

Ontario Energy Board

IN THE MATTER OF an application by Peterborough Distribution Inc. for leave to amalgamate with Peterborough Utilities Services Inc., (the amalgamated corporation being referred to herein as “AmalCo”), made pursuant to section 86(1)(c) of the Ontario Energy Board Act, 1998.

AND IN THE MATTER OF an application by Peterborough Distribution Inc. and AmalCo, made pursuant to section 18 of the Ontario Energy Board Act, 1998, for leave to transfer: (a) PDI’s distribution licence to AmalCo; and (b) PDI’s rate order to AmalCo.

AND IN THE MATTER OF an application by AmalCo for leave to sell its distribution system to 1937680 Ontario Inc., made pursuant to section 86(1)(a) of the Ontario Energy Board Act, 1998.

AND IN THE MATTER OF an application by Peterborough Distribution Inc. seeking to include a rate rider in the current OEB-approved rate schedules of Peterborough Distribution Inc. to give effect to a 1% reduction relative to their Base Distribution Delivery Rates (exclusive of rate riders), made pursuant to section 78 of the Ontario Energy Board Act, 1998.

AND IN THE MATTER OF an application by AmalCo and 1937680 Ontario Inc., made pursuant to section 18 of the Ontario Energy Board Act, 1998, for leave to transfer: (a) AmalCo’s distribution licence to 1937680 Ontario Inc.; and (b) AmalCo’s rate order to 1937680 Ontario Inc.

Energy Probe

Interrogatories to the Applicants in the EB-2018-0242 Proceeding

February 12, 2019

EP-1

Reference: Exhibit A, Tab 1, Schedule 1

Preamble: Based on information in the public letters of comment, there appears to be significant public concern and opposition to this application.

Question:

- a) How was the public informed of the proposed merger?
- b) Please file copies of documents that were sent to ratepayers informing them of the proposed merger.
- c) How was public input solicited?
- d) Were any public meetings held? If the answer is yes please provide information on the meeting(s), including date, location, attendance, and meeting summaries prepared by staff employed by Applicants or their representatives.

EP-2

References: Exhibit A, Tab 1, Schedule 1, and Exhibit A, Tab 2, page 24

Question:

- a) Please provide the names of the directors and officers of 1937680 Ontario Inc.
- b) Please confirm that 1937680 is an affiliate of Hydro One Inc. as defined by the OEB's Affiliate Relationships Code for Electricity Distributors and Transmitters.
- c) Please file all Services Agreements between 1937680 Ontario Inc. and Hydro One Inc. including agreements with all Hydro One affiliates. If they have not been completed at this time, please provide the date when they will be completed.
- d) Please file the electricity distributor licence of 1937680 Ontario Inc.

EP-3

Reference: Exhibit A, Tab 1, Schedule 1, Page 6

Question:

- a) Is the \$1.8 million credit fixed or could it increase if the earnings are greater than expected?
- b) If the earnings are not adequate to support the \$1.8 million credit to ratepayers, how will the credit be financed.

EP-4

Reference: Exhibit A, Tab 1, Schedule 1, Page 7

Question:

- a) Please explain the meaning of the terms “AmalCo” and “amalgamated corporation” as used in this exhibit.
- b) What corporations are constituents of AmalCo?
- c) Is AmalCo incorporated? If it is, please file the names of its officers and directors. If the answer is no, please explain why not.

EP-5

Reference: Exhibit A, Tab 1, Schedule 1, Page 9

Preamble: “The Agreement, in addition to the approvals identified in this Application, requires receipt of a Competition Act (Canada) clearance from the Commissioner of Competition. This transaction was completed on a commercial basis between a willing seller and a willing buyer.”

Question:

- a) What is the agreement that requires receipt of a clearance from the Commissioner of Competition?
- b) Has the clearance been obtained? If the answer is yes, please file a copy of the clearance document. If the answer is no please explain why?
- c) The exhibit states that the transaction was completed. As there are several transactions listed please explain which one and provide the date of its completion.
- d) Please explain how the transaction was completed prior to the OEB approval of the transaction.

EP-6

Reference: Exhibit A, Tab 2, Schedule 1, Page 2, Table 1

Question:

- a) Please confirm that Year 1 in Table 1 is the year commencing January 1, 2019.
- b) Please provide supporting information for the OM&A savings in each year including the following details:
 - i) Staff reductions in end of year headcount and annual full-time equivalents (FTE);
 - ii) Severance payments;

- iii) Explanation of the reasons why staff reductions are possible;
 - iv) And charges for services by Hydro One affiliates.
- c) Please provide supporting information for the capital cost savings in each year including the list of capital projects postponed or cancelled.
- d) Please confirm that the table does not include any ICM projects and that potential ICM projects would reduce capital cost savings.

EP-7

Reference: Exhibit A, Tab 2, Schedule 1, Page 10

Preamble: “1937680 has agreed to establish an Advisory Committee to provide a forum for communication between 1937680 and the community. Under the terms of the Agreement, the City may appoint two representatives to the Advisory Committee, and 1937680 will appoint one senior Hydro One employee and one local Hydro One employee”

Question:

Has the Advisory Committee been established? If it has, please file a list of the names and positions of the members of the Advisory Committee. If it has not been established, please explain why not.

EP-8

Reference: Exhibit A, Tab 2, Schedule 1, Page 11

Preamble: “As Hydro One already has an operating organization in place that provides many of the same functions as PDI, certain duplicative functions will no longer be required “.

Question:

Is there a staff integration report prepared by or for the management of the Applicants? If there is a report, please file it. If there is no such report please explain why not.

EP-9

Reference: Exhibit A, Tab 2, Schedule 1, Page 19

Preamble: “Integration costs include incremental up-front costs to transfer the customers into HydroOne’s customer and outage management. These costs are estimated to be approximately \$9 million. Hydro One is not expecting to incur any ongoing integration costs.”

Question:

Are the Integration Costs of \$9 million capital costs or OM&A costs? If they are both categories, please provide the amount for each category and the year.

EP-10

Reference: Exhibit A, Tab 2, Schedule 1, Page 20

Preamble: “The premium paid over the asset’s book value will not have a material impact on Hydro One Inc.’s financial viability. This transaction price accounts for less than 2% of Hydro One Distribution’s net fixed assets. In addition, the premium paid will not be included in Hydro One’s revenue requirement and thus will not be funded by ratepayers.”

Question:

- a) Please provide the asset’s net book value at the expected purchase date.
- b) Is the asset’s net book value the same as the rate base amount at the expected purchase date? If it is not, please provide a numerical schedule reconciling the net book value at the time of purchase to the amount in rate base.

EP-11

Reference: Exhibit A, Tab 1, Schedule 1, page 22

Preamble: US GAAP allows certain costs to be capitalized that would be expensed under IFRS.

Question: What is the estimate of PDI annual costs that are currently treated as OM&A that would be capitalized under US GAAP.

EP-12

Reference: Exhibit A, Tab 3, Schedule 1, page 3

Question: Please confirm that only over-earnings and no under-earnings will be recorded in the regulatory account.

EP-13

References: Exhibit A, Tab 3, Schedule 1, page 9

Question: Considering that the last PDI rebasing was in 2013, have the Applicants considered filing a PDI rebasing application with this application? Please explain your answer.

EP-14

Reference: Exhibit A, Tab 3, Schedule 1, page 10

Preamble: There is a concern that there will be a large disparity between costs and rates after 17

years and that the balance in the ESM regulatory account may be inadequate to allow for rate mitigation.

Question: How will Hydro One provide rate mitigation if the balance in the ESM regulatory account is inadequate for that purpose?

EP-15

Reference: Exhibit A, Tab 3, Schedule 1, page 11

Preamble: PDI's distribution system, and its ratepayers, will continue to benefit from the ongoing capital expenditures, without the rate impacts (i.e. increases) that would occur from regular cost of service rebasing absent a deferred rebasing period.

Question: Since PDI ratepayers will not be charged for the costs of ongoing capital expenditures, who will pay for the costs of these capital expenditures?

EP-16

Reference: Exhibit A, Tab 4, Schedule 1, page 2, Table 1

Question: Under the Status Quo scenario, is the assumption that PDI would continue using IFRS capitalization rules? If the answer is yes, please redo the table using US GAAP capitalization rules.

EP-17

References: Exhibit A, Tab 4, Schedule 1, page 5 and Attachment 20

Question:

- a) Under the Status Quo scenario, is it assumed that PDI would not have any productivity improvements or capital expenditure efficiencies? Please explain your answer.
- b) Please explain the reasons for selecting the 2.0% for Capital and 2.5% for OM&A in the List of Assumptions in Attachment 20.

EP-18

Reference: Exhibit A, Tab 4, Schedule 1, page 5

Preamble: "Examples of duplicated services include Board of Director's fees, executive leadership, system control staff/facilities and operations facilities that are specifically planning, finance, regulatory, human resources, information technology, etc."

Question: Please provide a table showing the itemized assumptions of each one of the duplicated services that was used in the PDI Status Quo Cost to Serve revenue requirement.

EP-19

Reference: Exhibit A, Tab 4, Schedule 1, pages 6, 7 and 8

Preamble: “The manner in which Shared Costs will be allocated, and the amount that will ultimately be borne by former PDI customers following the deferral period, will be matters for a future OEB panel to consider and determine when Hydro One proposes a rate structure and rate harmonization plan as part of its rebasing application following the 10-year deferral period. At that time, Hydro One would determine the quantum of its Shared Costs and the appropriate methodology for allocating those Shared Costs among all of its customer groups, including its distribution customers in the former PDI service territory, resulting in what it then believes to be an appropriate amount of Shared Costs to be collected from the former PDI customers.”

Question:

- a) Assuming that the OEB approves the application as filed, and Hydro One had to determine the quantum its shared costs in 2020, how much would it have to allocate to distribution customers in the former PDI service territory?
- b) Please redo Table 4 on page 8 using 2020 numbers.

EP-20

Reference: Exhibit A, Tab 4, Schedule 1, page 9

Preamble: “For the ten year deferral period, Hydro One will track the incremental costs (OM&A and Capital) to serve customers in the former PDI service territory, and have their asset plans distinguished in Hydro One’s Distribution System Plan until rate integration in Year 11.”

Question: Please explain how these incremental costs will be determined and how they will be tracked.

Respectfully submitted on behalf of Energy Probe, February 12, 2019.

Original Signed by

Tom Ladanyi
Consultant to Energy Probe