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VIA COURIER and RESS FILING

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

Dear Ms. Walli,

Re: EB-2018-0242 – Hydro One Networks Inc. - Peterborough Distribution Inc. has applied for approval to amalgamate with Peterborough Utilities Services Inc.

Attached please find the Interrogatories of the Power Workers' Union in connection with the above-noted proceedings. An electronic copy has been filed through the Board's RESS filing system, and two paper copies will follow by courier delivery.

Yours very truly,
PALIARE ROLAND ROSENBERG ROTHSTEIN LLP



Richard P. Stephenson
RPS:pb

Attach.

Doc 2795686 v1

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**Peterborough Distribution Inc.
Peterborough Utilities Services Inc.
Hydro One Networks Inc.
1937680 Ontario Inc.**

Application for approval to amalgamate Peterborough Distribution Inc. and Peterborough Utilities Services Inc. and to sell the amalgamated electricity distribution system to Hydro One Networks Inc.

Power Workers' Union Interrogatories

PWU 1

Ref 1: Exhibit A, Tab 1, Schedule 1, Page 5 of 12, (#b)

b) The Purchaser or its affiliates shall offer certain employees of PDI and PUSI continued employment in the City of Peterborough for a period of at least one year;

Ref 2: Exhibit A, Tab 2, Schedule 1, Page 11 of 24

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. Direct staff, such as line and forestry employees, work directly on the distribution assets. PDI's direct staff will be integrated into Hydro One's local operations and will become part of the area's pool of resources working within the larger Hydro One service area, which encompasses PDI's current service territory.

Ref 3: Exhibit A, Tab 2, Schedule 1, Page 11 of 24

Staff not working directly on the distribution assets are considered support staff such as back-office, customer service, finance, etc. In addition to its own support staff, PDI receives support services from affiliate PUSI and its complement of personnel. The 22 PDI operations support personnel will be absorbed into vacancies within Hydro One. In addition, up to 23 PUSI support staff are expected to move to positions within Hydro One once integration is complete.

- a) Please provide a chart that shows the breakdown of employees of PDI and PUSI by role (management and non-management) and by union representation.
- b) Please confirm that no employee positions would be lost as a result of the proposed consolidation. If not, how many employees, job functions and employee positions are forecast to be lost or remain unfilled?

PWU 2

Ref 1: Exhibit A, Tab 1, Schedule 1, Page 6 of 12:

The proposed Transaction will both benefit and protect ratepayers:

Peterborough service area ratepayers will receive the benefit of: (i) a reduction of 1% in their Base Distribution Delivery Rates in years 1 to 5; (ii) a rate increase of less than inflation in years 6 to 10 (inflation less productivity stretch factor); and (iii) a further guaranteed ESM amount of \$1.8 million in years 6 to 10. In addition customers will benefit in the longer term (Year 11 forward) from the lower ongoing cost structures.

Ref 2: Exhibit A, Tab 3, Schedule 1, Page 2 of 11

- **Hydro One's ESM will guarantee a cumulative \$1.8 million of over-earnings will be shared with former PDI customers as a result of the implementation of the ESM in years six to ten.**

Ref 2: Exhibit A, Tab 3, Schedule 1, Page 2 of 11

- ***Term and Eligibility* - Hydro One is proposing to implement an ESM in years six through ten of the deferred rebasing period. Excess earnings above 300 basis points on the allowed ROE in that period will be shared 50:50 with customers of the former PDI.**
- a) Please clarify whether the proposed \$1.8 million guaranteed ESM is the maximum or minimum that will be refunded to PDI customers.
 - b) Please confirm if the proposed \$1.8 million guaranteed ESM will be paid irrespective of forecast incremental OM&A and capital costs.
 - c) Please confirm and explain why after the integration of PDI and Hydro One, an ROE can only be calculated for the consolidated Hydro One and not for PDI.
 - d) Please provide in a table format ROE over-earnings (in %) by Hydro One in the last 10 years, i.e., where Hydro One earned an ROE of more than 300 basis points over the OEB-approved ROE.
 - e) Please confirm and explain if the proposed ESM mechanism better protects customers of PDI than the ESM mechanism as set out in the Board's 2015 Report wherein ESM would have been calculated on the basis of ROE over-earnings by Hydro One.

- f) The Applicants mention the Board's Decision in Hydro One and Woodstock MAAD application,¹ where the Board expressed concerns that the ESM as proposed by Hydro One (over-earnings based on Hydro One's Financial Statements) would not ensure that potential savings would be seen by the existing customers within the Woodstock service territory. In that Decision, the Board ruled that "there must be a workable ESM in place that will achieve the purpose of protecting ratepayer interests."² What was the workable ESM that was proposed by Hydro One/Woodstock and got approved subsequent to the Board's decision? Please provide details.

¹ EB-2014-0213, Page 17

² EB-2014-0213, Page 17