

June 18, 2018

Ms. Kirsten Walli
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

RE: Board File No: EB-2018-0082 Interrogatory Responses

Dear Ms. Walli,

Please find enclosed two copies of Erie Thames Powerlines Corporation ("ETPL") and West Coast Huron Energy Inc. ("WCHEI") Interrogatory Responses with respect to EB-2018-0082.

The document contains four tabs one for each set of interrogatories (Board staff, McCartney, Garland and VECC).

The responses will be submitted electronically today via the Board's web portal. Two hard copies of the replies are being sent to the Board via courier.

If you have any questions, please do not hesitate to contact us.

Sincerely,



Graig Pettit
Vice President and General Manager
Erie Thames Powerlines Corporation
Phone: (519) 485-1820 Ext 254
Email: ueb@erithamespower.com



Larry McCabe
President
West Coast Huron Energy Inc.
Phone: (519) 524-8344
lmccabe@goderich.ca

cc: Chris White, President – Erie Thames Powerlines Corporation
Tyler Moore, Legal Counsel to the Parties

Staff IR #1

Reference: Exhibit B, Tab 2, Schedule 1, p. 1

Preamble:

The Applicants State “This is an application (“Application”) to the Ontario Energy Board (“OEB” or the “Board”) for the relief necessary to effect the amalgamation of West Coast Huron Energy Inc. (“WCHEI”) *into [emphasis added]* Erie Thames Powerlines Corporation (“ETPL”) to create a single local distribution company.”

- and -

Reference: Exhibit B, Tab 4, Schedule 1, p. 1

The Applicants State “Subject to Board approval, the *consolidation [emphasis added]* proposed in this Application will be implemented by way of two transactions that will culminate in a single distributor carrying on business as a single corporation.”

Questions:

(a) Throughout the application, the Applicants use inconsistent terminology in order to describe the type of merger/amalgamation being entered into by the parties. An example of the various terms used by the Applicants is demonstrated in the preamble.

Response - Board Staff IR#1(a)

The Applicants respectfully submit that that the Application does not use inconsistent terminology to describe the proposed transaction being entered into by the parties. In preparing the Application, the Applicants relied primarily on the Board’s *Handbook to Electricity Distributor and Transmitter Consolidations* (January 19, 2016) (the “*Consolidation Handbook*”) and supporting decisions of the Board. The *Consolidation Handbook* defines a consolidation “to be inclusive of mergers, acquisitions, amalgamations and divestitures (MAADs).” The Applicants therefore respectfully submit that the various descriptions of the proposed transaction in the Application (including reference to the amalgamation of WCHEI *into* ETPL, as highlighted in Board Staff IR#1) are not inconsistent with the definitions set out in the *Consolidation Handbook*. However, for the purposes of clarity, the Applicants will now refer to the transaction solely as an amalgamation, which is further described in response to Board Staff IR#1(a)(i) below.

(a)(i) Please clearly describe the form of merger/amalgamation being entered into by the Applicants. Please clearly identify how the merger is most accurately characterized. E.g., is the merger best described as an alliance, the absorption of WCHEI into ETPL, or other?

Response - Board Staff IR#1(a)(i)

The Applicants submit that the proposed transaction is an amalgamation of two municipally-owned LDCs where all municipal shareholders retain voting control over the amalgamated LDC. The parties decided the appropriate approach to effect this amalgamation was to undertake the following simultaneous transactions:

(1) Issue shares in EARTH Corporation (the sole shareholder of ETPL, which is currently owned by 8 municipalities) to the Town of Goderich (the sole shareholder of WCHEI) in exchange for all of the shares of WCHEI.

- This first step ensured that the proposed amalgamation involved wholly-owned subsidiaries of EARTH Corporation which thereby allowed the parties to access the short-form amalgamation steps described in section 177(2) of the *Business Corporations Act (Ontario)* (the “*OBCA*”).¹**

- In order to determine the amount of EARTH Corporation shares issued to the Town of Goderich in exchange for WCHEI, the parties agreed to employ a third party valuator (BDO LLP) to undertake a relative valuation of WCHEI, ETPL and EARTH Corporation (the “Valuation”). The parties intention was that the Valuation would be used to determined the Town of Goderich’s ownership in EARTH Corporation (the holding company owning 100% of the amalgamated LDC.)**

(2) Immediately upon completion of the step described in (1) above, the LDCs would be amalgamated into one legal entity and their respective operations would be consolidated as described below.

¹ In other words - instead of creating a new merged entity from which new shares were issued to the sole shareholders of ETPL and WCHEI (EARTH Corporation and the Town of Goderich, respectively) - the parties agreed that the Town of Goderich would receive shares in EARTH Corporation and the parties would immediately amalgamate the LDCs as one simultaneous transaction.

Following the simultaneous closing of the legal transactions described above, the operations of the smaller LDC (WCHEI) will be absorbed into the operational structure of larger LDC (ETPL), as generally described below:

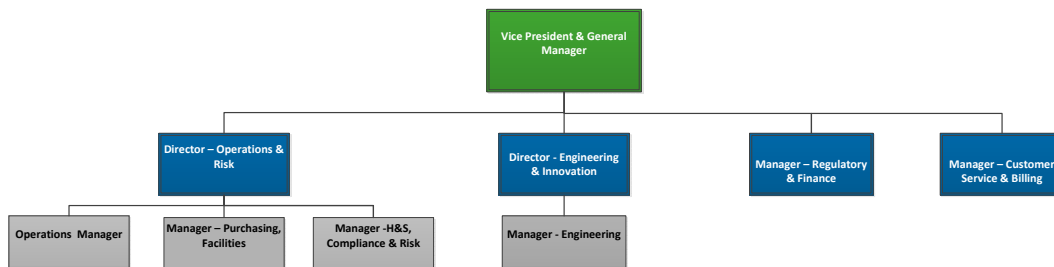
- The amalgamated LDC will incorporate the governance structure currently employed by ETPL.**
- Although the management team will be made up of ETPL employees, the amalgamation will result in no job losses for WCHEI and their employees will be provided with new opportunities for advancement within a larger entity. WCHEI employees will also remain heavily involved in the day-to-day operations of the amalgamated LDC.**
- The head office of the amalgamated LDC's head office will be located in EPTL's current service territory, while the amalgamated LDC will retain an operations centre in WCHEI's current service territory.**
- All of WCHEI's back-office and IT platforms will be merged with and migrated to ETPL's current platforms.**
- It is expected that most operational, design and engineering practices, procedures and policies will be migrated to ETPL's current standards but some of those decisions are pending the completion of the proposed amalgamation.**

(b) Please provide an organizational chart that demonstrates the post- amalgamation management structure of the merged entity. Please indicate from which distributor, WCHEI or ETPL, each member of the management team is from. For clarity, the management team includes any merged entity with the title of Manager of above.

Response - Board Staff IR#1(b)

Please find an organizational chart below which demonstrates the management structure of the amalgamated LDC. Please note that all of the management positions will be held by former ETPL employees at the time of the proposed amalgamation.

Erie Thames Powerlines Corporation
Management - Post Merger with West Coast Huron Energy



Staff IR #2

Reference: Exhibit B, Tab 2, Schedule 1, p. 1

Preamble:

The Applicants State “This Application is the culmination of a long-standing relationship and shared service arrangements between the Applicants. In particular, ETPL and its holding company, ERTH Corporation (“ERTH”) and its competitive affiliates have provided a variety of services to WCHEI since 2002.”

- and -

Reference: Exhibit B, Tab 5, Schedule 1, p. 1

The Applicants State “ETPL, ERTH and its electricity sector affiliates already provide an extensive amount of services to WCHEI and accordingly, it is expected that the transition of ownership will be relatively seamless from the perspective of the customer and constitute an enhancement of services currently provided.”

Questions:

(a) Please confirm the services that ERTH’s affiliates are currently providing and/or have previously provided to WCHEI.

Response - Board Staff IR#2(a)

The services provided by to WCHEI by ETPL, ERTH and its affiliates are listed below:

	Subsidiaries
MSP Maintenance	\$ 86,400.00
AMV	\$ 3,695.24
Hosting and Support	\$ 44,470.00
Billing	\$ 135,073.74
Total	\$ 269,638.98
	ERTH Corp
Asset Management	\$ 44,172.60
Operations Management	\$ 48,396.00
Design	\$ 78,897.24
Metering	\$ 11,813.19
Management Services	\$ 15,328.57
Project Admin	\$ 49,406.55
Total	\$ 248,014.15

(a)(i) Please confirm the total amounts paid to ERTH by WCHEI for these services.

Response - Board Staff IR#2(a)(i)

Please see the Table 1 set out above for the amounts paid by WCHEI to ETPL, ERTH and its affiliates in 2016. These figures are invoiced amounts and include HST.

(b) Please fully describe the type of services that will be enhanced through the merger.

Response - Board Staff IR#2(b)

The Applicants submit that the following services will be enhanced through the amalgamation/merger of WCHEI and ETPL.

- ***Management and Governance*** - The proposed amalgamation will enhance management and board strength of the combined entity. This will allow the amalgamated LDC to better address the challenges of evolving electricity industry which includes new technology requirements to meet customer expectations, changing dynamics in the electricity sector with the growth of distributed energy resources and to undertake asset renewal. By accessing a broader management team and board of directors candidates, it is expected that the operations and long-term sustainability of the amalgamated LDC will be improved.
- ***Asset Management, Asset Renewal, and the Introduction of New Technologies*** - The proposed amalgamation is expected to result in improved asset management practices, utilizing the best practices of the predecessor LDCs. Moreover, the amalgamated LDC will have improved access to capital, with lower financing costs, for the purposes of financing traditional utility infrastructure investments and the introduction of new technologies.
- ***Information Technology (IT) and Cybersecurity*** - The proposed amalgamation will result in an enhancement of internal IT expertise and resources, including the leveraging of shared IT hardware and software platforms. For a further description of the enhancement of IT services associated with the proposed amalgamation, please see responses to Board Staff IR#9 and IR#10 below.

- ***Customer Information Systems (CIS) and Billing*** - For a description of the enhancement of CIS and billing operations associated with the proposed amalgamation, please see response to Board Staff IR#10 below.
- ***Operations*** - It is expected that the proposed Amalgamation will improve the combined operations of the two LDCs. In addition to the knowledge transfer between the predecessor LDCs and the incorporation of common best operational practices, the amalgamated LDC will have access to additional operational resources to ensure that reliability and safety of supply is maintained and improved. For example, the proposed amalgamation will provide the amalgamated LDC with additional line resources to respond outages and other issues.
- ***Engineering/Metering*** - WCHEI currently has no engineers on staff, while ETPL employs engineers, engineering/metering technicians and technologists. Accordingly, the proposed amalgamation will enhance the engineering/metering services in WCHEI's existing service territory. For a further description of the enhancement of engineering associated with the proposed amalgamation, please see response to Board Staff IR#4 below.
- ***Professional Services*** - The amalgamated LDC will have access to a larger pool of internal legal and accounting resources which will allow the amalgamated LDC to more effectively and efficiently deal with regulatory and other issues associated with operating a regulated LDC. The Applicants submit that these internal capabilities (which currently exist at ETPL) are more cost effective for a larger LDC to develop and retain.

(b)(i) Please describe what constitutes "an enhancement of services" to customers.

Response - Board Staff IR#2(b)(i)

The Applicants submit that an "enhancement of services" to customers constitutes providing new, additional or improved services - within the projected un-amalgamated cost structures for ETPL and WCHEI - that will

allow for the safe and reliable distribution of electricity in a more efficient, cost-effective and innovative manner. More generally, the Applicants view an “enhancement of services” as an LDC’s ability to more effectively deliver on the OEB’s objectives to its customers, which includes, for example, ensuring the adequacy, reliability and quality of electricity service, promoting economic efficiency and cost effectiveness in the distribution of electricity, and the maintenance of a financially viable electricity industry.

(b)(ii) Please indicate how and why the merger is expected to deliver “an enhancement of services” to customers.

Response - Board Staff IR#2(b)(ii)

As suggested in the *Consolidation Handbook*, and reflected in the submitted Application, the Applicants are confident that the amalgamation of WCHEI and ETPL will deliver “an enhancement of services” for the following reasons:

- Please see the response to Board Staff IR#2(b) above for a description of the type of services that will be enhanced through the merger, and how such enhancements will occur.
- The proposed consolidation will permit a larger scale of operation with the result that customers can be served at a lower per customer cost. Moreover, the proposed consolidation will result in enhancements in the form of increased internal capabilities that may be more cost effective for larger distributors to develop or retain.
- Furthermore, the Applicants submit that the proposed consolidation also enables distributors to address challenges in an evolving electricity industry. This includes new technology requirements to meet customer expectations, cyber security risk, changing dynamics and regulations in the electricity sector with the growth of distributed energy resources and to undertake asset renewal. Distributors will need considerable additional investment to meet these challenges and consolidation generally offers larger utilities better access to capital markets, with lower financing costs.

(c) If applicable, please confirm that the amalgamated entity will ensure that the confidential information related to its customers will be protected in a manner pursuant to the Affiliate Relationships Code Section 2.2.3.

Response - Board Staff IR#2(c)

The Applicants currently adhere to the Affiliate Relationships Code and they submit that the amalgamated LDC will continue to ensure that the confidential information related to its customers will be protected in a manner pursuant to the section 2.2.3 of the Affiliate Relationships Code.

Staff IR #3

References: Exhibit B, Tab 2, Schedule 1, p. 3 – p. 4

Ontario Energy Board Act, 1998, S.O. 1998, c. 15, Sched. B Section 86 (2)(b)
Preamble:

The Applicants State at page 3 of the above-referenced Schedule: ERTH and the Town of Goderich have executed a share purchase agreement pursuant to which ERTH will acquire all of the shares of WCHEI. In return, the Town of Goderich will receive shares in ERTH.

Section 86 (2)(a) of the OEB Act states:

“No person, without first obtaining an order from the Board granting leave, shall acquire such number of voting securities of a transmitter or distributor that together with voting securities already held by such person and one or more affiliates or associates of that person, will in the aggregate exceed 10 per cent of the voting securities of the transmitter or distributor.”

However, the Applicants have not included approval of the acquisition of WCHEI's shares among the OEB approvals sought in section 3 of the Schedule (at p.4).

Questions:

(a) Please advise as to whether the Applicants are also seeking the OEB's approval of the acquisition by ERTH of all of the shares of WCHEI, and the statutory basis for the approval. If the Applicants are not seeking that approval, please explain why they are not doing so.

Response - Board Staff IR#3(a)

In their Application, the Applicants only requested approval of the amalgamation of the LDCs pursuant to section 86(1)(c) of the *OEB Act*, and not the first step involving the issuance of ERTH Corporation shares to the Town of Goderich (as a means to immediately effect a short-form amalgamation of the ETPL and WCHEI.) The Applicants' rationale for not seeking relief under section 86(2)(b) of the *OEB Act* was that the first step (i.e. issuance of ERTH Corporation shares to the Town of Goderich) was meant to occur simultaneously with the second step (i.e. the amalgamation of ETPL and WCHEI).

However, upon receipt of Board Staff IR#3, the Applicants have recognized that they should be asking for relief under section 86(2)(b) of the *OEB Act* for the first step, and the Applicants' respectfully ask that the Application be amended accordingly. For greater certainty, the Applicants are also seeking the OEB's approval of the acquisition by ERTH Corporation of all of the shares of WCHEI pursuant to section 86(2)(b) of the *OEB Act*.

(b) Please indicate the status of the share purchase agreement. Please confirm the date by when the agreement is expected to close.

Response - Board Staff IR#3(b)

The share purchase agreement, and the amalgamation agreement attached thereto as schedule 1.1.3 (collectively, the “Agreements”) which implement the proposed transaction has been approved and executed by all relevant parties, including the respective municipal shareholder councils.

The closing of the proposed amalgamation described in the Agreements is subject to a number of conditions, including approval by the Board. Assuming all other conditions are closed, Section 1.1.9 states that the proposed amalgamation shall close within thirty (30) days following the receipt of Board approval.

(c) Please confirm if a new name is anticipated for the utility following the amalgamation transaction, and advise as to the anticipated name if known.

Response - Board Staff IR#3(c)

The new name anticipated for the amalgamated utility is EARTH Power Corporation. This new name was selected following an employment engagement exercise involving the employees of both ETPL and WCHEI.

ETPL intends to amend its name before the closing of the proposed transaction. ETPL will be requesting a license amendment to reflect its new name later in June 2018. Once the amalgamation is closed, and assuming the license amendment is approved, the amalgamated entity will continue under ETPL’s new name, EARTH Power Corporation.

Staff IR #4

Reference: Exhibit B, Tab 5, Schedule 1, p. 3

Preamble:

The Applicants State:

The Applicants' intention is that ETPL will harmonize the engineering standards of its predecessor utilities following the merge, which will enable more efficient and effective inventory management and ensure sufficient spare equipment for higher reliability. ETPL will implement a comprehensive review and recommend best engineering standards and practices to be followed. The review will give due consideration to service reliability, costs, and risks.

Questions:

- a) Please indicate the timing for when the review of engineering standards and practices will commence.

Response - Board Staff IR#4(a)

A formal review of engineering standards and practices of ETPL and WCHEI was initiated in February of 2018 with the establishment of an internal engineering transition team involving employees of ETPL and WCHEI. At this time, responsibilities were assigned to various team members who will be further reviewing specific areas over the next 4-6 months.

i. Please indicate if a firm has been contracted to complete the study.

Response - Board Staff IR#4(a)(i)

At this time, the review of engineering practices will be completed internally by ETPL and WCHEI employees. ETPL and WCHEI internal staff are knowledgeable, experienced and most familiar with the combined standards and practices. A third party firm will not be contracted until it can be determined this review exercise supports this additional cost.

ii. If applicable, please provide the name of the firm contracted to perform the study.

Response - Board Staff IR#4(a)(ii)

Not applicable.

b) Please provide, in reasonable detail, an overview of the (proposed) study's scope.

Response - Board Staff IR#4(b)

Please see responses below.

i. Please identify the primary areas of WCHEI and ETPL's businesses that the study is anticipated to focus upon.

Response - Board Staff IR#4(b)(i)

The primary areas of business that the internal study is anticipated to focus upon includes:

- Engineering Standards & Practices (consistent standards and decision making, eliminating redundant memberships, licences, etc.)**
- Inventory Management (minimum stock levels, standardized material etc.)**

ii. Please discuss the reasons for why these areas were selected for in-depth investigation.

Response - Board Staff IR#4(b)(ii)

The areas of focus described in response to Board Staff IR#4(b)(i) above were selected for in-depth investigation due to the fact that they are high-level starting points that impact the overall operation of the LDCs. In addition, these areas presented immediate potential to identify operational improvements and increased efficiencies.

c) What financial and operational efficiency opportunities do the Applicants anticipate being identified through this study and how and when will study findings likely be implemented?

Response - Board Staff IR#4(c)

The objective of the internal review is to establish consistent practices across the combined service territory and fully harmonize engineering standards and operating practices of ETPL and WCHEI. The intent is to

conclude the internal engineering review prior to or shortly after closing the proposed amalgamation, and implement the recommended changes within the amalgamated LDC as soon as possible to start realizing the efficiencies gained.

High-level examples of efficiencies which will be realized are:

- 1. Reduced stock levels will be required to maintain the same level of reliability & risk for the combined service territory**
- 2. Redundancies in fleet (Bucket Trucks, RBDs, pickup trucks, trailer etc.) will be realized resulting in fewer vehicles required to properly service the combined territory.**
- 3. Redundant industry memberships, software licences etc.**
- 4. Larger complement of operations staff will allow for more efficient execution of capital projects.**
- 5. Additional financial and operation efficiencies are expected to be realized during the formal review process.**

Staff IR #5

Reference: Exhibit B, Tab 5, Schedule 1, p. 3

Preamble:

The Applicants State “The Parties’ policies and practices for expansion of the distribution system will be standardized across the new geographic service territory. This is expected to facilitate economic growth in the service territory as developers will receive standard Offers to Connect and will be able to deal with only one distributor across these regions.”

Questions:

- a) Please describe the economic growth expected to result from the merger and how this growth is anticipated to benefit customers.

Response - Board Staff IR#5(a)

The Applicants’ submit that they are increasingly dealing with a common group of wholesale market participants, distributed energy resource providers, and developers looking to connect to the distribution grid at various points. Standardizing the approach to these grid connections in a predictable, efficient and cost-effective manner will encourage new load and generation customers to locate in the amalgamated LDC’s service territory. The capital contributions and rates associated with these new connections will benefit the amalgamated LDC’s broader customer base.

Staff IR #6

Reference: Exhibit B, Tab 5, Schedule 1, p. 3

Preamble:

The Applicants State:

The System Average Interruption Duration Index (“SAIDI”), the average outage duration for each customer served, is commonly used as a reliability indicator by electricity utilities. The System Average Interruption Frequency Index (“SAIFI”), the average number of interruptions a customer would experience, is also a key reliability indicator. ETPL is expected to maintain and improve upon the five-year average reliability indices and the OEB Customer Service Standard metrics for its customers.

Questions:

- a) A review of ETPL’s 2016 Electricity Utility Scorecard indicates that ETPL’s System Reliability metrics do not meet OEB targets. Further, ETPL’s performance related to the “Average Number of Hours that Power to a Customer is Interrupted” metric has continuously declined since 2014.
 - i. For what reasons has ETPL’s metric score continued to decline? How will ETPL correct this trend in future years?

Response - Board Staff IR#6(a)(i)

Although ETPL’s System Reliability metrics for SAIDI do not meet the OEB targets for 2016, the Applicants respectfully point out that the OEB recently amended these targets such that they are LDC-specific (versus an industry specific metric.) When compared to the historical OEB industry metric of “at least within 0.74 to 1.53 for SAIDI and 0.23 to 0.75 for SAIFI”, ETPL falls comfortably within these ranges. Furthermore, ETPL completed a review of the current industry average for 2016 and determined that ETPL is only marginally higher than the industry average SAIDI of 1.22, while being significantly lower than industry average SAIFI of 0.24 for 2016.

Moreover, in 2016, ETPL had a prolonged isolated outage due to ice damage that did not trigger a major event. In the event that this outage triggered a major event, ETPL’s SAIDI results for 2016 would have been materially consistent with its 5-year historical average.

ETPL’s SAIFI results were relatively consistent over the 5-year horizon. While 2015 saw a small increase, ETPL’s SAIFI results were still

significantly below the industry average and these results are not seen as an area of concern that needs to be addressed at this time.

In summary, the Applicants are confident that its reliability metrics are robust and provide its customers with an excellent track record of reliability. ETPL has managed its infrastructure and capital investment in a positive manner and has addressed areas of concern in its Distribution System Plan and expects to continue to produce excellent results with respect to outage statistics. The Applicants' submit that this is reflected in the preliminary 2017 scorecard, which places ETPL within its LDC-specific targets for both SAIDI and SAIFI.

- ii. WCHEI's System Reliability metrics currently exceed OEB targets. What steps will or is ETPL taking to ensure that the issues affecting this metric within ETPL's current franchise area do not transition to the current customers of WCHEI or downgrade the reliability indices for WCHEI customers?

Response - Board Staff IR#6(a)(ii)

As detailed in the response to Board Staff IR#6(a)(i), the OEB have moved to LDC-specific targets and, as such, the system reliability metrics are meant for comparing an LDC's performance against itself. As set out in Figure 4 of Exhibit B, Tab 5, Schedule 1 of the Application, the system reliability results for ETPL and WCHEI are marginally different, on average.

The Applicants' acknowledge that WCHEI is generally a better performer than ETPL with respect to service reliability metrics. The Applicants' submit that the difference in reliability are largely due to the fact that WCHEI's existing service territory is contiguous, while ETPL's existing service territory non-contiguous.

Given that the amalgamated LDC is keeping an operation centre in the Town of Goderich and maintaining the same operational staffing levels at this site, the Applicants' submit that the existing customers of WCHEI will not experience a downgrade to reliability indices related to the amalgamation. Contrarily, the proposed amalgamation provides additional staff support (e.g. operations, engineering, metering,

customer service) which will benefit the existing customers of WCHEI during larger-scale storm events.

Staff IR #7

Reference: Exhibit B, Tab 5, Schedule 5, p. 1

Preamble:

The Applicants State:

Following the merger, ETPL will implement its business mission and vision by focusing on four operating strategies:

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

Questions:

- a) Please more fully describe the improvements to service delivery anticipated from the merger, how these enhancements will be identified and how they will be delivered.

Response - Board Staff IR#7(a)

Please see the response to Board Staff IR#2(b) above for a detailed description of services that will be enhanced and improved.

These enhancements and other potential improvements are being identified by a variety of steering committees consisting of employees of ETPL and WCHEI. These steering committees are also developing transition action plans to implement such improvements following closing of the proposed amalgamation. The Applicants' have created the following steering committees to undertake the above:

- **Communications and Customer Service**
- **Back-Office Integration and Information Technology**
- **Operational Integration**
- **Regulatory and Compliance**
- **Finance and Human Resources**
- **Legal and Governance**

The Applicants' also submit that a number of the enhancements can be delivered at minimal cost due to the fact that the administrative

costs for the amalgamated LDC will be maintained at current ETPL levels as the management of the former stand-alone ETPL will manage the amalgamated LDC. Upon closing of the proposed amalgamation, the senior management of WCHEI will transition to full time employment within the Town of Goderich. These cost efficiencies will allow the amalgamated LDC to make investments in Outage Management Solution (OMS) and other smart grid technologies to improve the distribution system and service delivery for the customers of the amalgamated LDC.

b) Please specify the cost-efficiencies and asset utilization actions that be will undertaken by the merged entity and describe how the savings associated with these actions are represented in the OM&A savings demonstrated in Figure 5 found at Exhibit B, Tab 5, Schedule 2.

- i. Please explain how these cost-efficiencies/asset utilization improvements will be identified/realized.

Response - Board Staff IR#7(b)(i)

The OM&A savings demonstrated in Figure 5 found at Exhibit B, Tab 5, Schedule 2 of the Application will be largely realized through employee attrition and retirements, including the transition of some existing WCHEI employees to The Town of Goderich. In addition, OM&A savings will also be realized via savings on professional service fees (e.g. audit, actuary and consulting fees), avoided IT maintenance fees, and the elimination of redundant rental and other operating costs at redundant facilities.

The capital savings associated with the proposed amalgamation will be realized through avoided capital expenses, including financial systems and large truck replacements, and the optimization of the capital planning process.

ii. Please assign a forecast dollar value (or range of values) to each identified cost-efficiency.

Response - Board Staff IR#7(b)(ii)

The forecasted dollar value for each identified cost-efficiency is:

- The merged entity expects to realize between \$160,000 and \$410,000 of fully-burdened labour costs through attrition annually.
- Savings of approximately \$70,000 annually are expected from reduced audit, actuary and consulting fees.
- Savings of \$75,000 annually will be realized from the avoidance of cost maintenance for the Harris financial system and associated servers.
- \$100,000 in costs for rental and operating costs at redundant facilities.

iii. Please identify risks that could impede the realization of projected cost savings and/or efficiencies, as well as the likelihood of the occurrence of those risks.

Response - Board Staff IR#7(b)(iii)

In identifying cost savings and efficiencies associated with the proposed amalgamation, the Applicants took a very conservative approach. Many of the costs identified in response to Board Staff IR#7(b)(ii) above are straightforward and have little risk. Although many of the projected retirement dates are anticipated, the most significant risk to realize cost-savings relates to an employee's delayed decision to retire. However, this risk is reflected in the dollar range of savings described in response to Board Staff IR#7(b)(ii) above, and are expected to be realized prior to the merged entities' first rebasing.

i. For risks recognized as having a medium to high likelihood of occurrence, please identify the impact of these risks on projected cost savings/efficiency improvements.

Response - Board Staff IR#7(b)(iii)(i)

As described in response to Board Staff IR#7(b)(iii) above, the Applicants' took a very conservative approach when identifying cost savings and efficiencies associated with the proposed amalgamation. Accordingly, the Applicants have not identified any medium to high risks that would impede the realization of any projected cost savings. The identified savings are largely imminent and are easy to quantify and achieve.

The Applicants' submit that more savings and efficiencies which could be characterized as medium to high risk may be realized as a result of the proposed amalgamation. However, the Applicants did not include these higher risk efficiencies in their calculations that underpinned the proposed amalgamation.

Staff IR #8

Reference: Exhibit B, Tab 5, Schedule 5, p. 2

Preamble:

The Applicants State “There are significant employee opportunities as a result of the consolidation including: ...continuity of the workforce, the merger will facilitate a positive transition of attrition over the next few years.”

Questions:

- a) Please describe what is meant by the statement “...the merger will facilitate a positive transition of attrition over the next few years.”

Response - Board Staff IR#8(a)

ETPL and WCHEI both expect a number of retirements in the next five to 10 years, which will present succession challenges for both LDCs. The combined workforce resulting from the proposed amalgamation will address many of these succession challenges while avoiding new hires and allowing business continuity for the merged entity and to recognize the associated cost savings.

- i. Please indicate the extent to which layoffs are anticipated to result from the amalgamation.

Response - Board Staff IR#8(a)(i)

There are no layoffs anticipated to result from the proposed amalgamation. As discussed in response to Board Staff IR#7 above, upon closing of the proposed amalgamation some of the existing WCHEI staff will transition to employees of the Town of Goderich. Consequently, there will be no layoffs.

- ii. If applicable, please specify the type and number of positions that are anticipated to be lost through the amalgamation as well as if the positions lost currently belong to WCHEI or ETPL.

Response - Board Staff IR#8(a)(ii)

Not applicable.

Staff IR #9

Reference: Exhibit B, Tab 5, Schedule 5, p. 4

Preamble:

The Applicants State “ETPL will set the following IT objectives for business applications: ...consolidate enterprise cyber security practices and technologies into a single common set of processes and systems that provides the protection of information and the entire information technology architecture to support all business and regulatory requirements of the new company.”

Questions:

- a) Please describe the extent to which WCHEI and ETPL have considered the OEB’s “Ontario Cyber Security Framework” (the Framework) in designing and implementing network and customer information protection applications.

Response - Board Staff IR#9(a)

The Applicants have reviewed the OEB’s *Ontario Cyber Security Framework* and completed the Inherent Risk Profile tools as independent organizations and, additionally, as a merged organization. The result of this exercise resulted in an understanding of each LDC’s independent risk profiles, as well as that of a combined LDC.

At this time, ETPL is leading the process of developing a plan that will address the risks of the amalgamated LDC. As WCHEI and ETPL move forward in complying to the *Ontario Cyber Security Framework* (due April 30, 2019), the parties will be doing so in consideration of the risk profile of the amalgamated LDC.

ETPL’s IT Manager (David Williams) participates in the Ontario Cyber Security Working Group. In addition, ETPL is a member of Utility Standards Forum and it is participating in a variety of industry working groups related to cybersecurity. As an organization, ETPL is confident that it has a solid grasp of the *Ontario Cyber Security Framework* requirements and will be applying those requirements when moving forward in the design and implementation work in merging the Applicants’ back end systems and networks.

The legacy design and implementation of the Applicants’ network and customer information protections were done so in consideration of

the *Personal Information Protection and Electronic Documents Act* and security best-practices. As ETPL and WCHEI move forward to compliance to the *Ontario Cyber Security Framework* (due April 30, 2019), the Applicants will be designing, implementing and modifying their respective network and customer information protection applications accordingly.

- b) Please describe how the consolidation of WCHEI and ETPL cyber security practices and technologies will reflect the requirements of the Framework.

Response - Board Staff IR#9(b)

Within the *Ontario Cyber Security Framework*, the OEB has stated that resources are constrained in the Ontario market and it encourages the culture of sharing. It is the Applicants' expectation that the amalgamation of WCHEI and ETPL will fulfil the *Ontario Cyber Security Framework* element of sharing by allowing the combined LDCs to implement improved cyber security solutions at a shared cost. Such opportunities arise in the areas of:

- Shared policies and procedures
- Security awareness training programs
- Threat detection software
- Third party monitoring

In the absence of the proposed amalgamation, shared costs could not be achieved and duplication of the efforts of two independent LDCs would be required in many aspects of the organizations. In addition, WCHEI does not currently have an in-house IT resource (all functions outsourced). With the added requirements of the *Ontario Cyber Security Framework*, it is probable that WCHEI would require additional resourcing to ensure compliance, despite its current risk rating. This would come at added cost to WCHEI's existing ratepayers.

- c) Please describe in detail the extent to which WCHEI and ETPL have considered the OEB's Framework when developing approaches to IT systems integration.

Response - Board Staff IR#9(c)

When approaching IT systems integration, privacy and security are the key areas for ETPL and WCHEI. Within the *Ontario Cyber Security Framework*, there are five fundamental functions that must be considered. Many elements within the *Ontario Cyber Security Framework* are inherent functions that must also be performed for purposes of any consolidation. The Applicants' findings to date is demonstrating that the work outputs required from the *Ontario Cyber Security Framework* will serve as a tool to assist with the detailed IT System Integration Planning. Simple examples of this include:

- Asset Management (requirement to identify all devices, systems, data flow maps, etc.)
- Access Control/Requirements (requirements associated with management to physical and remote access)
- Communications Management (requirements associated with emergency preparedness planning)

At this time, the detailed planning of the IT systems integration remains underway. The *Ontario Cyber Security Framework* will continue to be a governing tool used in system changes, implementations and integrations.

- d) Please confirm that ETPL will adhere to the Framework when launching new IT products and abide by the related reporting requirements referred to in the Framework.

Response - Board Staff IR#9(d)

The Applicants confirm that ETPL, WCHEI and ultimately the amalgamated LDC will adhere to the *Ontario Cyber Security Framework* when launching new IT products and abide by the related reporting requirements referred to in the *Ontario Cyber Security Framework*.

Staff IR #10

Reference: Exhibit B, Tab 5, Schedule 5, p. 4

Preamble:

The Applicants State "ETPL will set the following IT objectives for business applications: ...consolidate the Customer Information Systems ("CIS") environment as quickly as possible into one common Harris Northstar system to facilitate integration of Customer Service business functions and improve service to customers."

Questions:

- a) Please describe what Customer Service business functions are expected to improve as a result of the consolidation as well as how the integration of these functions will improve service for all customers of the new ETPL.

Response - Board Staff IR#10(a)

ETPL has a number of solutions for its customers which are not currently offered to the customers of WCHEI. As a result of the merger, all customers will receive the following solutions:

- **Mobile responsive web presentment solution**
- **Ability to pay their bill via credit card**
- **Integrated Voice Response system (ability to get bill/payment information 24/7 via automated telephone system)**
- **Automated outbound calling**

In addition, ETPL is in the process of implementing an Outage Management Solution, which will also provide an improved level of service to all customers following the proposed amalgamation.

With a newly combined billing and call centre staff compliment, improved coverage is also expected for all the customers following the proposed amalgamation.

- b) As it relates to the OEB's Framework, please describe the steps taken by WCHEI and ETPL to ensure the Harris Northstar CIS is launched in a manner consistent with best practices.

Response - Board Staff IR#10(b)

The consolidation of CIS systems is not uncommon to ETPL as it was previously completed for the customers of West Perth Power Inc. and

Clinton Power Corporation following the OEB's approval of ETPL's amalgamation with those LDCs in 2010 (EB-2010-0386). In addition, this is a significant area of expertise for ETPL's affiliated businesses. ETPL's affiliates currently hosts CIS systems for 12 utilities in Ontario and has performed 8 system conversions/migrations. In addition, the expertise of NorthStar Utilities will be leveraged as they recently performed similar activities for 2 other LDCs in the province.

For both companies, the Harris NorthStar CIS system is currently in operations. To date, the following steps have been taken:

- Both companies have moved to the same database platform**
- Independent implementations are underway to move both companies to the same software release and share business processes**
- Database cleanup activities underway**
- A dedicated VPN tunnel has been established**
- Customizations have been identified**
- Integrations have been identified**

Next steps will include a review of system securities and alignment of groups and roles. Upon approval of the proposed amalgamation by the OEB, NorthStar Utilities will be engaged to assist and their experience will be leveraged for any further best practice recommendations.

Staff IR #11

Reference: Exhibit B, Tab 6, Schedule 3, p. 1

Preamble:

The Applicants State “BDO Canada LLP were jointly hired by the Parties to complete a valuation of the issued and outstanding shares of ERTH and WCHEI for purposes of merger negotiations to ensure both entities were valued on a fair and consistent basis.”

Questions:

- a) Please provide copies of the valuation reports prepared by BDO Canada LLP for both WCHEI and ETPL.

Response - Board Staff IR#11(a)

In preparing its Application requesting approval of the proposed amalgamation, and determining which materials to submit in support of its Application, the Applicants relied primarily on the *Consolidation Handbook* and supporting decisions of the Board. The *Consolidation Handbook* states that “certain aspects of a consolidation transaction are not relevant in assessing whether the transaction is in the public interest” while continuing to provide that the “OEB will not require applicants to file evidence” with respect to “[d]eliberations, activities and documents leading up to the final transaction agreement.” Moreover, the *Consolidation Handbook* continues to state that:

“As set out in the Combined Proceeding decision, and confirmed in recent decisions, the question for the OEB is neither the why nor the how of the proposed transaction. The application of the “no harm” test is limited to the effect of the proposed transaction before the OEB when considered in light of the OEB’s statutory objectives.”

“Also as set out in the Combined Proceeding decision, the OEB will not consider issues relating to the overall merits or rationale for applicants’ consolidation plans nor the negotiating strategies or positions of the parties to the transaction. The OEB will not consider issues relating to the extent of the due diligence, the degree of public consultation or public disclosure by the parties leading up to the filing of the transaction with the OEB.”

The Applicants respectfully submit that the combined valuation report prepared by BDO Canada LLP (the “Valuation Report”) is a confidential document utilized in the course of the negotiation process for the purposes of determining the parties’ relative ownership positions in the amalgamated LDC. The Valuation Report relates to the why and the how of the proposed transaction, but it is not relevant in light of the “no harm” test described in the *Consolidation Handbook* and related OEB decisions. The Applicants’ respectfully submit that the Valuation Report is outside of the scope of the OEB’s “no harm” review for the following reasons:

- The Valuation Report was used solely to determine relative ownership positions in the amalgamated entity and, resultantly, it had no impact in the form of a purchase price, a transfer of cash, premiums paid, or the need for incremental financing costs.
- As described above, the Valuation Report will have no adverse impacts on the attainment of the OEB’s statutory objectives. More particularly, the Valuation Report has no impact on:
 - customers with respect to price and the adequacy, reliability and quality of electricity service,
 - the cost structure or financial viability of the consolidating LDCs, both now and in the future,
 - the adequacy, reliability and quality of electricity service,
 - the economic efficiency and cost effectiveness in the Applicant’s distribution of electricity, and
 - the facilitation of the maintenance of a financially viable electricity industry.

For the reasons described above, the Applicants did not file the confidential Valuation Report with its Application. Using the same rationale, the Applicants respectfully submit that they will not file the Valuation Report as evidence in this proceeding as it was key negotiating document and it is not relevant to the proceeding.

b) Please describe the extent to which any findings of the BDO studies meaningfully impacted merger negotiations.

Response - Board Staff IR#11(b)

As discussed in the response to Board Staff IR#11(a) above, the Applicants' respectfully submit that it is not required to file evidence with respect to the "negotiating strategies or positions of the parties to the transaction." Accordingly, the Applicants' will respectfully refrain from providing the evidence requested in this Board Staff IR#11(b).

Staff IR #12

Reference: Exhibit B, Tab 2, Schedule 1, p. 6

Preamble:

The Applicants State "The Applicants are requesting approval to continue to track costs to the regulatory asset accounts currently approved by the Board for each of ETPL and WCHEI and to seek disposition of their balances at a future date."

Questions:

- a) Please provide a listing of these accounts by utility.

Response - Board Staff IR#12(a)

The Applicants request leave to continue tracking the following Group One and Group Two deferral and variance accounts currently approved by the OEB, as listed below:

Group One:

- **Account 1550: Low Voltage Variance Account**
- **Account 1551: Smart Metering Entity Charge Variance Account**
- **Account 1568: LRAM Variance Account**
- **Account 1580: RSVA Wholesale Market Service**
- **Account 1582: One Time Costs**
- **Account 1584: RSVA Network**
- **Account 1586: RSVA Connection**
- **Account 1588: RSVA Power**
- **Account 1589: RSVA Global Adjustment**
- **Account 1595: Disposition and Recovery/Refund of Regulatory Balances**

Group Two:

- **Account 1508: Other Regulatory Assets, Sub-account OEB Cost Assessment Variance**
- **Account 1508: Other Regulatory Assets, Sub-account – IFRS Transition Costs**
- **Account 1576: Accounting Changes Under CGAAP**

b) With respect to Group 1 variance accounts, when do the Applicants expect that the IESO settlement processes for ETPL and WCHEI will be merged?

Response - Board Staff IR#12(b)

The Applicants will work diligently with the Independent Electricity System Operator (IESO) to merge settlement processes after OEB approval of the proposed amalgamation. Given the IESO's lengthy process for merging entities' in the Meter Data Management/Repository (MDM/R), the Applicant's expect that IESO settlement processes for ETPL and WCHEI will be merged no earlier than ninety (90) days following the amalgamation.

During the timeframe prior to the merging of the settlement processes, ETPL and WCHEI will track and settle the appropriate variances separately. Once the IESO settlement processes have been merged, the Applicants will track the Group One variances on a combined basis.

To ensure geographic discrepancies do not materialize, the Applicants propose to dispose of pre-amalgamation DVAD balances separate from post-amalgamation balances (resulting in two sets of DVAD rate riders for the transition period before achieving a merged settlement process.)

Staff IR #13

Reference: Exhibit B, Tab 2, Schedule 1

Preamble:

The Applicants State "Each of ETPL and WCHEI has transitioned to IFRS for financial accounting purposes, and ETPL, following amalgamation, will also be using IFRS."

Questions:

- a) Please indicate whose accounting policies (ETPL or WCHEI) will be adopted by the amalgamated entity.

Response - Board Staff IR#13(a)

The amalgamated entity will adopt the accounting policies of ETPL.

- b) Are the Applicants' current capitalization and depreciation policies (pre-amalgamation) materially different? If so, please explain the key differences and quantify the impact of aligning these policies for the amalgamated entity.

Response - Board Staff IR#13(b)

The Applicants' current capitalization and depreciation policies (pre-amalgamation) are not materially different, and they will not result in any material changes when aligning these policies following the amalgamation.

- c) Are there other material differences in the Applicants' accounting policies that have been identified and will be aligned in the amalgamated entity? If so, please explain each in detail.

Response - Board Staff IR#13(c)

No other material differences in the Applicants' existing accounting policies have been identified.

- d) What is the dividend policy of the amalgamated entity? Please provide an analysis that shows what the expected annual dividend payout of the amalgamated entity will be over the deferred rebasing period up to 2028.

Response - Board Staff IR#13(d)

The dividend policy of the amalgamated entity will be reflective of ETPL's current dividend policy. In particular, the amalgamated entity will pay dividends equivalent of up to 25% of net income annually, at the discretion of the Board of Directors and subject to certain conditions precedents. As

such, there is no forecast of the dividend payout by the amalgamated entity to ERTH for the period up to 2028. The conditions precedent provide that dividends will not be paid if the payment of such dividends cause on the following:

- **Non-compliance with Banking Covenants**
- **Non-compliance with relevant statutes and regulations**
- **A breach of contract or the immediate or anticipated failure to otherwise meet terms of financial arrangements**
- **An impairment in financial prudence including capital investment in electricity distribution infrastructure to maintain reliability**

Staff IR #14

Reference: Exhibit B, Tab 7, Schedule 2, p. 1

Preamble:

The Applicants State “For years six to nine of the rebasing deferral period, the applicants have proposed an ESM deferral account in which earnings in excess of 300 basis points above the OEB’s established regulatory return on equity for the consolidated entity would be divided on a 50/50 basis between merged ETPL and its ratepayers.”

Question:

- a) Please confirm whether the Applicants are seeking approval of this deferral account as part of this application. If so, please provide a draft accounting order for the proposed account.

Response - Board Staff IR#14(a)

The Applicants are not seeking approval of this deferral account as part of its Application. The Applicants will request the appropriate OEB approvals at a later date (but prior to the midpoint of the approved Cost of Service deferral period.)

Staff IR #15

Reference: Attachments 7-10

Preamble:

With regard to the debt of the Applicants:

Questions:

- a) Is any of the Applicants' debt governed by debt covenants? If so, please provide a summary of the underlying covenants associated with each indebtedness.

Response - Board Staff IR#15(a)

ETPL's third party debt (which includes an operating line of credit, standby letters of credit, term loans and leasing facilities) is issued by Scotiabank, and is governed by the following debt covenants:

- **The ratio of Funded Debt to Tangible Net Worth is to be maintained at all times at 2:1 or better**
- **The ratio of EBITDA less maintenance CAPEX to interest expense plus the current portion of long term debt and capital leases plus cash taxes plus dividends, calculated on a rolling four quarter basis, is to be maintained at 1.1:1 or better**
- **The ratio of Funded Debt and Standby L/C's issued to Capitalization is to be maintained at all times at 0.70:1 or less.**

WCHEI's third party debt, which is issued by the Royal Bank of Canada, is not subject to any specific financial covenants. WCHEI is required to notify the bank if there is any unfavourable change in WCHEI's financial position which may adversely affect its ability to pay or perform its obligations under the bank agreement.

- b) Please explain the impact of a default in these covenants?

Response - Board Staff IR#15(b)

Although at the discretion of the bank, all debts can become due and payable in the event a default in these covenants.

c) Have the applicants ever been in default of these covenants in the past?

Response - Board Staff IR#15(c)

No.

d) Prepare an analysis that supports that these debt covenants will not be breached as a result of the proposed amalgamation.

Response - Board Staff IR#15(d)

The pro-forma financial statements submitted as Exhibit B Tab 6 Schedule 7 with the Application meet all of the bank covenants described in response to this Board Staff IR#15. Given the nature of the proposed transaction (i.e. no payment of a purchase price, no transfer of cash or premiums paid, no need for incremental financing costs, no impact on the cost structure or financial viability of the consolidating LDCs), the Applicants respectfully submit that there is no reason to conclude that the proposed amalgamation will have any adverse effect on the Applicants' debt covenants.

Staff IR #16

Reference: Attachment 11

Preamble:

The Applicants have provided the pro-forma financial statements of the amalgamated entity in Attachment 11.

Questions:

- a) Please confirm that the pro-forma statements reflect the incremental transition costs and savings that are projected in this application.

Response - Board Staff IR#16(a)

The Applicants confirm that the pro-forma statements reflect the incremental transition costs and savings that are projected in this Application.

- b) Please explain how the projections in the pro-forma statements are derived.

Response - Board Staff IR#16(b)

The projections in the pro-forma statements were derived by combining the individual budgets of WCHEI and ETPL, and adjusting those figures for the incremental transition costs, synergies, and savings.

Staff IR #17

Reference: Attachment 12

There are instances in which Erie Thames Powerlines Corporation and West Coast Huron Energy Inc. differ in the specific service charges.

Questions:

- a) Please explain how the Applicants propose to handle a customer request (or company-initiated request) for which an approved charge is applicable in one of the legacy service territories but not in the other.

Response - Board Staff IR#17(a)

The Applicants current tariff sheets will remain separate and distinct and, as such, the tariff sheets will be implemented for each customer segment in the manner in which they are currently being billed to such customers.

- i. Please confirm whether the charge would be based on time and materials.

Response - Board Staff IR#17(a)(i)

In situations where one tariff sheet does not have a specific service charge, the amalgamated LDC would charge time-and-materials for the customers' request in the same manner that it is currently completed.

- ii. Please explain how the Applicants propose that customers would be informed of any differences.

Response - Board Staff IR#17(a)(ii)

Customers of the amalgamated LDC will be informed of the existence of separate tariff sheets therefore the need to point out any differences will not be required.

McCartney IR #1

Questions:

What valuation did you have for ERTH Corporation and Erie Thames Powerlines Corporation in this transaction? Please provide calculations to support the numbers?

Response - McCartney IR#1

Pursuant to the OEB's *Handbook to Electricity Distributor and Transmitter Consolidations* (the "*Consolidation Handbook*"), the Applicants respectfully submit that the information requested in this interrogatory is not relevant to the OEB's review of a consolidation application. In particular, the Applicants' respectfully submit that the requested information is outside of the scope of the OEB's "no harm" review given that the valuation of ERTH Corporation and ETPL (undertaken solely for the purpose of determining municipal shareholders' relative ownership positions in the combined LDC) has no impact on:

- customers with respect to price and the adequacy, reliability and quality of electricity service,
- the cost structure or financial viability of the consolidating LDCs, both now and in the future,
- the adequacy, reliability and quality of electricity service,
- the economic efficiency and cost effectiveness in the Applicant's distribution of electricity, or
- the facilitation of the maintenance of a financially viable electricity industry.

For the reasons described above, the Applicants respectfully decline to file evidence in response to this McCartney IR#1.

McCartney IR #2

Questions:

How will this investment in EARTH Corp and its non-regulated businesses affect the distribution rate of our hydro, compared to an investment in an utility by itself?

Response - McCartney IR#2

The Applicants submit that the proposed amalgamation will not adversely impact the distribution rates for the existing customers of WCHEI.

As this McCartney IR#2 asks for a comparison of the proposed amalgamation with another hypothetical transaction, the Applicants respectfully decline to file any additional evidence in response to this interrogatory as it is not relevant pursuant to the terms of the *Consolidation Handbook*. In reaching this conclusion, the Applicants rely on the following excerpt from the *Consolidation Handbook*:

“The OEB determined in the Combined Proceeding decision that it is not the OEB’s role to determine whether another transaction, whether real or potential, can have a more positive effect than the transaction that has been placed before the OEB. Accordingly, the OEB will not consider, whether a...utility could have achieved a better transaction than that being put forward for approval in the application.”

McCartney IR #3

Questions:

What bank conditions did the Town of Goderich meet for this merger?(guarantees, letters of credit, statements, etc.)

Response - McCartney IR#3

The Applicants (ETPL and WCHEI) did not need to meet bank conditions associated with the proposed amalgamation.

As this McCartney IR#2 relates to the debt of the Town of Goderich, who is not a party to this proceeding, the Applicants respectfully decline to provide evidence in response to this portion of interrogatory as it is not relevant to this proceeding pursuant to the terms of the *Consolidation Handbook*.

McCartney IR #4

Questions:

Which company will sign and be responsible for the promissory note(s)?

Response - McCartney IR#4

The Applicants assume that Mr. McCartney's question relates to the promissory notes held by WCHEI and payable to the Town of Goderich. The above-referenced promissory notes will remain in force following the proposed amalgamation, and the amalgamated LDC will remain legally obligated to honour the terms of the above-referenced promissory notes.

McCartney IR #5

Questions:

Why do the promissory notes pay 7.25% interest? Is the OEB's long term interest rate policy 3.72% for 2018?

Response - McCartney IR#5

The promissory notes were established in 2000, at which time the OEB's recoverable long-term interest was 7.25%. Over the subsequent years, the OEB has amended its recoverable long-term interest rate a number of times, resulting in a long-term interest that is lower than 7.25%. For example, in 2018, ETPL and WCHEI will be able to recover from rates its long-term interest payments up to an interest rate of 3.72%. Although the promissory note will continue to pay 7.25% in 2018, the LDCs are only able to collect 3.72% from rates. The delta between these two amounts is typically funded via the LDCs' net income.

McCartney IR #6

Questions:

ERTH has competitive, non-regulated businesses - what is ERTH's risk of financial difficulty?
Could ERTH's financial problems affect our hydro rates?

Response - McCartney IR#6

ETPL, WCHE and, ultimately the amalgamated entity, will be a stand-alone corporate entity that will not be affected, and so rates will not be affected, should there be financial difficulties of non-regulated businesses. This requirement for financial and risk separation is also embedded in the requirements of the Board's *Affiliate Relationships Code*, which the amalgamated LDC will continue to adhere to following the proposed transaction.

Regarding Mr. McCartney's question about the risk of financial difficulty for ETPL's non-regulated entities, the Applicants respectfully submit that this information is not relevant to the OEB's review of a consolidation application, and they respectfully decline to provide additional evidence in response to this interrogatory.

McCartney IR #7

Questions:

(a) The Town of Ingersoll lists a promissory note of \$ 4,543,500. to EARTH Corp at 7.25% interest in 2016. Erie Thames Powerlines lists a promissory note of \$ 3,402,080. to the Town of Ingersoll at 7.25% in their application. The difference is \$ 1,141,420. - please explain?

Response - McCartney IR#7(a)

The Applicants can confirm that ETPL issued a promissory note to the Town of Ingersoll in 2000 in the amount of \$ 3,402,080 at 7.25% interest, and this promissory note remains in place. The Applicants respectfully submit that they cannot speak to the Town of Ingersoll's financial statements as ETPL was not involved in their preparation; although ETPL suspects that the difference likely relates to additional promissory notes between the Town of Ingersoll and ETPL's non-regulated affiliates. More notably, the Applicants submit that the amount of promissory notes held by the Town of Ingersoll with ETPL's non-regulated affiliates is not relevant to the OEB's review of a consolidation application, and they respectfully decline to provide additional evidence in response to this interrogatory.

(b) December 2016, Ingersoll had 4,543,499 Class B shares. March 2018, the merger application lists 8,169,909 Class B shares held by Ingersoll. Why did the share numbers increase?

Response - McCartney IR#7(b)

The Applicants submit that:

- EARTH Corporation owns 100% of one of the merging LDCs, namely ETPL.
- EARTH Corporation, is currently owned by eight Ontario municipalities.
- The relative ownership of each municipality in EARTH Corporation is set out in Exhibit B Tab 4 Schedule 2 of the Application in support of the proposed amalgamation.

However, the Applicants respectfully submit that the specific make-up of the Town of Ingersoll's equity ownership in EARTH Corporation is not relevant to the OEB's review of a consolidation application as it has no impact from a "no harm" perspective. Furthermore, the Applicants respectfully submit that they cannot speak to the Town of Ingersoll's financial statements as they

were not involved in their preparation. Accordingly, the Applicants respectfully decline to provide additional evidence in response to this interrogatory.

(c) December 2016 financial statements show the Town of Ingersoll (with 4,543,499 Class B shares) had equity of \$ 4,543,499 in ERTH Corp.

Response - McCartney IR#7(c)

Please see the Applicants' response to McCartney IR#7(b) above.

(d) How much equity does Ingersoll have in ERTH Corp. now?

Response - McCartney IR#7(d)

The Applicants respectfully submit that the specific make-up of the Town of Ingersoll's equity ownership in ERTH Corporation is not relevant to the OEB's review of a consolidation application as it has no impact from a "no harm" perspective. Accordingly, the Applicants respectfully decline to provide evidence in response to this interrogatory.

McCartney IR #8

Questions:

(a) Why did you issue \$ 10,000,000. of promissory notes to ETPL in 2015?

Response - McCartney IR#8(a)

Since 2000, ETPL funded its capital infrastructure investments via cash flow. As a result, ETPL's actual debt/equity ratio began to depart from the Board's deemed debt/equity ratios. In order to address this and more closely reflect the OEB's deemed structure, EARTH Corporation and ETPL entered into a lending agreement in the form of \$10,000,000 promissory note in 2015. This promissory note was established without the need of an injection into EARTH Corporation of cash debt from a third party.

(b) The merger application in March 2018 states 7.5% interest rate payable on these notes, yet in September, the Erie Thames Rate Application states 2.5% payable? Why the difference?

Response - McCartney IR#8(b)

The 2.5% interest rate payable stated in the Erie Thames Rate Application was a typographical error. As indicated in the response to McCartney IR#7(a), the interest rate payable on ETPL's promissory note is 7.25%, as indicated in the amalgamation application.

McCartney IR #9

Questions:

What does the statement " ERTH Corp. has not needed to access third party debt in order to provide long term debt to ETPL mean?

Response - McCartney IR#9

As described in response to McCartney IR#8(a), the promissory note between ERTH Corporation and ETPL was established without the need of an injection of cash debt from a bank or third party investor.

GARLAND IR # 1

Reference: June 26, 2017 'Goderich Hydro Report' (34+ p. = 47 p.) to Town Council on the proposed merger.

February 21, 2018 Letter to the Editor of the Signal Star (1 p.) [attached]

Preamble:

The report does not present major milestones in Goderich Hydro's history. One major milestone was the April 20, 2006 Ontario Energy Board (OEB) decision that Goderich Hydro overcharged Sifto Salt Canada \$1,093,132. The OEB decided this amount should be repaid, with interest by Goderich Hydro's other customers through sharply higher hydro rates. I believe the full amount owed has now been paid off.

WCHE / GH Questions:

- a) What was the total amount owed Sifto including Sifto's costs awarded by the OEB?
- b) What was the interest rate charged by the OEB on the amount owed?
- c) What was the repayment schedule?
- d) How much was repaid by Goderich Hydro's other customers through sharply higher hydro rates, and what was the rate increase attributable to repayment?
- e) Has the full amount owed been paid off with rates reduced and, if so, when?

Response - Garland IR#1

Pursuant to the OEB's *Handbook to Electricity Distributor and Transmitter Consolidations* (the "*Consolidation Handbook*"), the Applicants respectfully submit that the information requested in this Garland IR#1 is not relevant to the OEB's review of a consolidation application. These interrogatories reference a public consultation document presented to the Town of Goderich and they raise matters beyond the OEB's stated considerations. In particular, any outstanding amounts owed by WCHEI to its customers, if such amounts exist, will continue to be owing whether the proposed amalgamation proceeds or not. Accordingly, the Applicants respectfully decline to file evidence in response to this Garland IR#1.

GARLAND IR # 2

Reference: June 26, 2017 'Goderich Hydro Report' (34+ p. = 47 p.) to Town Council on the proposed merger.

Preamble:

A second major milestone was damage caused to Goderich Hydro infrastructure (eg. hydro poles, wires etc.) by the August 21, 2011 F3 Tornado. Repair costs should have been covered by insurance, unless there were significant 'upgrades' or the damage was overstated. In that case there would be extraordinary expenses not covered by insurance.

WCHE / GH Questions:

- a) What was the total dollar value of damage to Goderich Hydro infrastructure attributable to the F3 Tornado?

- b) Were repair costs totally covered by insurance and, if not, why not and what was the dollar value not covered?
- c) Was the shortfall in insurance coverage, if any, made up through other sources and if so what amounts were received from what sources, if any?
- d) Was a claim made to ODRAP and if so what was the \$ value claimed and the amount received, if any?
- e) Were significant 'upgrades', not covered by insurance, made at the time of repair and what was the purpose and dollar value of same, if any?
- f) Were there 'extraordinary expenses' not covered by insurance or other sources as a result of the F3 Tornado and what was the dollar value of same, if any?
- g) Were these 'extraordinary expenses', if any, then passed on in higher hydro rates or absorbed as debt?

Response - Garland IR#2

Pursuant to the *Consolidation Handbook*, the Applicants respectfully submit that the information requested in this Garland IR#2 is not relevant to the OEB's review of a consolidation application. These interrogatories reference a matter from 2011 that has no relevance with respect to the amalgamation of EPTL and WCHEI, and they raise matters beyond the OEB's stated considerations. Accordingly, the Applicants respectfully decline to file evidence in response to this Garland IR#2.

GARLAND IR # 3

Reference: June 26, 2017 'Goderich Hydro Report' (34+ p. = 47 p.) to Town Council on the proposed merger.

Preamble:

The report does not indicate whether Compass Minerals' new 'continuous drilling' equipment resulted in the need for major utility upgrades to meet their power requirements. In that case higher capital costs should be recoverable through higher utility rates from Compass Minerals.

WCHE / GH Questions:

- a) Did Compass Minerals' new 'continuous drilling' equipment result in the need for utility 'upgrades' to meet their power requirements and when?
- b) What was the dollar value of the required 'upgrades', if any?
- c) Were the resulting higher capital costs, if any, recoverable through higher utility rates (and/or higher utility delivery charges) from Compass Minerals?
- d) Were these higher capital costs, if any, passed on to Goderich Hydro's other customers through higher hydro rates or absorbed as debt?

Response - Garland IR#3

Pursuant to the *Consolidation Handbook*, the Applicants respectfully submit that the information requested in this Garland IR#3 is not relevant to the OEB's review of a consolidation application. These interrogatories reference a public consultation document presented to the Town of Goderich and they raise matters beyond the OEB's stated considerations. In particular, these interrogatories reference a matter related to rates which would apply to WCHEI if it amalgamated or not. Accordingly, the Applicants respectfully decline to file evidence in response to this Garland IR#3.

GARLAND IR # 4

Reference: June 26, 2017 'Goderich Hydro Report' (34+ p. = 47 p.) to Town Council on the proposed merger.

Preamble:

The report notes that Goderich Hydro has a debt of \$3 Million owed to the Town of Goderich (p. 40). But, nowhere is it stated how this debt was created or what caused it.

WCHE / GH Questions:

- a) When and how was this debt created and what caused the debt?
 - b) Did \$2 Million of this debt come out of a Town reserve fund in 2012?
 - c) If the proposed 'merger' goes through does the Town have to replace money, if any, taken out of a reserve fund?
 - d) What percent of Goderich Hydro usage did Compass Minerals represent in 2010 compared to the percent of usage in 2016?
-
- e) Does Goderich Hydro provide hydro service by 1st, 2nd or 3rd party agreement to the Rio-Can Plaza consisting of Zehrs, Wal-Mart etc. and/or to the Canadian Tire store, all located south east of the Town's official boundaries off Highway 8? If not, then who does? Similarly, does Goderich Hydro provide hydro service by 1st, 2nd or 3rd party agreement to the 'Jockey' factory off Highway 21 and Mitchell St. south of the Town's official boundaries, and If not, then who does?
 - f) Does Goderich Hydro's present service area extend beyond the Town's official boundaries and, if so, please provide a Map showing both?

Response - Garland IR#4

The Applicants submit that any debts owing to the Town of Goderich will remain owed and in force following the proposed amalgamation, and the amalgamated LDC will remain legally obligated to honour the terms of any debt with the Town of Goderich and other lenders of WCHEI.

The Applicants respectfully submit that the rest of the information requested in this Garland IR#4 is not relevant to the OEB's review of a consolidation application. These interrogatories reference a public consultation document presented to the Town of Goderich and they raise matters beyond the OEB's stated considerations. Accordingly, the

Applicants respectfully decline to file evidence in response to the remainder of this Garland IR#4.

GARLAND IR # 5

Reference: June 26, 2017 'Goderich Hydro Report' (34+ p. = 47 p.) to Town Council on the proposed merger.
The Corporation of the Town of Ingersoll Notes to Consolidated Financial Statements, December 31, 2016 (2 p.) [attached].

Preamble:

The report shows that in 2016 Goderich Hydro returned \$463,000 to the Town in interest, dividends and other annual payments (p. 41, 42) and that dividends paid total \$965,000 from 2000 to 2016. However, it does not indicate if ERTH Corporation ever pays dividends to their shareholders and what amounts if any and when.

WCHE / GH and ERTH Corporation Questions:

- a) If ERTH Corporation pays dividends to their shareholders, what were the annual total amounts, and by shareholder, for the corresponding years shown for Goderich Hydro on page 41 of the report (2000 – 2016).

Response - Garland IR#5

Please see the Applicants' response to Board Staff IR#13(d) for a description of the dividend policy of the amalgamated LDC following approval by the OEB. The Applicants respectfully submit that information regarding ERTH Corporation's historical dividend payment is not relevant to the OEB's review of a consolidation application. Accordingly, the Applicants respectfully decline to file evidence in response to the remainder of this Garland IR#5.

GARLAND IR # 6

Reference: June 26, 2017 'Goderich Hydro Report' (34+ p. = 47 p.) to Town Council on the proposed merger.
OEB approved "2016 Yearbook of Electricity Distributors" (4 p.) [attached].

Preamble:

The report does not state what Goderich Hydro's annual revenue and operating expenses are, or what its current asset value is. However, the "2016 Yearbook of Electricity Distributors" provides financial information for both Erie Thames Powerlines Corporation (ET) and West Coast Huron Energy Inc. (WCHE or Goderich Hydro).

WCHE / GH and ETPL Questions:

- a) The Yearbook shows Goderich Hydro had "cash and cash equivalents" of \$1.53 Million while ET had "cash and cash equivalents" of \$0.00 and that Goderich Hydro had inventory of \$0.4 Million compared to ET's \$0.08 Million. Please confirm?
- b) The Yearbook shows Goderich Hydro had "Property plant and equipment" worth \$9.33 Million in 2016. What was Goderich Hydro's current asset value in 2016?
- c) How was a value of \$6.095 Million established for GH? The calculations for an 'asset value' evaluation would be as follows:

Primary Calculation:

Goderich Hydro value = Assets \$9.3 M – Long Term Debt \$3 M = \$6.3 Million

Secondary Calculations: + or - Adjustments

Goderich Hydro value = \$6.3 M + or – Adjustments = \$6.095 Million

Is this a reasonable approximation of how the GH value was calculated in the merger?

- c) Was there ever a value established for Goderich Hydro if it was sold, and if so what was that dollar value at December 31, 2016?

Response - Garland IR#6(a)

Confirmed.

Response - Garland IR#6(b)

WCHEI's current assets, as of December 31, 2016, were \$4.541M, as per the OEB's 2016 Yearbook of Electricity Distributors.

Response - Garland IR#6(c1)

The Applicants respectfully submit that the information requested in this Garland IR#6(c1) is not relevant to the OEB's review of a consolidation application. The value attributed to WCHEI during the

amalgamation negotiations was used solely for the purposes of determining the Town of Goderich's relative ownership position in ERTH Corporation following the amalgamation fo WCHEI and ETPL. The Applicants submit that this information has no impact on the financial viability of the amalgamated LDC and, accordingly, respectfully decline to file evidence in response to this Garland IR#6(c1).

Response - Garland IR#6(c2)

As addressed in Exhibit B, Tab 6, Schedule 3 of the Application, a valuation of WCHEI was undertaken for the purposes of determining the Town of Goderich's relative ownership position in ERTH Corporation following the amalgamation fo WCHEI and ETPL.

Regarding Mr. Garland's request of a sale value, the Applicants respectfully submit that this information is not relevant to the OEB's review of a consolidation application pursuant to the *Consolidation Handbook*. In particular, the *Consolidation Handbook* states that the OEB will not consider whether the parties "could have achieved a better transaction than that being put forward for approval in the application." The Applicants therefore respectfully decline to file evidence in response to this Garland IR#6(c2).

GARLAND IR # 7

Reference: June 26, 2017 'Goderich Hydro Report' (34+ p. = 47 p.) to Town Council on the proposed merger.
MADD Exhibit B, Tab 3, Schedule 2, (p. 1 & 2)
MADD Exhibit B, Tab 4. Schedule 3 and referenced Attachment 5

Preamble:

While the GH report portrays the merger as being "a potential merger of West Coast Huron Energy Inc. (Goderich Hydro) and Erie Thames Powerlines" (p. 1 Executive Summary), the 'Letter of Intent' legal document in the report shows the proposed merger is with ERTH Corporation (p. 43-47). ETPL is one of four operating companies owned by ERTH (p. 14) and the one that WCHE / GH would be amalgamated with.

WCHE / GH and ETPL and ERTH Corporation Questions:

- a) Please confirm that the proposed merger is with ERTH Corporation and that ET is merely one of four operating companies wholly owned by ERTH (GH p.14)?
- b) How do you reconcile four operating companies wholly owned by ERTH (GH p.14): Erie Thames Powerlines, ERTH Business Solutions, ERTH Infrastructure Services, ERTH Business Technologies, with three operating companies wholly owned by ERTH (MADD 1st ref. above)?
- c) Please provide a copy of the "ERTH Shareholder Agreement" cited in the 'Letter of Intent' at GH page 45 clause 7.
- d) 'Legal Agreements to Implement the Transaction' are mentioned (MADD 2nd ref.) but only *the Share Purchase Agreement* "terms and conditions" are included in the referenced Attachment 5. Please provide copies of the Schedules cited in clause 2 (MADD 2nd ref. p. 10), none of which appear to be attached to Attachment 5. Specifically, please provide copies of Schedule 1.138 "Letter of Intent" which appears in G.H. Report (p. 43 - 47), Schedule 1.13 "Amalgamation Agreement", and Schedule 1.1.26(b) "ERTH Corporation Consolidated 2015 Financial Statement".

Response - Garland IR#7(a)

The proposed transaction is an amalgamation of two local distribution companies (LDCs), namely WCHEI and ETPL. If approved by the OEB, these two companies will be legally amalgamated and their operations will be consolidated. As a means to effect the above transaction, the Town of Goderich will receive shares in the amalgamated LDC's parent holding company, namely ERTH Corporation.

Applicants' respectfully direct Mr. Garland to Exhibit B, Tab 3, Schedule 2 of the Application which sets out a corporate chart for ERTH, ETPL and its affiliated companies.

Response - Garland IR#7(b)

The Applicants submit that the corporate chart for ERTH, ETPL and its affiliated companies is set out in Exhibit B, Tab 3, Schedule 2 of the Application. This interrogatory references a public consultation document presented to the Town of Goderich, which makes references to ETPL and ERTH's competitive business lines, not ERTH's legal operating companies.

Response - Garland IR#7(c)

The Applicants respectfully submit that the information requested in this Garland IR#7(c) is not relevant to the OEB's review of a consolidation application. As noted above, the Town of Goderich will receive shares ERTH Corporation as a means of effecting the proposed amalgamation of WCHEI and ETPL. ERTH Corporation's shareholder agreement was disclosed to the Town of Goderich during negotiations; however, the Applicants submit that the governance of ERTH Corporation is beyond the scope of this proceeding. The Applicants respectfully submit that the OEB appropriately regulates and oversees the governance of WCHEI and EPTL, and will continue to do so for the amalgamated LDC following the closing of the proposed amalgamation. Accordingly, respectfully decline to file evidence in response to this Garland IR#7(c).

Response - Garland IR#7(d)

As attached to these interrogatory responses, the Applicants have submitted all outstanding legal agreements to implement the transaction, namely a draft Amalgamation Agreement to be attached as Schedule 1.1.3 to the Share Purchase Agreement. This document will be signed by the parties on or before the legal closing of the proposed amalgamation. Although the Applicants' submit that it is a negotiating document and thereby not relevant pursuant to the *Consolidation Handbook*, the Applicants have also attached the Letter of Intent as it provides a good

overview of the mechanics effecting the proposed amalgamation of WCHEI and ETPL.

The Applicants' submit that the remaining schedules to the Share Purchase Agreement are not relevant to this proceeding, and, accordingly, respectfully decline to file any additional evidence in response to this Garland IR#7(d).

GARLAND IR # 8

Reference: June 26, 2017 'Goderich Hydro Report' (34+ p. = 47 p.) to Town Council on the proposed merger.

The Corporation of the Town of Ingersoll Notes to Consolidated Financial Statements, December 31, 2016 (2 p.) [attached].

MADD Exhibit B, Tab 6, Schedule 6, (p. 1)

MADD Attachments 7, 8, 9, 10

OEB approved "2016 Yearbook of Electricity Distributors" (4 p.) [attached].

Preamble:

While the report portrays ERTH as a private company for which financial information is 'private and confidential,' a summary of the financial position and operations of ERTH Corporation is publicly available (Source: The Corporation of the Town of Ingersoll, Notes to Consolidated Financial Statement, December 31, 2016, Note 3.).

WCHE / GH and ETPL and ERTH Corporation Questions:

- a) Please confirm that the above referenced Ingersoll information is an accurate summary of ERTH according to the Town of Ingersoll?
- b) Please confirm that in 2016 ERTH had a Long-term Debt of \$33.9 Million while ET had a Long-term Debt of \$19.9 Million, meaning that the other three operating companies of ERTH contributed \$14.0 Million of debt to ERTH's 2016 Long-term Debt?
- c) Please confirm that in 2016 ERTH had a Total Income of \$1.16 Million of which ET contributed \$1.08 Million, meaning that the other three operating companies of ERTH contributed only \$0.08 Million to ERTH's 2016 Total Income?
- d) Please confirm that shares in ERTH Corporation have no known intrinsic value, other than the assigned \$1 per share assigned by ERTH Corporation itself, and that ERTH raises share capital by simply printing more shares and exchanging those for tangible assets?
- e) Please confirm that the intrinsic value of ERTH shares is untested in the market, and that as a result those shares are high risk and speculative with unknown value [see p. 40 point 3) in GH report]?
- f) ERTH Corporation is clearly a major party to the transaction yet no audited ERTH financial statements are included in MADD Attachments 7 through 10. Please provide copies of ERTH audited financial statements for 2016 and 2015 with detailed notes and identify the auditor.
- g) Why were financial statements of ERTH Corporation that are public [eg. The Corporation of the Town of Ingersoll Notes to Consolidated Financial Statements, December 31, 2016 (2 p.)] not made public in the GH Report, in open sessions of Goderich Town Council, and in the MADD?
- h) How do you reconcile the differences between the 2016 financial statements in the MADD Attachments 7, 9 and the financial information in the OEB approved "2016 Yearbook of Electricity Distributors" (p. 19, 27, 31, 39)? For example ETPL 2016 'Property, plant and equipment' in MADD Attachment 7 is \$36.8 Million while in the 2016 Yearbook it is listed as \$37.3 Million, an 'actual' difference of \$487,594.

Response - Garland IR#8(a)

The Applicants' respectfully submit that financial information of ERTH Corporation is not relevant to the OEB's review of an amalgamation of ETPL and WCHEI. Instead of deciding on alternative means of

consolidating WCHEI and ETPL (e.g. sale for cash consideration), the Town of Goderich instead chose to take shares in ERTH Corporation as a means of consideration. As per the *Consolidation Handbook*, the type and amount of consideration associated with a proposed merger are not relevant to this proceeding unless such consideration impacts the financial viability of the amalgamating LDC. The Applicants submit that the Town of Goderich's relative ownership position in the parent company of the amalgamated LDC will have no impact on the financial performance or financial viability of the amalgamated LDC.

Regarding the financial information regarding ERTH Corporation that was summarized in the Corporation of the Town of Ingersoll's consolidated financial statements, the Applicants respectfully submit they cannot speak to the Corporation of the Town of Ingersoll's financial statements as the Applicants' were not involved in their preparation.

The Applicants respectfully submit that the Town of Goderich, the Town of Ingersoll or any of ERTH Corporation's other seven municipal shareholders are not parties to this proceeding. Accordingly, the Applicants' respectfully decline to provide evidence in response to this Garland IR#8(a) as it is not relevant to an OEB consolidation proceeding involving WCHEI and ETPL.

Response - Garland IR#8(b)

The Applicants submit that the audited financial statements - which set out long term debt - for ETPL and WCHEI were submitted with the Application.

However, the Applicants' respectfully submit that financial information regarding ERTH Corporation, as presented in the Corporation of the Town of Ingersoll's financial statements, is not relevant to the OEB's review of an amalgamation of ETPL and WCHEI. Moreover, the Applicants cannot speak to the Corporation of the Town of Ingersoll's financial statements as the Applicants' were not involved in their preparation. Accordingly, the Applicants' respectfully decline to provide evidence regarding the ERTH

Corporation's long-term debt as presented in the Town of Ingersoll's financial statements.

Response - Garland IR#8(c)

The Applicants submit that the audited financial statements - which set out revenue and net income - for ETPL was submitted with the Application. However, the Applicants' respectfully submit that financial information regarding EARTH Corporation, as presented in the Corporation of the Town of Ingersoll's financial statements, is not relevant to the OEB's review of an amalgamation of ETPL and WCHEI. Moreover, the Applicants cannot speak to the Corporation of the Town of Ingersoll's financial statements as the Applicants' were not involved in their preparation. Accordingly, the Applicants' respectfully decline to provide evidence regarding the EARTH Corporation's net income as presented in the Town of Ingersoll's financial statements.

Response - Garland IR#8(d)

The Applicants submit that:

- EARTH Corporation owns 100% of one of the merging LDCs, namely ETPL.
- EARTH Corporation, is currently owned by eight Ontario municipalities.
- The relative ownership of each municipality is set out in Exhibit B Tab 4 Schedule 2 of the Application in support of the proposed amalgamation.

However, the Applicants respectfully submit that the value of the shares of EARTH's eight municipal shareholders is not relevant to the OEB's review of a consolidation application as they have no impact from a "no harm" perspective. Accordingly, the Applicants' respectfully decline to provide evidence regarding the value of shares in EARTH Corporation.

Response - Garland IR#8(e)

Please see the Applicants' response to Garland IR#8(d) above.

Response - Garland IR#8(f)

The Applicants submit that ERTH Corporation (and its eight municipal shareholders) and the Town of Goderich are parties to the proposed transaction, as evidenced by their prior approvals of the proposed transaction in satisfaction of the requirements under the *Municipal Act, 2001* and *Ontario Business Corporations Act*. However, the Applicants respectfully submit that ERTH Corporation (and its eight municipal shareholders) and the Town of Goderich are not parties to this proceeding, and the information requested in this interrogatory has no impact from a "no harm" perspective. Accordingly, the Applicants' respectfully decline to provide evidence in response to this Garland #8(f).

Response - Garland IR#8(g)

The Applicants submit that municipal shareholders of ERTH Corporation are bound by confidentiality requirements set out in its shareholder agreement. Disclosure of any financial information of ERTH Corporation constitutes confidential information under the confidentiality agreement. Any financial information posted publicly by the Town of Ingersoll would have been made in violation of this confidentiality clause.

Response - Garland IR#8(h)

The Applicants submit that, in certain cases, the OEB's the OEB's Yearbook of Electricity Distributors groups general ledger accounts differently than the groupings used in audited financial statements, which describes the variations described in Garland IR#8(h).

GARLAND IR # 9

Reference: June 26, 2017 'Goderich Hydro Report' (34+ p. = 47 p.) to Town Council on the proposed merger.
MADD Attachment 6 (p. 1, 2)

Preamble:

Under the proposed merger agreement's 'Letter of Intent' Goderich Hydro is valued at \$6.095 Million and the Town of Goderich will give Goderich Hydro to ERTH for 6.095 Million ERTH shares. The Town of Goderich will then own 22.5% of 2018 ERTH Corporation and have 1 voting share (11.1%) out of a new total of 9 voting shares.

a)

WCHE / GH and ETPL and ERTH Corporation Questions:

- a) Under the proposed "merger" will the Town of Goderich ultimately be responsible for any of ERTH Corporation's current or future debt?
- b) What is the financial risk of ERTH Corporation, and how will Goderich realize the value of its proposed \$6.095 Million shares in ERTH?
- c) If the proposed 'merger' goes through, will Council be able to openly discuss ERTH Corporation business in public at its regular Council Meetings?
- d) If the proposed 'merger' goes through, what ongoing information will be available to both Council and citizens regarding Goderich's investment in ERTH?

Response - Garland IR#9(a)

As disclosed in WCHEI's financial statements (and as discussed in the Applicant's response to McCartney IR#4), the Town of Goderich holds promissory notes with WCHEI. The Applicants submit that these promissory notes will remain in force following the proposed amalgamation, and the amalgamated LDC will remain legally obligated to honour the terms of the above-referenced promissory notes.

As described in the Application, the Town of Goderich (the "Town") will be a shareholder of ERTH Corporation and, as such, the Town is not personally liable for the debts of the corporation.

Response - Garland IR#9(b)

The Applicants respectfully submit that the value of the Town of Goderich's investment in ERTH and the financial risk of ownership in ERTH Corporation is outside of the scope of this proceeding. In particular, these

factors will have no impact on the financial viability of the newly consolidated entity. Accordingly, the Applicants' respectfully decline to provide evidence in response to this Garland #9(b).

Response - Garland IR#9(c)

As regulated electricity distributors, the Applicants submit that information related to the WCHEI, ETPL and the proposed amalgamated LDC will be publicly-available. The Town of Goderich and ERTH Corporation's municipal shareholders may discuss this information pursuant to their own policies and procedures.

The Applicants' submit that the Town of Goderich's council meeting procedures and their disclosure of other matters related to ERTH Corporation are beyond the scope of this proceeding. Accordingly, the Applicants' respectfully decline to provide evidence in response to this portion of Garland #9(c).

Response - Garland IR#9(d)

Please see the Applicants' response to Garland IR#9(c) above. Accordingly, the Applicants' respectfully decline to provide evidence in response to this interrogatory.

GARLAND IR # 10

Reference: June 26, 2017 'Goderich Hydro Report' (34+ p. = 47 p.) to Town Council on the proposed merger.
MADD Exhibit B, Tab 4, Schedule 4, (p. 1)
MADD Attachment 6 (p. 1, 2)

Preamble:

The Letter of Intent referenced in the July 17, 2017 Goderich Town Council Meeting Resolution "in the form attached to this resolution as Schedule A" (MADD 3rd ref. p. 2, clause 1.) is not attached.

WCHE / GH Questions:

- a) Please provide a copy of the above referenced 'Letter of Intent' which makes it clear that the merger is with ERTH Corporation.
- b) Please provide the dates of Council Meetings where the proposed merger was discussed by Council. For each meeting please provide detailed minutes of discussion, the motions voted upon by Council, recorded votes by motion and a DVD copy of that portion of each meeting where the proposed merger was discussed and dealt with by Council including deputations to Council.

Response - Garland IR#10(a)

Please see the Applicants' response to Garland IR#7(d) above. As per the response in Garland IR#7(b), the Applicants' respectfully decline to provide evidence in response to this interrogatory.

Response - Garland IR#10(b)

The Applicants respectfully decline to file evidence in response to this portion of interrogatory as it is not relevant to this proceeding pursuant to the terms of the *Consolidation Handbook*. The Town of Goderich (the "Town") is not a party to this proceeding and the Applicants respectfully suggest that Mr. Garland contact the Town directly to address questions and concerns related them.

GARLAND IR # 11

Reference: MADD Exhibit B, Tab 3, Schedule 3, (p. 1)
MADD Exhibit B, Tab 3, Schedule 5, (p. 1)
MADD Exhibit B, Tab 5, Schedule 1, (p. 2, 3)
Attachments 4

Preamble:

The merged entity is to move its North operations centre in Mitchell to Goderich (MADD 1st & 2nd ref. above).

WCHE / GH and ETPL Questions:

- a) In the absence of the merger would WCHE / GH maintain its operations centre at 240 Huckins Street in Goderich?
 - b) How would the proposed move from Mitchell to Goderich create operational efficiencies for ETPL's existing customers?
-
- c) The proposed move would be to the extreme north west of ETPL's North service area with the Goderich location having no service area to the west, which is anticipated to remain occupied by Lake Huron. How could response times be better from Goderich than Mitchell for ETPL's North service area customers?
 - d) In the absence of the merger would ETPL maintain its operations centre in Mitchell?
-

Response - Garland IR#11(a)

As set out in the Application, the Applicants confirm that the amalgamated LDC will maintain its operations centre at 240 Huckins Street, Goderich.

Response - Garland IR#11(b)

The Applicants submit that proposed move of ETPL's current operations centre from Mitchell to Goderich to service the amalgamated LDC's North service area will create operational efficiencies in the following ways:

- The consolidation of the Mitchell and Goderich operation centres into one physical location will result in reduced costs and improved coordination among operation staff in the North service area.

- Following the proposed amalgamation with WCHEI, the amalgamated LDC will have approximately double the line persons to service its North service territory, including Mitchell and Goderich.

Response - Garland IR#11(c)

Please see the Applicants' response to VECC IR#7(d). As per that response, the Applicants' respectfully decline to provide evidence in response to this interrogatory.

Response - Garland IR#11(d)

The Applicants submit that ETPL would continue to pay lease payments for an operations centre in Mitchell (or nearby) in the event that the proposed amalgamation does not proceed.

GARLAND IR # 12

Reference: MADD Exhibit B, Tab 6, Schedule 3, (p. 1)

Preamble:

It is stated under the title "Valuation of Assets and Shares" that "BDO Canada LLP was jointly hired by the Parties to complete a valuation of the issued and outstanding shares of ERTH and WCHEI for purposes of merger negotiations ..." However no valuation of assets and shares is provided.

WCHE / GH and ETPL and ERTH Questions:

- a) Please describe any previous dealings that each of the applicants, including ERTH, have had with 'BDO Canada LLP' or its principals.
- b) Please provide copies of the valuation reports prepared by BDO Canada LLP for WCHE and ERTH Corporation.
- c) Did WCHE / GH independently test to see whether ERTH shares were worth \$1 per share? If so, how was this check done, by whom, and what were the calculations?
- d) It is my understanding that Goderich Town Council, by majority vote, voted 'No' to an Independent Evaluation of the proposed transaction by a specialist in mergers and acquisitions. Did WCHE / GH, ETPL or ERTH advise Council, or individual Council members, not to proceed with an Independent Evaluation of the transaction?
- d) Did WHCE / GH receive verbal or written assurances from ERTH as to the present or future value of ERTH shares and, if so, what were those assurances?

Response - Garland IR#12(a)

The Applicants can confirm that neither WCHEI, ETPL nor its affiliates have had any dealings with BDO Canada LLP within (at least) the last ten years.

Response - Garland IR#12(b)

Please see response to Board Staff IR#11. Accordingly, the Applicants' respectfully decline to provide evidence in response to this interrogatory.

Response - Garland IR#12(c)

Please see response to Garland IR#6(c2). Accordingly, the Applicants' respectfully decline to provide evidence in response to this interrogatory.

Response - Garland IR#12(d)

The Applicants' submit that the information regarding the Town of Goderich's public consultation with respect its future ownership options of WCHEI is beyond the scope of this proceeding. Accordingly, the

Applicants' respectfully decline to provide evidence in response to this interrogatory.

Schedule 1.1.3

AMALGAMATION AGREEMENT

THIS AGREEMENT made as of the _____ day of _____,
20_____.

BETWEEN

ERIE THAMES POWERLINES CORPORATION, a corporation
incorporated under the laws of the Province of Ontario (“**Erie Thames**”)

-and-

WEST COAST HURON ENERGY INC., a corporation incorporated
under the laws of the Province of Ontario (“**West Coast**”)

WITNESSES THAT:

WHEREAS at the date hereof all of the issued and outstanding shares of Erie Thames are beneficially owned by and are registered in the name of ERTH Corporation;

AND WHEREAS at the date hereof all of the issued and outstanding shares of West Coast are beneficially owned by and are registered in the name of ERTH Corporation;

AND WHEREAS the parties hereto wish to amalgamate and continue as one corporation pursuant to the provisions of subsection 177(2) of the *Business Corporations Act* (Ontario) (the “Act”) upon the terms and conditions hereinafter set out;

NOW THEREFORE, the parties hereto agree as follows:

1. In this Agreement the term “Amalgamated Corporation” shall mean the corporation continuing from the amalgamation of Erie Thames and West Coast.
2. Erie Thames and West Coast hereby agree to amalgamate under the provisions of subsection 177(2) of the Act, and to continue as one corporation under the terms and conditions hereinafter set out and to file Article of Incorporation accordingly.
3. The name of the Amalgamated Corporation shall be [**ERTH Power** or **ERTH Energy**].

4. The address and municipality or geographic township in Ontario where the registered office of the Amalgamated Corporation is to be situated at 143 Bell Street, Ingersoll, Ontario until changed in accordance with the Act;
5. The Articles of Amalgamation shall be the same as the articles of Erie Thames, subject to the name change described in Section 3 above.
6. The authorized capital of the Amalgamated Corporation shall be the same as the authorized capital of Erie Thames.
7. Upon the amalgamation of Erie Thames and West Coast, the issued and outstanding shares of Erie Thames and West Coast shall be cancelled without any repayment of capital in respect thereof and each of the issued shares of Erie Thames and West Coast shall be converted share for share into Common Shares of the Amalgamated Corporation.
8. Upon the amalgamation of Erie Thames and West Coast, each certificate representing issued and outstanding shares of Erie Thames and West Coast shall represent the same number and class of shares of the Amalgamated Corporation and each certificate representing issued and outstanding shares of Erie Thames and West Coast shall be cancelled.
9. No securities shall be issued and no assets shall be distributed by the Amalgamated Corporation in connection with the amalgamation.
10. The by-laws of the Amalgamated Corporation are to be those of Erie Thames, until repealed, amended, altered or added to in accordance with the Act.
11. The first directors of the Amalgamated Corporation shall be the directors of Erie Thames in office immediately before the amalgamation of Erie Thames and West Coast. The said first directors shall hold office until the first meeting of the Shareholders of the Amalgamated Corporation or until their successors are elected or appointed in accordance with the Act. No such first director shall be permitted to resign unless at the time the resignation is to become effective a successor is elected or appointed.
12. The Officers of the Amalgamated Corporation shall, until changed by the Directors be the officers of Erie Thames in office immediately before the amalgamation of Erie Thames and West Coast.
13. Each of the parties shall contribute to the Amalgamated Corporation all of its assets, subject to its liabilities.
14. Upon the Board of Directors of each Erie Thames and West Coast approving the amalgamation herein provided for pursuant to subsection 177(2) of the Act, Articles of Amalgamation in prescribed form shall be sent to the Directors under the Act together with the other documents required by section 178 of the Act so as to effect the Amalgamation.

15. For all intents and purposes this agreement is intended to be effective the _____ day of _____, 20_____.

IN WITNESS WHEREOF this Agreement has been fully executed by the parties hereto.

)	Erie Thames Powerlines Corporation
)	
)	
)	
)	_____
)	Per:
)	
)	
)	West Coast Huron Energy Inc.
)	
)	
)	_____
)	Per:

SCHEDULE A

June 6, 2017

Town of Goderich
57 West Street
Goderich ON N7A 2K5

-and-

West Coast Huron Energy Inc.
57 West Street
Goderich ON N7A 2K5

Re: Amalgamation of West Coast Huron Energy Inc. and Erie Thames Powerlines Corporation in exchange for shares in ERTH Corporation

The purpose of this letter of intent is to set out certain non-binding understandings and certain binding agreements between Town of Goderich (“**Goderich**”) and ERTH Corporation (“**ERTH**”) with respect to an amalgamation of the parties’ wholly-owned local distribution companies, namely West Coast Huron Energy Inc. (“**WCHEI**”) and Erie Thames Powerlines Corporation (“**ETPL**”) (the “**Proposed Transaction**”).

1. Proposed Transaction

The Proposed Transaction will involve the following steps:

- (a) ERTH would acquire all of the issued and outstanding shares of WCHEI. As consideration for its shares in WCHEI, Goderich will receive the following:
1. one (1) Class A share in the capital of ERTH (the “**Voting Share**”), which entitles Goderich to an equal vote at all meetings of ERTH directors and shareholders;
 2. Six Million Ninety Five Thousand Nine Hundred and Twenty Four (6,095,924) Class B shares in the capital of ERTH (the “**Payment Shares**”), representing a relative ownership position of 22.5%, which entitles Goderich this proportionate share of any future dividends or return of capital paid by ERTH; and
 3. such other payments and benefits described in this letter.

- (b) Immediately following the transaction described above, WCHEI and ETPL will amalgamate pursuant to an amalgamation agreement creating a single merged local distribution company (the “**Merged LDC**”).

2. Definitive Agreements

The parties shall use commercially reasonable efforts to negotiate and execute definitive legal agreements to effect the Proposed Transaction upon the terms set forth in this letter (the “**Definitive Agreements**”). The Definitive Agreement will include the terms and conditions reflected in this letter and the usual provisions contained in similar agreements negotiated between arm’s length parties (including, without limitation, covenants, conditions, representations, warranties and indemnities).

3. Conditions of Closing

The Definitive Agreements would provide that completion of the Proposed Transaction would be subject to the usual conditions contained in similar agreements negotiated between arm’s length parties including, by way of illustration and without limitation, the following conditions (the “**Conditions**”):

- (a) Finalization of the due diligence process described in Section 4 below to the satisfaction of the parties; and
- (b) Receipt of all consents, approvals, exemptions and authorizations necessary in order to complete the Proposed Transaction including, without limitation:
 - (1) approval of the Proposed Transaction and Definitive Agreements by a majority of EARTH’s board of directors and two-thirds of EARTH’s municipal shareholders;
 - (2) approval of the Proposed Transaction and Definitive Agreements by the WCHEI board of directors and its sole shareholder, Goderich;
 - (3) approval from the parties’ respective financial institutions;
 - (4) negotiation and execution of the necessary post-closing employment, service or other agreements required upon closing; and
 - (5) necessary approvals of the Proposed Transaction by the Ontario Energy Board (“**OEB**”), including (i) MAAD (Mergers, Amalgamations, Acquisitions and Divestitures) approval pursuant to sections 85 and 86 of the OEB Act, 1998 and (ii) a license amendment for the Merged LDC pursuant to section 74 of the OEB Act, 1998.

The Definitive Agreements will also contain such representations and warranties, covenants, events of default, buy out rights, indemnifications, and other terms and conditions as are typical and may be acceptable to the parties.

4. Due Diligence

Following the execution of this letter, the parties and their representatives will finalize their due diligence investigation of the business, affairs and financial condition of WCHEI, ETPL, and ERTH, including financial, commercial, marketing, employee, legal, taxation, systems, regulatory and environmental matters, on or before the Closing Date.

5. Transaction Timing and Closing

Upon execution of this letter, the parties agree to use commercially reasonable efforts to (i) negotiate the Definitive Agreements and satisfy the Conditions, including the completion of due diligence, in a timely manner, and (ii) obtain municipal shareholder approval to execute the Definitive Agreements and submit an application for OEB regulatory approval no later than September 15, 2017.

The Proposed Transaction will close (i) within thirty (30) days of the date on which all the Conditions have been satisfied or waived, including the receipt of OEB regulatory approval or (ii) such other date as agreed to by the parties in writing (the “**Closing Date**”).

6. Promissory Note

Following the closing of the Proposed Transaction, the Merged LDC will continue to be bound by and make payments on the promissory note(s) that the Town of Goderich holds with WCHEI. The parties agree that the amount of promissory note(s) referenced in this paragraph shall not exceed \$3,000,000 and the interest payable thereon shall not exceed 7.25%.

7. Governance and Shareholder Rights

On the Closing Date, Goderich will become a shareholder of ERTH and execute an accession agreement whereby Goderich will become a party to ERTH’s shareholder agreement. (the “**ERTH Shareholder Agreement**”). The Voting Share described in Section 1(a)(1) will entitle Goderich to one equal vote at all meetings of the ERTH board of directors and shareholders, and the Payments Shares described in Section 1(a)(2) will entitle Goderich to a proportionate share of any future dividends or return of capital paid by ERTH.

8. Post Closing Matters

Upon the closing the Proposed Transaction:

- (a) Employees - The Merged LDC would provide job and locational guarantees to all employees of WCHEI for a minimum period of three (3) years following the closing of the Proposed Transaction;
- (b) Operation Centre - The Merged LDC will enter into ten (10) year lease (with an option to extend for an additional term) (the “Lease”) to occupy 240 Huckins Street, Goderich, Ontario (the “**Goderich Building**”) where the Merged LDC will maintain its Highway 8 operations centre and headquarters servicing Goderich, Mitchell, Clinton and Dublin. The parties agree that the lease payments payable by the Merged LDC under the Lease shall be the greater of (i) the lease amount currently paid by WCHEI for the Goderich Building (i.e. \$70,000 per year) or (ii) a lease rate established following a review of market value for a comparable location (which shall be undertaken on a regular basis following the closing of the Proposed Transaction. ERTH will also explore new opportunities to move additional competitive businesses to the Goderich Building, including a traffic and street lighting division servicing Huron County and neighbouring communities, following the closing of the Proposed Transaction;
- (c) Rates - The Proposed Transaction will not result in increased electricity distribution rates for customers of WCHEI or ETPL. The distribution rates payable by the customers of WCHEI and ETPL on the Closing Date will not be rebased for a minimum period of five (5) years following the Proposed Transaction; and
- (d) Water Billing - After the Closing Date, ERTH shall provide and Goderich will continue to receive water and sewer billing services at the historical rate of approximately \$42,500 per year. These rates shall be increased over a three (3) year period to reflect market rates comparable to the fees charged to ERTH’s shareholders for these services.

9. Confidentiality

The confidentiality provisions set forth in the Mutual Agreement of Confidentiality and Non-Disclosure dated August 15, 2016 shall continue to apply to the parties.

10. Exclusivity

To allow the parties to negotiate and execute the Definitive Agreements, Goderich agrees not to, directly or indirectly, solicit or entertain any offer for the purchase of all or any of the WCHEI shares for a One Hundred and Eighty (180) day period following the date of execution of this letter (the “Exclusivity Period”), and Goderich further agrees to deal exclusively with ERTH during such the Exclusivity Period.

11. Termination

If, despite the commercially reasonable efforts of the parties, Definitive Agreements are not negotiated and executed by the parties by the end of the Exclusivity Period, then any party shall be entitled to terminate this letter by written notice to the other party, provided that the parties’

undertaking as to the confidentiality contained in Section 9 above shall survive the termination of this letter, and that such termination shall not affect the liability of a party for breach of any of its binding commitments prior to the termination.

12. Binding Nature

The parties specifically acknowledge that this letter is not an obligation of funds, nor does it create a legally binding commitment between the parties with the exception of (i) the obligations of confidentiality and exclusivity as described in Sections 9 and 10 above, and (ii) the parties' mutual undertaking to use commercially reasonable efforts to negotiate and executive Definitive Agreements on the terms and conditions described in this letter.

13. General

Unless expressly stated otherwise, all costs and expenses incurred in respect of this finalizing this letter and any resulting negotiations and agreements, including legal, accounting and other professional advisor fees, will be borne by the parties which incur the same. This letter and the Definitive Agreements will be interpreted and enforced in accordance with the laws of the Province of Ontario. All amounts referred to in this letter are expressed in Canadian dollars. This letter may be executed in any number of counterparts, and all such counterparts taken together shall be deemed to constitute one and the same instrument.

If this letter accords with your understanding of our discussions, please sign and return the copy of this letter via email or courier or on or before July 31, 2017. If your approval and acceptance have not been obtained by such date, the offer contained in this letter shall be null and void.

Yours very truly,

ERTH CORPORATION



Chris White
President & CEO

ACCEPTED AND AGREED as of this 17th day of July, 2017.



MAYOR, Kevin Morrison



CLERK, Dwayne Evans

VECC- 01

Reference: Exhibit B/Tab 2/Schedule 1, page 2 (last bullet)

- a) Please provide listing of all the operating, maintenance and administrative services provided by EPTL, ERTH and its competitive affiliates to WCHE in 2016 and the total value of the services provided in each of the three categories.

Response - VECC- 01(a)

The operating, maintenance and administrative services provided by EPTL, ERTH and its competitive affiliates to WCHEI in 2016 are listed below:

- **MSP Maintenance**
- **Accredited Meter Verification**
- **Financial System Hosting and Support**
- **Billing Services**
- **Asset Management Services**
- **Engineering Design Services**
- **Utility Metering Services**
- **Utility Management Services**
- **Project Administration re: Miscellaneous (e.g. generation, storage, etc.)**

The total value of the services provided in each of the three categories are listed below:

	2016 Costs
Operating	\$ 135,806.55
Maintenance	\$ 15,508.43
Administration	\$ 258,429.21
Total	\$ 409,744.19

b) Please provide a listing of the capitalized items provided by EPTL, ERTH and its competitive affiliates to WCHE in 2016 and the total value of the items provided.

Response - VECC- 01(b)

The capitalized items provided by EPTL, ERTH and its competitive affiliates to WCHEI in 2016 are listed below:

- Project Design Work
- Capital Metering Work
- Project Management of Capital Projects

The total value of the capitalized items described above include:

	2016 Capital
Design	\$ 78,897.24
Metering Costs	\$ 6,510.60
Capital Projects	\$ 22,501.10
Total	\$107,908.94

VECC-02

Reference: Exhibit B/Tab 2/Schedule 1, page 3 Exhibit B/Tab 3/Schedule 4, page 1

- a) The customer counts set out in the above references do not reconcile with those in the OEB's 2016 Yearbook of Electricity Distributors. What is the basis for the customer counts set out in the Application?

Response - VECC- 02(a)

The Applicants submit that the customer counts set out in the above references are 2017 customer counts as opposed to the customer counts set out in the OEB's 2016 Yearbook of Electricity Distributors.

VECC-03

Reference: Exhibit B/Tab 2/Schedule 1, page 5 (last paragraph)

- a) What was the 2016 regulatory net income and resulting ROE for each of EPTL and WCHE?

Response - VECC- 02(a)

The Applicants submit that their respective 2016 regulatory net income and resulting ROE are set out below:

ETPL

- **2016 Regulatory Net Income = \$1,528,390**
- **2016 ROE = 9.33%**

WCHEI

- **2016 Regulatory Net Income = \$175,704**
- **2016 ROE = 4.13%**

- b) If available, what was the 2017 regulatory net income and resulting ROE for each of EPTL and WCHE?

Response - VECC- 02(b)

The Applicants submit that their respective 2017 regulatory net income and resulting ROE are set out below:

ETPL

- **2017 Regulatory Net Income = \$1,561,515**
- **2017 ROE = 9.22%**

WCHEI

- **2017 Regulatory Net Income = \$245,380**
- **2017 ROE = 6.00%**

VECC-04

Reference: *Exhibit B/Tab 2/Schedule 1, page 6 (second and fourth paragraphs) Attachment 12*

- a) Please provide a schedule setting out the regulatory asset accounts currently approved by the Board for each of EPTL and WCHE.

Response - VECC-04(a)

The regulatory asset accounts currently approved by the Board for each of ETPL and WCHEI are listed below:

Group One:

- **Account 1550: Low Voltage Variance Account**
- **Account 1551: Smart Metering Entity Charge Variance Account**
- **Account 1568: LRAM Variance Account**
- **Account 1580: RSVA Wholesale Market Service**
- **Account 1582: One Time Costs**
- **Account 1584: RSVA Network**
- **Account 1586: RSVA Connection**
- **Account 1588: RSVA Power**
- **Account 1589: RSVA Global Adjustment**
- **Account 1595: Disposition and Recovery/Refund of Regulatory Balances**

Group Two:

- **Account 1508: Other Regulatory Assets, Sub-account OEB Cost Assessment Variance**
- **Account 1508: Other Regulatory Assets, Sub-account – IFRS Transition Costs**
- **Account 1576: Accounting Changes Under CGAAP**

b) The Application states that certain of the current rate riders for EPTL and WCHE “will be in place until the next rebasing”. It is not evident from Attachment 12 which rate riders these are. Please identify.

Response - VECC-04(b)

The Applicants acknowledge the above-noted reference is unclear. The Applicants anticipate that certain rate riders will exist beyond the proposed amalgamation date and some geographically-specific rate riders may be required going forward in future IRM applications. The Applicants submit that it is possible that certain geographical variance accounts (Group 2) will be disposed of in Applicants’ next rebasing.

VECC-05

Reference: Exhibit B/Tab 3/Schedule 3, page 1; Exhibit B/Tab 5/Schedule 5, page 3; Attachment 11, WCHE 2016 Financial Statements (Note 27)

- a) With respect to WCHE, is the current office space in the same location as the operations centre?

Response - VECC-05(a)

WCHEI's current office space 57 West Street, Goderich is not in the same location as WCHEI's operations centre (240 Huckins Street, Goderich). Currently, WCHEI rents office space from the Town of Goderich. Upon closing of the proposed amalgamation, the amalgamated LDC will consolidate its office and operations centre at the same location (240 Huckins Street, Goderich). The location will serve as an operational hub for the amalgamated LDC's Highway 8 operations.

- b) With respect to WCHE, how are "call centre" services for addressing customer queries regarding billing, outages, etc. currently provided and where are they located?

Response - VECC-05(b)

WCHEI's "call centre" and "billing" services for addressing customer inquiries are currently provided by WCHEI employees located in the WCHEI's current office space at 57 West Street Goderich. Moving WCHE's call centre to Ingersoll will provide the amalgamated organization with greater resources for responding to customers' needs. This will be most beneficial in times of major events and storms where call volumes spike and being able to leverage more staff will provide customers with quicker call answer times and ensure that customers' needs are met in these situations. Currently, WCHEI supports its call centre with 2 staff and a manager that fills in as required. ETPL utilizes its billing and call centre staff to support customer calls and currently has the availability of 6 staff to be utilized at any given time. Therefore, the amalgamated LDC will be able to deploy up to 8 staff to support the call centre as the staff in

Goderich will have the ability to log into the amalgamated call centre remotely.

c) With respect to WCHE, where is the control room/centre currently located?

Response - VECC-05(c)

WCHEI's currently operates out of its operations centre located at 240 Huckins Street, Goderich. WCHEI's control room is currently manual in nature and not separate from operations. The amalgamated organization will be able to leverage ETPL's control room to give the customers of Goderich access to a control room that will allow for future automation and improved service for the community.

d) With respect to EPTL, are the planned call centre, control room and office locations for after the consolidation (per Schedule 5) the same as those currently used by EPTL? If not, what changes are planned?

Response - VECC-05(d)

The Applicants submit that the call centre, control room, and head office will continue to be located in Ingersoll (143 Bell Street, Ingersoll) following the proposed amalgamation. This move will give the amalgamated entity greater resourcing to cover its call centre and control room and provide the customer with enhanced services while also driving synergies that can be passed on to the customer upon rebasing.

VECC-06

Reference: Exhibit B/Tab 3/Schedule 5, page 1; Exhibit B/Tab 3/Schedule 3, page 1; Exhibit B/Tab 5/Schedule 1, pages 2-3; Attachment 4

- a) How many staff and vehicles are currently located in each of: i) WCHE's operations centre at 240 Huckins Street and ii) EPTL's northern regional service centre west of Mitchell?

Response - VECC- 06(a)

The number of staff and vehicles currently located at the following locations include:

- **WCHEI's Operations Centre (Goderich)**
 - **Vehicles - 4**
 - **Employees - 5**

- **ETPL's North Operations Centre (Mitchell)**
 - **Vehicles - 5**
 - **Employees - 4**

- b) The Application states that "ETPL intends to move ETPL's operations centre in Mitchell to Goderich" (Tab 5, Schedule 1, page 2). The Application also states that "staffing levels will not be changing" (Tab 5, Schedule 1, page 3). Does the current operations centre in Goderich have sufficient space to also accommodate the staff/vehicles from the Mitchell centre? If not, what changes are required and are the associated costs provided for in the Transition costs shown in Figures 5 and 6.

Response - VECC- 06(b)

The Applicants confirm that the current operations centre in Goderich has sufficient space to accommodate (i) the vehicles and staff from the Mitchell centre and (ii) the office staff moving from WCHEI's current office location, as described in response to VECC-05(a).

- c) Please provide a schedule setting out which of the existing three EPTL regional service centres typically currently service each of the 14 communities in ETPL's service area and indicate, for each, the associated distance and travel time (i.e., comparable to Attachment 4).

Response - VECC- 06(c)

A schedule setting out the communities currently served by ETPL's three regional service centres, with associated distance and travel time, is attached to these responses to the interrogatories of VECC.

- d) Tab 5, Schedule 1, page 2 claims that "the expected response times for customers in Mitchell will not change". Please explain how this is the case when the Application indicates that the current regional service centre west of Mitchell will be eliminated.

Response - VECC- 06(d)

The Applicants' submit that the expected response times for customers in Mitchell will remain well below the prescriptive one-hour response time mandated by the OEB. Moreover, the Applicants' respectfully submit that response time involves more than travel time but it also includes having sufficient resources and expertise to restore service. The Applicants submit that the expanded line staff and other additional resources associated with the proposed amalgamation will ensure that the response times for customers in Mitchell will not be materially impacted after the elimination of the Mitchell service centre. The Applicants also submit that ETPL has consistently met its OEB-mandated response time while serving a non-contiguous and wide serve territory.

VECC-07

Reference: Exhibit B/Tab 5/Schedule 1, page 1 (last paragraph) Exhibit B/Tab 6 Schedule 1, page 2

- a) With respect to Tab 6, Figure 9, please provide a schedule setting out the calculation of the “merged revenue requirement” for each of EPTL and WCHE. Please provide all supporting assumptions used in the calculations, in particular what customer count and load growth assumptions were used for each?

Response - VECC- 07(a)

The “merged revenue requirement” for each of ETPL and WCHEI, and supporting assumptions are set out below:

ETPL:

- Merged revenue requirement in 2019 equals the amount that ETPL has requested in its 2018 COS application.
- Merged revenue requirements in 2020 and beyond are IRM increases of approximately 1.5% per year in 2020 beyond.

WCHEI:

- Merged revenue requirements for WCHEI are IRM increases of 1.5% annually for the entire forecast.

Supporting Assumptions:

In preparing a forecast of the merged revenue requirements and the status quo revenue requirement, the Applicants assumed no increase in customer count or load growth in either scenario. The Applicants submit that this assumption is supported by the fact that growth levels for both LDCs’ service territories continue to be relatively modest. The status quo revenue requirement was calculated on forecasted rate base rather than attempting to forecast customer and load growth out into the distant future.

b) Please describe how, under the “status quo revenue requirement”, the revenue requirements for each of EPTL and WCHE were determined for their respective rebasing years (i.e., 2023 and 2019). Please provide all supporting assumptions used in the calculations.

Response - VECC- 07(b)

The “status quo revenue requirement” for each of ETPL and WCHEI, and supporting assumptions are set out below:

ETPL:

- Status quo revenue requirement in 2019 equals current requested revenue requirement from its current COS application before the OEB as part of the New Adjudicative Review of COS applications pilot.
- For ETPL’s subsequent COS application, the Applicants’ applied a static addition to capital spending annually coupled by 2% inflation in order to calculate rate base and, in turn, calculate revenue requirement for each of the future rebasing years that would be avoided.

WCHEI:

- Status quo revenue requirements for WCHEI in 2019 is based upon a calculation of expected rate base given 2017 financial results and 2018 forecasts for capital spending and operating expenses. These financial results and forecasts drove the calculation using current OEB deemed rates and percentages.
- For WCHEI’s subsequent COS application, the Applicants’ applied a static addition to capital spending annually coupled by 2% inflation in order to calculate rate base and, in turn, calculate revenue requirement for each of the future rebasing years that would be avoided.

c) Please indicate how, under the “status quo revenue requirement”, the revenue requirements for each of EPTL and WCHE were determined for the years following their respective rebasing years (i.e., 2023 and 2019). Please provide all supporting assumptions used in the calculations.

Response - VECC- 07(c)

Please see response to VECC-07(b) above.

d) Given the nine-year rebasing deferral what will be the rebasing year for the merged utility?

Response - VECC- 07(d)

The Applicants submit that the rebasing year for the amalgamated LDC will 2028 (assuming the proposed amalgamation is approved and closed in 2019.)

VECC-08

Reference: Exhibit B/Tab 5/Schedule 1, page 2 (Customer Value Creation)

- a) Please provide examples as to where/how the merger will “improve productivity through better utilization of existing assets”.

Response - VECC- 08(a)

The Applicants submit following as examples of where/how the merger will “improve productivity through better utilization of existing assets.”

- **Once amalgamated, ETPL and WCHEI will be able to leverage their combined existing assets in order to defer replacement of certain assets (e.g. vehicles) due to redundancies. The Applicants submit that its current combined fleet will provide surplus vehicles and avoid the replacement of a new bucket truck and an RBD in the near future.**
- **Currently, WCHEI and ETPL maintain separate CIS and financial databases. The proposed amalgamation will allow ETPL to house the merged systems using its current servers with minimal incremental cost, and increased efficiency as a database and server duplication is minimized.**
- **WCHEI does not currently have a SCADA or GIS system. Once amalgamated, ETPL will be able to merge WCHEI into its SCADA and GIS systems in a seamless and cost-effective manner giving existing WCHEI customers the benefit of these systems without the significant cost that would be incurred by WCHEI if it were to implement these services as a stand-alone LDC.**

b) Do the services currently provided to WCHE by EPTL include any asset management-related services? If so, what are these services?

Response - VECC- 08(b)

EPTL currently provides planning assistance with respect to WCHEI's asset management. In particular, ETPL provides services to assist WCHEI in determining which capital projects it should complete, and the timing of such projects, based on a risk matrix approach. However, the the day-to-day operation and management of WCHEI's assets are undertaken by employees of WCHEI.

c) Please explain why the same "best practices in asset management" could not be leveraged individually by both EPTL and WCHE if the merger did not occur.

Response - VECC- 08(c)

The Applicants submit that "best practices in asset management" could be leveraged individually by both ETPL and WCHEI. However, the amalgamated LDC will present more opportunities to leverage asset management and rationalize capital spending utilizing a larger pool of projects. The Applicants submit that this larger pool of projects will all be ranked within a risk matrix that will allow for improved use of resources and further ensure that the amalgamated LDC is optimizing its capital resources.

d) Please provide a schedule that compares:

- i. The CDM achievements for each of WCHE and ETPL for the period 2011-2014 versus their assigned targets.

Response - VECC- 08(d)(i)

The Applicants' CDM achievements for each of WCHEI and ETPL for the period 2011-2014, versus their assigned targets, are set out below:

- **ETPL achieved 36 GWH of 23 GWH Energy Savings (156%) and 2.9 MW of 5.2 MW (55.7%) Demand Savings**
- **WCHE achieved 4 GWH of 8.28 GWH Energy Savings (48.3%) and 0.5 MWH of 0.88 MW (56.8%) Demand Savings**

ii. The CDM achievements for each of WCHE and ETPL for the period 2015-2016 (or 2017 if available) versus their assigned targets.

Response - VECC- 08(d)(ii)

The Applicants' CDM achievements for each of WCHE and ETPL for the period 2015-2017, versus their assigned targets, are set out below:

- **ETPL achieved 20,212 MWH of 27,630 MWH or 73% (as of Dec. 31, 2017)**
- **WCHE achieved 3,827 MWH of 8,080 MWH or 47% (as of Dec. 31, 2017)**

e) What was the annual level of LEAP funding available in 2016 and 2017 for each of WCHE and ETPL?

Response - VECC- 08(e)

Please see response to VECC- 08(f) below.

f) Were either WCHE's or ETPL's LEAP funds fully utilized in either 2016 or 2017 such that funds were not available to assist potentially eligible customers? If yes, please indicate for which years and when (during the year) funds were depleted.

Response - VECC- 08(f)

Please see response to VECC- 08(f) below.

- **WCHEI was provided \$2,729 in LEAP funds in both 2016 and 2017. These funds were exhausted in April, 2016 and July, 2017, respectively.**
- **ETPL was provided \$11,825 in LEAP funds in both 2016 and 2017. These funds were not depleted for 2016 or 2017.**

VECC-09

Reference: Exhibit B/Tab 5/Schedule 1, page 2 (last paragraph); Exhibit B/Tab 5/Schedule 1, page 4 (first paragraph)

- a) Will the merged EPTL be in a better position to maintain/improve service levels “through the implementation of new technologies and adoption of best work practices” than its two predecessor utilities, if the merger did not proceed? If so, why?

Response - VECC- 09(a)

As compared to two stand-alone LDCs, the Applicants submit that the amalgamated LDC will be in a better position to improve service levels through the implementation of new technologies and adoption of best work practices, for the following reasons:

- **The administrative costs for the combined organization will be maintained at current ETPL levels as the addition of WCHEI customers will not materially change the management structure of the former stand-alone ETPL. These cost savings will enable the amalgamated LDC to invest in new technologies to improve the system and service for the existing customers of ETPL and WCHEI.**
- **Please see the response to VECC- 08(a) above for a description of the new and improved technologies related to the proposed amalgamation in the areas of CIS, financial systems, SCADA, and GIS.**
- **Please see the response to VECC- 08(c) above for a description of improved work practices related to asset management that would result from the proposed amalgamation.**

VECC-10

Reference: Exhibit B/Tab 5/Schedule 1, page 3

a) With respect to the first paragraph, it is readily understandable why, with the merged utility, harmonization of engineering standards is necessary to allow for efficient and effective inventory management and provision of spare equipment. However, please explain why such harmonization will lead to more efficient and effective inventory management and higher reliability than if the merger had not proceeded and each of the predecessor companies individually adopts “best engineering standards”.

Response - VECC- 10(a)

The harmonization of engineering standards following the proposed amalgamation will lead to more efficient and effective inventory management for the following reasons:

- **EPTL and WCHEI each pay a yearly licence fee for engineered constructions standards. The amalgamated LDC would need to pay only one licence fee.**
- **WCHEI and ETPL maintain separate inventories at their operation centres in Goderich and Mitchell, respectfully. Combining these inventories will result in reduced resources (e.g. time, inventory costs, etc.) to maintain a single inventory while maintaining the same level of reliability and risk for the combined service territory**

b) With respect to the second paragraph, please indicate:

- i. Specifically what the “greater resources” being referred to are and

Response - VECC- 10(b)(i)

The greater resources referred to include additional in-house staff resources, and improved access to capital and new technologies.

ii. In what ways these greater resources of the “larger utility” will allow it to expand its ability to monitor, report on and improve system reliability over what each of the individual utilities could be expected to achieve.

Response - VECC- 10(b)(ii)

The Applicants submit that the greater resources of the “larger utility” created by the proposed amalgamation will allow it to expand on its ability to monitor, report on, and improve on system reliability for the following reasons:

- **The amalgamated LDC will have a larger staff complement with increased internal capabilities that will be more cost effective for a larger distributor to develop or retain. For example, WCHEI currently has no engineers on staff, while ETPL employs engineers, engineering/metering technicians and technologists. Moreover, a larger staff compliment will allow staff to become more specialized in their roles and therefore become more proficient and knowledgeable.**
- **The proposed amalgamation is expected to result in improved asset management practices, utilizing the best practices of the predecessor LDCs. Moreover, the amalgamated LDC will have improved access to capital, with lower financing costs, for the purposes of financing traditional utility infrastructure investments and the introduction of new technologies.**
- **WCHEI does not currently have a SCADA or GIS system which is critical to track, report, plan and monitor the distribution system. Once amalgamated, ETPL will be able to merge WCHEI into its SCADA and GIS systems in a seamless and cost-effective manner giving existing WCHEI customers the benefit of these systems without the significant cost that would be incurred by WCHEI if it were to implemented these services as a stand-alone LDC. The initial base costs for the SCADA and GIS systems (e.g. servers, licences, implementation costs, etc.) have previously been realized**

by ETPL and now smaller investments into these systems can result in larger incremental gains to its capabilities for the amalgamated LDC.

c) With respect to the third paragraph, are there currently major differences between the policies and practices for system expansion between ETPL and WCHE?

Response - VECC- 10(c)

The Applicants' submit that there are currently no major differences between the policies and practices for system expansion as each LDC must comply with the prescriptive requirements of the Distribution System Code (DSC) when issuing an Offer to Connect. However, each LDC has different points of contact handling their expansion projects and there are differences in procedure, documentation, and overall communications. The Applicants respectfully submit that standardizing the approach to grid connections in a predictable, efficient and cost-effective manner will encourage new load and generation customers to locate in the amalgamated LDC's service territory.

d) With respect to the third paragraph, given the non-contiguous nature of the merged utility's service area, please explain how standardization of policies and practices for expansion of the distribution system will facilitate economic growth.

Response - VECC- 10(d)

The Applicants' submit that they are increasingly dealing with a common group of wholesale market participants, distributed energy resource providers, and developers looking to connect to the distribution grid at various points. Standardizing the approach to these grid connections in a predictable, efficient and cost-effective manner will encourage new load and generation customers to locate in the amalgamated LDC's service territory. As one example, having a single contact within the amalgamated LDC responsible for managing system expansions will enable a more consistent approach and streamline the process for developers and others looking to connect to the distribution system. The Applicants submit the

capital contributions and rates associated with these new connections will facilitate economic growth for the amalgamated LDC and the communities that it services.

VECC-11

Reference: Exhibit B/Tab 5/Schedule 1, pages 3-4

a) With respect to Figure 4, if available, please provide the 2017 values and updated five-year average.

Response - VECC- 11(a)

The requested information is set out in the table below:

Description	2013	2014	2015	2016	2017	average
SAIDI						
ETPL	0.41	0.59	0.73	1.46	0.90	0.82
WCHE	0.86	0.24	0.19	0.15	0.23	0.33
Combined	1.27	0.83	0.92	1.61	1.13	1.15
SAIFI						
ETPL	0.20	0.30	0.48	0.24	0.35	0.31
WCHE	0.26	0.19	0.43	0.06	0.47	0.28
Combined	0.46	0.49	0.91	0.30	0.82	0.60

b) With respect to Figure 4, the 2013 results for WCHE are significantly different than those for the other years. Please explain why and, if the difference is due to “extreme events”, please restate the 2013 values excluding the impact of these events.

Response - VECC- 11(b)

The Applicants submit that the 2013 results for WCHEI are significantly lower than those for the other years due to a storm that was not included as a major event. Removal of this event will result in the following table:

Description	2013	2014	2015	2016	2017	average
SAIDI						
ETPL	0.41	0.59	0.73	1.46	0.90	0.82
WCHE	3.56	0.24	0.19	0.15	0.23	0.87
Combined	3.97	0.83	0.92	1.61	1.13	1.69
SAIFI						
ETPL	0.20	0.30	0.48	0.24	0.35	0.31
WCHE	1.16	0.19	0.43	0.06	0.47	0.46
Combined	1.36	0.49	0.91	0.30	0.82	0.78

c) With respect to Figure 4 and the response to part (a), please provide the contribution to the 2012-2016 (and 2017 if available) reliability metrics for ETPL and WCHE for the following cause codes: i. Scheduled Outages ii. Tree Contacts iii. Defective Equipment.

Response - VECC- 11(c)

The Applicants respectfully submit that cause codes have only been tracked since 2014. The table below sets out the cause codes since 2014:

		2014	2015	2016	2017
SAIDI					
Scheduled Outages	ETPL	0.00	0.01	0.23	0.14
	WCHE	0.04	0.08	0.10	0.03
	Combined	0.04	0.09	0.33	0.17
Tree Contacts	ETPL	0.11	0.55	0.51	0.11
	WCHE	0.00	0	0.00	0.19
	Combined	0.11	0.55	0.51	0.30
Defective Equipment	ETPL	0.29	0.11	0.11	0.25
	WCHE	0.09	0.02	0.03	0.00
	Combined	0.38	0.13	0.14	0.25
SAIFI					
Scheduled Outages	ETPL	0.00	0.01	0.03	0.03
	WCHE	0.04	0.04	0.04	0.07
	Combined	0.04	0.05	0.07	0.10
Tree Contacts	ETPL	0.06	0.33	0.30	0.09
	WCHE	0.00	0.00	0.00	0.39
	Combined	0.06	0.33	0.30	0.48
Defective Equipment	ETPL	0.07	0.12	0.04	0.08
	WCHE	0.07	0.03	0.02	0.01
	Combined	0.14	0.15	0.06	0.09

VECC-12

Reference: Exhibit B/Tab 5/Schedule 1, page 4; Exhibit B/Tab 5/Schedule 5, page 5

a) Please provide a table similar to Figure 4 but that contrasts the performance of the two utilities with respect to the Service Quality metrics as reported in accordance with the Electricity RRR, Section 2.1.4.1.

Response - VECC- 12(a)

The requested information is set out in the table below:

Description	2012	2013	2014	2015	2016	Average
SAIDI						
ETPL	1.47	0.41	0.59	0.73	1.46	0.932
WCHE	0.42	3.56	0.24	0.19	0.15	0.912
difference	1.05	-3.15	0.35	0.54	1.31	0.02
SAIFI						
ETPL	0.31	0.2	0.3	0.48	0.24	0.306
WCHE	0.19	1.16	0.19	0.43	0.06	0.406
difference	0.12	-0.96	0.11	0.05	0.18	-0.10

b) At Schedule 5/page 5 the Application outlines ETPL’s objectives and plans for the merged utility with respect to customer service stating that “adopting best practices and finding efficiencies while maintaining or improving customer service will be a key priority”.

a. Do the customer service principles and objective for the merged EPTL differ from the current customer service principles and objectives of each of the two utilities? If yes, how?

Response - VECC- 12(a)

The Applicants submit that they anticipate that the majority of customer service principles for the amalgamated LDC will align with the current customer service principles and objectives of the WCHEI and ETPL. However, as noted in response to Board IR#7(a), additional changes and improvements to the customer

service practices of the amalgamated LDC are being identified by steering committees consisting of employees of ETPL and WCHEI. These steering committees are also developing transition action plans to implement such improvements following closing of the proposed amalgamation

b. In what specific ways will be merged utility be better able to implement measures that will meet these principles and objectives?

Response - VECC- 12(b)

The Applicants submit that, at a high-level, the increase in staff resources (e.g. call centre staff, line persons) will allow the amalgamated LDC to improve its customer service. Moreover, the administrative cost-savings associated with the proposed amalgamation will allow the amalgamated LDC to explore investments into new technologies focused on improved customer service. However, as noted in response to Board IR#7(a), the Applicants submit that additional changes and improvements to the customer service practices of the amalgamated LDC are being identified by steering committees consisting of employees of ETPL and WCHEI.

VECC-13

Reference: Exhibit B/Tab 5/Schedule 1, page 3 (fourth paragraph); Exhibit B/Tab 5/Schedule 2, page 1 (Figure 5); Exhibit B/Tab 6/Schedule 1, page 1 (Figure 8 and fourth paragraph)

a) With respect to Figure 5, please provide the actual 2016 and 2017 OM&A values for ETPL and WCHE.

Response - VECC- 13(a)

The requested information is set out below:

ETPL

- **2016 - \$6,340,365**
- **2017 - \$6,226,933**

WCHEI

- **2016 - \$1,870,617**
- **2017 - \$1,677,121**

b) Please explain the basis for the forecast status quo OM&A costs for each of ETPL and WCHE for the years 2018-2028 as set out in Figure 5 (i.e., how were they determined?).

Response - VECC- 13(b)

The Applicants submit that the basis for the forecast status quo OM&A costs was calculated using historical costs increased by 2% inflation.

c) Please explain why the OM&A cost savings shown in Figure 5 for the years 2018-2028 don't equal the Gross Synergies-Operating as set out in Figure 8 for the same years. Please provide revised figures if required.

Response - VECC- 13(c)

The Applicants submit that the above-referenced Figure 8 was incorrect as it should have aligned with Figure 5. A revised Figure 8 is set out below:

Gross Synergies	2017	2018	2019	2020	2021	2022
Operating	\$ -	\$ 344,500	\$ 394,500	\$ 498,500	\$ 593,500	\$ 668,500
Capital	\$ 300,000	\$ 325,000	\$ 165,000	\$ 161,700	\$ 158,466	\$ 155,297
Total	\$302,017	\$ 671,518	\$ 561,519	\$ 662,220	\$ 753,987	\$ 825,819
Transition costs	2017	2018	2019	2020	2021	2022
Operating	\$ -	\$ 233,089	\$ 101,976	\$ -	\$ -	\$ -
Capital	\$ -	\$ 100,000	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ 333,089	\$ 101,976	\$ -	\$ -	\$ -
Net Synergies	2017	2018	2019	2020	2021	2022
Operating	\$ -	\$ 111,411	\$ 292,524	\$ 498,500	\$ 593,500	\$ 668,500
Capital	\$ 300,000	\$ 225,000	\$ 165,000	\$ 161,700	\$ 158,466	\$ 155,297
Total	\$300,000	\$ 336,411	\$ 457,524	\$ 660,200	\$ 751,966	\$ 823,797

Gross Synergies	2023	2024	2025	2026	2027	2028
Operating	\$ 681,870	\$ 695,507	\$ 709,418	\$ 732,606	\$ 738,078	\$ 752,840
Capital	\$ 152,191	\$ 149,147	\$ 146,164	\$ 143,241	\$ 140,376	\$ 137,568
Total	\$ 836,084	\$ 846,678	\$ 857,607	\$ 877,873	\$ 880,481	\$ 892,436
Transition costs	2023	2024	2025	2026	2027	2028
Operating	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Synergies	2023	2024	2025	2026	2027	2028
Operating	\$ 681,870	\$ 695,507	\$ 709,418	\$ 732,606	\$ 738,078	\$ 752,840
Capital	\$ 152,191	\$ 149,147	\$ 146,164	\$ 143,241	\$ 140,376	\$ 137,568
Total	\$ 834,061	\$ 844,654	\$ 855,582	\$ 875,847	\$ 878,454	\$ 890,408

d) What portion of the assumed operational (OM&A) savings in each year 2018-2028 is due to lower staff levels (per Tab 6/Schedule 1, page 1)?

Response - VECC- 13(d)

The Applicants submit that approximately 28% of the projected annual OM&A savings are due to lower staff levels.

e) What is the associated reduction in FTEs for each year?

Response - VECC- 13(e)

The associated reduction in FTEs is one, which will be achieved through attrition shortly after the proposed amalgamation. This does not include the WCHEI who will be transferred to the Town of Goderich.

f) In what functional areas will this reduction occur – given that (per Tab 5, Schedule 1, page 3) there will be no reductions in Operations staff?

Response - VECC- 13(f)

There will be no WCHEI employee job losses associated with the proposed amalgamation. The reduction described in VECC- 13 (f) will be achieved through attrition of one operations staff shortly after the proposed amalgamation. ETPL has recently lost a number of operations staff to attrition and other opportunities. During this time period, ETPL refrained from hiring new operational staff in anticipation of the proposed amalgamation. Accordingly, the Applicants submit that the reduction in FTEs has already been achieved in anticipation of the proposed amalgamation. In the event that the transaction does not proceed, ETPL will move quickly to replace these operational FTE vacancies.

g) What are the other sources of OM&A savings shown in each year 2018-2028?

Response - VECC- 13(g)

Please see the Applicants' response to Board Staff IR#7(b)(i) and Board Staff IR#7(b)(ii) for a description and quantification of the OM&A savings associated with the proposed amalgamation.

h) With respect to Figure 8, what is the reason for the material increase in operating savings in 2024 and subsequent years?

Response - VECC- 13(h)

Please see the corrected Figure 8 submitted in response to VECC - 13(c).

VECC-14

Reference: Exhibit B/Tab 5/Schedule 2, page 2 (Figure 6); Exhibit B/Tab 6/Schedule 1, page 1 (Figure 8)

a) With respect to Figure 8, please provide the basis for the forecast status quo capital spend for each of ETPL and WCHE for the years 2018 to 2028.

Response - VECC- 14(a)

The basis for ETPL's forecast status quo capital spend is its recently filed Distribution System Plan, as provided as part of its COS application filed in 2017. After the initial five years, the forecast is simply based upon historical capital spend with an inflationary increase of 2%.

The basis for WCHE's forecast status quo capital spend is its standard capital spending on distribution assets increased by inflation. No attempt was made to forecast replacement of fleet or other large one-time items as part of this analysis.

b) With respect to Figure 8, please provide a breakdown of the capital savings in each year 2018-2028 to the capital savings from:

i) the avoided WCHE financial system conversion,

Response - VECC- 14(b)(i)

The capital savings associated with this item is \$300,000 in 2017 (not budgeted for again.)

ii) avoidance of the new service centre in Mitchell,

Response - VECC- 14(b)(ii)

The capital savings associated with this item is \$180,000 associated with cost of a new building in Mitchell. A new operations centre was not budgeted for in the status quo and therefore not included in savings.

- iii) consolidation of fleet and redundancy of vehicles,

Response - VECC- 14(b)(iii)

The capital savings associated with this item \$40,000 in 2018 and 2020. The Applicants' also submit that \$320,000 in 2021 and 2025 should have been included for large vehicle replacement but was inadvertently not included.

- iv) IT infrastructure savings,

Response - VECC- 14(b)(iv)

No capital savings associated with this item were included in the Applicants' projections.

- v) other.

Response - VECC- 14(b)(v)

No other capital savings were included in the Applicants' projections.

- c) Please describe why, absent the merger, the WCHE financial system conversion is required, when it would occur, what it would cost and how it is avoided as a result of the merger.

Response - VECC- 14(c)

The WCHEI financial system is a legacy system provided by Harris NorthStar Utilities ("Harris"). This system is no longer supported by Harris, and WCHEI is one of the last remaining LDCs using this legacy system. WCHEI decided to forego a financial system conversion until it was determined if WCHEI would merge with another LDC or remain status quo. Following the proposed amalgamation, WCHEI will be rolled into ETPL's financial system and a relatively small increase in cost will be incurred, while the avoided costs of a new system are significant.

d) Was the need for a new Mitchell service center identified in the Distribution System plan filed with ETPL's 2018 COS application (EB-2017-0038)? If yes, please provide the relevant reference(s).

Response - VECC- 14(d)

The need for a new Mitchell service centre was not explicitly detailed within the Distribution System Plan, as it was included in ETPL's 2017 budget for Leasehold Improvements. Pursuant to Page 123, Section 5.4.4, Table 22 of ETPL's Distribution System Plan, the General Plant budget is inflated to \$648,950 which is considerably higher than both historical and future levels for spending in this category. This increase was directly linked to the requirement for a new service centre in Mitchell. Given its amalgamation negotiations with WCHEI, ETPL decided to defer this cost and temporarily rent a building in Mitchell pending a decision on the proposed amalgamation. If the proposed amalgamation is approved, this cost will be deferred indefinitely.

e) If the need for/business case for the new Mitchell service center was not identified in the EB-2017-0038 Application, please indicate why not and outline why/when the new centre would be required.

Response - VECC- 14(e)

The new Mitchell service centre is required, as the current location, which was owned by the Municipality of West Perth, has been sold and the new owner has required ETPL to vacate the premises by the end of 2018. ETPL was aware of this possibility and planning for the potential move by purchasing land in Mitchell in 2016.

f) Please indicate why there are redundant vehicles as a result of the merger if, as noted per Tab 5, Schedule 1, page 3, there will be no reductions in Operations staff.

Response - VECC- 14(f)

As indicated in response to VECC -13(f), ETPL has not replaced operation staff FTEs in anticipation of the proposed amalgamation. Regarding the

redundant vehicles, the Applicants note that the Goderich and Mitchell operation centres each have 50 plus foot bucket trucks and an RBD. Consolidating the two operations centre will reduce the need to one 50 plus foot bucket trucks and one RBD in order to service the amalgamated LDC's North service territory.

VECC-15

Reference: Exhibit B/Tab 5/Schedule 3, page 1 (Figure 7) Exhibit B/Tab 6/Schedule 1, pages 3 and 5

a) If available, please update Figure 7 for 2017 actual results.

Response - VECC- 15(a)

An updated Figure 7 including 2017 actual results is attached below:

	ETPL			WCHE			Combined		
	OM&A	Customer Count	OM&A Per Customer	OM&A	Customer Count	OM&A Per Customer	OM&A	Customer Count	OM&A Per Customer
2014	\$ 5,651,479.92	18,265	\$ 309.42	\$ 1,709,900.00	3,797	\$ 450.33	\$ 7,361,379.92	22,062	\$ 333.67
2015	\$ 5,856,835.19	18,434	\$ 317.72	\$ 1,762,372.00	3,812	\$ 462.32	\$ 7,619,207.19	22,246	\$ 342.50
2016	\$ 6,114,840.38	18,637	\$ 328.10	\$ 1,833,938.00	3,829	\$ 478.96	\$ 7,948,778.38	22,466	\$ 353.81
2017	\$ 6,226,933.00	19,156	\$ 325.07	\$ 1,677,121.00	3,745	\$ 447.83	\$ 7,904,054.00	22,901	\$ 345.14

b) With respect to Tab 6/Schedule 1/page 5, please clarify whether the 7.4% or \$753,000 per year referenced annual savings following the rebasing deferral period refers to: i) overall distribution cost savings – including capital related costs (per page 4) or ii) OM&A savings.

Response - VECC- 15(b)

The Applicants confirm that the \$753,000 references annual OM&A savings.

c) Please confirm that with the expected annual reduction in the merged utility's OM&A per customer (after the rebasing period) of 7.4% (per Tab 6/Schedule 1/page 3) the current merged utility's current OM&A per customer of \$351.63 (per Figure 7) would decline to \$325.61 which would still be more than the current OM&A cost per customer for ETPL (\$322.22 - per Figure 7).

Response - VECC- 15(c)

The Applicants do not confirm the calculation set out in this VECC -15(c).

d) If the proposition in part (c) is not confirmed please explain why.

Response - VECC- 15(d)

The Applicants respectfully submit that this interrogatory attempts to compare costs immediately post-amalgamation with current ETPL costs. The Applicants submit that, if ETPL remained a stand-alone LDC, then the cost per customer in 2028 would similar to the \$322.22 as suggested in this question. Therefore, the Applicants respectfully submit that this interrogatory should focus instead on ETPL cost per customer in 2028 versus new anticipated rebasing costs, as discussed further in VECC -15(e) below.

e) If different from the comparison outlined in part (c), please provide the Applicants' assessment of the how the OM&A cost per customer after the rebasing period for the merged utility compares with that for EPTL assuming no merger took place.

Response - VECC- 15(e)

The Applicants submit that ETPL's projected costs assuming only inflation increases are projected to be \$7,730,567 in the projected rebasing year (2027). Assuming 1% customer growth annually, the Applicants submit that ETPL's customer count after 9 years would be 21,071, resulting in \$374.21 per customer. Using the projected amalgamation costs of \$9,272,761 after 9 years and the same inflation of customer counts, the Applicants submit that the projected customers of the amalgamated LDC would be 25,191 and a cost per customer of \$368.10 or a savings of \$6.11 per customer.

VECC-16

*Reference: Exhibit B/Tab 6/Schedule 1, page 2; Exhibit B/Tab 5/Schedule 1, page 1
OEB Handbook to Electricity Distributor and Transmitter Consolidations, pages 6-7*

a) For the period shown in Figure 9, are the merged utility revenue requirements for 2019 and beyond based on annual IRM adjustments to the previous year’s rates as opposed to being “cost-based”?

Response - VECC- 16(a)

The merged utility revenue requirements are based upon annual IRM adjustments, and they are not cost-based.

b) Given the Board’s stated interest in the impact of a proposed transaction on underlying cost structures and the Application’s claim that “ratepayers are also expected to experience greater savings in comparison to the status quo from the time of the first anticipated rebasing” (per Tab 5/Schedule 1, page 1), please extend Figure 9 to include the rebasing year for the merged utility. Please provide all supporting assumptions used in the calculations, in particular what customer count and load growth assumptions were used for each.

Response - VECC- 16(b)

A revised version of Figure 9 is set out below. For the sake of simplicity, the rebasing year was deemed to be 2028 in the analysis set out below.

Total Revenue Requirement	Merged Revenue Requirement			Status Quo Revenue Requirement					Savings	Cumulative Savings
	ETPL	WCHE	Total			ETPL	WCHE	Total		
2017	\$ 10,414,293	\$ 2,416,936	\$ 12,831,229			\$ 10,414,293	\$ 2,416,936	\$ 12,831,229	\$ -	\$ -
2018	\$ 10,414,293	\$ 2,453,190	\$ 12,867,483	\$ 36,254	0.28%	\$ 10,414,293	\$ 2,453,190	\$ 12,867,483	\$ -	\$ -
2019	\$ 10,946,941	\$ 2,489,988	\$ 13,436,929	\$ 569,446	4.43%	\$ 10,946,941	\$ 2,759,623	\$ 13,706,565	-\$ 269,635	-\$ 269,635
2020	\$ 11,111,146	\$ 2,527,338	\$ 13,638,483	\$ 201,554	1.50%	\$ 11,111,146	\$ 2,801,017	\$ 13,912,163	-\$ 273,680	-\$ 543,315
2021	\$ 11,277,813	\$ 2,565,248	\$ 13,843,061	\$ 204,577	1.50%	\$ 11,277,813	\$ 2,843,033	\$ 14,120,845	-\$ 277,785	-\$ 821,100
2022	\$ 11,446,980	\$ 2,603,726	\$ 14,050,706	\$ 207,646	1.50%	\$ 11,446,980	\$ 2,885,678	\$ 14,332,658	-\$ 281,952	-\$ 1,103,051
2023	\$ 11,618,685	\$ 2,642,782	\$ 14,261,467	\$ 210,761	1.50%	\$ 12,362,738	\$ 2,928,963	\$ 15,291,702	-\$ 1,030,235	-\$ 2,133,286
2024	\$ 11,792,965	\$ 2,682,424	\$ 14,475,389	\$ 213,922	1.50%	\$ 12,609,993	\$ 2,972,898	\$ 15,582,891	-\$ 1,107,502	-\$ 3,240,788
2025	\$ 11,969,859	\$ 2,722,660	\$ 14,692,520	\$ 217,131	1.50%	\$ 12,862,193	\$ 3,151,272	\$ 16,013,465	-\$ 1,320,945	-\$ 4,561,733
2026	\$ 12,149,407	\$ 2,763,500	\$ 14,912,908	\$ 220,388	1.50%	\$ 13,119,437	\$ 3,198,541	\$ 16,317,978	-\$ 1,405,070	-\$ 5,966,803
2027	\$ 12,331,648	\$ 2,804,953	\$ 15,136,601	\$ 223,694	1.50%	\$ 13,381,826	\$ 3,246,519	\$ 16,628,344	-\$ 1,491,743	-\$ 7,458,546
2028			\$ 14,812,352	-\$ 324,249	-2.14%	\$ 13,649,462	\$ 3,295,217	\$ 16,944,679	-\$ 2,132,327	-\$ 9,590,872

Other assumptions used in the above calculations include:

- **OM&A utilized is from Figure 5,**
- **COP begins with actual 2017 and increased by 1% annually, which covers both cost and load changes.**

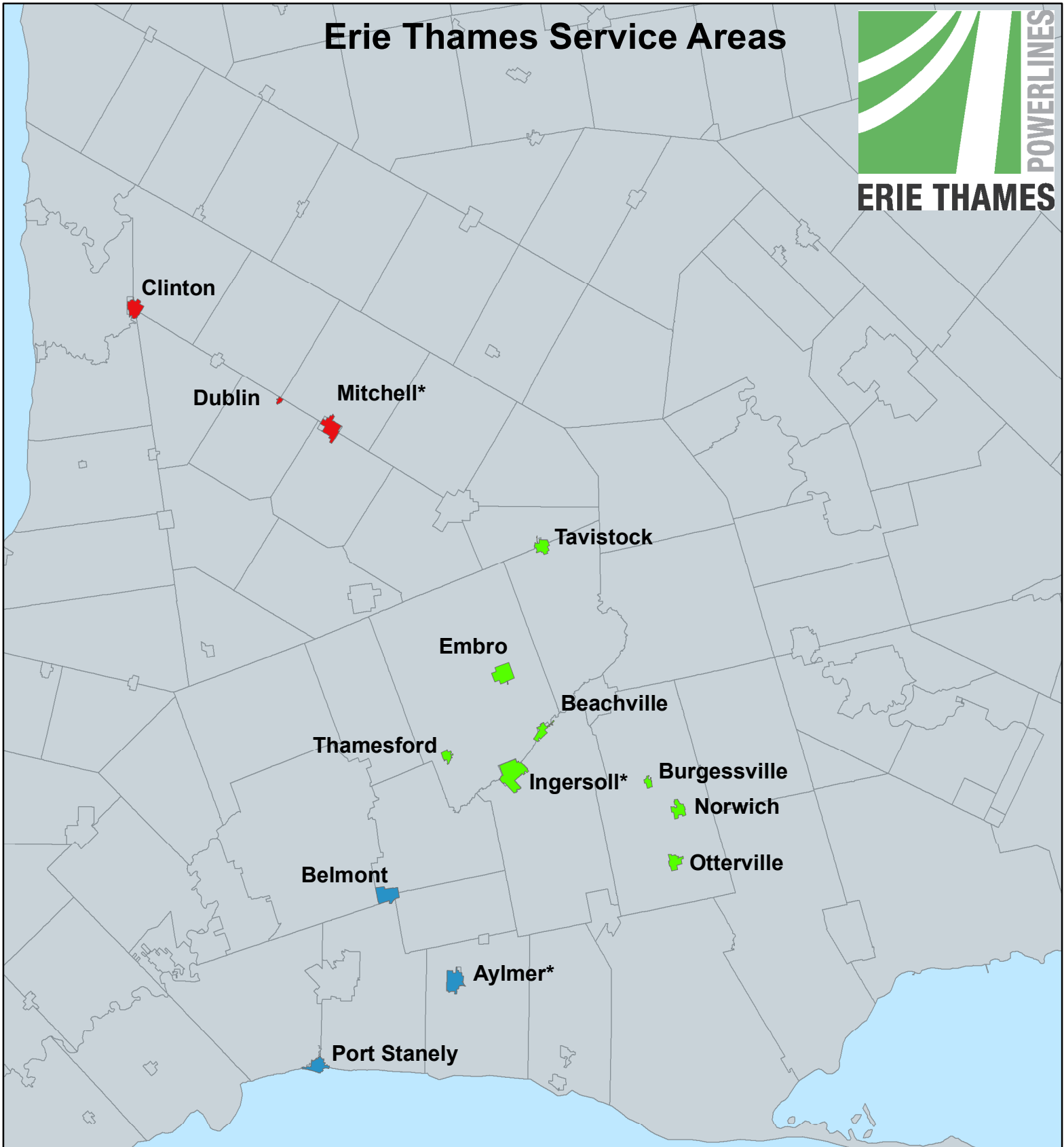
- **Capital asset increases utilizing figures from Figure 6,**
- **Amortization calculated in the same proportion as existing amortization vs. capital to arrive at NBV.**
- **Current OEB released deemed amounts for debt equity splits, WCA, and regulated rates of return were all utilized and an effective tax rate of 23% was applied to arrive at 2028 expected revenue requirement.**
- **This expected revenue requirement represents a \$2,132,000 savings for customers of the merged entity.**
- **Customer growth was not applied as traditionally ETPL has not seen a direct correlation with customer growth and operating cost growth. While customer growth results in some direct increase in costs, on an aggregate basis, the small levels of annual growth do not generally result in additional staff or similar incremental increases in other indirect costs so those indirect costs per customer generally decrease slightly and offset the direct increase in costs. This fact coupled with the simple fact that ETPL and WCHE have been traditionally low growth areas result in minimal changes to costs as a result of customer changes.**

c) Will there be benefits from the merger accruing to the current customers of EPTL after the rebasing period in terms of a lower cost structure? If so, please demonstrate how such benefits will arise from the costs and savings presented in the Application.

Response - VECC- 16(c)

The Applicants submit, as demonstrated above, there will be benefits from the proposed amalgamation accruing to current customers of ETPL with respect to revenue requirement which was calculated using the costs and savings presented in the application. Moreover, the Applicants submit that, as demonstrated in VECC -15(e), ETPL customers will realize a lower cost structure by \$6.11 per customer at the time of rebasing. However, given the significant savings in revenue requirement and WCHEI's relatively small customer count, the customers of ETPL will realize savings on their bills as a direct result of this proposed amalgamation.

Erie Thames Service Areas



Travel Times to Service Centres

* Service Centre

HWY 8 Service Area

Clinton: 30-34 km
(34-37min)
Dublin: 9-10 km
(12-14 min)
Mitchell*: 0-3 km
(0 - 5 min)

Ingersoll Service Area

Beachville: 7 - 10km (10 - 14 min)	Ingersoll*: 0 - 5 km (0 - 10 min)	Tavistock: 38 - 44 km (38 - 42 min)
Burgessville: 22 - 23 km (22 - 25 min)	Norwich: 28 - 30 km (25 - 27 min)	Thamesford: 9-11 km (10 - 13 min)
Embro: 16 - 18 km (15 - 17 min)	Otterville: 32 - 34 km (28 - 30 min)	

Aylmer Service Area

Aylmer*: 0 - 3 km
(0 - 8 min)
Belmont: 20 - 22 km
(17 - 19 min)
Port Stanley: 30 - 34 km
(30 - 35 min)