consumers on a 50:50 basis for all earnings that are more than 300 basis points above the consolidated entity's annual ROE". NT Power's proposal and intent aligns with this statement.

NT Power's proposed ESM is different than that set out in the Handbook in that NT Power proposes to record any excess earnings in a deferral and variance account (the "ESM Account") in years six through ten of the deferred rebasing period. Subsequently, when rebasing occurs, NT Power proposes to use the amounts in the ESM Account towards any rate mitigation measures required as determined by the Board at the time of rebasing and in accordance with rate-making principles.

In its application, NT Power stated that it proposes that the above-noted plan for the use of amounts in the ESM Account apply "to all the customers of the Combined Utility". The intent of this statement is to indicate that NT Power believes that all customers of the Combined Utility should be considered when the Board considers, at the time of rebasing, whether rate mitigation is needed.

NT Power proposes that the amounts in the ESM Account be first used towards any customers for whom it is found that rate mitigation is needed at the time of rebasing of the Combined Utility. Should it be found by the Board at the time of rebasing of the Combined Utility, that rate mitigation is not needed in relation to any customers, NT Power would propose to distribute the amounts in the ESM Account to all customers, in a manner acceptable to the Board at the time of rebasing. Should amounts in the ESM Account be greater than the amount required to cover any rate mitigation measures determined by the Board, the excess amount is proposed to be distributed to all customers, in a manner acceptable to the Board.

BOARD STAFF IR - 19

1- Staff-19 Ref: Exh B/pp. 11, 30, 31

The application requests the approval of a deferral and variance account to track excess earnings in years six to ten of the deferred rebasing period.

- a) Please explain why the account is requested to be established in this application instead of at the time the account is needed in year six?
- b) Please explain when ratepayer share of earnings will be credited to this new proposed deferral account and describe the plans NT Power has for clearance of these amounts.
- c) Please provide details of NT Power's plan to share the ESM benefit amongst ratepayers of both rate zones.
- d) Please provide a draft accounting order for the requested account.
- e) Please explain how the allowed ROE and the actual ROE of the combined utility is proposed to be calculated.
- f) Please confirm whether the applicants will commence the reimbursement of the ESM benefit with customers only in year 11. If so, please explain why an earlier sharing of the ESM benefit with customers has not been considered or cannot be implemented.

RESPONSE

- a) NT Power seeks the OEB's recommendation on the appropriate timing to set up the ESM Account. NT Power understood that the Board would consider and render any approval of the ESM Account as part of its approval of NT Power's proposed ESM plan, but NT Power is willing to request the account to be set up when needed in year six should this be the Board's preferred approach.
- b) NT Power proposes to place 50% of any earnings above 300 basis points in years six through ten of the deferred rebasing period into the ESM Account. The plan to clear amounts in the ESM Account is described above in response to Staff IR - 18.
- c) NT Power's plan to share the ESM benefit is explained above in Staff IR - 18.
- d) Please refer to Staff IR - 19, a). NT Power will be pleased to provide a draft accounting order once it is determined that the ESM Account will in fact be

considered as part of this proceeding. If the Board's preferred approach is to have NT Power request to establish the ESM Account closer to year six of the deferral period, NT Power will be pleased to provide a draft accounting order at that time.

- e) NT Power assumes that allowed ROE and actual ROE would be calculated by combining the rate base of the two utilities as well as combining the ROE of the two utilities. Should the Board direct a different approach to calculating allowed ROE and actual ROE, NT Power would follow that approach.
- f) Given that NT Power's proposal is to use any amounts in the ESM Account towards any rate mitigation required by the Board in accordance with applicable rate-making principles at the time of rebasing, it is necessary to wait until the time of rebasing as it is only at that time it will be determined whether rate mitigation is required for one or more classes of customers of one or both of NT Power or MPUC customers.

BOARD STAFF IR - 20

1- Staff-20 Ref: Exh B/p. 30

NT Power proposes that any amounts in the ESM Account will be used in regards to any rate mitigation required at the time of rebasing of the combined utility. NT Power further states that rate mitigation and reimbursement measures apply to all customers of the combined utility. The Handbook states if an applicant's proposed ESM is different from the ESM set out in the 2015 Report, the applicant must provide evidence to demonstrate the benefit to the customers of the acquired distributor.

- a) Please explain why NT Power proposes that the ESM apply to all the customers of the combined utility from the perspective of consumer protection.
- b) Please provide any additional information to demonstrate the benefit to the customers of MPUC.

RESPONSE

- a) Please refer to Staff IR - 18 and Staff IR – 19.

As per the Handbook, NT Power's objective is to protect "customer interests during the deferred rebasing period".

The Handbook states as follows at page 16-17:

"In the 2015 Report, the OEB determined that under the ESM, excess earnings are shared with consumers on a 50:50 basis for all earnings that are more than 300 basis points above the consolidated entity's annual ROE".

The Handbook further notes that this ESM mechanism may not achieve the intended objective of consumer protection for all types of consolidation proposals. It further states that applicants are invited to propose alternative ESMs that better achieve consumer protection and this may include an ESM where excess earnings will accrue only to the benefit of the customers of the acquired distributor.

Both NT Power and MPUC are mid size distributors with customers exceeding 3,000 and less than 100,000 as defined by *Third Generation Incentive Regulation Stretch Factor Updates for 2010 (EB-2009-0392)*.

NT Power submits that in the circumstances of this transaction in which all the customers of the Combined Utility are anticipated to benefit from consolidation, all customers should be considered for any required rate mitigation and/or benefit from any amounts that have accrued in the ESM Account.

- b) Please refer to Staff IR - 18. The benefit to the customers of MPUC is that should rate mitigation measures be determined to be required by the Board for MPUC customers in accordance with applicable rate-making principles at the time of rebasing, any amounts in the ESM Account will be used towards these rate mitigation measures. Only if amounts in the ESM Account are greater than the amount needed to cover rate mitigation measures will amounts from the ESM Account be distributed to all customers in a manner acceptable to the Board at the time of rebasing. Please also refer to SEC IR – 10.

BOARD STAFF IR - 21

NT Power requests the OEB's approval to extend the application of the rate riders currently granted to NT Power and MPUC pursuant to NT Power and MPUC's current rate tariffs.

a) Please confirm whether NT Power is seeking a continuation of the existing rate riders until the current expiration date of these rate riders or whether NT Power is seeking an extension of the existing rate riders beyond the expiration date.

b) If the latter, please confirm the date until when the extension of the existing rate riders is being requested and provide an explanation for why the extension is being sought for each of these rate riders.

RESPONSE

- a) NT Power confirms no continuation or extension of the existing rate riders are being sought beyond the current expiration date.
- b) Not applicable, as no extension is being requested.

BOARD STAFF IR - 22

1- Staff-22 Ref: Exh B/p. 33

NT Power requests to continue tracking costs in the deferral and variance accounts currently approved by the OEB for both NT Power and MPUC.

- a) Please provide a listing of the existing deferral and variance accounts.
- b) Please explain when NT Power expects to consolidate NT Power and MPUC's deferral and variance accounts.
 - i. Please explain whether the consolidation of the IESO bill for the different rate zones will affect the timing of the consolidation of deferral and variance accounts.
 - ii. If so, please explain NT Power's consolidation proposal if the IESO bill is combined mid-year instead of at year end.

RESPONSE

- a) The existing deferral and variance account currently approved by the OEB for MPUC and NT Power are provided in Attachment B.
- b) NT Power expects to consolidate NT Power and MPUC's deferral and variance accounts in year eleven (11) with OEB approval. NT Power is proposing harmonization in year eleven (11) with the intent of submitting a consolidation proposal for the applicable year end.
 - i. NT Power's preference is to maintain separate records for the purposes of the IESO bill until year eleven (11). In turn, this mitigates consolidation of deferral and variance accounts that would be required to support the different rate zones.
 - ii. Not applicable.

BOARD STAFF IR - 23

a. Staff-23 Ref: Schedule G, MPUC Financial Statements

In MPUC's 2016 financial statements, note 12 states that MPUC did not meet its current ratio covenant. However, the covenant was waived and removed from the current financing agreement.

b. Please explain if there are any further implications from the breach of this covenant to MPUC's liquidity after the acquisition by NT Power.

RESPONSE

Note 12 states that the current ratio covenant was not met at December 31, 2015. This was the result of a timing difference between the approval by Ontario Infrastructure Lands Corporation ("IO") to provide funding for capital projects to MPUC and the actual provision of the funds. Unlike private sector commercial credit entities, IO releases funds at set times rather than when they are needed. The current ratio covenant was waived as the potential breach would be cured upon IO's release of the approved funds. Note 12 is reflective of this timing issue and not MPUC's current or future liquidity.

BOARD STAFF IR - 24

1- Staff-24 Ref: Schedule G, 2018 Pro-forma Statements

- a) Please confirm that the pro-forma statements reflect the transition costs and savings projected for 2018. If not, please include the transition costs and savings in the proforma.
- b) Please explain how the projections in the pro-forma statements are derived.

RESPONSE

- a) NT Power is submitting revised Combined Utility pro forma statements in Attachment C, reflecting the transition and transaction costs with the synergy savings in 2018.
- b) The projections in the pro-forma statements are based on:
 - a. 2015 actual with cost and customer growth of 2.9% to 3.0% respectively.
 - b. Capital requirements based on NT Power's DSP and MPUC's budget projections.
 - c. Transition, transaction and cost synergies are estimated at \$1,047K.

BOARD STAFF IR - 25

d. Staff-25 Ref: Schedule H, Tariffs of Rates and Charges for MPUC and NT Power

OEB Staff has reviewed the approved Tariffs of Rates and Charges for the 2017 rate year for each of MPUC and NT Power as provided in Appendix “H”. Regarding Specific Service Charges, OEB Staff has prepared the following table that compares the Specific Service Charges for the two applicants:

Specific Service Charge	Current Approved Charge	
	MPUC Utilities Corporation (EB-2016-0092)	Newmarket - Tay Power Distribution Ltd. (EB-2016- 0275)
Customer Administration		
Arrears Certificate		\$15.00
Statement of Account		\$15.00
Duplicate invoices for previous billing		\$15.00
Request for other billing information		\$15.00
Easement letter		\$15.00
Notification charge	\$15.00	
Account history	\$15.00	\$15.00
Credit reference letter		\$15.00
Credit check (plus credit agency costs)		\$15.00
Returned cheque (plus bank charges)	\$15.00	\$15.00
Legal letter charge	\$15.00	\$15.00
Special meter reads		\$30.00
Account set up charge/change of occupancy charge (plus credit agency costs if applicable) – residential	\$30.00	\$26.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)		\$30.00
Non-payment of Account		
Late payment – per month	1.50%	1.50%
Late payment – per annum	19.56%	19.56%
Collection of account charge – no disconnection		\$23.00
Disconnect/reconnect at meter – during regular hours	\$65.00	\$50.00

Newmarket- Tay Power Distribution Ltd. & Midland Power Utility Corporation
MAAD Interrogatory Responses
 EB-2017-0269

Disconnect/reconnect at meter – after regular hours	\$185.00	\$185.00
Disconnect/reconnect at pole – during regular hours	\$185.00	\$185.00
Disconnect/reconnect at pole – after regular hours	\$415.00	\$415.00
Install/remove load control device – during regular hours	\$65.00	\$50.00
Install/remove load control device – after regular hours	\$185.00	\$185.00
Other		
Service call – customer owned equipment		\$30.00
Service call – after regular hours		\$165.00
Temporary service – install & remove – underground – no transformer	\$300.00	\$500.00
Temporary service install and remove – overhead – no transformer	\$500.00	\$300.00
Temporary service install and remove – overhead – with transformer		\$1,000.00
Specific charge for access to power poles – per pole/year (with the exception of wireless attachments)	\$22.35	\$22.35
Interval meter load management tool charge \$/month	\$25.00	

a) Please confirm or correct the above table.

b) Where MPUC and NT Power currently both offer the same specific service, the rates are equivalent in most circumstances. However, there are a number of specific service charges that are currently charged by one, but not both, of the applicants. The applicants propose that the amalgamated entity would only rebase rates after 10 years.

i. Please explain how does NT Power proposes to handle a customer request (or a company-initiated request such as disconnect/reconnect due to nonpayment) for which an approved charge is applicable in one of the legacy service territories but not in the other.

ii. Please explain how NT Power intends to communicate with customers, and how it proposes to handle customer issues or complaints regarding differences in rates for the following specific service charges:

a. Account set-up charge/change of occupancy charge (plus credit credit agency costs if applicable) - \$30.00 for MPUC, \$26.00 for NT Power

- b. Disconnect/reconnect at meter – during regular hours - \$65.00 for MPUC, \$50.00 for NT Power
- c. Install/remove load control device – during regular hours - \$65.00 for MPUC, \$50.00 for NT Power
- d. Temporary service – install & remove – underground – no transformer - \$300.00 for MPUC, \$500.00 for NT Power
- e. Temporary service – install & remove – overhead – no transformer - \$500.00 for MPUC, \$300.00 for NT Power.

RESPONSE

- a) Confirmed the above table is correct.
- b)
 - i. NT Power proposes that the approved charges will be applied according to the legacy charges approved by the Board in the Decision Rate Orders.
 - ii. NT Power plans that post amalgamation the service rates will be levied in accordance with the Board’s Decision Rate Orders for NT Power and MPUC rate zones.

NT Power proposes to maintain separately branded websites to facilitate customer communication by service area. This will proactively assist customers to successfully access the applicable service charges by service area, while mitigating confusion that may result in potential issues or complaints. Please see the response to Staff IR – 4.

Additionally, customer service representatives, in advance, will be provided training on the reasoning of the specific service charges to support them in having helpful conversations with customers in MPUC and NT Power service areas on the specific service charges.

BOARD STAFF IR - 26

1-Staff-26 Ref: Conditions of Service

- a) Please identify any material differences in the current Conditions of Service of MPUC and NT Power.
- b) Please confirm that these current Conditions of Service are available on each of the applicants' websites and available at their business offices for viewing by customers.
- c) If there are any material differences, please identify how NT Power intends to communicate and resolve these in dealing with customers if the application is approved.
- d) Please identify what steps NT Power intends to take, and the timing for such efforts, to consolidate Conditions of Service between MPUC's and NT Power's service territories.

RESPONSE

- a) The current conditions of service of MPUC and of NT Power do not appear to have any material differences between them. In some cases, NT Power's conditions of service are more detailed on a particular subject than MPUC's while in other cases, MPUC's conditions of service are more detailed.

During the proposed ten year deferral period, NT Power will gain experience in regards to the two sets of conditions of service given that it intends to maintain the current set of conditions of service applicable to each of MPUC and NT Power customers until the end of the deferred rebasing period. In general, however, the Applicants note that conditions of service are based on the Board's requirements, including the Distribution System Code and Retail Settlement Code, and therefore it is not expected that differences as between the two sets of conditions of service will be material.

- b) NT Power confirms its commitment to ensure the current set of conditions of service are available on the websites of each of NT Power and MPUC, as well as accessible at the office locations for customers.
- c) As indicated in a) above, NT Power will gain experience over the proposed ten year deferral period as to whether there are differences between the two sets of conditions of service. If there are differences that need to be communicated to customers at the time of rebasing when conditions of service are consolidated,

how these differences will be communicated to customers will depend on the nature of the difference identified, if any.

- d) NT Power intends to consolidate the Conditions of Services between MPUC and NT Power's service territories in year eleven (11).

INTERROGATORIES OF THE SCHOOL ENERGY COALITION

SCHOOL ENERGY COALITION IR – 1

1.0-SEC-1

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

RESPONSE

NT Power's rate harmonization plan will include measures to mitigate the distribution rate increases for customers in accordance with the Board's policy. NT Power will apply rate design and rate allocation principles in accordance with the Board's applicable rate-making principles to ensure rates are just and reasonable for all customers.

Please refer to OEB – IR 18, 19 f), and 20.

SCHOOL ENERGY COALITION IR - 2

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”.

RESPONSE

The statements on page twenty (20) are made to indicate that the Tay service area’s reliability has improved for the three years it was tracked separately post the merger of Newmarket Hydro and Tay Hydro Electric Distribution in 2007. In contrast, Table 2 sets out Board mandated SAIDI and SAIFI metrics for NT Power. NT Power no longer maintains separate reliability metrics for SAIDI and SAIFI specifically for its Tay Area. The basis of the statement, “NT Power’s Tay service area has seen better reliability performance” is based on the following:

Tay Service Area

Year	SAIDI	SAIFI
2007	2.1151	0.5111
2008	0.2157	0.3157
2009	0.2343	0.1365

Note: Loss of supply outages are excluded.

SCHOOL ENERGY COALITION IR - 3

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”.

RESPONSE

Please refer to Staff IR – 7.

SCHOOL ENERGY COALITION IR - 4

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.

RESPONSE

Please refer to Attachment D for the Comparative Cost Analysis workbook.

Please refer to Staff IR – 6 a) and Staff IR – 7 a) and b).

Comparative Cost Analysis (000's)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
OM&A										
NT Power-Operating	2,010	2,069	2,129	2,190	2,254	2,319	2,386	2,456	2,527	2,600
NT Power-Maintenance	2,256	2,321	2,389	2,458	2,529	2,602	2,678	2,756	2,836	2,918
NT Power-Administration	2,588	2,663	2,740	2,819	2,901	2,985	3,072	3,161	3,252	3,347
MPUC-Operations	988	1,009	1,028	1,048	1,068	1,088	1,109	1,130	1,151	1,173
MPUC-Maintenance	142	145	148	150	153	156	159	162	165	168
MPUC-Administration	1,404	1,432	1,459	1,487	1,515	1,544	1,573	1,603	1,634	1,665
NT Power-Transaction cost	1,200	-	-	-	-	-	-	-	-	-
Transition cost	95	99	101	103	105	107	109	111	114	116
Synergies-O&M	-	(145)	(148)	(151)	(154)	(157)	(161)	(165)	(169)	(173)
Synergies-Admin	(248)	(463)	(710)	(776)	(1,039)	(1,062)	(1,153)	(1,180)	(1,219)	(1,252)
Total	10,435	9,129	9,135	9,328	9,332	9,583	9,772	10,034	10,290	10,562

Assumptions

- 1) Year 1 = 2018
- 2) Year 1-10 based on 2017 forecast with 2.9% inflation

Capital

NT Power	4,004	4,001	5,500	5,665	5,835	6,010	6,190	6,376	6,567	6,764
MPUC	553	615	2,400	985	750	773	796	820	844	869
Synergies	0	0	0	0	(773)	0	0	0	0	0
Total	4,557	4,616	7,900	6,650	5,812	6,782	6,986	7,196	7,411	7,634

Assumptions

- 1) Capital NT Power = DSP year 1-2. 3% increase year 3-10
- 2) Capital MPUC = Per SPA year 1-5. 3% increase year 6-10

SCHOOL ENERGY COALITION IR - 5

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

MPUC Class and Average Load per Cust.	Billing Component	MPUC 2017 Rates		NT Power 2017 Rates	
		Rate	Volume	Rate	Volume
Residential 628	Monthly	23.20	\$278.40	21.25	\$255.00
	Volume	0.0107	\$80.64	0.0075	\$56.52
	Total Bill		\$359.04		\$311.52
GS<50KW 2518	Monthly	22.62	\$271.44	30.55	\$366.60
	Volume	0.0167	\$504.61	0.0200	\$604.32
	Total Bill		\$776.05		\$970.92
GS>50KW 218.7	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.

RESPONSE

NT Power has observed that the table has an incorrect volume rate within the NT Power GS>50 rate class. The distribution rates are otherwise correctly stated, as is the annual distribution bill for a customer in the stated class.

Regarding the requested confirmations, NT Power notes that in year eleven (11), there will be an application to the Board to rebase and harmonize rates. At that time, the Board will determine rates based on principles of revenue recovery, cost allocation and rate design in place at that time.

Please also refer to OEB IR – 5.

SCHOOL ENERGY COALITION IR - 6

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.

RESPONSE

The sharing agreement referred to in [Ex. D/4, p. 24] has been provided in Attachment E. Personal contact information for staff has been redacted.

This agreement provides better reliability and quality of service for NT Power and MPUC. The shared pool of staff to support after-hours service reduces the strain on staff who would otherwise be at risk of excessive and more frequent on call duties. NT Power and MPUC are committed to staff safety, well-being and health. This in turn results in improved reliability and quality of service for customers.

The sharing agreement is avoiding the cost of increasing staff in NT Power’s Tay service area and MPUC. Post transaction an incremental efficiency will be realized as the need for a sub foreman position in NT Power’s Tay service area will be redeployed as a lead hand or line person position.

SCHOOL ENERGY COALITION IR - 7

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.

RESPONSE

Please refer to Staff IR – 6, a) and Staff IR -14 with respect to comparative cost analysis of the transaction.

Please refer to Staff IR- 19, e) with respect to the ROE of the transaction.

Regarding the statement “Please confirm that NT Power does not expect the savings to finance the acquisition premium”, this is not confirmed. As stated at page 8 of the Handbook, “[a] shareholder may recover the premium over time through savings generated from efficiencies of the consolidated entity.” Therefore, NT Power proposes to use savings generated from efficiencies of the Combined Utility towards the purchase price premium. Regarding recovery of the premium starting on year eleven (11) following the transaction, please refer to Staff IR - 12. The table given in the response to Staff IR – 6, a) was used by NT Power management to assess the financing of the project.

SCHOOL ENERGY COALITION IR - 8

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.

RESPONSE

Please refer to Staff IR - 12.

SCHOOL ENERGY COALITION IR - 9

1.0-SEC-9

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

RESPONSE

Please refer to Attachment A for the TD Commitment Letter and Staff IR - 15.

SCHOOL ENERGY COALITION IR - 10

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.

RESPONSE

Please refer to Staff IR - 18, 19 and 20.

There were no internal documents 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.

SCHOOL ENERGY COALITION IR - 11

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.

RESPONSE

NT Power is not in a position to determine who the current LDC is for the unshaded areas of the Schedule B, p.1 map. Service areas can change at any time as a result of OEB approved service area amendments.

SCHOOL ENERGY COALITION IR - 12

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.

RESPONSE

This question does not relate to matters within the scope of the Board's "no harm" test, which considers whether a proposed transaction will have an adverse effect on the attainment of the OEB's statutory objectives as set out in section 1 of the OEB Act. In Procedural Order No. 1 in this proceeding, the Board stated "*Parties should not engage in detailed exploration of items that do not appear to be relevant and material to the OEB's review of a consolidation application. In developing interrogatories, parties should refer to the Handbook, for what the OEB considers in its review.*"

SCHOOL ENERGY COALITION IR - 13

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.

RESPONSE

Please refer to SEC IR – 12.

SCHOOL ENERGY COALITION IR - 14

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.

RESPONSE

Please refer to SEC IR – 12.

Please also refer to Staff IR – 16 and 17.

SCHOOL ENERGY COALITION IR - 15

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.

RESPONSE

- a) NT Power confirms the last rebasing was EB-2009-0269.
- b) Please refer to SEC IR – 14. The Board's policy as stated in the Handbook permit a deferral of up to ten years prior to rebasing of a consolidated entity. As noted in answer to Staff IR – 16, b), NT Power has not yet determined as to whether it will rebase at a time earlier than at the time of rebasing of the consolidated entity.
- c) Please also refer to SEC IR – 1.
- d) NT Power has filed a Distribution System Plan on December, 2015.

SCHOOL ENERGY COALITION IR - 16

1.0-SEC-16

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

RESPONSE

Please refer to Attachment A for the TD Commitment Letter and Staff IR - 15.

SCHOOL ENERGY COALITION IR - 17

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.

**Note: Per email correspondence received by MPUC from SEC dated November 17, 2017, this Interrogatory has been revised as follows:*

“Please ignore the first request in 1.0 – SEC – 17. There is a further request in the third sentence of that interrogatory. If that remains applicable, please respond to it, or alternatively advise that it is not applicable.”

RESPONSE

MPUC’s 2016 financial statements together with the independent auditor’s report have been provided in Schedule G to the MAAD application.

SCHOOL ENERGY COALITION IR - 18

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.

**Note: Per email correspondence received by MPUC from SEC dated November 17, 2017, this Interrogatory has been revised as follows:*

“With respect to interrogatory 1.0 – SEC – 18, please respond to that interrogatory assuming it is directed at the 2016 financials, and amend the figure 78% to read 118%.”

RESPONSE

MPUC is not in financial difficulty and continues to pay dividends.

Whether MPUC continues to pay a dividend is irrelevant to the “No Harm” test and this Application generally. As the Board clearly stated in Procedural Order No. 1 in this proceeding: *“Parties should not engage in detailed exploration of items that do not appear to be relevant and material to the OEB’s review of a consolidation application. In developing interrogatories, parties should refer to the OEB’s Handbook to Electricity Distributor and Transmitter Consolidations, for what the OEB considers in its review”*.

SCHOOL ENERGY COALITION IR - 19

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.

RESPONSE

MPUC is in compliance with the provisions of the credit facility agreement between MPUC and The Toronto-Dominion Bank dated October 23, 2014, as last amended on November 17, 2017, attached hereto as Attachment F. The Toronto-Dominion Bank has not notified MPUC of any non-compliance.

SCHOOL ENERGY COALITION IR - 20

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.

RESPONSE

- e) Confirmed.
- f) Confirmed, MPUC will next rebase in accordance with the application and based on Handbook. As noted in answer to SEC IRs 14 and 15, the Board's policy as stated in the Handbook permit a deferral of up to ten years prior to rebasing of a consolidated entity.
- g) The Application before the Board follows the Handbook. Future ratemaking will be in accordance with the principles of revenue recovery, cost allocation and rate design at the time of rebasing.
- h) MPUC has not filed a DSP and will file in accordance with the Board's guidelines. MPUC has deferred filing a DSP for two years because of the pending sale (ED 2002-0541 – February 17, 2017 and December 1, 2015). The Combined Utility intends to file a DSP for the MPUC rate zone post transaction close.

SCHOOL ENERGY COALITION IR - 21

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.

RESPONSE

MPUC cannot confirm whether “over the period since its last rebasing, MPUC had the lowest ratio of capital additions to depreciation of any LDC in Ontario” as it does not have information pertaining to every LDC in the Province. As shown in Staff IR – 10 and 11, NT Power observes that MPUC capital additions over the period since its last rebasing are prudent.