

## ONTARIO ENERGY BOARD

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15 (Schedule. B);

**AND IN THE MATTER OF** an Application filed by North Bay (Espanola) Acquisition Corp. (“NBEAI”) pursuant to the *Ontario Energy Board Act, 1998* for:

Leave to acquire 100% of the issued and outstanding common shares of Espanola Regional Hydro Holdings Corporation (“ERHHC”) and 100% of the special shares of Espanola Regional Hydro Distribution Corporation (“ERHDC”) from The Corporation of the Town of Espanola and The Corporation of the Township of Sables-Spanish Rivers, pursuant to section 86(2)(b) of the *Ontario Energy Board Act, 1998*;

Leave to amalgamate NBEAI, ERHHC and ERHDC to create a new company operating under the name Espanola Regional Hydro Distribution Corporation, made pursuant to section 86(1)(c) of the *Ontario Energy Board Act, 1998*; and

Approval of the proposed rate making framework under section 78 of the *Ontario Energy Board Act, 1998*; and

## INTERROGATORIES

### FROM THE

### SCHOOL ENERGY COALITION

1. [Application, p. 8 – 12, and Appendix D, s. 7.9] Please confirm the following proposed timeline, or correct if not confirmed:
  - a. Approval of Board in 2019
  - b. Closing of Phase I Transaction – approximately 60 days after OEB approval
  - c. Rebasing Application by North Bay Hydro – August 31, 2019
  - d. Rebased Rates for North Bay Hydro effective – May 1, 2020
  - e. Rebasing Application by Espanola Hydro – August 31, 2020
  - f. Rebased Rates for Espanola Hydro – May 1, 2021
  - g. End of PUC Services Agreement Term – May 31, 2021
  - h. Extension of PUC Services Agreement for Transition to – February 28, 2022
  - i. Closing of Phase II Transaction – February 28, 2022
  - j. Rate Harmonization and Rebased Rates – May 1, 2027.
  
2. [Application, p. 14] With respect to the proposed ratemaking framework:
  - a. Please confirm that the Applicants are not planning to have any rebasing deferral period for either North Bay Hydro or Espanola Hydro. Instead, the proposal is that North Bay Hydro will rebase for May 1, 2020, and then remain on Price Cap IR for six years rather than the normal

four years, and Espanola Hydro will rebase for May 1, 2021, and then remain on Price Cap IR for five years rather than the normal four years.

- b. Put another way, please confirm that the Applicants are proposing an eight year rebasing deferral period, but are requesting that the Board allow them to seek additional rate increases in 2020 and 2021 respectively during the rebasing deferral period.
  - c. Please confirm that, under the Applicants' rate proposal, the 2020 and 2021 rebasings will assume costs as if no merger was taking place.
  - d. Please confirm that the approval the Applicants are requesting today with respect to the proposed rate framework is intended to continue to be effective even if the Board's policies with respect to timing of rebasing, and available years of Price Cap IR, change in the interim period, i.e. the Board's order in this proceeding will supercede any inconsistent Board policy in existence in 2022.
  - e. [Appendix D, section 7.9.2] Please clarify whether the proposed ratemaking framework includes the ability to seek a rebasing for Espanola Hydro that is effective prior to May 1, 2021, in the event that this provision of the Securities Purchase Agreement becomes applicable.
- 3. [Application, p. 12] Please file the December 31, 2018 audited financial statements of both North Bay Hydro and Espanola Hydro.
  - 4. [Application, p. 12] In EB-2014-0071, both Espanola Hydro and OEB Staff did normalization calculations with respect to the regulatory ROE for several years. Please provide the full calculations to get to 6.29% for 2016, 2.45% for 2017, and the actual regulatory ROE for 2018. Please advise which, if any, of the normalization adjustments in EB-2014-0071 were used for 2016-2018, and if the normalizations were different from those in that previous case, please explain why.
  - 5. [Application, p. 12] Please confirm that the five-year consolidated distribution system plan to be filed will be for the merged entity, including both the North Bay Hydro and Espanola Hydro service territories.
  - 6. [Application, p. 12] Please provide a list of all Group I and Group II DVA balances as of December 31, 2018 for Espanola Hydro.
  - 7. [Application, p. 22] Please confirm that there are 37 publicly-funded schools currently served by North Bay Hydro, and 7 publicly-funded schools currently served by Espanola Hydro. If possible, please provide a breakdown of those schools between the GS<50 and GS>50 classes.
  - 8. [Application, p. 25] With respect to Table 7-1:
    - a. Please expand the table to include status quo capital spending and capital synergies. Please include the revenue requirement associated with rate base in each year, so that the total revenue requirement for each year can be seen from the combination of capital and OM&A.
    - b. Please provide and explain the assumptions used to estimate status quo OM&A and capital until 2026.
    - c. Please confirm that the last Board-approved OM&A for North Bay Hydro is \$6,430 in EB-2014-0099, applicable for 2015. Please confirm that the status quo assumption is that OM&A grows at a compound annual growth rate of 2.7% per year from 2015 (\$6,430) to 2026 (\$8,624).

- d. Please confirm that the last Board-approved OM&A for Espanola Hydro is \$1,360 in EB-2011-0319, applicable for 2012. Please confirm that the status quo assumption is that OM&A grows at a compound annual growth rate of 2.2% per year from 2012 (\$1,360) to 2026 (\$1,843), despite declining load.
  - e. Please confirm that total OM&A synergies are expected to be \$3,258 over 5 years, a reduction of about 6.5% in total OM&A over the period. Please estimate how much of those savings will be the result of North Bay Hydro providing the same services as PUC Distribution, but at a lower incremental cost.
9. [Application, p. 34] With respect to the proposed rate harmonization in 2027:
- a. Please confirm that the chart set out below represents the current approved rates being charged by North Bay Hydro and Espanola Hydro. (A live Excel version of this chart is being provided with these interrogatories so that the calculations can be seen in detail.)

### Comparison of North Bay and Espanola Monthly Bills

Rate Class	Vol.	North Bay				Espanola			
		Fixed	Variable	RTR	Total	Fixed	Variable	RTR	Total
Residential (kwh)	700	\$29.27	\$0.0001	\$0.0129	\$38.35	\$16.25	\$0.0224	\$0.0103	\$39.14
GS<50 (kwh)	2000	\$25.15	\$0.0190	\$0.0120	\$87.09	\$28.49	\$0.0262	\$0.0095	\$99.89
GS>50 (kW)	250	\$310.47	\$2.6173	\$4.7275	\$2,146.67	\$215.77	\$5.6525	\$4.5930	\$2,777.15

**North Bay from EB-2018-0057 including Riders and LV**

**Espanola from EB-2014-0071 including Riders and LV**

- b. Please provide a table such as that set out above showing the forecast monthly bills, on the same basis, in 2026. Please set out all assumptions used to estimate those forecast bills.
  - c. Please confirm that it is the Applicants' intention to ensure that, when rates are harmonized in 2027, none of the customers of either utility will have an increase in their monthly bill because of the merger (i.e. separate from increases due to increasing costs to serve applicable to all customers). Please confirm that, as a result, the Applicants expect that the bulk of the merger savings will be allocated to Espanola Hydro customers in order to bring their rates down to the levels charged by North Bay Hydro.
10. [Application, p. 35] Please explain why the low ROE being experienced by Espanola Hydro was not reflected in the price being paid by North Bay Hydro for the shares, as is normally the case in commercial transactions, as opposed to being recovered by the purchaser by way of an extra rebasing application, contrary to Board policy. Please provide any documents in the possession of the Applicants showing the impact of Espanola Hydro's low ROE on the purchase price.
11. [Application, p. 35] Normally there is no rebasing during the period in which transition costs are being incurred. The Applicants are proposing an exception to that norm in this case. Please detail how the transition costs related to these transactions will be excluded from the costs included in the two rebasing applications for 2020 and 2021.
12. [Application, p. 37] Please provide a copy of the commitment letter from the Toronto-Dominion Bank. Please provide a summary of the impacts of the proposed borrowing on the financial ratios of North Bay Hydro.

13. [Application, p. 37] The Applicants are proposing an eight year period between the transaction and the first rebasing that includes merger savings. Given this fact, please explain why, consistent with Board policy, there should not be an ESM in the last three years of that period.
14. [Application, p. 38] Please clarify the intent that the ICM rate riders continue only until the rebasing of Espanola Hydro for 2021 rates. Please confirm that, at that time, it is proposed that the ICM capital will be added to rate base, and the ICM collected will be trued up to the actual revenue requirement from 2013 to 2020 of the assets included in the ICM, with any excess collected refunded to customers at that time.
15. [Application, p. 40] Please advise whether there are any material tax impacts expected (current or future costs or benefits) as a result of the proposed acquisition structure (share purchase plus amalgamation, then later amalgamation into North Bay Hydro), and, if so, describe and quantify those tax impacts.
16. [Appendix C, Amending Agreement, p. 2] Please confirm that any incremental costs for the transition from PUC Distribution services will be considered transaction costs, and will not, directly or indirectly, be for account of customers.
17. [Appendix D, s. 7.10] Please file the “current capital plan” referred to.
18. [Appendix D, Schedule Q] Please confirm that the requisite consents have been received. Please provide details of any conditions attached to either consent. If either consent has not been received, please provide an explanation of when that is expected, and the current status today.
19. [Appendix D, Schedule R] Please confirm that the tax audit has been completed, and there is no material impact on the transactions or on Espanola Hydro. If the audit has not been completed, please provide details.
20. [Appendix I, Espanola 2017, Note 6] Please advise whether the gross assets of Espanola Hydro were revalued to net book value on the transition to IFRS. If so, please provide the amount of the revaluation adjustment, and the year made.
21. [Appendix I, Espanola 2017, Notes 8 and 11] Please confirm that the general security agreements will continue in place after the Phase I transaction. Please confirm that the general security agreements will not continue in place after the Phase II transaction or, if they do, they will not be a charge against the current assets of North Bay Hydro.

Respectfully submitted on behalf of the School Energy Coalition this April 15, 2019.

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Jay Shepherd  
Counsel for the School Energy Coalition