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BY E-MAIL

August 3, 2018

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2701
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Application by Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd. under sections 18, 60, 77(5) and 86(1) of the *Ontario Energy Board Act, 1998*, and other related relief

OEB File Number: EB-2018-0124

In accordance with Procedural Order No. 1, please find attached OEB staff's interrogatories related to the above noted proceeding.

Yours truly,

Original signed by

Andrew Bishop
Project Advisor, Supply and Infrastructure

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

Staff IR #1

Reference: p. 12

Preamble:

The Applicants state: LDC Mergeco's name is not yet settled at the time of filing the Application. The Applicants expect to have a name subsequent to OEB's approval of the Application.

Question:

- a) Please advise if the new name for the utility following the proposed amalgamation is now known. If known, please provide the name.

Staff IR #2

Reference: p. 14

Preamble:

The Applicants state: Although the consolidation will result in transaction and transition costs, the Applicants forecast realizing sufficient cost synergies and operational efficiencies, which will cover these one-time costs.

- and -

Reference: p. 38

The Applicants state: LDC Mergeco estimates transaction and transition costs of approximately \$1.4 M.

Questions:

- a) Please state how the Applicants will ensure that the transaction and transition costs will not be included in its ratepayer funded revenue requirement.
- b) Please identify any factors that may affect the recovery of costs associated with the proposed transaction.
- c) Please confirm how these costs will be financed if they are not fully recovered from the anticipated productivity gains.

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

Staff IR #3

Reference: p. 21

Preamble:

The corporate chart illustrating the proposed relationship between each of the distributor's shareholders and respective subsidiaries/affiliates is provided in Figure 2.

Questions:

- a) Please provide a diagram of TBHC's current (i.e., pre-amalgamation) corporate structure. Please indicate in the diagram all TBHC subsidiaries/affiliates as well as the relationships that exist between each.
- b) Please fully describe how the pre-amalgamation corporate structure of TBHC as well as the relationships between each subsidiary/affiliate are anticipated to change through the amalgamation.
- c) Please confirm if any of the affiliates/subsidiaries identified in response to part a) of this question are currently providing and/or have previously provided services to Thunder Bay Hydro.
 - i. If applicable, please describe the services provided by the affiliates/subsidiaries to Thunder Bay Hydro.
 - ii. If applicable, please identify the years these services were provided.
- d) Please confirm if any of the affiliates/subsidiaries identified in response to part a) of this question are currently providing and/or have previously provided services to Kenora Hydro.
 - i. If applicable, please describe the services provided by these affiliates/subsidiaries to Kenora Hydro.
 - ii. If applicable, please identify the years these services were provided.
- e) Please fully describe the extent to which the Applicants foresee LDC Mergeco utilizing the services of the affiliates/subsidiaries identified in response to part a) of this question post-amalgamation.
 - i. If applicable, please describe all actions the Applicants will take to ensure all services provided by affiliates to LDC Mergeco will be procured and carried out in manner consistent with the Affiliate Relationships Code.

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

Staff IR #4

Reference: p. 20

Preamble:

The Applicants state: ...on the closing date the *initial* [emphasis added] board of directors shall be comprised of seven directors appointed by Thunder Bay Hydro Corporation as approved by the City of Thunder Bay, and one director appointed by City of Kenora.

Questions:

- a) Please clarify the meaning of the descriptor, “initial”, with regards to the board of directors that will be established on the closing date.
- b) Do the Applicants view this initial board of directors to be temporary? If so, please clearly describe how the role and composition of the board of directors will evolve over time.

STAFF IR #5

Reference: p. 28

Preamble:

The Applicants state: The Applicants are committed to maintaining the adequacy of electricity service for its customers. As these utilities are physically separated by a five and a half hour drive (490 km apart), to best service customers, it is proposed that the existing service centers will continue to operate in each of the respective communities.

Questions:

- a) Given the geographic separation between Kenora and Thunder Bay, what challenges do the Applicants foresee in terms of best servicing customers and operating as LDC Mergeco?
 - i. How will LDC Mergeco ensure successful coordination between locations?
- b) Please identify the services currently provided at each service centre and if these services are likely to change as a result of the proposed amalgamation (e.g., services provided, number of on-site staff, hours of operation, etc.).

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

- i. If applicable, please discuss how these changes may impact customer services levels and any steps being taken by the Applicants to prevent service-level declines.

STAFF IR #6

Reference: p. 22

Preamble:

The Applicants state: The current net metering thresholds for Thunder Bay Hydro and Kenora Hydro in 2014, 2015 and 2016 are provided in Figures 4 and 5. Figure 6 provides a summation for the consolidated LDC Mergeco.

Question:

- a) Please explain, for each utility, why the System Peak (kW) has been declining since 2014. If available, please update the following tables with 2017 data and respective four-year averages.

Figure 4 – Thunder Bay Hydro Net Metering Threshold

| Year | System Peak (kW) | 1% Rule (kW) | Net Metering Threshold (kW) |
|-----------------------|------------------|--------------|-----------------------------|
| 2014 | 182,512 | 1,825 | 2,422 |
| 2015 | 180,037 | 1,800 | 1,520 |
| 2016 | 170,122 | 1,701 | 1,766 |
| 2017 | | | |
| 4-Year Average | | | |

Figure 5 – Kenora Hydro Net Metering Threshold

| Year | System Peak (kW) | 1% Rule (kW) | Net Metering Threshold (kW) |
|-----------------------|------------------|--------------|-----------------------------|
| 2014 | 21,756 | 218 | 12 |
| 2015 | 20,693 | 207 | 112 |
| 2016 | 19,063 | 191 | 143 |
| 2017 | | | |
| 4-Year Average | | | |

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

Figure 6 – LDC Mergeco Net Meter Threshold

| Year | System Peak (kW) | 1% Rule (kW) | Net Metering Threshold (kW) |
|----------------|------------------|--------------|-----------------------------|
| 2014 | 204,268 | 2,043 | 2,434 |
| 2015 | 200,730 | 2,007 | 1,632 |
| 2016 | 189,185 | 1,892 | 1,909 |
| 2017 | | | |
| 4-Year Average | | | |

Staff IR #7

Reference: p. 24

Preamble:

The Applicants state: An exchange of shares will take place resulting in the City of Kenora owning 9,100 common shares of LDC Mergeco and Thunder Bay Hydro Corporation owning 90,900 common shares of LDC Mergeco (***subject to valuation adjustment*** [emphasis added]).

Questions:

- a) What event(s) and/or actions could cause the valuation to be adjusted?
- b) At this time, are adjustments to the valuation known or anticipated? If so, what are the reasons for and magnitude of these adjustments?
- c) Page 16 of the “Merger Participation Agreement” provided in the Application details that Thunder Bay Hydro Corporation will be issued 1,000 non-voting Class S Shares. Class S Shares are described as representing all of the solar photovoltaic project assets held by Thunder Bay Hydro Electric Distribution Inc. Further, the parties indicate that “the Class S Shares are meant to track the value of the Solar Assets, and as such, all revenues, fees, costs, and expenses incurred by LDC Mergeco in connection with the Solar Assets shall be attributed to the Class S Shares.”
 - i. How does Thunder Bay Hydro currently treat the solar assets being assigned Class S shares? That is, are solar assets currently being accounted for in or outside of the rate-base?

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

- ii. How will these solar assets be treated by the Applicants post-amalgamation? Please indicate if the manner by which Thunder Bay Hydro currently treats solar assets is anticipated to change.
 - i. If applicable, please describe how the treatment of solar assets is expected to change.

Staff IR #8

Reference: p. 24

Preamble: Section 2.2.3 Description of Transaction

Questions:

- a) 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 Kenora Hydro into Thunder Bay Hydro, or other?
 - i. Will the articles of amalgamation of the merged entity in substance contain the provisions of the articles of incorporation of Thunder Bay Hydro?

Staff IR #9

Reference: p. 27

Preamble:

The Applicants state: Reducing administration and operating expenditures by realizing synergies will be the focus. The Applicants have estimated that a major portion of the efficiency gains are to be experienced through the consolidation of administrative practices and economies of scale. This includes the consolidation of management, billing, customer service, finance and regulatory functions.

- and -

Reference: p. 34

The Applicants state: It is important to note that not all job functions within the utility are directly tied to the regions they serve. Several services can be performed centrally without negatively impacting efficiency or service levels. Centralizing certain functions,

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

such as administrative, transactional and informational services will create economies of scale and lower costs which is a fundamental objective of the consolidation. LDC Mergeco will utilize the existing Thunder Bay Hydro and Kenora Hydro service centres for de-centralized functions such as construction, maintenance, cable locates, fleet services and trouble response.

Questions:

- a) Please indicate the extent to which layoffs or other job losses are anticipated to result from the amalgamation.
 - i. If applicable, please specify the number, position and type of jobs (i.e., full-time, part-time, contract, etc.) that are anticipated to be lost through the amalgamation as well as if the positions lost currently belong to Thunder Bay Hydro or Kenora Hydro.
 - ii. If applicable, please specify why job losses will not impact the current service levels provided to customers in each existing service territory of the Applicants.
 - iii. If reductions in staff are anticipated, please explain how the Applicants will ensure continuity of staff knowledge and expertise in both Kenora and Thunder Bay service areas.
- b) Please clearly describe how the Applicants determined which functions could be transitioned to a centralized service model without impacting efficiency or service levels.

Staff IR #10

Reference: p. 28

Preamble:

The Applicants state: LDC Mergeco shall maintain or improve the service levels of its predecessor LDCs through the merging of technologies, system control, adoption of best work practices, etc. Front line operations staff that currently responds to outages and power quality issues is expected to continue to serve the communities that they serve at present. The Applicants anticipate that response times will not decline.

- and -

Reference: p. 32

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

The Applicants state: Throughout the consolidation process, the Applicants will be reviewing both LDCs' operations with regard to control of the distribution system assets and they will exercise a **best practice** [emphasis added] approach in the design of the merged utility.

Questions:

- a) Do the customer service principles and objectives for LDC Mergeco differ from the current customer service principles and objectives of each of the two amalgamating utilities? If yes, how?
- b) Please more fully describe the following:
 - i. How LDC Mergeco will maintain or improve service levels. Please provide examples as to where/how the amalgamation will maintain or improve service levels.
- c) What technologies (equipment, hardware, software, or other) will be merged as part of the amalgamation between Thunder Bay Hydro and Kenora Hydro? Please describe how, once merged, the use of these technologies will be optimized by LDC Mergeco.
- d) With regard to the statement made on page 32 of the application, please describe the following:
 - i. What do the Applicants define "best practices" as?
 - ii. How will best work practices between the two utilities be identified and implemented? Was a review of best practices completed by a third party, internally by members of each utility or some other means?
 - iii. Please describe specific areas that have been targeted for improvement through the implementation of best practices. Why were these areas targeted?
 - iv. How will the Applicants ensure that best practices are implemented? Are there timelines associated with implementation?

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

Staff IR#11

Reference: Figure 7, p. 29

Preamble:

The Applicants state: Historically both utilities have maintained strong reliability measures in both System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”) metrics. SAIFI and SAIDI results for the year ending 2016 indicate that both Thunder Bay Hydro and Kenora Hydro have provided their customers with superior reliability and fewer outages with shorter durations when compared to many other Ontario utilities.

Questions:

- a) With respect to Figure 7, if available, please provide 2017 SAIDI and SAIFI values as well as an updated six-year average in the table below.

Figure 7 – Reliability Metrics SAIDI/SAIFI

| Description | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Average |
|-------------------|------|------|------|------|------|------|---------|
| SAIDI | | | | | | | |
| Thunder Bay Hydro | 1.28 | 1.03 | 1.92 | 2.02 | 1.69 | | |
| Kenora Hydro | 0.43 | 0.36 | 0.53 | 0.61 | 0.59 | | |
| Combined | 1.71 | 1.39 | 2.45 | 2.63 | 2.28 | | |
| SAIFI | | | | | | | |
| Thunder Bay Hydro | 3.12 | 2.02 | 2.69 | 2.39 | 2.7 | | |
| Kenora Hydro | 0.46 | 0.11 | 0.29 | 0.35 | 0.43 | | |
| Combined | 3.58 | 2.13 | 2.98 | 2.74 | 3.13 | | |

- b) With respect to Figure 7, please provide the contribution to the 2012-2016 (and 2017 if available) reliability metrics, in tabular format, for Thunder Bay Hydro and Kenora Hydro for the following cause codes:
 - i. Scheduled Outage
 - ii. Tree Contacts

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

- iii. Defective Equipment
 - iv. Adverse Weather
 - v. Adverse Environment.
- c) When examining the SAIFI values presented in Figure 7, it can be observed that since 2013, both Thunder Bay Hydro and Kenora Hydro have had a trend of increasing SAIFI values.
- i. What are the reasons for this trend?
 - ii. How will LDC Mergeco address this trend in future years?

Staff IR #12

Reference: Figure 8, p. 30

Preamble:

The Applicants state: Recognized savings per customer may vary based on the rate design methodology used in the utility's next cost of service.

- and -

Reference: p. 38

The Applicants state: In total LDC Mergeco anticipates delivering approximately \$3.8 M in synergies over the proposed five years following the amalgamation.

Questions:

- a) Please further explain what is meant by the statement on page 30 that customer savings may vary based on rate design.
 - i. To what degree can the customer savings demonstrated in the Application be affected by the selected rate design?
 - ii. Are the Applicants suggesting that that the choice of rate design may eliminate or not incorporate all customer savings? Please explain.
- b) For how many years post-amalgamation do the Applicants expect the synergistic cost savings illustrated in Figure 10 of the Application to endure beyond the deferral period?
 - i. If applicable, as a direct result of the amalgamation, what level of cost savings do the Applicants expect customers of LDC Mergeco to experience following the deferral rebasing period (i.e., after the first cost of

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

service filing following amalgamation)?

- c) What information do the Applicants expect to provide in order to quantify merger-related cost savings during future cost of service filings?

Staff IR #13

Reference: p. 35 – Information Technology (“IT”)

Preamble:

Among the IT objectives identified by the Applicants is the following:

- Consolidate 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 Thunder Bay Hydro and Kenora Hydro have considered the “Ontario Cyber Security Framework¹” (the Framework) in designing and implementing controls and privacy mechanisms to ensure the continued protection of operational and customer data.
- b) Please confirm the current status of the OEB interim certification for cyber security progress report for both LDCs.
- c) Please confirm that LDC Mergeco will adhere to the Distribution System Code (DSC) requirements related to the Framework when launching new IT products and abide by the related OEB reporting requirements.

Staff IR #14

Reference: p. 35 – Information Technology (“IT”)

Preamble:

Among the IT objectives identified by the Applicants is the following:

¹ <https://www.oeb.ca/sites/default/files/Ontario-Cyber-Security-Framework-20171206.pdf>

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

- Consolidate the Customer Information Systems environment into one common Customer Service Billing 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 amalgamation as well as how the integration of these functions will improve service for all customers of LDC Mergeco.
- b) As it relates to the Framework, please describe the steps taken by Thunder Bay Hydro and Kenora Hydro to ensure the consolidated Customer Information System is launched in a manner consistent with best practices.

Staff IR #15

Reference: p. 35

Preamble:

The Applicants state: The Conservation and Demand Management (“CDM”) department will be located in Thunder Bay at the Cumberland St. North facility. The CDM group will continue to focus on innovation in areas such as customer energy efficiency, solar, smart grid and new energy services.

Questions:

- a) How will CDM activities be undertaken in LDC Mergeco given the geographic separation of the two service areas?
- b) What steps will the LDC Mergeco undertake to ensure customers in both Kenora and Thunder Bay are offered consistent CDM opportunities?

Staff IR #16

Reference: p. 37

Preamble:

The Applicants state: LDC Mergeco does not anticipate large savings by the way of capital investments.

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

Questions:

- a) Please more fully explain why, as a result of the amalgamation, the Applicants do not anticipate capital-related savings.
- b) Please describe any capital savings that are anticipated from the amalgamation following the rebasing deferral period.

Staff IR #17

Reference: p. 36

Preamble:

The Applicants state: LDC Mergeco will prioritize customer-centric values, and it will undertake a principled approach in the design of an effective organization plan such that customer service responsiveness levels are expected to improve.

Questions:

- a) Please indicate when the Applicants intend to begin the design of the organization plan referred to in the above statement, and the anticipated duration of that project.
 - i. Please indicate if a firm has been contracted to complete the design.
 - ii. If applicable, please provide the name of the firm contracted to complete the design.
- b) Please provide, in detail, an overview of the scope of the project and the plan.

Staff IR#18

Reference: Figure 10, p. 37

Preamble:

The Applicants state: The synergies forecasted will arise largely as a result of administrative cost reductions as well as through consolidated billing, corporate IT, regulatory, and financial functions.

Questions:

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

- a) Figure 10 identifies the annual synergies forecast to result from the merger. Please provide a detailed list of the drivers of these cost savings for years 2019-2023. As an example, in 2020, the Applicants forecast a total savings from synergies of \$864,551 – of these savings, please indicate which are attributable to the following categories: administrative, consolidated billing, corporate IT, regulatory, financial functions, or other (please specify).
- b) Please explain all material assumptions that the Applicants have made with respect to the forecasted synergy related cost savings.
- c) Please identify risks that could impede the realization of projected cost savings, as well as the likelihood of the occurrence of those risks.
 - 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.
- d) How will the Applicants respond if forecast cost savings do not materialize?

Staff IR #19

Reference: p.38

Preamble:

The Applicants state: There are no expected increases or reductions to the capital expenditures in either service territory.

- and -

Reference: p. 27

The Applicants state: The applicants also recognize that Thunder Bay Hydro has the resources and industry experience to assist completing Kenora Hydro's service territory distribution system plan ("DSP") which will promote synergies operationally.

Question:

- a) Please describe how the Applicants can be confident at this time that Kenora Hydro's future DSP will not identify the need for increased/decreased capital expenditures.

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

Staff IR #20

Reference: pg. 47

The Applicants state: Thunder Bay Hydro and Kenora Hydro each has a rate order that contains a number of rate riders established in order to dispose of balances specific to deferral and variance accounts accumulated in the respective service territories. These respective rate riders will expire on dates determined in the Order(s) of the Board by which the riders were established. Others will be in place until LDC Mergeco's next rebasing after the five year deferral period. The Applicants recognize that in some cases, allowing a rate rider to remain in place for over five years will create a situation in which a distributor has recovered or refunded an amount greater than that in respect of which the rate rider was established and that the OEB may have to limit the duration of certain riders.

Questions:

- a) Please clarify the following statement "the OEB may have to limit the duration of certain riders." Specifically, please confirm if the Applicants are requesting that term limits be placed on certain rate riders as part of this MAADs proceeding. If not during this proceeding, through what process do the Applicants foresee the OEB limiting the terms of certain rate riders?
- b) Please identify any rate riders that, absent the MAADs proceeding, would have been anticipated to expire or be removed during the five-year rebasing deferral period.
 - i. If applicable, please specify the rate riders that belong to Thunder Bay Hydro and those that belong to Kenora Hydro.
 - ii. If applicable, please describe how LDC Mergeco anticipates correcting for rate riders that are maintained through the five-year period and have resulted in an over collection of the expected amount.
 - iii. If applicable, please explain how LDC Mergeco, post-amalgamation, intends to communicate with customers regarding rate riders that are maintained through the five-year period and have resulted in an over collection of the expected amount.

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

Staff IR #21

Reference: Utility Conditions of Service

Questions:

- a) Please provide a copy of current Conditions of Service for Kenora Hydro and Thunder Bay Hydro.
- b) Please identify any material differences in the current Conditions of Service of Kenora Hydro and Thunder Bay Hydro.
- c) Please confirm that these current Conditions of Service are available on each of the Applicants' websites and available at their business offices for viewing by customers.
- d) If there are any material differences, please identify how the amalgamated entity intends to communicate and resolve these in dealing with customers if the application is approved.

Staff IR #22

Reference: Specific Service Charges

Questions:

- a) Please complete the table below with respect to Specific Service Charges for the Applicants and add/remove/modify any rows if necessary:

| Specific Service Charge | Current Approved Charge | |
|--|--------------------------------|---------------------|
| | Thunder Bay Hydro | Kenora Hydro |
| Customer Administration | | |
| Arrears Certificate | | |
| Statement of Account | | |
| Easement letter | | |
| Account history | | |
| Credit reference/credit check (plus credit agency costs if applicable) | | |
| Returned cheque (plus bank charges) | | |
| Legal letter charge | | |

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

| | | |
|---|--|--|
| Account set up charge/change of occupancy charge (plus credit agency costs if applicable) | | |
| Account set up charge/change of occupancy charge | | |
| Special meter reads | | |
| Meter dispute charge plus Measurement Canada fees (if meter found correct) | | |
| Non-Payment of Account | | |
| Late payment – per month | | |
| Late payment – per annum | | |
| Disconnect/reconnect at meter – during regular hours | | |
| Disconnect/reconnect at meter – after regular hours | | |
| Disconnect/reconnect at pole – during regular hours | | |
| Disconnect/reconnect at pole – after regular hours | | |
| Install/remove load control device – during regular hours | | |
| Install/remove load control device – after regular hours | | |
| Other | | |
| Service call – customer owned equipment | | |
| Service call – after regular hours | | |
| Specific charge for access to the power poles - \$/pole/year (with the exception of wireless attachments) | | |

- b) Please identify any differences in specific service charges, as well as the ones that may be currently charged by one, but not both of the Applicants.
- c) Since the Applicants propose that the amalgamated entity would only rebase rates after five years, please explain how LDC Mergeco, post-amalgamation, proposes to handle any differences in specific service charges identified in the table above.

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

Staff IR #23

Reference: Total Bill Amount for Typical Customers

Question:

| Typical Monthly Consumption (kWh) – Rate Class | Total Monthly Bill Amount for Thunder Bay Hydro Rate Zone (\$) | Total Monthly Bill Amount for Kenora Hydro Rate Zone (\$) | Monthly Difference (\$) |
|--|--|---|-------------------------|
| Using 750 kWh for Residential Class | | | |
| Using 2,000 kWh for GS<50 kW Class | | | |

- a) Please provide the estimated total bill amount (\$ per month) before taxes using the Applicants’ current approved Tariffs of Rates and Charges and compare a typical Thunder Bay Hydro Residential and GS<50 kW customers with those of Kenora Hydro, using the table above. For typical monthly consumption for Residential rate class, please use 750 kWh per month and for GS<50 kW rate class, please use 2,000 kWh per month.

Staff IR #24

Reference: p.51

Preamble:

The Applicants state: Thunder Bay Hydro and Kenora Hydro have transitioned to “international financial reporting standards” or “IFRS”, which include

Questions:

- a) Thunder Bay had previously rebased under Accounting Standards for Private Enterprises. Effective January 1, 2015, Thunder Bay transitioned to IFRS.
- b) Was Thunder Bay’s capitalization and depreciation policy materially impacted as a result of the transition to IFRS?

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

- c) Please confirm if Thunder Bay Hydro's current rates reflect the transition to IFRS.
 - i. If yes, please identify the proceedings that considered IFRS.
- d) How has the change to IFRS been reflected in Thunder Bay's proposed rates for the deferred rebasing period?

Staff IR #25

Reference: p.51

Preamble:

The Applicants state: LDC Mergeco is not proposing any changes to the accounting 15 standards.

Questions:

Upon Amalgamation, the accounting policies of the individual utilities will be aligned.

- a) Whose accounting policies will the amalgamated entity adopt?
- 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.
- 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 and quantify each in detail.
- d) In the event that a change in accounting policy as a result of the amalgamation has a material impact on the approved rates during the deferred rebasing period, how will the Applicants propose to address this?

Staff IR #26

Reference: p. 51

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 Thunder Bay Hydro and Kenora Hydro and to seek disposition of their balances at a future date.

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

Questions:

- a) Please provide a listing of these accounts by utility.
- b) With respect to Group 1 variance accounts, when do the Applicants expect that the IESO settlement processes for Thunder Bay and Kenora will be merged (harmonized IESO invoice)?
- c) How do the Applicants expect to settle with the IESO after amalgamation and during the deferred rebasing period?
- d) In the event that the IESO invoice is harmonized, but the regulatory accounts continue to be tracked separately, how are the Applicants proposing that the IESO invoice will be allocated to the respective regulatory accounts of each utility?

Staff IR #27

Preamble: Applicant Debt Covenants

Questions:

In regards to the debt of the Applicants:

- a) Is any of the Applicants debt governed by debt covenants?
- b) If so, please provide a summary of the underlying covenants associated with each indebtedness.
- c) Please explain the impact of a default in these covenants?
- d) Have the Applicants ever been in default of these covenants in the past?
- e) Prepare an analysis that supports that these debt covenants will not be breached as a result of the proposed amalgamation.

Staff IR #28

Preamble: Applicant Dividend Policy

Questions:

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

OEB STAFF INTERROGATORIES
Thunder Bay Hydro Electricity Distribution Inc. and Kenora Hydro Electric Corporation Ltd.
MAADs Application
EB-2018-0124

August 3, 2018

Staff IR #29

Preamble: Applicant Pro-forma Financial Statements

Questions:

- a) The Applicants have provided the pro-forma financial statement of the amalgamated entity.
 - i. Please confirm that the pro-forma statements reflect the incremental transition costs and savings that are projected in this application.
 - ii. Please explain how the projections in the pro-forma statements are derived.