

March 7, 2018

**Delivered by RESS and Courier**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
26th Floor, Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: EB-2018-0014 – Alectra Utilities Corporation and Guelph Hydro Electric Systems Inc. – Application for Approval of Consolidation under Section 86 of the Ontario Energy Board Act, 1998 and related relief**

We are counsel to Alectra Utilities Corporation (“**Alectra**”), which together with Guelph Hydro Electric Systems Inc. (“**Guelph Hydro**”) are the applicants in the above-noted matter (the “**Applicants**”). We are pleased to file the enclosed application (the “**Application**”) to the Ontario Energy Board (“**OEB**” or the “**Board**”) for the relief necessary to effect the amalgamation of Alectra and Guelph Hydro, two local electricity distribution companies (“**LDCs**”), into a combined LDC named Alectra that will serve over 1,043,000 customers.

The Application is reflective of the terms of the proposed consolidation – resulting from many months of negotiations – as approved by the Applicants’ respective shareholders and principals. The specific items of relief sought are discussed in the Application.

The Application follows the OEB’s *Filing Requirements for Consolidation Applications* (the “**Filing Requirements**”), which are Schedule 2 to the OEB’s January 19, 2016 *Handbook to Electricity Distributor and Transmitter Consolidations* (the “**Handbook**”). The mapping of the Application’s contents to the Filing Requirements is provided in Table 1 of Exhibit A, Tab 1, Schedule 2 to the Application. The Application is also consistent with the OEB’s March 26, 2015 *Report on Rate-Making Associated with Distributor Consolidation* (the “**Consolidation Policy**”).

The Applicants are fully supportive of a discovery process that ensures that all stakeholders have the opportunity to understand the transaction before the Board.

**Scope and Confidentiality:**

**Scope**

The Application includes the supporting material required by the Filing Requirements. Among

this material, the Applicants have included the “final legal documents to be used to implement the proposed transaction”, as required by section 2.2.3 of the Filing Requirements. This includes the Merger Participation Agreement, entered into among Alectra, Guelph Hydro and their parent corporations and the shareholders of those parent corporations (the “MPA”). Certain aspects of the MPA and associated documents relate to matters that do not require OEB approval and are not relevant in assessing whether the transaction meets the “no harm” test. As such, certain sections and documents mentioned in the MPA will not be provided as part of this Application, as they are beyond the scope of this proceeding.

Specifically, the items identified below in the MPA will not be provided:

- Schedule 1.1 – this Schedule is a shareholder agreement among the shareholders and principals of Alectra and Guelph Hydro. The relationship between the shareholders and the utilities have no impact on the “no harm” test as it applies to the proposed transaction, and, as such, this Schedule is beyond the scope of this proceeding.
- Schedule 2 under Schedule 2.5 – this Schedule includes the corporate by-laws of Alectra, which are not relevant for purposes of the Board’s consideration of the “no harm” test in relation to the proposed transaction, and, as such, are beyond the scope of this proceeding.
- Schedule 5.1(A)(vii) – this Schedule is the Pre-Closing Dividend Policy of Alectra Inc. and its subsidiaries. Since this schedule relates to dividends before the completion of the transaction in question and includes consideration of dividends stemming from competitive generation activities carried on separately from the regulated business of Alectra, it is not relevant for purposes of assessing the “no harm” test in the context of the proposed transaction. As such, this information is beyond the scope of this proceeding.

### ***Confidentiality***

The Applicants are filing certain material in confidence in this proceeding, pursuant to the OEB’s *Rules of Practice and Procedure* (the “**Rules**”) and its *Practice Direction on Confidential Filings* (the “**Practice Direction**”). The confidential information was identified based on the applicable provisions of the Rules and the Practice Direction, with regard to the relevant provisions of the *Freedom of Information and Protection of Privacy Act*. The proposed redactions are minimal, clearly defined, and reasonable in the view of the Applicants. The specific items for which the Applicants request confidential treatment, and the grounds for each of the requests, are set out below. The Applicants may make further submissions in this regard.

The Applicants are prepared to provide copies of the subject material to individuals who have executed and delivered the OEB’s Form of Declaration and Undertaking regarding confidential material, subject to the Applicants’ right to oppose any request for access to the confidential material. To the extent that any confidential material constitutes personal information, the Applicants will be requesting that the OEB order that such material is not to be provided to any person, regardless of whether that person has signed the OEB’s Form of Declaration and Undertaking regarding confidential material.

The Applicants will deliver to the OEB unredacted copies of the material in respect of which confidentiality is claimed, in accordance with the Practice Direction and subject to the

provisions of the Practice Direction in respect of personal information, when paper copies of the Application are delivered.

- Article 1, Section 1.1; Appendix “B”, Schedule 2(24); Appendix “C”, Schedule 2(24); Schedule 3.5(iv); and Schedule 5.1(K) – certain information from the definition section of the MPA and several disclosure schedules reveal specific identification numbers of power supply contracts held for the generation facilities of Alectra and Guelph Hydro, and have been redacted as confidential commercial information. Further, Appendix “C”, Schedule 2(24) contains commercially sensitive information with respect to ongoing negotiations involving a third party. Since it pertains to a contract that is yet to be entered into, this information, if disclosed, can reasonably be expected to prejudice the competitive position or interfere with the contractual negotiations of the relevant parties.
- Article 5, Sections 5.1(j), 5.6(a)(iv) and 5.6(a)(v); and Appendix “A”, Section 2(19)(b) – these sections of the MPA address certain employment-related matters which reveal sensitive information about Alectra’s labour practices and strategies. The public disclosure of this information can reasonably be expected to prejudice the bargaining positions of Alectra and its employees, particularly given the utility’s currently ongoing labour negotiations.
- Appendix “B”, Schedule 2(25); and Appendix “C”, Schedule 2(25) – these schedules under the MPA include listings of real property interests held by Guelph Hydro and Alectra which reference specific identifiable individuals (i.e. personal information). That information constitutes personal information and should not be released in any form.
- Appendix “C”, Schedule 2(4)(B) – this schedule under the MPA contains information pertaining to an arbitration between Alectra and a third party. This information is subject to the confidentiality obligations associated with a private arbitration and should not be publicly disclosed.

Yours truly,



for

Charles Keizer

cc: Indy J. Butany-DeSouza, Vice President, Regulatory Affairs, Alectra  
Cristina Birceanu, Vice President, Regulatory Affairs, Customer Care and Billing, Guelph Hydro

**EB-2018-0014**

**IN THE MATTER OF** Sections 86 and 18 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, Sched. B, as amended; and

**AND IN THE MATTER OF** an application for the relief necessary to effect the consolidation of Alectra Utilities Corporation and Guelph Hydro Electric Systems Inc. into an entity referred to in this Application as Alectra, in the manner set out in this Application.

**APPLICATION**

**FILED: MARCH 7, 2018**

**Alectra Utilities Corporation**

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12	Guelph Hydro 2016 Audited Financial Statements
13	Guelph Hydro 2015 Audited Financial Statements
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**TABLE 1 – MAPPING OF APPLICATION TO HANDBOOK FILING REQUIREMENTS<sup>1</sup>**

	<b>Filing Requirements</b>	<b>Reference</b>
<b>2.1 The Index</b>	Index	Exhibit A, Tab 1, Schedule 1
<b>2.2 The Application</b>		Exhibit B
<b>2.2.1 Administrative</b>		
	Certification of the Evidence	Exhibit B, Tab 1, Schedule 1
	Details of the authorized representative of the applicant/s, including the name, phone and fax numbers, and email and delivery addresses	Exhibit B, Tab 3, Schedule 1, Attachment 1
	Legal name of the other party or parties to the transaction, if not an applicant	Exhibit B, Tab 3, Schedule 1, Attachment 1
	Details of the authorized representative of the other party or parties to the transaction, including the name, phone and fax numbers, and email and delivery addresses	Exhibit B, Tab 3, Schedule 1, Attachment 1
	Brief description of the nature of the transaction for which approval of the OEB is sought by the applicant or applicants	Exhibit B, Tab 2, Schedule 1
<b>2.2.2 Description of the Business of the Parties to the Transaction</b>		
	Describe the business of each of the parties to the proposed transaction, including each of their electricity sector affiliates engaged in, or providing goods or services to anyone engaged in, the generation, transmission, distribution or retailing of electricity.	Exhibit B, Tab 3, Schedule 2
	Describe the geographic territory served by each of the parties to the proposed transaction, including each of their affiliates, if applicable, noting whether service area boundaries are contiguous or if not the relative distance between service boundaries.	Exhibit B, Tab 3, Schedule 3
	Describe the customers, including the number of customers in each class, served by each of the parties to the proposed transaction.	Exhibit B, Tab 3, Schedule 4
	Describe the proposed geographic service area of each of the parties after completion of the proposed transaction.	Exhibit B, Tab 3, Schedule 3
	Provide a corporate chart describing the relationship between each of the parties to the proposed transaction and each of their respective affiliates.	Exhibit B, Tab 3, Schedule 2
	If the proposed transaction involves the consolidation of two or more distributors, please indicate the current net metering thresholds of the utilities involved in the proposed transaction. The OEB will, in the absence of exceptional circumstances, add together the kW threshold amounts allocated to the individual utilities and assign the sum to the new or remaining utility. Applicants must indicate if there are any special circumstances that may warrant the OEB using a different methodology to determine the net metering threshold for the new or remaining utility.	Exhibit B, Tab 3, Schedule 5
<b>2.2.3 Description of the Proposed Transaction</b>		
	Provide a detailed description of the proposed transaction.	Exhibit B, Tab 4, Schedule 1
	Provide a clear statement on the leave being sought by the applicant, referencing the particular section or sections of the Ontario Energy Board Act, 1998.	Exhibit B, Tab 2, Schedule 1
	Provide details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed transaction.	Exhibit B, Tab 4, Schedule 1
	Provide all final legal documents to be used to implement the proposed transaction.	Exhibit B, Tab 4, Schedule 2, Attachment 2
	Provide a copy of appropriate resolutions by parties such as parent companies, municipal council/s, or any other entities that are required to approve a proposed transaction confirming that all these parties have approved the proposed transaction.	Exhibit B, Tab 4, Schedule 3, Attachment 3

<sup>1</sup> “Handbook” refers to the *Handbook to Electricity Distributor and Transmitter Consolidations*, January 19, 2016.

	Filing Requirements	Reference
<b>2.2.4 Impact of the Proposed Transaction</b>		
<i>Objective 1 – Protect consumers with respect to prices and the adequacy, reliability and quality of electricity service</i>		
	Indicate the impact the proposed transaction will have on consumers with respect to prices and the adequacy, reliability and quality of electricity service.	Exhibit B, Tab 5, Schedule 1
	Provide a year over year comparative cost structure analysis for the proposed transaction, comparing the costs of the utilities post transaction and in the absence of the transaction.	Exhibit B, Tab 5, Schedule 2
	Provide a comparison of the OM&A cost per customer per year between the consolidating distributors.	Exhibit B, Tab 5, Schedule 3
	Confirm whether the proposed transaction will cause a change of control of any of the transmission or distribution system assets, at any time, during or by the end of the transaction.	Exhibit B, Tab 4, Schedule 1
	Describe how the distribution or transmission systems within the service areas will be operated.	Exhibit B, Tab 5, Schedule 4
<i>Objective 2 – Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a financially viable electricity industry</i>		
	Indicate the impact that the proposed transaction will have on economic efficiency and cost effectiveness (in the distribution or transmission of electricity), identifying the various aspects of utility operations where the applicant expects sustained operational efficiencies (both quantitative and qualitative).	Exhibit B, Tab 6, Schedule 1
	Identify all incremental costs that the parties to the proposed transaction expect to incur which may include incremental transaction costs (e.g. legal, regulatory), incremental merged costs (e.g. employee severances), and incremental on-going costs (e.g. purchase and maintenance of new IT systems). Explain how the consolidated entity intends to finance these costs.	Exhibit B, Tab 6, Schedule 2
	Provide a valuation of any assets or shares that will be transferred in the proposed transaction. Describe how this value was determined.	Exhibit B, Tab 6, Schedule 3
	If the price paid as part of the proposed transaction is more than the book value of the assets of the selling utility, provide details as to why this price will not have an adverse effect on the financial viability of the acquiring utility.	<i>not applicable</i>
	Provide details of the financing of the proposed transaction.	Exhibit B, Tab 6, Schedule 2
	Provide financial statements (including balance sheet, income statement, and cash flow statement) of the parties to the proposed transaction for the past two most recent years.	Exhibit B, Tab 6, Schedule 5; Attachments 4 to 13
	Provide pro forma financial statements for each of the parties (or if an amalgamation, the consolidated entity) for the first full year following the completion of the proposed transaction.	Exhibit B, Tab 6, Schedule 6, Attachment 14
<b>2.2.5 Rate considerations for consolidation applications</b>		
	Indicate a specific deferred rate rebasing period that has been chosen.	Exhibit B, Tab 7, Schedule 1
	For deferred rebasing periods greater than five years, confirm that the ESM will be as required by the 2015 Report and the Handbook	Exhibit B, Tab 7, Schedule 2
	If the 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	<i>not applicable</i>
<b>2.2.6 Other Related Matters</b>		
	a) Implementation of new or the extension of existing rate riders	Exhibit B, Tab 8, Schedule 1

	<b>Filing Requirements</b>	<b>Reference</b>
	b) Transfer of rate order and licence	Exhibit B, Tab 8, Schedule 1
	c) Licence amendment and cancellation	Exhibit B, Tab 8, Schedule 1, Attachment 15
	d) Approval to continue to track costs to the deferral and variance accounts currently approved by the OEB	Exhibit B, Tab 8, Schedule 1
	e) Approval to use different accounting standards for financial reporting following the closing of the proposed transaction	Exhibit B, Tab 8, Schedule 1

1 **CERTIFICATION OF THE EVIDENCE**

2 The undersigned, President and CEO of Alectra Inc., in my capacity as an officer of that  
3 corporation and without personal liability, hereby certify, to the best of my knowledge, as at the  
4 date of certification, that the evidence in this Application is accurate, consistent and complete.

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**Brian Bentz, President and CEO**

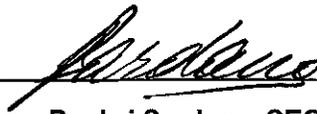
1 **CERTIFICATION OF THE EVIDENCE**

2 The undersigned, the CEO of Guelph Hydro Electric System Inc., in my capacity as an officer of  
3 that corporation and without personal liability, hereby certify, to the best of my knowledge, as at  
4 the date of certification, that the evidence in this Application is accurate, consistent and  
5 complete.

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Pankaj Sardana, CEO

1    **APPLICATION**

2    **1.0    INTRODUCTION**

3    This is an application (the “Application”) to the Ontario Energy Board (“OEB” or the “Board”) for  
4    the relief necessary to effect the amalgamation of Alectra Utilities Corporation (“Alectra”), and  
5    Guelph Hydro Electric Systems Inc. (“GHESI” or “Guelph Hydro”) (collectively, the “Applicants”  
6    or “Parties”), two local electricity distribution companies (“LDCs”), into a combined Alectra that  
7    will serve approximately 1,043,000 customers.

8    This Application is reflective of the terms of the consolidation approved by the Applicants’  
9    shareholders and principals<sup>2</sup>.

10   In broad terms, this Application is being made to effect the amalgamation of Alectra and Guelph  
11   Hydro. The specific items of relief are discussed in Section 3.0 of this schedule, below.

12   The Application follows the Filing Requirements contained in the Board’s January 19, 2016  
13   *Handbook to Electricity Distributor and Transmitter Consolidations* (the “Handbook”). The  
14   mapping of the Application’s contents to the Handbook’s Filing Requirements is provided in  
15   Table 1 of Exhibit A, Tab 1, Schedule 2. The Application also adheres to the Board’s March 26,  
16   2015 *Report on Rate-Making Associated with Distributor Consolidation* (the “Consolidation  
17   Policy”).

18   **2.0    OVERVIEW OF APPLICATION**

19        **A)    THE “NO HARM” TEST**

20   The Applicants had prime consideration for the “no harm” test used by the OEB in adjudicating  
21   Mergers, Acquisitions, Amalgamations and Divestitures (“MAADs”) applications made under  
22   Section 86 of the *Ontario Energy Board Act, 1998* (“OEB Act”) to ensure that the proposed  
23   consolidation would have “no harm” on the attainment of the OEB’s statutory objectives. The  
24   test is primarily focused on the transaction’s impacts on price and quality of service to

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<sup>2</sup> The shareholders are St. Catharines Hydro Inc., Enersource Corporation, Vaughan Holdings Inc., Barrie Hydro Holdings Inc., Hamilton Utilities Corporation, Markham Enterprises Corporation, and Guelph Municipal Holdings Inc. The principals are the Corporation of the City of Mississauga, BPC Energy Corporation, the Corporation of the City of Barrie, the Corporation of the City of Vaughan, City of Hamilton, the Corporation of the City of St. Catharines, the Corporation of the City of Markham, and the Corporation of the City of Guelph.

1 customers, and the cost effectiveness, economic efficiency and financial viability of the  
2 electricity distribution sector, which are factors identified in the Board's objectives under section  
3 1 of the *OEB Act*. As shown in this Application, the proposed consolidation will have "no harm"  
4 in relation to these factors.

5 In fact, as demonstrated in Exhibit B, Tab 5, Schedule 2 (which provides a comparison of the  
6 cost structure among the Parties, *status quo* versus post consolidation), the Applicants  
7 anticipate that the proposed consolidation will provide a benefit to customers. In particular, as  
8 will be seen from the evidence in the Application:

- 9 • Beyond satisfying the "no harm" test, the proposed transaction will positively impact the  
10 customers of the Parties with respect to price and the adequacy, reliability, and quality of  
11 electricity service. Over the course of the ten-year rebasing deferral period, Guelph  
12 Hydro rate zone ("GRZ") customers will benefit from distribution rates that are lower than  
13 they would have been had the *status quo* of Guelph Hydro been maintained;
- 14 • After the ten-year (Alectra-Guelph Hydro merger) rebasing deferral period, Alectra's  
15 customers within the four other rate zones will benefit from the additional sustained  
16 synergies from the Alectra-Guelph Hydro transaction; this will lower distribution rates  
17 versus the status quo;
- 18 • Alectra will continue to promote electricity conservation and demand management;
- 19 • Alectra will continue to facilitate the implementation of a smart grid and encourage  
20 innovation in Ontario;
- 21 • Alectra will continue to promote the use and generation of electricity from renewable  
22 sources and will continue to reinforce the distribution systems throughout its service  
23 territories in order to accommodate the connection of renewable energy generation  
24 facilities;
- 25 • Once the consolidation is completed and the businesses are integrated, Alectra expects  
26 to be compliant with all OEB Codes, its Distribution Licence, IESO Market Rules and  
27 applicable statutes and regulations;
- 28 • The Applicants believe the amalgamation of Alectra and Guelph Hydro is consistent with  
29 and demonstrates the benefits of voluntary consolidation within the electricity sector in

1 Ontario. The Applicants anticipate realizing real cost synergies and operational  
2 efficiencies, as well as benefits from economies of scale; and

- 3 • The Board has acknowledged that, “*consolidation also enables distributors to address*  
4 *challenges in an evolving electricity industry.*”<sup>3</sup> The proposed consolidation will also  
5 promote the objectives of the OEB’s *Renewed Regulatory Framework for Electricity*  
6 *Distributors – A Performance Based Approach.*

7 Therefore, the proposed consolidation not only meets the Board’s “no harm” test, but also  
8 provides material benefits for the customers as well as for the attainment of the Board’s  
9 statutory objectives.

## 10 **B) LDC PROFILES**

11 Alectra was formed on February 1, 2017, following the merger of Enersource Hydro  
12 Mississauga Inc. (“Enersource”), Horizon Utilities Corporation (“Horizon Utilities”) and  
13 PowerStream Inc. (“PowerStream”). Alectra’s subsequent acquisition of Hydro One Brampton  
14 Networks Inc. (“HOBNI” or “Brampton”) on February 28, 2017 completed the transaction. Alectra  
15 is a licensed distributor and serves approximately 990,000 customers across an 1,800 sq. km  
16 service territory spanning 15 communities including Alliston, Aurora, Barrie, Beeton, Brampton,  
17 Bradford, Hamilton, Markham, Mississauga, Penetanguishene, Richmond Hill, St. Catharines,  
18 Thornton, Tottenham and Vaughan.

19 Alectra owns, maintains and operates approximately 6,642 km of overhead primary distribution  
20 feeders and 13,210 km of underground primary distribution circuits, as well as 339 – 4.16kV, 47  
21 - 8.32 kV, 754 - 13.8 kV, 292 - 27.6 kV, and 132 - 44kV feeders within its service territory.

22 Guelph Hydro is a licensed distributor with approximately 55,000 customers across its 93 sq. km  
23 service territory, serving the City of Guelph and the Village of Rockwood. Guelph Hydro owns,  
24 maintains and operates approximately 420 km of overhead primary distribution feeders and 712  
25 km of underground primary distribution circuits, as well as 63-13.8 kV feeders and 4-8.32 kV  
26 feeders within its service territory.

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<sup>3</sup> Handbook, p. 1

1 Guelph Hydro is a partially embedded distributor in relation to Hydro One Networks Inc.  
2 (“HONI”) for distribution services for the Village of Rockwood.

3 Corporate charts illustrating the relationship between each Party and its affiliates and other non-  
4 affiliated members of its corporate family have been included in this Application at Exhibit B,  
5 Tab 2, Schedule 1, Figures 1-2.

6 **C) OVERVIEW OF PROPOSED TRANSACTION**

7 Upon approval, the consolidation will entail the amalgamation of Alectra and Guelph Hydro,  
8 forming a combined distributor carrying on business as a single corporation referred to as  
9 Alectra in this Application. Following this transaction, Alectra will continue to be the largest  
10 municipally-owned LDC in Ontario, serving over 1,045,000 customers, with a total rate base of  
11 approximately \$3.18 billion.

12 Subject to supportive tax rulings sought from the Ministry of Finance (Ontario), the Parties  
13 envision a future transfer of the distribution business from Alectra to a Limited Partnership  
14 structure (“LDC LP”) in order to attract investment while managing certain taxes imposed under  
15 the *Electricity Act, 1998*, such as Transfer Tax and Payments in Lieu of Taxes. The transfer is  
16 beyond the scope of the requested relief in this Application. At such time as supportive tax  
17 rulings with respect to the partnership are received, Alectra would apply to the Board for the  
18 approval of the transfer of the distribution business of Alectra to LDC LP.

19 The proposed consolidation that is the subject of this Application will involve the following steps:

**Amalgamation of Guelph Hydro and Alectra**

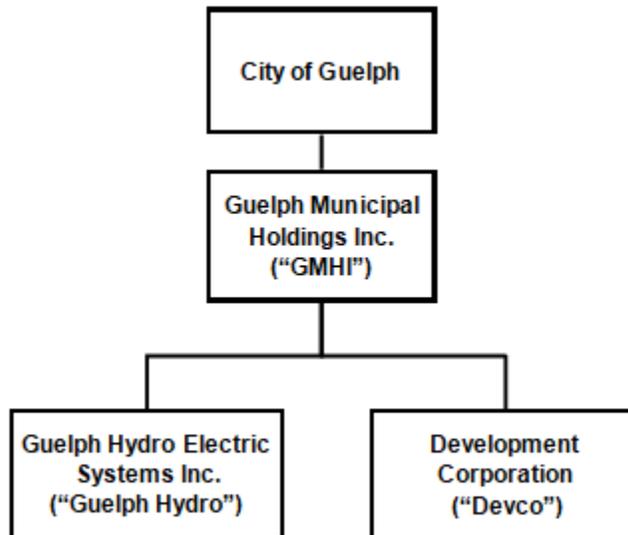
Step 1 Guelph Municipal Holdings Inc. (“GMHI”) shall sell the shares it owns in  
Guelph Hydro to Alectra Inc. (the parent company of Alectra) in exchange for  
common shares of Alectra Inc.

Step 2 Alectra and Guelph Hydro, being wholly owned by Alectra Inc., will  
amalgamate with each other and continue as a corporation with the corporate  
name Alectra Utilities Corporation

1 The Parties are planning for a January 1, 2019 closing of the proposed amalgamation between  
2 Alectra and Guelph Hydro. To assist the OEB's review, Figure 1 illustrates Guelph Hydro's  
3 corporate structure assuming the OEB will approve its amalgamation with Envida (EB-2018-  
4 0114)<sup>4</sup>. Figure 2 below illustrates the proposed corporate structure of Alectra Inc., its  
5 shareholders and the other members of the corporate family, after completing the steps  
6 described above.

7 **Figure 1 - Guelph Hydro Corporate Structure**

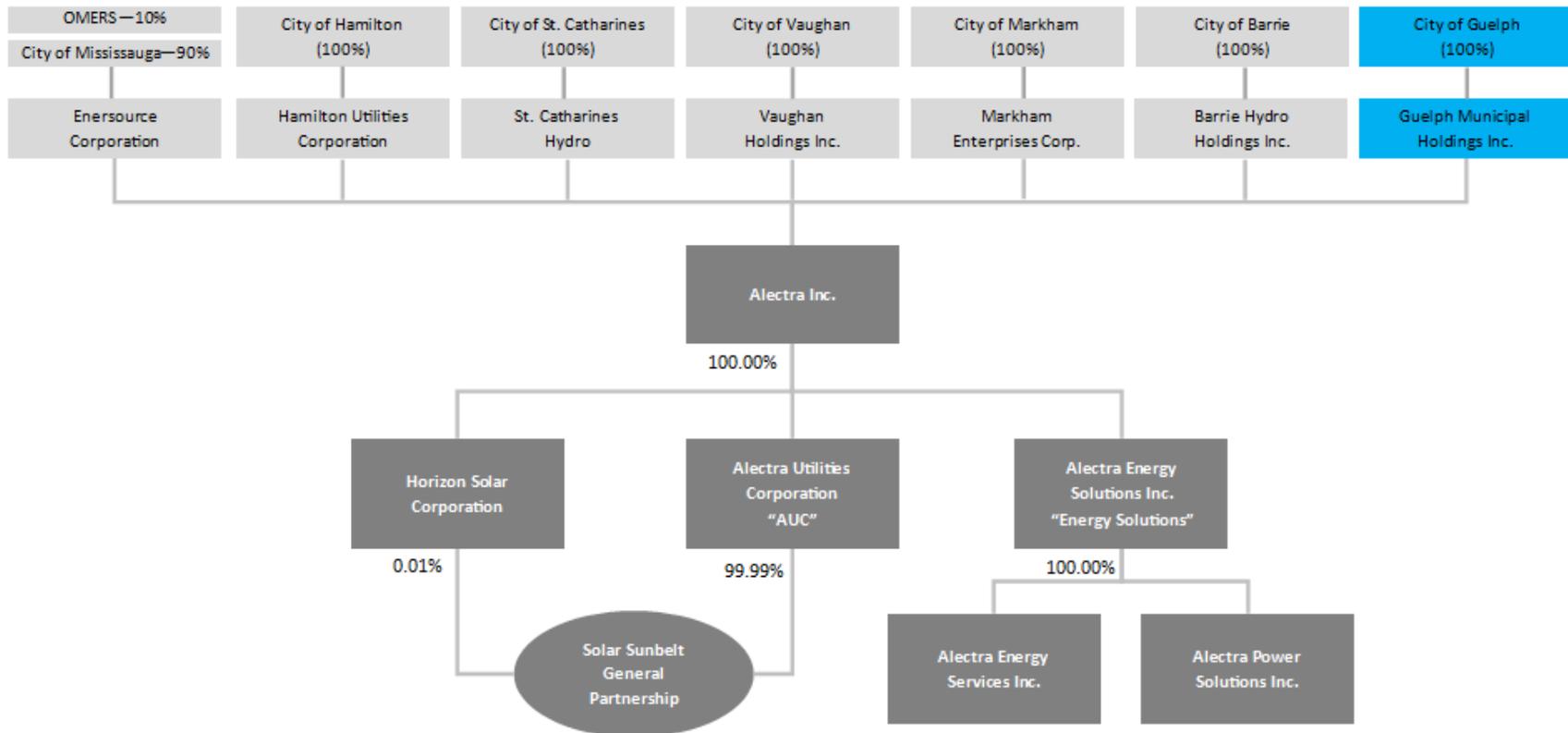
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<sup>4</sup> Guelph Hydro filed a MAADs application seeking approval for leave to amalgamate Envida with Guelph Hydro on February 27, 2018 (EB-2018-0114); this Application is prepared on the assumption the Envida amalgamation with Guelph Hydro will be approved by the OEB.

1 **Figure 2 - Proposed (Legal) Corporate Structure (post-merger)**



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1           **D)       RELATED REQUEST FOR AN ELECTRICITY DISTRIBUTION LICENCE**

2    To effect the amalgamation of Alectra and Guelph Hydro, the Applicants request that the OEB  
3    amend the Electricity Distribution Licence of Alectra (ED-2016-0360) to include Guelph Hydro's  
4    service area and cancel Guelph Hydro's Distribution Licence (ED-2002-0565), to be effective as  
5    of the completion of the consolidation. As shown in this Application, the proposed amalgamation  
6    meets the OEB's "no harm" test, and is expected to positively impact customers with respect to  
7    price and the adequacy, reliability, and quality of electricity service. The Applicants respectfully  
8    request that these licence-related matters be addressed as part of this proceeding. A form of  
9    amended Distribution Licence for Alectra (post-merger) is provided as Attachment 15.<sup>5</sup>

10           **E)       OTHER MATTERS**

11   Alectra will defer the rebasing for the newly created GRZ for a period of ten years following the  
12   closing of the consolidation with new rates set through rebasing for January 1, 2029. Alectra's  
13   rebasings was approved to be deferred for a period of ten years for its original four rate zones,  
14   with its next rebasing for rates effective January 1, 2027.<sup>6</sup> The Applicants intend for Alectra to  
15   integrate the distribution systems of the predecessor distributors following the completion of the  
16   consolidation, and during the rebasing deferral period.

17   **3.0       NOTICES PURSUANT TO SECTIONS 80 AND 81 OF THE OEB ACT**

18   Sections 80 and 81 of the *OEB Act* provide as follows:

19           **Prohibition, generation by transmitters or distributors**

20           **80.**    No transmitter or distributor or affiliate of a transmitter or distributor shall acquire  
21                    an interest in a generation facility in Ontario, construct a generation facility in  
22                    Ontario or purchase shares of a corporation that owns a generation facility in  
23                    Ontario unless it has first given notice of its proposal to do so to the Board and  
24                    the Board,

- 25                   (a)    has not issued a notice of review of the proposal within 60 days of the  
26                            filing of the notice; or  
27                   (b)    has approved the proposal under section 82.

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<sup>5</sup> The form of amended Distribution Licence for Alectra (ED-2016-0360) reflects the incorporation of the existing Guelph Hydro service territory into Alectra's service territory. Certain Code exemptions that are currently included under Guelph Hydro's Distribution Licence (ED-2002-0565) are no longer in effect, and therefore have not been reflected in the form of amended Distribution Licence for Alectra.

<sup>6</sup> Please see the EB-2016-0025 Decision and Order issued on December 8, 2016.

1           **Prohibition, transmission or distribution by generators**

2           **81.**     No generator or affiliate of a generator shall acquire an interest in a transmission  
3                   or distribution system in Ontario, construct a transmission or distribution system  
4                   in Ontario or purchase shares of a corporation that owns a transmission or  
5                   distribution system in Ontario unless it has first given notice of its proposal to do  
6                   so to the Board and the Board,

7                   (a)     has not issued a notice of review of the proposal within 60 days of the  
8                                 filing of the notice; or

9                   (b)     has approved the proposal under section 82.  
10

11     Alectra and Guelph Hydro are involved in generation activities. A section 80 notice of proposal  
12     in respect of Guelph Hydro's acquisition of all shares of Envida was filed with the Board in  
13     advance of this Application, and a letter of no review was obtained from the Board.<sup>7</sup> Guelph  
14     Hydro and Envida filed a MAADs application on February 27, 2018 (EB-2018-0114).

15     With respect to certain intermediate steps in the Alectra-Guelph Hydro consolidation, and in  
16     conjunction with this Application, notices of proposal will also be filed under sections 80 and 81  
17     in respect of Alectra Inc.'s acquisition of shares in the capital of Guelph Hydro and GMHI's  
18     acquisition of shares in the capital of Alectra Inc.

19     **4.0     OEB APPROVALS SOUGHT**

20     The items of relief requested by the Applicants are the following:

21           1. Consolidation of Alectra and Guelph Hydro, and associated distribution licence  
22                   amendment and transfer of rate orders and generation licence:

23                   (a)     leave for Alectra Inc. to acquire all the issued and outstanding shares in  
24                                 the capital of Guelph Hydro held by GMHI pursuant to Section 86(2)(a) of  
25                                 the *OEB Act*;

26                   (b)     leave for Alectra and Guelph Hydro to amalgamate and continue as a  
27                                 corporation referred to as Alectra, pursuant to Section 86(1)(c) of the  
28                                 *OEB Act*;

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<sup>7</sup> EB-2017-0350.

- 1 (c) leave for Guelph Hydro to transfer its generation licence and rate orders  
2 to Alectra pursuant to Section 18 of the *OEB Act* immediately prior to the  
3 amalgamation of Guelph Hydro and Alectra;
- 4 (d) the issuance of an amended electricity distribution licence for Alectra  
5 under Section 74 of the *OEB Act* that will include Guelph Hydro's service  
6 territory, to be effective on the completion of the consolidation and to be  
7 followed immediately by the cancellation of the distribution licence of  
8 Guelph Hydro. The licence amendment application is being filed as part  
9 of this Application.

10 2. Rebasing Deferral:

- 11 a) The Applicants confirm that they have chosen to defer the GRZ's  
12 rebasing for 10 years from the date of closing of the proposed transaction  
13 consistent with the Board's Consolidation Policy and Handbook.
- 14 b) The Applicants propose an Earnings Sharing Mechanism ("ESM") for the  
15 GRZ for years six to ten of the rebasing deferral period following the  
16 amalgamation of Alectra and Guelph Hydro, consistent with the  
17 Consolidation Policy which states that the ESM:
- 18 *"would be implemented if the consolidated entity's ROE was greater than*  
19 *300 bps above the allowed ROE as set out under the incentive regulation*  
20 *policy. The ESM will be based on a 50:50 sharing of excess earnings*  
21 *with consumers."* (Consolidation Policy, p. 12)
- 22 c) The regulatory net income will be calculated, for the purpose of earnings  
23 sharing, in the same manner as net income for regulatory purposes under  
24 the Board's Reporting and Record Keeping Requirements ("RRRs"). The  
25 Applicants expect that the computation of the ROE will exclude revenue  
26 and expenses that are not otherwise included for regulatory purposes.

27 Pursuant to the Handbook, issues related to rate making for Alectra's service  
28 areas, including the treatment of any ESM, Capital Variance and/or Efficiency

1 Adjustments, are matters for future rate applications and are not in scope for this  
2 Application, subject to the comments below regarding the treatment of existing  
3 rate orders and rate riders.

4 3. Post-Closing Distribution Rate Issues:

5 a) As identified above, the Applicants are requesting that the rate orders of  
6 Guelph Hydro be transferred to Alectra following the completion of the  
7 consolidation.

8 b) The Applicants are requesting approval to continue to track costs to the  
9 regulatory deferral and variance accounts currently approved by the  
10 Board for each Alectra rate zone and Guelph Hydro and to seek  
11 disposition of their balances at a future date.<sup>8</sup> The Applicants provide in  
12 Figures 3-7 below the 2017 OEB Approved rate riders for Enersource,  
13 Horizon Utilities, PowerStream, and HOBNI, and the 2018 OEB Approved  
14 rate riders for Guelph Hydro. At the time of this filing, a Decision on  
15 Alectra's 2018 Electricity Rate Application ("EDR") (EB-2017-0024) was  
16 not yet available; the OEB has set Alectra's EDR as interim pending the  
17 decision.

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<sup>8</sup> For the Board's information, Alectra and Guelph Hydro use IFRS for financial accounting purposes, and, post-merger, Alectra will also be using IFRS.

1 **Figure 3 – 2017 OEB Approved Enersource Rate Zone Rate Riders**

<b>Enersource Rate Zone</b>		January 1, 2017	
Schedule of Distribution Rate Riders effective January 1, 2017		Rates	
Customer Class	Item Description	Unit	Rate \$
<b><u>Residential</u></b>			
	Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	per month	0.79
	Rate Rider for Recovery of Incremental Capital Module Costs - in effect until the effective date of the next cost of service-based rate order	per month	0.60
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 Applicable only for Non-RPP Customers	per kWh	0.0013
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kWh	(0.0020)
	Rate Rider for Disposition of Wholesale Market Service Sub-account CBR Class B (2017) - effective until December 31, 2017	per kWh	0.0003
<b><u>General Service Less than 50 kW</u></b>			
	Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	per month	0.79
	Rate Rider for Recovery of Incremental Capital Module Costs - in effect until the effective date of the next cost of service-based rate order	per month	1.10
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 Applicable only for Non-RPP Customers	per kWh	0.0013
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kWh	(0.0020)
	Rate Rider for Recovery of Incremental Capital Module Costs - in effect until the effective date of the next cost of service-based rate order	per kWh	0.0003
	Rate Rider for Disposition of Wholesale Market Service Sub-account CBR Class B (2017) - effective until December 31, 2017	per kWh	0.0003
<b><u>General Service 50 to 499 kW</u></b>			
	Rate Rider for Recovery of Incremental Capital Module Costs - in effect until the effective date of the next cost of service-based rate order	per month	1.93
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 Applicable only for Non-RPP Class B Customers and Non-Wholesale Market Participants	per kWh	0.0013
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017 Applicable only for Non-Wholesale Market Participants	per kW	(0.7227)
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kW	0.0291
	Rate Rider for Recovery of Incremental Capital Module Costs - in effect until the effective date of the next cost of service-based rate order	per kW	0.1163
	Rate Rider for Disposition of Wholesale Market Service Sub-account CBR Class B (2017) - effective until December 31, 2017 Applicable for Non-Wholesale Market Participants	per kW	0.0994
<b><u>General Service 500 to 4999 kW</u></b>			
	Rate Rider for Recovery of Incremental Capital Module Costs - in effect until the effective date of the next cost of service-based rate order	per month	44.00
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 Applicable only for Non-RPP Class B Customers and Non-Wholesale Market Participants	per kWh	0.0013
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017 Applicable only for Non-Wholesale Market Participant	per kW	(0.9028)
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kW	0.0365
	Rate Rider for Recovery of Incremental Capital Module Costs - in effect until the effective date of the next cost of service-based rate order	per kW	0.0598
	Rate Rider for Disposition of Wholesale Market Service Sub-account CBR Class B (2017) - effective until December 31, 2017 Applicable only for Non-Wholesale Market Participants and Class B Customers	per kW	0.1226
<b><u>Large Use</u></b>			
	Rate Rider for Recovery of Incremental Capital Module Costs - in effect until the effective date of the next cost of service-based rate order	per month	346.90
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 Applicable only for Non-RPP Customers	per kWh	0.0013
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kW	(1.0616)
	Rate Rider for Recovery of Incremental Capital Module Costs - in effect until the effective date of the next cost of service-based rate order	per kW	0.0743
	Rate Rider for Disposition of Wholesale Market Service Sub-account CBR Class B (2017) - effective until December 31, 2017 Applicable only for Class B Customers	per kW	0.1451
<b><u>Unmetered Scattered Load</u></b>			
	Rate Rider for Recovery of Incremental Capital Module Costs - in effect until the effective date of the next cost of service-based rate order	per month	0.23
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 Applicable only for Non-RPP Customers	per kWh	0.0013
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kWh	(0.0020)
	Rate Rider for Recovery of Incremental Capital Module Costs - in effect until the effective date of the next cost of service-based rate order	per kWh	0.0004
	Rate Rider for Disposition of Wholesale Market Service Sub-account CBR Class B (2017) - effective until December 31, 2017	per kWh	0.0003
<b><u>Street Lighting</u></b>			
	Rate Rider for Recovery of Incremental Capital Module Costs - in effect until the effective date of the next cost of service-based rate order	per month	0.04
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017 Applicable only for Non-RPP Customers	per kWh	0.0013
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kW	(0.6889)
	Rate Rider for Recovery of Incremental Capital Module Costs - in effect until the effective date of the next cost of service-based rate order	per kW	0.2905
	Rate Rider for Disposition of Wholesale Market Service Sub-account CBR Class B (2017) - effective until December 31, 2017	per kW	0.0987

1 **Figure 4 – 2017 OEB Approved Horizon Utilities Rate Zone Rate Riders**

**Horizon Utilities Rate Zone**

Schedule of Distribution Rate Riders effective January 1, 2017

Horizon Utilities Rate Zone Schedule of Distribution Rate Riders effective January 1, 2017			January 1, 2017 Rates
Customer Class	Item Description	Unit	Rate \$
<b>Residential</b>	Rate Rider for Smart Metering Entity Charge – effective until October 31, 2018	per month	0.79
	Rate Rider for Recovery of Stranded Meter Assets – effective until December 31, 2017	per month	0.79
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) – effective until December 31, 2017	per kWh	(0.0026)
	Rate Rider for Disposition of Global Adjustment Account (2017) – effective until December 31, 2017 Applicable only for Non-RPP Customers	per kWh	0.0016
<b>General Service Less than 50 kW</b>	Rate Rider for Smart Metering Entity Charge – effective until October 31, 2018	per month	0.79
	Rate Rider for Recovery of Stranded Meter Assets – effective until December 31, 2017	per month	2.41
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) – effective until December 31, 2017	per kWh	(0.0025)
	Rate Rider for Disposition of Global Adjustment Account (2017) – effective until December 31, 2017 Applicable only for Non-RPP Customers	per kWh	0.0016
<b>General Service 50 to 4999 kW</b>	Rate Rider for Recovery of Stranded Meter Assets – effective until December 31, 2017	per month	3.46
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) – effective until December 31, 2017	per kW	(0.0603)
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) – effective until December 31, 2017 Not Applicable for Wholesale Market Participants	per kW	(0.9778)
	Rate Rider for Disposition of Capacity Based Recovery Account (2017) – effective until December 31, 2017 Not Applicable for any Customers who were Class A in 2015	per kW	0.1114
	Rate Rider for Disposition of Capacity Based Recovery Account (2017) – effective until December 31, 2017 Applicable for Customers who were Class A Consumers from July 1, 2015 – December 31, 2015 only	per kW	0.0208
	Rate Rider for Disposition of Global Adjustment Account (2017) – effective until December 31, 2017 Applicable for Customers who were Non-RPP Class B Consumers from January 1, 2015 - December 31, 2015	per kWh	0.0016
	Rate Rider for Recovery of Foregone Revenue – effective until December 31, 2017	per kW	0.0018
<b>Large Use</b>	Rate Rider for Disposition of Deferral/Variance Accounts (2017) – effective until December 31, 2017	per kW	(0.0792)
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) – effective until December 31, 2017 Not Applicable for Wholesale Market Participants	per kW	(1.4433)
	Rate Rider for Disposition of Capacity Based Recovery Account (2017) – effective until December 31, 2017 Not Applicable for any Consumers who were Class A in 2015	per kW	0.1693
	Rate Rider for Disposition of Global Adjustment Account (2017) – effective until December 31, 2017 Applicable for Customers who were Non-RPP Class B Consumers from January 1, 2015 - December 31, 2015	per kWh	0.0016
	Rate Rider for Recovery of Foregone Revenue – effective until December 31, 2017	per kW	0.0016
<b>Large Use with Dedicated Assets</b>	Rate Rider for Disposition of Deferral/Variance Accounts (2017) – effective until December 31, 2017	per kW	(0.0943)
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) – effective until December 31, 2017 Not Applicable for Wholesale Market Participants	per kW	(1.2631)
	Rate Rider for Disposition of Capacity Based Recovery Account (2017) – effective until December 31, 2017 Not Applicable for any Consumers who were Class A in 2015	per kW	0.0381
	Rate Rider for Disposition of Global Adjustment Account (2017) – effective until December 31, 2017 Applicable for Customers who were Non-RPP Class B Consumers from January 1, 2015 - December 31, 2015	per kWh	0.0016
	Rate Rider for Recovery of Foregone Revenue – effective until December 31, 2017	per kW	0.0096
<b>Unmetered Scattered Load</b>	Rate Rider for Disposition of Deferral/Variance Accounts (2017) – effective until December 31, 2017	per kWh	(0.0025)
	Rate Rider for Disposition of Global Adjustment Account (2017) – effective until December 31, 2017 Applicable only for Non-RPP Customers	per kWh	0.0016
<b>Sentinel Lighting</b>	Rate Rider for Disposition of Deferral/Variance Accounts (2017) – effective until December 31, 2017	per kW	(0.8891)
	Rate Rider for Disposition of Global Adjustment Account (2017) – effective until December 31, 2017 Applicable only for Non-RPP Customers	per kWh	0.0016
	Rate Rider for Recovery of Foregone Revenue – effective until December 31, 2017	per kW	0.0209
<b>Street Lighting</b>	Rate Rider for Disposition of Deferral/Variance Accounts (2017) – effective until December 31, 2017	per kW	(0.9027)
	Rate Rider for Disposition of Global Adjustment Account (2017) – effective until December 31, 2017 Applicable only for Non-RPP Customers	per kWh	0.0016
	Rate Rider for Recovery of Foregone Revenue – effective until December 31, 2017	per kW	(0.0996)

1 **Figure 5 – 2017 OEB-Approved PowerStream Rate Zone Rate Riders**

2

**PowerStream Rate Zone**

Schedule of Distribution Rate Riders effective January 1, 2017

PowerStream Rate Zone Schedule of Distribution Rate Riders effective January 1, 2017			January 1, 2017 Rates
Customer Class	Item Description	Unit	Rate \$
<b>Residential</b>			
	Rate Rider for Disposition of Smart Grid True-up Variance Account (2014 balance) - effective until September 30, 2017	per month	(0.04)
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until September 30, 2017	per month	(0.10)
	Rate Rider for Recovery of Stranded Meter Assets (2016) – effective until September 30, 2018	per month	0.06
	Rate Rider for Disposition of Group 2 Deferral/Variance Accounts (2016) – effective until September 30, 2018	per month	0.12
	Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	per month	0.79
	Rate Rider for Disposition of Global Adjustment Account (2016) – effective until September 30, 2018	per kWh	0.0012
	Applicable only for Non-RPP Customers		
	Rate Rider for Disposition of Deferral/Variance Accounts (2016) – effective until September 30, 2018	per kWh	0.0003
	Rate Rider for Disposition of Deferral/Variance Account – Power (2016) – effective until September 30, 2018	per kWh	(0.0003)
<b>General Service Less than 50 kW</b>			
	Rate Rider for Disposition of Smart Grid True-up Variance Account (2014 balance) - effective until September 30, 2017	per month	(0.17)
	Rate Rider for Recovery of Stranded Meter Assets (2016) – effective until September 30, 2018	per month	0.21
	Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	per month	0.79
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until September 30, 2017	per kWh	0.0001
	Rate Rider for Disposition of Global Adjustment Account (2016) – effective until September 30, 2018	per kWh	0.0012
	Applicable only for Non-RPP Customers		
	Rate Rider for Disposition of Deferral/Variance Accounts (2016) – effective until September 30, 2018	per kWh	0.0003
	Rate Rider for Disposition of Deferral/Variance Account – Power (2016) – effective until September 30, 2018	per kWh	(0.0003)
	Rate Rider for Disposition of Group 2 Deferral/Variance Accounts (2016) – effective until September 30, 2018	per kWh	0.0002
<b>General Service 50 to 4999 kW</b>			
	Rate Rider for Disposition of Smart Grid True-up Variance Account (2014 balance) - effective until September 30, 2017	per month	(4.81)
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until September 30, 2017	per kW	(0.0196)
	Rate Rider for Disposition of Global Adjustment Account (2016) – effective until September 30, 2018	per kW	0.4319
	Applicable only for Non-RPP Customers		
	Rate Rider for Disposition of Deferral/Variance Accounts (2016) – effective until September 30, 2018	per kW	0.1169
	Rate Rider for Disposition of Deferral/Variance Account – Power (2016) – effective until September 30, 2018	per kW	(0.1224)
	Rate Rider for Disposition of Group 2 Deferral/Variance Accounts (2016) – effective until September 30, 2018	per kW	0.0620
<b>Large Use</b>			
	Rate Rider for Disposition of Smart Grid True-up Variance Account (2014 balance) - effective until September 30, 2017	per month	(199.61)
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until September 30, 2017	per kW	(0.0356)
	Rate Rider for Disposition of Deferral/Variance Accounts (2016) – effective until September 30, 2018	per kW	0.1584
	Rate Rider for Disposition of Deferral/Variance Account – Power (2016) – effective until September 30, 2018	per kW	(0.1659)
	Rate Rider for Disposition of Group 2 Deferral/Variance Accounts (2016) – effective until September 30, 2018	per kW	0.0840
<b>Unmetered Scattered Load</b>			
	Rate Rider for Disposition of Smart Grid True-up Variance Account (2014 balance) - effective until September 30, 2017	per month	(0.02)
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until September 30, 2017	per kWh	(0.0002)
	Rate Rider for Disposition of Global Adjustment Account (2016) – effective until September 30, 2018	per kWh	0.0012
	Applicable only for Non-RPP Customers		
	Rate Rider for Disposition of Deferral/Variance Accounts (2016) – effective until September 30, 2018	per kWh	0.0003
	Rate Rider for Disposition of Deferral/Variance Account – Power (2016) – effective until September 30, 2018	per kWh	(0.0003)
	Rate Rider for Disposition of Group 2 Deferral/Variance Accounts (2016) – effective until September 30, 2018	per kWh	0.0002
<b>Sentinel Lighting</b>			
	Rate Rider for Disposition of Smart Grid True-up Variance Account (2014 balance) - effective until September 30, 2017	per month	(0.01)
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until September 30, 2017	per kW	(0.1678)
	Rate Rider for Disposition of Global Adjustment Account (2016) – effective until September 30, 2018	per kW	0.4470
	Applicable only for Non-RPP Customers		
	Rate Rider for Disposition of Deferral/Variance Accounts (2016) – effective until September 30, 2018	per kW	0.1210
	Rate Rider for Disposition of Deferral/Variance Account – Power (2016) – effective until September 30, 2018	per kW	(0.1267)
	Rate Rider for Disposition of Group 2 Deferral/Variance Accounts (2016) – effective until September 30, 2018	per kW	0.0641
<b>Street Lighting</b>			
	Rate Rider for Recovery of Lost Revenue Adjustment Mechanism Variance Account (2013 balance) - effective until September 30, 2017	per kW	(0.1455)
	Rate Rider for Disposition of Global Adjustment Account (2016) – effective until September 30, 2018	per kW	0.4124
	Applicable only for Non-RPP Customers		
	Rate Rider for Disposition of Deferral/Variance Accounts (2016) – effective until September 30, 2018	per kW	0.1116
	Rate Rider for Disposition of Deferral/Variance Account – Power (2016) – effective until September 30, 2018	per kW	(0.1169)
	Rate Rider for Disposition of Group 2 Deferral/Variance Accounts (2016) – effective until September 30, 2018	per kW	0.0592

3

1 **Figure 6 – 2017 OEB Approved Brampton Rate Zone Rate Riders**

**Brampton Rate Zone**  
Schedule of Distribution Rate Riders effective January 1, 2017

Brampton Rate Zone Schedule of Distribution Rate Riders effective January 1, 2017			January 1, 2017 Rates	
Customer Class	Item Description	Unit	Rate \$	
<b>Residential</b>				
	Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	per month	0.79	
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017	per kWh	0.0049	
	Applicable only for Non-RPP Customers			
	Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2017) - effective until December 31, 2017	per kWh	0.0001	
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kWh	(0.0038)	
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	per kWh	0.0005	
	Rate Rider for Disposition of CBR Class B (2017) - effective until December 31, 2017	per kWh	0.0003	
<b>General Service Less than 50 kW</b>				
	Rate Rider for Smart Metering Entity Charge - effective until October 31, 2018	per month	0.79	
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017	per kWh	0.0049	
	Applicable only for Non-RPP Customers			
	Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2017) - effective until December 31, 2017	per kWh	0.0014	
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kWh	(0.0038)	
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	per kWh	0.0005	
	Rate Rider for Disposition of CBR Class B (2017) - effective until December 31, 2017	per kWh	0.0003	
<b>General Service 50 to 699 kW</b>				
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017	per kWh	0.0049	
	Applicable only for Non-RPP Customers			
	Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2017) - effective until December 31, 2017	per kW	0.0753	
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kW	(1.3502)	
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	per kW	0.1771	
	Rate Rider for Disposition of CBR Class B (2017) - effective until December 31, 2017	per kW	0.1027	
<b>General Service 700 to 4999 kW</b>				
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017	per kWh	0.0049	
	Applicable only for Non-RPP Customers			
	Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2017) - effective until December 31, 2017	per kW	0.0021	
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kW	(1.5808)	
	Applicable only for Non-Wholesale Market Participants			
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kW	0.0372	
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	per kW	0.2029	
	Rate Rider for Disposition of CBR Class B (2017) - Applicable only to Class B customers - effective until December 31, 2017	per kW	0.1137	
	Rate Rider for Disposition of CBR Class B (2017) - For Class A, formerly Class B - effective until December 31, 2017	per kW	0.0130	
<b>Large Use</b>				
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017	per kWh	0.0049	
	Applicable only for Non-RPP Customers			
	Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2017) - effective until December 31, 2017	per kW	0.0407	
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kW	(2.0206)	
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	per kW	0.2634	
	Rate Rider for Disposition of CBR Class B (2017) - Applicable only to Class B customers - effective until December 31, 2017	per kW	0.1602	
<b>Unmetered Scattered Load</b>				
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017	per kWh	0.0049	
	Applicable only for Non-RPP Customers			
	Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2017) - effective until December 31, 2017	per kWh	(0.0003)	
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kWh	(0.0037)	
	Disposition of Account 1576 until Dec 31 2017	per kWh	0.0005	
	Rate Rider for Disposition of CBR Class B (2017) - effective until December 31, 2017	per kWh	0.0003	
<b>Street Lighting</b>				
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017	per kWh	0.0049	
	Applicable only for Non-RPP Customers			
	Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2017) - effective until December 31, 2017	per kW	0.0388	
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kW	(1.2356)	
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	per kW	0.1640	
	Rate Rider for Disposition of CBR Class B (2017) - effective until December 31, 2017	per kW	0.0940	
<b>Embedded Distributor</b>				
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017	per kWh	0.0049	
	Applicable only for Non-RPP Customers			
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kWh	(0.0037)	
	Rate Rider for Disposition of CBR Class B (2017) - effective until December 31, 2017	per kWh	0.0003	
<b>Distributed Generation</b>				
	Rate Rider for Disposition of Global Adjustment Account (2017) - effective until December 31, 2017	per kWh	0.0049	
	Applicable only for Non-RPP Customers			
	Rate Rider for Disposition of Deferral/Variance Accounts (2017) - effective until December 31, 2017	per kWh	(0.0037)	
	Rate Rider for Disposition of Account 1576 - effective until December 31, 2017	per kWh	0.0005	
	Rate Rider for Disposition of CBR Class B (2017) - effective until December 31, 2017	per kWh	0.0003	

1 **Figure 7 – 2018 OEB Approved Guelph Hydro Rate Riders**

**Guelph Hydro**

**Schedule of Distribution Rate Riders effective January 1, 2018**

<b>Guelph Hydro</b>		<b>January 1, 2018</b>	
<b>Schedule of Distribution Rate Riders effective January 1, 2018</b>		<b>Rates</b>	
<b>Customer Class</b>	<b>Item Description</b>	<b>Unit</b>	<b>Rate \$</b>
<b>Residential</b>			
	Rate Rider for Disposition of Post Retirement Actuarial Gain – effective until March 31, 2025	per month	(0.18)
	Rate Rider for Smart Metering Entity Charge – effective until October 31, 2018	per month	0.79
	Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	per kWh	0.0045
	Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2018) - effective until December 31, 2018	per kWh	0.0002
	Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	per kWh	(0.0023)
	Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until January 01, 2018 Applicable only for Class B Customers	per kWh	(0.0001)
<b>General Service Less than 50 kW</b>			
	Rate Rider for Disposition of Post Retirement Actuarial Gain – effective until March 31, 2025	per month	(0.50)
	Rate Rider for Smart Metering Entity Charge – effective until October 31, 2018	per month	0.79
	Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	per kWh	0.0045
	Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2018) - effective until December 31, 2018	per kWh	0.0003
	Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	per kWh	(0.0022)
	Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 - Applicable only for Class B Customers	per kWh	(0.0001)
<b>General Service 50 to 999 kW</b>			
	Rate Rider for Disposition of Post Retirement Actuarial Gain – effective until March 31, 2025	per month	(3.80)
	Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	per kWh	0.0045
	Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2018) - effective until December 31, 2018	per kW	0.0218
	Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018 Applicable only for Non-Wholesale Market Participants	per kW	(0.5958)
	Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	per kW	(0.2077)
	Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 Applicable only for Class B Customers	per kWh	(0.0183)
<b>General Service 1000 to 4999 kW</b>			
	Rate Rider for Disposition of Post Retirement Actuarial Gain – effective until March 31, 2025	per month	(46.33)
	Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	per kWh	0.0045
	Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2018) - effective until December 31, 2018	per kW	0.0442
	Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	per kWh	(1.0955)
	Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 - Applicable only for Class B Customers	per kWh	(0.0244)
<b>Large Use</b>			
	Rate Rider for Disposition of Post Retirement Actuarial Gain – effective until March 31, 2025	per month	(151.18)
	Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2018) - effective until December 31, 2018	per kW	0.4790
	Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	per kW	(0.9653)
<b>Unmetered Scattered Load</b>			
	Rate Rider for Disposition of Post Retirement Actuarial Gain – effective until March 31, 2025	per month	(0.05)
	Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	per kWh	0.0045
	Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	per kWh	(0.0022)
	Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 - Applicable only for Class B Customers	per kWh	(0.0001)
<b>Sentinel Lighting</b>			
	Rate Rider for Disposition of Post Retirement Actuarial Gain – effective until March 31, 2025	per month	(0.11)
	Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	per kWh	0.0045
	Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	per kW	(1.0821)
	Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 - Applicable only for Class B Customers	per kWh	(0.0179)
<b>Street Lighting</b>			
	Rate Rider for Disposition of Post Retirement Actuarial Gain – effective until March 31, 2025	per month	(0.01)
	Rate Rider for Disposition of Global Adjustment Account (2018) - effective until December 31, 2018 Applicable only for Non-RPP Customers	per kWh	0.0045
	Rate Rider for Disposition of Lost Revenue Adjustment Mechanism Variance Account (LRAMVA) (2018) - effective until December 31, 2018	per kW	(0.8432)
	Rate Rider for Disposition of Deferral/Variance Accounts (2018) - effective until December 31, 2018	per kW	(0.7759)
	Rate Rider for Disposition of Capacity Based Recovery Account (2018) - effective until December 31, 2018 - Applicable only for Class B Customers	per kW	(0.0180)

1 **5.0 FORM OF HEARING**

2 The Applicants request that this Application be heard by way of a written hearing.

1 **IDENTIFICATION OF THE PARTIES**

2 Please see Attachment 1 which sets out the following information, as required by Section 2.2.1  
3 of the Handbook's Filing Requirements:

- 4           •       Legal name of the Applicants
- 5           •       Details of the authorized representatives of the Applicants, including their names,  
6                    phone and fax numbers, as well as email and delivery addresses
- 7           •       Legal name of the other parties to the transaction
- 8           •       Details of the authorized representative of the other parties to the transaction,  
9                    including the name, phone and fax numbers, and email and delivery addresses

1 **DESCRIPTION OF THE BUSINESS OF THE PARTIES TO THE TRANSACTION**

2 This schedule provides a detailed description of each of the Parties to the transaction including  
3 a discussion of the electricity distribution operations and the activities of their affiliates.

4 **Alectra Utilities Corporation**

5 Alectra's service territory consists of the former service territories of Enersource, Horizon  
6 Utilities, PowerStream and HOBNI. Its service territory is specified in Distribution Licence  
7 ED-2016-0360, a copy of which is available on the Board's website. Alectra Inc. is the holding  
8 company for the business and corporate functions. Alectra Inc. owns 100% of Alectra. Alectra  
9 Inc. is indirectly owned by five municipal shareholders (the cities of Vaughan, Hamilton,  
10 Markham, Barrie and St. Catharines) and Enersource Corporation, which is owned by the City  
11 of Mississauga (90%) and BPC Energy Corporation (10%).

12 Alectra owns and is responsible for the operation, maintenance and management of the assets  
13 associated with the distribution of electrical power in its defined, licensed service area in the City  
14 of Mississauga, the cities of Hamilton (including Hamilton, Stoney Creek and Dundas) and St.  
15 Catharines, the municipalities of Alliston, Aurora, Barrie, Beeton, Bradford, Markham,  
16 Penetanguishene, Richmond Hill, Thornton, Tottenham, Vaughan, and the City of Brampton.  
17 Alectra serves approximately 990,000 customers across an 1,800-sq. km service territory.  
18 Alectra owns, maintains and operates approximately 6,642 km of overhead primary distribution  
19 feeders and 13,210 km of underground primary distribution circuits, as well as 339 – 4.16kV, 47  
20 - 8.32 kV, 754 - 13.8 kV, 292 - 27.6 kV, and 132 - 44kV feeders within its service territory.

21 Alectra's electricity sector affiliates are as follows:

- 22 • Alectra Energy Solutions Inc. ("AESI") is owned 100% by Alectra Inc. AESI is a company  
23 that provides non-regulated energy services to residential, commercial and industrial  
24 customers. AESI owns 100% of:
- 25 ○ Alectra Energy Services Inc., which provides sub-metering and home energy  
26 management services to approximately 35,000 customers.

- 1           ○ Alectra Power Services Inc., which provides street lighting and maintenance  
2           services, and owns and operates renewable energy generation and storage  
3           assets to approximately 20,000 customers.
- 4           ● Horizon Solar Corp. is owned 100% by Alectra Inc. It is an investment holding company  
5           with 0.01% ownership interest in Solar Sunbelt General Partnership (“Solar Sunbelt  
6           GP”).
- 7           ● Solar Sunbelt GP is owned 0.01% by Horizon Solar Corp. and 99.99% by Alectra. It  
8           carries on a solar generation business to develop, construct, own, finance and operate  
9           rooftop solar photovoltaic generation equipment (“Solar PV Property”). The electricity  
10          generated by the Solar PV Property is sold to the IESO under its Feed-in-Tariff long-term  
11          power purchase agreements.

12          In addition, Alectra holds a 50% interest in Collingwood PowerStream Utility Services Corp  
13          (“CollusHoldco”), a holding company that wholly owns, among other corporations, Collus  
14          PowerStream Corp. (“CollusLDC”), the licensed electricity distributor that owns and is  
15          responsible for the operation, maintenance and management of the assets associated with  
16          the distribution of electrical power and energy in Collingwood, Stayner, Creemore and  
17          Thornbury, pursuant to Distribution Licence ED-2002-0518. The other 50% of CollusHoldco  
18          is owned by the Town of Collingwood. The other corporations owned by CollusHoldco are  
19          Collus PowerStream Energy Corp., a non-operating retail company that was established  
20          during the corporatization of the public utilities, and Collus PowerStream Solutions Corp.,  
21          which provided supervisory, operational, engineering, finance and administrative services.<sup>9</sup>

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<sup>9</sup> CollusLDC is currently the subject of a 100% share acquisition by EPCOR Utilities Inc. (see MAADs application EB-2017-0373/EB-2017-0374).

1 **Guelph Hydro**

2 Guelph Hydro is a licensed distributor with approximately 55,000 customers across a 93-sq. km  
3 service territory, servicing the City of Guelph and the Village of Rockwood. Its service territory is  
4 specified in Distribution Licence ED-2002-0565, a copy of which is available on the Board's  
5 website. GMHI owns 100% of Guelph Hydro.

6 Guelph Hydro is a partial embedded distributor in relation to HONI for distribution services for  
7 the Village of Rockwood; therefore, Guelph Hydro is charged by HONI for low voltage  
8 distribution services.

9 **Guelph Municipal Holdings Inc.**

10 GMHI is wholly-owned by the City of Guelph. GMHI was incorporated on August 16, 2011, and  
11 is the holding company for two wholly-owned subsidiaries:

- 12 • Guelph Hydro Electric Systems Inc. ("Guelph Hydro")  
13 • Guelph Municipal Development Corporation ("Devco")

14 Devco was incorporated in 2015, but is not currently operational and is intended to hold land  
15 and related investments for the City of Guelph in furtherance of many of the City's strategic  
16 objectives.

17 Guelph Hydro's primary activity is to distribute electricity to the residents and businesses in the  
18 City of Guelph and the Village of Rockwood under a distribution license (ED-2002-0565) issued  
19 by the OEB.

1 **GEOGRAPHIC TERRITORY SERVED BY THE PARTIES TO THE TRANSACTION**

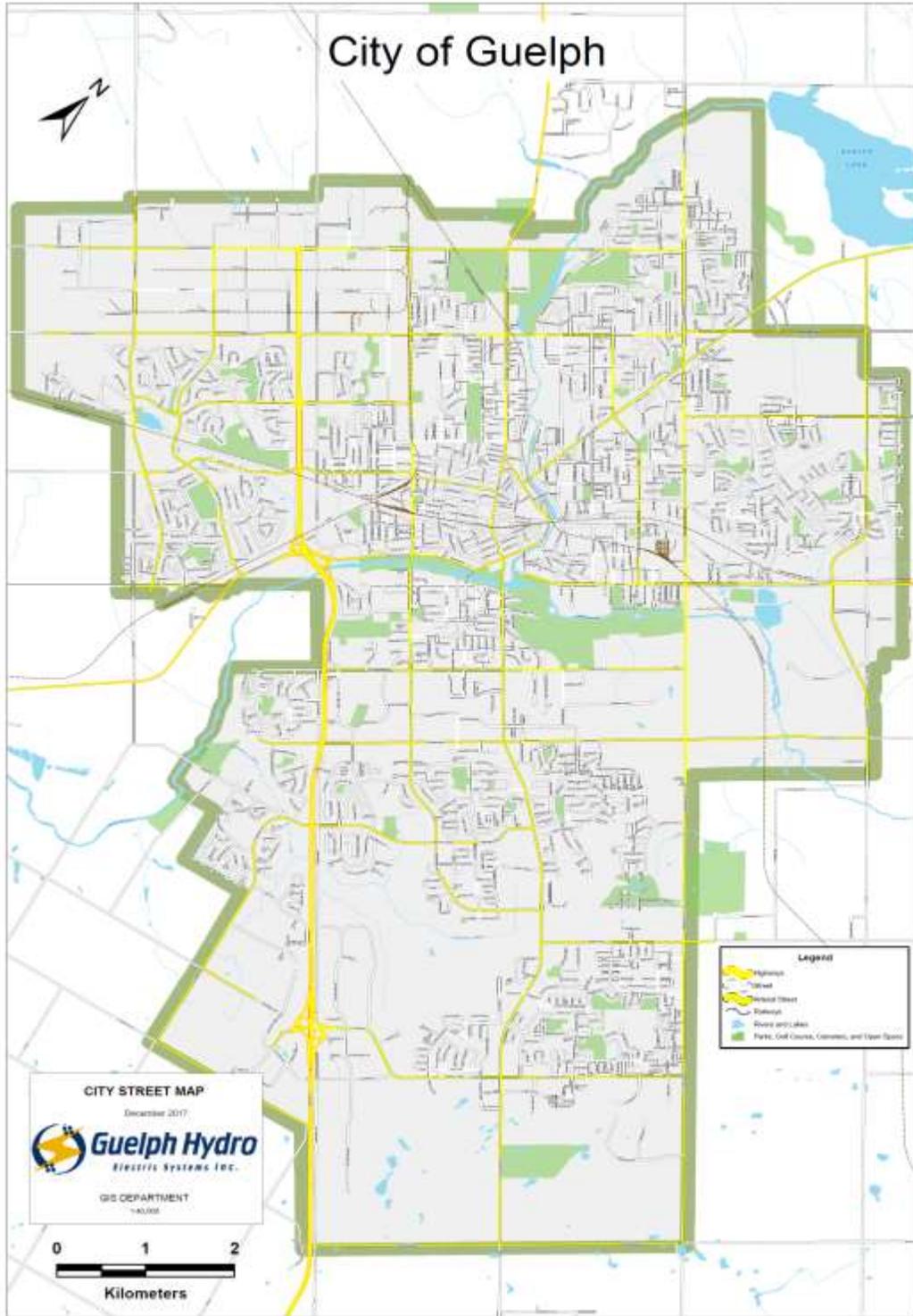
2 The geographic territory for each of the Parties is described in detail in the above referenced  
3 Distribution Licences. Maps of the service areas are provided in a series of figures as follows:

4 **Figure 8 – Alectra Service Area**



5

1 Figure 9 – Guelph Hydro Service Area – City of Guelph



1 Figure 10 – Guelph Hydro Service Area – Village of Rockwood



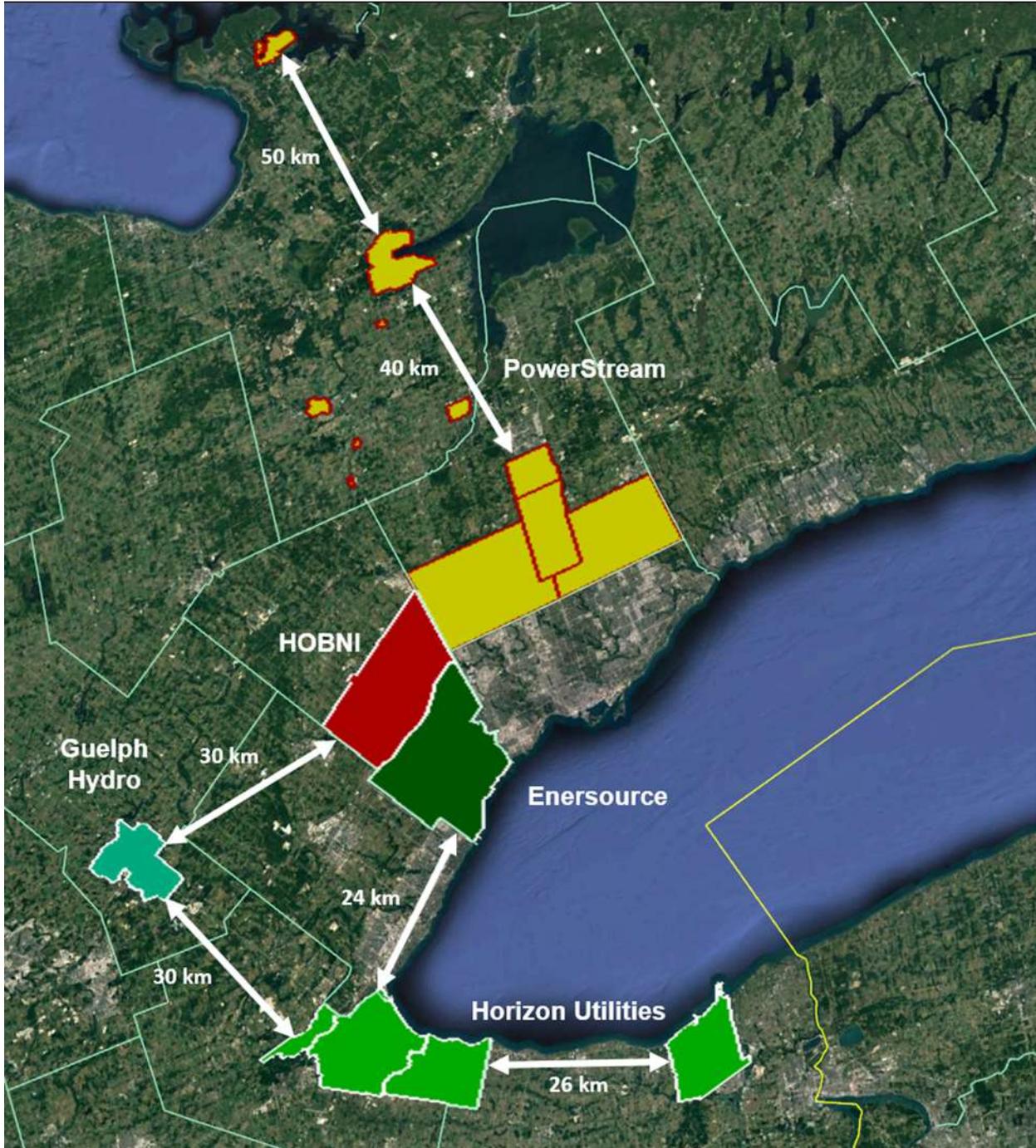
1 For purposes of distribution system operations, Alectra will continue to operate its three existing  
2 operating regions and add a fourth operating region to service the City of Guelph and the Village  
3 of Rockwood. These regions will be referred to as follows:

- 4 b) Western Region: previous Horizon Utilities service territories
- 5 c) Central Region: previous HOBNI and Enersource service territories
- 6 d) Eastern Region: previous PowerStream service territories
- 7 e) Southwestern Region: existing Guelph Hydro service territories

8 Figure 11 below shows a map of the service areas for post-merger Alectra, as well as the  
9 distances between the non-contiguous service boundaries.

1 Figure 11 – Map of Relative Distance between Service Boundaries

2



3

1 **DESCRIPTION OF THE CUSTOMERS**

2 The following tables provide the number of customers by customer class for 2017 for each of  
3 the Parties:

4 **Figure 12 - Alectra Customer Count (as of December 31, 2017)**

<b>Rate Class</b>	<b>Number of Customers</b>
Residential	889,842
GS < 50 kW	79,169
GS > 50 kW	12,983
Large Use	29
Unmetered Scattered Load	5,050
Sentinel Lighting	278
Street Lighting	31
<b>Total</b>	<b>987,382</b>

5

6 **Figure 13 - Guelph Hydro Customer Count (as of December 31, 2017)**

<b>Rate Class</b>	<b>Number of Customers</b>
Residential	50,542
GS < 50 kW	4,079
GS 50 to 999 kW	572
GS 1000 to 4,999 kW	42
Large Use	4
Unmetered Scattered Load	34
Sentinel Lighting	5
Street Lighting	2
<b>TOTAL</b>	<b>55,280</b>

7

1 **NET METERING THRESHOLDS**

2 The current net metering thresholds of Alectra and Guelph Hydro and the summation for the  
3 consolidated entity are provided in Figure 14. There are no special circumstances to the  
4 Applicants' knowledge that would warrant the OEB using a different methodology to determine  
5 the net metering threshold for each utility.

6 **Figure 14 – 2017 Net Metering Thresholds**  
7

<b>Utility</b>	<b>System Peak (kW)</b>	<b>1% Rule (kW)</b>	<b>Net Metering Threshold (kW)</b>
Alectra	4,895,700	48,957	50,152
Guelph Hydro	277,330	2,773	2,875
<b>Alectra – Post-Merger</b>	<b>5,173,030</b>	<b>51,730</b>	<b>53,027</b>

1    **DESCRIPTION OF THE TRANSACTION**

2    The Applicants are proposing a series of transactions that will result in the amalgamation of  
3    Alectra and Guelph Hydro. These transactions will ultimately consolidate the distribution  
4    businesses of Alectra and Guelph Hydro into a single distributor, referred to in this Application  
5    as Alectra. As required by Section 2.2.4 of the Filing Requirements, the Applicants confirm that  
6    the completion of the transactions will cause a change of control of Guelph Hydro's distribution  
7    assets.

8    This consolidation will involve the following steps:

**Amalgamation of Guelph Hydro and Alectra**

Step 1           GMHI shall sell all the shares it owns in Guelph Hydro to Alectra Inc. (the  
                    parent company of Alectra) in exchange for common shares in the capital of  
                    Alectra Inc., representing 4.63% of the equity valuation of Alectra Inc.

Step 2           Alectra and Guelph Hydro, being wholly owned by Alectra Inc., will  
                    amalgamate with each other and continue as a corporation with the corporate  
                    name Alectra Utilities Corporation

9    The Parties are planning for a January 1, 2019 closing of the amalgamation of Alectra and  
10   Guelph Hydro.

11   As noted above, the Applicants request the following approvals with respect to the proposed  
12   transactions:

13       a) leave for Alectra Inc. to acquire all the issued and outstanding shares in the capital of  
14       Guelph Hydro held by GMHI pursuant to Section 86(2)(a) of the *OEB Act*;

15       b) leave for Alectra and Guelph Hydro to amalgamate and continue as a corporation  
16       referred to as Alectra, pursuant to Section 86(1)(c) of the *OEB Act*;

17       c) leave for Guelph Hydro to transfer its generation licence and rate orders to Alectra  
18       pursuant to Section 18 of the *OEB Act* immediately prior to the amalgamation of Guelph  
19       Hydro and Alectra; and

1 d) the issuance of an amended electricity distribution licence for Alectra under Section 74  
2 of the *OEB Act* that will include Guelph Hydro's service territory, to be effective on the  
3 completion of the consolidation and to be followed immediately by the cancellation of the  
4 distribution licence of Guelph Hydro. The licence amendment request is being made as  
5 part of this Application, and a form of amended distribution licence for Alectra (post-  
6 merger) is included at Attachment 15.

7 The various reliefs sought herein are closely related as part of the same overall transaction to  
8 achieve the ultimate result – i.e., the amalgamation of Alectra and Guelph Hydro pursuant to the  
9 leave of the Board under Section 86(1)(c) of the *OEB Act*. Therefore, the intermediate steps in  
10 the overall transaction would not occur but for the ultimate amalgamation, and should not be  
11 thought of as separate steps or apart from this ultimate outcome.

1 **LEGAL AGREEMENTS TO IMPLEMENT THE TRANSACTION**

2 The terms and conditions under which the Applicants will achieve the amalgamation of Alectra  
3 and Guelph Hydro are set out in the following agreements:

4 *A Merger Participation Agreement* (“MPA”) is included as Attachment 2. The MPA sets out the  
5 terms and conditions under which GMHI will subscribe for, and Alectra Inc. will issue to GMHI,  
6 shares in the capital of Alectra Inc. in exchange for the transfer by GMHI to Alectra Inc. of all the  
7 shares in the capital of Guelph Hydro, and the subsequent amalgamation of Guelph Hydro and  
8 Alectra. The MPA also contemplates certain pre-closing transactions (i.e., to affect the  
9 amalgamation of Guelph Hydro and Envida) to be entered into on the day prior to the Alectra-  
10 Guelph Hydro transaction. Certain information relating to matters that are not the subject of  
11 OEB approval in respect of the proposed transaction has been removed from the MPA and  
12 associated schedules, given that they are not relevant to the consideration of the “no harm” test  
13 in this proceeding. Further, the MPA and related schedules have been redacted to remove  
14 confidential information in accordance with the OEB’s *Rules of Practice and Procedure* and  
15 *Practice Direction on Confidential Filing*, including any “personal information” within the meaning  
16 of the *Freedom of Information and Protection of Privacy Act* (Ontario) and other confidential  
17 information that could, if publicly disclosed, be reasonably expected to adversely affect the  
18 competitive or bargaining position of Alectra, Guelph Hydro, and/or other third parties.

19 An *Amalgamation Agreement* (“AA”) is provided as an attachment (Schedule 2.5) within the  
20 MPA. The AA will be executed by Alectra and Guelph Hydro immediately following closing of the  
21 proposed transaction, and will be attached to the articles of amalgamation giving effect to the  
22 amalgamation of Alectra and Guelph Hydro.

1    **RESOLUTIONS APPROVING THE TRANSACTION**

2    Copies of the Resolutions of the cities of Mississauga, Hamilton, St. Catharines, Barrie,  
3    Markham and Vaughan, Guelph and of BPC Energy Corporation (“Borealis” or “BPC”)  
4    approving the transaction are provided in Attachment 3. BPC owns 10% of former Enersource  
5    Corporation.

1 **OVERALL IMPACT OF THE TRANSACTION**

2 As discussed previously, the consolidation comprises the merger of the regulated and non-  
3 regulated business activities of Alectra and Guelph Hydro. The impact of the proposed  
4 transaction on consumers with respect to the price, adequacy, reliability and quality of  
5 distribution service is addressed below.

6 **PRICE**

7 The proposed consolidation is expected to deliver electricity ratepayer savings to the customers  
8 of both Guelph Hydro and Alectra. Guelph Hydro customers are expected to realize lower rates  
9 through the ten-year rebasing deferral period<sup>10</sup> relative to the *status quo*, i.e., in the absence of  
10 a consolidation. Guelph Hydro customers are also expected to experience greater savings in  
11 comparison to the *status quo* from the time of the first anticipated rebasing, ten years following  
12 the completion of the consolidation, due to cost savings resulting from this transaction's  
13 synergies. Alectra customers are expected to see lower distribution rates following the original  
14 transaction (approved in EB-2016-0025), as well as additional cost savings from the Guelph  
15 Hydro – Alectra merger, post the ten year rebasing deferral period in 2029.

16 *A. Rebasing Deferral Period – Ten Years from the Completion of the Consolidation:*

17 Guelph Hydro would have filed two Cost of Service or Custom IR rebasing applications during  
18 the proposed ten-year rebasing deferral period in the absence of the proposed consolidation.

19 Following the merger of Alectra and Guelph Hydro, Alectra will be able to manage with lower  
20 revenue under Price Cap IR and an Incremental Capital Module (“ICM”), than under the status  
21 quo, which assumes consecutive five-year rebasing applications. Alectra is able to manage and  
22 maintain financial viability as a result of the cash flow support from the synergies/savings of the  
23 consolidation; this results in a customer benefit via rates lower than would have been otherwise.  
24 While customers do not share directly in the benefits of synergies/savings during the rebasing  
25 deferral period, they will benefit from them indirectly, as the ability to retain those  
26 synergies/savings permits Alectra to continue on Price Cap IR for this period. In the absence of

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<sup>10</sup> This is the deferral period related to Alectra-Guelph Hydro merger (based on a Jan. 1, 2019 amalgamation) from 2019-2028. This is separate from the inaugural deferral period that was the result of the formation of Alectra, which is from 2017-2026.

1 the proposed consolidation and rebasing deferral, rebasing for Guelph Hydro would have taken  
2 place first in 2021 and subsequently in 2026; projected rate increases would have been greater  
3 than under Price Cap IR. The proposed consolidation will allow Guelph Hydro customers to  
4 save approximately \$2.3MM (0.6%) in the rebasing deferral period. On average, Guelph Hydro  
5 customers would save \$4.00, annually, during the rebasing deferral period. Accordingly, during  
6 the rebasing deferral period and from the time Guelph Hydro's rate plan expires, the proposed  
7 transaction is expected to result in lower Guelph Hydro rates than the *status quo*.

8 *B. Lower Distribution Rates – Post Deferral Period*

9 Alectra customers are expected to see modestly lower distribution costs following the deferral  
10 period for the Alectra-Guelph Hydro transaction. The current proposed transaction is expected  
11 to deliver lower distribution costs to Alectra customers averaging an aggregate of \$3.9MM per  
12 year, or 0.5% throughout the forecast period.

13 *C. Customer Value Creation*

14 Alectra will be focused on reducing operating expenditures primarily as a result of optimizing  
15 redundant roles in centralized and back office functions. It will also improve productivity through  
16 better utilization of existing assets. Guelph Hydro will adopt all of Alectra's systems, including  
17 CIS and ERP, as well as procedures and policies.

18 The net cost savings discussed above would not be possible without the proposed  
19 consolidation. Alectra will provide distribution rates to customers that will be lower than the  
20 status quo scenario where the Parties remain standalone entities.

21 The amalgamation between Alectra and Guelph Hydro will accelerate the creation of new  
22 services and products for customers through the establishment of the Green Energy &  
23 Technology Centre ("GRE&T Centre"). The City of Guelph is a diverse community that is proud  
24 of its agricultural roots, fostering growth in the agri-business and innovation markets with a  
25 propensity to be green and engaged. Guelph as a community is ideal for demonstrations,  
26 showcases, proof of concepts and pilot projects for the integration and acceleration of green  
27 energy and technology.

1 **YEAR OVER YEAR COMPARATIVE COST STRUCTURE ANALYSIS**

2 Figure 15 below provides a comparison of the cost structure among the Parties, *status quo* versus post consolidation.

3 **Figure 15 – Comparison of *Status Quo* vs. Post Consolidation OM&A (\$MM)**

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Alectra OM&A	228.25	221.68	217.94	219.78	224.17	228.66	233.23	237.89	242.65	247.51	252.46
Guelph Hydro OM&A	16.93	17.27	17.62	17.97	18.33	18.70	19.07	19.45	19.84	20.24	20.64
<b>Consolidated OM&amp;A (standalone)</b>	<b>245.18</b>	<b>238.95</b>	<b>235.56</b>	<b>237.75</b>	<b>242.50</b>	<b>247.35</b>	<b>252.30</b>	<b>257.35</b>	<b>262.49</b>	<b>267.74</b>	<b>273.10</b>
OM&A Synergies	-	(1.00)	(2.92)	(3.98)	(4.02)	(4.07)	(4.11)	(4.16)	(4.21)	(4.26)	(4.31)
OM&A Transition Costs	-	3.73	0.56	0.25	-	-	-	-	-	-	-
<b>Post-Merge Alectra OM&amp;A</b>	<b>245.18</b>	<b>241.68</b>	<b>233.19</b>	<b>234.02</b>	<b>238.48</b>	<b>243.29</b>	<b>248.19</b>	<b>253.19</b>	<b>258.28</b>	<b>263.48</b>	<b>268.79</b>

1 **OM&A COST PER CUSTOMER PER YEAR FOR THE CONSOLIDATING PARTIES**

2 Figure 16 below provides a comparison of the OM&A cost per customer per year between the  
3 Parties.

4 **Figure 16 – OM&A Cost per Customer (2016)**

	OM&A	Customers *	OM&A / Customer
Enersource	\$ 62,883,055	204,728	\$ 307.15
Horizon Utilities	\$ 61,665,031	244,114	\$ 252.61
PowerStream	\$ 91,750,076	364,505	\$ 251.71
HOBNI	\$ 31,370,268	158,630	\$ 197.76
Guelph Hydro	\$ 14,463,996	54,414	\$ 265.81

5 *\*Number of customers is the sum of Residential, General Service <50kW, >50kW, and Large Users;*  
6 *excludes USL, Sentinel and Street Lighting.*

1 **ADEQUACY, RELIABILITY AND QUALITY OF SERVICE**

2 The Applicants are committed to maintaining the quality, reliability, and adequacy of electricity  
3 service for its customers. As shown below, the proposed transaction will have “no harm” on the  
4 attainment of these objectives.

5 Alectra will expand to operate in four regions, one of which will include the City of Guelph and  
6 the Village of Rockwood and be called Alectra Southwestern Region, also known as the  
7 Southwest Ontario Operations Hub.

8 With the amalgamation of Alectra and Guelph Hydro, the Parties will have a total of seven  
9 service centres across combined service areas. These service centres will continue to be used  
10 for de-centralized functions such as construction and maintenance, trouble response, logistics,  
11 fleet services, and metering. Accordingly, the adequacy, reliability, and quality of electricity  
12 service will be maintained. Alectra will continue to maintain and improve service levels for all of  
13 its service areas (for example, through implementation of new technologies and adoption of best  
14 work practices, following the completion of integration).

15 The Applicants’ intention is that Alectra will harmonize the engineering standards of Alectra and  
16 Guelph Hydro, which will enable more efficient and effective inventory management and ensure  
17 sufficient spare equipment for higher reliability. Alectra will implement a comprehensive review  
18 and recommend best engineering standards and practices to be followed. The review will give  
19 due consideration to service reliability, costs, and risks.

20 Similar to current Alectra customers, Guelph Hydro customers will benefit from being served by  
21 a larger utility that will have an expanded ability to monitor, report on and improve system  
22 reliability and power quality, given its diverse and greater resources.

23 All policies and practices for expansion of the distribution system will be standardized across the  
24 new geographic service territory. This is expected to facilitate economic growth in the service  
25 territory as developers will receive standard Offers to Connect and will be able to deal with only  
26 one distributor across these regions.

27 As identified above, Alectra expects to maintain the seven existing service centres located in:  
28 St. Catharines, Hamilton, Mississauga, Brampton, Markham and Barrie, and the service centre

1 in Guelph, servicing 16 communities in total. The Operations staff that currently respond to  
2 outages and power quality issues will continue to serve the communities that they serve at  
3 present. The Applicants anticipate that response times will not degrade given that these staffing  
4 levels will not be changing. In fact, during large-scale, geographically localized outages, Alectra  
5 will have the ability to draw upon a larger number of operations staff and equipment with diverse  
6 skills, for storm restoration efforts from different service centres. The addition of Guelph Hydro  
7 further enhances Alectra's and Guelph Hydro's risk mitigation through geographical diversity of  
8 resources and administration centers.

### 9 **SAIDI/SAIFI Impact**

10 The System Average Interruption Duration Index ("SAIDI"), the average outage duration for  
11 each customer served, is commonly used as a reliability indicator by electricity utilities. The  
12 System Average Interruption Frequency Index ("SAIFI"), the average number of interruptions  
13 that a customer would experience, is also a key reliability indicator. Alectra is expected to  
14 maintain and improve upon the five-year average reliability indices and the OEB Customer  
15 Service Standard metrics for its customers. Each operating area of Alectra has unique  
16 distribution system characteristics; capital and maintenance plans are based on sound asset  
17 management strategies that address the specific needs in each of the service areas, including  
18 addressing reliability issues.

19 The five-year historical reliability metrics for Alectra (Enersource, Horizon Utilities, PowerStream  
20 and HOBNI) and Guelph Hydro are provided in Figure 17 below. The Applicants identify that in  
21 the case of Alectra, only one year of data is available. Consequently, for the remaining four  
22 years, the predecessors' data has been provided, in order to satisfy the filing requirements.

1 **Figure 17 – Five Year Historical Reliability Metrics of the Parties**

2017						
	Enersource	Horizon Utilities	PowerStream	HOBNI	Alectra	Guelph Hydro
SAIDI (hr/yr)					0.98	0.47
SAIDI Loss of Supply Adjusted (hr/yr)					0.92	0.37
SAIFI (hr/yr)					1.26	1.30
SAIFI Loss of Supply Adjusted (hr/yr)					1.16	1.04
2016						
	Enersource	Horizon Utilities	PowerStream	HOBNI	Alectra	Guelph Hydro
SAIDI (hr/yr)	0.81	1.64	2.74	0.45		1.08
SAIDI Loss of Supply Adjusted (hr/yr)	0.77	1.23	1.93	0.41		0.79
SAIFI (hr/yr)	1.13	1.98	1.41	0.72		2.19
SAIFI Loss of Supply Adjusted (hr/yr)	1.02	1.62	1.33	0.69		1.41
2015						
	Enersource	Horizon Utilities	PowerStream	HOBNI	Alectra	Guelph Hydro
SAIDI (hr/yr)	0.72	1.77	1.99	0.72		0.57
SAIDI Loss of Supply Adjusted (hr/yr)	0.64	1.69	1.93	0.68		0.46
SAIFI (hr/yr)	1.64	1.92	1.52	1.22		1.53
SAIFI Loss of Supply Adjusted (hr/yr)	1.46	1.58	1.42	0.89		1.24
2014						
	Enersource	Horizon Utilities	PowerStream	HOBNI	Alectra	Guelph Hydro
SAIDI (hr/yr)	0.67	2.18	1.46	0.57		0.75
SAIDI Loss of Supply Adjusted (hr/yr)	0.67	1.59	1.40	0.55		0.52
SAIFI (hr/yr)	1.13	1.91	1.72	0.95		1.24
SAIFI Loss of Supply Adjusted (hr/yr)	1.13	1.65	1.66	0.90		1.05
2013						
	Enersource	Horizon Utilities	PowerStream	HOBNI	Alectra	Guelph Hydro
SAIDI (hr/yr)	5.34	4.97	10.68	10.46		3.41
SAIDI Loss of Supply Adjusted (hr/yr)	1.49	4.36	9.77	9.84		2.21
SAIFI (hr/yr)	2.72	2.09	2.54	3.64		4.01
SAIFI Loss of Supply Adjusted (hr/yr)	1.37	1.76	2.24	3.30		3.36

2  
3 Figure 18 below provides the five-year average for each of these reliability indices for each  
4 Party, as well as the five-year arithmetic average for the consolidated entity. The Applicants  
5 identify that, in the case of Alectra, predecessor’s data was recalculated on an Alectra basis for  
6 2013 through 2016 in order to calculate the five-year average for Alectra.

7 **Figure 18– Five Year Average (SAIDI & SAIFI)**

Five-Year Average (2013-2017)			
	Alectra	Guelph Hydro	Alectra-Guelph Hydro
SAIDI (hr/yr)	2.71	1.26	2.64
SAIDI Loss of Supply Adjusted (hr/yr)	2.29	0.87	2.21
SAIFI (hr/yr)	1.68	2.05	1.70
SAIFI Loss of Supply Adjusted (hr/yr)	1.46	1.62	1.47

8

1    **OPERATION OF THE DISTRIBUTION SYSTEM POST-CONSOLIDATION**

2    The Applicants follow a principled approach in the design of the consolidated utility, with focus  
3    on the following key principles:

- 4    •     Management – Management will fulfill its fiduciary obligations to the corporation,  
5         including respecting the interests of ratepayers;
- 6    •     Customers – Customers will continue to be the operational priority of Alectra, through  
7         the provision of superior customer service, ease of access, and a reliable distribution  
8         system;
- 9    •     Employees – Employees will continue to be treated in a fair and equitable manner. They  
10        will adhere to an established set of core values, including work place safety, high  
11        customer service standards and improved productivity;
- 12   •     Community – Alectra will continue to play a significant role in the communities that it  
13        serves, be a good corporate citizen and facilitate economic development;
- 14   •     Environmental Stewardship – As it does currently, Alectra will exhibit responsible  
15        stewardship, including a strong commitment to energy conservation and environmental  
16        sustainability;
- 17   •     Growth – Growth opportunities will be pursued where prudent; and
- 18   •     Sector Leadership – Alectra will continue its leadership role in the energy sector and will  
19        positively influence the sector from an operational, policy and technology perspective.

20   The Applicants understand that to achieve the necessary and desired customer and financial  
21   outcomes, effective operational processes and skilled employees must be in place to support  
22   and deliver on results.

23   **Operational Focus**

24   Alectra will implement its business mission and vision by focusing on four operating strategies:

- 25   •     Enhancing service delivery to customers;
- 26   •     Enhancing internal operational cost efficiencies and asset utilization;
- 27   •     Increasing shareholder value through growth and productivity improvements; and
- 28   •     Developing and maintaining highly skilled and motivated employees.

## 1 **Employee Focus**

2 As is the case for the consolidating Parties, Alectra's most important resource will be its  
3 employees. There will be human resource redundancies as a result of consolidating the two  
4 LDCs, given that each of the two have similar business purposes and functions. Nonetheless,  
5 Alectra will focus on four key areas to ensure that employees are fully engaged and contributing  
6 at their peak:

- 7 • Safe and healthy workplace;
- 8 • Employee skill development;
- 9 • Effective internal corporate communications; and
- 10 • Performance based culture.

11 There are significant employee opportunities as a result of the consolidation including:

- 12 • Product and service innovation for employees to develop new skills and to be at the  
13 leading edge of technology and service innovation;
- 14 • Access to increased training and development opportunities across the organization and  
15 the ability to further enhance their skills through corporate-wide training programs; and
- 16 • Alectra will continue to create, implement, and promote a desired corporate culture for its  
17 employees.

## 18 **Distribution System Operations**

19 In developing Alectra's operational organizational and functional structures, primary  
20 considerations were efficiency, effectiveness, and service levels. Not all job functions within the  
21 utility are directly tied to the regions they serve. In fact, several services can be performed  
22 centrally without any degradation of efficiency, effectiveness, and service levels. Centralizing  
23 certain functions, such as transactional and informational services, is expected to create scale,  
24 maintain service consistency and lower costs which is a fundamental objective of the  
25 consolidation.

26 Alectra will apply its current operating philosophy and structures with the addition of the  
27 Southwestern Region.

1    **De-centralized (Asset Related Services)**

2    De-centralized, or regionalized functions tend to be categorized as those focused on the  
3    delivery of service at the asset level in the field. Opportunities exist for the reduction and  
4    rationalization of asset related services with the adoption of best practices in job planning,  
5    resource planning/allocation methodologies, and task productivity improvements. However, the  
6    overall optimization function recognizes the inherent regionalized aspect of these tasks as they  
7    are intrinsically linked to geographic assets. Commuting costs and response time would  
8    increase, and overall customer service and productivity may be reduced, if these functions were  
9    centralized.

10   **Centralized (Transactional/Informational Services)**

11   In contrast to Asset Related Services, Transactional/Informational Services are technology-  
12   focused. The definition of technology includes business processes. These functions utilize  
13   technology as a lever for productivity. The focus in this case is typically on standardization and  
14   repeatability as well as to drive costs down through economic scale.

15   Figure 19 below shows examples of a functional listing of a utility and the classifications of these  
16   functions into their appropriate category.

1 **Figure 19 – Centralized and Decentralized Utility Functions**

Centralized	De-centralized
<ul style="list-style-type: none"> <li>• Corporate</li> <li>• Human Resources</li> <li>• Regulatory Affairs</li> <li>• Procurement</li> <li>• Finance</li> <li>• Information Technology</li> <li>• Asset Management &amp; Engineering Services</li> <li>• Customer Service (Call Centre, Billings, Collections)</li> <li>• Control Room</li> <li>• CDM</li> <li>• GRE&amp;T Centre</li> </ul>	<ul style="list-style-type: none"> <li>• Facilities (Property)</li> <li>• Logistics</li> <li>• Fleet Services</li> <li>• Metering</li> <li>• Construction</li> <li>• Trouble Response</li> </ul>

2 **Service Centres**

3 Alectra will utilize existing service centres for de-centralized functions such as construction and  
4 maintenance, trouble response, logistics, fleet services and metering. Following the completion  
5 of the amalgamation, there will be seven service centres located within the four regions (see  
6 Figure 11):

7 Western Region

8 - Hamilton (Nebo Rd.) and St. Catharines (Vansickle Rd.);

9 Central Region

10 - Mississauga (Mavis Rd.) and Brampton (Sandalwood Pkwy);

11 Eastern Region

12 - Markham (Addiscott Ct.) and Barrie (Patterson Rd.);

13 Southwestern Region

14 - Guelph (Southgate Dr.) and Rockwood

15

16 From a service standpoint, very little, if anything, is changing with regard to service centres and  
17 the employees who are located at these locations. No reduction of service levels is anticipated  
18 as a result of the consolidation.

## 1 **Guelph Facilities**

2 Alectra's administration offices will continue following the consolidation. The Guelph Hydro  
3 facility has a dual purpose of both administration and operational centre. The operational centre  
4 function will continue and become Alectra's seventh operational centre as it is a significant  
5 distance from Alectra's other territories. A part of the administration centre function will transition  
6 to become Alectra's GRE&T Centre. The GRE&T Centre will strive to assist businesses in  
7 bringing their green technology solutions to market through its accelerator services, while  
8 raising customer awareness and helping to integrate these solutions within Guelph and the  
9 broader Alectra community. Accordingly, the GRE&T Centre will play a substantial role in  
10 helping evolve the utility business model.

11 The Ontario government recently released its Long-Term Energy Plan ("LTEP"). The LTEP sets  
12 the government's vision for grid modernization in Ontario, which focuses on "providing LDCs the  
13 right environment to invest in innovative solutions that make their systems more efficient,  
14 reliable, and cost-effective, and provide more customer choice." Alectra will ensure that the  
15 GRE&T Centre is aligned with federal and provincial government policy objectives. Further,  
16 Alectra will develop comprehensive communications and marketing strategies to engage the  
17 community of Guelph, the broader Alectra service territory, Ontario government, federal  
18 government, and industry.

19 The GRE&T Centre will be staffed by approximately seven to fifteen professionals. Alectra will  
20 invest \$5-7MM to remodel the existing Southwestern Ontario operational centre for  
21 demonstration areas, laboratories and showrooms. It is projected that the GRE&T Centre will  
22 also have a budget of \$3-\$6MM in annual expenditure for pilots, demonstrations, salaries,  
23 general administration, marketing, and partnerships.

24 Funding will occur in part through a reallocation of existing funds representing the current  
25 budget of the Alectra's Advanced Planning department. As is currently the case, Alectra will  
26 pursue external funding, as necessary, based on federal and provincial government initiatives  
27 (e.g., NRCAN programs, Ontario Climate Change Action Plan).

1 **Information Technology (“IT”)**

2 To reinforce the efficiency and effectiveness of actions taken to date by Alectra to harness the  
3 maximum synergies from its original transaction – Guelph Hydro will be adopting all of Alectra’s  
4 systems, procedures and processes. Alectra will:

- 5 • Establish a stable, consolidated, secure information technology infrastructure  
6 environment to sustain the operations of the new expanded company and minimize  
7 operational risk during the transition period following the consolidation;
- 8 • Leverage the Alectra Enterprise Resource Planning (“ERP”) system - JD Edwards to  
9 facilitate the integration of business operations;
- 10 • Utilize the Alectra Oracle Customer Care & Billing (“CC&B”) Customer Information  
11 System (“CIS”) to facilitate integration of Customer Service business functions and  
12 improve service to customers;
- 13 • Utilize the Alectra Geographic Information Systems (“GIS”) and Outage Management  
14 Systems (“OMS”) and bring the Guelph Hydro operations into one common Intergraph  
15 GIS and OMS environment to facilitate integration of the electrical Network Operations of  
16 the business and improve service to customers; and
- 17 • Consolidate enterprise cyber security practices and technologies into a single common  
18 set of processes and systems that provides the protection of information and the entire  
19 information technology architecture to support all business and regulatory requirements  
20 of the new company.

21 Overall, it appears that the level of systems compatibility between the utilities will facilitate a  
22 transition to a common approach to delivering business applications while supporting continuing  
23 business operations and managing risk.

24 **Customer Service**

25 Key elements of the consolidation will focus on customer service. Customers are the  
26 operational priority and will continue to receive excellent service. Alectra will ensure a reliable,  
27 effective, and efficient electricity distribution system as well as innovative, value-added, energy  
28 services and solutions. Customers will have access to customer service in a timely, reliable and  
29 accurate manner. Alectra will be operated on customer-centric values, and it will undertake a

1 principled approach in the design of an effective organization plan such that customer service  
2 responsiveness levels, target improvement but will certainly be no less than service levels prior  
3 to merging in each community. Adopting best practices and finding efficiencies while  
4 maintaining or improving customer service will be a key priority.

5 Alectra will focus on five attributes within the customer perspective. Initiatives will be identified  
6 and organized to target improvement in the following five areas:

- 7 • Efficiency, i.e., distribution rates/price;
- 8 • Electricity reliability;
- 9 • Bill accuracy and quality;
- 10 • Responsiveness/ease of doing business; and
- 11 • Trust/corporate image.

12 One of the key pillars of Alectra's corporate strategy is based on enhanced customer service  
13 delivery as a result of the merger transaction. As such, customer service operational plans will  
14 be closely linked to the achievement of customer service satisfaction levels. In setting  
15 performance targets for customer service levels, Alectra will consider:

- 16 • Present service levels of Alectra and Guelph Hydro and will reconcile to the highest  
17 levels among them;
- 18 • Service levels required by OEB regulation;
- 19 • Competitive benchmarks; and
- 20 • Results of customer surveys.

21 As part of its ongoing operation, Alectra will regularly review the level of customer service  
22 support to ensure appropriate levels are maintained.

### 23 **CDM**

24 Alectra will maintain and improve service levels through measures such as the implementation  
25 of new technologies and adoption of best work practices. Cost savings from the reduction of  
26 duplicate CDM program administration costs can be redeployed to provide additional CDM  
27 incentives and support services to customers. Improvements in processes and systems (e.g.,

1 account management functions, application processing) have been adopted across Alectra in  
2 order to improve productivity and raise the quality of service for all customers. As required  
3 under its Energy Conservation Agreement with the IESO, Alectra will file a combined CDM Plan  
4 with the IESO within 120 days of the date of the merger transaction.

1 **IMPACT OF THE TRANSACTION ON ECONOMIC EFFICIENCY AND COST EFFECTIVE**  
2 **DISTRIBUTION OF ELECTRICITY**

3 The Applicants have determined the cost structure of Alectra as a result of the consolidation  
4 based on the best information available and certain assumptions, as described in Exhibit B, Tab  
5 5, Schedule 1, Overall Impact of the Transaction. Realization of synergy savings will depend on  
6 a number of factors.

7 **Synergy Forecast**

8 As shown in Figure 21, the total anticipated savings without consideration of transition costs  
9 over a ten-year rebasing deferral period resulting from the merger of Alectra and Guelph Hydro  
10 total approximately \$37.0MM in operating costs and approximately \$3.8MM in avoided capital  
11 costs, which represent \$40.8MM in total cash savings, before transition costs of \$14.3MM.  
12 These operating and capital savings will benefit customers through lower rates than the *status*  
13 *quo*, and will benefit shareholders through increased and more stable dividends.

14 The approximately \$3.8MM in capital savings, over the ten-year rebasing deferral period arise  
15 mainly due to the integration of common information systems.

16 The Applicants have estimated that sustained operating, maintenance and administration  
17 (“OM&A”) savings net of transition costs will be approximately \$4.0MM in year five and beyond  
18 (Figure 20), driven primarily by the integration of back office functions. As later described in  
19 Figures 22 and 23, the OM&A savings will be achieved through \$32.5MM (net of transition  
20 costs) in savings over the first ten years post consolidation from \$24.2MM in payroll reductions  
21 and \$8.3MM (net of transition costs) for non-payroll cost reductions. The Applicants forecast  
22 ongoing costs of \$10.5MM during this ten-year time period. The OM&A budget for Alectra is  
23 therefore anticipated to be approximately 1.5% lower than the sum of the OM&A budgets for the  
24 Parties, five years following completion of the consolidation.

25 These savings will result in overall lower electricity distribution rates for Guelph Hydro  
26 customers, in comparison absent the amalgamation. Alectra customers will experience lower  
27 distribution rates post the Alectra-Guelph Hydro rebasing deferral period.

1 **Figure 20 – Total Net Synergies**

<b>Merger Integration Dashboard</b>												
<b>Savings and Costs Summary</b>												
<b>Net Total Savings 2019-2028 [(Operating + Capital Savings) - Transition Costs]: \$26,618,081</b>												
<b>BUSINESS CASE</b>												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	TOTAL
Total Synergy Savings - Labour	\$ -	\$ 1,275,677	\$ 2,987,642	\$ 4,054,967	\$ 4,115,791	\$ 4,177,528	\$ 4,240,191	\$ 4,303,794	\$ 4,368,351	\$ 4,433,876	\$ 4,500,384	\$ 38,458,199
Total Synergy Savings - Other	\$ -	\$ 676,589	\$ 935,940	\$ 935,940	\$ 935,940	\$ 935,940	\$ 935,940	\$ 935,940	\$ 935,940	\$ 935,940	\$ 935,940	\$ 9,100,049
One-time Synergy Savings	\$ -	\$ 35,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,700
<b>TOTAL SYNERGY SAVINGS</b>	\$ -	\$ 1,987,966	\$ 3,923,582	\$ 4,990,907	\$ 5,051,731	\$ 5,113,468	\$ 5,176,131	\$ 5,239,734	\$ 5,304,291	\$ 5,369,816	\$ 5,436,324	\$ 47,593,948
Total Avoided Costs - Labour	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Avoided Costs - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
One-time Avoided Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL AVOIDED COSTS</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Savings	\$ -	\$ 1,987,966	\$ 3,923,582	\$ 4,990,907	\$ 5,051,731	\$ 5,113,468	\$ 5,176,131	\$ 5,239,734	\$ 5,304,291	\$ 5,369,816	\$ 5,436,324	\$ 47,593,948
<b>LESS: On-Going Costs</b>	\$ -	\$ 985,795	\$ 1,000,582	\$ 1,015,591	\$ 1,030,825	\$ 1,046,287	\$ 1,061,981	\$ 1,077,911	\$ 1,094,080	\$ 1,110,491	\$ 1,127,148	\$ 10,550,690
<b>TOTAL NET OPERATING SAVINGS</b>	\$ -	\$ 1,002,171	\$ 2,923,000	\$ 3,975,316	\$ 4,020,907	\$ 4,067,181	\$ 4,114,150	\$ 4,161,823	\$ 4,210,211	\$ 4,259,325	\$ 4,309,176	\$ 37,043,259
Transition Costs (OM&A)	\$ -	\$ 3,732,203	\$ 556,000	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,538,203
Transition Costs (Capital)	\$ -	\$ 363,780	\$ 6,715,169	\$ 2,651,026	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,729,974
<b>TOTAL TRANSITION COSTS</b>	\$ -	\$ 4,095,983	\$ 7,271,169	\$ 2,901,026	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,268,177
Total Annual Capital Savings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total One-Time Capital Savings	\$ -	\$ 469,000	\$ 324,000	\$ 460,000	\$ 998,000	\$ 574,000	\$ 509,000	\$ 509,000	\$ -	\$ -	\$ -	\$ 3,843,000
<b>TOTAL CAPITAL SAVINGS</b>	\$ -	\$ 469,000	\$ 324,000	\$ 460,000	\$ 998,000	\$ 574,000	\$ 509,000	\$ 509,000	\$ -	\$ -	\$ -	\$ 3,843,000

2

1 **Benefits**

2 **(a) Overview**

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

5 • Aggregate gross OM&A savings of \$37.0MM in Alectra over the first ten years following  
6 consolidation, or 1.5% of total OM&A expenditures, thereafter continuing at a savings  
7 rate of approximately 1.5% annually, (i.e., not cumulative).

8 • Aggregate gross capital expenditure (“CapEx”) savings of \$3.8MM in Alectra over the  
9 first ten years following consolidation.

10 Alectra will incur transition costs of approximately \$14.3MM, primarily in the first three years  
11 following consolidation, with respect to systems and process integration and human resource  
12 costs.

13 As described in Figure 22, in total, Alectra will deliver approximately \$26.6MM of net cash  
14 savings (pre-tax) in the first ten years following the consolidation thereafter sustained at  
15 approximately \$4.0MM per year.

16 The shareholder and customer benefits described herein are made available by the operating  
17 synergies and savings previously described and summarized in Figure 21, above.

18 The annual operating and capital savings are expected to be sustainable following the ten-year  
19 period post consolidation. Guelph Hydro and Alectra customers will benefit from reduced rates  
20 as compared to the rates that would have existed if the merger transaction had not occurred.  
21 Customers also benefit from a larger and more stable utility that has significant access to  
22 investment capital to support sustainable investment in the reliable and safe distribution of  
23 electricity.

1 Based on OEB policy for distributor consolidation, the cost savings and synergies resulting from  
2 a consolidation may be retained by shareholders and customers of LDCs as follows:

- 3 • Savings net of transaction and transition costs may be retained by shareholders until the  
4 next LDC rate rebasing, which must occur no later than the beginning of the eleventh  
5 year following the merger. Consequently, LDC shareholders may retain merger benefits  
6 for a maximum ten-year period subsequent to a merger. The benefits retained in the  
7 second five-year period are subject to an earnings sharing mechanism;
- 8 • The merger benefits to customers in the form of lower distribution rates at the time of the  
9 first rebasing of Alectra's GRZ, following the completion of amalgamation between  
10 Guelph Hydro and Alectra.

11 The Applicants have chosen to rebase Alectra's GRZ in the eleventh year following the  
12 completion of the consolidation of Alectra and Guelph Hydro; i.e., following a ten-year rebasing  
13 deferral period.

14 **(b) Customer Benefits**

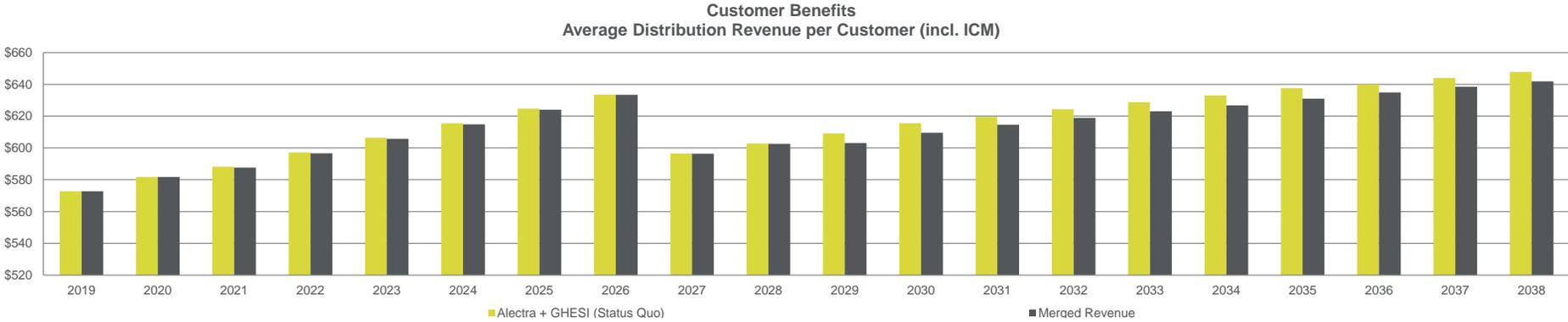
15 According to OEB policy with respect to rate making applicable to the Alectra and Guelph Hydro  
16 consolidation, the savings resulting from this consolidation are transferred to customers at the  
17 first rebasing.

18 Notwithstanding the above, customers will benefit significantly through the period leading up to  
19 the first rate rebasing.

20 In the absence of the proposed consolidation, Guelph Hydro would continue to rebase its rates  
21 through successive Cost of Service or Custom IR applications in order to recover ongoing  
22 increases in their cost structures. As a result of the merger, no such rebasing would occur  
23 during the Rebasing Deferral Period. Consequently, as a result of the proposed consolidation  
24 (and consolidations generally), customers are expected to benefit from lower distribution rates  
25 during the Rebasing Deferral Period.

26 The overall relative benefit to customers under the "Merged" versus "Status Quo" scenarios is  
27 illustrated in Figure 21 below.

1 **Figure 21 – Distribution Revenue Trends**



2

3 Overall, the proposed consolidation is expected to deliver lower distribution costs to Alectra customers averaging an aggregate of:

- 4 • \$ 3.9MM per year, or 0.5%, through the entire Forecast Period of 20 years (2019-2038)
- 5 • \$1.0MM per year, or 0.2%, through the Rebasing Deferral Period
- 6 • \$7.5MM per year, or 0.9%, following a transfer of merger benefits to customers in 2028

1 **INCREMENTAL COSTS FOR PARTIES TO THE TRANSACTION**

2 • **Incremental Consolidation Costs**

3 The Parties to the proposed consolidation have incurred and will incur incremental costs in  
4 respect of the proposed consolidation. Consolidation costs include, but are not limited to: due  
5 diligence on the part of all Parties; due diligence to negotiate the terms of the consolidation;  
6 costs associated with all regulatory, legal and statutory reviews in order to receive necessary  
7 regulatory approvals; integration costs of IT systems including CIS, ERP systems and other  
8 technology-related support systems; integration of operational systems including GIS, OMS and  
9 Supervisory Control and Data Acquisition (“SCADA”) systems; alignment of financial and  
10 regulatory reporting processes; staff related costs and transition of assets and related  
11 management to one standard.

12 The aggregate consolidation costs are approximately \$14.3MM. The costs associated with the  
13 above-mentioned transition and consolidation requirements will be funded through the  
14 anticipated productivity savings expected from the consolidation during the ten-year rebasing  
15 deferral period; they will not be included in the ratepayer funded Alectra revenue requirement.

16 • **Incremental Costs**

17 *Transaction Development Costs*

18 Each of the Applicants retained its own independent legal and financial advisors. Additionally,  
19 the Applicants engaged joint legal and financial advisors to facilitate the development of the  
20 consolidation. Such costs are borne by each of the Applicants and do not carry into the new  
21 merged entity. These costs are not recoverable by the Applicants through electricity distribution  
22 rates.

23 *Implementation/Integration Costs*

24 As with the transaction development costs, these transitional costs will be financed through the  
25 anticipated productivity savings expected from the transaction during the rebasing deferral  
26 period; they will not be financed through distribution rates. The deferred rebasing of Alectra will  
27 allow the consolidated entity to retain synergy savings to offset consolidation costs and provide

- 1 shareholder incentives to undertake the merger, while protecting the interests of customers
- 2 across all of the existing service areas.
  
- 3 The figures below summarize the savings and costs:

1 **Figure 22 - Total Cash Savings (\$MM)**

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
OPEX Savings	-	1.00	2.92	3.98	4.02	4.07	4.11	4.16	4.21	4.26	4.31	37.04
OPEX Transition Costs	-	(3.73)	(0.56)	(0.25)	-	-	-	-	-	-	-	(4.54)
<b>Total OPEX Savings</b>	-	<b>(2.73)</b>	<b>2.37</b>	<b>3.73</b>	<b>4.02</b>	<b>4.07</b>	<b>4.11</b>	<b>4.16</b>	<b>4.21</b>	<b>4.26</b>	<b>4.31</b>	<b>32.51</b>
CAPEX Savings	-	0.47	0.32	0.46	1.00	0.57	0.51	0.51	-	-	-	3.84
CAPEX Transition Costs	-	(0.36)	(6.72)	(2.65)	-	-	-	-	-	-	-	(9.73)
<b>Total CAPEX Savings</b>	-	<b>0.11</b>	<b>(6.39)</b>	<b>(2.19)</b>	<b>1.00</b>	<b>0.57</b>	<b>0.51</b>	<b>0.51</b>	-	-	-	<b>(5.89)</b>
<b>Total Cash Savings</b>	-	<b>(2.62)</b>	<b>(4.02)</b>	<b>1.53</b>	<b>5.02</b>	<b>4.64</b>	<b>4.62</b>	<b>4.67</b>	<b>4.21</b>	<b>4.26</b>	<b>4.31</b>	<b>26.62</b>

2 **Figure 23 - Total Operating Expenditure Savings (\$MM)**

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
Payroll Cost Savings	-	0.29	1.99	3.04	3.08	3.13	3.18	3.23	3.27	3.32	3.37	27.91
Payroll Transition Costs	-	(3.73)	(0.01)	-	-	-	-	-	-	-	-	(3.74)
<b>Total Payroll Savings</b>	-	<b>(3.44)</b>	<b>1.98</b>	<b>3.04</b>	<b>3.08</b>	<b>3.13</b>	<b>3.18</b>	<b>3.23</b>	<b>3.27</b>	<b>3.32</b>	<b>3.37</b>	<b>24.17</b>
Non-Payroll Cost Savings	-	0.71	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	9.14
Non-Payroll Transition Costs	-	-	(0.55)	(0.25)	-	-	-	-	-	-	-	(0.80)
<b>Total Non-Payroll Savings</b>	-	<b>0.71</b>	<b>0.39</b>	<b>0.69</b>	<b>0.94</b>	<b>8.34</b>						
<b>Total OPEX Savings</b>	-	<b>(2.73)</b>	<b>2.37</b>	<b>3.73</b>	<b>4.02</b>	<b>4.07</b>	<b>4.11</b>	<b>4.16</b>	<b>4.21</b>	<b>4.26</b>	<b>4.31</b>	<b>32.51</b>

1 • **Financing of Incremental Costs**

- 2 These costs are self-financed through the associated savings. Notwithstanding this fact, there  
3 will be timing differences between expense outlays and their recovery.

1 **VALUATION OF ASSETS AND SHARES**

2 The valuation for the Applicants was completed on a stand-alone, discounted cash flow basis.

3 The assumption for future rate levels in the valuation was based on annual rebasing for the  
4 Applicants going forward from the time of the next rebasing application.

5 **Shareholder Benefits**

6 Subject to assumptions and risks further described herein, the proposed consolidation is  
7 expected to deliver the following shareholder benefits, based on the previously described  
8 synergies to be achieved:

9 To the benefit of Alectra (the combined Alectra-Guelph Hydro) shareholders throughout the  
10 forecast period of 20 years:

- 11 • 1.2% average increase in dividends for Alectra (the combined Alectra-Guelph Hydro)  
12 shareholders or \$1.3MM per year over the status quo, for 25.4MM total increase in  
13 dividends

14 Alectra Inc. will continue to use a dividend policy with dividends computed on shared  
15 earnings determined in a manner consistent with that used by the OEB for purposes of its  
16 distribution rate-making policies. Such basis is commonly referred to as Modified International  
17 Financial Reporting Standards ("MIFRS"). Alectra's dividend policy is to pay dividends up to  
18 60% of earnings on this basis.

1 **Valuation**

2 The Applicants engaged Grant Thornton and Deloitte LLP to provide a relative valuation of each  
3 party for the purposes of allocating the post-merger Alectra shareholdings to the respective  
4 shareholders of each party.

5 The Applicants have a relative valuation of income generating assets on the basis that each  
6 would contribute a common capital structure (i.e., debt and equity), as well as normalize for any  
7 working capital excess and deficiencies or for any other redundancies.

8 The principal business of each of the Parties is regulated electricity distribution. For the purpose  
9 of the valuation, the 2018 Rate Base of the Applicants has been estimated as shown in Figure  
10 24 below:

11 **Figure 24 - 2018 Forecasted Rate Base of the Applicants**

2018 Rate Base	
	\$MM
Alectra	\$3,023.6
Guelph Hydro	\$159.3

12

13 Each of the Applicants also has non-regulated businesses, as follows:

14 • Alectra:

- 15 ○ Ring-Fenced Solar Projects;
- 16 ○ Sub-metering, and other energy businesses;
- 17 ○ Street light maintenance, high voltage design and maintenance;
- 18 ○ Solar generation, meter servicing, and water billing;

19 • Guelph Hydro:

- 20 ○ Solar and landfill gas generation<sup>11</sup>;
- 21 ○ Water, waste water and storm water metering and billing services;
- 22 ○ Street lighting maintenance;

---

<sup>11</sup> Pending approval of Guelph Hydro and Envida's proposed amalgamation (EB-2018-0114).

1 The Discounted Cash Flow (“DCF”) on an Enterprise Value (“EV”) basis has been the primary  
2 approach in determination of the relative value of each of the Applicants.

3 The Market Multiple approach was used as a reasonability test. This approach effectively  
4 determines a multiple of the asset value that a prospective purchaser might be willing to pay on  
5 the basis that it continues to earn a regulated rate of return on the regulated assets of each  
6 party after consideration for merger costs and savings.

7 The Enterprise Value approach was used exclusively to value the non-regulated business  
8 investments of each of the Applicants.

9 **Figure 25 – Enterprise Value Outcome**

<b>Enterprise Value</b>		
	<b>Regulated Business</b>	<b>Regulated and Non-Regulated Business</b>
Alectra Inc.	95.33%	95.37%
Guelph Hydro	4.67%	4.63%

10

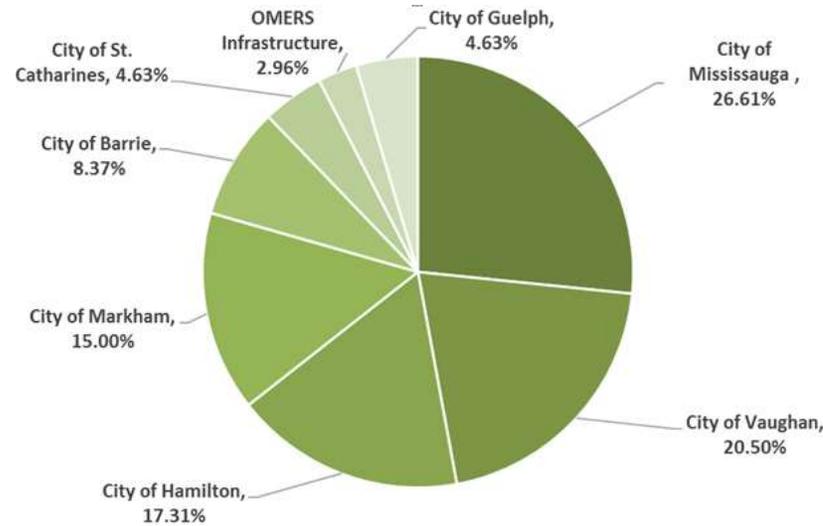
11 **Figure 26 – Enterprise Value Outcome**

<b>Enterprise Value Outcome</b>	
Alectra Inc.	95.37%
Guelph Hydro	4.63%

1 The allocation of shareholdings under the EV approach is provided in Figure 27, as follows:

2 **Figure 27 – Individual Shareholder Ownerships**

<b>Ownership</b>	<b>Pre-Merger</b>	<b>Post-Merger</b>
City of Mississauga	27.90%	26.61%
City of Vaughan	21.49%	20.50%
City of Hamilton	18.15%	17.31%
City of Markham	15.73%	15.00%
City of Barrie	8.78%	8.37%
City of St. Catharines	4.85%	4.63%
OMERS Infrastructure	3.10%	2.96%
City of Guelph	0.00%	4.63%
	100.00%	100.00%



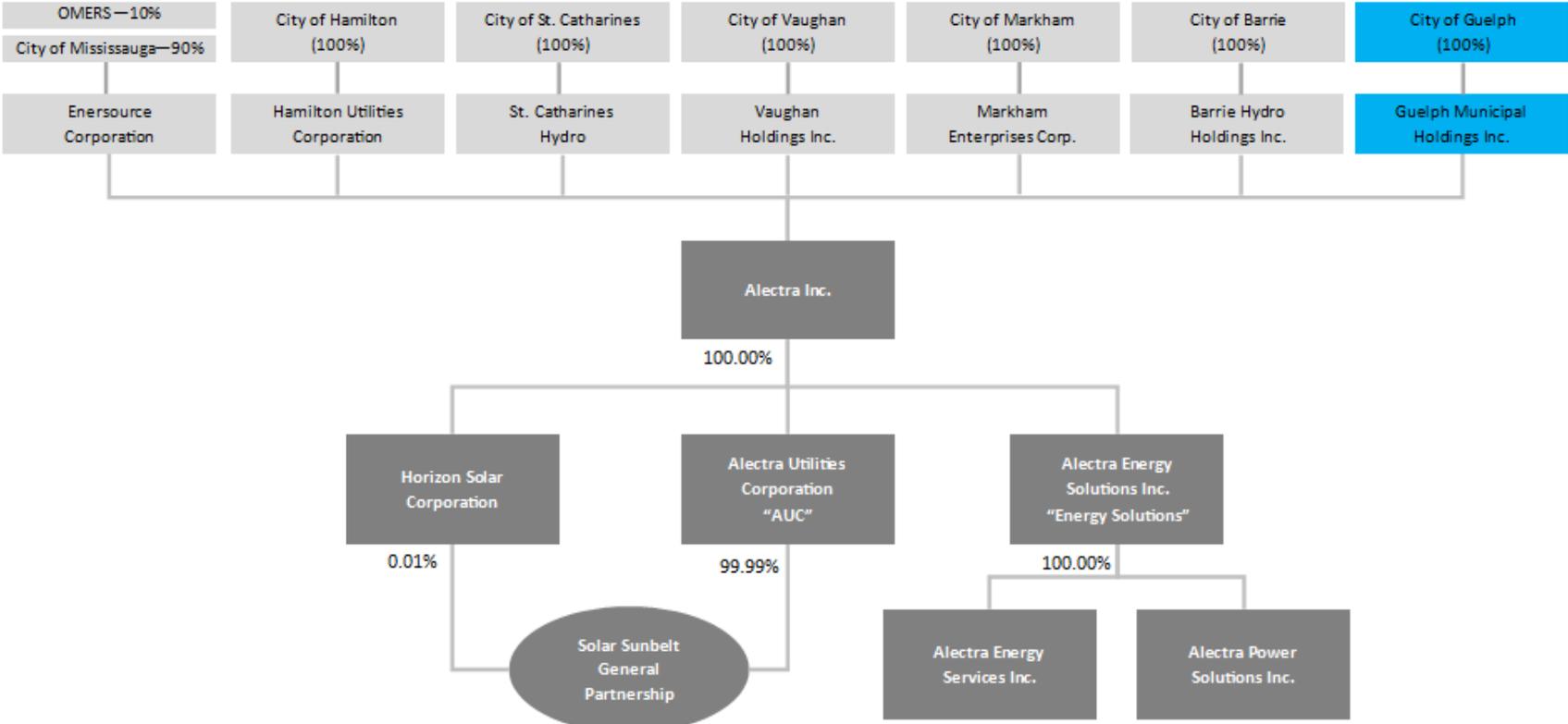
3

4 The valuation results indicate that there is no single controlling interest in Alectra Inc. such that the shareholdings are well  
5 distributed with City of Mississauga having the largest interest at 26.61% and OMERS Infrastructure having the smallest interest at  
6 2.96%.

1 **Transaction Structure**

2 The proposed final structure, as presented earlier in this Application as Figure 2, is provided  
3 below:

1 **Figure 28 - Proposed Corporate Structure**



- 2
- 3 Alectra Inc. is the holding company. The business of Guelph Hydro will be merged into Alectra Utilities Corporation.

1 With the exception of the shareholders of Enersource Corporation, Alectra Inc. is held directly  
2 by municipal holding companies that, in turn, are held directly by respective municipalities as  
3 follows:

- 4 • Vaughan Holdings Inc. (“VHI”) – The City of Vaughan.
- 5 • Markham Enterprises Corporation (“MEC”) – The City of Markham.
- 6 • Barrie Hydro Holdings Inc. (“BHHI”) – The City of Barrie.
- 7 • St. Catharines Hydro Inc. (“SCHH”) – The City of St. Catharines.
- 8 • Hamilton Utilities Corporation (“HUC”) – The City of Hamilton.
- 9 • Guelph Municipal Holdings Inc. (“GMHI”) – The City of Guelph.

10 BPC and the City of Mississauga continue to hold their respective shareholder interests in  
11 Alectra Inc. through Enersource Corporation.

1 **CAPITAL STRUCTURE**

2 The details of the capital (debt/equity) structure of the Parties to the proposed transaction are  
3 provided below, on an actual basis prior to and on a pro forma basis after completion of the  
4 proposed transaction. The terms associated with the debt structure and debt covenants of  
5 Alectra as well as the dividend policy after the completion of the proposed transaction are  
6 included.

7 **Alectra (prior to consolidation)**

8 Alectra is 100% owned by Alectra Inc, with all debt hold by Alectra Inc. Alectra Inc. debt to  
9 equity ratio (S&P basis) was 54% as of December 31, 2017. The principle terms of Alectra's  
10 debt structure and dividend policy are highlighted below:

11 *Debt Structure*

12 *The debt structure of Alectra comprises:*

- 13 (i) \$500,000,000 committed unsecured revolving credit facility (the "Credit Facility") with two  
14 Schedule I Canadian banks to support the working capital and general corporate requirements;  
15 (ii) \$1,535,000,000 long-term borrowing program through the issuance of senior unsecured  
16 debentures under a trust indenture (the "Debenture Program"); and  
17 (iii) \$166,000,000 promissory notes from related parties (City of Vaughan, City of Markham,  
18 City of Barrie)

19 *Dividend Policy*

20 The Dividend Policy for voting common shares, as it relates to regulated earnings, targets  
21 annual dividends at up to 60% of such earnings computed on a MIFRS basis, except for the  
22 Ring Fenced Solar Projects dividends that accrue only to the former PowerStream  
23 shareholders.

24 *Debt Issue/ Debt Covenants*

25 The principal financial covenant for the Credit Facility is a 75% Debt: Total Capitalization ratio.

1 The Debenture Program provides long-term financing for ongoing long-term regulated and non-  
2 regulated investment requirements. The terms of the program are usual and customary to large  
3 publicly-rated rate-regulated utilities. The principal financial covenant within the existing trust  
4 indentures is a 75% Debt: Total Capitalization ratio.

5 **Guelph Hydro Electric Systems Inc.**

6 The City of Guelph owns 100% of GMHI, which in turn owns 100% of the electricity distribution  
7 company Guelph Hydro. The principle terms of Guelph Hydro's debt structure and dividend  
8 policy are highlighted below:

9 *Debt Structure*

10 Guelph Hydro targets a debt-equity ratio of 60/40 for its actual total debt-to-equity capital  
11 structure by maintaining the appropriate level of debt and/or issuing dividends to GMHI.

12 *Dividend Policy*

13 Guelph Municipal Holdings Inc. has set an annual dividend policy for Guelph Hydro which pays  
14 out the greater of 50% of net income or \$3 million.

15 *Debt Issue/ Debt Covenants*

16 Guelph Hydro currently holds \$95MM of private placement debt at a weighted average cost of  
17 4.903%. This is comprised of \$65MM of Series A 20-year debentures issued in December, 2010  
18 with a fixed coupon rate of 5.264% and \$30MM of Series B 30-year debentures issued in  
19 September, 2015 with a fixed coupon rate of 4.121%. The debt costs for both debentures were  
20 approved for rate recovery by the OEB as part of Guelph Hydro's 2011 and 2016 cost of service  
21 distribution rates applications.

22 Guelph Hydro, through its parent corporation Guelph Municipal Holdings Inc., has secured  
23 \$20MM in short term liquidity lines with a major financial institution through a credit facility.

1 **Projected Capital Structure on a Pro-Forma basis after Consolidation Completion**

2 The transaction results in the pro forma capital structure of below 60% of debt in total  
3 capitalization assuming full synergies realization. These credit statistics are consistent with an  
4 A-range credit rating, which targets 60% debt to capitalization ratio.

5 Each of the Applicants currently has its own respective trust indenture under which each is able  
6 to issue long-term debentures. The trust indentures are largely compatible with similar terms.  
7 The existing trust indentures of the Applicants continue in Alectra and may also be a source of  
8 liquidity.

1 **FINANCIAL STATEMENTS**

2 Copies of the audited financial statements for 2016 and 2015 have been provided for the  
3 predecessor utilities to Alectra. As identified above, Alectra was formed on February 1, 2017.  
4 As a result, there will be only one set of financial statements available for the corporation. The  
5 financial statements for 2016 and 2015 for Guelph Hydro have been provided. Once available  
6 in April 2018, the Applicants will file the 2017 audited financial statements for Alectra and  
7 Guelph Hydro.

8 The Applicants have provided the following audited financial statements:

- 9 • Attachment 4: Enersource 2016 Audited Consolidated Financial Statements
- 10 • Attachment 5: Enersource 2015 Audited Consolidated Financial Statements
- 11 • Attachment 6: Horizon Utilities 2016 Audited Consolidated Financial Statements
- 12 • Attachment 7: Horizon Utilities 2015 Audited Consolidated Financial Statements
- 13 • Attachment 8: PowerStream 2016 Audited Consolidated Financial Statements
- 14 • Attachment 9: PowerStream 2015 Audited Consolidated Financial Statements
- 15 • Attachment 10: Brampton Hydro 2016 Audited Consolidated Financial Statements
- 16 • Attachment 11: Brampton Hydro 2015 Audited Consolidated Financial Statements
- 17 • Attachment 12: Guelph Hydro 2016 Audited Financial Statements
- 18 • Attachment 13: Guelph Hydro 2015 Audited Financial Statements

1 **PRO FORMA FINANCIAL STATEMENTS**

2 A copy of the pro forma financial statements of Alectra is included as Attachment 14.

1    **REBASING DEFERRAL PERIOD**

2    The Applicants have chosen to defer the rebasing for GRZ for ten years from the date of closing  
3    of the proposed consolidation, consistent with the Consolidation Policy and the Handbook.  
4    Accordingly:

5    (a)    the GRZ would maintain Price Cap Incentive Regulation (“IR”) until the end of the ten-  
6           year rebasing deferral period;

7    (b)    During the rebasing deferral period, Alectra may apply for rate adjustments using the  
8           Board’s ICM as may be necessary and in accordance with applicable Board policies with  
9           respect to eligibility for, and the use of, the ICM.

1 **EARNINGS SHARING MECHANISM (“ESM”)**

2 The Applicants have identified in Exhibit B, Tab 2, Schedule 1, for years six to ten of each of the  
3 rebasing deferral periods (i.e., 2022-2026 of the Alectra rebasing deferral period and 2024-2028  
4 of the Alectra-Guelph Hydro rebasing deferral period) an ESM that is consistent with the  
5 Consolidation Policy. Consequently, Alectra may be subject to an ESM-related rate adjustment  
6 after year six following the completion of each of the consolidations. Consequently, there are  
7 three separate ESM frameworks, during the period 2019-2029, as follows:

- 8 i. ESM related to the Horizon Utilities rate zone (“HRZ”), as provided in the Horizon  
9 Utilities Settlement Agreement (EB-2014-0002);
- 10 ii. ESM related to years six to ten of the rebasing deferral period for Alectra, as  
11 accepted by the OEB in its decision on the MAADs application (EB-2016-0025); and
- 12 iii. ESM related to the GRZ, as provided in this Application for years six to ten of the  
13 GRZ rebasing deferral period (i.e., 2024-2029, assuming a January 1, 2019 closing  
14 of the transaction).

15 Earnings in excess of 300 basis points above the Board’s established regulatory return on  
16 equity (“ROE”) for the consolidated entity would be divided on a 50/50 basis between Alectra  
17 and its ratepayers. The ratepayer share of earnings will be credited to a newly proposed  
18 deferral account, for clearance at the next applicable annual IRM application filing. For  
19 example, if Alectra over-earned in year six post-consolidation, it would report the balance in the  
20 deferral account in the year eight IRM application which would be filed in year seven, and refund  
21 50% of this balance to ratepayers over the twelve months commencing January 1 of year eight.

22 The regulatory net income will be calculated, for the purpose of earnings sharing, in the same  
23 manner as net income for regulatory purposes under the RRR filings. The Applicants expect  
24 that it will exclude revenue and expenses that are not otherwise included for regulatory  
25 purposes, such as, but not limited to:

- 26 • The settlement of any regulatory assets/liabilities including the lost revenue adjustment  
27 mechanism (“LRAM”);
- 28 • Changes in taxes/PILs to which Account 1592 applies, which will be shared through that  
29 account rather than through earnings sharing;

- 1 • Horizon Utilities rate zone related Rate of Return on Stranded Meters at the short term
- 2 debt rate of 2.11%;
- 3 • Revenue collected from any ICM recovery rate riders;
- 4 • Rate of Return on Monthly Billing capital and operating implementation costs should
- 5 LDCs be permitted to recover these costs from ratepayers; and
- 6 • Donations.

7 Earnings sharing, if available, would be applicable to the customers that were a part of that  
8 respective rebasing deferral period.

9 For the purpose of the ESM calculation, the nature and timing of revenues, expenses, and costs  
10 will be consistent with the regulatory rules in effect at the end of the rebasing deferral period for  
11 the calculation of revenue requirement on a cost of service basis. By way of example, this  
12 means that Horizon Utilities' one-time costs related to its 2015-2019 Custom IR application will  
13 be amortized over the 2015-2019 period. By way of further example, it is expected that the cost  
14 of debt shall be calculated based on the deemed debt ratio of 56% long term debt and 4% short  
15 term debt, and PILs shall be recalculated from actual to reflect the adjusted amount of  
16 deductible debt costs, and the adjusted net income for regulatory purposes subject to tax.

17 For clarity, Alectra would begin reporting on the ROE outcome for ESM purposes commencing  
18 in year seven post consolidation, when audited results for year six are available.

1 **OTHER RELATED MATTERS**

2 (a) Implementation of New or Extension of Existing Rate Riders

3 Please refer to Exhibit B, Tab 2, Schedule 1 for: i) the schedules of the existing rate riders for  
4 each of the Parties; and ii) the treatment of rate riders for Alectra.

5 (b) Transfer of Rate Orders and Licence

6 Please refer to Exhibit B, Tab 2, Schedule 1, OEB Approvals Sought, for the request to transfer  
7 the rate orders of Guelph Hydro to Alectra.

8 (c) Licence Amendment and Cancellation

9 Please refer to Exhibit B, Tab 2, Schedule 1, OEB Approvals Sought, and Attachment 15 for the  
10 request to cancel the existing Guelph Hydro licence and amend the existing licence for Alectra.

11 (d) Deferral and Variance Accounts

12 Please refer to Exhibit B, Tab 2, Schedule 1, for the request to continue to track costs to the  
13 deferral and variance accounts currently approved by the OEB for the Parties.

14 (e) Specification of Accounting Standards

15 All of the Parties have adopted IFRS.

16 The Parties currently prepare their financial statements under IFRS; Alectra will continue to  
17 prepare its financial statements under IFRS.

18 Alectra will continue to utilize MIFRS for regulatory accounting purposes, consistent with OEB  
19 policy.