OEB STAFF INTERROGATORY # 1

Reference:

Exhibit A-4-1

Interrogatory:

a) Please provide a table which compares indicative Hydro One Networks Inc. ("Hydro One") and Peterborough Distribution Inc. ("PDI") monthly electricity bills:
   i. Today (e.g. 2019)
   ii. In year 10 with the proposed consolidation
   iii. In year 10 without the proposed consolidation
   iv. In year 11 with the proposed consolidation, and
   v. In year 11 without the proposed consolidation.

Please develop the comparison for each of the following customer types: Residential, General Service less than 50kW, and General Service greater than 50 kW.

b) Please confirm that the values provided in response to question a) iv above include PDI rebasing following the end of the deferred rebasing period. If they do not, please ensure that they do.

c) Please also explain how costs have been allocated to PDI customers in the response to question a) iv above.

Response:

a) The tables below provide indicative monthly electricity bills for Hydro One Urban rate classes and PDI's Residential and General Service customers for the requested scenarios. The total bill calculation excludes any rate riders and ESM refund.

PDI	Today - 2019		Year10 - With Consolidation[1]		Year10 - Without Consolidation[1]		Year11 - With Consolidation[1]		Year11 - Without Consolidation[1]	
	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[2]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[2]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[2]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[2]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[2]
Residential (750kWh)	$23.26	$107.75	$25.43	$110.03	$36.13	$121.27	$32.59	$117.56	$37.15	$122.34
GS < 50kW (2,000kWh)	$50.96	$271.87	$55.65	$297.88	$78.54	$323.75	$70.78	$314.98	$80.94	$326.46
GS 50 to 4,999 kW (250kW)	$925.31	$27,212.66	$1,030.30	$27,331.30	$1,414.84	$27,765.83	$1,215.06	$27,540.08	$1,454.31	$27,810.42

[1] Indicative distribution rates for years 10 and 11 have been calculated using the percentage increase in rates revenue requirement compared to 2019 (refer to Hydro One's response to I-01-03).

[2] Commodity, Smart Metering Entity Chare, RTSR and Regulaotry charges have been held constant, at values currently in effect, through out the analysis period.

Hydro One	Today - 2019		Year10 - With Consolidation[1]		Year10 - Without Consolidation[1]		Year11 - With Consolidation[1]		Year11 - Without Consolidation[1]	
	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[2]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[2]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[2]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[2]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[2]
Residential (UR 750kWh)	$34.33	$117.89	$44.51	$128.58	$44.51	$128.58	$45.05	$129.15	$45.20	$129.30
GS < 50kW (UGe 2,000kWh)	$81.75	$302.46	$104.34	$351.03	$104.34	$351.03	$105.73	$352.60	$106.04	$352.95
GS > 50 kW (UGd 250kW)	$2,579.84	$28,969.43	$3,296.83	$29,779.63	$3,296.83	$29,779.63	$3,336.18	$29,824.10	$3,347.94	$29,837.38

[1] Indicative distribution rates for years 10 and 11 have been calculated using the percentage increase in rates revenue requirement compared to 2019 (refer to Hydro One's response to I-01-03).

[2] Commodity, Smart Metering Entity Chare, RTSR and Regulaotry charges have been held constant, at values currently in effect, through out the analysis period.

b) Confirmed.

c) In Year 11, with the proposed consolidation, costs will be allocated to PDI customer classes in the manner described in Section 3.1 of Exhibit A, Tab 4, Schedule 1 and in the response to Exhibit I, Tab 1, Schedule 2. For the purpose of responding to part a) iv above, Hydro One has assumed that the outcome of allocating Shared Costs would be as described in Exhibit I, Tab 1, Schedule 7 d), which assumes a sharing of the benefits of consolidation between Hydro One legacy and PDI customers similar to the outcome that was proposed for Norfolk, Haldimand and Woodstock in Hydro One's Distribution Rates Application EB-2017-0049.

OEB STAFF INTERROGATORY # 2

Reference:

Exhibit A-4-1

Interrogatory:

a) What rate classes does Hydro One expect to place PDI customers in in year 11? Will PDI customers be grouped into the existing residential, general service, etc. rate classes? Will PDI customers be placed in the Acquired Utility classes? Will PDI have stand-alone classes? If PDI customers are not expected to be placed into existing rate classes, please describe how Hydro One's existing corporate costs/overheads will be allocated to them.

Response:

As indicated on page 11 of Exhibit A, Tab 4, Schedule 1, Hydro One anticipates transitioning PDI customers to one of its proposed new acquired utility classes or to a new stand-alone rate class, taking into account the density characteristics and the bill impacts associated with transitioning to the new class. Hydro One would allocate Shared Costs to the acquired utility or stand-alone classes by incorporating PDI customers into the OEB's cost allocation model and using the principles embedded in the cost allocation model to allocate Shared Costs to all rate classes, including those with PDI customers. Note that in addition to corporate costs/overheads, the term Shared Costs also includes costs associated with shared facilities and upstream distribution facilities as described in Exhibit A, Tab 4, Schedule 1, page 6, lines 5-12.

Hydro One also commits to ensuring that the amount of Shared Costs to be collected from PDI customers will not cause their total revenue requirement to exceed the upper goal post defined by PDI's Status Quo revenue requirement if they had not been acquired.

OEB STAFF INTERROGATORY # 3

Reference:

Exhibit A-4-1

Interrogatory:

a) Please provide a table which estimates Hydro One and PDI revenue requirements and revenue requirements per customer:
   i. Today (e.g. 2019)
   ii. In year 10 with the proposed consolidation
   iii. In year 10 without the proposed consolidation
   iv. In year 11 with the proposed consolidation, including all costs that are expected to be allocated to PDI, and
   v. In year 11 without the proposed consolidation.

Please develop the comparison for each of the following customer types: Residential, General Service less than 50kW, General Service greater than 50 kW and total of all customer types (i.e. total revenue requirement).

b) Please confirm that the values provided in response to question a) iv above include PDI rebasing following the end of the deferred rebasing period. If they do not, please ensure that they do.

Response

a) The tables below provide the requested information for Hydro One's Urban rate classes and PDI.

PDI	Today (2019)[1,2]	Year 10 (2029) with consolidation[1,2]	Year 10 (2029) without consolidation[1,2]	Year 11 (2030) with consolidation[2,3]	Year 11 (2030) without consolidation[1,2]
Revenue Requirement					
Residential	$9,485,369	$10,252,892	$14,108,071	$12,633,719	$14,481,312
GS < 50kW	$2,654,781	$2,882,231	$3,988,616	$3,531,802	$4,096,266
GS 50-4,999 kW	$3,773,974	$4,144,546	$5,653,224	$4,746,782	$5,804,506
Other	$1,254,781	$1,364,646	$1,890,612	$1,665,297	$1,941,917
Total	**$17,168,906**	**$18,644,315**	**$25,640,523**	**$22,577,600**	**$26,324,000**
Revenue Requirement per Customer					
Residential	$285	$293	$403	$359	$411
GS < 50kW	$749	$741	$1,026	$900	$1,044
GS 50-4,999 kW	$10,165	$10,362	$14,135	$11,781	$14,406
Other	$136	$138	$191	$167	$195
Total	**$370**	**$379**	**$521**	**$456**	**$532**

[1] Indicative values for revenues related to LV charges have been added to the total Distribution revenue requirement. The amount of LV revenue added for each scenario is based on the methodology described in Exhibit A-4-1, pg 3.

[2] External revenues have been held constant through out this analysis period.

[3] Refer to Hydro One's response to I-01-01 part c for explanation on how the revenue requirement for this scenario (year 11 with consolidation) was derived.

Hydro One	Today (2019)[1,2]	Year 10 (2029) with consolidation[1,2]	Year 10 (2029) without consolidation[1,2]	Year 11 (2030) with consolidation[1,2,3]	Year 11 (2030) without consolidation[1,2]
Revenue Requirement					
Residential (UR)	$94,142,250	$118,993,894	$118,993,894	$120,357,763	$120,765,073
GS<50kW (UGe)	$23,424,505	$29,740,427	$29,740,427	$30,087,047	$30,190,563
GS>50kW (UGd)	$32,686,423	$41,642,693	$41,642,693	$42,134,216	$42,281,007
Other	$1,429,827,519	$1,814,214,607	$1,814,214,607	$1,835,309,928	$1,841,609,911
Total	**$1,580,080,697**	**$2,004,591,620**	**$2,004,591,620**	**$2,027,888,954**	**$2,034,846,554**
Revenue Requirement per Customer					
Residential (UR)	$410	$468	$468	$468	$470
GS<50kW (UGe)	$1,298	$1,549	$1,549	$1,557	$1,563
GS>50kW (UGd)	$18,792	$22,592	$22,592	$22,722	$22,802
Other	$1,354	$1,637	$1,637	$1,649	$1,654
Total	**$1,210**	**$1,449**	**$1,449**	**$1,457**	**$1,462**

[1] Indicative future revenue requirement for Hydro One was calculated using approved 2017 revenue requirement as the starting point and then applying average increases of 6.3% for the rebasing years (i.e. 2018, 2023 and 2028), and 1.55% for the price-cap years (i.e. 2019-2022, 2024-2027 and 2029-2030).

[2] External revenues have been held constant through out this analysis period.

[3] Refer to Hydro One's response to I-01-01 part c for explanation on how the revenue requirement for this scenario (year 11 with consolidation) was derived.

b) Confirmed.

OEB STAFF INTERROGATORY # 4

Reference:

Exhibit A-4-1

Interrogatory:

Preamble:

Table 1 below was developed by OEB Staff based on information published in the 2011 – 2017 OEB Distributor Yearbooks. The table shows Hydro One and PDI OM&A per customer and Net Fixed Assets per customer between 2011 and 2017. Hydro One's OM&A per customer and Net Fixed Assets per customer have been higher than PDI's between 2011 and 2017 (by an average of 96% and 212%, respectively)

Table 1 - OM&A and Net Fixed Assets per customer, 2011 – 2017: Hydro One, PDI.

	2011	2012	2013	2014	2015	2016	2017
Hydro One OM&A per Customer	$454	$440	$496	$549	$452	$431	$423
Hydro One Net Fixed Assets per Customer	$4,545	$4,812	$5,097	$5,361	$5,593	$5,761	$5,894

	2011	2012	2013	2014	2015	2016	2017
PDI OM&A per Customer	$199	$224	$277	$242	$231	$252	$241
PDI Net Fixed Assets per Customer	$1,400	$1,543	$1,557	$1,606	$1,667	$2,108	$2,125

a) Given that Hydro One's OM&A per customer and Net Fixed Assets per Customer are higher than PDI's, how does Hydro One propose that PDI customers will not be worse off as a result of consolidating with Hydro One?

b) Please provide a table which compares PDI's OM&A per customer and Net Fixed Assets per customer in year 10 and 11 with the proposed consolidation (including all costs to be allocated to PDI), and in year 10 and 11 without the proposed consolidation. Please also explain how costs have been allocated to PDI customers in the values provided.

Response:

a) As is reflected in the Net Fixed Asset per Customer ratio provided by Board Staff in this interrogatory, Hydro One is a much larger distributor than PDI and covers a vastly larger and sparser service territory than PDI. Consequently, for comparison purposes, Hydro One and PDI are not peers and are not easily comparable. This is analogous to the Hydro One acquisition of Norfolk where the OEB in its decision documented that "*HONI has a multiplicity of different rate structures and density levels that are not significantly comparable to those of NPDI. Accordingly, it is not appropriate to compare HONI rates with those of NPDI as a basis for drawing inferences about their respective underlying cost structures.*[1]"

To assist the Board with this type of comparison, Hydro One provided the Hydro One OM&A cost to serve customers in its high density urban residential rate class ("UR"). This rate class represents Hydro One's service territory that would have customers and costs most comparable to those of PDI's territory. Hydro One's urban rate class covers area containing 3,000 or more customers with a density of at least 60 customers per km. This rate class closely aligns with the PDI service area which has approximately 37,000 customers and a density of 65 customers per km of line. Hydro One's 2017 UR OM&A is $179/customer, which compares favourably to PDI's OM&A per customer figure. This evidence is provided at Exhibit A, Tab 2, Schedule 1, Page 3 of 24. Given this and the further cost synergy savings provided in evidence, Hydro One firmly submits that PDI customers will not be worse off as a result of this transaction.

b) With consolidation, PDI will have been on an IRM throughout the deferred rebasing period. Therefore, for year 10, the OM&A/ customer and NFA/customer are not available. In Exhibit I, Tab 1, Schedule 10, Hydro One has provided an indicative rates forecast of revenue requirement based on the IRM adjustments during the deferred rebasing period. Table 1 below compares the "with consolidation" OM&A and capital costs to serve PDI customers in years 10 and 11 with the "without consolidation" cost to serve PDI customers.

[1] EB-2013-0187 – Decision and Order - July 3, 2014

Table 1

	Year 10	Year 11[A]
With Consolidation		
OM&A per Customer	-	$109.02
Net Fixed Assets per Customer[B]	-	$2,409
Without Consolidation		
OM&A per Customer	$304.38	$310.27
Net Fixed Assets per Customer	$2,221	$2,250
Customer Forecast[2]	39,326	39,543

Note A: As discussed in Exhibit A, Tab 4, Schedule 1, the "with consolidation" (referenced throughout the application as "residual cost to serve") Year 11 costs do not include an allocation of shared costs to PDI customers. Hydro One, prior to the end of the deferred rebasing period will submit a cost of service application for its entire distribution customer base, for rates effective in years 11 forward. At that time Hydro One will seek approval for the costs to serve PDI, which would include an allocation of Shared Costs. Until that time, Hydro One is unable to calculate the total OM&A and Fixed Asset costs that will be allocated to PDI. Further information on the potential allocation of the revenue requirement is provided in Exhibit I, Tab 1, Schedule 7.

Note B: The higher net fixed assets per customer cost in the "with consolidation" versus the "without consolidation" analysis, reflects the scenario-specific asset assumptions that will manifest in a higher Net Book Value ("NBV") of the "with consolidation" scenario. The higher Net Book Value ("NBV") is a combination of the differences in Hydro One recognizing the NBV of Plant as the Gross PP&E Asset value as at Day One of the acquisition (which in this application is assumed to be January 1, 2020) per accounting requirements, and the associated annual depreciation expense resulting in the accumulated depreciation balances. These variances are a result of the different level of asset investments applicable to each scenario (i.e., Exhibit A, Tab 2, Schedule 1 Table 1 Capital forecasts) and the differences in the types of assets each scenario will invest in annually (i.e. additions to Gross Plant).

[2] Exhibit I, Tab 4, Schedule 19, Attachment 1 "Number of Customers/Connection Forecast – Peterborough Distribution Inc.", adding two Large User class customers, and excluding Unmetered Scattered Load customers.

OEB STAFF INTERROGATORY # 5

Reference:

Exhibit A-4-1

Interrogatory:

a) Please provide for PDI the most recent revenue to cost ratios table from the cost allocation model filed with the OEB in its last cost of service application.

b) Please comment on whether or not those ratios would still be considered reflective of where the ratios are today, and if not, please explain.

c) Please comment on whether or not as a result of the consolidation with Hydro One any significant changes to PDI's revenue to cost ratios could be anticipated in Year 11 and beyond.

Response:

a) PDI's most recent revenue to cost ratios are outlined in the OEB Decision, EB-2012-0160 on PDI's 2013 cost of service application. Please see Attachment 1 for pages 30-31 of that Decision detailing the approved revenue to cost ratios.

b) The inputs that drive the allocation of costs by rate class naturally change over time (e.g., the contribution to system peak loads by rate class, which are a key driver of cost allocation). As an example, a comparison of the revenue to cost ratios from PDI's EB-2008-0241 and EB-2012-0160 filings show a significant change in these ratios in the space of four years. As such, the revenue to cost ratios that would be calculated if the cost allocation model was run today are likely to be different from 2013.

c) At the time of consolidation in 2030 it will have been 17 years since PDI last rebased in 2013 and the allocation of costs to the rate classes within which PDI customers are placed will be per the OEB's cost allocation model in effect at the time. The cost allocation model that will be used to determine rates in Year 11 will use Hydro One's inputs, including the latest class peak loading information, to allocate total costs across all rate classes. As such, it is fully expected that PDI's revenue-to-cost ratios

will change from the 2013 values. In its application for merging PDI rates, Hydro One will be mindful of the Board's acceptable revenue-to-cost ratios in effect at that time.

Settlement Table #11: Stranded Meter Rate Rider

	Residential	GS	Total
NBV of Stranded Meter Assets at December 31, 2012	$ 541,056	$ 871,107	$ 1,412,163
Forecast number of customers - 2013	31,758	3,547	
Proposed recovery period	20 months	44 months	
Monthly Stranded Meter Rate Rider	**$ 0.85**	**$ 5.58**	

7.0 COST ALLOCATION

7.1 Is PDI's cost allocation appropriate?

Status: **Complete Settlement**

Supporting Parties: PDI, Energy Probe, SEC, VECC

Evidence: Application: Exhibit 7
7-VECC-29 thru 31
7-SEC-24,25
7-Energy Probe-24
7-VECC-45s, 46s
7-Energy Probe-37s

For the purposes of settlement, the Parties agree that revenue-to-cost ratios for the 2013 Test Year, reflecting the agreed-upon 2013 Test Year Revenue Requirement, will be as set out in the following table.

Settlement Table #12: 2013 Test Year Revenue to Cost Ratios

Class	Revenue Requirement - 2013 Cost Allocation Model - Line 40 from O1 in CA	2013 Base Revenue Allocated based on Proportion of Revenue at Existing Rates	Miscellaneous Revenue Allocated from 2013 Cost Allocation Model - Line 19 from O1 in CA	Total Revenue	Revenue Cost Ratio	Check Revenue Cost Ratios from 2013 Cost Allocation Model - Line 75 from O1 in CA	Proposed Revenue to Cost Ratio	Proposed Revenue	Miscellaneous Revenue	Proposed Base Revenue	Board Target Low	Board Target High
Residential	9,855,524	7,754,344	921,198	8,675,542	88.0%	88.0%	92.7%	9,139,607	921,198	8,218,409	85%	115%
General Service□< 50 kW	2,278,047	2,225,395	170,463	2,395,858	105.2%	105.2%	105.2%	2,395,858	170,463	2,225,395	80%	120%
General Service□> 50 kW	2,488,517	3,034,568	163,230	3,197,798	128.5%	128.5%	120.0%	2,986,221	163,230	2,822,991	80%	120%
Large User	248,487	229,608	19,830	249,438	100.4%	100.4%	100.4%	249,438	19,830	229,608	85%	115%
Street Lighting	450,206	493,329	41,589	534,918	118.8%	118.8%	118.8%	534,918	41,589	493,329	70%	120%
Sentinel Lighting	26,355	50,593	2,540	53,133	201.6%	201.6%	120.0%	31,626	2,540	29,086	80%	120%
Unmetered Scattered Loads	47,341	284,405	3,383	287,789	607.9%	607.9%	120.0%	56,809	3,383	53,425	80%	120%
TOTAL	**15,394,476**	**14,072,242**	**1,322,234**	**15,394,476**				**15,394,476**	**1,322,234**	**14,072,242**		

The revenue to cost ratios above include the following adjustments,

- Adjustments to the Revenue Requirement as a result of this settlement (i.e. OM&A, Capital Expenditures, Other Revenue Offsets, etc.)

As a result of the settlement changes above, the revenue-to-cost ratios are now in the boundaries of Board-approved ranges. The Cost Allocation Sheet O1 has been enclosed in Appendix K.

7.2 Are the proposed revenue-to-cost ratios for each class appropriate?

Status: **Complete Settlement**

Supporting Parties: PDI, Energy Probe, SEC, VECC

Evidence: Application: Exhibit 7, Tab 1, Schedule 2

For the purposes of settlement, the Parties accept the revenue-to-cost ratios for the 2013 Test Year, as set out under issue 7.1, above, and that no further adjustments will be required from 2014-2016 as part of this Agreement. The Parties acknowledge that PDI's revenue-to-cost ratios remain subject to further Board policy changes of general application over this period.

OEB STAFF INTERROGATORY # 6

Reference:

Exhibit A-4-1, Page 4
Exhibit A-2-1, Page2, Table 1

Interrogatory:

Preamble:

Exhibit A-4-1, Page 4 states "Table 3 below reflects the scenario for Hydro One's forecast revenue requirement for the Residual Cost to Serve scenario, after accounting for the synergies and efficiency gains anticipated during the deferral period, assuming the proposed transaction is approved and the distribution system is owned and operated by Hydro One."

Exhibit A-2-1, page 2, Table 1 compares costs and savings between years 1 and 10 of PDI's operations as a stand-alone distribution company relative to the costs of operating PDI's service territory once it is integrated within Hydro One.

a) Please clarify what is meant by "residual cost to serve".

b) Please clarify whether/how PDI and Hydro One rate rebasing after the deferred rebasing period is factored into the estimated "residual cost to serve".

Response:

a) As articulated in Exhibit A, Tab 4, Schedule 1, the residual cost to serve reflects Hydro One's incremental cost to serve the current PDI service territory after anticipated synergies and efficiency gains have been reflected. It represents the additional costs that would be added to Hydro One's consolidated revenue requirement for serving the customers of PDI in Year 11. These anticipated synergies and efficiency gains are discussed at Section 2.3 of Exhibit A, Tab 4, Schedule 1.

b) Rate rebasing after the deferred rebasing period is not factored into the estimated residual cost to serve.

OEB STAFF INTERROGATORY # 7

Reference:

Exhibit A-4-1, Pages 4-6
Exhibit A-2-1, Page 2, Table 1

Interrogatory:

Preamble:

Exhibit A-4-1, page 4 states "Table 3 below reflects the scenario for Hydro One's forecast revenue requirement for the Residual Cost to Serve scenario, after accounting for the synergies and efficiency gains anticipated during the deferral period, assuming the proposed transaction is approved and the distribution system is owned and operated by Hydro One."

Exhibit A-4-1, page 6 states "In Year 11, upon harmonizing rates for customers in the PDI service territory with Hydro One's rates for its existing customer base, the underlying cost structures would continue, as illustrated in Table 1 of **Exhibit A, Tab 2, Schedule 1.** The synergies and efficiencies realized during the 10-year deferral period would continue to have a mitigating effect on rates for customers in the former PDI service territory. However, through rate harmonization (post 10-year deferral period), Hydro One would have an opportunity to begin collecting a portion of its Shared Costs from customers in the former PDI service territory." [bold text in original]

Exhibit A-4-1, Page 4 states "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 […]"

Exhibit A-4-1, Page 7 states "After the deferral period, Hydro One will allocate costs to serve the former PDI customers using the OEB's cost allocation model, adjusted to reflect the cost to serve the acquired PDI customers."

Exhibit A-4-1, Page 8 states "At this time, Hydro One is not in a position to determine the specific amount of costs that would be collected from PDI's customers, as that will depend on the cost allocation and rate design proposed for the harmonized rate classes in Year 11."

a) Please confirm whether the estimated "Residual Cost to Serve" shown at Exhibit A-4-1, page 4, Table 3 includes the Hydro One shared costs discussed at A-4-1, pages 5 and 6. If not, please explain.

b) Please clarify what is meant by the statement that "Hydro One would have an opportunity to begin collecting a portion of its Shared Costs from customers in the former PDI service territory". In particular, is the statement meant to convey that Hydro One might propose to defer the collection of applicable shared costs and/or that it might propose to collect only a portion of the shared costs associated with serving Peterborough Distribution Inc. customers?

c) Please provide an estimate of the shared costs that will be collected from customers in the former PDI service territory following the deferred rebasing period.

d) Relying on Hydro One's experience in allocating shared costs to other distributors that it has acquired, please show how Shared Costs might be allocated, and the amount that might ultimately be borne by former PDI customers following the deferred rebasing period.

Response:

a) No, it does not. Please refer to Section 2.3 of Exhibit A, Tab 4, Schedule 1 which states that in Tables 2 and 3 in Exhibit A, Tab 4, Schedule 1, the Residual Cost to Serve customers of PDI excludes Shared Costs. The intent of the Residual Cost is to identify the additional revenue requirement that will be added to Hydro One's overall revenue requirement to serve current PDI customers in year 11.

b) As part of the acquisition application before the Ontario Energy Board in this proceeding, Hydro One has requested to defer rebasing the rates of PDI customers for ten years. Once the ten year deferral period elapses, Hydro One will have an opportunity to rebase PDI rates. Only then, will Hydro One have an opportunity to begin collecting a portion of Hydro One's Shared Costs from customers in the former PDI service territory. Further information on the allocation of Shared Costs in Year 11 is provided in Exhibit I, Tab 1, Schedule 2.

c) The amount of Shared Costs that will be collected from customers in the former PDI service territory following the deferred rebasing period will depend on the outcome

from the cost allocation and rate design process at the time of rebasing in Year 11, as approved by the Board at that time. However, as indicated in its evidence at page 7 of Exhibit A, Tab 4, Schedule 1, Hydro One is committing to ensure that the Shared Costs to be collected from customers in the former PDI service territory will result in total costs for PDI customers that is less than the $26.3M they would otherwise have been paying had PDI not been acquired by Hydro One (i.e., total costs will not exceed Year 11 revenue requirement under PDI Status Quo plus Year 11 LV charges).

d) The consolidation of Norfolk, Haldimand and Woodstock acquired customers, as proposed in Hydro One's Distribution Rates Application EB-2017-0049, allocated Shared Costs to the new proposed acquired classes using the OEB's cost allocation model. The allocation of Shared Costs that resulted from the cost allocation model was equivalent to 65% of the difference between the Residual Cost and Status Quo plus LV Costs for those utilities[1]. If a similar outcome results from the consolidation of PDI, that would mean that $7.0M (($26.324-$15.620) x 65%) in Shared Costs might ultimately be borne by former PDI customers.

[1] Hydro One Reply Argument in EB-2017-0049, page 166.

OEB STAFF INTERROGATORY # 8

Reference:

Exhibit A-4-1, Pages 6-7

Interrogatory:

Preamble:

Exhibit A-4-1, pages 6 - 7 states "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.

[…] Hydro One proposes within the harmonization and rebasing application following the deferral period, that it would ensure that the total cost, including a portion of Hydro One's Shared Costs, to be collected from the former PDI customers would be between, (a) the Residual Cost to Serve scenario plus LV charges (totaling $16.6M); and (b) the Year 11 revenue requirement under the PDI Status Quo scenario plus Year 11 LV charges (totaling $26.3M)."

a) Although Hydro One proposes to limit the costs borne by PDI customers following harmonization to a maximum of the "Year 11 revenue requirement under the PDI Status Quo scenario plus Year 11 LV charges", what if this does not recover the actual costs (including all corporate overheads and other costs properly allocated to PDI) to serve PDI customers? Will PDI costs be allocated to other customers?

Response:

a) The appropriate cost allocation and rate design applicable to PDI customers will be determined in a future rate proceeding consistent with the OEB's cost allocation and rate design principles in effect at the time. Hydro One's MAAD Application commits to charging PDI customers no more than the higher goal post amount of $26.3M. Under this scenario $9.3M in synergy and efficiency cost savings would accrue to the benefit of Hydro One's legacy customers and PDI customers would not be harmed as they would still be paying no more than the status quo. If the initial results from the cost allocation and rate design process results in total costs in excess of $26.3M being borne by PDI customers, this would mean that Hydro One's other customers would be getting *more than* $9.3M in costs savings. In that situation Hydro One would propose a reduction in revenue-to-cost ratios for the PDI customer classes such that the costs to be borne by PDI customer classes would not exceed $26.3M. While a reduction to the revenue-to-cost ratios for the PDI customer classes would shift some costs to be collected to other Hydro One classes, this would simply reduce the benefit that is accruing to Hydro One's other classes to the maximum value of $9.3M.

OEB STAFF INTERROGATORY # 9

Reference:

Exhibit A-3-1, Pages 9-10

Interrogatory:

Preamble:

Exhibit A-3-1, pages 9-10 states "If this application is approved, the next rebasing of distribution rates which includes costs for PDI would be 2030, a period of seventeen (17) years. Though there will be significant savings as a result of this consolidation, the 17-year gap between rebasing may result in a disparity between cost structures and rates. Regardless of the rate class to which these customers will be transitioned, rate mitigation may be required."

a) If Hydro One believes that rate mitigation may be required at the end of the rebasing period, this suggests that the revenues collected from Peterborough customers are expected to be significantly less that the costs of serving these customers by 2030. Up to the point of re-basing, who will be covering the costs of this shortfall?

b) In light of the above, does Hydro One also estimate that savings will not be sufficient to offset cost increases over this period?

c) Where rate mitigation is required, it generally raises the costs ultimately paid by consumers (through carrying costs related to delaying the full warranted increases to rates) and can raise intergenerational equity issues. If rate mitigation is expected to be required by 2030, is it sensible wait 17 years for PDI's service territory to rebase?

Response:

a) Any disparity between cost structures and the revenues collected during the deferred rebasing period are at the risk of the shareholder.

b) No.

c) The OEB Handbook and MAAD policy do not contemplate the resetting of rates at the beginning of the 10 year deferred rebasing period. Additionally, the Board has not

accepted the rebasing of rates at the beginning of the deferred rebasing period in past acquisitions. In the EB-2016-0050 Decision, the Board wrote:

> "However, Hydro One's proposal for a resetting of rates at the beginning of the 10 year deferred rebasing period is not contemplated by the Handbook and the OEB does not accept it. Rate-setting policies associated with consolidation are predicated on the notion that the going-in rates are the rates intended to provide the revenues required as the starting point to achieve savings over the deferred rebasing period."

The transaction before the OEB has been structured consistent with the current MAAD policies of the OEB and should be assessed pursuant to the current OEB MAAD rules and guidelines for regulatory predictability purposes. Hydro One agrees, however, that there may be intergenerational equity issues with the current OEB MAAD policy.

OEB STAFF INTERROGATORY # 10

Reference:

Exhibit A-2-1, Pages 3-8
Exhibit A-4-1, Page 8

Interrogatory:

Preamble:

Exhibit A-2-1, page 3 states "[…] Hydro One is foregoing any IRM rate increases in years one through five as permitted under the OEB's consolidation policy […]".

Exhibit A-2-1, page 4 states "PDI's current Base Distribution Delivery Rates will be reduced by 1%, for residential, general service and large use customers of PDI, and frozen for a period of five years from closing of this transaction."

Exhibit A-2-1, page 8 states "[…] Hydro One is requesting a 10-year deferred rebasing period […]".

Exhibit A-4-1, Page 8, Table 4 includes the estimated residual cost to serve plus estimated LV charges for year 11

a) How much would the PDI revenue requirement increase between years 10 and 11 if the consolidation were approved and implemented as proposed? Please show both the year 10 and 11 PDI revenue requirements and express the increase in absolute terms and as a percent change.

b) How much would the PDI revenue requirement increase between years 10 and 11 if the consolidation were approved and implemented, but if PDI's base distribution rates were neither reduced by 1% nor frozen for a period of five years from closing of this transaction? Please express the increase in absolute terms and as a percent change.

c) How much would the PDI revenue requirement increase between years 10 and 11 if the consolidation were approved and implemented, but if PDI's base distribution rates were neither reduced by 1% nor frozen for a period of five years from closing of this

transaction, and if Hydro One did not forego any IRM rate increases in years one through five? Please express the increase in absolute terms and as a percent change.

d) Please show the PDI revenue requirement in year 10 and 11 without consolidation.

Response:

a) Based on PDI's last-approved 2013 revenue requirement (EB-2012-0160) of $14.1M, and assuming the IRM inflationary adjustments, the Year 10 (2029) Indicative Rates Revenue Requirement would be approximately $15.9M (excluding the LV charges and external revenues), as illustrated in Table 1 below.

Table 1 – PDI "IRM Forecast Revenue Requirement"

Docket	Rate Year	Approved/Forecast IRM Adjustment	Indicative Rates Revenue Requirement ($000s)
EB-2012-0160	2013		$14,067
EB-2013-0165	2014	1.25%	$14,242
EB-2014-0107	2015	1.15%	$14,406
EB-2015-0097	2016	1.65%	$14,644
EB-2016-0100	2017	0.00%	$14,644
EB-2017-0266	2018	0.75%	$14,754
EB-2018-0067	2019	0.00%	$14,754
	2020	0.00%	$14,754
	2021	0.00%	$14,754
	2022	0.00%	$14,754
	2023	0.00%	$14,754
	2024	0.00%	$14,754
	2025	1.55%[1]	$14,982
	2026	1.55%	$15,215
	2027	1.55%	$15,450
	2028	1.55%	$15,690
	2029	1.55%	$15,933

[1] IRM adjustment factor in years 6 – 10 assumes 2% inflation less 0.45% productivity factor and customer count and load forecast remaining constant.

In Year 11 (2030), after rebasing, Hydro One is forecasting PDI service territory's revenue requirement to be between $15.6M (excluding LV charges and any allocation of Shared Costs) and PDI's status quo revenue requirement of $24.9M.

Note, the Year 10 forecast of $15.9M reflects that fact that PDI's rates have not been rebased since 2013. In absence of the transaction, PDI's Status Quo revenue requirement in Years 10 and 11 would be $24.3M and $24.9M respectively as provided in part d) below.

b) The 1% reduction in rates would not impact the forecast revenue requirement as that amount is paid through a rate rider, not an adjustment to base distribution rates. Table 2 below shows the calculation of the Indicative Rates Revenue Requirement excluding the Years 1 to 5 rate freeze up to 2029. This would not impact the rates in Year 11 as discussed in part a) above.

Table 2 – PDI IRM Forecast Revenue Requirement excluding Rate Freeze

Docket	Rate Year	Approved/Forecast IRM Adjustment	Indicative Rates Revenue Requirement ($000s)
EB-2012-0160	2013		$14,067
EB-2013-0165	2014	1.25%	$14,242
EB-2014-0107	2015	1.15%	$14,406
EB-2015-0097	2016	1.65%	$14,644
EB-2016-0100	2017	0.00%	$14,644
EB-2017-0266	2018	0.75%	$14,754
EB-2018-0067	2019	0.00%	$14,754
	2020	1.55%	$14,982
	2021	1.55%	$15,215
	2022	1.55%	$15,450
	2023	1.55%	$15,690
	2024	1.55%	$15,933
	2025	1.55%	$16,180
	2026	1.55%	$16,431
	2027	1.55%	$16,686
	2028	1.55%	$16,944
	2029	1.55%	$17,207

c) Hydro One does not understand the difference in this request from that provided in part b) above.

d) The PDI Revenue Requirement without consolidation, excluding LV charge, for 2029 and 2030 is show in the following table.

Table 3 - PDI - Status Quo Revenue Requirement

PDI - Status Quo ($000s)	Revenue Requirement
2029	$24,252
2030	$24,913

OEB STAFF INTERROGATORY # 11

Reference:

Exhibit A-2-1, Page 24
Exhibit A-4-1, Page 1

Interrogatory:

Preamble:

Exhibit A-2-1, Page 24 states "For the reasons addressed in the preceding sections, both qualitative and quantitative savings and efficiencies are expected to result from this transaction. Overall, the analysis shows the ongoing synergies will accrue as a result of this transaction, benefiting ratepayers of both utilities. These attributes allow PDI, 1937680 and Hydro One to conclude that the transaction will not cause harm to ratepayers, and indeed will provide benefits to all ratepayers in the long term. Moreover, this Application embodies the current regulatory policies and principles of the Board in pursuing the objectives established by section 1 of the Act."

Exhibit A-4-1, Page 1 states "Based on the OEB's decision in EB-2016-0276, Hydro One is providing evidence on "Future Cost Structures" for PDI in relation to revenue requirement and a general explanation as to how costs would be allocated beyond the deferred rebasing period."

In its Decision and Order on EB-2016-0276 (Hydro One/Orillia Consolidation), the OEB described the experience of distribution utilities in Haldimand, Woodstock and Norfolk following their consolidation with Hydro One:

> "The experience of the three acquired utilities in Hydro One's current distribution rates case is informative. In the MAADs proceedings in which Hydro One acquired these utilities, Hydro One pointed to savings that would be realized through the acquisition. Although these savings may well have occurred, they do not appear to have resulted in overall cost structures (and therefore rates) for customers of the acquired utilities that are no higher than they would have been, once the deferral period ended and their rates were adjusted to account for Hydro One's overall costs to serve them.

> Material filed in the Hydro One current distribution rates case shows that some rate classes are expected to experience significant and material increases. While the OEB has not approved these requested rates, this panel takes notice of the proposed rate increases which Hydro One states are reflective of the costs to service the acquired customers, and are inclusive of the "savings" that Hydro One states were realized."

a) How do the Applicants reconcile their conclusion in this application that "[…] the transaction will not cause harm to ratepayers, and indeed will provide benefits to all ratepayers in the long term […]" with the experience of ratepayers in Haldimand, Woodstock and Norfolk following their consolidation with Hydro One?

Response:

The quote referenced in this interrogatory was made in advance of the submission of all evidence and arguments regarding Hydro One's proposal to harmonize Norfolk Power, Haldimand County Hydro and Woodstock Hydro (together the "Acquired Utilities") into Hydro One's rate structures in 2021, after their five-year deferral period ended. Hydro One Distribution filed a Rates Application EB-2017-0049 ("the Rates Application") in March 2017, and provided a significant update to the filed evidence regarding the Acquired Utilities on December 21, 2017. A large volume of interrogatories, undertakings and oral testimony was subsequently provided regarding the bill impact on the Acquired Utilities' customers.

Although the Board has not issued a Decision on that Rates Application, the following information on the proposed impacts to the Acquired Utilities customers is available from evidence filed in EB-2017-0049 to demonstrate that these customers will experience no harm, and in fact both the Acquired and legacy customers will benefit as a result of the transactions.

The Acquired Utilities Status Quo revenue requirement (in absence of the transactions) is $39.9M, Residual cost to serve (increase in Hydro One's distribution revenue

requirement as a result of the transactions) is $25.6M and the rates revenue requirement (amount used to determine new rates) is $34.9M as provided in EB-2017-0049[1].

This demonstrates that $25.6M is proposed to be added to Hydro One's distribution revenue requirement in 2021 in order to serve the Acquired Customers. The revenue requirement proposed to be recovered from the Acquired Utilities through their 2021 rates is $34.9M. Therefore, $9.3M revenue requirement is being collected from the Acquired Utilities that would otherwise have been collected in the rates of Hydro One's legacy customers. What is also clear is that if the acquisition transactions did not occur, the Acquired Utilities' revenue requirement would have been $39.9M versus the $34.9M that Hydro One is proposing to collect from them in rates in 2021 – a savings to Acquired Customers of $5 million. This illustrates there is not only no harm to the Acquired Customers and Hydro One's legacy customers, but customer groups in fact have benefitted from these transactions. (NB: the above revenue requirements are calculated on Hydro One Distribution's proposed revenue requirement. Any changes to that revenue requirement that results from the OEB Decision will alter these numbers.)

How PDI's customers' rates will ultimately be designed, and the allocation of the costs to the various customer classes within the geographic regions is part of a rates hearing. Utilities use a cost allocation model to complete this, with the model serving as a proxy of costs - it is not an "actual" cost to serve each individual rate class - and may require additional tweaking to reflect a new customer group's demographics. For this reason, Hydro One believes that the allocation of costs to customer groups is most appropriately examined as part of a future rate application. The MAAD application, as the Board policies and previous decisions iterate, is about the underlying cost structures. It is clear from the above, that customers have benefitted from the previous MAAD transactions, even when an allocation of Hydro One's Shared Costs is assigned to the Acquired Customers.

With respect to PDI, Hydro One anticipates transitioning these customers to one of its proposed new Acquired Rate Classes or to a new rate class to be proposed after the deferred rebasing period. At the time of that rate proposal, Hydro One will review the customer characteristics (e.g., density, load, current rates) to determine an appropriate

[1] Hydro One Reply Argument, pg.166.

rate class for PDI's customers. Hydro One, as has been directed in previous MAAD decisions[2] will ensure the new proposed rates will reflect the cost to serve the newly acquired PDI customers. At the time of rebasing, Hydro One will examine the allocated cost to serve these customers to ensure that they will only be charged for the assets are used to serve them.

[2] EB-2013-0187/0196/0198, EB-2014-0213, EB-2014-0244

OEB STAFF INTERROGATORY # 12

Reference:

Exhibit A-2-1, Page 8

Interrogatory:

Preamble:

Exhibit A-2-1, page 2, Table 1 compares costs and savings between years 1 and 10 of PDI's operations as a stand-alone distribution company relative to the costs of operating PDI's service territory once it is integrated within Hydro One.

Exhibit A-2-1, page 2, Table 1 suggests that "[…] the transaction will result in expected ongoing operations, maintenance and administrative ("OM&A") savings of approximately $7.8 million per year and reductions in capital expenditures of approximately $1.3 million per year (based on the level of savings achieved by Year 10)."

Exhibit A-2-1, page 8 states "[…] Hydro One is requesting a 10-year deferred rebasing period […]".

a) Please estimate the value, both annual and cumulative, of the 10-year deferred rebasing for PDI and for Hydro One: how much rate base and revenue requirement is being deferred for each?

b) Are any of the savings referenced in Table 1 at A-2-1 and in the quote above from A-2-1 page 2 the result of the deferred rebasing of PDI and/or Hydro One? If so, please illustrate in detail for each year, showing amounts of savings and distinguishing between savings from deferred rebasing and other OM&A and capital savings.

c) Does Table 1 at A-2-1 include a PDI rate rebasing in the Status Quo Forecast or Hydro One Forecast? If so, please explain how and provide assumptions around expected increases with rebasing.

d) Please indicate the years between 2019 and 2030 in which PDI and Hydro one would next rebase if PDI and Hydro One did not consolidate

Response:

a) There is no deferral of rate base and or revenue requirement during the 10 year deferred rebasing period. Both OM&A and capital expenditures will continue to be spent in order to reliably serve the customers of PDI. However, Hydro One is forecasting synergy savings that will benefit ratepayers after the deferral period.

b) No

c) No. Table 1 represents costs to operate and maintain the PDI business and resulting saving which are independent of rate rebasing assumptions.

d) Hydro One currently plans to rebase in the following years between 2019 and 2030:

- 2023
- 2028

PDI, in the absence of this consolidation transaction would rebase in the following years between 2019 and 2030:

- 2020
- 2024
- 2028

OEB STAFF INTERROGATORY # 13

Reference:

Exhibit A-1-1, Section 4.0 Other Approvals and Considerations
Exhibit A-2-1, Section 3.0 Other Related Matters

Interrogatory:

Preamble:

1937680 and Hydro One are applying for approval to continue to track costs to the regulatory asset accounts currently approved by the OEB for PDI and seek disposition of their balances at a future date.

a) Does Hydro One have an anticipated timeline in mind for when the IESO settlement processes will be merged and Hydro One will receive single, consolidated monthly IESO invoices that include PDI's costs?

b) Please confirm that Hydro One intends to maintain a separate set of Group 1 regulatory deferral and variance accounts (DVAs) for the PDI rate zone until the next rebasing application and that the balances accumulated in those accounts will be disposed to the PDI customers only.

c) How does Hydro One (or 1937680) intend to settle with the IESO during:

   i. The period prior to IESO invoice harmonization?
   ii. The period subsequent to IESO invoice harmonization?

d) For the year in which IESO invoice harmonization takes place, please confirm that Hydro One's (or 1937680's) intent is to submit disposition requests for the PDI rate zone Group 1 DVA balances that accumulated prior to IESO invoice harmonization, as well as a request for the disposition of Group 1 DVA balances that accumulated subsequent to IESO invoice harmonization? If this is not the case, please explain how Hydro One intends to dispose of Group 1 DVA balances for the year in which IESO invoice harmonization occurs.

e) In the event that the IESO invoice is harmonized, but the Group 1 DVAs continue to be maintained separately, how does Hydro One propose to allocate the IESO charges to the respective regulatory accounts of the PDI rate zone?

f) Does Hydro One have intentions to request the alignment of the effective rate year of the PDI rate zone with that of Hydro One's prior to rebasing? If so, when does it expect to do so? If not, why not?

Response:

a) IESO Settlement processes will be merged with Hydro One at the completion of the integration process when meter points and customer data are successfully migrated into Hydro One Networks Inc.'s existing IT systems. The integration timeline is anticipated to take between 8-12 months.

b) Confirmed.

c)

i. Upon approval of the MAAD application, and as part of financial closing activities, Hydro One and PDI will work with the IESO to initiate the IESO's Market Registration process to authorize 1937680 as the metered and registered market participant for PDI's Distribution License. The IESO on closing will settle with the metered and registered market participant AmalCo. No technology changes will be made prior to closing outside of updating registration with the IESO for 1937680. The existing PDI metering and customer information systems utilized today will continue to transact with the IESO to support settlements. The existing staff at PDI that support the process today will continue to operate the process under the established services agreement until the integration date.

ii. In the period subsequent to IESO invoice harmonization, Hydro One will be settling with the IESO as it does currently via receipt of, reconciliation of, and payment of the IESO invoice. Customer and financial systems will be fully integrated with Hydro One. As of the integration date, the assets will transfer to Hydro One from 1937680 and be settled with the IESO by Hydro One consistent with recent LDC integrations performed by Hydro One.

d) On April 27, 2018, the OEB issued a letter to Hydro One indicating that it will be undertaking an audit of Hydro One's RPP settlement process and to assess the allocation methodology Hydro One uses to assign balances for Group 1 deferral and variance accounts for the Acquired Utilities, namely, Haldimand Country Hydro Inc., Norfolk Power Distribution Ltd., and Woodstock Hydro Services Inc. The OEB audit has not yet concluded and, as such, the OEB has not yet approved an approach to dispose of Group 1 DVA balances in the year of operational integration for the acquired utilities. Hydro One's future proposals regarding disposition of balances for PDI in the year of integration will be informed by what the OEB ultimately approves for the Acquired Utilities.

e) As noted in part d) above, Hydro One is currently subject to an audit whose scope includes an assessment of the allocation methodology. In the event that settlement with the IESO is harmonized and allocation is required, Hydro One will propose to allocate charges for the affected Group 1 DVAs using the final methodology that is approved by the OEB for the Acquired Utilities.

f) Consistent with prior proceedings for the Acquired Utilities (EB-2015-0269, EB-2015-0271 and EB-2017-0259) Hydro One will seek to align the effective date of the rate year for the Peterborough service area with that of Hydro One (i.e. January 1st) at the first rates application for the Peterborough service area following operational integration with Hydro One.

OEB STAFF INTERROGATORY # 14

Reference:

Handbook to Electricity Distributor and Transmitter Consolidations

Interrogatory:

Preamble:

The OEB's *Handbook to Electricity Distributor and Transmitter Consolidations* includes a list of filing requirements. Under the filing requirements, Section 2.2.4, (page 6 of the filing requirements), applicants are asked to "provide pro forma financial statements for each of the parties (or if an amalgamation, the consolidated entity) for the first full year following the completion of the proposed transaction.

a) Please provide pro forma financial statements for Hydro One, including those of 1937680, for the first full year following the completion of the proposed transaction.

Response:

Hydro One's 2017 year-end financial statements are provided at Attachment 16 of the Application. The size of PDI operations will not have any material impact on the financial viability of Hydro One. PDI's asset base represents approximately 1% of Hydro One Distribution's assets in 2017 ($103M vs. $9.2B). Hydro One does not believe providing pro forma statements would assist the Board.

OEB STAFF INTERROGATORY # 15

Reference:

Exhibit A-2-1, page 2 Table 1, pages 22-23
Exhibit A-3-1, page 8 Table 2

Interrogatory:

Preamble:

Hydro One is requesting approval to utilize US GAAP for accounting purposes in relation to the ongoing business of the former PDI. PDI currently uses IFRS for financial accounting purposes. The current distribution rates for the PDI service territory are underpinned by Modified IFRS (MIFRS) for regulatory accounting purposes and will continue to be during the deferred rebasing period.

a) Has Hydro One or 1937680 undertaken any studies or reviews of the types of transactions that will be impacted by the accounting standard transition from IFRS to US GAAP in the former PDI?

b) Please quantify the estimated impact on PDI's revenue requirement during the deferred rebasing period as a result of PDI changing its accounting standards. Specifically, please separate the components of revenue requirement that are expected to be impacted and show how these calculations are derived.

c) Please explain Hydro One's intentions with respect to how it plans to account for these differences with respect to distribution rates.

d) If Hydro One's intention in part d) above is to request to have an Accounting Order established to track the revenue requirement differences between MIFRS and US GAAP in the former PDI service territory as part of this proceeding, please prepare a Draft Accounting Order as an appendix for approval.

e) Please explain and quantify what impact, if any, the change from IFRS to US GAAP has on the amounts forecasted in Table 1: Projected Cost Savings - $M of Exhibit A-2-1.

f) Please prepare the amounts in Table 1: Projected Cost Savings - $M of Exhibit A-2-1 on the basis that PDI remains on IFRS (and continues with its existing accounting policies with respect to capitalization, depreciation, etc.) for financial reporting and MIFRS for ratemaking purposes.

g) Please explain and quantify what impact, if any, the change from IFRS to US GAAP has on the amounts forecasted in the proposed ESM calculation under Table 2: Earnings Sharing Mechanism of Exhibit A-3-1 (particularly, on OM&A, depreciation, financing costs, and taxes).

h) Please prepare the amounts in Table 2: Earnings Sharing Mechanism of Exhibit A-3-1 on the basis that PDI remains on IFRS (and continues with its existing accounting policies with respect to capitalization, depreciation, etc.) for financial reporting and MIFRS for ratemaking purposes.

Response:

a) Hydro One assessed areas of USGAAP and IFRS differences, and determined that the only area that could impact revenue requirement is the potential difference in capitalization policies of the two companies, particularly with respect to capitalization of certain overhead costs. In the Hydro One forecast capital costs noted in Exhibit A, Tab 2, Schedule 1, Table 1, there are no overhead costs as based on Hydro One's assessment they were deemed to be non-incremental. PDI's capitalization policy allows allocation of overheads to fixed assets. As such the difference between the Hydro One forecast capital costs and the Status Quo Peterborough capital costs in Exhibit A, Tab 2, Schedule 1, Table 1 is that the Peterborough costs include capitalization of overheads whereas in the Hydro One forecast no overhead costs are included.

b) Please see part a).

c) Please see part a).

d) Based on the response to part a) above Hydro One believes this is not applicable.

e) Please see part a).

f) Please see part a).

g) There is no impact.

h) See part g) above.

OEB STAFF INTERROGATORY # 16

Reference:

Attachment 5 (Asset Purchase Agreement), Section 2.4 Excluded Liabilities; Section 2.5 – Purchase Price Allocation Illustration and Principles
Ref: Exhibit A-3-1, Table 2

Interrogatory:

Preamble:

The Asset Purchase Agreement, under Section 2.4 specifies that the Purchaser shall not assume a list of certain excluded liabilities. Included in this is:

"Obligations for corporate income and property taxes payable, and taxes payable under the EA [Electricity Act], collectible or remittable by the Vendor (and for greater certainty, taxes payable under the EA includes business transfer tax together with all interest, fines and penalties with respect thereto)"

a) Please provide the expected incremental PILs costs that will be incurred as a result of the transfer of assets, including but not limited to, any business transfer taxes, recapture, capital gains, or departure taxes, payable upon completion of the proposed sale.

b) Please confirm that, subsequent to the proposed sale of the PDI business assets, any PILs consequences incurred on the sale will remain the responsibility and liability of the shareholder of PDI.

c) Please confirm that the incremental PILs costs described above will not be recovered from ratepayers and how Hydro One will ensure that these costs are not included in rates.

d) Please explain if, and how, the PILs consequences related to the sale of assets are included in Hydro One's purchase price premium and the associated goodwill arising on the purchase, as calculated in Schedule 2.5 of the Asset Purchase Agreement.

e) Please confirm whether or not the purchase of assets will generate a deferred tax asset for 1937680 (and later Hydro One), in the form of additional future tax deductions as a result of an increase in the assets' tax values from their current tax carrying values to allocated fair market value. If so, what are 1937680's and Hydro One's expectations with respect to how those future tax deductions should be applied in rates?

f) Please confirm whether or not the PILs costs associated with the transfer of assets are reflected in Table 2 of Exhibit A-3-1 (Earnings Sharing Mechanism) and provide justification for this treatment.

g) Please confirm whether or not the utilization of deferred tax assets generated from the purchase of assets are reflected in Table 2 of Exhibit A-3-1 (Earnings Sharing Mechanism) and justification for this treatment.

Response:

a) There are no incremental PILs costs that will be borne by the Purchaser or included in electricity distribution rates.

The incremental PILs costs on account of the Vendor resulting from the transaction are borne by the Vendor. The Vendor will no longer be a licensed regulated electricity distributor with the ability to request any recovery of PILs costs through electricity distribution rates.

b) PDI confirms that the PILs consequences of the proposed sale will be the responsibility of PDI or its shareholder and will not impact ratepayers.

c) As discussed in a) and b) above, the incremental PILs costs are borne by the Vendor.

d) The PILs consequences are not reflected in the purchase price.

The purchase price paid by 1937680 to acquire the assets was a negotiated price and reflected the fair value of the assets acquired. To the extent the fair value assigned to the assets exceeds their respective tax values, this excess represents the additional tax deduction and this benefit is derived from the PILs tax paid by the Vendor on the sale. The purchase price is allocated first to all identifiable assets with the excess

being allocated to goodwill as shown in Schedule 2.5 of the Asset Purchase Agreement.

e) The purchase of assets will generate a deferred tax asset for 1937680 (and later Hydro One) in the form of future tax deductions relating to the combination of (1) the excess of the fair value of the net assets over their net tax carrying value (**FV Increment**) and (2) the purchase price premium (goodwill). The tax treatment is consistent with the OEB's MAADs policy in that recovery of the FV Increment and the purchase price premium will be through the realization of synergies and other cost savings arising from the transaction and it is not a cost that is recoverable in rates.

f) There are no PILs costs associated with the transfer of assets in Table 2 of Exhibit A, Tab 3, Schedule1.

g) Table 2 of Exhibit A, Tab 3, Schedule 1 does not include any deferred tax expenses relating to the utilization of the FV Increment and purchase price premium. PDI's latest tax value (UCC) balances at the time of the Application were used in calculating tax expense in this exhibit.

OEB STAFF INTERROGATORY # 17

Reference:

Exhibit A-2-1 Table 1 Projected Costs Savings; Page 19 Incremental Transaction and Integration Costs

Interrogatory:

a) Please provide a more detailed breakdown for how the Status Quo Forecast and Hydro One Forecast was quantified in Table 1 of Exhibit A-2-1, showing the supporting calculations for the differences in OM&A and capital under both scenarios, as well as any key assumptions or figures used in those calculations.

b) Please ensure that the more detailed Exhibit A-2-1 Table 1 requested in part a) above also separately presents the timeline and any underlying calculations supporting the incremental transaction costs ($0.2M) and integration costs ($9.0M).

Response:

a) Exhibit A, Tab 2, Schedule 1 Table 1 provides a comparison of PDI's operations as a stand-alone distribution company relative to the costs of operating PDI's service territory once it is integrated within Hydro One. Please refer to Attachments 1 and 2 of this response for the detailed calculation of Projected Savings summarized in Exhibit A, Tab 2, Schedule 1, Table 1.

Hydro One's projections regarding the integrated service territory are based on its overall, provincial distribution operations which utilize an Asset Risk Assessment (ARA) process. The Hydro One ARA process encompasses the assessment of a multitude of applicable asset categories. In the PDI integration case, Hydro One examined the functions outlined below:

- Vegetation Management
- Lines Maintenance and Refurbishment
- Demand Work
- Wood Pole Replacement
- Stations
- Environment

- Other Sustainment
- Customer Connections / Upgrades
- System Reinforcement
- Distributed Generation
- Other Development

Field assessment and visual inspections and evaluations were completed and asset information was collected on existing PDI assets such as asset age, number of assets, asset condition, etc. Utilizing this data, renewal and maintenance costing based on Hydro One's strategies for all Hydro One assets was applied to determine asset needs going forward for maintenance and capital funding. This process was used to provide an estimate of the overall level of spending required to serve the existing PDI service territory, as provided in Exhibit A, Tab 2, Schedule 1. The aggregate spend was then compared to PDI's forecast aggregate spend over the same 10-year period to project the net annual savings. For PDI's forecast, please refer to Attachment 3 of this response.

Hydro One's ARA process is further described in Exhibit B1, Tab 1, Schedule 1 of EB-2017-0049 DSP Section 2.1. The ARA process is relied upon by Hydro One for its ongoing operations throughout the province in respect of developing operating and maintenance cost expectations and schedules for all existing assets.

b) The projected savings exclude incremental transaction and integration costs as these costs are incurred by the shareholder to complete the transaction and will not be part of the ongoing costs incurred to operate the PDI business. Exhibit A, Tab 2, Schedule 1 Table 1, represents Hydro One's forecast ongoing cost to serve the customers of PDI.

Table 1 below provides a breakdown of incremental transaction and integration costs that are in addition to the costs found in Exhibit A, Tab 2, Schedule 1, Table 1. These costs have been updated to reflect Hydro One's latest estimate.

Table 1

Hydro One Forecast - $M **Incremental Transaction and Integration Costs**	**Closing**	**Year 1**	**Year 2**
Legal Fees / Regulatory Approval / Land Transfer Tax	0.3		
Total Transaction Costs	**0.3**		
Total Integration (Customers, Assets, Employees)		**8.3**	**1.3**

In addition to the costs noted above, Hydro One expended significant effort developing the transaction proposal and negotiating definitive transaction agreements. These activities represent costs which have occurred prior to the regulatory approval process and will not be funded by ratepayers.

Attachment 1
Exhibit A, Tab 1, Schedule 2, Table 1 Calculation Assumptions

General

- This document supplements the Table 1 calculations provided as Exhibit I, Tab 1, Schedule 17, Attachment 2
- Year 1 in Table 1 represents a 12 month period post-closing of the transaction. This period is assumed to most closely align with calendar year 2020

Status Quo Forecast

- Status Quo Forecast represents the continued operation of PDI as a stand-alone utility (i.e. no transaction scenario)
- Costs are captured as forecast by PDI in the categories of OM&A and capital expenditures

Hydro One Forecast

- Hydro One Forecast represents the incremental cost of Hydro One operating and maintaining an integrated PDI service territory (i.e. contemplated transaction scenario)
- Inflation factor: ~2% per annum
- Customer growth based on Hydro One's assessment: ~1% per annum
- Full operational integration occurs 7 months post financial close (i.e. part way through Year 1)
- PDI operations centre leased for three years
- Costs are primarily captured in the broad categories of operations, customer care and capital expenditures

Attachment 2
Exhibit A, Tab 1, Schedule 2, Table 1 Calculations

Summary: Peterborough Projected Cost Savings

$M	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
OM&A										
Status Quo Forecast	9.7	9.9	10.1	10.3	10.6	10.8	11.1	11.4	11.7	12.0
Hydro One Forecast	8.7	4.5	4.3	3.8	3.9	3.9	4.0	4.1	4.2	4.2
Projected Savings	0.9	5.4	5.8	6.5	6.7	6.9	7.1	7.3	7.5	7.7
Capital										
Status Quo Forecast	6.2	6.4	6.0	6.2	6.4	6.5	6.7	6.9	7.0	7.2
Hydro One Forecast	6.0	7.5	5.4	5.1	5.7	7.1	5.4	5.6	5.7	5.9
Projected Savings	0.2	(1.1)	0.7	1.1	0.6	(0.6)	1.2	1.3	1.3	1.4

Rounded Summary for Exhibit A, Tab 2, Schedule 1 Table 1

$M	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
OM&A										
Status Quo Forecast	9.7	9.9	10.1	10.3	10.6	10.8	11.1	11.4	11.7	12.0
Hydro One Forecast	8.7	4.5	4.3	3.8	3.9	3.9	4.0	4.1	4.2	4.2
Projected Savings	1.0	5.4	5.8	6.5	6.7	6.9	7.1	7.3	7.5	7.8
Capital										
Status Quo Forecast	6.2	6.4	6.0	6.2	6.4	6.5	6.7	6.9	7.0	7.2
Hydro One Forecast	6.0	7.5	5.4	5.1	5.7	7.1	5.4	5.6	5.7	5.9
Projected Savings	0.2	(1.1)	0.6	1.1	0.7	(0.6)	1.3	1.3	1.3	1.3

Hydro One Forecast

	2020 **Year 1**	2021 **Year 2**	2022 **Year 3**	2023 **Year 4**	2024 **Year 5**	2025 **Year 6**	2026 **Year 7**	2027 **Year 8**	2028 **Year 9**	2029 **Year 10**
OM&A Expenditures										
Operations	1,135	1,641	1,654	1,667	1,710	1,754	1,799	1,845	1,892	1,941
Customer Care	848	2,033	2,053	2,082	2,103	2,125	2,147	2,170	2,192	2,215
Other Not Captured Above	874	259	62	64	65	66	67	69	70	72
Lease of Ashburnham O&A	934	534	534							
Stand Alone LDC (7 mths)	4,947									
Total OM&A	**8,737**	**4,467**	**4,303**	**3,812**	**3,878**	**3,945**	**4,013**	**4,083**	**4,154**	**4,227**
Capital Expenditures										
Capital	2,596	7,452	5,379	5,115	5,744	7,103	5,437	5,573	5,713	5,856
Stand Alone LDC (7 mths)	3,411									
Total Operations Capital	**6,007**	**7,452**	**5,379**	**5,115**	**5,744**	**7,103**	**5,437**	**5,573**	**5,713**	**5,856**

Status Quo OM&A Derivation

	2020 Year 1	2021 Year 2	2022 Year 3	2023 Year 4	2024 Year 5	2025 Year 6	2026 Year 7	2027 Year 8	2028 Year 9	2029 Year 10
Operations, maintenance & admin.	9,650	9,872	10,099	10,332	10,580	10,844	11,115	11,393	11,678	11,970

Status Quo OM&A Forecast	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	9,650	9,872	10,099	10,332	10,580	10,844	11,115	11,393	11,678	11,970

Status Quo Capital Derivation

	2020 Year 1	2021 Year 2	2022 Year 3	2023 Year 4	2024 Year 5	2025 Year 6	2026 Year 7	2027 Year 8	2028 Year 9	2029 Year 10
Capital Expenditures, net of CC	6,243	6,390	6,040	6,194	6,353	6,515	6,681	6,852	7,027	7,206

Status Quo Capital Forecast	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	6,243	6,390	6,040	6,194	6,353	6,515	6,681	6,852	7,027	7,206

PETERBOROUGH DISTRIBUTION INC.
10 YEAR FINANCIAL PROJECTIONS (2020 to 2029 with Base)
SUMMARY OF KEY ASSUMPTIONS AND STATISTICS

	Base			Projection 2020 to 2029									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Actual	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption
ASSUMPTIONS													
Working Capital Assumptions													
AR AND Other assets annual increases	-23.1%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
AP and other accrual annual increases	-23.4%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Reg Asset annual increase		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Rates and Revenue Assumptions													
Rate setting mechanism		IRM	IRM	COS	IRM	IRM	IRM	COS	IRM	IRM	IRM	COS	IRM
Revenue Rate Increase		0.8%	0.75%	14.40%	0.75%	0.75%	0.75%	6.90%	0.75%	0.75%	0.75%	5.70%	0.75%
Customer Growth		0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Other Revenue increases		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Operating expense growth	4.0%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.4%	2.5%	2.5%	2.5%	2.5%	2.5%
Cashflow Assumptions													
Capital Expenditures, net of CC	5,847	5,540	5,600	6,243	6,390	6,040	6,194	6,353	6,515	6,681	6,852	7,027	7,206
Dividends paid	800	800	800	800	800	800	800	800	800	800	800	800	800

	Base			Projection 2020 to 2029									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Actual	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption
KEY OPERATING STATISTICS													
Net income	1,263	1,107	857	2,191	1,952	1,759	1,547	2,143	1,944	1,707	1,474	1,960	1,670
Dividend Payout Ratio	0%	72%	93%	37%	41%	45%	52%	37%	41%	47%	54%	41%	48%
Debt to Total Capitalization	56.2%	56.5%	58.3%	57.5%	57.2%	57.3%	57.5%	57.3%	57.1%	57.1%	57.3%	57.1%	57.1%

PETERBOROUGH DISTRIBUTION INC.
PROJECTED STATEMENT OF FINANCIAL POSITION
(thousands of $) (MIFRS)

	Base			Projection 2020 to 2029									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Actual	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption
ASSETS													
Current Assets													
Cash and short-term deposits	5,989	5,114	6,537	6,391	5,653	5,749	5,757	6,205	6,178	6,104	5,985	6,142	5,897
AR, Unbilled and other	15,496	15,961	16,440	16,933	17,441	17,964	18,503	19,058	19,630	20,219	20,825	21,450	22,094
	21,485	21,074	22,977	23,324	23,094	23,713	24,260	25,263	25,808	26,322	26,811	27,592	27,991
Capital Assets	62,444	64,704	66,899	69,599	72,232	74,315	76,345	78,322	80,244	82,109	83,917	85,666	87,353
Other Assets													
Deferred Income taxes receivable	1,545	1,381	1,183	1,099	1,038	1,001	992	1,012	1,062	1,142	1,253	1,394	1,568
Regulatory Assets	665	678	692	706	720	734	749	764	779	795	811	827	843
	86,139	87,838	91,751	94,727	97,084	99,763	102,346	105,362	107,893	110,369	112,791	115,479	117,755
LIABILITIES AND SHAREHOLDER'S EQUITY													
Accounts payable and other accruals	10,005	10,285	10,573	10,869	11,174	11,486	11,808	12,139	12,478	12,828	13,187	13,556	13,936
	10,005	10,285	10,573	10,869	11,174	11,486	11,808	12,139	12,478	12,828	13,187	13,556	13,936
Long Term Liabilities													
Other long term liabilities	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640	2,640
Derivative Liability	1,238	1,000	600	-	-	-	-	-	-	-	-	-	-
Loan payable - CoPHI	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510
Long Term Bank Debt	39,083	40,257	43,932	45,221	46,122	47,529	49,043	50,385	51,433	52,652	54,041	55,200	56,226
	44,471	45,407	48,682	49,371	50,272	51,679	53,193	54,535	55,583	56,802	58,191	59,350	60,376
Shareholders Equity													
Stated capital - 1,000 common shares	21,658	21,658	21,658	21,658	21,658	21,658	21,658	21,658	21,658	21,658	21,658	21,658	21,658
Accumulated other comprehensive loss	(941)	(766)	(472)	128	128	128	128	128	128	128	128	128	128
Retained earnings	10,946	11,253	11,310	12,701	13,853	14,812	15,559	16,902	18,046	18,953	19,627	20,787	21,657
	31,663	32,145	32,496	34,487	35,639	36,598	37,345	38,688	39,832	40,739	41,413	42,573	43,443
	86,139	87,838	91,751	94,727	97,084	99,763	102,346	105,362	107,893	110,369	112,791	115,479	117,755
	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank debt	39,083	40,257	43,932	45,221	46,122	47,529	49,043	50,385	51,433	52,652	54,041	55,200	56,226
Total Capital													
Bank Debt	39,083	40,257	43,932	45,221	46,122	47,529	49,043	50,385	51,433	52,652	54,041	55,200	56,226
Subordinated Debt	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510	1,510
Shareholders equity	31,663	32,145	32,496	34,487	35,639	36,598	37,345	38,688	39,832	40,739	41,413	42,573	43,443
	72,256	73,913	77,938	81,218	83,271	85,636	87,898	90,583	92,775	94,901	96,964	99,282	101,179
Debt to Total Capital	56.2%	56.5%	58.3%	57.5%	57.2%	57.3%	57.5%	57.3%	57.1%	57.1%	57.3%	57.1%	57.1%

PETERBOROUGH DISTRIBUTION INC.
PROJECTED STATEMENT OF AOCI AND RETAINED EARNINGS
(thousands of $) (MIFRS)

	Base			Projection 2020 to 2029									
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
	Actual	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption
ACCUMULATED OTHER COMPREHENSIVE LOSS													
Opening		(941)	(766)	(472)	128	128	128	128	128	128	128	128	128
Other Comprehensive Income		238	400	600	-	-	-	-	-	-	-	-	-
Tax effect		(63)	(106)		-	-	-	-	-	-	-	-	-
Effect of conversion to IFRS													
Closing	(941)	(766)	(472)	128	128	128	128	128	128	128	128	128	128
RETAINED EARNINGS													
BALANCE - beginning of period		10,946	11,253	11,310	12,701	13,853	14,812	15,559	16,902	18,046	18,953	19,627	20,787
Net income for the period		1,107	857	2,191	1,952	1,759	1,547	2,143	1,944	1,707	1,474	1,960	1,670
Cash dividend		(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(800)
BALANCE - end of period	10,946	11,253	11,310	12,701	13,853	14,812	15,559	16,902	18,046	18,953	19,627	20,787	21,657
Dividend Payout Ratio		**72%**	**93%**	**37%**	**41%**	**45%**	**52%**	**37%**	**41%**	**47%**	**54%**	**41%**	**48%**

PETERBOROUGH DISTRIBUTION INC.
PROJECTED STATEMENT OF INCOME
(thousands of $) (MIFRS)

	Base			Projection 2020 to 2029									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Actual	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption	Assumption
Revenue													
Distribution	14,350	14,504	14,659	16,849	17,030	17,213	17,397	18,685	18,885	19,088	19,292	20,488	20,708
Other	1,574	1,590	1,606	1,622	1,638	1,654	1,671	1,688	1,704	1,721	1,739	1,756	1,774
	15,924	16,094	16,265	18,471	18,668	18,867	19,068	20,372	20,590	20,809	21,031	22,244	22,481
Expenses													
Operations, maintenance & admin.	9,014	9,221	9,433	9,650	9,872	10,099	10,332	10,580	10,844	11,115	11,393	11,678	11,970
Amortization of capital assets	3,585	3,708	3,833	3,971	4,184	4,386	4,592	4,804	5,021	5,244	5,472	5,706	5,947
	12,599	12,929	13,266	13,622	14,057	14,485	14,924	15,383	15,865	16,359	16,865	17,384	17,916
Operating Income	3,325	3,164	2,999	4,849	4,611	4,382	4,144	4,989	4,725	4,450	4,166	4,860	4,565
Interest and other income (expense)													
Other income (expense)													
Interest Income / Other	95	70	50	75	75	75	75	75	75	75	75	75	75
Interest expense - CoPHI	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)	(60)
Interest expense - other	(1,621)	(1,668)	(1,823)	(1,884)	(1,970)	(2,004)	(2,054)	(2,089)	(2,094)	(2,142)	(2,176)	(2,209)	(2,307)
	(1,586)	(1,658)	(1,833)	(1,869)	(1,955)	(1,989)	(2,039)	(2,074)	(2,079)	(2,127)	(2,161)	(2,194)	(2,292)
Net income before tax	1,739	1,506	1,166	2,980	2,656	2,393	2,105	2,915	2,645	2,323	2,005	2,666	2,273
Current	221	298	217	706	643	597	549	793	751	695	642	848	776
Deferred	255	101	92	84	61	37	9	(20)	(50)	(80)	(110)	(142)	(173)
	476	399	309	790	704	634	558	773	701	616	531	707	602
Net Income	1,263	1,107	857	2,191	1,952	1,759	1,547	2,143	1,944	1,707	1,474	1,960	1,670

Peterborough Distribution Inc.
Schedule 18 Rate Base Plus Other Years

	2017 Act.	2018 Fore.	2019 Fore.	2020 Fore.	2021 Fore.	2022 Fore.	2023 Fore.	2024 Fore.	2025 Fore.	2026 Fore.	2027 Fore.	2028 Fore.	2029 Fore.	2030 Fore.
Working Capital Allowance														
Controllable expenses, per 10 year forecast	9,014	9,221	9,433	9,650	9,872	10,099	10,332	10,580	10,844	11,115	11,393	11,678	11,970	12,269
Cost of Power	90,971	92,336	93,721	95,126	96,078	97,038	98,009	98,989	99,979	100,979	101,988	103,008	104,038	106,130
Subtotal	99,985	101,557	103,154	104,777	105,950	107,138	108,341	109,569	110,823	112,094	113,382	114,686	116,008	118,399
Working Capital Allowance Factor	13%	13%	13%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Working Capital Allowance	**12,998**	**13,202**	**13,410**	**7,858**	**7,946**	**8,035**	**8,126**	**8,218**	**8,312**	**8,407**	**8,504**	**8,601**	**8,701**	**8,880**
Rate Base														
Net Capital Assets (Average of Current and Prior)	61,951	63,574	65,802	68,249	70,916	73,274	75,330	77,334	79,283	81,177	83,013	84,791	86,510	88,166
Allowance for Working Capital, per above	12,998	13,202	13,410	7,858	7,946	8,035	8,126	8,218	8,312	8,407	8,504	8,601	8,701	8,880
Rate Base	**74,949**	**76,776**	**79,212**	**76,107**	**78,862**	**81,309**	**83,456**	**85,551**	**87,595**	**89,584**	**91,517**	**93,393**	**95,210**	**97,046**

Calculation of Net Capital Assets (Average of Current and Prior)

	2016 Act.	2017 Act.	2018 Fore.	2019 Fore.	2020 Fore.	2021 Fore.	2022 Fore.	2023 Fore.	2024 Fore.	2025 Fore.	2026 Fore.	2027 Fore.	2028 Fore.	2029 Fore.	2030 Fore.
Property Plant and Equipment	77,097	79,359	82,891	86,358	90,330	94,235	97,590	100,892	104,141	107,335	110,472	113,552	116,573	119,532	122,430
Less Deferred Contributions	15,640	16,915	18,187	19,459	20,731	22,003	23,275	24,547	25,819	27,091	28,363	29,635	30,907	32,179	33,451
Net Capital Asset	61,457	62,444	64,704	66,899	69,599	72,232	74,315	76,345	78,322	80,244	82,109	83,917	85,666	87,353	88,979

OEB STAFF INTERROGATORY # 18

Reference:

Exhibit A-3-1 Table 1; Table 2
Exhibit A-2-1 Table 1

Interrogatory:

Preamble:

Hydro One has proposed to adjust the forecast OM&A expenses by a risk factor of 20% to account for the fact that it is assuming all operational risks during the 10-year deferred rebasing period, including:

- The risk that the OM&A forecast is not achieved
- The risk that assets are not in the condition anticipated
- The risk that the anticipated load and customer load profiles do not materialize

a) Please confirm that the OM&A and capital expenditure forecast in Table 1 of Exhibit A-2-1 represents the best estimate of Hydro One's costs and savings during the deferred rebasing period.

b) Please confirm that, under the currently proposed ESM mechanism, Hydro One's shareholders will accrue the potential benefits of:

- The OM&A forecast used being overstated
- The assets being in better condition than anticipated
- The anticipated load and customer load profiles used results in a revenue forecast that is understated.

c) Please comment on the appropriateness of an asymmetrical risk-based adjustment to earnings sharing if, presuming the forecast represents the best estimate of future OM&A and capital expenditures, Hydro One's shareholders also accrue the potential benefits of any favourable variances in the assumptions used in the ESM calculation.

d) Please present the amounts in Table 2 of Exhibit A-3-1 on the basis that no risk factor adjustment is applied to the ESM calculation.

Response:

a) Confirmed.

b) Hydro One's shareholder is accepting both the potential benefits outlined in this sub-question of the interrogatory and the risks documented in the preamble of the same question, i.e., the risk that the OM&A forecast is not achieved, the risk that assets are not in the condition anticipated and the risk that the anticipated load and customer load profiles do not materialize. All of the risks of attaining the synergy savings as outlined in the application as well as all other economics risks (inflation, tax changes, union salary adjustments) are being assumed by Hydro One's shareholders. The customers of PDI hold absolutely no risk with Hydro One's proposed ESM, if approved as filed.

Importantly, Hydro One notes that the proposed savings of approximately 65% of incremental OM&A costs is substantially higher than any other MAAD application approved by the OEB, where Hydro One was not a party.

The following table provides a comparison of the OM&A costs savings forecast by Hydro One versus other MAAD applications.

	HONI/ PDI	Veridian/ Whitby	Erie Thames/ West Coast	Thunder Bay/ Kenora	Alectra/ Guelph	Epcor/ Collingwood	Newmarket-Tay/ Midland
$000s	EB-2018-0242	EB-2018-0236	EB-2018-0082	EB-2018-0124	EB-2018-0014	EB-2017-0373	EB-2017-0269
Status Quo OM&A	12,269	60,479	10,211	19,550	273,100	5,814	11,871
Proposed OM&A	4,311	53,847	9,458	18,649	268,790	5,350	10,563
% change	-64.9%	-11.0%	-7.4%	-4.6%	-1.6%	-8.0%	-11.0%

Hydro One is absorbing all of the risk of attaining the savings as provided in Exhibit A, Tab 3, Schedule 1 – the ratepayers of PDI **will** get this refund. Hydro One is highly incented to maximize savings which ultimately benefits future rates.

c) As noted in the interrogatory, the forecast represents the best estimate of future OM&A and capital expenditures. The pre-calculated ESM guarantees a $1.8M return to the ratepayers of the current PDI regardless of actual costs incurred. Additionally, as documented in Exhibit A, Tab 3, Schedule 1, the OM&A costs utilized in the ESM calculation will be incremental costs only, i.e., it will not include corporate overheads to the benefit of PDI ratepayers.

Hydro One believes its proposed ESM approach will help maximize efficiencies and synergies that result from the transaction to the benefit of all ratepayers of the consolidating entities and in so doing, achieve the objective of protecting consumer interests during the extended deferred rebasing period.

Please refer to part b) for the documentation of additional risks being absorbed by Hydro One in an effort to guarantee the ESM.

d) Hydro One's proposed guaranteed ESM, is guaranteed based upon the parameters as set out in Exhibit A, Tab 3, Schedule 1. If the intent of the question is to remove the risk factor, the ESM as proposed will no longer be offered. Hydro One would then seek to track and/or estimate costs to serve PDI's customers and create a form of Financial Statements to calculate overearnings in years 6 to 10. Hydro One would expect that this would result in greater OM&A costs. This could potentially result in a lower overearnings over years 6 to 10, and therefore a lower refund to PDI's customers. Hydro One notes that any Financial Statements used to calculate the ESM would be unaudited as PDI would not be a separate financial company.

Please see part b) of this response for further information on the cost savings included in Hydro One's proposed ESM as compared to the costs savings forecast by other MAAD applications which the OEB has approved.

Table 2: Earning Sharing Mechanism Sharing - Years 6 to 10 ($000's)

(No OM&A Risk Factor Applied)

	Deferral Period Year	**6**	**7**	**8**	**9**	**10**
	Calendar Year	**2025**	**2026**	**2027**	**2028**	**2029**
1	Rate Base	97,437	100,559	102,811	105,001	107,192
2	Equity Component of Rate Base	38,975	40,223	41,125	42,000	42,877
3	Revenue	17,116	17,437	17,765	18,099	18,440
4	OM&A[1]	3,945	4,013	4,083	4,154	4,227
5	Depreciation	3,364	3,524	3,664	3,808	3,955
6	Interest	2,323	2,398	2,451	2,504	2,556
7	Tax	1,468	1,488	1,535	1,580	1,624
8	**Net Profit After Tax**	**$6,015**	**$6,014**	**$6,031**	**$6,053**	**$6,078**
9	Achieved ROE (%) (Line 8 ÷ Line 2)	15.43%	14.95%	14.67%	14.41%	14.17%
10	Less: Approved ROE% for PDI	(8.98%)	(8.98%)	(8.98%)	(8.98%)	(8.98%)
11	ROE% above Approved ROE%	6.45%	5.97%	5.69%	5.43%	5.19%
12	Less: 300 Basis Points Threshold	(3.00%)	(3.00%)	(3.00%)	(3.00%)	(3.00%)
13	Total Over-Earnings (%)	3.45%	2.97%	2.69%	2.43%	2.19%
14	Total Over-Earnings (Line 13 x Line 2)	$1,346	$1,195	$1,105	$1,022	$941
15	50% of Overearnings Shared with to PDI customers	$673	$597	$552	$511	$471
16	Tax Effected Earnings Sharing (26.5%)	$916	$813	$751	$695	$640
17	Cumulative Tax Effected Earnings Sharing (Years 6 to 10)					**$3,815**

[1] Includes risk factor adjustment

OEB STAFF INTERROGATORY # 19

Reference:

Exhibit A-3-1 Table 1 (ESM Components); Table 2 (ESM)

Interrogatory:

a) Please provide summary continuity schedules, beginning with the most recently available actual fiscal year (PDI's 2017 audited financial statements), for each of the components presented in lines 1 to 7 of Table 2 of Exhibit A-3-1. Please ensure all key underlying assumptions are disclosed and supporting calculations are provided that were used in deriving these projections. Please include, at a minimum, the following information for each ESM component to support its associated summary schedule(s):

i. Rate Base: segregate the PP&E, capital contributions, and working capital components in the continuity schedule and explain the methodology behind the growth rates applied to each component

ii. Revenue: indicate the inflation rate used, the growth rate used for customer load, and any key assumptions made in changes to the forecasted customer load profiles.

iii. Depreciation: provide the weighted average depreciation rates (or by asset class if practicable) applied to PP&E each year, the average remaining useful lives (or by asset class if practicable) of PP&E each year, and any key assumptions made or processes undertaken by Hydro One to determine the remaining useful lives of the acquired assets.

iv. Financing Costs: disclose the current cost of short-term and long-term debt for Hydro One.

v. Taxes: provide a reconciliation between the combined provincial and federal statutory tax rates (26.5%) and the actual effective tax rates used.

Response:

Please find at **Attachment 1** to this Exhibit, Hydro One's PDI ESM Model in working Excel format.

i. The components of rate base beginning from 2017 (sourced from PDI's 2017 Financial Statements provided in the Application's **Prefiled Evidence at Attachment 12**) are used in providing the rate base calculations found in Hydro One's ESM model on Tab "ESM Model" between rows 65 to 168, including the Capital Contribution assumptions. This model's working capital assumptions are included in the rate base calculation on Tab "ESM Model" row 164, and the calculations along with underlying assumptions are provided in the ESM model on a Tab labeled "Working Capital".

ii. The Load and Customer growth assumptions underpinning the annual revenue forecast used in Hydro One's ESM model as found on Tab "ESM Model" at row 46, are consistent with those provided in **Exhibit I, Tab 4, Schedule 19 Attachments 1 and 2**.

iii. The depreciation rates used for each asset category Hydro One uses in the ESM model are found in Hydro One's ESM model on Tab "Depreciation Rates". These rates have been replicated in Table 1 below.

Table 1
ESM Model - Depreciation Rates by Asset Category

Asset Category	Depreciation Rate (%)
Land	0.00%
Buildings	1.82%
Distribution Plant	2.30%
Other Assets (excluding Fleet)	8.73%
Fleet	25.00%

The deprecation rates used in Hydro One's ESM model reflect those proposed by Hydro One Distribution in its recent 2018 to 2022 Rates Application (EB-2017-0049), and blended for the asset categories used in the model. Hydro One uses a pooled depreciation methodology, as approved by the Board.

Hydro One undertook a high level estimation process for determining the useful lives of PDI's PP&E. Given the tools available to it (e.g., visual drive-by

inspections by field staff and a desktop analysis of asset profiles) Hydro One assessed the average system condition and useful remaining life, on average, to be approximately equal to Hydro One's distribution system's average useful remaining life. As such, for the assets Hydro One plans to acquire from PDI, and PUSI, Hydro One used its applicable deprecation rates, blended for the asset categories used in the ESM model.

These deprecation rates are considered the most appropriate considering the assumption that after close of the transaction, PDI's assets and service territory will be integrated into Hydro One. As such, PDI assets acquired will go into the applicable Hydro One 'pool', per asset category, and attract the Hydro One depreciation rates.

iv. The annual short-term and long-term debt costs are found in Hydro One's ESM model on Tab "ESM Model" in the rate of cells W74 : AF75.

v. The detailed tax workings are found in Hydro One's ESM model on Tab "ESM Model" between rows 352 and 390. The Tax Calculations section makes use of detailed UCC forecast balances, found in Tab "CCA Deduction".

OEB STAFF INTERROGATORY # 20

Reference:

Exhibit A-2-1, Pages 4-7

Interrogatory:

Preamble:

Exhibit A-2-1, page 4 states "PDI's current Base Distribution Delivery Rates will be reduced by 1%, for residential, general service and large use customers of PDI, and frozen for a period of five years from closing of this transaction."

Exhibit A-2-1, page 7 states "At the commencement of year six, Hydro One will apply the OEB's Price Cap Index formula utilizing the former PDI's efficiency cohort factor (0.45%). This will be anchored to then current PDI Base Distribution Delivery Rates, and applied annually."

a) Please clarify whether, at the commencement of year 6, Hydro One proposes to apply the OEB's Price Cap Index to PDI rates that are net of the 1% reduction made previously in years 1 through 5?

Response:

a) Confirmed, the price cap will be applied to PDI's last OEB-approved rates and would exclude the 1% rate rider reduction.

OEB STAFF INTERROGATORY # 21

Reference:

Exhibit A-1-1, Page 7

Interrogatory:

Preamble:

Exhibit A-1-1, page7 states "PDI requests that the Board, pursuant to section 78 of the Act, include a rate rider applied to PDI's current OEB-approved rate schedules to give effect to a 1% reduction relative to Base Distribution Delivery Rates applicable at the time of closing."

a) Is the proposed consolidation of PDI and Hydro One conditional on OEB approval of the proposed 1% reduction to PDI's current Base Distribution Delivery Rates? Please elaborate.

Response:

a) No. The proposed consolidation is not conditional upon the OEB approving the 1% rate reduction. In the event that the OEB rejects the 1% rate reduction, the benefit of the rate reduction will no longer flow to the benefit of current PDI ratepayers as is currently contemplated and a predetermined amount will be donated to a charity selected by the City of Peterborough.

OEB STAFF INTERROGATORY # 22

Reference:

Exhibit A-2-1, Page 2, Table 1
Exhibit A-2-1, Page 5

Interrogatory:

Preamble:

Exhibit A-2-1, page 5 states "The proposed rate schedules, which include the requested rate rider for the area currently served by PDI, effective after closing, are filed as Attachment 9. The cost of providing this rate rider (approximately $135,500 per year) will be recovered from synergies that are generated from consolidating PDI's operations into Hydro One. This negative rate rider will be discontinued at the end of Year 5 of the deferral period."

Exhibit A-2-1, page 2, Table 1 compare costs and savings between Years 1 and 10 of PDI's operations as a stand-alone distribution company relative to the costs of operating PDI's service territory once it is integrated within Hydro One.

a) Please confirm the cumulative estimated cost of the proposed rate rider (e.g. the quote above indicates it is "approximately 135,500 per year"). What is the five year total?

b) Are any of the savings referenced in Table 1 at A-2-the result of the proposed negative rate rider? If so, please illustrate in detail for each year, showing amounts of savings and distinguishing between savings from the proposed negative rate rider and other OM&A and capital savings.

c) Please confirm that Hydro One will not seek to recover the value of the proposed negative rate rider in years one through five at the time of its next rebasing.

Response:

a) Approximately $675,000.

b) No.

c) Confirmed.

OEB STAFF INTERROGATORY # 23

Reference:

Exhibit A-2-1, Page 5
Attachment 9, Page 1

Interrogatory:

Preamble:

Exhibit A-2-1, page 5 states "For the purpose of this application, Hydro One proposes the residential variable rider, to effect the 1% reduction between years one to five of the deferral period, be rounded to five decimal places. This is an exception to the OEB's general rule, of four decimal places. The five decimal places will facilitate Hydro One providing a rider to benefit PDI customers."
Attachment 9, page 1 contains the Applicants' proposed rate schedule for Hydro One Peterborough residential customers.

a) Please clarify why rounding the residential variable (and any others, if applicable) rider to five decimal places would be helpful for purposes of effecting the 1% reduction described in the Application. Please illustrate what the consequence would be of not rounding this rider to five decimal places.

Response:

a) The unrounded residential variable rider is -$0.000047/kWh.

Rounding this rider to five decimal places results in a value of -$0.00005/kWh, this would lower the residential distribution volumetric rate which would benefit PDI's residential customers.

Rounding this rider to four decimal places results in a value of $0.0000/kWh, that would not lower the residential distribution volumetric rate. As a result, PDI residential customers would not receive the full benefit of the 1% rate reduction in 2020.

OEB STAFF INTERROGATORY # 24

Reference:

Exhibit A-2-1, Page 3
Exhibit A-2-1, Page 2, Table 1

Interrogatory:

Preamble:

Exhibit A-2-1, page 3 states "Hydro One is foregoing any IRM rate increases in years one through five as permitted under the OEB's consolidation policy, resulting in the benefit of lower rates throughout the deferred rebasing period."

Exhibit A-2-1, page 2, Table 1 compares costs and savings between Years 1 and 10 of PDI's operations as a stand-alone distribution company relative to the costs of operating PDI's service territory once it is integrated within Hydro One.

a) Please clarify whether Hydro One is foregoing IRM rate increases for only PDI customers in years one through five.

b) What is Hydro One's estimate of the value, both annual and cumulative, of the IRM rate increases it proposes to forego in Years 1 through 5?

c) Are any of the savings referenced in Table 1 at A-2-the result of foregone Incentive Rate Making rate increases? If so, please illustrate in detail for each year, showing amounts of savings and distinguishing between savings from foregone IRM rate increases and other OM&A and capital savings.

d) Please confirm that Hydro One will not seek to recover the value of IRM increases foregone in years one through five at the time of its next rebasing. In other words, please clarify whether the value of the IRM increases foregone in years one through five will be permanent savings for customers, or whether Hydro One expects to make up this amount at the time of its next rebasing.

Response:

a) Yes, Hydro One is foregoing IRM rate increases in Years 1 to 5 for PDI customers only.

b) The following table illustrates the amount of IRM rates revenue foregone annually, and in total, during the first five years of the rebasing deferral period.

	Year 1	Year 2	Year 3	Year 4	Year 5
Annual IRM Rate Increase Forgone	$227,958	$461,682	$701,290	$946,904	$1,198,646
				Total	$3,536,480

c) No.

d) Confirmed, Hydro One will not seek recovery of the foregone IRM increases and they will be permanent savings for customers.

OEB STAFF INTERROGATORY # 25

Reference:

Exhibit A-3-1, Page 9

Interrogatory:

Preamble:

Exhibit A-3-1, page 9 states "Hydro One will record the guaranteed refund due to ratepayers in a deferral account. […] Hydro One will accrue the balance in this account until the end of the extended deferred rebasing period. […] In Year Ten of the deferral period, Hydro One will apply to the Board to dispose of the balance in this account […]".

Exhibit A-3-1, page 9 further states "Hydro One is not opposed to refunding the ESM earnings on an annual basis in years 6 through 10, if the OEB should order such disposition, as was decided in EB-2017-0269 […]".

a) Please elaborate on any substantive, administrative or other advantages and disadvantages of refunding Earnings Sharing Mechanism earnings in the manner outlined in the first quote above compared to refunding Earnings Sharing Mechanism earnings on an annual basis in years 6 through 10.

Response:

a) Hydro One does not foresee any substantive administrative or other advantages or disadvantages in one refund method over the other.

OEB STAFF INTERROGATORY # 26

Reference:

Exhibit A-3-1, Page 10

Interrogatory:

Preamble:

Exhibit A-3-1, page 10 states "Hydro One is guaranteeing a total $1.8 million refund to the former customers of PDI. This equates to approximately 13% of PDI's current Board-approved revenue requirement".

a) Please confirm that the $1.8 million figure referenced in the quote above is the cumulative sum of all earnings sharing refunds between years 6 and 10 of the deferred rebasing period.

b) Please provide an indicative estimate of how the $1.8 million will be allocated by customer type, annually and cumulatively.

c) What percentage of PDI's year 10 revenue requirement would the $1.8 million represent with consolidation and without consolidation?

Response:

a) Confirmed.

b) Annually from year 6 to year 10: Hydro One proposes allocating the annual Earnings Sharing to PDI customer rate classes based on the share of annual rates revenue by rate class.

Cumulatively: Hydro One proposes allocating the cumulative Earnings Sharing to PDI customer rate classes based on the share of Year 10 annual rates revenue by rate class.

Provided below is an indicative estimate of how the $1.8 million will be allocated by customer type.

Allocation of ESM based on rates revenue requirement shares	ANNUALLY					CUMULATIVELY
	Year 6	Year 7	Year 8	Year 9	Year 10	
	2025	2026	2027	2028	2029	
Residential	$ 312,654	$ 246,723	$ 205,969	$ 168,192	$ 130,390	$ 1,064,753
GS<50	$ 82,353	$ 65,019	$ 54,307	$ 44,370	$ 34,417	$ 281,044
GS>50	$ 97,455	$ 76,848	$ 64,106	$ 52,309	$ 40,522	$ 330,896
Large User	$ 8,266	$ 6,495	$ 5,398	$ 4,389	$ 3,388	$ 27,664
Other*	$ 20,272	$ 15,915	$ 13,219	$ 10,739	$ 8,284	$ 67,642
Total	$ 521,000	$ 411,000	$ 343,000	$ 280,000	$ 217,000	$ 1,772,000

Other*: Unmetered scattered load, Sentinel lighting and Street lighting.

c)

Guaranteed ESM Total as a Percentage of PDI Year 10 Indicative Rates Revenue Requirement Scenario 1 – With Consolidation

PDI's Revenue Requirement	$15,933k[1]
Guaranteed ESM Value	$1,773k
Percentage	11.1%

Guaranteed ESM Total as a Percentage of PDI Year 10 Revenue Requirement Scenario 2 – No Consolidation

PDI's Revenue Requirement	$24,252k[2]
Guaranteed ESM Value	$1,773K
Percentage	7.3%

[1] Exhibit I, Tab 1, Schedule 10 part a
[2] Exhibit I, Tab 1, Schedule 10 part d

OEB STAFF INTERROGATORY # 27

Reference:

Exhibit A-4-1, Page 2
Exhibit A-3-1, Page 8, Table 2

Interrogatory:

Preamble:

Exhibit A-4-1, page 2 states "The PDI rate base is forecast to increase […] to $97.0 M by 2030 […]."

Exhibit A-3-1, page 8, Table 2 shows the calculation of the proposed Earnings Sharing Mechanism and includes a row which shows Peterborough Distribution Inc.'s Rate Base in the years 2025 through 2029. The Rate Base shown for 2029 is $107.192 Million.

a) Please reconcile the Peterborough Distribution Inc. Rate Base estimates expressed at A-4-1, page 2 ($97 Million by 2030) and at A-3-1, page 8, Table 2 ($107.192 Million by 2029).

b) Will Hydro One provide Peterborough Distribution Inc. customers approximately $1.8 million in earning sharing benefits even if PDI's Rate Base does not reach $107.192 by 2030?

c) Will Hydro One provide Peterborough Distribution Inc. customers more than $1.8 million in earning sharing benefits if Peterborough Distribution Inc.'s achieved Return on Equity is greater than estimated in Table 2 at Exhibit A-3-1?

Response:

a) The difference in rate base values between Hydro One's ESM model (Exhibit A, Tab 3, Schedule 1) and PDI's forecast Year 11 Status Quo rate base estimate (Exhibit A, Tab 4, Schedule 1 Table 1) is a result of different underlying assumptions for each scenario.

The ESM model underpinning Hydro One's Exhibit A, Tab 3, Schedule 1 evidence utilizes assumptions embedded in PDI's last Board-Approved 2013 Revenue Requirement (EB-2012-0160) which is the basis for the current PDI approved rates,

which in turn is driving the actual revenues Hydro One is expecting to collect from PDI customers during the deferral period.

The rate base shown in Exhibit A, Tab 4, Schedule 1 Table 1, utilizes assumptions PDI expects for the Status Quo in 2030.

Table 1 below provides rate base for PDI's Status Quo for Year 10 (provided in Exhibit I, Tab 1, Schedule 10) which is shown for comparative purposes (vs. Year 11) to the ESM scenario Year 10 rate base.

Table 1 - Rate Base Comparatives

Scenario	**PDI ESM Year 10 (A-3-1)**	**PDI Status Quo Year 10 (I-1-10)**	**PDI Status Quo Year 11 (A-4-1)**
Effective Year	**2029**	**2029**	**2030**
Rate Base Components			
Average PP&E	92,458	86,510	88,166
Working Capital	14,733[1]	8,701[2]	8,880[2]
ESM 2029 Rate Base	**107,192**	**95,210**	**97,046**

Table 2 below provides the year over year build up to these numbers.

[1] Working capital assumed is from PDI's most recent revenue requirement approval (13.0%)
[2] Working capital assumed is the default rate of 7.5%, based on the Boards most recent guidance.

Table 2 – Comparison of PDI Status Quo and Hydro One ESM Scenario Rate Bases

Hydro One - ESM - Rate Base Assumptions 2020 to 2029												
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	
Gross Plant		73,791	81,243	86,622	91,737	97,481	104,584	110,021	115,593	121,306	127,162	
Depreciation Expense		2,816	2,987	3,150	3,284	3,201	3,364	3,524	3,664	3,808	3,955	
Accumulated Depreciation		2,816	5,803	8,953	12,237	15,438	18,802	22,326	25,990	29,798	33,753	
Net PP&E	**67,784**	**70,976**	**75,440**	**77,669**	**79,500**	**82,043**	**85,782**	**87,694**	**89,603**	**91,508**	**93,409**	
Average NBV of PP&E		69,380	73,208	76,555	78,585	80,772	83,912	86,738	88,649	90,555	92,458	
Working Capital @ 13.0%											14,733	
Rate Base											**107,192**	

PDI - Status Quo Scenario - - Rate Base Assumptions 2020 to 2030												
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Gross Plant	90,709	97,380	104,198	110,666	117,288	124,069	131,012	138,121	145,401	152,856	160,490	168,308
Depreciation Expense	3,833	3,971	4,184	4,386	4,592	4,804	5,021	5,244	5,472	5,706	5,947	6,193
Accumulated Depreciation	23,810	27,781	31,965	36,351	40,943	45,747	50,768	56,012	61,484	67,190	73,137	79,329
Net PP&E	**66,899**	**69,599**	**72,232**	**74,315**	**76,345**	**78,322**	**80,244**	**82,109**	**83,917**	**85,666**	**87,353**	**88,979**
Average NBV of PP&E		68,249	70,916	73,274	75,330	77,334	79,283	81,177	83,013	84,791	86,510	88,166
Working Capital @ 7.5%											8,701	8,880
Rate Base											**95,210**	**97,046**

The two major items driving the difference in the two forecast scenario rate bases are:

- *Depreciation Expenses Driving Accumulated Depreciation*
  The difference in depreciation expense is a result of the different level of asset investments applicable to each scenario (see Exhibit A, Tab 2, Schedule 1, Table 1 Capital forecasts) and the differences in the type of assets each scenario will invest in annually (reflected in the *Gross Plant* line of Table 4 above). The Accumulated Depreciation values vary as a result of the differences in the quantum of annual deprecation forecast, which is a result of Hydro One recognizing the NBV of Plant as the Gross PP&E Asset value as at Day One of the acquisition (which in this application is assumed to be January 1, 2020) per accounting requirements. Both these depreciation orientated elements drive the differences in the *Average NBV of PP&E* values for the scenarios shown in Table 2 above.

  For these reasons, as Table 2 above illustrates, over a period of 10 years (2020 to 2029, and into Year 11 (2030), the rate bases of the two scenarios (i.e. Hydro One's ESM scenario and PDI's Status Quo scenario) will diverge.

- *Working Capital Rate*
  Hydro One's ESM model uses PDI's existing working capital rate embedded in PDI's last rebasing approval for its 2013 Revenue Requirement (13.0%). This is consistent with the Board's guidance to use assumptions that currently underpin the revenues the LDC is currently charging, and those that the acquiring LDC will expect to collect from ratepayers of the acquired zone/territory during the rebasing deferral period. The working capital rate used in PDI's Status Quo forecast is based on the Board's direction to use a default 7.5%[3], unless another value can be appropriately defended.

b) Yes.

c) No.

[3] OEB letter to LDC's, "Allowance for Working Capital for Electricity Distribution Rate Applications", dated June 3, 2015.

OEB STAFF INTERROGATORY # 28

Reference:

Exhibit A-2-1, Pages 9-10

Interrogatory:

Preamble:

Exhibit A-2-1, page 9 Table 4 contains Peterborough Distribution Inc. and Hydro One (local) reliability metrics: system average interruption duration index ("SAIDI") and system average interruption frequency index ("SAIFI").

OEB staff have prepared a table below which compares the SAIDI and SAIFI information provided by the Applicants at Exhibit A-2-1 page 9 Table 4.

Exhibit A-2-1 page 10 states "Hydro One anticipates that PDI's service territory reliability may in fact improve with the combination of pre-existing Hydro One and former PDI resources optimized for the broader Peterborough area."

As summarized in the table prepared by OEB staff below, Hydro One's local SAIFI has been on average 51% better (i.e. lower) than PDI's between 2014 and 2017, while Hydro One's SAIDI has been on average about 40% worse (i.e. higher).

	DURATION (SAIDI)	**2014**	**2015**	**2016**	**2017**	
a	Hydro One	2.14	4.56	1.81	2.37	*(a & b) Source: A-2-1 Page 9 Table 4*
b	Peterborough Distribution Inc. ("PDI")	0.9	3.59	2.01	2.22	
c	Hydro One Absolute Difference from PDI	1.2	1.0	-0.2	0.2	*(c through e) Source: OEB Staff*
d	Hydro One Percent Difference from PDI	138%	27%	-10%	7%	
e	**Average of Hydro One Percent Difference from PDI, 2014 - 2017**	**40%**				

	FREQUENCY (SAIFI)	2014	2015	2016	2017	
a	Hydro One	0.67	1.49	0.7	0.79	*(a & b) Source: A-2-1 Page 9 Table 4*
b	PDI	0.83	2.81	2.34	2.53	
c	Hydro One Absolute Difference from PDI	-0.2	-1.3	-1.6	-1.7	*(c through e) Source: OEB Staff*
d	Hydro One Percent Difference from PDI	-19%	-0.45%	-0.70%	-0.69%	
e	**Average of Hydro One Percent Difference from PDI, 2014 - 2017**	**-51%**				

a) How do the Applicants explain the differences in Peterborough Distribution Inc. and Hydro One's local SAIFI and SAIDI statistics between 2014 and 2017?

b) Are these differences in SAIFI and SAIDI statistics significant in the Applicants' view? If not, why?

c) In what regards does Hydro One anticipate that "[…] Peterborough Distribution Inc.'s service territory reliability may in fact improve […]" as a result of the proposed transaction? Please provide specific examples of how reliability may improve.

Response:

a) The differences between PDI and Hydro One (local) SAIFI and SAIDI statistics can be explained as follows:

Hydro One's service territory surrounding PDI is much more rural in comparison to PDI's. In general, the higher frequency of outages in urban areas and the longer hours of power outage duration hours in rural areas is normal.

The statistics referenced in Exhibit A, Tab 2, Schedule 1 pages 9-10 has Hydro One's (local) reliability metrics from feeders that are within the vicinity of PDI's service territory. This was provided to get a data set most comparable to PDI's reliability, but in reality the SAIDI and SAIFI values of Hydro One and PDI are difficult to compare directly, given that PDI's service area is more urban than Hydro One's feeders in the vicinity of PDI's system.

Power distribution in rural areas have the disadvantage of longer restoration times for outages, on the basis that it takes significantly longer to patrol, locate the cause of the outage faults. These factors result in longer duration hours for customers and thus higher SAIDI values. With respect to the SAIFI metrics, the interruptions caused by higher foreign interference due to dense population in this urban area results in a higher amount of outages for PDI.

b) As discussed in part a), urban versus rural environments can be expected to experience different SAIDI and SIAFI results. The difference in reliability metrics for Hydro One's existing territory (which is more rural than PDI's) is not expected to be reflective of the anticipated reliability in the current PDI service area moving forward. Furthermore, with Hydro One retaining local PDI staff and a local presence, Hydro One expects the PDI territory's historical reliability experience as an urban utility to be maintained, if not improved upon. Hydro One won three Edison Electric Institute (EEI) Emergency Recovery Awards for outstanding power restoration efforts in Ontario and despite the storms in 2018, Hydro One improved the overall reliability of the distribution network by 14% and continues to place a heavy focus on reliability improvements. Hydro One has the ability to leverage its field crews that are dispersed across the province to address any emergency situations that may arise. An example of this would be the Ottawa tornado of 2018 that destroyed the Merivale TS, amongst other distribution facilities, where crews were dispatched from across the province to restore power.

c) In addition to the PDI staff being retained, there are currently 16 Hydro One Regional Line Maintainer staff and Supervisors servicing the surrounding Hydro One area as well as a Regional Line Maintainer apprenticeship program that will maintain focus on customer reliability.

Hydro One is very focused on improving distribution reliability and has several initiatives that are aimed to do that. In addition to the automation PDI already has in place Hydro One has recently engaged in acquiring and installing technology that will automate switching processes as well as assist in fault location for shortened response and restoration time on Hydro One operated lines. Hydro One maintains a vigorous asset maintenance program that would include PDI assets. Via smart meter technology Hydro One is able to confirm outages and restoration that is meter point

specific. Hydro One also currently utilizes customer feedback via text messages on outages specific to customer location which would be added value to PDI customers.

OEB STAFF INTERROGATORY # 29

Reference:

Exhibit A-2-1, Pages 9-10

Interrogatory:

a) To assist in the interpretation of PDI and Hydro One local reliability performance between 2014 and 2017, please provide additional information on outage duration and frequency in a way that permits comparison of Peterborough Distribution Inc. and Hydro One local performance on an integrated basis. For example, if available, please provide statistics summarizing the Applicants' Average Service Availability Index, Average Energy Not Supplied and/or Average Energy Not Supplied as a percentage of total applicable load. Please feel free to provide any other metric(s) the Applicants feel might assist the OEB

Response:

The statistics requested by Board Staff are not items that distributors track and are typically measures that are more transmission specific.

SAIDI and SAIFI data have been relied upon by the OEB to make determinations in all previous MAAD applications on reliability. In addition, to provide further context, SAIDI and SAIFI data are the reliability measures upon which the OEB completes the annual yearbook that compares reliability results for all LDCs across the province of Ontario in accordance with the service quality indicators defined in the Distribution System Code.

The data provided at Exhibit A, Tab 2, Schedule 1 is an extract of the larger Hydro One distribution system that has used reliability data from four distribution stations in the vicinity of PDI.

OEB STAFF INTERROGATORY # 30

Reference:

Exhibit A-2-1, Pages 11-12

Interrogatory:

Preamble:

Exhibit A-2-1, pages 11-12 states "Direct staff, such as line and forestry employees, work directly on the distribution assets. […] Hydro One will expand its local complement of direct positions by only 13 staff to serve the expanded Central region, compared to the 17 direct positions currently required by PDI to operate only the existing PDI service territory. The remaining 4 PDI direct staff will be absorbed into vacancies within Hydro One. Therefore, the result is a net reduction of 4 local trades and technical positions to serve the same territory."

a) Please explain how reliability in the Peterborough Distribution Inc. service territory will not be made worse or put at greater risk following the proposed net reduction of four local direct staff out of 17 direct positions "currently required by Peterborough Distribution Inc.to operate only the existing service territory" – a nearly 24% reduction.

b) The statement highlighted above indicates that "The remaining 4 PDI direct staff will be absorbed into vacancies within Hydro One." What will happen to the four direct staff if there are no vacancies, or are the vacancies guaranteed for these staff members? Please explain more fully how these four staff members will be absorbed into Hydro One.

c) Does the reduction of 4 PDI local trades and their absorption into vacancies within Hydro One represent a cost saving, or is it a transfer from one cost center to another?

Response:

a) Please refer to Exhibit I, Tab 1, Schedule 28 part c).

b) All PDI/PUSI impacted employees will be offered a regular position within Hydro One. Specifically for the four direct staff, the Distribution Lines group will reduce

their provincial attrition hiring (e.g., hiring to replace retirements/terminations) by four and adjust resources as required.

c) The net reduction of 4 local trades and technical positions to serve the same territory is one aspect of the shift to operating PDI's service territory integrated within Hydro One that is anticipated to result in overall cost savings.

OEB STAFF INTERROGATORY # 31

Reference:

Exhibit A-2-1, Page 8

Interrogatory:

Preamble:

Exhibit A-2-1, page 8 states "If the relief requested in this Application is granted by the OEB, PDI's regulated distribution assets will be transferred to, and owned by 1937680. The subsequent transfer of the distribution system from 1937680 to Hydro One Networks Inc. is expected to occur up to 18 months thereafter."

a) Please clarify how service quality and reliability will be maintained for Peterborough Distribution Inc. customers during the operation of the PDI system by 1937680 Ontario Inc. ("1937680").

b) Does 1937680 require any other approvals (from the IESO, for instance) to operate the PDI system for a period of up to 18 months? Please explain. If yes, please provide a status and outlook on those approvals.

Response:

a) The same staff, working from the same location, following the same policies and procedures will be accountable for maintaining service quality and reliability for the PDI customers during the operation of the PDI system by 1937680 Ontario Inc. ("1937680").

b) On October 25, 2018, Hydro One filed an advance ruling certification application with the Competition Bureau of Canada for the acquisition of PDI. On November 14, 2018, the Competition Bureau issued a no action letter to Hydro One, meaning that transaction can proceed from the Competition Bureau's position. This document is provided as Attachment 1 of this interrogatory response.

As part of the relief requested in this Application, Hydro One is requesting PDI's distribution license be transferred to 1937680 on close of the transaction. 1937680 will operate the PDI service territory under that license until such time it is fully

integrated into Hydro One and the obligations and conditions currently held within the PDI license will be adhered to.

Change of control activities from PDI to 1937680 with the IESO will occur in conjunction with closing to update Meter and Market Participant Registration data and to authorize the Peterborough Utilities Group to act as a service provider to 1937680 as it pertains to wholesale and retail metering, and customer billing services. These same activities will occur a second time to change control to Hydro One upon integration 8-12 months later.

These registration updates follow the existing IESO processes available on-line for market participants and are consistent with updates that have occurred as part of integration on recent LDC integration projects at Hydro One.

IESO updates to Meter and Market Participant Registration data require evidence of an OEB approved distribution license, and MAAD decision. The IESO has historically been able to meet Hydro One's schedule in timely completion of these registration updates.

See Exhibit I, Tab 1, Schedule 13.

Bureau de la concurrence Canada | Competition Bureau Canada

Direction des fusions
Place du Portage I
50, rue Victoria
Gatineau (Québec)
K1A 0C9

Mergers Directorate
Place du Portage I
50 Victoria Street
Gatineau, Québec
K1A OC9

Télécopieur-Facsimile
(819) 994-0998

Téléphone-Telephone
(819) 994-5165

Projet-Project: 3112953

NOV 1 4 2018

Mr. Peter Glossop
Box 50, 1 First Canadian Place
Toronto, Ontario
M5X 1B8

Dear Mr. Glossop:

Re: Proposed Acquisition by 1937680 Ontario Inc., a wholly-owned subsidiary of Hydro One Inc., of certain assets used in carrying on the business of Peterborough Distribution Inc., pursuant to an Asset Purchase Agreement dated July 31, 2018 (as amended on September 28, 2018)

I am writing in regard to your letter of October 25, 2018, in which you requested on behalf of Hydro One Inc., Peterborough Distribution Inc., Peterborough Utilities Services Inc., The Corporation of the City of Peterborough and The City of Peterborough Holdings Inc. (the "Parties") the issuance of an Advance Ruling Certificate ("ARC") pursuant to section 102 of the *Competition Act* (the "Act") or in the alternative a No-Action Letter as well as a waiver pursuant to paragraph 113(c) of the Act in respect of the above-noted transaction (the "Transaction").

Based on the information provided by the parties, and information obtained from other sources, it would not be appropriate to issue an ARC as requested by the Parties. However, the Commissioner of Competition (the "Commissioner") does not, at this time, intend to make an application under section 92 of the Act in respect of the Transaction. Please note that section 97 of the Act provides a one year period following completion of the Transaction during which the Commissioner may bring the matter before the Competition Tribunal.

.../2

As substantially similar information was supplied in relation to the parties' request for an ARC, pursuant to paragraph 113(c) of the Act, I am waiving the obligation under Part IX of the Act to notify the Commissioner and supply information with respect to the Transaction.

I would appreciate it if you would advise the Merger Notification Unit at ic.avisdefusionmergernotification.ic@canada.ca of the actual closing date of the Transaction. I would like to thank you for your cooperation in the examination of this matter. Should you wish to discuss or have any questions concerning this matter, please contact the reviewing officer, Darya Shevchenko at 819-956-8724.

Sincerely yours,

Trevor MacKay
Associate Deputy Commissioner
of Competition
Mergers Directorate

cc: Subrata Bhattacharjee and Danielle Ridout of Borden Ladner Gervais LLP

OEB STAFF INTERROGATORY # 32

Reference:

Exhibit A-2-1, Page 5

Interrogatory:

Preamble:

Exhibit A-2-1, page 5 states "All other PDI tariffs will remain as approved in PDI's last rate order; with the exception of Specific Service Charges ("SSCs") which Hydro One is seeking approval to amend to align with the SSCs as approved, or will be approved, by the OEB for Hydro One Distribution, upon integration of 1937680's assets into Hydro One."

a) Please prepare a table which compares current Peterborough Distribution Inc. Specific Service Charges with those that "[..] Hydro One is seeking approval to amend to align with the SSCs as approved, or will be approved, by the OEB for Hydro One Distribution, upon integration of 1937680's assets into Hydro One"; please explain any differences.

b) Please identify any material differences in the current Conditions of Service of Peterborough Distribution Inc. and Hydro One (as proposed at EB-2017-0049).

Response:

a) Please refer to Attachment 1 for a table outlining PDI's Specific Service Charges, and those proposed by Hydro One in EB-2017-0049.

Miscellaneous services are provided at a customer's request or as the result of a customer's action or inaction and impose costs on the distributor. In order to recover these costs from the directly affected party, following a user-pays principle, distributors charge Specific Service Charges ("SSCs") to the customer either at an OEB-approved rate (established using the OEB's 2006 Distribution Rate Handbook or by means of a rate order) or by using actual costs ("time and materials") of rendering the service. Many distributors SSC rates across the province, including PDI, have not been updated since 2006 and no longer reflect the true cost of rendering these services. In Hydro One in it's EB-2017-0049 rates application has provided a study supporting new SSCs as directed by the OEB. During this the rates hearing intervenors provided feedback to Hydro One on the new proposed SSC rates with

Hydro One updating them in final argument. Hydro One is expecting a final decision on its 2018-2022 rates proposal in the near future. Therefore Hydro One believes that, if approved, the rates shown in Attachment 1 are most representative of what PDI customers will be subject to upon integration. Any differences in rates between Hydro One and PDI, reflect more current costs of providing these miscellaneous services and ensure that electricity ratepayers are not subsidizing the cost of providing such.

b) To date, material differences between the Conditions of Service of the two utilities have not been identified. The Applicants note that both Hydro One and PDI comply with legislations, regulations, market rules and codes that have been approved by the OEB except where either distributor has been exempted from such compliance by regulation or by application to the regulator. The Applicants also note that the Conditions of Service are based on the OEB's requirements, codes and guidelines, including the Distribution System Code and Retail Settlement Code. Consequently, it is not expected that any differences between the two sets of Conditions of Service will be material.

Non-payment of account	PDI Charge	Proposed Hydro One Charge Including Oral Hearing Updates in EB-2017-0049
Late payment (interest charged on unpaid accounts)	1.5% per month, 19.56% per annum	1.5% per month, 19.56% per annum
Notification charge (notice of overdue account)	$15.00	Discontinued
Collection of account charge - no disconnect (site visit required to collect account) - during regular hours (8 am to 7 pm)	$30.00	$100
Collection of account charge - no disconnect (site visit required to collect account) - after regular hours	$165.00	n/a
Disconnect/reconnect at meter - during regular hours (8 am to 7 pm)	$65.00	$65.00
Disconnect/reconnect at meter - after regular hours	$185.00	$185.00
Disconnect/reconnect at pole - during regular hours (8 am to 4 pm)	$185.00	$320.00
Disconnect/reconnect at pole - after regular hours	$415.00	$850.00

Administration	Charge	Charge
Account set-up charge / change of occupancy charge (plus credit agency costs if applicable)	$30.00	$38.00
Statement of account (required when applying to waive deposit at new utility)	$15.00	Discontinued
Pulling post-dated cheques	$15.00	n/a
Duplicate invoices for previous billing	$15.00	Discontinued
Request for other billing information	$15.00	Discontinued
Easement letter	$15.00	Letter Request - $86.90 Web Request - $25.00
Income tax letter (statement of account for income tax purposes)	$15.00	Discontinued
Account history	$15.00	Discontinued
Credit reference / credit check (plus credit agency costs) (in lieu of deposit)	$19.50	Discontinued
Returned cheque charge (plus bank charges)	$35.00	$7.00
Charge to certify cheque	$15.00	n/a
Legal letter charge (required by lawyer during property sale)	$15.00	Discontinued
Arrears certificate (letter of reference, credit history)	$15.00	n/a
Special meter reads (unscheduled or reversed move-in or out)	$30.00	$90.00
Install/remove load control device - during regular hours (8 am to 7 pm)	$65.00	$65.00
Install/remove load control device - after regular hours	$185.00	$185.00
Meter dispute charge plus Measurement Canada fees (if meter found correct)	$30.00	$290 plus MC fee
Service call (customer-owned equipment) - during regular hours (8 am to 4:30 pm)	$30.00	$210.00
Service call (customer-owned equipment) - after regular hours	$165.00	$775.00
Temporary service install and/or remove - overhead - no transformer	$500.00	Actual Costs
Temporary service install and/or remove - overhead - with transformer	$1,000.00	Actual Costs
Temporary service install and/or remove - underground - no transformer	$300.00	Actual Costs
Specific charge for access to the power poles ($ per pole per year)	$22.35	Telecom $43.63
Hydro One Only	**Charge**	**Charge**
Vacant Premise - Move in with Reconnect of Electrical Service at Meter		Discontinued
Vacant Premise - Move in with Reconnect of Electrical Service at Pole		Discontinued
Meter		$245.00
Pole		$475.00
Additional Service Layout Fee - Basic/Complex (more than one hour)		$561.08
Pipeline Crossings		$2,363.12
Water Crossings		$3,522.56
Railway Crossings		$4690.71 + Railway feedthrough costs
Overhead Line Staking Per Meter		$4.17
Underground Line Staking Per Meter		$3.00
Subcable Line Staking Per Meter		$2.62
Central Metering - New Service <45 kW		$100.00
Conversion to Central Metering <45 kW		$1,534.07
Conversion to Central Metering >=45 kW		$1,434.07
Connection Impact Assessments - Net Metering		$3,146.11

Hydro One Only	Charge	Charge
Connection Impact Assessments – Embedded LDC Generators		$2,825.21
Connection Impact Assessments – Small Projects <= 500 kW		$3,216.36
Connection Impact Assessments – Small Projects <= 500 kW, Simplified		$1,941.06
Connection Impact Assessments – Greater than Capacity Allocation Exempt Projects – Capacity Allocation Required Projects		$8,518.75
Connection Impact Assessments – Greater than Capacity Allocation Exempt Projects – TS Review for LDC Capacity Allocation Required Projects		$5,637.93
Specific Charge for Access to Power Poles – Municipal Streetlights		$2.04
Sentinel Light Rental Charge		$10.00
Sentinel Light Pole Rental Charge		$7.00
Specific Charge for LDCs Access to the Power Poles ($/pole/year)		
LDC Rate for 10’ of power space		$85.25
LDC Rate for 15’ of power space		$102.39
LDC Rate for 20’ of power space		$113.77
LDC Rate for 25’ of power space		$121.89
LDC Rate for 30’ of power space		$127.99
LDC Rate for 35’ of power space		$132.73
LDC Rate for 40’ of power space		$136.52
LDC Rate for 45’ of power space		$139.62
LDC Rate for 50’ of power space		$142.21
LDC Rate for 55’ of power space		$144.40
LDC Rate for 60’ of power space		$146.27
Specific Charge for Generator Access to the Power Poles ($/pole/year)		
Generator Rate for 10’ of power space		$85.25
Generator Rate for 15’ of power space		$102.39
Generator Rate for 20’ of power space		$113.77
Generator Rate for 25’ of power space		$121.89
Generator Rate for 30’ of power space		$127.99
Generator Rate for 35’ of power space		$132.73
Generator Rate for 40’ of power space		$136.52
Generator Rate for 45’ of power space		$139.62
Generator Rate for 50’ of power space		$142.21
Generator Rate for 55’ of power space		$144.40
Generator Rate for 60’ of power space		$146.27

OEB STAFF INTERROGATORY # 33

Reference:

Exhibit A-1-1 Page 4
Exhibit A-2-1, Page 6

Interrogatory:

Preamble:

Exhibit A-1-1, page 4 states "Subsequent to closing, 1937680 will own and operate the distribution system for a period of up to 18 months while the current PDI systems are integrated into Hydro One's operations. Upon completion of the integration process, all of the distribution assets will be transferred from 1937680 to Hydro One."

Exhibit A-2-1, page 6 states "[…] Hydro One SSCs would apply after transfer of the distribution assets to Hydro One".

a) For clarity, please confirm that PDI's Specific Service Charges would continue to apply throughout the up-to-18-month period during which the distribution system would be owned and operated by 1937680. Otherwise, please explain.

Response:

a) Confirmed

OEB STAFF INTERROGATORY # 34

Reference:

Exhibit A-1-1, Pages 3 and 6
Exhibit A-2-1, Page 12
Attachment-5
Attachment-12

Interrogatory:

Preamble:

Exhibit A-1-1, page 3 states "PUSI provides human resources, office facilities, equipment and related services to PDI."

Exhibit A-2-1, page 12 states "In addition to its own support staff, PDI receives support services from affiliate PUSI and its complement of personnel."

Exhibit A-1-1, page 6 states "PDI is applying to the Board, pursuant to section 86(1)(c) of the Act, for leave to amalgamate with PUSI."

a) Please confirm the specific services, facilities, equipment, etc. that Peterborough Utilities Services Inc. ("PUSI") currently provides to PDI.

b) Does PUSI provide any services, facilities, equipment, etc. to any other party? If so, please explain.

c) Will PUSI provide any services, facilities, equipment, etc. to any other party following amalgamation with PDI? If so, please explain.

d) Will any PUSI assets/services not be included in the proposed amalgamation with PDI? If so, please summarize and explain.

e) What is the net book value of PUSI?

f) Please clarify whether/how the services, etc. provided by PUSI to PDI are reflected in PDI's financial statements at Attachments 5 and 12 of the application.

Response:

a) PUSI provides all back office support and head office services to PDI including, executive management, information technology, finance and regulatory support, human resources, purchasing, call center and billing support. PUSI is the owner of the head office facilities that are occupied and rented by PDI. The facilities are shared with other Peterborough Utilities Group unregulated businesses. PUSI is the owner of all significant information technology assets, and the fleet that are used in the PDI business.

b) PUSI provides similar services to all businesses in the Peterborough Utilities Group which includes its unregulated businesses in the electricity industry and its water treatment and distribution business.

c) The amalgamated company of PUSI and PDI (AmalCo) will continue to hold the head office facilities that will continue to be rented to the Peterborough Utilities Group affiliated companies and to Hydro One under a lease arrangement.

d) All other assets of PUSI, other than the head office facilities and fleet assets specific to PDI business have been transferred to an affiliated non-regulated company.

e) As at December 31, 2018, the total assets of PUSI and the shareholder's equity of PUSI were $7.4 million, and $1.3 million, respectively.

f) Attachment 5, the Asset Purchase Agreement, addresses the transfer of the PDI business and assets. Accordingly it does not address the provision of services.

Attachment 12, the Audited Financial Statements of PDI for the fiscal year ended December 31, 2017, discloses the services provided by PUSI and included in the PDI statement of net income, in Note 20 to those financial statements - Related Party Transactions.

OEB STAFF INTERROGATORY # 35

Reference:
Exhibit A-2-1, Page 11

Interrogatory:
Preamble:
Exhibit A-2-1, page 11 states "AmalCo will retain the current PDI Operating and Administration centre on Ashburnham Drive. 1937680 has agreed to enter into a five-year lease agreement with PUSI to lease this centre."

a) Does the quote above mean that 1937680 would lease the Operating and Administration centre from PUSI *after* PUSI and PDI have amalgamated and *after* the amalgamated company has been sold to 1937680? In other words, would 1937680 lease the Operating and Administration centre from a corporation it owns? If so, please explain, otherwise, please clarify the statement made on Exhibit A-2-1, page 11.

Response:
Not confirmed.

To clarify, the transaction does not operate as described in the question above. 1937680 is *not* purchasing the shares of amalgamated company "AmalCo". Rather, 1937680 has agreed to purchase the business and net assets of PDI.

The amalgamated company of PUSI and PDI (AmalCo), which is not being purchased by Hydro One, will continue to hold the Ashburnham Drive facilities that will continue to be rented to the Peterborough Utilities Group affiliated companies and to 1937680 under a lease arrangement.

OEB STAFF INTERROGATORY # 36

Reference:

Exhibit A-2-1, Page 19

Interrogatory:

Preamble:

Exhibit A-2-1, page 19 states "Both parties to the transaction will have incurred some incremental costs associated with the transaction."

The evidence further states that "Hydro One's incremental transaction costs are estimated to be approximately $0.2 million", and that integration costs "[…] are estimated to be approximately $9 million", and that "Hydro One is not expecting to incur any ongoing integration costs."

a) Please provide PDI's estimated transaction costs, integration costs and ongoing integration costs as applicable. If PDI is not incurring any of these costs, please explain why Hydro One is the only party incurring transaction and integration costs.

Response:

a) Any such costs which remain after closing of the transaction will be costs attributed to either AmalCo or CoPHI, as applicable, not to ratepayers.

OEB STAFF INTERROGATORY # 37

Reference:

Exhibit A-2-1, Page 19

Interrogatory:

Preamble:

Exhibit A-2-1, page 19 states "All of the above incremental costs will be financed through productivity gains associated with the transaction, will not be included in Hydro One's revenue requirement, and thus will not be funded by ratepayers."

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 confirm how these costs will be financed if anticipated productivity gains are not fully realized.

Response:

a) Hydro One has not included these costs in its current 2018-2022 Distribution Rates Application (EB-2017-0049) and will not include these costs in any future revenue requirements. The Ontario Energy Board, in approving just and reasonable rates under section 78 of the *Ontario Energy Board Act, 1998*, will ensure that these costs are not included as part of Hydro One's future revenue requirement application.

b) In the very unlikely event that the anticipated productivity gains associated with the transaction do not materialize over the 10 year deferral period, then the remaining balance of the $9.9M transaction and transition costs will be borne by Hydro One shareholders.

OEB STAFF INTERROGATORY # 38

Reference:

Exhibit A-2-1, Page 9

Interrogatory:

Preamble:

Exhibit A-2-1, page 9 states "The Agreement, in addition to the approvals identified in this Application, requires receipt of a Competition Act (Canada) clearance from the Commissioner of Competition."

a) Please provide a brief status update and outlook on the Applicants' progress on the Competition Act process referenced above.

Response:

a.) Please refer to Exhibit I, Tab 1, Schedule 31.

OEB STAFF INTERROGATORY # 39

Reference:

Exhibit A-1-1, Pages 3-4

Interrogatory:

Preamble:

Exhibit A-1-1, page 3 states "1937680 is a corporation incorporated under the laws of Ontario, and was established to own and operate the distribution assets of PDI until such assets can be integrated with Hydro One's distribution business."

Exhibit A-1-1, page 4 states "Subsequent to closing, 1937680 will own and operate the distribution system for a period of up to 18 months while the current PDI systems are integrated into Hydro One's operations. Upon completion of the integration process, all of the distribution assets will be transferred from 1937680 to Hydro One."

a) With respect to the statements above, please explain what would be involved in integrating the current PDI assets and systems into Hydro One's operations.

b) Please describe the steps and corresponding timelines for achieving the integration.

c) What are the key risks to the successful integration of the current PDI assets and systems into Hydro One's operations and how does Hydro One propose to address those risks?

d) Is Hydro One confident that it can successfully complete the integration? Why?

e) Why is a transitional entity such as 1937680 required in this Application? Why is the transitional entity needed for a period of up to 18 months?

Response:

a) The main activities that would be undertaken during the integration would be:

- Data and System Integration including but not limited to these business units
- Asset Management

- Customer Service
- Metering & Billing
- Finance
- Environment
- Health & Safety
- Conservation Programs
- Real Estate
- Electrical Grid Operations
- In Flight Capital and OM&A work
- Information Technology
- Physical Security
- Supply Chain
- Human Resources
- Business Readiness activities, whereby each Hydro One line of business prepares their requirements and executes a plan based on those requirements
- Internal and external communication

b) The overall time line is expected to be 8-12 months from the time of OEB approval. The integration will consist of the following project phases:

1. Discovery - Preliminary data collection and Business requirement creation
2. Design & Build - Begin transfer of Peterborough Data to Hydro One systems and start Business readiness activities
3. Testing & Validation - Validate data transfer and solutions. Continue with Business Readiness activities
4. Cutover - Begin use of Peterborough data in Hydro One systems, prepare customers for transition to Hydro One, and finalize business readiness activities
5. Post Deployment - Close out any remaining financial and business readiness activities.

c) The key risks to a successful integration are the quality and completeness of data coming from PDI, and other project conflicts both internal and external to Hydro One impacting resources, including those within Peterborough.

All of Hydro One's integration plans take those key risks into account. Our timelines are developed to ensure that any data quality or project conflicts are addressed early in the discovery phase.

d) Yes. Hydro One is confident we can complete this integration successfully. Hydro One has completed four successful integrations since 2015, continuously improving the processes, tools and knowledge base used to ensure smooth integrations.

e) Please refer to Exhibit I, Tab 2, Schedule 8.

OEB STAFF INTERROGATORY # 40

Reference:

Exhibit A-2-1, Pages 19-20

Interrogatory:

Preamble:

Exhibit A-2-1, pages 19-20 states "As contemplated in the Agreement, 1937680 has agreed to purchase the business and distribution assets of PDI. The purchase price of $105.0 million for the net assets of the business represents the commercial value established through negotiations with an arms-length third party. The premium paid over the asset's book value will not have a material impact on Hydro One Inc.'s financial viability."

a) Please confirm the net book value of PDI

b) Please clarify whether the response to question (a) above includes the net book value of PUSI If not, why not?

c) Please quantify the premium included in the $105 million purchase price.

d) Please confirm and explain whether the financial viability of Hydro One will be materially impacted by the combined/cumulative cost of this plus any other premiums recently paid by Hydro One or proposed to be paid in the near future in connection with consolidation activities.

Response:

a) Based on PDI's audited financial statements as at December 31, 2015, and the "Purchased Asset" and "Assumed Liabilities" as defined by the Asset Purchase Agreement, the net asset value is approximately $82 million at that point in time.

b) The net asset value in (a) includes approximately $0.9 million relating to fleet assets from PUSI, in accordance with the Asset Purchase Agreement.

c) A purchase price of $105 million and net asset value of approximately $82 million would yield a premium of approximately $23 million, subject to closing adjustments in accordance with the Asset Purchase Agreement that will be determinable at or subsequent to the closing date.

d) It is not expected that the financial viability of Hydro One will be impacted by the immaterial cumulative cost of this transaction and other current/pending transactions.

OEB STAFF INTERROGATORY # 41

Reference:

Exhibit A-4-1, Pages 2-12
Attachment 20, Pages 1-2

Interrogatory:

Preamble:

Exhibit A-4-1, page 2 states "At the time of the next proposed rebasing, in 2030, PDI will not have rebased their rates for 17 years […]"

a) Please confirm whether year 11 described in Exhibit A-4-1 corresponds to "the time of the next proposed rebasing, in 2030" referenced in the quote above at Exhibit A-4-1, page 2. If not, please clarify.

Response:

a) Confirmed. 2030 (Year 11) is the year of the next proposed rebasing.

OEB STAFF INTERROGATORY # 42

Reference:

Exhibit A-4-1, Page 2, Table 1
Exhibit A-4-1, Page 4, Table 3

Interrogatory:

Preamble:

Exhibit A-4-1, page 2, Table 1 summarizes the estimated PDI revenue requirement for year 11 under the Status Quo scenario. The associated rate base is: $97,046,000.
Exhibit A-4-1, page 4, Table 3 summarizes the estimated Hydro One revenue requirement for year 11 under the Residual Cost to Serve scenario. The associated rate base is: $103,244,000.

a) To facilitate comparison with Tables 1 through 3, please provide the equivalent information for PDI, but for Year 1.

b) Why is the rate base different between Table 1 and Table 3 at Exhibit A-4-1?

c) Why is the rate base in Table 3 higher than in Table 1 at Exhibit A-4-1 (by $6.2 million)?

d) Does the rate base in Table 3 include the $31.6 million increase in the PDI rate base between 2013 and 2030?

Response:

a) The equivalent Year 1 information for the Peterborough Distribution Status Quo Scenario and the Residual Cost to Serve Scenario are provided below.

Table 1 - Peterborough Distribution Status Quo Scenario
Year 1 Estimated Revenue Requirement ($000's)

Average of NBV of Assets	68,249
Working Capital	7,858
Rate Base[1]	76,107
OM&A	9,650
Depreciation	3,971
Cost of Capital – Debt Interest	1,843
Cost of Capital – Equity Return	2,740
Tax	790
Revenue Requirement	**$18,994**

Table 2 - Year 1 Status Quo Cost to Serve PDI Customers
Year 1 ($000's)

Revenue Requirement	18,994
LV Charges	1,110
Total Cost to Serve	**20,104**

[1] Rate Base is the average of the current and prior year closing NBV of assets plus the current year Working Capital

Table 3 - Residual Cost to Serve Scenario
Year 1 Estimated Revenue Requirement ($000's)

Average NBV of Assets	69,380
Working Capital	7,701
Rate Base[2]	77,081
OM&A	8,737
Depreciation	2,816
Cost of Capital – Debt Interest	2,000
Cost of Capital – Equity Return	2,775
Tax	362
Revenue Requirement	**16,690**

b) The forecast of PDI's rate base in each scenario varies because each scenario is underpinned by different assumptions. The detailed forecasting assumptions used for each scenario are provided at Exhibit A, Tab 4, Schedule 1, Attachment 20. The key differences between each rate base forecast are attributable to the following:

Capital Expenditures Levels
Different levels of capital expenditures are forecast under each scenario.

- Exhibit A, Tab 2, Schedule 1, Table 1 provides the capital forecasts in years 1-10 (2020 to 2029) of the deferral period
- Exhibit A, Tab 1, Schedule 4, Attachment 20, provides the capital forecast assumptions for Year 11 (2030).

Depreciation Expenses Driving Accumulated Depreciation
The difference in depreciation expense is a result of the different level of asset investments applicable to each scenario (i.e. Exhibit A, Tab 2, Schedule 1 Table 1 Capital forecasts) and the differences in type of assets each scenario will invest in

[2] Rate Base is the average of the current and prior year closing NBV of assets plus the current year Working Capital

annually (reflected in the Gross Plant line of Table 4 below). The Accumulated Depreciation values vary as a result of the differences in the quantum of annual deprecation forecast, which is a result of Hydro One recognizing the NBV of Plant as the Gross PP&E Asset value as at day one of the acquisition (which in this application is assumed to be January 1, 2020) per accounting requirements. Both these depreciation orientated elements drive the differences in the Average NBV of PP&E values for the scenarios shown in Table 4 below. As such, over the 11 year period (2020 to 2030) the scenario-specific asset assumptions will result in the divergence of the two scenarios. This can be seen starting to occur in Year 1 (2020) by comparing Table 1 and Table 3's NBV's above.

Working Capital Rate

Different working capital rates (as provided in Exhibit A, Tab 1, Schedule 4, Attachment 20) for each scenario have a minor impact on the overall rate base variance.

For the reasons outline above, as Table 4 below illustrates, over a period of 11 years (2020 to 2030) the rate bases of the two scenarios (i.e. Hydro One's ESM scenario and PDI's Status Quo scenario) will diverge.

Table 4 – Comparison of PDI Status Quo and Hydro One Residual Cost to Serve Scenario Rate Bases

Hydro One - Future Rate Structures Scenario - Rate Base Assumptions 2020 to 2030												
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Gross Plant		73,791	81,243	86,622	91,737	97,481	104,584	110,021	115,593	121,306	127,162	133,135
Depreciation Expense		2,816	2,987	3,150	3,284	3,201	3,364	3,524	3,664	3,808	3,955	4,106
Accumulated Depreciation		2,816	5,803	8,953	12,237	15,438	18,802	22,326	25,990	29,798	33,753	37,859
Net PP&E	**67,784**	**70,976**	**75,440**	**77,669**	**79,500**	**82,043**	**85,782**	**87,694**	**89,603**	**91,508**	**93,409**	**95,276**
Average NBV of PP&E		69,380	73,208	76,555	78,585	80,772	83,912	86,738	88,649	90,555	92,458	94,342
Working Capital @ 7.7%												8,902
Rate Base												**103,244**

PDI - Status Quo Scenario - - Rate Base Assumptions 2020 to 2030												
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Gross Plant	90,709	97,380	104,198	110,666	117,288	124,069	131,012	138,121	145,401	152,856	160,490	168,308
Depreciation Expense	3,833	3,971	4,184	4,386	4,592	4,804	5,021	5,244	5,472	5,706	5,947	6,193
Accumulated Depreciation	23,810	27,781	31,965	36,351	40,943	45,747	50,768	56,012	61,484	67,190	73,137	79,329
Net PP&E	**66,899**	**69,599**	**72,232**	**74,315**	**76,345**	**78,322**	**80,244**	**82,109**	**83,917**	**85,666**	**87,353**	**88,979**
Average NBV of PP&E		68,249	70,916	73,274	75,330	77,334	79,283	81,177	83,013	84,791	86,510	88,166
Working Capital @ 7.5%												8,880
Rate Base												**97,046**
Rate Base Difference												**6,198**

c) Refer to the answer in part b) above.

d) No. For clarification, the rate base in Table 3 (operating under the assumption of consolidation into Hydro One in 2020) assumes the identical rate base values as PDI have from 2013 to the end of 2019, prior to the assumed date of transaction close (i.e. 31 December, 2019). From 2020 to 2030 the rate bases will differ due to the different operating and capital expenditure assumptions between each scenario (Status Quo vs. Consolidation).

OEB STAFF INTERROGATORY # 43

Reference:

Exhibit A-1-1, Page 7

Interrogatory:

Preamble:

Exhibit A-1-1, Page 7 states "PDI and the amalgamated corporation (i.e. AmalCo) request that the Board, pursuant to section I8 of the Act, grant PDI leave to transfer its distribution licence to AmalCo.

a) Please specify for how long AmalCo is expected to operate as a licensed distributor for the former PDI customers.

b) What measures would be taken by PDI/AmalCo to notify customers of the change to avoid customers' confusion.

c) Would AmalCo use any trade names (e.g. Peterborough Utilities, Peterborough Distribution, etc.) to appear on customer bills? If so, please specify.

Response:

a) It is not expected that AmalCo will operate any longer than 30 days as the licensed distributor. AmalCo was set up solely to accommodate and support the logistics and sequencing of closing the proposed transaction. During the time that AmalCo will operate as a distributor, the Peterborough Distribution Inc. name and approach to all customer facing activities will be unchanged. This is simply a corporate reorganization.

b) As noted in a) above, it is fully expected that there will be no impact on customers, and operations will continue as Peterborough Distribution Inc. as it pertains to the customer. PDI does not expect to notify customers of this internal reorganization.

c) AmalCo will continue to use Peterborough Distribution Inc. during this period to ensure that nothing from the customer perspective will change.

OEB STAFF INTERROGATORY # 44

Reference:

Exhibit A-1-1, Pages 4 and 7

Interrogatory:

Preamble:

Exhibit A-1-1, Page 7 states "AmalCo and 1937680 request that the Board, pursuant to section 18 of the Act, grant AmalCo leave to transfer its distribution licence to 1937680.

Page 4 states that "subsequent to closing, 1937680 will own and operated the distribution system for a period of up to 18 months.

a) Over that period (noted in the quote above from Page 4), would 1937680 operate under its legal name or would it use any trade names? If any trade name(s) would be used, please specify.

b) Would 1937680 notify customers of the change in the local distribution company for this transition period? If so, please describe what would be done.

Response:

a) As per section 2.1 (a) (xiv) of the asset purchase agreement, 1937680 Ontario Inc. will have the exclusive right to carry on the Business as 'Peterborough Distribution Inc.' for the period between closing and integration into Hydro One and intends to do so.

b) PDI and Hydro One will prepare a robust customer communication plan to notify customers of the legal and financial closing of the acquisition as well as all timelines and changes they could expect during the transition period as part of the integration into Hydro One. Notification channels may include a combination of bill inserts, bill messages and updates to the utility websites.

SEC INTERROGATORY # 1

Reference:

N/A

Interrogatory:

a) Letter dated October 26, 2016 from David Bigwell to John Kennedy entitled "Proposed Sale of Peterborough Distribution Inc. to Hydro One, together with all attachments (the "Bigwell Letter").

b) City of Peterborough Report CAO 16-018 and City of Peterborough Report CAO 18-003 (the "CAO Reports"), together with any other reports from the CAO of Peterborough dealing with the Peterborough/Hydro One Transaction.

c) PowerPoint Presentation from Navigant to the City of Peterborough dated September 16, 2016 (the "Navigant Presentation"), together with any updates to the Navigant Presentation.

d) Report from Navigant to the City of Peterborough dated November 24, 2016 (the "Navigant Report"), together with any updates to the Navigant Report.

Response:

a) PDI will not produce the requested documents. They are not relevant to the matter that is properly before the Board – specifically, the Board's consideration of the "no harm" test.

In the Norfolk Power Distribution Inc. ("Norfolk") MAADs proceeding (EB-2013-0187/0196/0198), to which SEC was a party, the Board clearly found that the conduct or motivations of a seller leading up to the consolidation transaction are not relevant to the "no harm" test and that the "no harm" test looks at the effect of a transaction, not the reason for or the process preceding the transaction. The Board determined as follows:

> *"As indicated in the Combined Proceeding, the Board also considers that the conduct or motivations of a seller leading up to*

> *the consolidation transaction are not relevant to the "no harm" test. The "no harm" test looks at the effect of a transaction, not the reason for or the process preceding the transaction. Accordingly, the Board does not consider IRs relating to the overall merits or rationale for HONI's acquisition plans, including any related communications with government, to be relevant to this proceeding."* [Norfolk MAADs Proceeding (EB-2013-0187/0196/0198), Decision and Order and Procedural Order No. 8, January 24, 2014, at Page 5]

The Board established this approach in its Combined Proceeding (EB-2005-0234/0254/0257), in which it considered how it will review applications for leave to acquire shares or amalgamate under section 86 of the Ontario Energy Board Act, 1998, finding:

> *"As a general matter, the conduct of the seller generally, including the extent of its due diligence or the degree of public consultation in relation to the transaction, would not be issues for the Board on share acquisition or amalgamation applications under section 86 of the Act. Based on the "no harm" test, the question for the Board is neither the why nor the how of the proposed transaction. Rather, the Board's concern is limited to the effect of the transaction when considered in light of the Board's objectives as identified in section 1 of the Act."* [Combined Proceeding (EB-2005-0234/0254/0257), Decision, August 31, 2005, at Pages 8-9]

The Board went on to make the following finding in the Combined Decision:

> *"With respect to the claim that ratepayers have a right to "an open and transparent process" for the sale of the shares or the assets of an electricity distributor, the Board has two observations. First, section 86 of the Act applies to distributors whether they are publicly or privately owned. Although the three Applications at issue involve utilities that are municipally-owned, not all distributors are publicly owned. As a result, any findings by the Board with respect to customers' process rights (in the sense of*

> *rights associated with the process leading up to the conclusion of a transaction) would apply to privately-owned companies. Further, the legislature has determined that distributors should be governed by the Ontario Business Corporations Act ("OBCA"). The OBCA contains provisions governing procedures and rights associated with, among other things, amalgamations and other significant corporate activities. Viewed from this perspective, the Board does not believe it is appropriate to open up corporate process issues to review. The Board does not believe it is appropriate to add an additional layer of corporate review by vesting process rights (again, in the sense of rights associated with the process leading up to the conclusion of a transaction) within customers of distribution companies. The content of such rights and the process by which they may be exercised is beyond the Board's objectives or role within the energy sector."* [Combined Proceeding (EB-2005-0234/0254/0257), Decision, August 31, 2005, at Page 9]

The Board has made it clear that it considers the effect of the transaction, and not the reason for or the process preceding the transaction, in its consideration of the "no harm" test.

b) See part a) above.

c) See part a) above.

d) See part a) above.

SEC INTERROGATORY # 2

Reference:

With respect to the Bigwell Letter

Interrogatory:

a) Please provide details of all input on the contents of the letter provided by Hydro One or its advisors to a) the author of the letter, b) City of Peterborough Holdings Inc., c) any of its affiliates including the Applicants herein, or d) any advisors (including counsel) to any of the foregoing.

b) Please provide lists of the directors of Peterborough Distribution Inc. on each of April 26, 2016, October 26, 2016, and April 26, 2017.

c) P. 3. Please provide details of the "planned renewable power generation projects" that are expected to provide $3 million per year annual return.

d) P. 5, 10. Please provide details of the "short term tax measures" relied on by the City of Peterborough as additional $11.5 million of benefits to the transaction, and describe any changes to those tax measures between the date of the Bigwell Letter and today.

e) P. 7 (letter of Hydro One CFO). Please advise whether, in light of recent events affecting Hydro One, the City of Peterborough Holdings Inc. continues to believe that the Hydro One Board of Directors is "fully independent".

f) P. 8. Please confirm that Michael Vels is no longer CFO of Hydro One, and Mayo Schmidt is no longer CEO of Hydro One, and that at the present time Hydro One does not have a permanent CEO or CFO.

Response:

Please see Exhibit I, Tab 2, Schedule 1.

SEC INTERROGATORY # 3

Reference:

N/A

Interrogatory:

With respect to the CAO Reports, please provide the report from the PDI executives referred to on page 3 of the 2018 report.

Response:

Please see Exhibit I, Tab 2, Schedule 1.

SEC INTERROGATORY # 4

Reference:

With respect to the Navigant Report

Interrogatory:

a) P. 5. Please confirm that the structure of this transaction, except for the use of the intermediate numbered company, is with respect to rates charged and to be charged to customers of PDI, and the approach to estimation and allocation of future savings, the same in all material respects as the current version of the Orillia acquisition referred to.

b) P. 11. Please update the figures on this table, and provide all calculations supporting the revised figures.

c) P. 15. Please reconcile the figure of $1.65 million per year with the figure of $3 million per year in the Bigwell Letter.

d) Please provide details of the M&A expertise of the authors of the report, or file their CVs.

Response:

Please see Exhibit I, Tab 2, Schedule 1.

SEC INTERROGATORY # 5

Reference:

With respect to the Navigant Presentation:

Interrogatory:

a) P. 14. Please confirm that at the time the presentation was made, Hydro One was no longer tax exempt. Please confirm that the advice on this page assumed that Hydro One was subject to tax under the federal Income Tax Act.

b) P. 29. What advice, if any, did Navigant give to the City of Peterborough in answer to the consideration "How will the rates change after any rate freeze period ends?"

Response:

Please see Exhibit I, Tab 2, Schedule 1.

SEC INTERROGATORY # 6

Reference:

[Ex. A/1/1, p. 3; A/2/1, p. 19] SEC is seeking to understand more clearly the tax and PILs impacts of the transactions in light of Hydro One's change in status from exempt under the Income Tax Act, Canada (the "Federal Tax Act"), to taxable in 2015.

Interrogatory:

a) Please confirm that, pursuant to section 149(1.1) of the Federal Tax Act, DPI nad PUSI ceased to be exempt under that Act as of the date of the Share Purchase Agreement. If that is not the case, please provide the date PDI and PUSI ceased or will cease to be exempt, and the statutory references supporting your conclusion.

b) Please confirm that, pursuant to section 149(10) of the Federal Tax Act, as of the date it ceased to be exempt PDI and PUSI became liable to pay both federal and provincial income tax, with its first tax year starting at that time.

c) Please confirm that, pursuant to the same section, PDI and PUSI were on that same date deemed to have disposed of all of their assets, and reacquired them, at fair market value for both federal and provincial income tax purposes. Please provide full details of the calculation of that deemed disposition and reacquisition.

d) Please confirm that, as a result of the deemed disposition and acquisition, PDI and PUSI are required for accounting purposes to establish a deferred tax asset equal to the future tax benefit of the bump in tax values of its assets. Please provide the full calculation of the deferred tax asset (including any interaction with any existing deferred tax asset or liability), any forecasts the Applicants have as to when and how it will be drawn down (i.e. the impact on tax payable by PDI and PUSI and later by Hydro One annually until it is used up), and the Applicants' proposals for how that should be reflected in rates in the future.

e) Please provide a summary of the PILs consequences of the transactions, including the consequences of the deemed disposition and acquisition, any departure tax or transfer tax payable, and the amounts the timing of those payments, if any. Please provide full calculations of any incremental tax costs arising out of the transactions.

Response:

a) The transaction is structured as an asset sale to Hydro One. Accordingly, subsection 149(1.1) of the *Income Tax Act* (Canada) has no relevance to this transaction.

b) The transaction is structured as an asset sale to Hydro One. Accordingly, subsection 149(10) of *the Income Tax Act* (Canada) has no relevance to this transaction.

c) Please see response part b) above.

d) Please see response part b) above.

e) It is anticipated that the PILs payable as a consequence of this sale will be between $2,400,000 and $2,500,000. It is expected that there will be no transfer tax payable pursuant to Section 94 of the Act (“transfer tax") on the transaction. For the reasons noted under questions 6(a) to 6(d) inclusive, no “departure tax” (being the tax imposed when an municipal electricity utility ceases to be tax-exempt as provided under section 12 of Ontario Regulation 162/01) should become applicable.

SEC INTERROGATORY # 7

Reference:
[A/1/1, p. 6]

Interrogatory:
Please confirm that the term "customers" in the phrase "customers will benefit in the longer term (Year 11 forward) from the lower ongoing cost structures" refers to "Peterborough service area ratepayers".

Response:
Confirmed.

SEC INTERROGATORY # 8

Reference:
[A/1/1, p. 7]

Interrogatory:
Please provide details of the role that 1937680 Ontario Inc. plays in the series of transactions, and the reasons why it is included rather than a direct transaction between PDI/PUSI (or Amalco) and Hydro One.

Response:
It is generally accepted business practice for a newly incorporated subsidiary corporation to be the purchaser of a new company in an asset transaction. The establishment of the numbered company facilitates integration because the distribution business needs to operate during the integration period, but the assets needed to operate that business cannot immediately be integrated with existing Hydro One entities. The use of 1937680 Ontario Inc. as an acquisition company in the transaction presents no adverse or incremental tax consequences to Hydro One and it has no impact to revenue requirement to be recovered from ratepayers.

Upon closing of the transaction, post-OEB approval, the assets isolated in 1937680 Ontario Inc. will be transferred and subsequently integrated into Hydro One.

SEC INTERROGATORY # 9

Reference:
[A/1/1, p. 8]

Interrogatory:
Please provide a side by side table showing all of PDI's approved service charges, and all of Hydro One's proposed service charges. If the proposal to update PDI's service charges does not simply match each of the Hydro One service charges exactly, please provide an explanation of any exceptions.

Response:
Please see Exhibit I, Tab 1, Schedule 32.

SEC INTERROGATORY # 10

Reference:
[A/1/1, p. 8]

Interrogatory:
Please specify what order is being requested from the Board in this Application with respect to potential future use of the ICM.

Response:
Hydro One is seeking confirmation from the Board (similar to that granted in the recent Board decision in EB-2018-0236, p.17) that the ICM policy set out on page 17 in the 2016 *"Handbook to Electricity Distributor and Transmitter Consolidations"* applies to this transaction.

SEC INTERROGATORY # 11

Reference:

[A/2/1, p. 3] SEC is seeking to better understand Hydro One's potential cost to serve PDI ratepayers. Hydro One notes that "it is reasonable to believe that if this transaction proceeds, Hydro One will be able to serve PDI's service area, which has approximately 37,000 customers and a density of 65 customers per km. of line, at a cost that is comparable to Hydro One's UR rate class. In this regard:

Interrogatory:

a) Please confirm that all parts of the service territory in Peterborough have at least 3000 customers and line density of at least 60 customers per circuit kilometer, and so would qualify for UR (and UGe and UGd) rate classes currently if those customers were treated the same as legacy customers.

b) Please advise whether the other parts of the PDI service territory (e.g. Lakefield and Norwood) would also currently qualify for those rate classes and, if not, what Hydro One rate classes would currently apply to those customers if those customers were treated the same as legacy customers.

c) Please confirm that the following table accurately compares 2018 distribution bills for customers in the service classes indicated and for the load or demand indicated, assuming the proposed rates in EB-2017-0049 are approved. If any of these figures are not accurate, or are not considered a fair current comparison, please explain why and offer alternate calculations:

Comparison of 2018 Monthly Distribution Bills

Customer	H1 Urban			PDI			Difference	
	Fixed	Variable	Total	Fixed	Variable	Total	Amount	%
Residential 700 kwhr.	$27.85	$5.67	$33.52	$18.98	$3.29	$22.27	$11.25	50.52%
UGe/GS<50 2000 kwhr.	$24.16	$56.40	$80.56	$31.36	$17.80	$49.16	$31.40	63.87%
UGd/GS>50 150 kW	$101.92	$1,460.46	$1,562.38	$160.31	$409.85	$570.16	$992.23	174.03%

d) Please reconcile the differences in the above table with the claim by Hydro One that it will be able to service PDI customers at a lower cost that is currently the case. If the reason why that is possible is that the capital assets allocated to the H1 Urban classes are higher than the capital assets allocated to PDI customers, please provide details on what H1 Urban asset allocations would not be applicable to PDI, and why.

e) Please explain how Hydro One expects to be able to serve PDI customers at an overall cost – using proper cost allocations principles – that is lower than the cost to serve customers in Ancaster, Brockville, Bolton, Orleans, or Smiths Falls.

Response:

a) It is anticipated that the city of Peterborough would qualify for Hydro One's UR rate class (at least 3,000 customers and line density of at least 60 customers/cct-km), per the data in the OEB's 2017 Yearbook. However, Norwood and Lakefield both have fewer than 3,000 distribution customers, and as such, would likely be classified as medium density if they were treated the same as Hydro One's legacy customers and classified individually, which Hydro One does not propose to do.

b) Refer to part a) above. Hydro One proposes to transition all PDI's customers to the same acquired customer rate classes and will not differentiate PDI customers who live in the City of Peterborough from those in the communities of Norwood and Lakefield.

c) Hydro One confirms that the distribution charges shown in the table are correct (Hydro One Urban rates as per EB-2017-0049, Exhibit I-52-SEC-88 Attachment 1; PDI rates as per EB-2017-0266 Decision and Rate Order). However, this is not an appropriate or fair comparison since it is not Hydro One's proposal to move PDI customers to Hydro One's existing urban density classes in Year 11. As discussed in Exhibit A, Tab 4, Schedule 1, page 11, Hydro One proposes transitioning PDI's customers to either one of the proposed new acquired rate classes (EB-2017-0049) or to new rate classes to be proposed in Year 11. Hydro One also submits that PDI's Low Voltage (LV) charges should be included in the comparison given that they are part of the upstream distribution costs associated with serving PDI customers. An appropriate comparison of the Year 11 PDI costs with and without consolidation is provided in Hydro One's response to Exhibit I, Tab 1, Schedule 1 part a).

d) Hydro One's evidence on page 3 of Exhibit A, Tab 2, Schedule 1, is referring just to the OM&A costs associated with serving the residential class. The rates shown in part c) reflect all costs, including asset related costs. The assets and related costs allocated to Hydro One's Urban rate classes reflect the use of the OEB's cost allocation modified to accommodate Hydro One's specific circumstances, including the incorporation of density-based rate classes and the breakout of bulk system assets. Hydro One's cost allocation model also includes minimum system and other inputs that are based on a specific study of Hydro One's distribution system, as compared to most other utilities, including PDI, which use the default values in the cost allocation model. Consequently, the Hydro One-specific inputs and adjustments to the cost allocation model results in the allocation of costs to its urban classes that would not be applicable to PDI.

e) Hydro One does not track the specific cost to serve the individual communities referenced. Hydro One's proposal is to allocate costs to PDI customers using the cost allocation principles embedded in the OEB's cost allocation model in order to reflect Hydro One's specific cost of serving PDI customers, and to set rates for PDI customers in Year 11 that collect no more revenue than what they would otherwise pay had they not been acquired by Hydro One (i.e. PDI's Year 11 Status Quo plus LV costs).

SEC INTERROGATORY # 12

Reference:
[A/2/1, p. 7]

Interrogatory:
Please explain why Hydro One's efficiency cohort wouldn't be more applicable once PDI is owned by Hydro One.

Response:
PDI's distribution rates are currently established through the Board's Price Cap Incentive Rate-setting Mechanism ("Price Cap IR") using their approved efficiency cohort of 0.45%. The Board's Handbook to Distributor or Transmitter Consolidations (the "MAAD Handbook") (pages 14-15) provides guidance on how utilities will determine their customers' rates during the deferred rebasing period, saying that distributors will continue with their current plans for the chosen deferred rebasing period. Hydro One believes that using PDI's Board-Approved efficiency cohort aligns with the direction of the Board's MAAD policies during the deferral period. Hydro One has also proposed an Earning Sharing Mechanism for years 6 to 10 of the deferral period that will provide further savings to PDI's ratepayers.

SEC INTERROGATORY # 13

Reference:
[A/2/1, p. 10]

Interrogatory:
Please advise whether the proposed Advisory Committee would continue after the transfer from 1937680 to Hydro One.

Response:
Confirmed.

SEC INTERROGATORY # 14

Reference:
[A/2/1, p. 21]

Interrogatory:
Please provide a table with the current (December 31, 2018 is sufficient) balances in each of the PDI regulatory asset accounts.

Response:
Please see Attachment 1.

Peterborough Distribution Inc
Regulatory Asset and Liability Detail - December 31, 2018

Note: these 2018 numbers are on an interim basis and are subject to change as a result of the year-end process.

Regulatory Assets	**$000's**
Retail Settlement variance Accounts	
Smart meter variance	43
LRAM variance	77
Renewable connection deferral account	121
Regulatory items approved for settlement	150
Total Regulatory Assets	**392**

Regulatory Liabilities	
Retail Settlement variance Accounts	
Wholesale markets services	(1,521)
Transmission - network service	(397)
Transmission - connection service	(187)
Power	3,798
Power - global adjustment	(4,674)
Low voltage	762
SME variance	(23)
Total variance accounts	**(2,242)**
Other regulatory liabilities	(23)
Total Regulatory Liabilities	**(2,264)**

Net Regulatory Assets	**(1,873)**

SEC INTERROGATORY # 15

Reference:
[A/2/1, p. 22]

Interrogatory:
Please provide a forecast of all impacts of PDI's rate base of the change from IFRS to USGAAP, with all explanations and calculations. Please confirm that Hydro One's depreciation rates are, on average, lower than PDI's depreciation rates. Please provide a full calculation of the impact of the change in depreciation rates on the rate base in the Status Quo Forecast and the Residual Cost to Serve Forecast.

Response:
Please see the response to Exhibit I, Tab 1, Schedule 15.

An asset category depreciation rate comparison for PDI and Hydro One is provided in I, Tab 4, Schedule 19 part c, which illustrates analogous rates for the major assets categories provided.

Exhibit I, Tab 1, Schedule 42 part b, provides the major drivers that result in a difference between the Status Quo and Residual Cost to Serve rate bases.

SEC INTERROGATORY # 16

Reference:
[A/3/1, p. 1, 4, 6]

Interrogatory:
Please advise how Hydro One will assure the customers and the Board that the result of the guaranteed earnings sharing will be 50/50 for earnings 300 basis points above the allowed ROE of the PDI service territory. If the reason is that the earnings are forecast only, please reconcile this with the proposal to artificially increase forecast OM&A by 20% in the ESM forecast. Please confirm that the OM&A increase reduces the calculated earnings sharing by $2,042,000, i.e. that the offer of guaranteed earnings sharing is in fact less than half of the expected earnings sharing amount.

Response:
Hydro One has proposed to implement a "guaranteed ESM" to operate in years 6 to 10 of the deferred rebasing period. As mentioned in prefiled evidence the proposed ESM will be calculated on forecast OM&A and capital expenditures. This will ensure that PDI customers will benefit from the efficiencies and savings of the transaction, which was an aim of the Board's 2015 Consolidation Policy (page 7). The guaranteed ESM amount moves all the risk in attaining cost savings synergies to Hydro One. This will not only benefit customers in the refund of the ESM but further encourages Hydro One to ensure that these efficiencies are achieved which will benefit customers in the long term. Hydro One also notes that the ESM has been calculated using only incremental costs – in other words the OM&A costs do not include PDI customer's share of corporate overheads. If Hydro One included these costs, the overearnings for PDI customers in years 6 to 10 would be lower.

The 20% risk premium reflects the fact that the ESM refund is a guaranteed amount, with Hydro One absorbing all risks that the OM&A and capital forecasts provided in Exhibit A, Tab 2, Schedule 1 are achieved. These risks have been outlined on page 3 of Exhibit A, Tab 3, Schedule 1. Hydro One also notes that the level of savings Hydro One is forecasting in this application are considerably higher than any other recent MAAD application before the OEB (please see Exhibit I, Tab 1, Schedule 18).

Please see Exhibit I, Tab 1, Schedule 18 for a calculation of the ESM without the 20% OM&A risk premium.

Hydro One strongly believes providing a guaranteed ESM to PDI's customers aligns with the intent and nature of the Board's policy to share any overearnings in the extended deferral period with ratepayers. Hydro One also believes its proposal is the most economic efficient solution for all parties, which will result in sustained lower ongoing capital and OM&A costs.

SEC INTERROGATORY # 17

Reference:
[A/3/1, p. 5]

Interrogatory:
Please provide the full "Hydro One ESM Model" in Excel format, with all formulae and assumptions intact.

Response:
Refer to Attachment 1 of Exhibit I, Tab 1, Schedule 19, for the ESM model.

SEC INTERROGATORY # 18

Reference:
[A/3/1, p. 8]

Interrogatory:
Please expand Table 2 to show years 1 to 5 as well, with all lines populated.

Response:
Hydro One has provided the calculation of Net Profit after Tax in Years 1 to 5 of Table 2. Further calculations of over-earnings are not relevant as the ESM would only operate during the term of the extended deferred rebasing period (i.e. year 6 to 10). Note Table 1 below does not include any transaction, integration or acquisition premium costs incurred by Hydro One which through the OEB's MAAD policies the overearnings are intended to offset. Please see Exhibit I, Tab 2, Schedule 19.

Table 1 - Earning Sharing Mechanism Sharing - Years 1 to 5 ($000's)

	Deferral Period Year	**1**	**2**	**3**	**4**	**5**
	Calendar Year	**2020**	**2021**	**2022**	**2023**	**2024**
1	Rate Base	82,382	85,856	89,408	91,576	94,007
2	Equity Component of Rate Base	32,953	34,342	35,763	36,630	37,603
3	Revenue	16,372	16,442	16,513	16,584	16,655
4	OM&A[1]	10,485	5,360	5,164	4,574	4,653
5	Depreciation	2,816	2,987	3,150	3,284	3,201
6	Interest	1,964	2,047	2,132	2,184	2,242
7	Tax	(176)	1,059	1,079	1,238	1,212
8	**Net Profit After Tax**	**$1,283**	**$4,989**	**$4,987**	**$5,304**	**$5,347**
9	Achieved ROE (%) (Line 8 ÷ Line 2)	3.89%	14.53%	13.94%	14.48%	14.22%

[1] Includes risk factor adjustment

SEC INTERROGATORY # 19

Reference:
[A/3/1, p. 8]

Interrogatory:
Please confirm that, over the entire ten year deferred rebasing period, Hydro One expects to earn a total of $59 million from the PDI service territory, which would be about $23 million more than the allowed rate of return, and proposes earnings sharing that would give a maximum of $1.8 million to customers, i.e. less than 8% of the overearnings, and about 3% of the total earnings. If Hydro One disputes those estimates, please provide corrected numbers with all supporting calculations.

Response:
Hydro One does not agree with the values provided by SEC.

The ESM calculations over a 10 year period are not contemplated in the OEB's MAAD Handbook. The Handbook requires an ESM to be provided in the extended deferral period (beyond the first five years).

Any overearnings in Years 1 to 5 are permitted to be retained by the Acquiring utility. In the OEB's 2007 Report, "Rate-making Associated with Distributor Consolidation" the Board wrote:

> "In general, consolidation costs may include out-of-pocket/transaction costs, acquisition premiums, and restructuring costs. Regardless of the nature, timing, or certainty of expected benefits of a consolidation, the ability to retain any achieved savings for a sufficient amount of time to provide a reasonable opportunity to at least offset the costs of a transaction will be an important factor in a distributor's consideration of the merits of consolidation." [page 4 – emphasis added]; and
>
> "Allowing a distributor the option of scheduling the rate rebasing for the consolidated entity at any time up to the five-year limit accommodates distributors that may require an increase in operating, maintenance or capital

> expenditures shortly after closing of the transaction, as well as distributors that wish to have the benefit of a longer period in which to off-set transaction costs with efficiency savings." [page 5 – emphasis added]

Therefore, to imply that over-earnings should be calculated over the full 10-year deferral period, without accounting for transaction costs, acquisition premiums, etc. is simply incorrect.

The overearnings that are forecast to result from this transaction, in years 6 to 10 are provided in Exhibit A, Tab 3, Schedule 1, Table 2 and total $2.6 million prior to the tax effect calculation, of which 50% will be shared with ratepayers. This is consistent with Hydro One's understanding of the Board's policy.

Exhibit I, Tab 2, Schedule 18 provides the first five years of the PDI service territory results in the ESM table. Table 2 of Exhibit A, Tab 3, Schedule 1 provides the ESM for Years six to ten as required by the Board's Handbook. The total net earnings after tax for the ten year period are $49.1M and are the summation of the 'Net Profit After Tax' lines sourced from the two tables referenced above (i.e. Exhibit A, Tab 3, Schedule 1 Table 2, and Exhibit I, Tab 2, Schedule 18 Table 1**).** Numerically, the $1.8M ESM value represents 3.7%[1] of the 10 years earnings period, excluding recovery of transaction, integration and acquisition premium costs.

[1] $1.8M (ESM) / 10 years earnings ($49.0M) = 3.7%

SEC INTERROGATORY # 20

Reference:
[A/3/1, p. 10]

Interrogatory:
Please provide any information currently in the possession of the Applicants or any of them that there is currently any "disparity between cost structures and rates".

Response:
For further context the quoted excerpt is provided in full below:

> "PDI last had its rates rebased in 2013. If this application is approved, the next rebasing of distribution rates which includes costs for PDI would be in 2030, a period of seventeen (17) years. Though there will be significant savings as a result of this consolidation, the 17-year gap between rebasing may result in a disparity between cost structures and rates."

Attachment 18 of the prefiled evidence provides a table showing PDI's forecast revenue requirement under Status Quo.

In Exhibit I, Tab 1, Schedule 10, part a), Hydro One has provided a table that shows the Indicative Rates Revenue Requirement that Hydro One will be collecting from PDI customers through rates in the deferred rebasing period. In 2029, this is $15.9 million; Part d), of the same exhibit, shows that the 2029 Status Quo revenue requirement is forecast to be $24.3M. This represents a revenue shortfall of approximately 35%, excluding the impact of any changes in customer and load forecast.

Hydro One's evidence in Exhibit A, Tab 4, Schedule 1, is that in Year 11, the cost to serve PDI's customers will be between $15.6M and $24.9M (excluding LV charges); Comparing these figures, with the revenue that will be collected through rates in Year 10 of $17.3M, could result in a disparity between cost structures and rates.

For these reasons, Hydro One believes the statement "the 17-year gap between rebasing may result in a disparity between cost structures and rates" is accurate.

SEC INTERROGATORY # 21

Reference:
[A/4/1, p. 1]

Interrogatory:
Please explain why Hydro One is comparing residual cost to serve, i.e. excluding certain costs to serve, with the full cost to serve in the Status Quo scenario. Please specify what conclusions, if any, Hydro One believes the Board can draw from that comparison in terms of the actual costs to serve PDI customers in the future.

Response:
Please refer to Exhibit A, Tab 4, Schedule 1, pages 1-12 for justification on why it is appropriate to compare Hydro One residual cost to serve with the PDI full cost to serve.

Hydro One believes that the OEB can conclude from comparing these numbers, that PDI customers will not be harmed as a result of this transaction. Hydro One's residual cost to serve PDI is less than their status quo costs.

1. Hydro One's total costs to serve both its legacy and PDI customers will be $9.3M lower (Status Quo less Residual Costs) than if PDI is not acquired, and PDI charges their customers their Status Quo revenue requirement in 2030.
2. The Residual and Status Quo Costs establish the minimum and maximum revenue (i.e. "goal posts") that Hydro One is committing to collect from PDI customers when rates are rebased in Year 11.
3. The collection of revenues from PDI customers between these goal posts will ensure that neither PDI customers nor Hydro One's other customers will be harmed as a result of the acquisition of PDI.

SEC INTERROGATORY # 22

Reference:

[A/4/1, p. 2]

Interrogatory:

Please provide the full calculations underlying Table 1, on a year by year basis from Year 1 to Year 11, with explanations for any figures that are not fully explained by Attachment 20. Please confirm that the status quo assumption is that rates will increase at a compound annual growth rate of 3% per year from 2013 to 2030.

Response:

Please find below a table representing the Table 1 data requested for the periods Year 1 to Year 11. The average annual revenue requirement increase over that period is 2.8%, and takes into consideration PDI's expected rate rebasing years within the 2020 to 2030 timeframe as provided in Exhibit I, Tab 1, Schedule 12, part d.

Peterborough Distribution Inc. Status Quo Scenario Year 1 to Year 11 Revenue Requirement ($000's)											
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Year 11**
	2020*	**2021**	**2022**	**2023**	**2024***	**2025**	**2026**	**2027**	**2028***	**2029**	**2030**
Average of NBV of Assets	68,249	70,916	73,274	75,330	77,334	79,283	81,177	83,013	84,791	86,510	88,166
Working Capital	7,858	7,946	8,035	8,126	8,218	8,312	8,407	8,504	8,601	8,701	8,880
Rate Base	76,107	78,862	81,309	83,456	85,551	87,595	89,584	91,517	93,393	95,210	97,046
Revenue Requirement											
OM&A	9,650	9,872	10,099	10,332	10,580	10,844	11,115	11,393	11,678	11,970	12,269
Depreciation	3,971	4,184	4,386	4,592	4,804	5,021	5,244	5,472	5,706	5,947	6,193
Cost of Capital - Debt Interest	1,843	1,909	1,969	2,021	2,071	2,121	2,169	2,216	2,261	2,305	2,350
Cost of Capital - Equity Return	2,740	2,839	2,927	3,004	3,080	3,153	3,225	3,295	3,362	3,428	3,494
Tax	790	704	634	558	773	701	616	531	707	602	607
Revenue Requirement	**18,994**	**19,509**	**20,015**	**20,507**	**21,307**	**21,840**	**22,369**	**22,907**	**23,714**	**24,252**	**24,913**
Annual Revenue Requirement Growth	3.5%	2.7%	2.6%	2.5%	3.9%	2.5%	2.4%	2.4%	3.5%	2.3%	2.7%
Average revenue Requirement Growth (2020 to 2030)											2.8%
* Denotes PDI's planned rebasing years											

SEC INTERROGATORY # 23

Reference:
[A/4/1, p. 2]

Interrogatory:
Please confirm that, taking into account depreciation each year, PDI currently expects to spend more than $115 million on capital (plus customer contributions) over the 17 year period 2013 to 2030, a compound annual growth rate of 3.5% per year. Please provide the Distribution System Plan or similar document of PDI supporting that level of capital spending. If there is no DSP or multi-year plan, please provide "PDI's 2019 Rate Base forecast" referred to in Attachment 20, with all supporting documents and all assumptions explained.

Response:
PDI's capital spend (before contributed capital) over the 17 year period (from 2013 to 2029) is forecast to be $126 million which is greater than the $115 million suggested in the above statement. Taking the gross expenditures of $5.2M in 2013 and the gross expenditures of $9.2M in 2029 represents a compound growth rate of 3.6%, not 3.5%.

Please see the Attachment to this Exhibit for further detail.

For PDI's forecast referred to in Attachment 20, please refer to Exhibit I, Tab 1, Schedule 17 Attachment 3.

PETERBOROUGH DISTRIBUTION INC.
STATEMENT OF CAPITAL EXPENDITURES

Note: the total for years 2013 to 2017 agree to the audited financial statements, 2018 numbers are interim numbers and prior to audit, 2020 to 2030 are projections.

($'s in thousands)

	Actuals						Budget	Forecast										
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Land				6														
Buildings		134	138	94		2	60	62	63	62	62	62	62	62	62	62	62	62
Distribution Stations		56	1,356	217	15	55	877	2,142	2,143	2,344	1,545	1,546	1,648	1,649	1,748	1,745	1,842	1,644
Poles and Fixtures	996	606	1,230	1,847	1,384	681	1,121	883	893	1,138	1,135	1,258	1,084	1,081	1,294	1,286	1,422	1,458
Overhead Conductors	900	1,264	1,439	593	933	1,151	1,127	857	889	1,140	1,002	1,259	989	946	1,230	1,217	1,361	1,395
Underground Conduit	777	982	958	330	704	575	614	664	637	476	545	625	741	805	836	831	917	940
Underground Conductors	513	491	623	292	626	380	700	899	919	608	849	713	929	980	1,010	1,020	1,100	1,140
Transformers	1,082	2,033	1,041	836	1,394	1,181	1,529	1,285	1,273	1,256	1,759	1,643	1,643	1,694	1,824	1,846	1,957	1,995
Services	764	667	451	1,204	453	329	252	308	276	176	113	167	246	261	269	271	291	298
Meters	177	162	286	338	310	453	400	200	200	100	100	103	105	400	410	150	154	158
Measurement and Test Equipment			82	9	16													
System Supervisory Equipment			101		12	317												
Computer Equipment								250	671	45	50	50	50	100	50	500	50	50
Transportation Equipment							352	400	102	34	501	455	680	505	62	32	0	245
Gross Capital Expenditures	**5,209**	**6,395**	**7,704**	**5,766**	**5,847**	**5,124**	**7,033**	**7,948**	**8,066**	**7,378**	**7,660**	**7,881**	**8,176**	**8,481**	**8,794**	**8,960**	**9,156**	**9,384**
Contributed Capital	1,416	1,313	2,203	1,838	1,745	648	1,433	1,705	1,676	1,338	1,465	1,529	1,661	1,800	1,942	1,933	1,950	1,997
Net Capital Expenditures	**3,793**	**5,082**	**5,501**	**3,928**	**4,102**	**4,476**	**5,600**	**6,243**	**6,390**	**6,040**	**6,195**	**6,352**	**6,515**	**6,681**	**6,852**	**7,027**	**7,206**	**7,387**

SEC INTERROGATORY # 24

Reference:
[A/4/1, p. 7, 8]

Interrogatory:
Please explain why Hydro One assumes that the OEB cost allocation model will not "reflect the cost to serve the acquired PDI customers", and will have to be "adjusted" to do so. Please explain how those adjustments would remain in place forever, i.e. whether as dollar amounts, percentages or in some other manner. Please explain what steps would be taken to ensure that the adjustments result in just and reasonable rates, not just for PDI customers, but for all other Hydro One customers.

Response:
Hydro One's experience with the OEB's cost allocation model (CAM) in determining the cost allocation and rates for the previously acquired Norfolk, Haldimand and Woodstock utilities showed that the CAM allocated more distribution asset costs (USofA accounts 1815-1860) to the new acquired utility rate classes than were actually being used to serve these utilities. Since the allocation of distribution asset costs is a key driver in allocating the large majority of other costs in the CAM, Hydro One found it necessary to adjust the allocated asset costs to ensure that the CAM appropriately reflects the cost to serve the new acquired classes. The adjustments took the form of a percentage reduction to the Gross Fixed Asset (GFA), Net Fixed Asset (NFA) and Deprecation amounts for the acquired classes, which are then used to determine the cost allocators for all classes within the CAM.

At the time rates are proposed for PDI customers in year 11 Hydro One will assess the revenue-to-cost ratios resulting from the cost allocation model and make any adjustments necessary to bring them in line with the Board's approved revenue-to-cost ratio ranges in effect at the time. The revenues to be collected from PDI customers will be compared against the goalposts defined by the Residual Costs to Serve plus LV Cost and the PDI Status Quo plus LV Cost to ensure that the total revenue collected from PDI customers falls between those two amounts.

As detailed in Exhibit A, Tab 4, Schedule 1, as long as the total revenue collected from PDI customers falls between those goalposts, both Hydro One PDI and legacy customers benefit from the acquisition of PDI.

SEC INTERROGATORY # 25

Reference:

[A/4/1, p. 9] With respect to the proposed retroactive changes to the Status Quo Forecast

Interrogatory:

a) Please provide examples of "unknown or unforeseen costs at that time" that would qualify for adjustment. For example, would higher than expected union wage raises require an adjustment? Or, would interest rate movements that are inconsistent with the forecast require an adjustment? Please provide sufficient examples so that the Board and parties can better understand the nature of the adjustments to be proposed.

b) Please confirm that "unanticipated costs' and "unanticipated events" are intended to be comparable to Z factors, as the Board currently defines them. If that is not the case, please provide a fuller explanation of that proposal.

c) Please confirm that cost decreases, whether "unknown or unforeseen", or "unanticipated", would also require adjustment to the Status Quo Forecast. Please advise whether that would include better than expected savings as a result of the consolidation of PDI into Hydro One.

Response:

a) In Year 11, Hydro One will need to confirm the Year 11 Status Quo forecast of where PDI's revenue requirement would have been in absence of the transaction. PDI has provided a forecast of its OM&A and capital in Year 11. Hydro One in determining the Status Quo revenue requirement would start with the key costs supplied by PDI, in Attachment 18: OM&A, Depreciation and Rate Base. If there was a major event that resulted in a substantive increase in capital expenditure and/or OM&A, Hydro One would also add these to the revenue requirement calculations.

"Unknown or unforeseen" costs that could be added are those that would have been incurred by PDI in absence of the transaction and would have impacted PDI's status quo revenue requirement. Examples include: major storms resulting in significant damage to distribution assets; new environmental legislation requiring the retirement

and replacement of certain assets; changes to OEBs policies and rules (e.g. change in capital structure); changes to tax policies and rates, etc.

Items such as a change in union wage rates would not be included nor would minor changes to interest or inflation rates used to determine the forecast provided.

If there was a change in the Status Quo forecast as a result of any of these factors, Hydro One would provide evidence to the Board at the time of harmonization to explain any variances.

Once the operating costs have been determined, the revenue requirement for the status quo in Year 11 would be calculated using the OEB's then-current economic parameters and tax rates.

b) The "unanticipated costs" and "unanticipated events" contemplated could be similar to those that PDI would have applied for through an ICM if it existed as a stand-alone company. As mentioned in part a) above, any material changes to the Status Quo forecast provided in Exhibit A, Tab 4, Schedule 1 will be subject to review by the OEB at a future rates proceeding at the time of harmonization.

c) Cost decreases, as a result of legislative changes, OEB policies that decrease the Status Quo costs would also be applied to determine the Status Quo forecast in Year 11. As mentioned in part a) above, in Year 11 Hydro One would re-calculate the Status Quo forecast using the OEB's then-current economic parameters (e.g. cost of capital) and tax rates. Cost savings driven by Hydro One due to the consolidation of PDI into Hydro One will not adjust the status quo forecast.

SEC INTERROGATORY # 26

Reference:
[A/4/1, p. 11]

Interrogatory:
Please explain what will happen to PDI customers in Year 11 if the cost allocation model, after all adjustments, still shows costs to serve Hydro One customers in the PDI service territory that are higher than the Status Quo Forecast.

Response:
Please see the response to Exhibit I, Tab 1, Schedule 8.

SEC INTERROGATORY # 27

Reference:
[A/4/1, p. 11]

Interrogatory:
Please advise where "an illustration of how Shared Costs could be collected from customers of the former PDI" is found in the Applicant.

Response:
An illustrative discussion of how Shared Costs will be collected from PDI customers is provided in Section 3 of Exhibit A, Tab 4, Schedule 1.

SEC INTERROGATORY # 28

Reference:
[Attach 18]

Interrogatory:
Please reconcile the 2017 rate base with the actual rate base as shown in the December 31, 2017 financial statements of PDI, Note 5.

Response:
Refer to Attachment 1 to this exhibit for a reconciliation of PDI's 2017 Rate Base.

Peterborough Distribution Inc.
Reconciliation of 2017 Rate Base (Sched 18) to Financial Statements

	2016 Actual	2017 Actual	2017
Working Capital Allowance			
Controllable expenses (per 2017 PDI FS - Operations and Admin)		9,014	9,014
Cost of Power (per 2017 PDI FS - Purchased Power)		90,971	90,971
Subtotal			99,985
Working Capital Allowance Factor			13%
Working Capital Allowance			**12,998**
Rate Base			***AvgeCap***
PPE per PDI FS	77,097	79,359	
Less Deferred Contributions (per PDI F.S.)	(15,640)	(16,915)	
Net Capital Assets (Average for 2017 COS)	61,457	62,444	61,951
Allowance for Working Capital, per above			12,998
Rate Base, Per Schedule 18			**74,949**

ENERGY PROBE INTERROGATORY # 1

Reference:

Exhibit A, Tab 1, Schedule 1

Interrogatory:

Preamble:

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

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.

Response:

PDI notes that this type of information is out of scope in the Board's determination of a MAAD application (see Exhibit I, Tab 7, Schedule 10). However, for information purposes, PDI provides the following:

a) The initial public disclosure of the discussions to dispose of PDI occurred in a special public City Council Committee of the Whole Meeting on February 22, 2016 at which Council was asked to endorse a process to obtain public input.

   Upon receiving that Council direction, on March 3, 2016, a public meeting was held at Market Hall in Peterborough. In addition, public input on the matter was through on-line comment cards. The nature of that meeting is summarized in the Report CAO016-018 to City Council, see Attachment 1.

All reports to Council and communications from the City of Peterborough Holdings Inc. (COPHI) to Council were made publicly available and were posted on both the City and COPHI websites.

In September, October and November 2016, Council held several public meetings to receive the evaluation by Navigant Consulting of the Ontario electricity industry and the Hydro One offer.

Page 11 of Report CAO016-018 to City Council summarizes the Community Engagement Plan that was initiated in the fall of 2016 and details the objectives, nature and extent of that community engagement. The plan included seven advertised Community Open Houses across all ward boundaries of the City of Peterborough and in the Townships of Selwyn and Norwood, included in the PDI service area.

b) Customers were informed of the Engagement sessions through different means including ads in the newspaper, media releases etc. The City also conducted a Twitter Town Hall to answer questions. A specific website regarding the sale was established allowing customers to post questions and/or receive information about the sale of PDI. These notifications are on the attached document. Please see Attachment 2.

c) Please refer to Report CAO016-018 (Attachment 1) to City Council which summarizes the various methods by which public input was solicited and received.

d) Please refer to Report CAO016-018 to City Council which summarizes location, nature and content of all Council public meetings and the community engagement program, including public input received.

City of Peterborough

To:	**Members of Committee of the Whole**
From:	**Allan Seabrooke, Chief Administrative Officer**
Meeting Date:	**December 7, 2016**
Subject:	**Report CAO16-018** **City of Peterborough Holdings Inc. Recommendation to City of Peterborough – Peterborough Distribution Inc. Divestment to Hydro One Inc.**

Purpose

A report to approve the CoPHI recommendation, that the City accept the Hydro One proposal offer to purchase PDI, and authorize CoPHI to enter into a sale transaction with Hydro One.

Recommendations

That Council approve the recommendations outlined in Report CAO16-018 dated December 7, 2016, of the Chief Administrative Officer, as follows:

a) That in accordance with the Shareholder Direction and Unanimous Shareholder Declaration dated July 30, 2012, the City hereby authorizes City of Peterborough Holdings Inc. ("CoPHI") to sell substantially all of the assets of Peterborough Distribution Inc. ("PDI") to Hydro One Inc. for the consideration and pursuant to the terms and conditions set out in the signed proposal letter and term sheet from Hydro One Inc. to CoPHI, dated September 26, 2016 ("Term Sheet") provided that:

   (i) The gross proceeds for the sale transaction net of amounts to be determined and approved by the City, shall be paid to the City ("Net Proceeds") and

(ii) Such payment of Net Proceeds shall be supported by declarations of dividends equal to such Net Proceeds from PDI to CoPHI and from CoPHI to the City.

b) That the City authorizes the Chief Administrative Officer, the Director of Corporate Services and the City Solicitor, Director of Legal Services (collectively the "City Staff") to work with legal counsel and other professional advisors to negotiate and finalize the Asset Purchase Agreement, an Agreement of Purchase and Sale for a new Operations Centre, a Transition Services Agreement and various ancillary agreements, documents, deeds and instruments, collectively the "Sale Agreements".

c) That the Mayor and the City Clerk are authorized for and on behalf of the City to execute and deliver the Sale Agreements, in the forms reviewed and approved by City Staff.

d) That the Mayor and the Clerk are also authorized to do all such acts and things and to execute and deliver all such documents as in their opinion may be necessary or desirable to complete the sale transaction hereby approved and authorized.

e) That the Net Proceeds of the sale be placed in an interest bearing reserve account under the control of the City Treasurer with details and options available to Council for investment of the funds to be reported to Council in the second quarter of 2017.

f) That a by-law be adopted to authorize the sale of substantially all of the assets of PDI to Hydro One, authorize staff to negotiate and finalize the Sale Agreements and authorize the Mayor and Clerk to execute any documents pertaining to the sale transaction.

Budget and Financial Implications

The total purchase price offered by Hydro One for the assets of PDI is $105 million. The Net Proceeds that the City will receive are expected to be in the range of $50-$55 million. Staff are recommending that the Net Proceeds be placed in an interest bearing reserve account under the control of the City Treasurer until staff can report back to Council on permanent long term investment options to generate an ongoing annual return to the City.

The Hydro One offer, under the terms of the transaction, provides PDI customers with a base distribution rate reduction of 1% frozen for five years after the sale. In the following five years (6-10), subject to Ontario Energy Board (OEB) approval, any electricity distribution rate increase would align with inflation.

Lastly, through an Earnings Sharing Mechanism, Hydro One is offering a guaranteed share of Years 6-10 earnings efficiencies to offset Peterborough rates in Years 11 onward.

As part of Hydro One's offer, the company will construct a new Regional Operations Centre and a new Fleet Maintenance Garage in Peterborough, having a combined space requirement of approximately 45,000 sq. ft. The land for this Centre will be purchased from the City at a cost of approximately $600,000. The annual municipal tax revenue for the facility is estimated at $100,000 per annum.

Background

Who is CoPHI and PDI?

CoPHI is a private business corporation, comprised of a number of subsidiaries, wholly owned by the City of Peterborough. One of the subsidiaries is PDI, Peterborough's regulated electricity distribution company (Appendix A). The City is CoPHI's sole shareholder, and as set out in the Shareholder Declaration, Council approval is required to divest part or all of PDI. CoPHI is mandated by the City, as sole shareholder, to manage the assets under its care to ensure the best long-term interests of Peterborough and its residents.

PDI was established on January 1, 2000 as a result of municipal restructuring of the former Public Utilities Commission operating within the City's boundaries, and is wholly owned by CoPHI, on behalf of the City. PDI is a licensed electricity distributor that owns and operates electricity distribution systems that deliver electricity to a diverse customer base. Through an extensive network of overhead and underground power lines of more than 564 km in length, PDI covers a service area of 64 square km. There are approximately 36,000 business and residential customers in the City of Peterborough, Village of Lakefield, in the Township of Selwyn, and Village of Norwood in the Township of Asphodel-Norwood. PDI's service territory is bordered by Hydro One service territory. PDI currently does not generate electricity through any forms of generation; however Peterborough Utilities Inc. (PUI), an affiliate of PDI, owns generation assets.

PDI is regulated by the Ontario Energy Board (OEB), as are all Local Distribution Companies (LDC's) in the Province. The OEB is a provincial body with broad powers to distributors, make enquiries about customer service standards, investigate non-compliance, initiate enforcement proceedings and set all electricity rates in the Province. The structure of the Ontario Electricity Industry is shown in Appendix B.

PDI represents approximately 37% of the total CoPHI assets. The remaining assets including the City's water utility, Riverside Park & Zoo, solar and hydro generation are not part of PDI and as such are not part of the assets being purchased by Hydro One.

CoPHI Recommendation to City Council

Through Report CAO16-014, CoPHI Recommendation to Council – PDI Divestment to Hydro One was considered at the October 31, 2016 Committee of the Whole meeting and Council approved the following recommendation:

"That the presentation relating to the recommendation from CoPHI regarding the potential sale of PDI be received at the meeting held October 31, 2016 and that the recommendation from CoPHI be considered at a future Special Committee of the Whole and Special Council meeting."

This report included correspondence from the CoPHI Chair dated October 26, 2016; correspondence from the Chief Financial Officer, Hydro One, dated September 26, 2016; Summary of Terms on the sale of PDI to Hydro One; and the formal resolutions of CoPHI (Appendix C). CoPHI Directors are of the view that Hydro One's offer must be evaluated on the basis of local considerations, more particularly, what is best for the City of Peterborough and its residents. This is the basis on which CoPHI proceeded to evaluate and recommended that the City proceed with the sale transaction of PDI to Hydro One. CoPHI identified five key goals to guide evaluation of any transaction that would affect the future of PDI including:

1. Create the best financial value for the City;
2. Protect customers from increases in distribution rates;
3. Ensure customer service excellence;
4. Increase local jobs and economic activity;
5. Ensure fair treatment for existing employees.

CoPHI concluded that the Hydro One offer met or exceeded each of the five factors.

The recommended disposition of PDI is directly the result of a dramatically changing landscape for electricity distribution companies in Ontario. This sector is in a state of evolution. For the past two years, the CoPHI Board and senior management have reviewed the implications of the City's investment in PDI, and the far reaching changes in public policy, regulations, technology and customer expectation that are afoot. These changes are one of the key factors driving consolidation in the Ontario distribution sector.

In the 1990's there were over 300 distribution utilities in the Province. Since then, consolidation has reduced the number of distributors to approximately 65, including PDI. This trend is expected to continue; indeed the Report of the Distribution Sector Review Panel, (the full report can be viewed at www.energy.gov.on.ca/en/ldc-panel/) December 2012, concluded that the optimal number of electricity distribution companies for Ontario is eight, with each distributor having a minimum size of 400,000 customers. This trend raises serious issues about the continuing viability of smaller distributors such as PDI.

CoPHI has identified that continued ownership of PDI does not retain optimum value for the community. PDI has a strong record of financial performance and excellent customer service, however, the future performance is less certain. Surrounded by Hydro One's service area, PDI's business is not expected to grow substantially. At the same time, new regulatory requirements and required system and infrastructure upgrades are expected to significantly increase PDI's costs over the medium to long term. CoPHI's analysis indicates, PDI's annual dividend to the City will decrease over the next 5 years by 30 to 40%. Additionally, the future dividend may decline, as further regulations and customer service driven capital investment is required.

Over the last three years options for PDI were considered by management and the Board including mergers and the potential of selling to other distributors, before recommending negotiating with Hydro One. The Board's conclusion, however, based on these investigations, was that the optimal benefits for the company and its customers was a sale option and that Hydro One, in particular, provided the best opportunity given their scale, and contiguous service territory to PDI.

Hydro One

Hydro One is the largest electricity transmission and distribution company in Ontario, and spans approximately 75% of the Province. It has approximately 5,600 employees, $22.6 billion in total assets and 1.3 million customers spanning 750,000 km of service territory in the Province. Hydro One's investment in capital averages $1 billion annually. Hydro One has acquired 90 LDC's, the most recent being Woodstock, Norfolk and Haldimand, and has an application underway with the OEB to purchase Orillia's LDC.

The Province currently owns 70% of Hydro One, but has announced plans to reduce ownership stake to 40%. The Province will remain as the largest controlling shareholder, through legislation governing ownership limits, where no one person other than the Province can own more than 10% of Hydro One. There is no ability for any single shareholder or groups of shareholders to control the company. Hydro One's current public float is 61% ownership by institutions and 39% by retail investors. The current ownership by institution is predominantly investment companies with the highest percent ownership of 1.51%

Summary of Terms – Sale of PDI to Hydro One

There are five components that make up the Hydro One offer to purchase PDI (Appendix C).

1. **Price:** The sale price is $105 million for the sale of PDI.

2. **Customer Rates:** Base distribution rates will be reduced by 1% and frozen for five years. Year 6-10 rates will align with inflation, subject to OEB approval.

3. **Jobs:** Hydro One will employ all PDI staff, with a 12 month service and location guarantee and recognition of past service for seniority purposes.

4. **Economic Development:** Hydro One will construct a new Regional Centre in Peterborough, on land purchased from the City, retaining 70 existing Hydro One jobs and through consolidation bring an additional 30 jobs to the City.

5. **Service Levels:** Provision of service level commitments backed by monetary compensation to customers if not fulfilled. Continued community support that PDI provides in the community and benefits with additional community support programming from Hydro One.

City's Evaluation of Hydro One Offer

Navigant Consulting

The City has engaged the firm of Navigant Consulting Ltd., throughout this process, to provide third party advice on the electricity distribution sector and on several aspects of the proposed transaction.

Navigant is a specialized global professional services firm that focuses on assisting clients with decision making when facing transformational change. Navigant's Energy Sector Practice, based out of Toronto, has substantial energy market experience across a broad range of disciplines and has been involved with governments, utilities and municipalities on evaluating potential transactions, regulatory strategy and new business opportunities.

With respect to the assignment with the City of Peterborough, Navigant has provided information and advice on three separate occasions this year. Their first presentation was provided to Council on September 6, 2016 whereby Navigant explored the outlook for medium sized LDC's; the various taxes that would apply to a potential transaction; current market prices for electric utilities; a proposed decision framework for the City; and other options for PDI. The presentation is attached as Appendix D.

The highlights from this presentation involved creating an understanding of the complex Ontario Electricity Industry Structure whereby control is vested by the regulator – the OEB. Navigant highlighted global electricity trends and noted disruptive triggers involving regulation and policy, market demand, and technology innovation that must be considered. There are three key industry trends to consider. The first is distributed generation, with the notion that customers are increasingly seeking alternatives to traditional grid-supplied electricity. The second is sector consolidation resulting from the need for LDC's to search for growth, scale and efficiencies. Navigant drew attention to the 2015 Provincial budget that encouraged further consolidation by reducing the transfer tax rate on sales to privately owned companies from 33% to 22%. This tax measure advantage will apply from January 1, 2016 to December 31, 2018.

The third industry trend is smarter grids where technology is fueling a shift towards decentralized and smarter power systems. The trend that will impact PDI the most is consolidation. There are risks to retaining ownership of a small LDC, notably, with respect to future value and ability to access capital to maintain infrastructure and ensure acceptable service levels. With respect to smarter grids, decentralization and smarter power systems, PDI will be challenged to incorporate these into operations given the small customer base and capital costs of implementation.

Decision Making Framework

To assist the City decision making process, Navigant proposed a decision framework in their presentation upon which a potential sale should be evaluated. The three impacts to consider are:

- Impact on Shareholder
- Impact on Municipality
- Impact on the Ratepayers

In terms of the shareholder, the value of the LDC and Peterborough's capital requirements must be considered. The impact on the municipality involves a review of the services by PDI to the City and from the City to PDI, jobs in Peterborough and the municipal tax base impact. For ratepayers, the key considerations are how service levels to customers could be impacted, specifically customer service and response time; billing accuracy; and frequency and duration of outages. Second is how will distribution rates be impacted. Note that the three impact areas proposed by Navigant encompass the five key goals used by CoPHI to guide evaluation of any transactions. In other works, Navigant and CoPHI have considered similar criteria and objectives in their evalution of the Hydro One offer.

Lastly, Navigant notes that the City could choose any of three strategic ownership alternatives for PDI. These include a sale to either a private LDC/utility or a municipally owned LDC, a merger or hold (status quo).

The second phase of Navigant's engagement was to provide an analysis of the Hydro One offer. CoPHI provided an evaluation and recommendations on the Hydro One offer to Council on October 31, 2016 and on this evening Navigant provided a brief overview of the key elements in the offer and reiterated the decision framework that they would use, when returning to Council with their evaluation in November (Appendix E).

Through Report CAO16-017, Navigant's analysis of the Hydro One offer was presented and received by Council (Appendix F) on November 24, 2016. The presentation analyzed the Hydro One offer from three perspectives including that of the shareholder, municipality and ratepayer.

Navigant noted that the reason Hydro One could and did make the offer provided, given the company's ability to create synergies and achieve significant cost savings by integrating PDI's assets and operations into Hydro One's distribution network. An illustration of the expected cost savings from Hydro One proposed purchase of Orillia Power Distribution is provided. Navigant suggests that the PDI savings may be less, however they are still significant. Hydro One's purchase price, employment and rate offers to PDI reflect the "sharing" of these synergies and savings by Hydro One with the City and PDI ratepayers.

Shareholder Perspective

For the shareholder, Navigant concludes from the market analysis, that the Hydro One offer is competitive with other transactions and is "in the market". Slide number 10 (Appendix F) provides a market analysis of transactions across North America and where PDI ranks in terms of the sale price. PDI sales price ranks in the top one-third of transactions for the highest enterprise value.

In terms of analyzing whether to retain ownership of PDI (status quo) or to sell, Navigant's approach is to focus on a comparative analysis of cash flows to the City of Peterborough. In effect, the value of continued ownership of PDI against the expected Net Proceeds from the sale of PDI to Hydro One. The Navigant Projections 2016 - 2025 of the dividend payments to the City, differ from that of PDI, in that Navigant has a more favorable view of the revenue that PDI will earn, plus expects that PDI could provide a higher dividend payment ratio (Slide 13 – Appendix F). If Navigant's projections were to be realized, it will have occurred because the OEB granted the maximum rate of return to PDI, permitting an even higher distribution rate to PDI customers.

PDI on the other hand, are of the opinion that the OEB will grant a lesser rate of return when they apply for the resetting of the rates, and the effect of this outcome is lower revenues to PDI, translating into lesser dividends to the City. Regardless of which scenario actually occurs, the key takeaway from the analysis, as Navigant states in their summary, is that there is additional value to the shareholder to sell versus holding onto PDI. The range is additional value on a sale from $18 million to $44 million.

Navigant also provided advice to the City that a key component of the deliberations involves assessing Peterborough's capital requirements. In a discussion section of the report that follows staff provides Council with more detailed comments on this aspect. Suffice to say, however, that staff are of the opinion that given the inherent risks associated with PDI's future cash flows, and the substantial present and future capital requirements of the City, unlocking the value of the asset and investing proceeds for an annual return is financially responsible.

Municipal Perspective

The municipal perspective is examined from three key perspectives. Navigant examined the Hydro One offer on the potential impact on local jobs in the City, service costs to the City resulting from the sale, and impact on the municipal tax base. The Hydro One offer provides the municipality with a net employment gain and more importantly secures the continued employment of the existing 70 Hydro One employees and PDI 60+ employees, with a new regional operating centre to be constructed by Hydro One. The economic development aspect of the transaction is positive with annual payments of $100,000 in municipal taxes and a one-time payment of $600,000 for the sale of land, all attributed to the new regional centre. Overall, the sale is viewed as a positive impact from the municipal perspective.

Peterborough Utilities Group (PUG) provides various services such as IT, customer service, billing, human resources and finance to the City and its affiliates. Navigant has examined the impact a sale would have in these areas. There will be some changes and re-alignment required within PUG, but the sale of PDI would not directly affect the provision of these services. The overall impact on the City and PUG costs and service levels from the changes resulting from the sale of PDI are not considered to be material.

Ratepayer Perspective

The ratepayer perspective must consider reliability, customer service and rates. Navigant concludes that there will be ratepayer savings through to Year 10, with the Hydro One offer and considering projected PDI rate increases. The rates for Years 11 onward are forecasted to be similar but some risk is evident (Appendix F, Slide 23), as accuracy of predicting rates a decade into the future is not an exact science.

Navigant has received system reliability data for PDI and Hydro One (around the Peterborough area) and found reliability rates to be similar (Appendix F, Slide 21). In terms of customer service examined through the performance categories of service quality and customer satisfaction with three measures for each, PDI and Hydro One have historically met or exceeded the Industry's Customer Service performance requirements and indeed are similar to each other (Appendix F, Slide 21).

Public Input

Based on Council direction through Report CAO16-005, PDI Divestment Update on February 22, 2016 which involved a presentation by PUG providing an update on a potential transaction involving the sale of PDI to Hydro One, staff were directed to initiate a public process to receive constituent input (Appendix G).

March 3, 2016 Public Meeting

On March 3, 2016, a public meeting was held at Market Hall, Peterborough. In addition, public input on the matter was accepted through on line comment cards. The meeting was hosted by the City in the form of a panel discussion and consisted of presentations by John Stephenson, President and CEO of PUG; Mark Rodger, Senior Partner at the Toronto law firm Borden Ladner Gervais; Richard Bertolo, Director of Value Growth, Hydro One; and Daffyd Roderick, Director of Corporate Affairs, Hydro One. The speakers entertained questions and comments from the public in attendance, throughout the presentations.

The presentations provided the public with background on the utility sector; the current structure, service territory and size of PDI; future perspectives regarding the utility; and information on Hydro One's network, overview of Hydro One's current performance, past challenges and customer commitments and guarantees.

During the public meeting 41 individuals addressed questions and/or comments to the speakers (Appendix H). The speakers main comments centered around the general disagreement with privatization, concerns about increased hydro rates, prospects for loss of local jobs from unions, desire for local control, and the perception of the poor performance of the former Ontario Hydro, continuing with Hydro One including service response and their business model. There was also a desire to ensure that the Riverview Park and Zoo and the water service remain under local ownership and that any potential sale would not impact the financial feasibility of the remaining parts of the businesses.

From the comment cards, on-line, through the City website, there were a total of 251 questions or comments through these processes. Where questions were posed, answers were provided (Appendix I). The majority of respondents expressed opposition to a sale citing the following:

- Concern about increased rates
- Disagreement with the principle of privatization
- Poor reputation of Hydro One
- Loss of local jobs
- Desire to slow the process down
- Keeping local ownership

Community Engagement Plan

Through Report CAO16-012, Community Engagement Plan – Potential Sale of Peterborough Distribution Inc. (PDI), on October 17, 2016, Committee of the Whole considered, and Council approved the following recommendation:

That Report CAO16-012 outlining a community engagement plan to provide information to the public on the potential sale of PDI be approved (Appendix J).

The community engagement plan outlined the plan's goals – What we will achieve; the approach – How will we achieve this; and desired outcomes. There were four broad objectives set out by staff, as part of the overall plan, to achieve, as follows:

Objective 1: Engage constituents through different channels that encourage diversity of participation in a way that is respectful of their time and capability.

This was achieved through a series of both traditional and technology based communication and engagement activities (referred to collectively as "talk PDI") that were implemented: hosting of seven Community Open Houses (one in each ward, and in each of Norwood and Lakefield); resourcing seven pop-up events in places where people carried out their day-to-day business (e.g. Petes game, bookstore); creating a talk PDI website with online forms to leave comments; allocating a dedicated phone and email to collect messages; conducting a Twitter Town Hall; and enabling conversations on Facebook by using a paid advertisement. The wide variety of channels created numerous touch points that allowed people who were interested in participating to connect with the City when, where and how they wanted. In all, the City held fourteen talk PDI events across the Greater Peterborough Area.

Objective 2: Provide adequate notification and awareness of engagement opportunities.

This proved highly successful with the establishment of a robust communication plan that included considerable press releases, radio, television and print media advertisements, promotion via social media, posters in City facilities and community notices.

Objective 3: Obtain input from community leaders to provide a perspective on the impact of PDI divestment on the City's future.

This was achieved by conducting telephone interviews with six identified leaders in the Peterborough community, the results of which are captured in the Community Engagement Plan summary results prepared by C2C Strategies.

Objective 4: Develop a robust body of supporting materials to support the engagement.

Display boards were prepared to provide visual representations at all Community Open Houses. In addition, talk PDI print materials and handouts were available and distributed at engagement locations and at most City facilities; video information was prepared and posted on the City website; and frequently asked questions with answers were posted on the website.

In summary, the established goals and objectives for the Community Engagement Plan were met. The City engaged C2C that specialize in community engagement to assist with the organization, delivery and compilation of data for community engagement. The report is attached as Appendix K.

C2C Strategies Report – Community Engagement Process Results Summary

In summary, 777 participants were tallied as attending in-person events, with all activities generating just over 900 individual comments.

A total of 576 individuals attended the seven advertised Community Open Houses. Sign-in sheets indicated that individuals from across ward boundaries attended whichever open house was convenient to their location and/or schedule. Some individuals attended multiple in-person events. There were 238 responses received in terms of comments at the open houses. For pop-up events, the number of individuals who stopped by to get more information was 201. There were 154 comment cards completed at these events, which also includes hard copy comment cards deposited into standing comment boxes (such as those at City Hall, Social Services and arenas).

Through online, social media and voicemail participation 522 comments were received, with the majority obtained through social media.

In total there were 914 individual pieces of data that were reviewed and analyzed in combination with additional input from the research with Community Leaders, by C2C. C2C's analysis focused on indentifying dominant concerns articulated by those involved in the engagement process. The data analyzed by C2C only reflects the comments of those who chose to complete and submit comment cards, either while attending a talk PDI event or electronically. Note that 60% of Open House respondents indicated they had participated in other streams of engagement. C2C was able to validate multiple occurrences of input from the same individual. In addition, when analyzing Facebook conversation threads, data was provided in a manner that did not link a specific comment to an identified user, making it impossible to determine the number of unique users participating in a conversation thread or online feed. For all of these reasons, any analysis based on frequency is likely subject to bias, and conclusions from this research, according to C2C, should neither be interpreted as representing the views of the majority of the populace, nor as statistically sound. Nevertheless, the data identifies dominant themes, interrelationships and important directional feedback to Council. The

findings can be useful in providing information as Council moves forward in its decision making, and for consideration in the planning of future matters, necessitating public engagement.

Synopsis of Dominant Themes

The community feedback in terms of interests, questions and concerns was sorted into five common areas defined by C2C as the engagement process, trust, transparency, key offer elements and future implications for the City. The C2C report (Appendix K) provided details on the five common areas but can be discussed with four key findings to focus decision making in a way that objectively addresses the needs expressed by the community.

Key Finding 1 – Engagement Process

A large number of talk PDI participants expressed dissatisfaction regarding the public engagement process adopted by the City. In general, the public wished to have been informed earlier in the process and wanted to collectively participate more in the decision making process going forward. November's engagement, which was based on the presentation of a final offer, occurred too late in the process.

Key Finding 2 – Trust and Transparency

The community would have seen the engagement process as more trustworthy if greater communications of alternative options to the sale had occurred in a more timely and supportive process. Participants felt that Navigant Consulting should have been available earlier in the process so that participants would understand the consequence of the decision on the sale. In summary, lack of timely access to information and availability of "balanced" information inhibited participants from moving forward in evaluating and accepting content.

Key Finding 3 – Offer Elements

In purely business terms, some participants felt the sale was a very good option and an opportune time for the City to accept the offer. The business case appeared robust and the evaluation fair. In general, the key points raised by participants include:

- A negative perception of Hydro One's reputation
- Losing local and public control
- Skepticism about employment guarantees/new Operations Centre
- Inability to realize green and sustainable energy solutions

There were expressions of caution and skepticism regarding Hydro One's commitment and ability to fulfill some terms in the offer.

Key Finding 4 – Future Implications

Participants felt materials focused on the short term financial windfall of the sale without due consideration of the long term implications of the decision. Concerns largely fell into two areas: accountability over how the proceeds of the sale might be used and impact of this decision for future generations. The community wants to see a clear plan on how the proceeds will be utilized to return a benefit to the community in a sustained way.

Special Committee of the Whole Meeting – November 24, 2016

Navigant's analysis of the Hydro one offer was presented and received by Council on November 24, 2016. The Navigant presentation was summarized in an earlier section of the report and is attached as Appendix F. At the conclusion of the presentations, Council suspended the rules of order to facilitate questions and comments from the public. A panel consisting of representatives from Navigant, CoPHI, City and Hydro One responded to questions posed by the public in attendance. There were 22 recorded speakers from the general public and approximately 150 people in attendance. A summary of the various comments, questions and responses from the panel are attached in Appendix L.

The respondents expressed opposition to a sale with concerns similar to the March 3, 2016 Public Meetings, citing the following:

- Disagreement with the principles of privatization
- Poor reputation of Hydro One
- Loss of local control over water/energy
- Concern for PDI employees' jobs/pensions
- Validity of Navigant's information

Discussion

From the City's perspective, the main concern is risk. This risk manifests itself in what the future Ontario electrical distribution system will look like, the value of PDI and the cost of supplying electrical service to the residents and businesses of Peterborough.

To better understand these risks and to formulate a position on the matter of selling PDI staff considered the following five key elements:

- Trends in the Ontario Electricity Distribution Sector
- Provincial Government Regulations/Influences and OEB
- The Future of PDI
- Hydro One's Offer
- Long Term Best Interest for the City and Residents

Trends in the Ontario Electricity Distribution Sector

Ontario's Electricity Distribution sector is a complex and unique system that is clearly in a state of evolution. There are imminent changes that are either occurring now or will happen in the near future. Consolidation of LDS's has been ongoing for some time. Public policy, increased regulation and technology, are all in a state of flux with significant indications of changes. Customer demands and expectations are continually increasing.

In 1923, Ontario had 393 different electrical supply utilities. This was the state of affairs until 1996 when a provincially appointed Committee recommended significant changes to the structure of municipal electric utilities (MEW). Even though legislation did not mandate a wholesale consolidation of LDC's, many mergers and acquisitions did occur around this period reducing the number of utilities from 307 to 89 with Hydro One Networks buying 88 of the smaller utilities. Presently, there are only 65 LDC's left in the Province. No other jurisdiction has chosen to operate with such a preponderance of small LDC's.

The previous consolidations have shown that a reduction in the number of utilities can result in significant cost savings. There is strong consensus in the industry that the fragmented nature of the distribution system in Ontario is an impediment to cost effective planning, development of electricity infrastructure, and a barrier to innovation needed in the sector. A more practical and workable solution would be to have fewer utilities.

Staff is of the opinion that the consolidation trend must and will continue since consolidation is a proven method to curb costs, ensure the broadest adoption of technological innovations and make the necessary funding available at the lowest price. Industry reports suggest no more than eight regional distributors with a minimum of 400,000 customers.

Inaction is not in the best interest of PDI in terms of realizing value. There is considerable risk in becoming one of the last remaining smaller LDC's from a value viewpoint.

Provincial Government Regulations/Influences and OEB

The Provincial government is a key player in the electricity sector controlling, via legislation, regulations, policies, the working of the Ministry of Energy and the OEB. Accordingly, all decisions related to LDC's must consider the direction and influence of the Province.

In 2012, the Ontario government appointed the Ontario Distribution Review Panel to review the Province's LDC's. The Panel recommendations and conclusions are far reaching. The key conclusion was that the present foundation on which Ontario's

electricity system was built is not suitable for the challenge and opportunities of the future.

The Province has not to date mandated change, but their actions and tax incentives to encourage change with the small LDC's clearly support a future preferred direction. Other Provincial reports consistently point to changes in the sector and drive consolidation in the belief that economics of scale will result, leading to more favourable provincial hydro rates.

There has been considerable reference through this process, notably from community engagement that residents prefer to maintain "local" control of PDI. The extent of local control is limited with respect to the highly regulated electricity distribution section. Local control is by name only. While PDI is owned by the City, an understanding of the role of the OEB is important to understand when evaluating the notion and perceived benefit of local control. The OEB mandate is determined by the Province and is embodied in legislation regulations and directives. Their powers are broad and involve approving or denying utility costs for local distributors, licensing distributors, protecting the interests of consumers, promoting cost effectiveness in the electricity industry, investigating non-compliance and initiating enforcement proceedings. All distribution companies, including PDI and Hydro One, are subject to the same OEB rules and regulations. PDI effectively has little control over most aspects of the business. It is also important to recognize that the OEB has the power and mandate necessary to protect electricity consumers in Peterborough going forward. In deciding whether to approve the sale, the OEB must be satisfied that the sale does not harm PDI customers with respect to matters such as distribution rate impacts, reliability and quality of service when compared to the status quo.

It is believed that continued ownership of PDI given the Provinces' goals and actions and the control of OEB is not in the best long term interest of residents.

The Future of PDI

For the last three years the CoPHI Board and senior PDI management have reviewed and analyzed all aspects of the operation of PDI. CoPHI has concluded that PDI as a small utility of approximately 36,000 customers will be unable to effectively operate in the current changing environment due to its inability to achieve the scale necessary to reduce costs, and to access the capital needed to effectively maintain existing, and address future customer service and regulatory standards.

The Board projects declining dividends to the City from PDI as costs rise, revenue growth is limited and expensive capital investment will be required in the near future. PDI has a strong record of financial performance and excellent customer services, and are praised in the community as a well run business. The same people who manage PDI are giving their recommendation to sell based on their experience and knowledge.

Navigant has a slightly more optimistic view of the dividend PDI can return to the City over time. This view assumes that the OEB will grant the maximum rate of return to PDI. The other side of this, of course, is that a higher rate of return to PDI translates into higher distribution rates to PDI customers. The Hydro One offer protects PDI customers for up to ten years with distribution rate increases lower for this period than what PDI is projecting. The greater risk with continued ownership of PDI is that either consumer rates will increase and/or PDI dividends to the City will decrease. Investing the funds from the sale of PDI will provide the City with a steady income stream with minimal risk.

From this perspective, continued ownership of PDI is not in the long term best interests of the City.

Hydro One's Offer

Overall, Hydro One has presented a strong offer. The purchase price of $105 million is a significant premium over book value and is very comparable to other purchases across the Province. The offer protects PDI customers for up to ten years with distribution rate increases lower for this period than what PDI is projecting.

The guaranteed service levels backed by monetary compensation from Hydro One and the job security for PDI employees are essential components to have as part of the agreement but in and of themselves do not factor strongly in the overall evaluation as these both exist if the City retains ownership of PDI.

A significant aspect of the offer is the location of a new Regional Operations Centre and a new fleet maintenance garage in Peterborough. These facilities ensure the retention of the current 70 Hydro One jobs existing in Peterborough and facilitate the addition of 30 new jobs into the City. The additional annual municipal tax income of approximately $100,000 is a benefitting piece overall for the City as well.

Both COPHI and the City's consultant, Navigant, have determined that the Hydro One proposal is, on balance, a good deal for the City. A major part of their analysis is the reduced risk to the City from a financial basis.

From this perspective, continued ownership of PDI is not in the long term best interests of the City.

Long Term Best Interest for the City and Residents

During the Community Engagement Plan, numerous opinions and views were received from the public. Many respondents expressed opposition to a sale citing disagreement with the principle of privatization, poor reputation of Hydro One, loss of local jobs, concern about increased rates and loss of local control. The privatization of Hydro One is not an issue that can be dealt with by the City. The Government of Ontario has stated that no one entity can own more than 10% of Hydro One shares and the

Province itself would retain 40%. Accordingly, Hydro One will remain under public control and this fact does not really fit into the discussion around the sale of PDI.

There have been reports, some recently, about Hydro One billing problems, reliability and customer service concerns. Navigant examined this aspect and determined that both PDI and Hydro One provided "similar" reliability and customer service. Hydro One has "put its' money where its' mouth is" by offering financial compensations for delayed responses to its customers.

All discussion around the matter of jobs indicates that selling PDI to Hydro One will result in more, well paying, jobs in the City. There is, of course, the possibility that certain jobs presently performed by PDI staff will change in either content or even location. Nevertheless, taken in total, the proposal by Hydro One will provide more jobs in Peterborough.

The issue of increased rates has been dealt with by both COPHI and Navigant. The highest risk to increasing rates lies with retaining ownership of PDI. The matter of local control was discussed earlier in this report. To sum, local control is by name only in as much as the OEB has full control in the setting of rates and rate of return for all distribution entities.

In total, after consideration of the major concerns of Peterborough residents, continued ownership of PDI is not in the long term best interests of the City.

Overall

In evaluating this offer, staff weighed the relative risks to the City and its residents of retaining ownership of PDI versus ownership by Hydro One.

On balance, considering all relevant factors, the risks are viewed to be greater, in the long term, in retaining ownership of PDI. By unlocking the value of the asset, the Net Proceeds of the sale in the range of $50 million to $55 million, can be invested to generate an ongoing annual dividend. The increase in the City's revenue from this transaction is a direct benefit to taxpayers in controlling annual property taxes.

Summary

CoPHI is a private business corporation, wholly owned by the City of Peterborough, and is comprised of several companies including Peterborough's regulated electricity distribution Company, PDI. The City is CoPHI's sole shareholder and as such City Council approval is required to divest all or part of PDI.

CoPHI's Board of Directors has assessed that PDI, as a small utility, in this changing industry, will be unable to effectively operate in the long term due to its inability to achieve the scale necessary to reduce costs, or access the necessary capital and

technology to effectively maintain existing, and address future customer service and regulatory standards. Therefore, after reviewing and analyzing potential mergers and opportunities with other distributors, over the last three years, and analyzing the risk of status quo, the Board is unanimously recommending that the City accept the Hydro One proposal to purchase PDI.

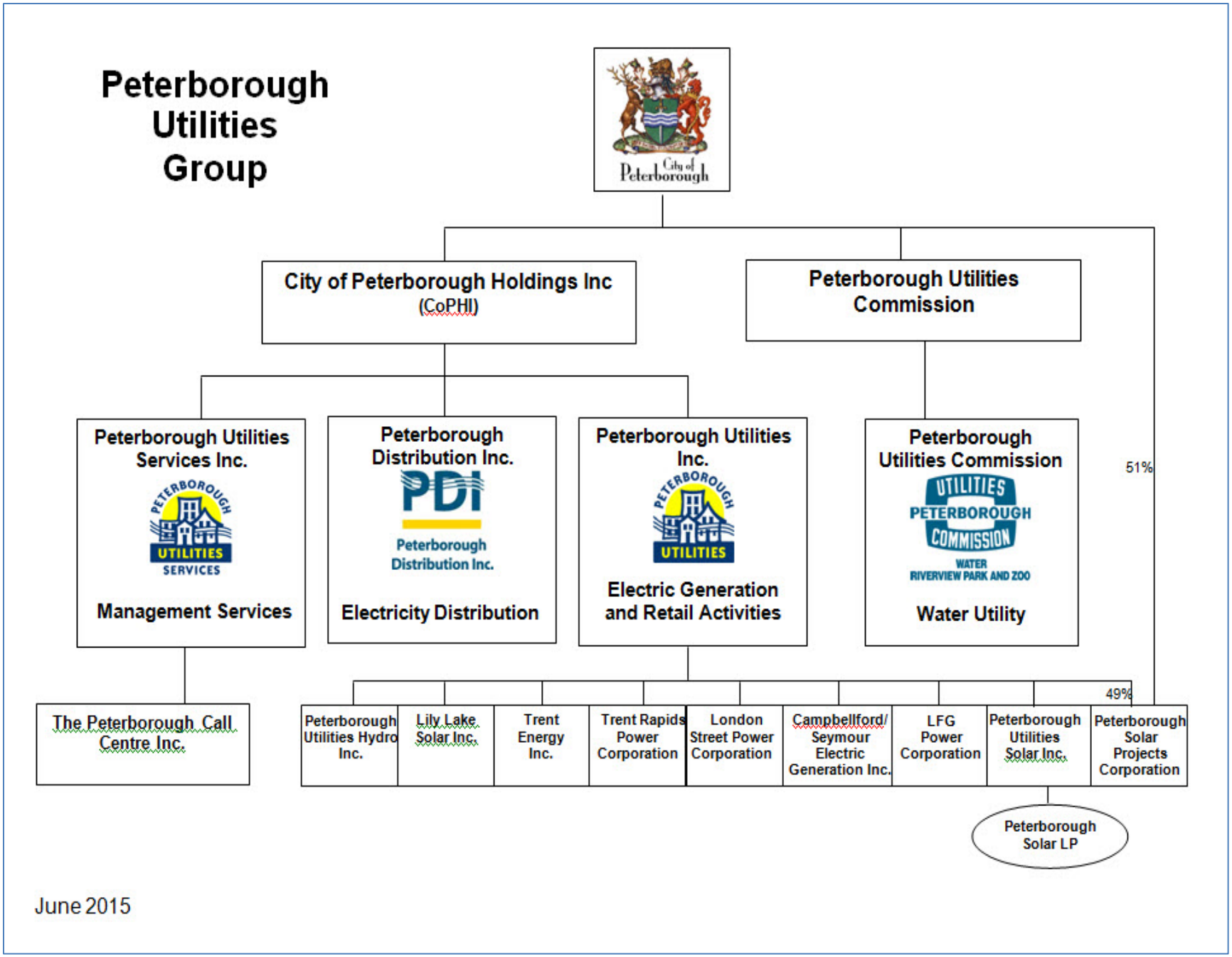
On balance, considering all relevant factors, staff conclude that the risks are greater in the long term, in retaining ownership of PDI, and concur with CoPHI's recommendation to enter into a sale transaction with Hydro One.

Submitted by,

Allan Seabrooke
Chief Administrative Officer

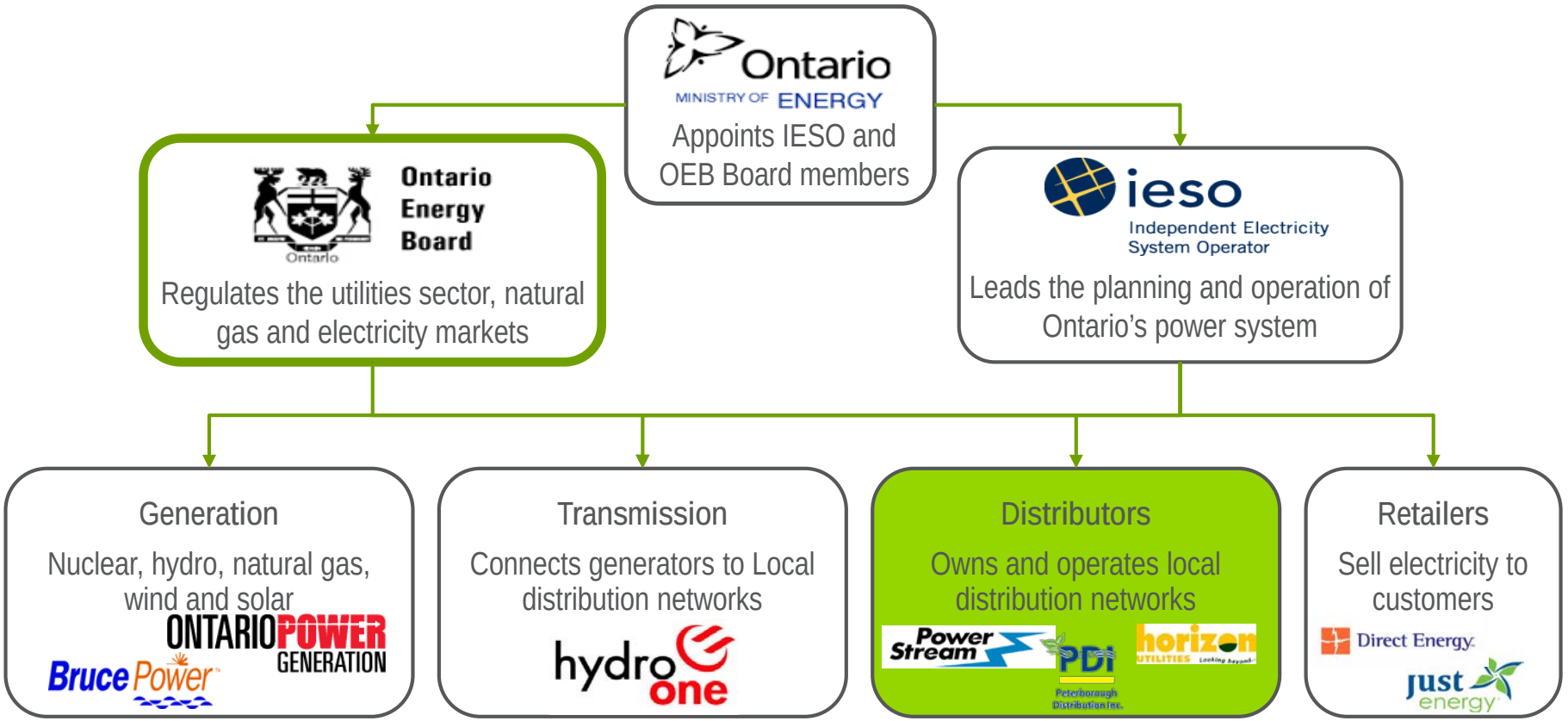
Contact Name:
Allan Seabrooke
Chief Administrative Officer
Phone: 705-742-7777 Ext. 1810
Toll Free: 1-855-738-3755
Fax: 705-749-6687
E-Mail: aseabrooke@peterborough.ca

Attachments:
Appendix A – Peterborough Utilities Group Business Structure
Appendix B – Ontario Electricity Industry Structure
Appendix C – Report CAO16-014 – City of Peterborough Holdings Inc. (CoPHI) Recommendation to Council – Peterborough Distribution Inc. (PDI) Divestment to Hydro One Inc.
Appendix D – Peterborough Distribution Inc. Sale Review – City of Peterborough Presentation September 6, 2016
Appendix E – Peterborough Distribution Inc. Sale Review: Summary of Key Terms of Hydro One Offer – City of Peterborough Presentation October 31, 2016
Appendix F – Peterborough Distribution Inc. Sale Review: Analysis of Hydro One Offer – City of Peterborough Presentation November 24, 2016
Appendix G – Report CAO16-005 – Peterborough Distribution Inc. Divestment Update
Appendix H – Possible PDI Sale, Public Information Session – March 2, 2016 Comments
Appendix I – Comment Cards – Potential Sale of PDI to Hydro One
Appendix J – Report CAO16-012 – Community Engagement Plan – Potential Sale of PDI
Appendix K – C2C Strategies Report – Community Engagement Process regarding offer by Hydro One to purchase PDI
Appendix L – Special Committee of the Whole Meeting – November 24, 2016 Summary


Peterborough Utilities Group
City of Peterborough
City of Peterborough Holdings Inc (CoPHI)
Peterborough Utilities Commission
Peterborough Utilities Services Inc.
Management Services
Peterborough Distribution Inc.
PDI
Peterborough Distribution Inc.
Electricity Distribution
Peterborough Utilities Inc.
Electric Generation and Retail Activities
Peterborough Utilities Commission
UTILITIES PETERBOROUGH COMMISSION
WATER
RIVERVIEW PARK AND ZOO
Water Utility
51%
49%
The Peterborough Call Centre Inc.
Peterborough Utilities Hydro Inc.
Lily Lake Solar Inc.
Trent Energy Inc.
Trent Rapids Power Corporation
London Street Power Corporation
Campbellford/ Seymour Electric Generation Inc.
LFG Power Corporation
Peterborough Utilities Solar Inc.
Peterborough Solar Projects Corporation
Peterborough Solar LP
June 2015

ONTARIO ELECTRICITY INDUSTRY STRUCTURE

The Ontario Energy Board is the regulator that approves electricity distribution rates regardless of public or private ownership



NAVIGANT

City of Peterborough

To:	**Members of Committee of the Whole**
From:	**Allan Seabrooke, Chief Administrative Officer**
Meeting Date:	**October 31, 2016**
Subject:	**Report CAO16-014** **City of Peterborough Holdings Inc. (CoPHI) Recommendation to Council – Peterborough Distribution Inc. (PDI) Divestment to Hydro One Inc.**

Purpose

A report to inform Council that correspondence from City of Peterborough Holdings Inc. (CoPHI) to Council, pertaining to the divestment of Peterborough Distribution Inc. (PDI) to Hydro One has been received. Navigant Consulting will make a brief presentation at the October 31, 2016 meeting on evaluation and next steps.

Recommendation

That Council approve the recommendation outlined in Report CAO16-014 dated October 31, 2016, of the Chief Administrative Officer, as follows:

That the presentation relating to the recommendation from the City of Peterborough Holdings Inc. (CoPHI) regarding the potential sale of Peterborough Distribution Inc. (PDI) be received at the meeting held October 31, 2016 and that the recommendation from CoPHI be considered at a future special Committee of the Whole and special Council meeting.

Budget and Financial Implications

There are no budget or financial implications to approving the recommendation which is presented for information purposes.

There are substantial financial considerations and options for the City should an eventual transaction occur divesting PDI.

Background

Based on Council direction, CoPHI has been engaged in exclusive negotiations with Hydro One to divest PDI. PDI is the regulated business of Peterborough Utilities Group (PUG), and is directly owned by CoPHI. The City is the sole shareholder of CoPHI, and City Council approval is required to divest part or all of PDI. In previous discussions with Council pertaining to the potential divestment of PDI, staff advised that when a CoPHI recommendation was received by the City that it would be immediately provided to Council. The negotiations with Hydro One have progressed to a stage whereby CoPHI has now provided this recommendation to Council for consideration (Appendix A).

Navigant Consulting who have been engaged by the City to provide the City with an independent third party review of CoPHI's recommendations and documentation are present this evening to provide Council with a brief overview on next steps and the decision framework that is the basis for their future evaluation to Council.

As approved by Council, the community engagement plan will now proceed and will culminate with a future staff report to be considered at a special Committee of the Whole and special Council meeting, with recommendations, results of the community engagement plan, and Navigant's evaluation. There are no decisions requested or required from Council on the matter this evening.

Submitted by,

Allan Seabrooke
Chief Administrative Officer

Appendix A – Correspondence dated October 26, 2016 from CoPHI

Contact Name:
Allan Seabrooke
Chief Administrative Officer
Phone: 705-742-7777 Ext. 1810
Toll Free: 1-855-738-3755
Fax: 705-749-6687
E-Mail: aseabrooke@peterborough.ca

PETERBOROUGH UTILITIES GROUP
1867 Ashburnham Drive, PO Box 4125, Station Main
Peterborough ON K9J 6Z5

October 26, 2016

John Kennedy, City Clerk
City of Peterborough, City Hall
500 George St. N.
Peterborough, ON
K9H3R9

Dear Mayor and Councillors,

Re: Proposed Sale of Peterborough Distribution Inc. to Hydro One

On behalf of the Board of Directors of City of Peterborough Holdings Inc. (CoPHI), I am writing to report to you on the results of our review of Hydro One's recent offer to purchase Peterborough Distribution Inc. (PDI) and to transmit to you the recommendation of the CoPHI Board in that regard.

CoPHI's Board of Directors is mandated to act in the best interests of CoPHI and the City of Peterborough. We take this mandate very seriously.

Ontario's local distribution sector is in a state of evolution. For the past two years, the CoPHI Board and senior management have reviewed the implications for the City's investment in PDI of the far reaching changes in public policy, regulation, technology and customer expectations that are afoot in the sector.

These changes are one of the key factors driving consolidation in the Ontario distribution sector. In the 1990s, there were over 300 distribution utilities in the Province. Since then, consolidation has reduced the number of distributors to 65, including PDI. Most observers expect this trend to continue; indeed, the Report of the Distribution Sector Review Panel concluded that the optimal number of electricity distribution companies for Ontario is eight, with each distributor having hundreds of thousands of customers. As discussed below, this trend raises serious issues about the continuing viability of smaller distributors such as PDI.

PDI has a strong record of financial performance and excellent customer service. Despite PDI being a low cost utility with low customer rates, the capacity to provide the City with dividends has continued to decline. Historically, PDI has been able to provide the City with an annual dividend of approximately $1.2 million and the projected annual dividend will be as low as $700,000. This future dividend low point may decline further as additional regulated, industry and customer driven capital investment is required. In summary, the future return to the City will decline and is at risk.

PDI's future performance, however, is less certain. Surrounded by Hydro One's service area, PDI's business is not expected to grow, either in terms of new customers, or in terms of demand growth from existing customers. At the same time, new regulatory requirements and required system and infrastructure upgrades are expected to significantly increase PDI's costs over the medium to long term.

Indeed, our analysis indicates that, over the next five years, PDI's annual dividend to the City of Peterborough will decrease by approximately 30 to 40 per cent. The value of PDI has declined in recent years by approximately $12 million, and value will continue to decline over the next five years. The total premium (value) that can be lost by inaction is now approximately $35 million. There are substantial financial risks to Peterborough and its residents from holding on to PDI for too long.

CoPHI's Board of Directors has concluded that PDI, a small utility of 36,317 customers, will be unable to effectively operate in this changing environment, due to its inability to achieve the scale necessary to reduce costs, and to access the capital needed to effectively maintain existing, and address future, customer service and regulatory standards.

We have therefore concluded that it is in the best interests of the City of Peterborough and its residents to sell the assets of the PDI.

In completing this analysis, we have identified five key goals to guide our evaluation of any transaction that would affect the future of PDI:

1. Create the best financial value for the City;
2. Protect customers from increases in distribution rates;
3. Ensure customer service excellence;
4. Increase local jobs and economic activity; and
5. Ensure fair treatment for existing employees.

The Hydro One Offer to Purchase the Assets of PDI

CoPHI has received an offer from Hydro One for the purchase of the assets of PDI. We have evaluated the Hydro One offer from the perspective of the five factors referred to above. Specifically, we have considered the potential service and financial effects on Peterborough residents, both as electricity ratepayers and as taxpayers. We have considered whether the City should entertain a sale of PDI in order to redeploy the proceeds to other public investments that present better opportunities for value and revenue generation, which could support community and social enhancement. We have also considered the effects on economic development and employment in our City.

Based on our review, we have concluded that it is a favourable and compelling offer, which meets or exceeds each of the five factors. The Hydro One offer will deliver:

- A strong financial deal for Peterborough;
- Lower electricity distribution rates;
- Guaranteed service levels;
- New jobs and economic development for Peterborough; and,
- Job security for existing PDI employees.

By resolution dated October 25, 2016, the CoPHI Board voted unanimously to endorse the sale of PDI to Hydro One, and to refer it to the City of Peterborough as CoPHI's sole shareholder.

Hydro One's summary offer is attached to this letter as Appendix "A." A copy of the Board's October 25, 2016, resolutions is attached to this letter as Appendix "B." What follows is a summary of the key benefits of the proposed transaction.

A Strong Financial Deal for Peterborough and its Taxpayers

The proposed transaction would mitigate the risk that PDI will decline in value both as an asset and in its ability to deliver low distribution rates and a significant dividend to the City of Peterborough.

Hydro One has offered a purchase price of approximately $105 million for the assets of PDI. This price includes a significant premium over book value, comparable to the premiums realized in respect of the recent sales of other Ontario distribution utilities.

The net cash proceeds of the sale, after paying debt, taxes and other sale-related costs, are expected to be in the range of $50 - $55 million. Appropriately reinvested, the net cash proceeds from the sale would yield an expected annual return of up to $3 million to support City programs and services. While we recognize that any reinvestment is the decision of the City, we can suggest our planned renewable power generation projects can offer this type of return. In any case, reinvestment is a significant improvement over the projected PDI dividend of approximately $700,000.

On the basis of this analysis, CoPHI has concluded that the transaction is a significant financial improvement for the City of Peterborough and its residents.

Lower Electricity Distribution Rates

Ontario residents are very concerned about growing electricity bills. While PDI only controls the distribution component (~22% of the total electricity bill), current forecasts predict that without any sale, over the next five years, PDI's distribution component of the total bill will likely increase by at least 17%. This is again due to both the need to make continued investments in the system, and the lack of growth in customers and in new customer demand.

Under the terms of the transaction, Hydro One will, subject to OEB approval, protect PDI customers from increases in the distribution component of the total bill for at least 10 years. In the first five years following a sale, the rate for the distribution component paid by PDI customers would be frozen at current levels, and reduced by 1%. In the following five years, rate increases for the distribution component will align with the rate of inflation.

PDI customers will also share in the value of the efficiencies that Hydro One achieves during that five-year period, and these guaranteed savings will be used to offset Peterborough rates in years eleven onwards.

Hydro One is also considering a number of further options to protect PDI customers in years eleven onwards, including the creation of a new rate class for the customers of the distributors it has purchased. This would also be subject to OEB approval.

Further details are set out Appendix "A."

One thing is certain given changes in the sector: hydro distribution rates will go up if we do not take action. CoPHI's analysis confirms that Hydro One's offer will lower Peterborough's hydro distribution rates and lock in rate stability for at least the next ten years.

Job Security for Existing PDI Employees

Hydro One's offer protects the interests of PDI's existing employees.

All existing employees will be offered employment with a one-year service and location guarantee as well as recognition of past service for seniority purposes. Existing PDI staff will also benefit from local and province-wide positions available with Hydro One.

Based on our analysis, the terms of the proposed transaction meet the requirement of treating existing PDI employees fairly.

Guaranteed Service Levels

PDI has an excellent track record of customer service, and it is important that any transaction have regard to ensuring service levels.

It is anticipated that the PDI employees who serve PDI customers today will continue to do the same job should this deal be accepted. The transaction would add Hydro One's extensive resources to the pool available to meet the needs of Peterborough customers where required. As a result, CoPHI is confident that the excellent service that PDI customers have come to expect would continue with Hydro One.

In fact, Hydro One's commitment to customer services is backed by monetary compensation. Customers will receive a $50 account credit if Hydro One misses a scheduled appointment, among other key commitments. Additional details outlining Hydro One's commitment to customer service excellence are included in Appendix "A."

New Jobs and Economic Development for Peterborough

As part of its offer, Hydro One will locate a new Regional Operations Centre and a new Fleet Maintenance Garage in Peterborough.

These new facilities are expected to create 30 new jobs in addition to the 70 Hydro One jobs already located in the City.

The two new facilities are also expected to bring economic activity of between $100 and $150 million over the next five years and generate additional annual municipal tax revenue of approximately $100,000.

PDI territory is "the missing puzzle piece" in Hydro One's service area, and it constitutes a unique fit with Hydro One's existing asset base. As a result, CoPHI strongly believes that no other purchaser could provide the value, strategic investments, and economic development opportunities that Hydro One has built into this offer for PDI.

Conclusion

Based on our review, we are confident that the proposed sale to Hydro One meets or exceeds each of the five requirements for a potential transaction. We strongly recommend that that the City of Peterborough proceed with this transaction. Time is of the essence.

As noted above, over the next five years:

- PDI's annual dividend to the City of Peterborough will decrease by approximately 30%-40%.
- The value of PDI could decline significantly.
- Local electricity distribution rates are forecast to go up by 17 percent.

In addition, delay would cause Peterborough to miss the benefit of short term tax measures which were passed to encourage industry consolidation. These incentives would potentially yield savings of $11.5 million to the City of Peterborough, but they are scheduled to expire at the end of 2018. In our view, there is a significant cost to delay.

Accordingly, in light of the foregoing, we strongly and unanimously recommend that the City of Peterborough accept the Hydro One offer, having regard to the overall benefits that it offers to the customer and to the City as shareholder.

Sincerely,

David Bignell
Chair
City of Peterborough Holdings Inc.

c.c. Allan Seabrooke, CAO City of Peterborough

Hydro One Inc.
483 Bay Street
8th Floor South Tower
Toronto, Ontario M5G 2P5
www.HydroOne.com

Michael Vels
Chief Financial Officer

September 26, 2016

1867 Ashburnham Drive
PO Box 4125, Station Main
Peterborough, ON K9J 6Z5

Dear John,

I am pleased to provide you with a summary proposal to purchase the assets of Peterborough Distribution Inc. (PDI). We are excited about the opportunities that this transaction offers to your customers and to Hydro One, and the associated large scale business development within the City of Peterborough. It represents significant investments in facilities, jobs and the continuing long standing presence of Hydro One within the municipality of Peterborough. The integration of PDI assets into the regional operations of Hydro One would leverage the local knowledge of the talented staff in PDI as Hydro One extends its operational and customer-centric focus to the Peterborough service territory. PDI customers would experience a decrease in rates and lower rates than they would otherwise have experienced for up to and possibly longer than ten years, while benefiting from the significant customer service investments that Hydro One is making.

Hydro One is prepared to offer $105 million for the net assets, excluding debt, of PDI. Enclosed is a Summary of Terms outlining the principal elements to be finalized in the appropriate legal agreements.

We understand how important PDI is to the City of Peterborough. We have given careful thought to how we would ensure a transaction that would be successful on all fronts for the City of Peterborough and for your customers and employees. We fully understand and believe we are aligned with you regarding the importance of a successful integration of your business into ours.

The following are key terms that make the Hydro One proposal unique:

1. **Price**: The City of Peterborough will realize value of PDI equal to $105 million.

2. **Customer Rates:** Base distribution rates will be reduced by 1% and frozen for five years. In addition, we intend to request OEB approval of a 10-year rate rebasing deferral period as outlined in the OEB handbook for distributors. In addition to the aforementioned rate reduction and freeze for five years, this would provide further benefit to Peterborough customers as follows:
    a. the OEB's Price Cap adjustment mechanism would result in distribution rate increases that align with inflation for years six to ten;
    b. we would offer, through an Earnings Sharing Mechanism, a guaranteed share of Hydro One's years six to ten earnings efficiencies.

3. **Jobs:** all transferred PDI employees will be offered employment with a 12 month service and location guarantee recognizing past service for seniority purposes.

4. **Economic Development:** Hydro One currently employs approximately 70 people in Peterborough. With this transaction Hydro One will plan to construct a new regional centre within Peterborough, that can house Hydro One and Peterborough employees, and should bring an additional 30 Hydro One jobs to Peterborough.

5. **Service Levels:** We have provided a Service Level Commitment reflecting Hydro One's pursuit of excellent customer service. Of particular note are the Service Guarantees that are direct pledges to customers, backed by monetary compensation should guarantees not be fulfilled. With respect to network reliability, Hydro One will be leveraging the local knowledge of the acquired PDI staff to enable us to continue the same or better level of service to your customers.

Hydro One has extensive experience seamlessly integrating Ontario utilities as demonstrated with the most recent successful full operationalization of Woodstock and Haldimand with no billing or service issues. As of last month, those customers are enjoying lower rates and a seamless transition to our Hydro One family.

Hydro One has transitioned to a publicly traded Canadian company that will always stay local and in touch with its customers:

- Our head office and management authority will always remain proudly based in Ontario.
- The citizens of Ontario will through the Province always maintain a minimum ownership position of 40%.
- Because of ownership limits, no one person other than the Province of Ontario can own more than 10% of the Company, and so there is no ability for non-Ontarians to control the company.
- Customer rates continue to be set by the Ontario Energy Board, the same as before Hydro One became publically traded, and in the same manner that PDI is currently regulated.
- Hydro One's current public float is 61% owned by institutions and 39% by retail investors, the majority of whom are based in Ontario. Ownership of the company also includes increasing stakes held by the Company's unions and non-represented employees and as recently announced by the Province, First Nations.
- Hydro One's experienced Board of Directors is fully independent with a strong and public focus on customer service and cost reduction. In addition, this Board has put in place an independent ombudsman directly reporting to the Board on customer service issues.
- The new management team at Hydro One has already recognized material operating cost efficiencies that will be reflected in customer rates going forward, and has instituted a

broad range of exciting customer experience initiatives to improve our customer's ability to manage their electricity bills.

John, we are very excited about the opportunity to complete this transaction and become your partners in servicing the Peterborough community. We look forward to working with you and your team to finalize the details. Our employees live and work in your community and they would welcome the opportunity to welcome your employees and customers.

Yours sincerely,

Michael H. Vels
Chief Financial Officer

cc. Mayo Schmidt, (President & CEO)
Richard Bertolo

Summary of Terms
Sale of Peterborough Distribution Inc. (PDI) to Hydro One

Purchase Price: $105 million for the net assets, excluding debt, of PDI and subject to adjustments to capture changes, to the favour of either party, between December 31, 2015 and closing.

Distribution Rates: 1% distribution rate reduction and distribution rate freeze at those reduced levels for 5 years post-closing, subject to OEB approval.

- In connection with the OEB application for approval of the sale, Hydro One intends to ask the OEB to approve an approach that would result in distribution rate increases that align with inflation during years 6 through 10, as well as giving customers in the PDI service area a guaranteed share of Hydro One earnings during years 6 through 10, to be used to offset rates in years 11 onwards, subject to OEB approval.

New Regional Operations Centre: Hydro One plans an Operations Centre and Fleet Maintenance Garage having a combined space requirement of approximately 45,000 square feet and that should bring approximately 30 jobs in Peterborough (in addition to the existing 70 Hydro One jobs and the PDI employees retained).

- Hydro One will purchase real property from the City at $40,000 per acre with no development fees.

PDI Employees: Hydro One will employ PDI staff, with a 12-month service and location guarantee, and recognition of past service for seniority purposes.

Customer Service Level: Hydro One will continue reporting customer experience as mandated by the OEB for its entire customer base, expanded to include the areas formerly served by PDI.

- Customers will have full access to Hydro One's suite of customer services:
    - Extended Call Centre hours (7:30 am to 8:00pm)
    - Utilization of a 24/7 Interactive Voice Response system
    - Targeted 80% of calls will be answered within 30 seconds during normal operation periods
    - Targeted 85% of customer correspondence will be resolved within 24 hours
    - Access to Hydro One's innovative outage app, and outage alerts via text or email
    - Service Guarantees: a $50 credit to the customer's account should Hydro One:
        - Miss a scheduled appointment
        - Fail to connect a new service within 5 business days
        - Fail to return a phone call within 1 business day
    - Access to an independent ombudsman as an avenue of final appeal for customers

Community Support: The community will benefit from eligibility in Hydro One programs, including:

- Hydro One's Safe Communities Donations Program – up to $25,000 per project
- Employee Volunteer Grant Program – up to $1,000 per employee for charitable or non-profit organizations where the employee commits to 50 or more hours per year.
- Hydro One participation in local United Way

Environmentally Sensitive Lands: Certain PDI lands will not be included as part of the transaction. Hydro One will be entitled to use those lands, rent free, for a period of up to 10 years post-closing.

RECOMMENDATION FOR THE DISPOSITION OF THE REGULATED BUSINESS OF PETERBOROUGH DISTRIBUTION INC. (PDI):

The City of Peterborough Holdings Inc. (COPHI) Board has over the past two years been evaluating the Ontario regulated electricity industry developments, Provincial government policy, and supporting industry evaluations, all of which point to a rapidly changing and consolidating electricity distribution sector, and

The COPHI Board has assessed that PDI, as a small utility in this changing industry, will be unable to effectively operate in the long-term, due to its inability to achieve scale to reduce costs, or access necessary capital and technology to effectively maintain existing, and address future, customer service and regulatory standards, and

The Provincial Government has introduced specific tax incentives expiring December 31, 2018 , to incentivize industry consolidation by reducing the overall tax burden, potentially yielding savings of $11.5 million to the City of Peterborough;

IT IS UNANIMOUSLY RESOLVED that the COPHI Board recommend to the City of Peterborough that the City approve and authorize the disposition of the regulated business of Peterborough Distribution Inc.

RECOMMENDATION TO ACCEPT THE HYDRO ONE INC. OFFER TO ACQUIRE THE REGULATED BUSINESS OF PETERBOROUGH DISTRIBUTION INC. (PDI):

The COPHI Board believes that the disposition of PDI is in the best interests of COPHI and the City of Peterborough, and all the communities and customers that PDI serves, and

The COPHI Board has developed transaction evaluation criteria to encompass and address the following key community stakeholders in PDI:

- The Customers through PDI's service and distribution rates;
- The Communities we serve, through PDI being a local economic contributor;
- The City, as shareholder, receiving a return;
- The Employees, who contribute to PDI's success, and

The COPHI Board has received an Offer from Hydro One to acquire the regulated business of PDI and to construct a Regional Operations Centre; and the COPHI Board has negotiated key terms that attains the above noted transaction evaluation criteria.

IT IS UNANIMOUSLY RESOLVED that the COPHI Board recommend to the City of Peterborough that the City accept the Hydro One Offer to acquire the regulated business of Peterborough Distribution Inc., as summarized and presented by COPHI, subject to the completion of final due diligence, and all legal documentation supporting the Offer terms, to the satisfaction of City Administration.

PETERBOROUGH DISTRIBUTION INC. SALE REVIEW

PREPARED FOR
THE CITY OF PETERBOROUGH

SEPTEMBER 6, 2016

NAVIGANT

THE ASK FROM PETERBOROUGH

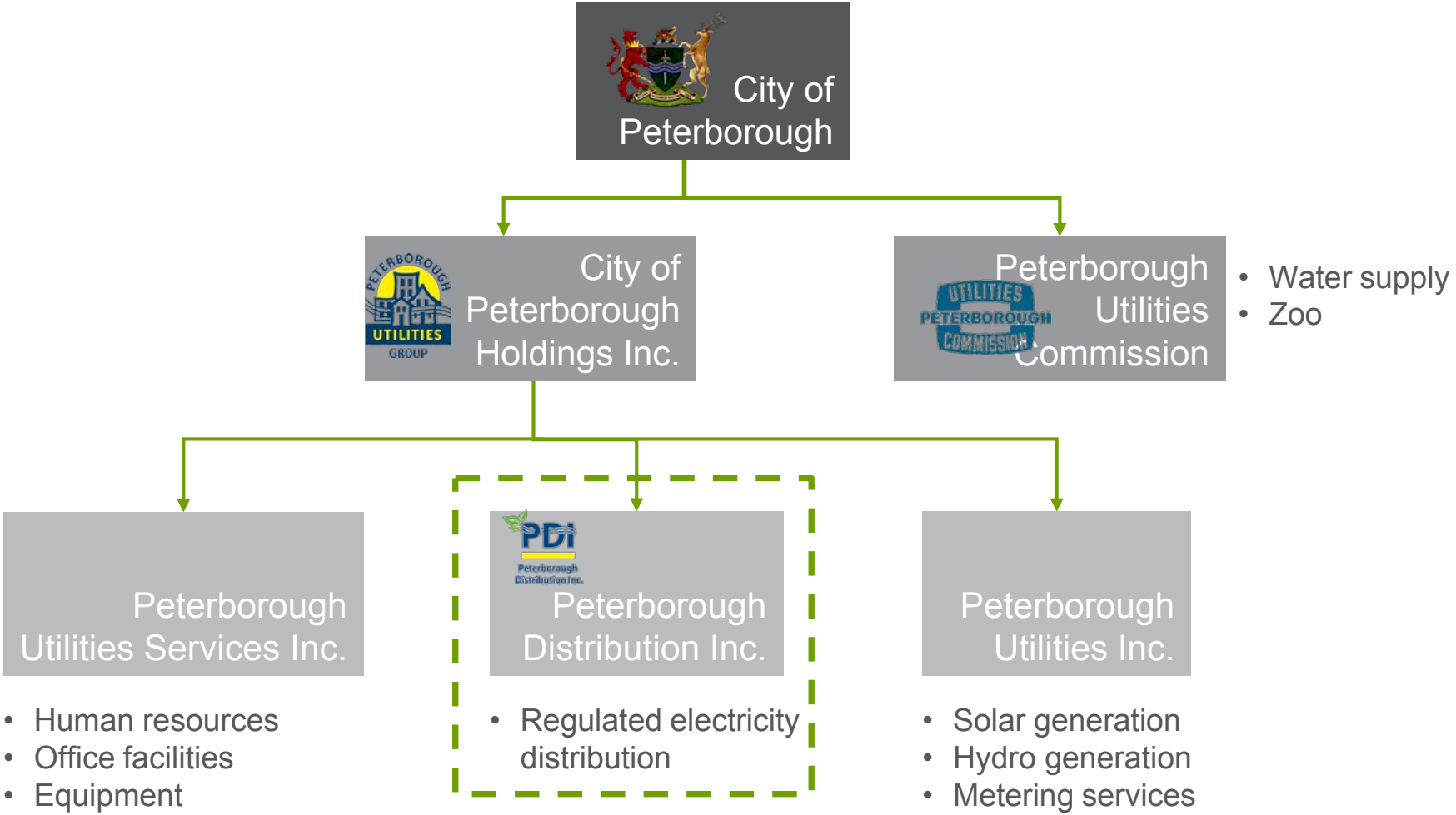
The City of Peterborough is seeking independent advice as it considers a potential sale of Peterborough Distribution Inc.

Topics to explore in this session

1. The outlook for medium-sized Local Distribution Companies (LDCs) given expected policy, regulatory, technology and market developments
2. The various taxes that would apply to a potential transaction
3. Current market prices for electric utilities
4. A proposed decision framework for the city
5. Other options for PDI

NAVIGANT

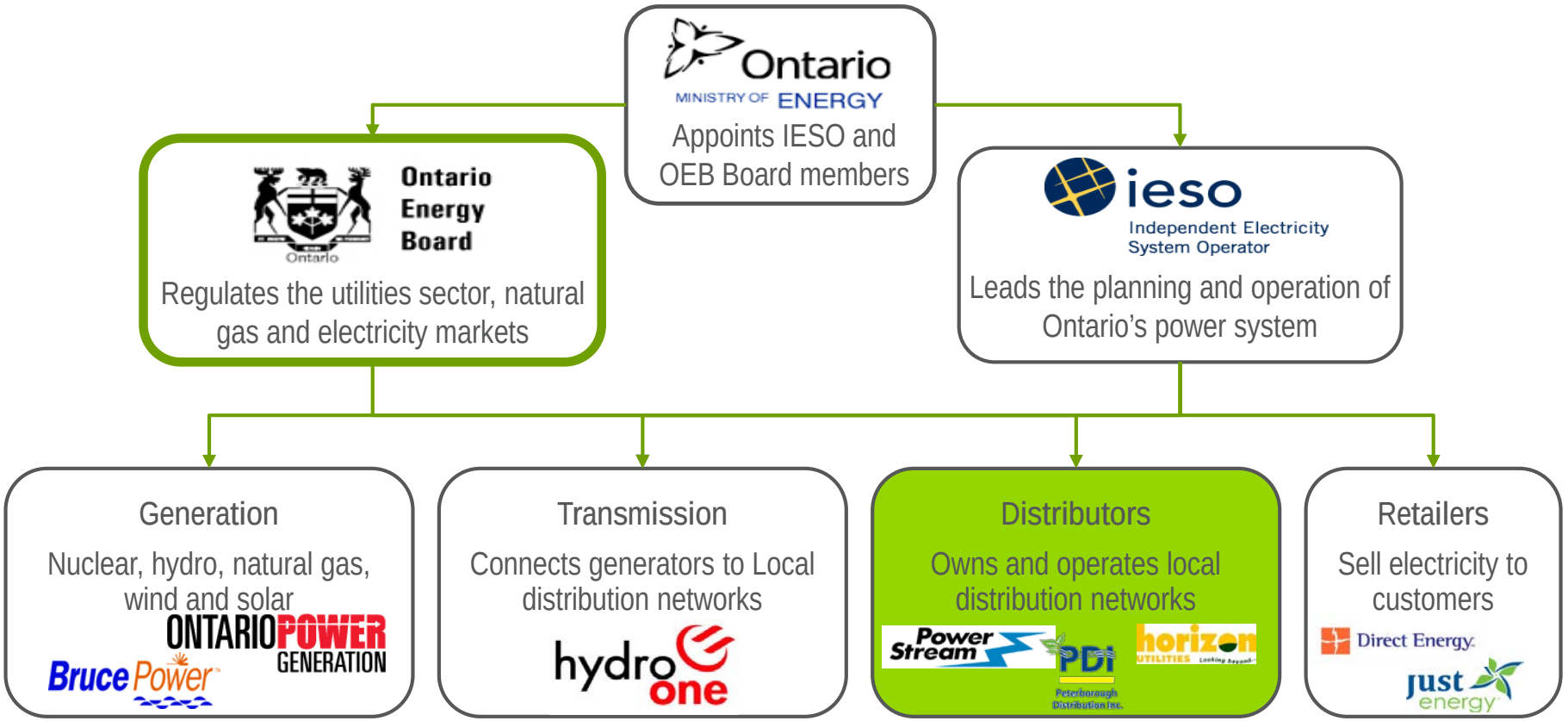
BUSINESS OVERVIEW



NAVIGANT

ONTARIO ELECTRICITY INDUSTRY STRUCTURE

The Ontario Energy Board is the regulator that approves electricity distribution rates regardless of public or private ownership

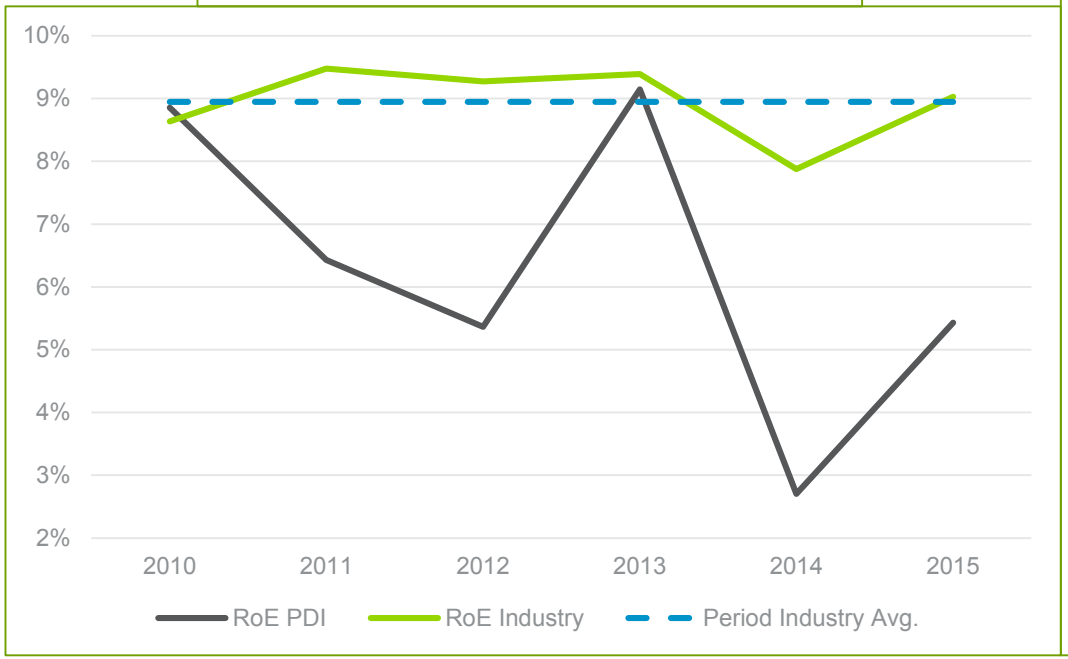


NAVIGANT

BUSINESS OVERVIEW: PDI

CUSTOMERS / NETWORK

- Total : 36,317
- Total Service Area : 64 sq. km
- Total km of line : 563



FINANCIAL

- Annual Revenue : $15,396,137
- Net Income : $1,600,702
- Total Assets : $89,788,796
- Return on equity : 5.43%
- Return on Assets : 1.78%

Data as of December 31, 2015

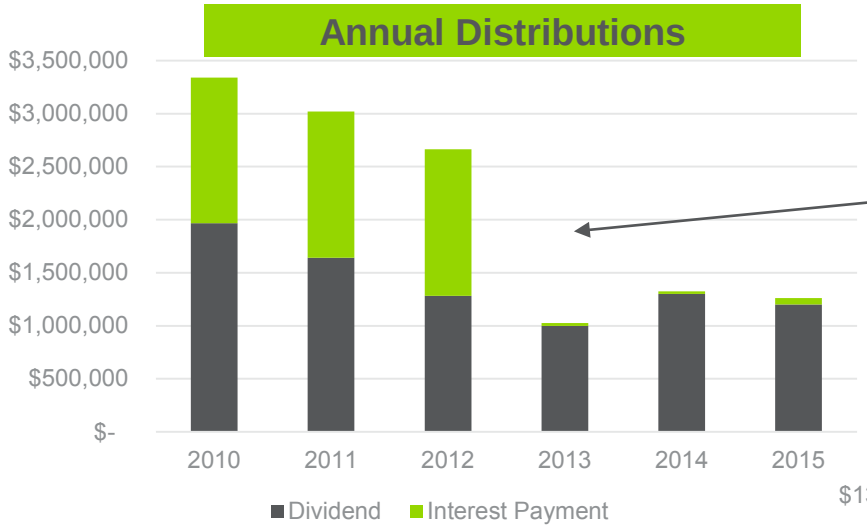
Distributions from PDI to COPHI
- Interest: $4.25 million since 2010
- Dividends: $8.4 million since 2010

Distributions from COPHI to City
- Interest: $13.12 million since 2010
- Dividends: $17.42 million since 2010

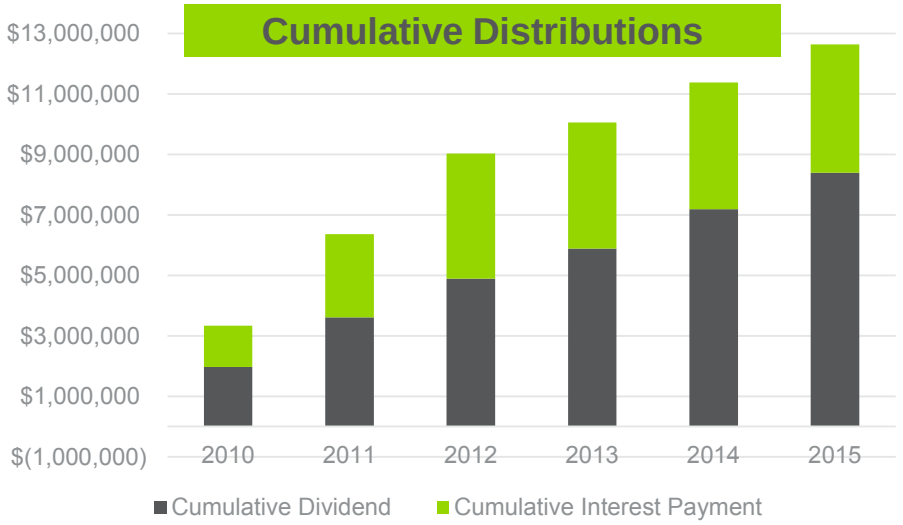
Data as of December 31, 2015

NAVIGANT

DISTRIBUTIONS FROM PDI



Significant drop in interest payment reflects restructuring of PDI shareholder debt. This debt was converted to equity and was then used to invest in entities external to PDI (for example, solar PV through PUI)



Data as of December 31, 2015

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INDUSTRY TRENDS AND OUTLOOK

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GLOBAL ELECTRICITY TRENDS

DISRUPTIVE TRIGGERS

Regulation and Policy

- Carbon mitigation
- Shifting utility regulatory models
- Flexibility
- Renewables promotion
- DER adoption

Market Demand

- Control
- Choice
- Sustainability
- Accessibility

Technology Innovation

- Affordability
- Digitalization
- Networking and data analytics
- Integration

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GLOBAL ELECTRICITY TRENDS

DISRUPTIVE TRIGGERS

Regulation and Policy

- **Carbon mitigation:** Carbon pricing mechanisms, policies, and investments (e.g., Cap and trade, Climate Change Action Plan, US Clean Power Plan, COP21)
- **Shifting utility regulatory models:** Incentive-based regulation
- **Flexibility:** Promotion of distribution system operators, support for energy storage, support for intra- and international interconnection
- **Renewables promotion:** Purchase / production requirements (e.g. Renewable Portfolio Standards, Renewable Energy Directive), tax incentives (e.g., accelerated depreciation)
- **DER adoption:** Pricing mechanisms and policies (e.g., Net metering, feed-in tariffs, Solar Renewable Energy Credits)

Market Demand

- **Control:** More customers demanding control over their electricity usage and spend
- **Choice:** More customers want the ability to purchase green power or self-generate and sell that power back to the grid
- **Sustainability:** Marketplace differentiation and brand awareness
- **Accessibility:** More options available to greater share of end-use customers

Technology Innovation

- **Affordability:** Declining cost of ownership for solar PV, energy storage, and other demand-side technologies
- **Digitalization:** Lowering the barrier for entry for innovative solutions
- **Networking and data analytics:** Harnessing distributed computing and data across the grid
- **Integration:** Pairing of complementary disruptive technologies (e.g., solar + storage)

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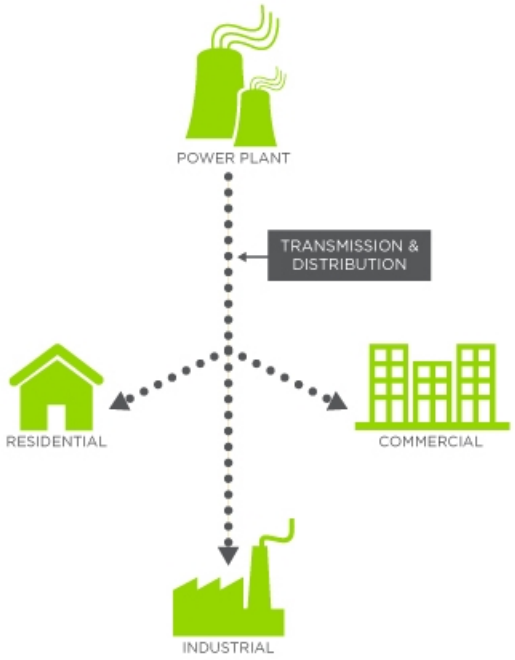
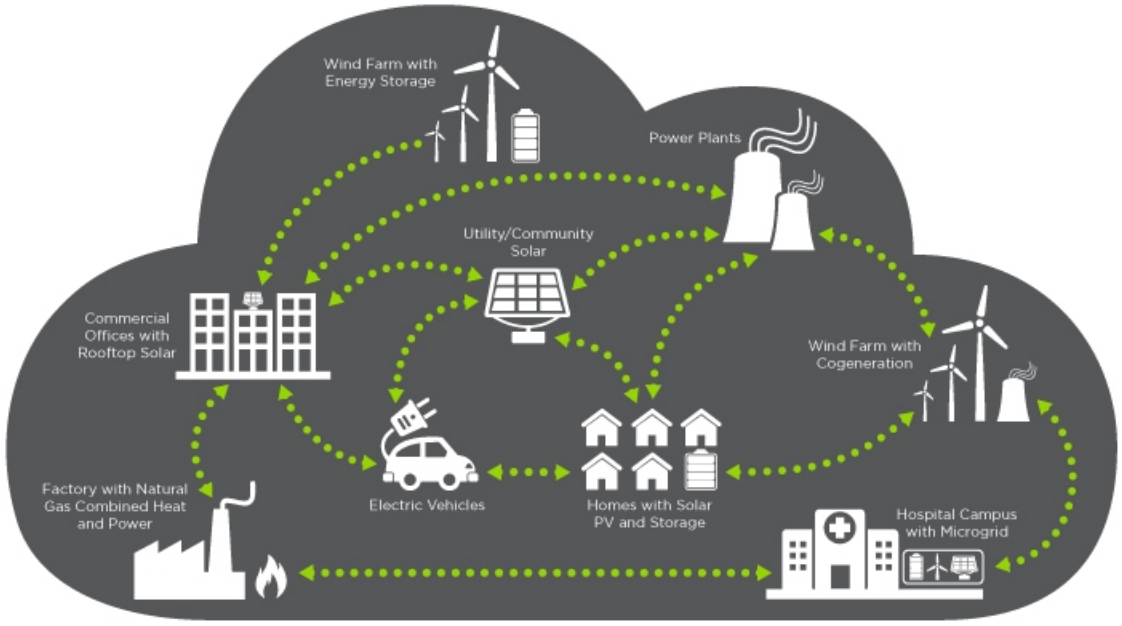
GLOBAL ELECTRICITY TRENDS

THE ENERGY CLOUD[1,2]

TODAY: TRADITIONAL POWER GRID
Central, One-Way Power System



EMERGING: THE ENERGY CLOUD
Distributed, Two-Way Power Flows

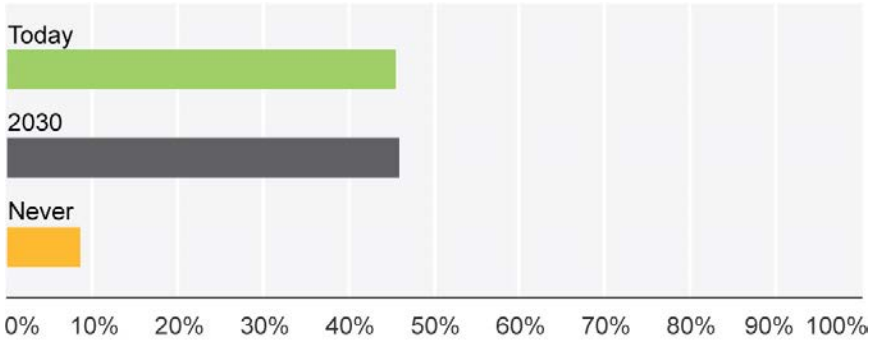


[1] The Energy Cloud: Emerging Opportunities on the Decentralized Grid (white paper)
[2] Navigating the Energy Transformation: Building a Competitive Advantage for Energy Cloud 2.0 (white paper)

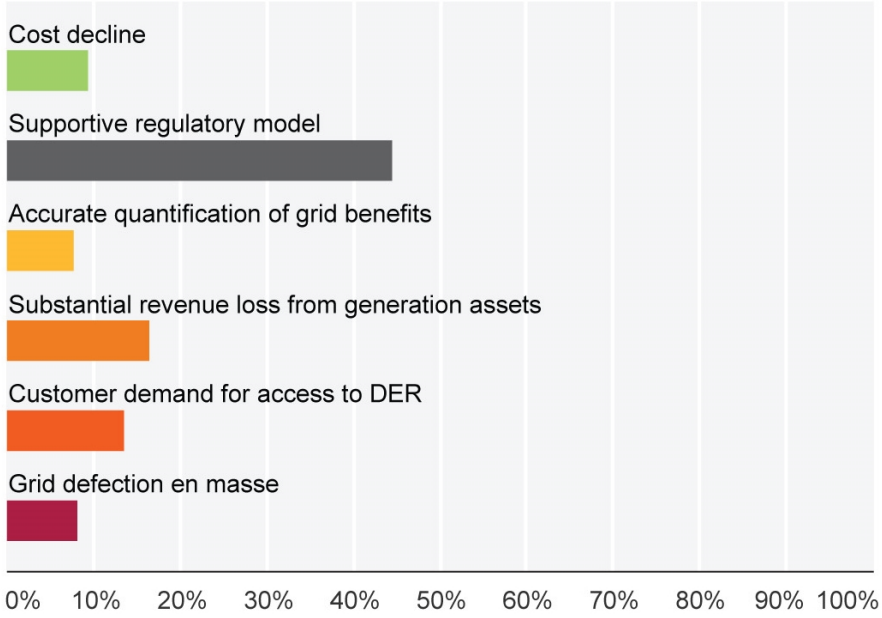
GLOBAL ELECTRICITY TRENDS

STATE & FUTURE OF THE POWER INDUSTRY[1]

When will the **growth of Distributed Energy Resources (DER) force a major shift** in the utility business models?



What is the **most important tipping point** for utilities to aggressively pursue owning and operating DER?



[1] State and Future of the Power Industry (special report)

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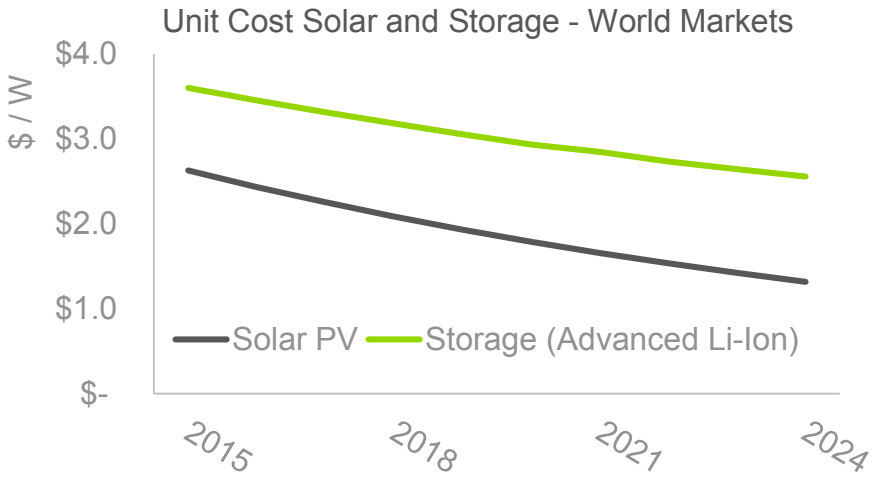
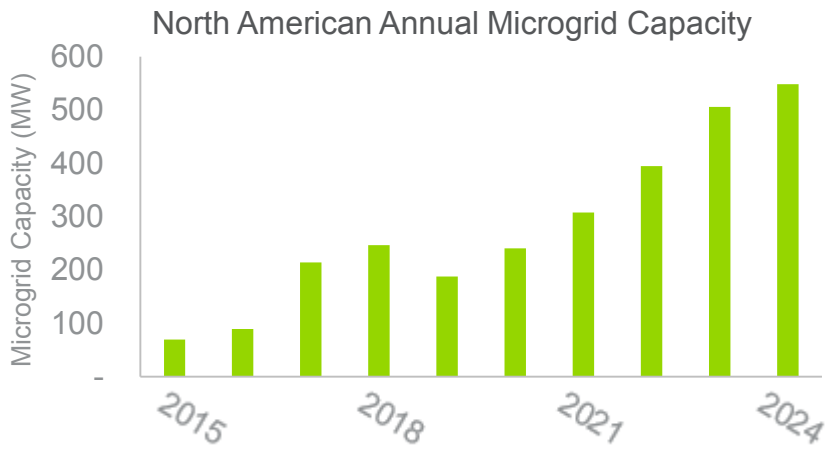
INDUSTRY TREND #1: DISTRIBUTED GENERATION

Customers are seeking alternatives to traditional grid-supplied electricity

- The cost of alternatives like solar and storage continue to decline
  - Ontario is revisiting net metering to provide additional incentives
  - 25 microgrid projects in Ontario
- The cost of grid supplied energy is increasing
- Commercial and institutional customers (e.g. WalMart, Honda, Costco) are sourcing their own electricity
- In general, electricity end uses are becoming more efficient





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INDUSTRY TREND #2: SECTOR CONSOLIDATION

As LDCs search for growth, scale and efficiencies, they look to mergers and acquisitions

- To compete within a changing marketplace, mergers and acquisitions provide additional resources and scale
- Ontario government is encouraging LDC consolidation through reduced transfer tax on proceeds of LDC sales to private companies
- MergeCo transaction (PowerStream, Enersource, Horizon and Hydro One Brampton) has sparked other merger and acquisition discussions across the province
  - Oshawa Hydro, Veridian and Whitby Hydro currently in merger discussions

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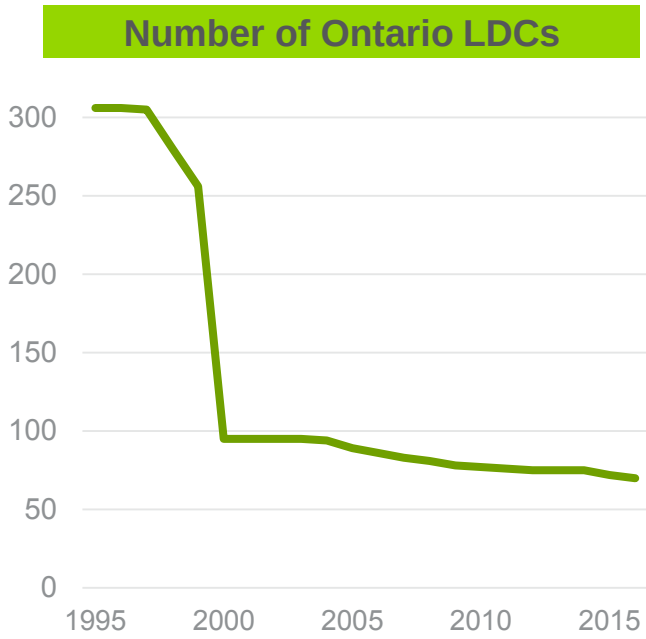
INDUSTRY TREND #2: SECTOR CONSOLIDATION

The number of Ontario LDCs has decreased through consolidation and the 2015 Ontario budget introduced changes to encourage further consolidation.



- Transfer tax rate on ***sale to privately-owned companies*** was reduced from 33% to 22%
  - For example, if sale price was $100 million, transfer tax payable to the government of Ontario would be $22 million*
  - Transfer tax ***does not apply on sale to other municipally-owned LDCs***
- Transfer tax rate set to 0% for municipal LDCs with fewer than 30,000 customers
- The capital gains tax rate set to 0% for municipally-owned LDCs
- The above measures will apply from **January 1, 2016 to December 31, 2018**

* Less cumulative Payments-in-Lieu of Taxes (PILs) paid by the LDC

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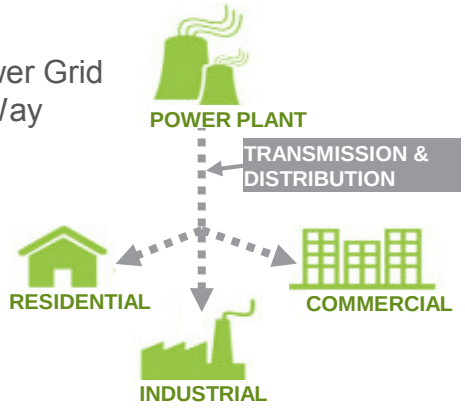
INDUSTRY TREND #3: SMARTER GRIDS

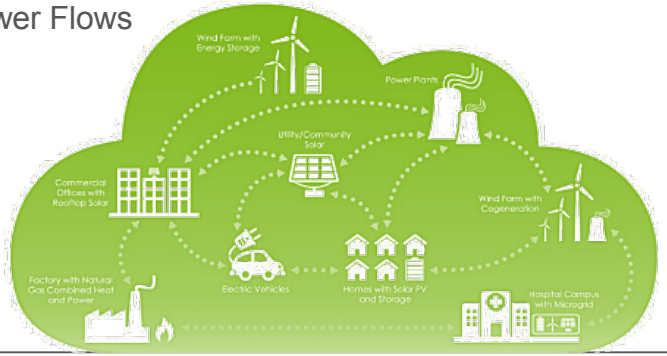
Technology is fueling a shift towards decentralised and smarter power systems

- Technology advancements have reduced costs and increased the effectiveness of distributed energy resources
- Connected devices provide data on unprecedented levels
- Increasingly intelligent systems to utilise this data create meaningful performance improvements and provide a competitive advantage
- The velocity, scope and impact of technological change is unprecedented, suggesting either the acceleration of the 3rd or a 4th industrial revolution

TODAY
Traditional Power Grid
Central, One-Way
Power System



EMERGING
The Energy Cloud
Distributed, Two-Way
Power Flows



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WHAT THESE TRENDS MEAN FOR PDI: 1. DISTRIBUTED GENERATION

Trend	Distributed generation
Driver	Behind the meter generation enabled by 1) decreases in the cost of solar PV, and 2) storage and increases in the cost of grid-supplied electricity
Potential Impact on PDI	Reduction in revenue as customers produce more of their electricity or leave the grid entirely
How significant is potential impact	- Not significant since Ontario is moving towards fixed distribution rates for residential customers - OEB is currently exploring changes to commercial distribution rate structures - Ontario is drafting new net metering regulations and policy to protect existing electricity infrastructure - Exposure primarily limited to large commercial and industrial

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WHAT THESE TRENDS MEAN FOR PDI: 2. SECTOR CONSOLIDATION

Trend	Sector consolidation
Driver	Ontario government is encouraging consolidation directly through tax incentives and indirectly through Hydro One
Potential Impact on PDI	Increasingly stringent regulations put pressure on smaller LDCs and encourage formation of larger LDCs
How significant is potential impact	- Government has stated that it would not force consolidation, but will encourage it - Regulatory framework that allows LDCs to set distribution rates to earn a target rate of return unchanged. This policy will ensure that, over the medium term, revenues adjust to offset any decrease in sales due to distributed generation

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WHAT THESE TRENDS MEAN FOR PDI: 3. SMARTER GRIDS

Trend	Smarter grids
Driver	More efficient and intelligent grid technology improves reliability and enables distributed generation
Potential Impact on PDI	Higher investment requirements for new technologies to keep up with larger peer utilities and require a more sophisticated workforce
How significant is potential impact	- Ontario Energy Board regulatory framework places high emphasis on ratepayer impacts, so this will limit pressure to deploy expensive technology - Some technologies offset traditional infrastructure investments - Potential risk of not being able to attract appropriately skilled staff

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MARKET VALUE

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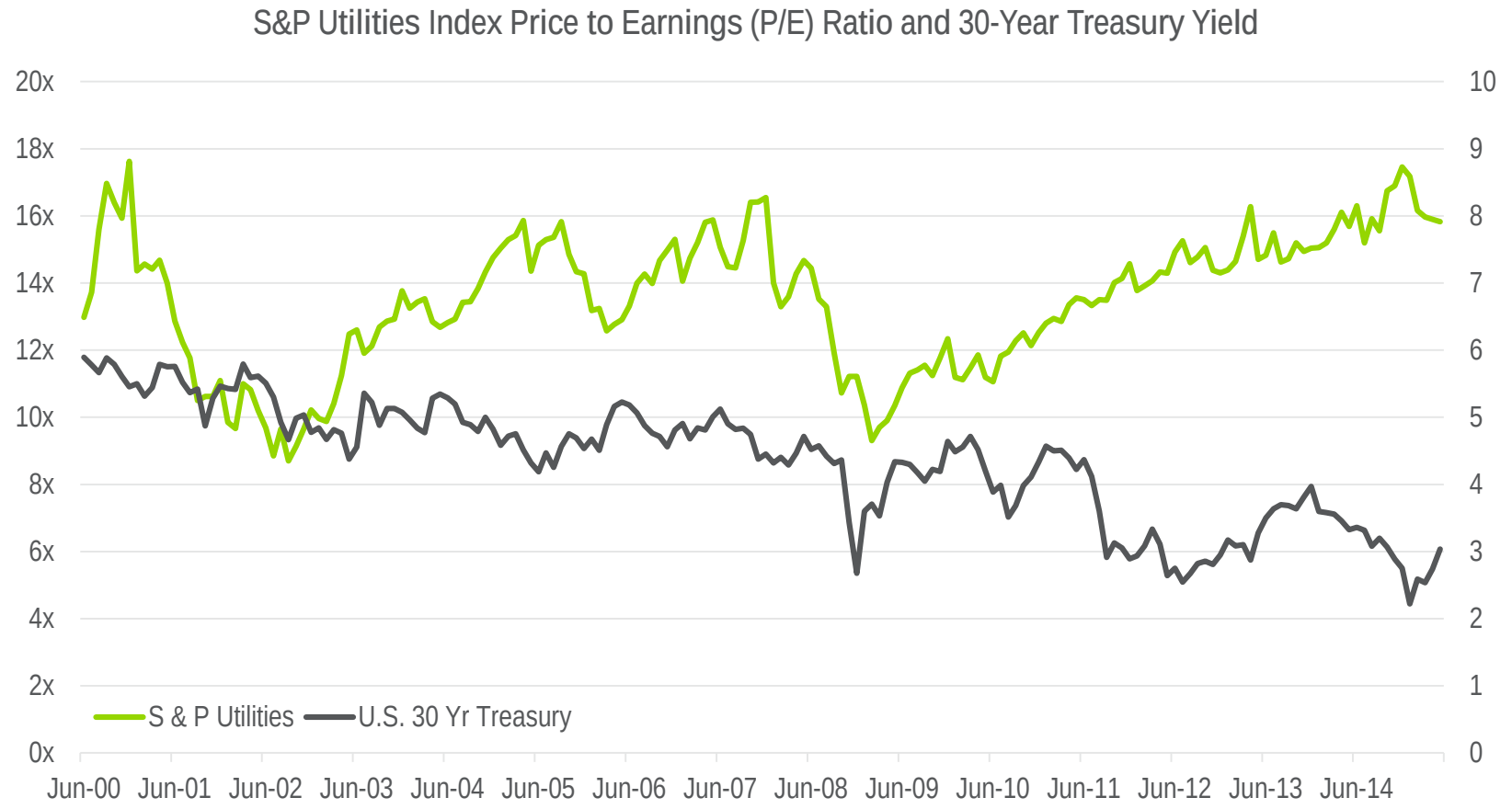
MARKET VALUE

Since 2003, the market valuation for utility companies has increased as long-term interest rates have fallen



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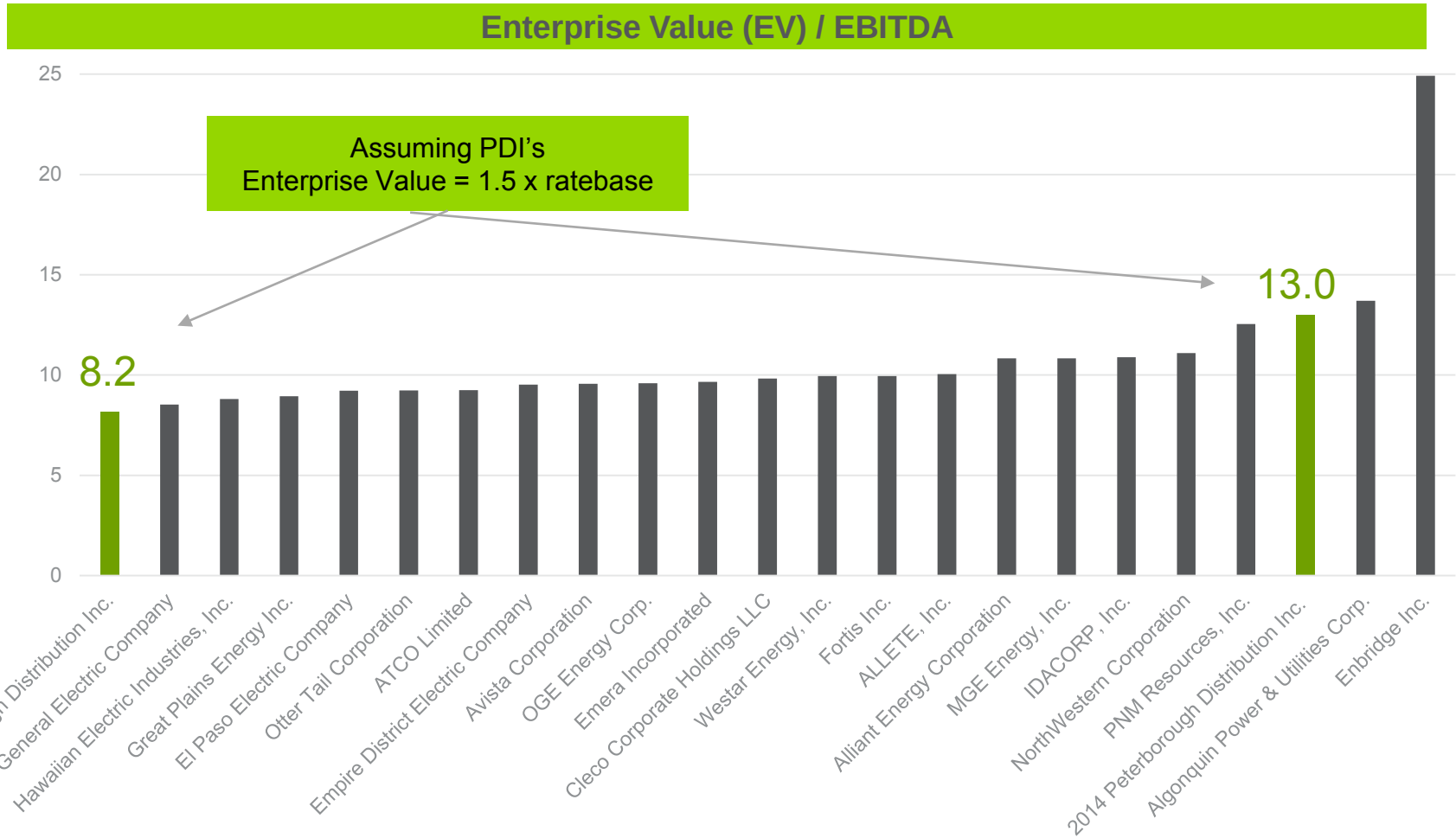
MARKET VALUATION



Source: SNL, Navigant 2015 data

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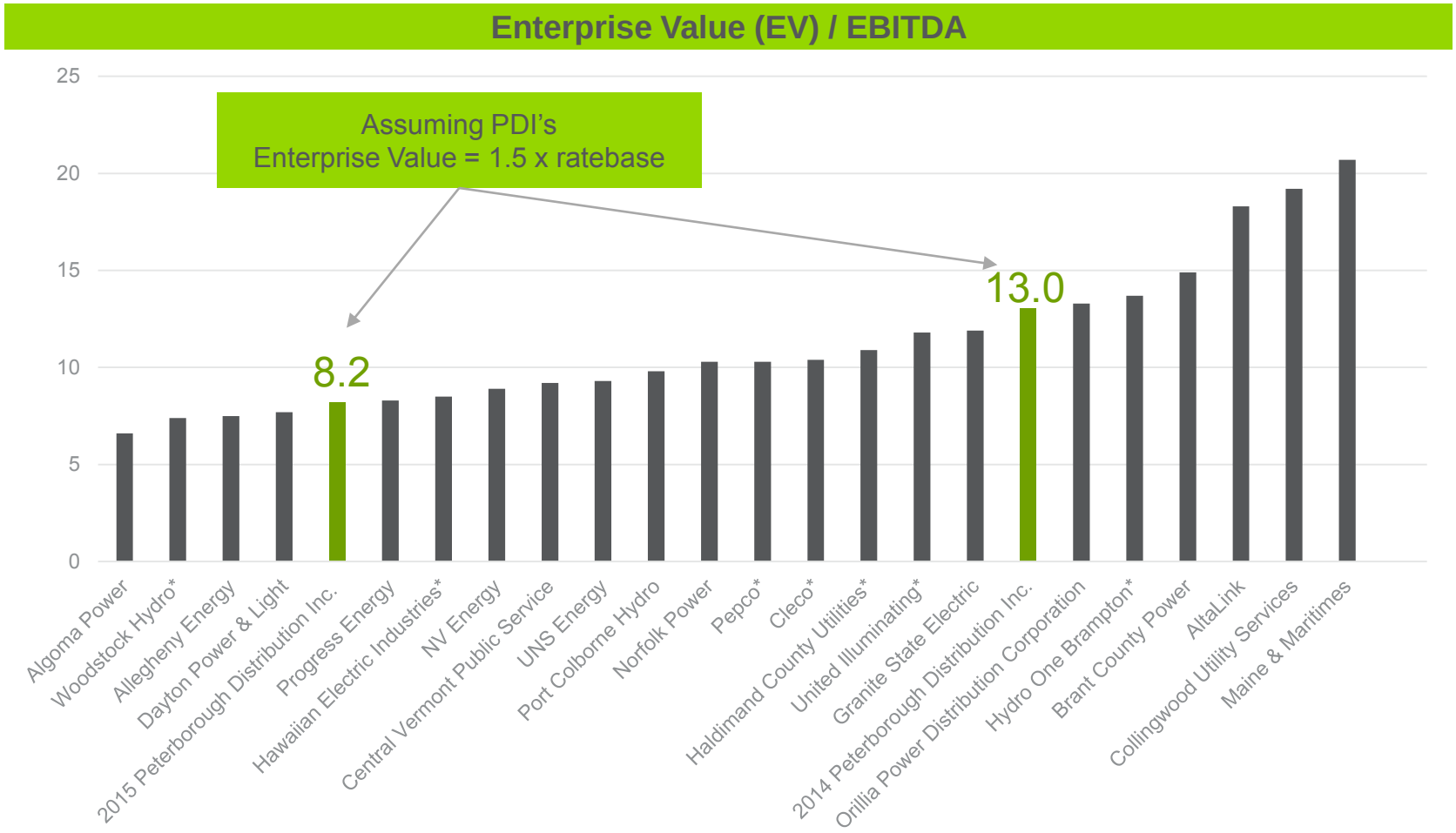
COMPARABLE TRANSACTIONS



**proposed*

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PROPOSED DECISION FRAMEWORK

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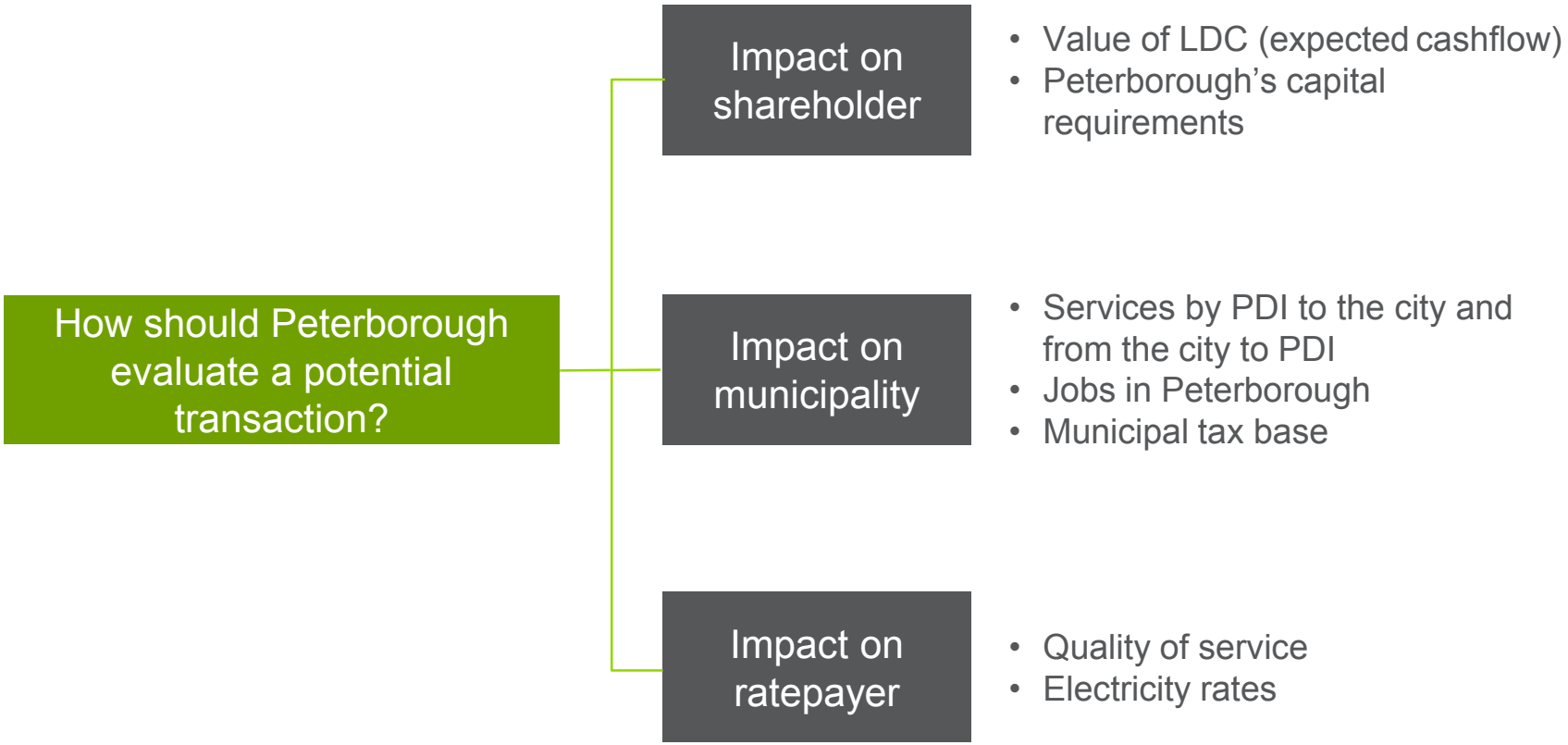
PROPOSED DECISION FRAMEWORK



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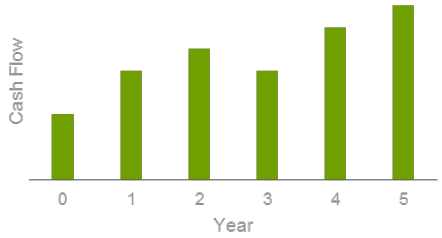
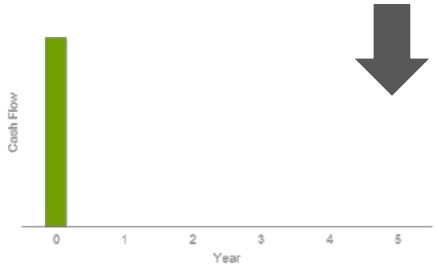
IMPACT ON SHAREHOLDERS

Hold



Forecast cashflow* to city



Discounted at city's cost of capital

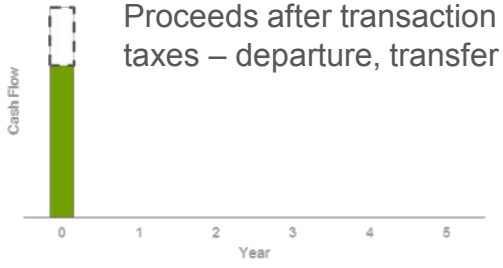
No additional transaction taxes

Illustrative

Sell

Sale price

Proceeds after transaction taxes – departure, transfer tax



Which cashflow is higher?

** Dividends and re-invested capital*

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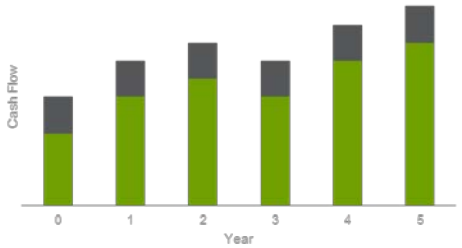
IMPACT ON SHAREHOLDERS

Net proceeds from sale could be higher than hold value if the buyer has a more optimistic view than the seller and the ability to utilize the asset more efficiently

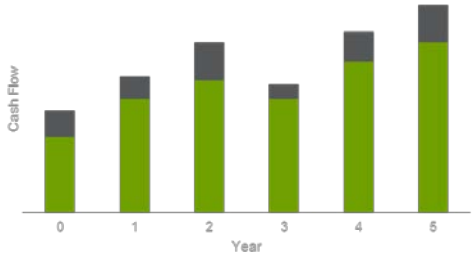
Internal factors

- Merger synergies
- Operating efficiencies
- Capital expenditures



External factors

- Forecast impact of
  - regulation
  - technology
- Forecast growth of utility



Cost of Capital

- Lower opportunity cost

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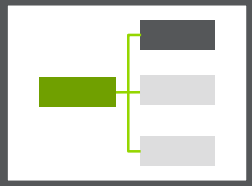
PETERBOROUGH'S CAPITAL REQUIREMENTS



The city should assess its present and future capital requirements

- What are the city‘s future capital requirements?
- What are the possible sources for these capital requirements
  - Reserves
  - Ongoing distributions from PDI
  - Proceeds from sale of assets, including PDI
- What risks are associated with PDI’s future cash flows?
- Can the proceeds of sale be put to better use elsewhere?
  - Example: the government of Ontario expressed the need for cash to invest in infrastructure as the impetus for the partial sale of Hydro One
  - Every shareholder will face different cash needs and different opportunity costs

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IMPACT ON MUNICIPALITY

Should consider the potential impact on local jobs and service costs to the city resulting from the sale

Jobs in Peterborough

- How will **local employment** be impacted as a result of the sale?

Services

- How will **service costs** be impacted as a result of the sale.
- Consider services by PDI to the city and from the city to PDI
  - What is the plan to transition these services?

Municipal Tax base

- How will **local municipal tax revenues** be impacted as a result of the sale?

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IMPACT ON RATEPAYERS

The city should consider the impact of the sale on the ratepayers

How will **service levels** to customers be impacted?

- Customer service and response time
- Billing accuracy
- Frequency and duration of outages

How will **distribution rates** ratepayers be impacted?

- In recent Hydro One purchases, distribution rates for the acquired LDC have been decreased by 1% and then frozen for 5 years
- How will the rates change after any rate freeze period expires?
- Note that distribution rates represent only 20% of typical residential bill; the remaining 80% representing commodity costs, transmission rates, etc. are outside the control of the LDC

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OTHER OPTIONS

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OTHER OPTIONS TO CONSIDER

As shareholder, the City of Peterborough can choose any of the following strategic ownership alternatives

Sell		Merge	Hold
Private LDC / Utility	**Municipally-owned LDCs**		
• Hydro One is a private entity, hence any sale proceeds would be subject to transfer tax (22%) • Would other potential private purchasers be interested (eg, Fortis)?	• Sale proceeds would be exempt from transfer tax • Would other LDCs be able to achieve same synergies? • Consider impact on ratepayers and municipality (per proposed decision framework)	• Similar risk profile as “Hold” • Would have partial ownership • OEB still regulates rates • Control will depend on equity % and shareholders agreement • Shareholders able to retain synergies for up to 10 years, then synergies flow to ratepayers • May be greater ability to respond to external challenges and pressures	**Status quo**

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APPENDIX

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GLOSSARY

Return on equity (ROE): Is a measure of profitability that calculates how many dollars of profit a company generates with each dollar of shareholders' equity.

It is calculated as follows:

Net Income / Shareholders' Equity.

EBITDA: Earnings before interest, tax, depreciation and amortization (EBITDA) is a measure of a company's operating performance.

It is a way to evaluate a company's performance without having to factor in financing decisions, accounting decisions or tax environments.

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APPENDIX : COMPARABLE TRANSACTIONS

Company	Date	EV	EV / EBITDA
Maine & Maritimes	Mar-10	$109M USD	20.7x
Collingwood Utility Services	Jan-12	$30M CDN	19.2x
AltaLink	May-14	$7,000M CDN	18.3x
Brant County Power	May-14	$40M CDN	14.9x
Hydro One Brampton*	Apr-15	$607M CDN	13.7x
Granite State Electric	Dec-10	$285M USD	11.9x
United Illuminating*	Feb-15	$4,847M USD	11.8x
Haldimand County Utilities*	Jun-14	$75M CDN	10.9x
Cleco*	Oct-14	$4,704M USD	10.4x
Norfolk Power	Apr-13	$93M CDN	10.3x
Pepco*	Apr-14	$12,605M USD	10.3x
Port Colborne Hydro	Oct-11	$7M CDN	9.8x
UNS Energy	Dec-13	$4,343M USD	9.3x
Central Vermont Public Service	Jun-11	$698M USD	9.2x
NV Energy	May-13	$10,689M USD	8.9x
Hawaiian Electric Industries*	Dec-14	$4,567M USD	8.5x
Progress Energy	Jan-11	$26,627M USD	8.3x
Dayton Power & Light	Apr-11	$4,798M USD	7.7x
Allegheny Energy	Feb-10	$9,291M USD	7.5x
Woodstock Hydro*	May-14	$46M CDN	7.4x
Algoma Power	Jun-09	$68M CDN	6.6x

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CONTACTS

TODD WILLIAMS
Managing Director
647.288.5204
twilliams@navigant.com

BENJAMIN GRUNFELD
Director
416.777.2444
Benjamin.Grunfeld@navigant.com

TRENT WINSTONE
Associate Director
416.985.4912
Trent.Winstone@navigant.com

ARABIND NANDA
Senior Consultant
647.288.5230
Arabind.Nanda@navigant.com

PETERBOROUGH DISTRIBUTION INC. SALE REVIEW:

SUMMARY OF KEY TERMS OF HYDRO ONE OFFER

PREPARED FOR
THE CITY OF PETERBOROUGH

OCTOBER 2016

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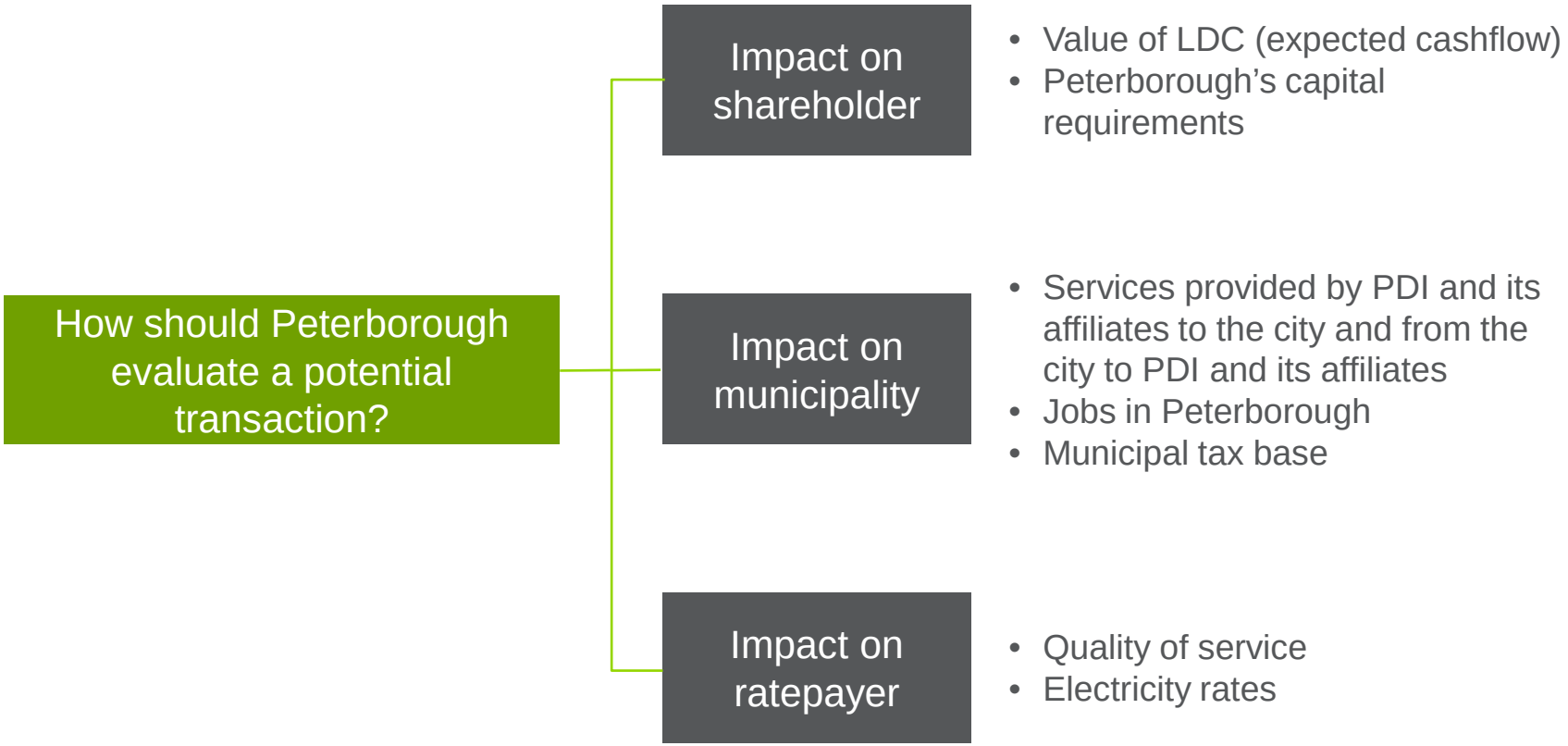
PROPOSED DECISION FRAMEWORK



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HYDRO ONE OFFER OVERVIEW

The offer is for Peterborough's regulated electricity distribution business assets

- Purchase price: **$105 million**
- Economic development
  - Plan to construct Regional Operating Centre within Peterborough
  - 30 incremental Hydro One jobs at new Regional Operating Centre
- Jobs: all PDI employees will be offered a **12 month location and service guarantee**
- Customer distribution rates
  - Will be reduced by **1% and frozen** for years one through five
  - Potential for **distribution rate increases less than inflation** for years six through ten if approved by Ontario Energy Board
  - Proposed Earnings Sharing Mechanism would provide a guaranteed share of Hydro One's earnings in years six to ten to be used to offset distribution rates in year 11 and beyond
- Service Levels: Guarantees *backed by monetary compensation* if not fulfilled

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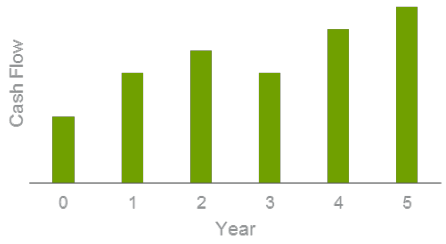
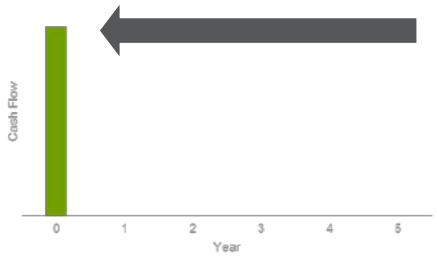
IMPACT ON SHAREHOLDERS

Hold

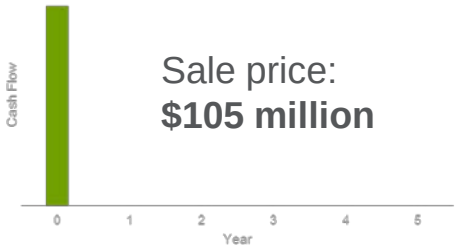


Forecast cash flow to city – dividends and interest

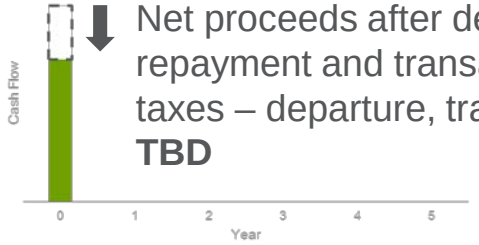


Discounted at city's cost of capital – no transaction taxes

Sell



Sale price:
$105 million



Net proceeds after debt repayment and transaction taxes – departure, transfer tax
TBD

From a pure financial perspective, the Sale scenario could be higher than Hold scenario if Net Proceeds (after tax) is higher than the present value of future cash flows to the city.

Navigant will provide high level analysis in November

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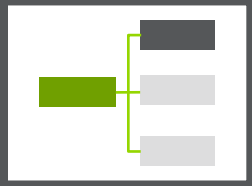
PETERBOROUGH'S CAPITAL REQUIREMENTS



The city should assess its present and future capital requirements

- What are the city‘s future capital requirements?
- What is the city’s discount rate, or rate at which it can safely reinvest?
- What are the possible sources for these capital requirements
  - Reserves
  - Ongoing distributions from PDI
  - Proceeds from sale of assets, including PDI
- What risks are associated with PDI’s future cash flows?
- Can the proceeds of sale be put to better use elsewhere?
- Every shareholder will face different cash needs and different opportunity costs

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IMPACT ON MUNICIPALITY

Should consider the potential impact on local jobs and service costs to the city resulting from the sale

Jobs in Peterborough – **Hydro One Offer Terms**:

- Current PDI employees would be offered a 12 month location and service guarantee
- 30 incremental Hydro One jobs at new Regional Operating Centre

Services – **Hydro One Offer Terms**:

- Transition Services Agreement (TSA) to be developed and agreed upon alongside the Asset Purchase Agreement
- TSA will describe the transfer of services currently provided to PDI by Peterborough Utilities Services Inc. (PUSI) to Hydro One
- Note: Also need to consider the impact on all services between PUSI, PDI and the city

Municipal Tax base

- How will **local municipal tax revenues** be impacted as a result of the sale? **TBD**

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IMPACT ON RATEPAYERS

The city should consider the impact of the sale on the ratepayers

Service levels – **Hydro One Offer Terms**:

- Service levels will be guaranteed with monetary compensation for missed targets

Distribution rates – **Hydro One Offer Terms**:

- Will be reduced by 1% and frozen for years one through five
- Potential for distribution rate increases less than inflation for years six through ten if approved by Ontario Energy Board
- Proposed Earnings Sharing Mechanism would provide a guaranteed share of Hydro One's earnings in years six to ten to be used to offset distribution rates in year 11 and beyond

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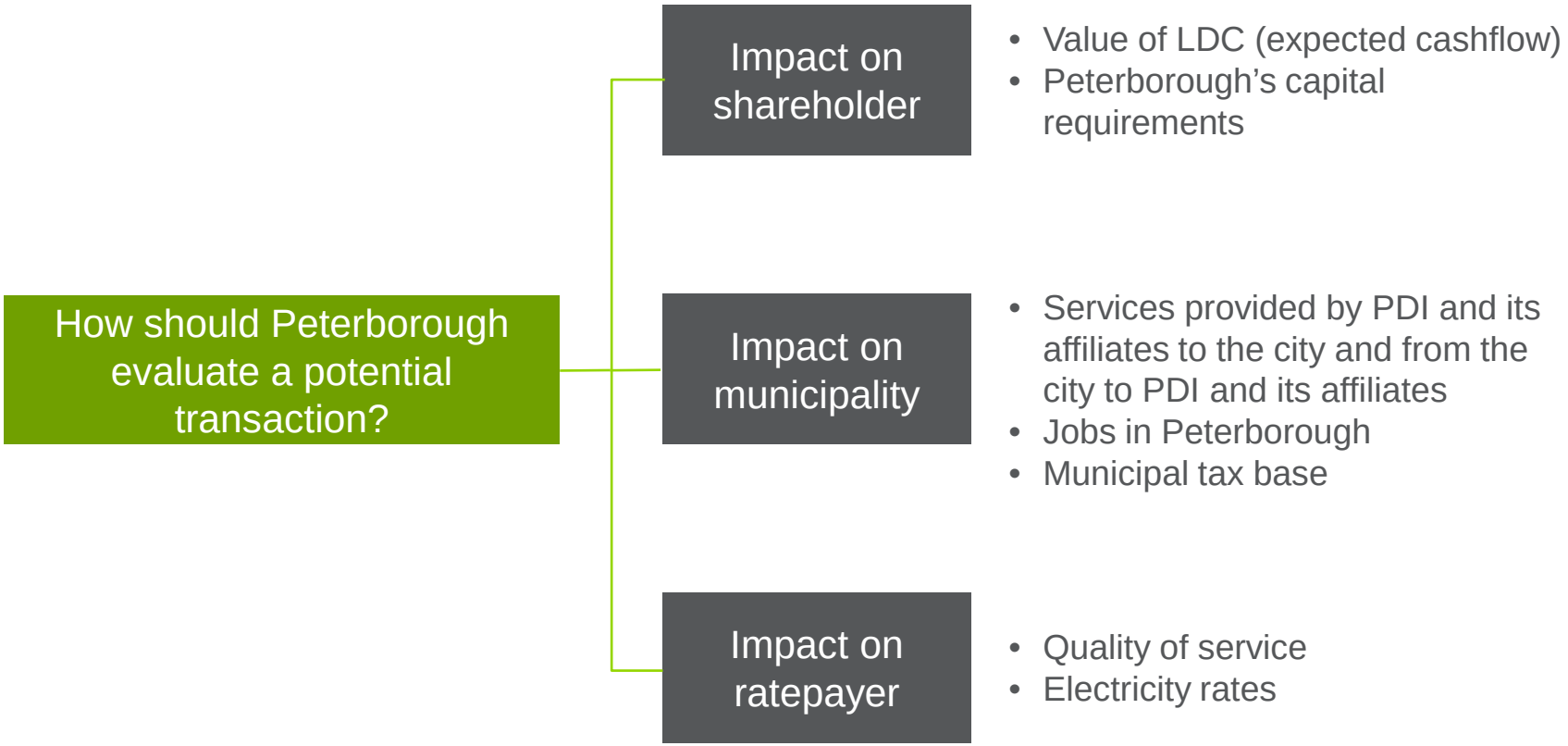
PROPOSED DECISION FRAMEWORK



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PETERBOROUGH DISTRIBUTION INC. SALE REVIEW:

ANALYSIS OF HYDRO ONE OFFER

PREPARED FOR
THE CITY OF PETERBOROUGH

NOVEMBER 24 2016

REVISED

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AGENDA

1. **Introduction**
2. **Analysis and findings**
   - **A. Shareholder perspective**
   - **B. Municipal perspective**
   - **C. Ratepayer perspective**
3. **Summary**

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HYDRO ONE OFFER OVERVIEW

The offer is for Peterborough's regulated electricity distribution business assets

- Purchase price: **$105 million**
- Economic development
  - Plan to construct Regional Operating Centre within Peterborough
  - Estimate 30 additional Hydro One jobs at new Regional Operating Centre
- Jobs: all PDI employees will be offered a **12 month location and service guarantee**
- Customer distribution rates
  - Will be reduced by **1% and frozen** for years one through five
  - Potential for **distribution rate increases less than inflation** for years six through ten if approved by Ontario Energy Board
  - Proposed **Earnings Sharing Mechanism** would provide a guaranteed share of Hydro One's earnings in years six to ten to be used to offset distribution rates in year 11 and beyond
- Service Levels: Guarantees *backed by monetary compensation* if not fulfilled

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HYDRO ONE OFFER OVERVIEW

Why is Hydro One making an offer?

- To create synergies and achieve cost savings by integrating PDI's assets and operations into Hydro One's distribution network

- The table to the right shows Hydro One's expected cost savings from its proposed purchase of Orillia Power Distribution Corporation (OPDC). Given PDI's costs, the percentage savings from PDI may be less, but would still be significant

Table 1: Projected Cost Savings - $M

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
OM&A										
Status Quo Forecast	4.8	4.9	5.0	5.1	5.2	5.3	5.4	5.5	5.6	5.8
Hydro One Forecast	4.1	2.1	2.0	1.7	1.7	1.7	1.8	1.8	1.9	1.9
Projected Savings	**0.7**	**2.8**	**2.9**	**3.4**	**3.5**	**3.6**	**3.6**	**3.7**	**3.8**	**3.9**
Capital										
Status Quo Forecast	2.7	2.8	2.9	3.0	3.1	3.2	3.3	3.4	3.5	3.6
Hydro One Forecast	3.6	2.3	2.4	2.3	2.4	2.5	2.6	2.7	2.9	3.0
Projected Savings	**(0.9)**	**0.5**	**0.5**	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**	**0.6**	**0.6**

Source: OEB - Hydro One's MAAD submission for OPDC (EB-2016-0276)

- Hydro One's purchase price, employment and rate offers reflect "sharing" by Hydro One of the expected synergies and savings with the City and PDI ratepayers

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FOCUS OF ANALYSIS IS THE HYDRO ONE OFFER

- Navigant has compared Hydro One's offer to continued ownership and operation of PDI by the City (Status Quo).
- Other options exist – such as sale to other parties or merger with other LDCs
- PDI and COPHI have explored these other options extensively over the past two years and determined that these other options would not provide the same benefits in the areas of:
  - Financial value to the City
  - Protect customers from increases in distribution rates
  - Ensure customer service excellence
  - Increase local jobs and economic activities
  - Ensure fair treatment of existing employees

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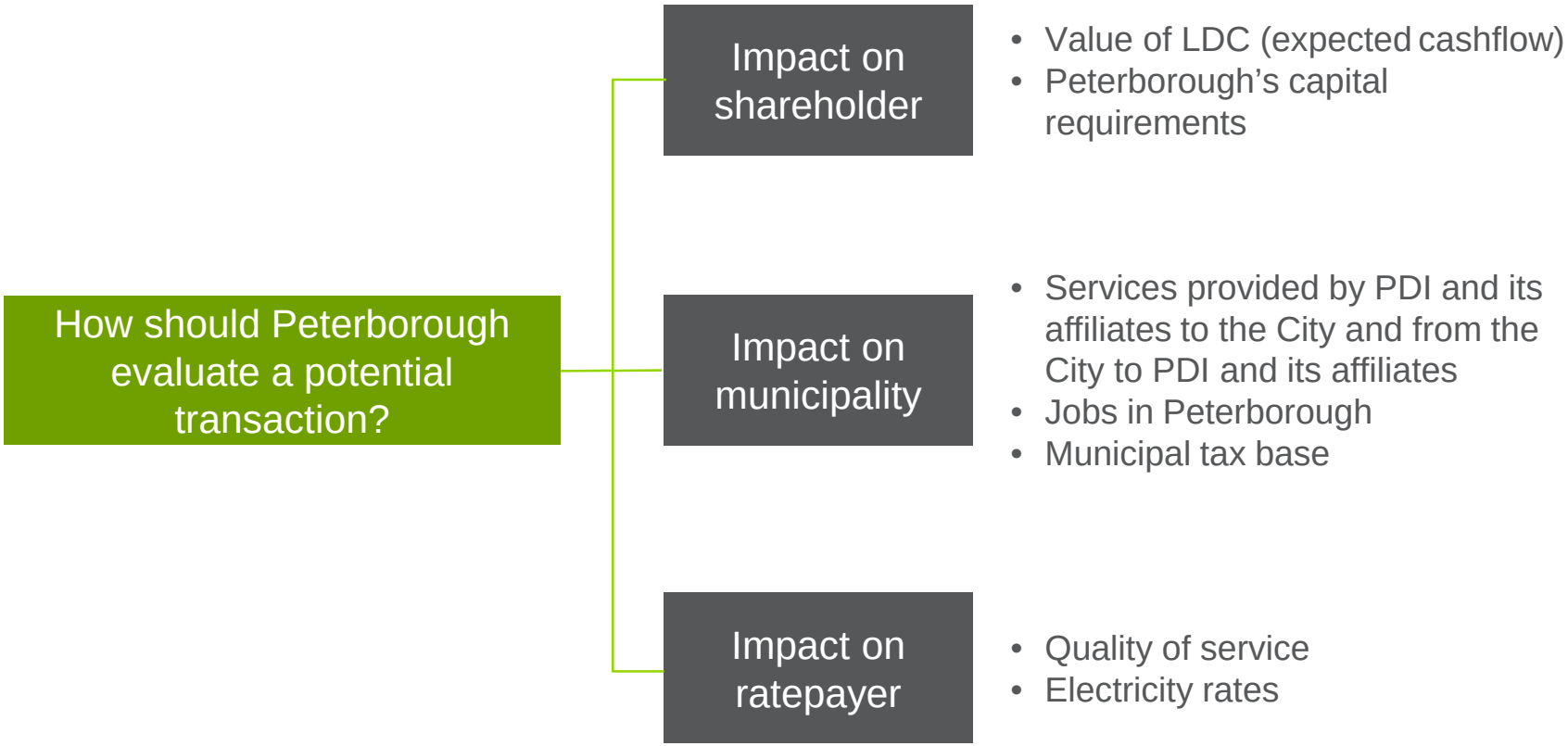
PROPOSED DECISION FRAMEWORK



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SHAREHOLDER PERSPECTIVE

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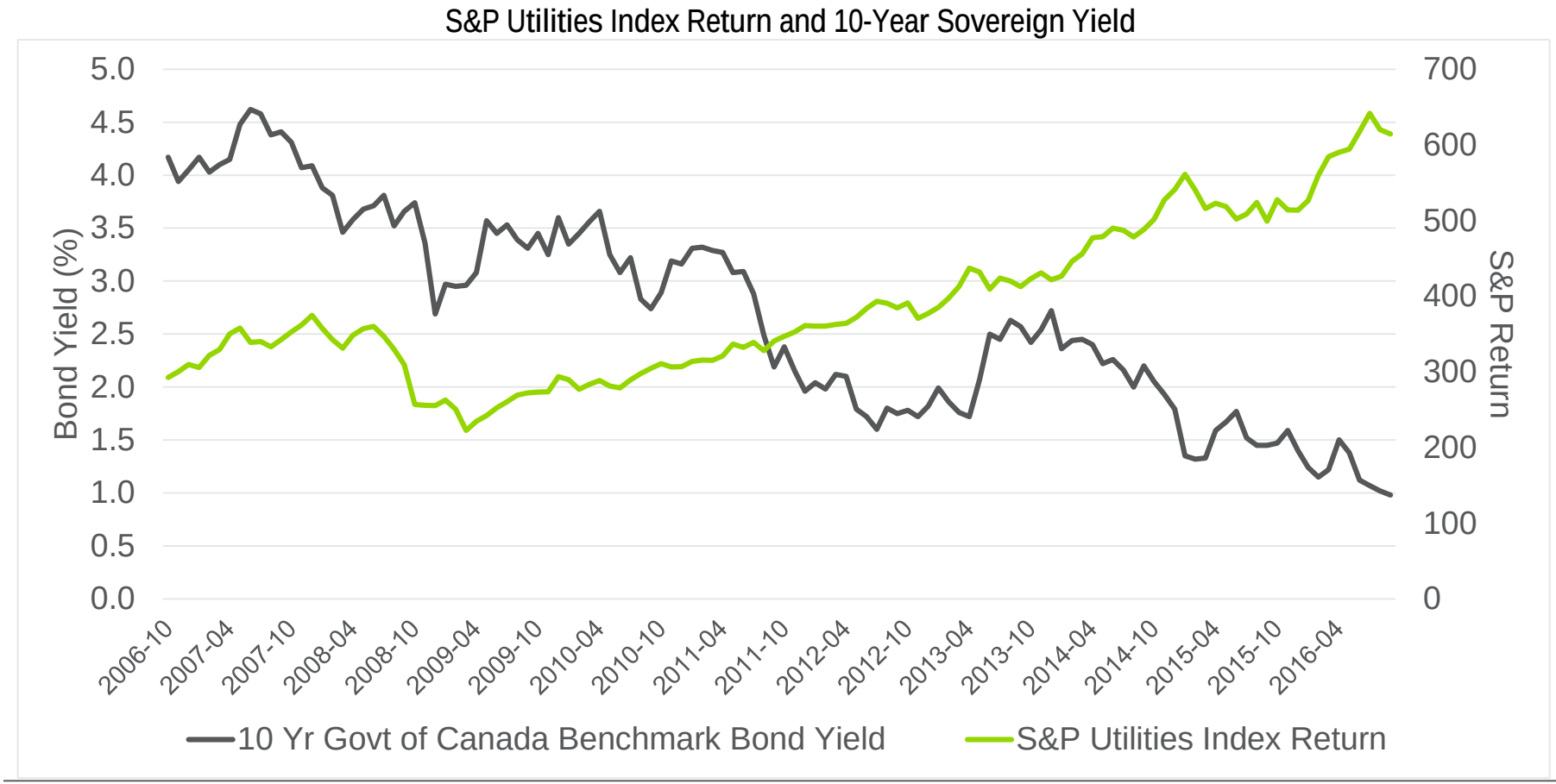
MARKET VALUE

Since 2008, the market valuation for utility companies has increased as long-term interest rates have fallen



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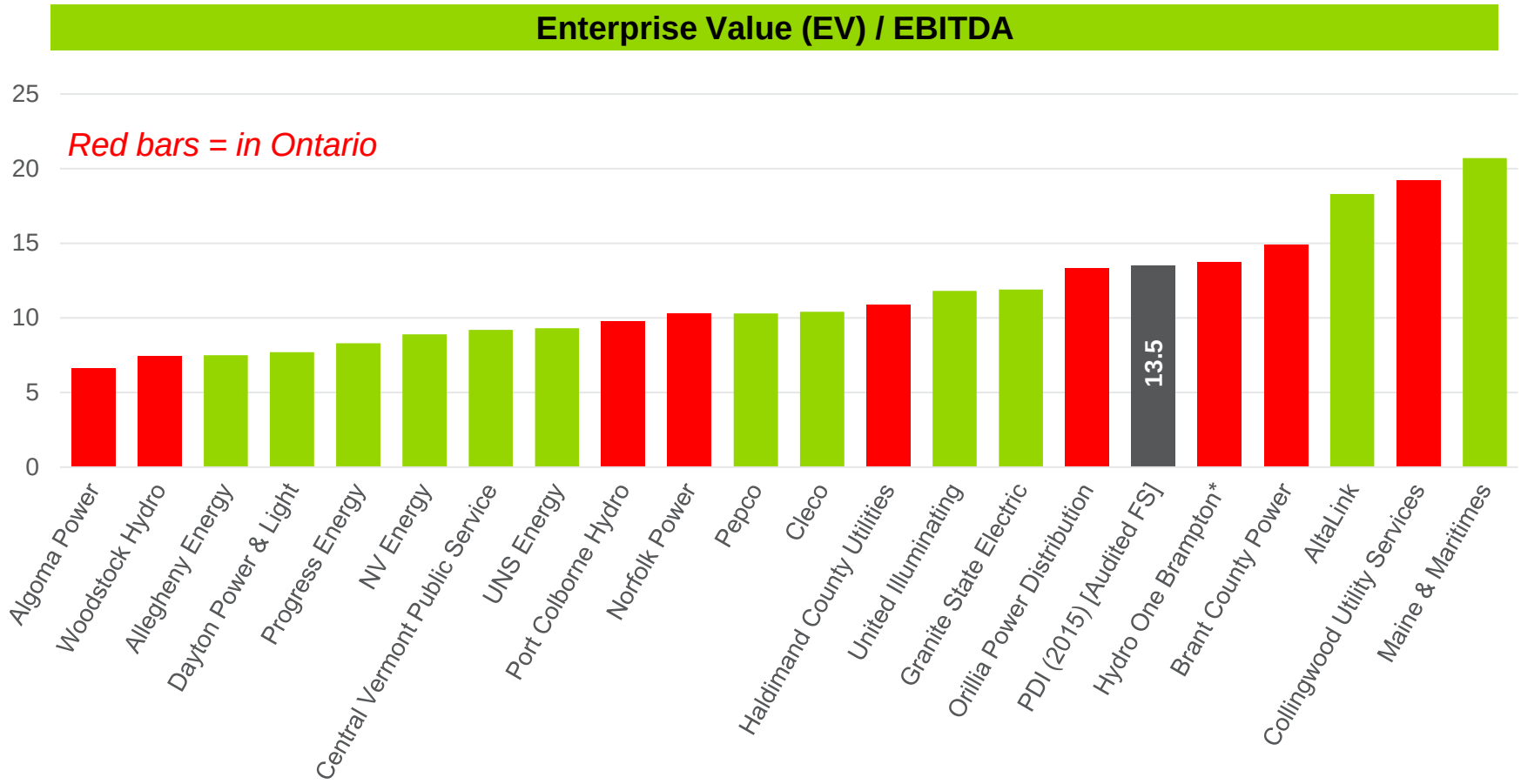
MARKET ANALYSIS

Hydro One's offer for PDI is competitive with other transactions and is "in the market"



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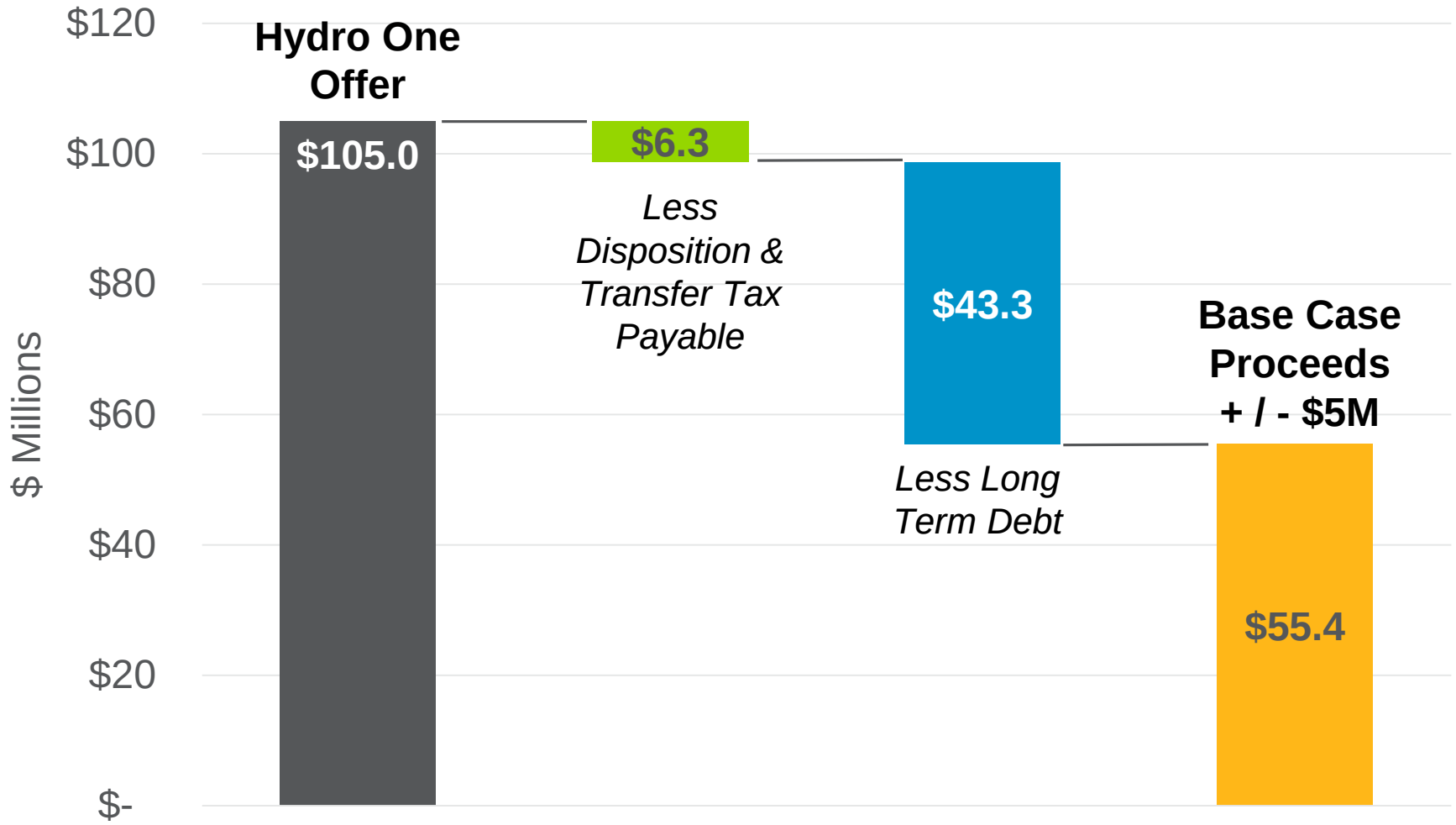
EXPECTED NET PROCEEDS FROM SALE OF PDI



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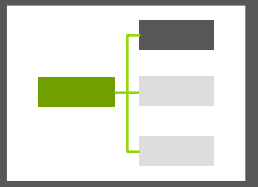
STATUS QUO PROJECTIONS



- Under Status Quo (continuing to own PDI), PDI revenues would be subject to the Ontario Energy Board's ratemaking formula
- PDI rates are reset (rebased) every five years to allow PDI to earn the regulated rate of return
  - In the intervening years, rates are allowed to increase at an amount less than inflation
- PDI's net income reflects its revenues less its costs (as in any business)
  - Some of PDI's net income is re-invested in the utility (capital expenditures) and the City will earn a return on this re-investment after rates are reset (rebased)
  - Remainder of net income is provided to the City as dividends
- Our focus is on cash flows to the City of Peterborough

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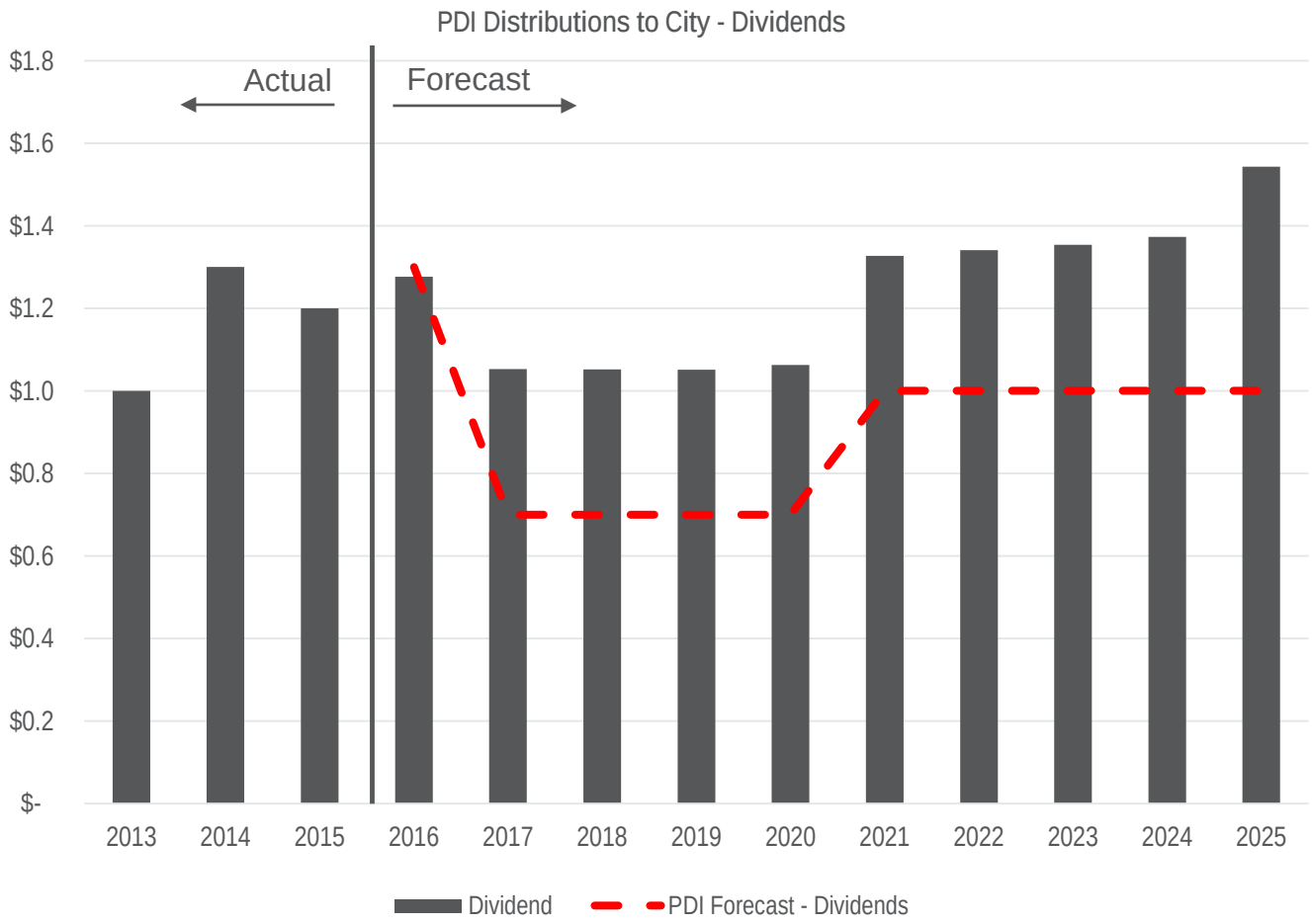
STATUS QUO PROJECTIONS

- Navigant's forecast of dividends payments to the City is
  $1.3 million in 2016
  increasing to
  $1.5 million by 2025
- As compared to PDI's forecast, Navigant has a slightly more favorable view of the revenue that PDI will earn, plus expects that PDI could provide a slightly higher dividend payout ratio



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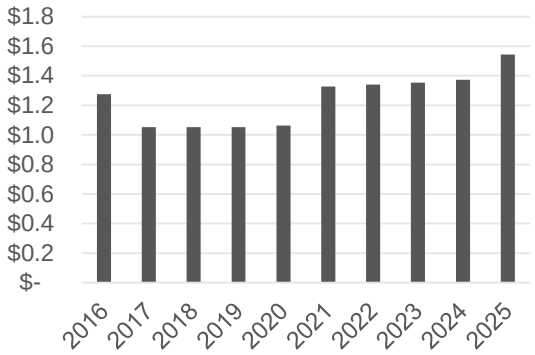
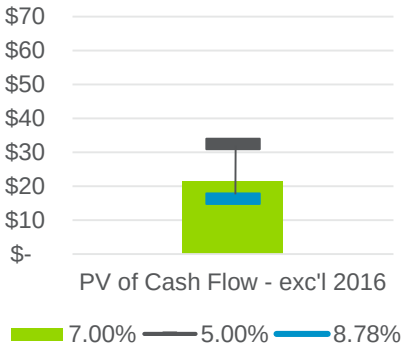
IMPACT ON SHAREHOLDER

All $ values in millions

Hold



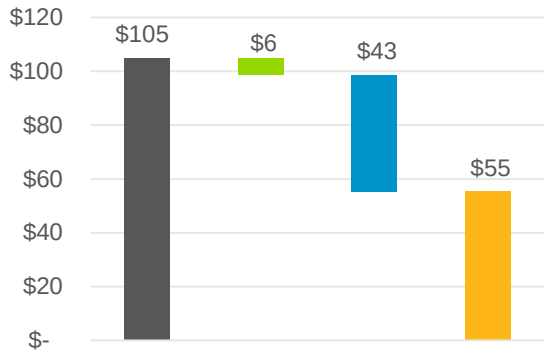
Present Value of future cash flows to city



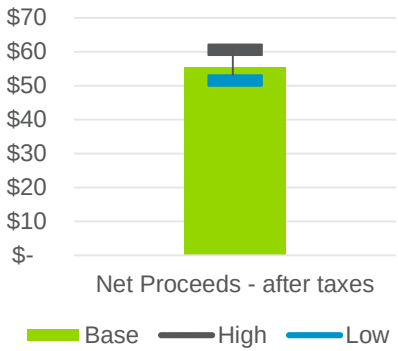
Discounted at city's cost of capital*

$ Millions	Forecast	
Discount Rate	Navigant	PDI
5.00%	$32.5	$21.5
7.00%	$21.5	$14.3
8.78%	$16.4	$11.0

Sell



Sale of PDI at Hydro One offer - proceeds after debt repayment, departure and transfer tax



High and Low scenarios represent potentially lower or higher tax liabilities than Base

** Assumes that PDI is owned by the City in perpetuity – 2016 excluded since it will be realized by the City in both cases*

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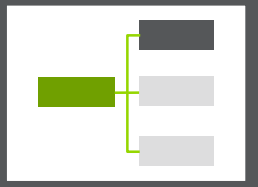
PETERBOROUGH'S CAPITAL REQUIREMENTS



The City should assess its present and future capital requirements

- What are the City‘s future capital requirements?
- What are the possible sources for these capital requirements
  - Reserves
  - Ongoing distributions from PDI
  - Proceeds from sale of assets, including PDI
- What risks are associated with PDI’s future cash flows?
- Can the proceeds of sale be put to better use elsewhere?
  - Example: the forecast $55 million net proceeds from the sale invested in Canadian Corporate A Rated Bonds @ 3% would return $1.65 M per year

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MUNICIPAL PERSPECTIVE

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MUNICIPAL PERSPECTIVE

Municipal perspective covers the potential impact on local jobs and service costs to the City resulting from the sale

Jobs in Peterborough – **Hydro One Offer Terms**:

- PDI's 60+ employees would be offered a 12 month location and service guarantee
- Estimate that 30 additional Hydro One jobs will join 70 existing employees at new Regional Operating Centre

Services – **Hydro One Offer Terms**:

- Transition Services Agreement (TSA) to be developed and agreed upon alongside the Asset Purchase Agreement
- TSA will describe the transfer of services currently provided to PDI by Peterborough Utilities Services Inc. (PUSI) to Hydro One
- Consider the impact on all services between PUSI, PDI and the City

Municipal Tax base

- Annual payments of $100,000 in Municipal Taxes, plus
- One-time payment of $600,000 for the sale of land

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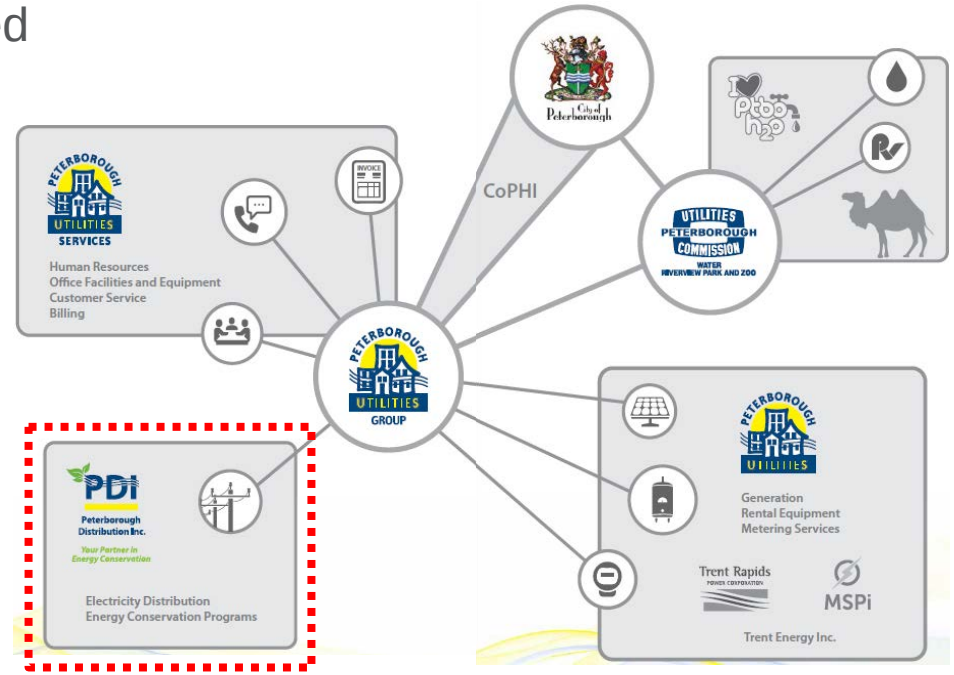
SERVICES TO AND FROM THE CITY

- Peterborough Utilities Group provides various services to the City and its affiliates including IT, customer service, billing, HR and finance
- Sale of PDI would not directly affect the provision of these services, but there would be some changes / re-alignment required
  - SCADA services currently provided from PDI to PUI would need to be provided by Hydro One
  - Water meter reading currently leverages PDI's electric meter infrastructure. Would require leasing arrangement with Hydro One for continued access to infrastructure
  - Billing system currently used by PUC, PDI and PUI is at the end of its useful life. A simpler replacement system for PDI and PUI would be required.



- Overall impact on City and Peterborough Utilities Group costs and services levels from these changes are not expected to be significant

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RATEPAYER PERSPECTIVE

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IMPACT ON RATEPAYERS

The City should consider the impact of the sale on the ratepayers

Service levels – **Hydro One Offer Terms**:

- Service levels will be guaranteed with monetary compensation for missed targets
- Reliability is also a critical aspect of “service”

Distribution rates – **Hydro One Offer Terms**:

- Will be reduced by 1% and frozen for years one through five
- Potential for distribution rate increases less than inflation for years six through ten if approved by Ontario Energy Board
- Proposed Earnings Sharing Mechanism would provide a guaranteed share of Hydro One’s earnings in years six to ten to be used to offset distribution rates in year 11 and beyond

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SYSTEM RELIABILITY

- Comparing the system reliability for PDI and Hydro One (around the Peterborough area) indicates that reliability levels are similar
- Hydro One's overall provincial average numbers are higher than for the area around Peterborough (OEB reports a provincial average SAIDI of 12.22 and a SAIFI of 3.07 for Hydro One in 2015)

Measures	LDC	2012	2013	2014	2015	4-year Average
Average # of Hours that Power to a Customer is Interrupted (SAIDI)	**PDI**	2.43	2.73	0.90	3.59	**2.41**
	Hydro One	2.33	2.09	2.14	4.56	**2.78**
Average # of Times that Power to a Customer is Interrupted (SAIFI)	**PDI**	2.12	1.41	0.83	2.81	**1.79**
	Hydro One	0.62	0.90	0.67	1.49	**0.92**

Source: OEB and Hydro One

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CUSTOMER SERVICES

Both PDI and Hydro One have generally met or exceeded the Industry's Customer Service performance targets

Performance Category	Measures	PDI		Hydro One		Industry Target
		2014	2015	2014	2015	
Service Quality	New Residential/Small Business Services Connected on Time	99.1%	98.8%	97.4%	97.5%	**90%**
	Scheduled Appointments Met on Time	99.6%	99.5%	99.3%	98.5%	**90%**
	Telephone Calls Answered on time	76.5%	81.8%	69.6%	76.4%	**65%**
Customer Satisfaction	First Contact Resolution	1	0	79.0%	82.0%	**-**
	Billing Accuracy	99.7%	99.2%	94.6%	98.6%	**98%**
	Customer Satisfaction Survey Results	84%	84%	85%	85%	**-**

Source: OEB LDC Scorecards

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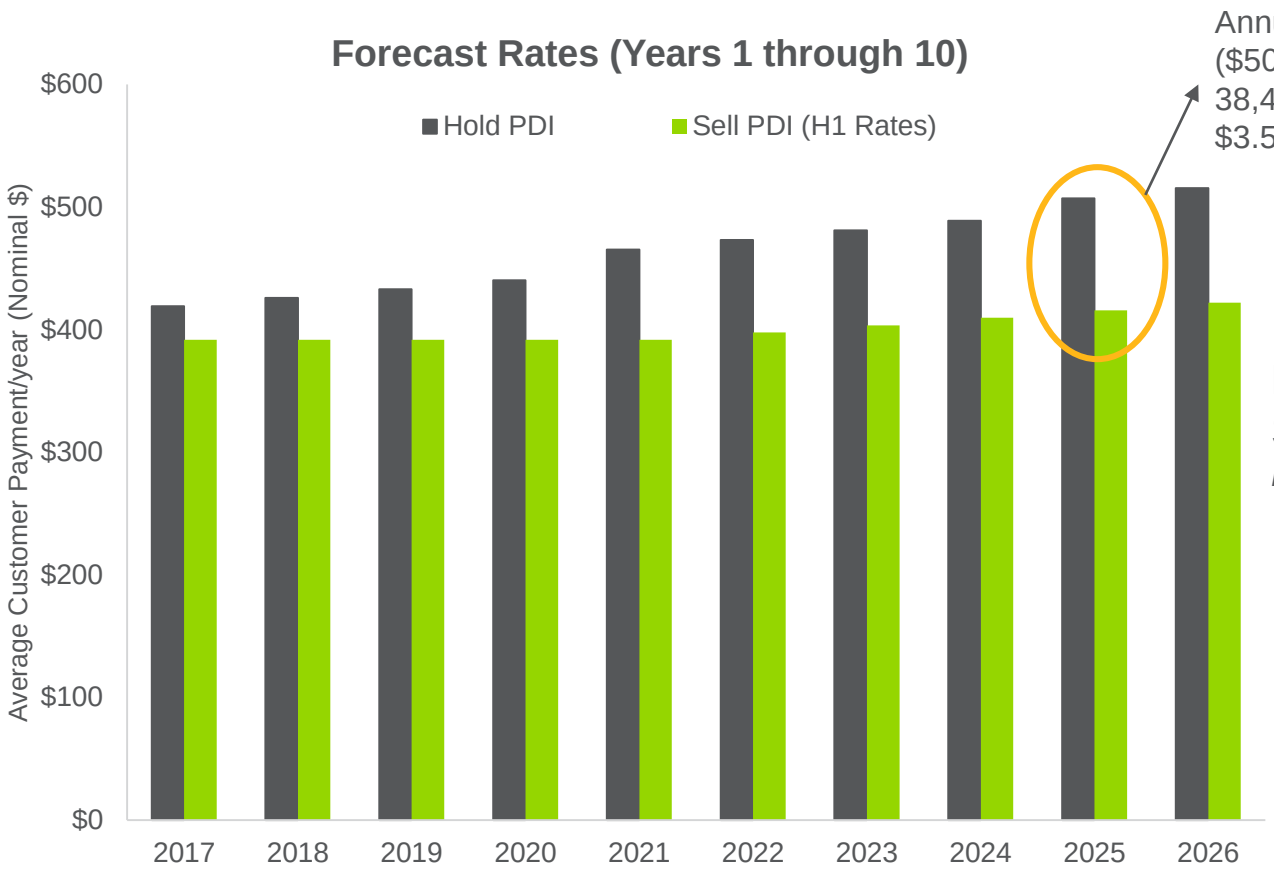
FORECAST DISTRIBUTION RATES – YEARS 1 THROUGH

Average customer payment across all customer types (residential and business) is based on distribution revenues / total number of customers



Annual Savings = ($507-$416) per customer x 38,420 Customers = $3.5M

NPV (Total Annual Savings) = **$17.5M**
Discount Rate = 5%

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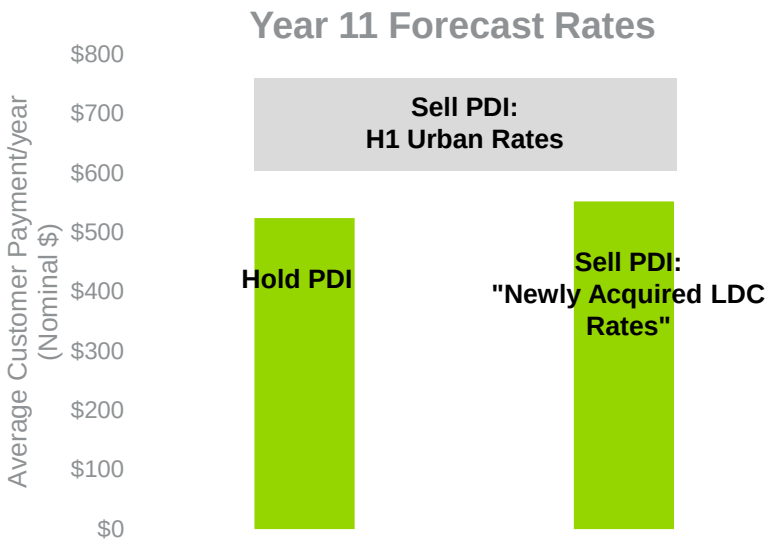
FORECAST DISTRIBUTION RATES – YEARS 11+

- Hydro One is proposing to establish a “Newly Acquired LDC” rate class. The “Newly Acquired LDCs” would include Woodstock, Haldimand, Norfolk and, potentially, Orillia and Peterborough
- Establishment of this rate class will require approval of the Ontario Energy Board
- Given the relative density of customers, the rates for customers in this new rate class will likely be lower than Hydro One’s Urban rate class (which are lower than its Rural rate classes). Note also that there is considerable uncertainty in forecasting rates 11 years from now
- Additionally, Hydro One is offering funding through an Earning Sharing Mechanism to partially mitigate the impact of moving to new rates in Year 11



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SUMMARY

SUMMARY OF FINDINGS

Shareholder value

- Additional value from sale = $34 million (base case)
- Low = $18 million, High = $44 million

Municipality

- All 60+ PDI employees offered employment
- New Regional Operating Centre; +30 jobs

Ratepayers

Rates

- $17.5 million ratepayer savings through year 10
- Expect similar rates in Year 11+, but some risk

Reliability

Similar

Customer Service

Similar

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City of Peterborough

To:	**Members of Committee of the Whole**
From:	**Allan Seabrooke, Chief Administrative Officer**
Meeting Date:	**February 22, 2016**
Subject:	**Report CAO16-005** **Peterborough Distribution Inc. Divestment Update**

Purpose

A report to inform Council that representatives of Peterborough Utilities Group will attend the February 22, 2016 Special Committee of the Whole to provide an update on a potential transaction involving the acquisition of Peterborough Distribution Inc. (PDI) by Hydro One Inc. (Hydro One). In addition, approval to initiate a public process to receive constituent input on the sale of PDI to Hydro One is requested.

Recommendations

That Council approve the recommendations outlined in Report CAO16-005, dated February 22, 2016, of the Chief Administrative Officer, as follows:

a) That Report CAO16-005, and presentation by Peterborough Utilities Group, providing an update on a potential transaction involving the sale of PDI to Hydro One be received for information;

b) That staff be directed to initiate a public process to receive constituent input on the sale of PDI to Hydro One.

Budget and Financial Implications

There are no direct budget or financial implications to receiving this report and proceeding with a public process to receive constituent input on the sale of PDI to Hydro One. There will, however, be substantial financial implications should an eventual transaction occur involving the sale of PDI to Hydro One.

Background

In recent years, the Provincial Government has identified $1.2 - $1.35 billion in savings that can be achieved through industry consolidation. The industry is inefficient and electricity rates are too high, impacting Ontario's competitiveness. Rates are highly regulated by an independent body, the Ontario Energy Board (OEB). As rates are regulated, the need for Municipal and Provincial ownership is being challenged.

In 2015, the Province announced several changes that have prompted utility consolidation across the Province. The OEB has also announced changes that will facilitate consolidation, and leave stand-alone utilities with less future value and prospects for its current owners.

In the long term, inaction will see value decline to municipal owners. Early voluntary action by municipalities to address these industry conditions will capture the best monetary value, and non-monetary value (rates, service and employment) and additional community benefits.

In light of this shifting landscape, City of Peterborough Holdings Inc. (COPHI) and a Joint Steering Committee comprised of COPHI and City representation have undertaken an investigation to assess the opportunity for disposition of its regulated business, PDI.

Negotiations were initiated with Hydro One, the predominant market player in the Ontario market. Representatives of Peterborough Utilities Group will provide Council with an industry background; recent developments; the potential future for PDI; an update on a potential transaction; and seek approval to initiate a public process to review the option of a sale of PDI to Hydro One.

Submitted by,

Allan Seabrooke
Chief Administrative Officer

Contact Name:
Allan Seabrooke
Chief Administrative Officer
Phone: 705-742-7777 Ext. 1810
Toll Free: 1-855-738-3755
Fax: 705-749-6687
E-Mail: aseabrooke@peterborough.ca

Possible PDI Sale, Public Information Session - Comments

Number	Name	Comment/Question
1	Ann Farquharson	Who does lawyer work for? Questioned when City was approached. Suggested money could be used for parkway.
2	Marie Bongard	Can public give presentations at some point?
3	Candice Rennick, CUPE	City sent message to province not to sell Hydro. Why focus on Hydro One? What assurance that Council will approach the people who own facility?
4	Bob Lake	General Manager of PUG from '86-2000. Merges aren't being forced by province. Will life insurance policy and benefits continue for retirees?
5	David Smith	Upset Leal not there. Wants the overhead % of PDI and how will impact PUC.
6	Ron Butterworth	Amalgamation is voluntary. Will water rates increase? Why not place an expression of interest advertisement? Why so little time between press release and public meetings? Wants a referendum.
7	No Name	Since McGuinty and Winn rates have increased, hated Hydro One and loves PDI
8	Roy Brady	Where is Leal?
9	No Name	Will we be forced to sell – ownership will be outside of Ontario like the 407.
10	No Name	Ombudsman critical of Hydro One. PDI is a jewel for Ptbo and among electrical companies.
11	No Name	Not enough notice for meeting. Likes local control, thinks the rush is a bad reason. Would like a value provided.
12	Adam Coones	Comments about Mayor.
13	No Name	Thinks hydro rates will double. His rates at Hydro One have doubled in 1 year. Concern with losing Quaker.
14	John Michael	Long term debt with Hydro One. 3x the price for solar and wind power. Wants a shareholder vote on sale.
15	Cheryl Ellis	Why not wait?
16	No Name	We would be willing to pay more for PDI power than Hydro One. Majority of people don't want this.
17	Adam Coones	Had a newspaper.
18	No Name (professor)	Economics of scale. 4,300 of 5,600 Hydro One employees are on Sunshine list. Is the tax break a red herring to get this through? Will shareholders get a vote on this?
19	No Name	Can't compare apples and oranges. Hydro One is for profit and PDI is privately owned.
20	No Name	Talked about Winn's sale of Hydro One.
21	Roy Brady	Shareholders from Hydro One – 85% owned by the people
22	Mr. Usher	Started researching Hydro One 6 months ago.
23	No Name	Asked about life expectancy of poles.
24	No Name	Maybe customers in Ptbo will save $0.13/month.
25	Bob Lake	Forestry – 8 year cycle for Hydro One, 2 year cycle for PDI
26	Clifford Manse	Was on PUC boards for 18 years. Long term business model for Hydro One isn't sustainable – will be a stranded asset. Change in types of energy over next 20 years.

27	No Name	Call centre question. Asked for details on how the customer surveys for Hydro one were done.
28	Bob Lake	Hydro One leading edge for service technology, but has outside contracting.
29	Barry Brown, IBW Local 626	Where is Hydro One getting money for purchases?
30	Camea Hebble	Can PDI employees be guaranteed jobs? If PDI is sold to Hydro One and it is sold, it won't be owned by people of Ontario anymore. Why sell to Hydro One if OEB controls rates?
31	No Name	Wants guarantees on jobs. Will contracted employees continue at same rate?
32	No Name	Why not hold another meeting for prospective purchasers? Concerned with sole sourcing.
33	No Name	Hydro One is big. How much have the other purchases of utilities by Hydro One saved?
34	Jenny Carter	Privatization means no profits for us. No faith in Hydro One. Relies on nuclear.
35	No Name	Talked about problems with Hydro One she has had at her lake property.
36	Gord Simmons	Works for utility. Will there be a guarantee that people will keep their jobs for a certain amount of time?
37	No Name	What about the regional centre?
38	No Name	What happens to remaining PUS functions i.e. Water meter going through smart meters?
39	No Name	How can the Hydro local 1000 union people work with our union?
40	Catherine Langly	Concerned with foreign ownership. Peterborough is a jewel. Bigger isn't better.
41	No Name	Only Hydro One is benefitting. It is insider trading if province forces us to sell to make Hydro One more valuable.

Comment Cards - Potential Sale of PDI to Hydro One
(March 3 – March 31, 2016)

#	Question or Comment	Response Provided
1	We will have to sell. Might as well get as much as possible	
2	Disagree with sale	
3	Selling will not keep prices down	
4	Need assurance zoo will remain public. Want to keep PDI	
5	No. Hydro rates will increase	
6	Keep PDI	
7	No. Need resilience in our community to protect from degradation of climate change.	
8	Sale is premature. Keep utility distribution public	
9	Too much controversy around Hydro One	
10	Concern about rates and hidden fees. Wants local people working here.	
11	Against sale	
12	Against sale, will eliminate jobs and reduce value of remaining PUG	
13	Hydro One not financially prudent, doesn't deserve our power	
14	Not for sale	
15	Issue with complete blackout and external control	
16	Not in best interest of employees. Opposed	

#	Question or Comment	Response Provided
17	Nothing written on card	
18	Do not sell. Lindsay and Omemee sold and funds disappeared in 7 years	
19	Increase cost, increased poverty and no new jobs	
20	No mandate to sell. Respect our voices	
21	Do not sell	
22	Do not sell, no to monopoly	
23	Short term gain of cash and long term loss to autonomy	
24	Peterborough rates are lower than Hydro One, will have to carry their debt	
25	Don't kill the goose that lays the golden egg	
26	Please stop the sale.	
27	Many reasons not to sell. Decision should be a referendum	
28	This is a business that virtually guarantees profits if managed properly	
29	Caution no snap decisions	
30	Why sell PDI to Hydro One if Hydro One is being sold	
31	Liberals are taxing to the max. Can't afford increased in hydro	
32	Strongly oppose sale	
33	PDI owned by residents not Council. If purpose is to fund parkway this would be a total blunder	
34	Not in favour. Selling asset only guarantees no future benefits.	

#	Question or Comment	Response Provided
35	Sold and moved to Peterborough because of hydro cost in Otonabee Twp.	
36	Totally against sale. Hydro One has bad reputation. Hope City Council members do the right thing and consider the concerns of citizens.	
37	Hydro One controversy, charge high prices and being privatized.	
38	Meeting was a waste of time without key info coming from Hydro One. No speakers were in favour of sale	
39	What will our rates (for delivery) be after the 5 years is up?	At the end of year five, distribution rates under a rate freeze proposal will be 11% lower than what PDI would have on its own ("the rate advantage"). Given OEB control of rates, it would be difficult to quickly erode the "rate advantage" in the years beyond year five, with rate increases. In addition, Hydro One has proposed, as in past LDC transactions and subject to OEB approval, to establish an "Acquired Rate Class". We would expect that this rate class would better align with the customer density of the City of Peterborough and the cost to serve of urban utilities acquired by Hydro One, and that rates would be comparable to the rate classes of all acquired urban utilities. We expect that this will address current comparability issues of the Hydro One existing "Urban" rate class with current LDC rate classes, including PDI. The future expectation is that rate increases beyond the rate freeze period would be similar to rate increases experienced for urban utilities or if PDI remained status quo.

#	Question or Comment	Response Provided
40	How much money does the PDI generate? Can the other groups sustain themselves without that revenue or will our taxes be raised to support water, infrastructure, zoo etc.	The estimated future annual return to the City of Peterborough is expected to be approximately $1.0 million per annum, and this annual amount is ***not expected to grow*** and is ***more likely to decline*** with increased regulatory pressure on rates, increased mandated performance criteria and required investment to address future utility infrastructure requirements. Conservative reinvestment of any sale proceeds will more than offset any loss in PDI specific revenue. All other groups are self- sustaining and will continue to be so and there will be no increases in taxes or water rates or other charges as a result of this decision.
41	Why the rush? The province shouldn't have the power to make municipalities sell what they have spent years building?	The Provincial direction and stated desire for consolidation is clear, in order to achieve much needed cost reductions for all consumers – estimated in the range of $1.2 billion. To ignore this direction and its local impact on the community is not considered a prudent course. Taxation and regulatory changes recently enacted will see more utilities sold and smaller utilities like PDI will become even smaller with few advantages or opportunities in the long run. Current advantages such as the proposed Regional Operations Centre located in Peterborough to retain local employment will not be available in the future. The infrastructure that has been built continues to be here serving the community, regardless of ownership.
42	What about the PDI program? Will it be honoured?	Yes – all existing PDI customer programs will be honoured.
43	Where will repair people be located? What will response time be after storm? What	The presence of a Regional Hub in the City of Peterborough will ensure that standby and regular crews are located in Peterborough

#	Question or Comment	Response Provided
	will PUC do with proceeds of sale?	which will ensure that historic PDI response time is not affected. The proceeds of the sale has not been discussed or determined by Council. Such discussion will occur at a future date.
44	If Wynn is selling off Hydro One how is the OEB to have any input regarding charges?	The OEB regulates all distribution charges in Ontario, regardless of owner. The OEB will continue to regulate Hydro One. In addition, the Premiers Advisory Council to the Government has recommended greater OEB strength in its oversight of Hydro One.
45	Question for John S.: Have you been offered a job or payment from Hydro One if the sale goes through? Or will you be fighting for your job like the rest of the PUS staff?	Mr. Stephenson has no job offer or payment from Hydro One.
46	Why do you seem to make it sound like we have to sell either way? Is the province going to legislate we must sell, if we don't? If so where is the documentation saying this?	The Provincial direction and stated desire for consolidation is clear, in order to achieve much needed cost reductions for all consumers – estimated in the range of $1.2 billion. To ignore this direction and its local impact on the community is not considered a prudent course. Taxation and regulatory changes recently enacted will see more utilities sold and smaller utilities like PDI will become even smaller with few advantages or opportunities in the long run. Current advantages such as the proposed Regional Operations Centre located in Peterborough to retain local employment will not be available in the future. The Provincial Government is on record that they are not mandating consolidation, but they are clear that they embrace all reports that consolidation should happen and is desirable.
47	Why the rush? New government in two years. No money if sold.	The Provincial direction and stated desire for consolidation is clear, in order to achieve much needed cost reductions for all consumers – estimated in the range of $1.2 billion. To ignore this direction and its local impact on the community is not considered a prudent course.

#	Question or Comment	Response Provided
		Taxation and regulatory changes recently enacted will see more utilities sold and smaller utilities like PDI will become even smaller with few advantages or opportunities in the long run. Current advantages such as the proposed Regional Operations Centre located in Peterborough to retain local employment will not be available in the future. The need for savings for consumers will remain regardless of which Provincial Party is in power. There is no guarantee that a Provincial Government change will happen in two years. The estimated future annual return to the City of Peterborough is expected to be approximately $1.0 million per annum, and this annual amount is ***not expected to grow*** and is ***more likely to decline*** with increased regulatory pressure on rates, increased mandated performance criteria and required investment to address future utility infrastructure requirements. Conservative reinvestment of any sale proceeds will more than offset any loss in PDI specific revenue.
48	Is the province forcing the City to sell this asset?	The Provincial direction and stated desire for consolidation is clear, in order to achieve much needed cost reductions for all consumers – estimated in the range of $1.2 billion. To ignore this direction and its local impact on the community is not considered a prudent course. Taxation and regulatory changes recently enacted will see more utilities sold and smaller utilities like PDI will become even smaller with few advantages or opportunities in the long run. Current advantages such as the proposed Regional Operations Centre located in Peterborough to retain local employment will not be available in the future.

#	Question or Comment	Response Provided
		The Provincial Government is on record that they are not mandating consolidation, but they are clear that they embrace all reports that consolidation should happen and is desirable.
49	After selling PDI do the remaining components loose value? Is there a potential sale for the rest of PUG (PUC/PUSI)	The sale of PDI has no impact on the remaining businesses. These are distinct businesses. It has been publicly stated that the remaining PUG businesses are not for sale. PDI is the only company in PUG that is subject to regulation and the Province's direction of consolidation for cost improvements. Therefore PDI, the electricity distributor, is the only company that is under consideration for disposition.
50	Is City giving Hydro a deal on property on Fisher Drive as part? Will the rest of PUC remain private?	There is no deal. Any property transfer will be at market value. It has been publicly stated that the remaining PUG businesses are not for sale. PDI is the only company in PUG that is subject to regulation and the Province's direction of consolidation for cost improvements. Therefore PDI, the electricity distributor, is the only company that is under consideration for disposition.
51	Is PDI strictly a business that the City owns, or an employer that provides a reliable service to the City while providing employment to locals?	It is business that operates to provide value to the community, employment, great service and competitive distribution rates. Any response to the provincial movement of industry consolidation must consider all of these attributes.
52	How will the sale of PDI to Hydro One save Peterborough residents money?	Without the sale, in the consolidating industry, over the next several years the amount that PDI will provide to the City will decline. As that happens the opportunity to retain existing employment levels will continue to feel pressure. In the long run the loss of employment in the community is a significant loss in value to the community. Both of these eventualities will put pressure on increasing taxes for residents.

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		Publicly, we have outlined the following as additional detail and benefits of moving forward: <u>Under Status Quo – No Sale</u> The estimated future annual return to the City of Peterborough is expected to be approximately $1.0 million per annum, and: 1. This annual amount is not expected to grow without considerable economic expansion in the service territory. That growth has not been seen historically and any recent growth has occurred in areas surrounding PDI's service territory and in Hydro One's service territory. 2. This annual amount is more likely to decline with increased regulatory pressure on rates, increased mandated performance criteria and required investment to address future utility infrastructure requirements. 3. Given the expected period of industry change and consolidation, the annual return to the City is at risk to continue over the long run (beyond 10 years). Forecasting total future return to the City from status quo (no sale) operations is now greatly influenced by the above noted risks of limited growth, rate pressure and industry change. We can no longer assume that past returns can continue forever or unaltered. Given these risks and assuming a 7 to 10 year horizon, the City's total amount expected from annual distributions from status quo (no sale) PDI operations would not exceed $7.5 to $10.0 million.

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		a) Illustrative Proceeds on Sale of PDI Based on recent LDC transactions in the past few years, the total purchase price for PDI could be expected to be in the $100.0 million range. After deduction for debt and transaction costs, the net cash proceeds that would be returned to the City is estimated to be in the range of $40.0 to $50.0 million. For example, reinvestment of the expected proceeds at 2% - 5% would yield an annual return to the City of approximately $1.0 to $2.5 million Therefore the proposed transaction saves taxpayers significantly in the long run. <u>On Employment</u> Hydro One has approximately 70 jobs presently working in Peterborough in aging and congested facilities. PDI has approximately 60 - 65 jobs currently working in its operations. As PDI's service territory is contiguous (shoulder to shoulder) with Hydro One's service territory, the opportunity to build a new Regional Hub Operation Centre in Peterborough becomes logical as the industry consolidates and Hydro One looks to upgrade and site its regional operations. The development of a new Regional Hub by Hydro One in Peterborough provides a strong opportunity for continued local presence in Peterborough, and retaining jobs in Peterborough. The related future economic benefit to the community is estimated to be $100.0 - $150.0 million over the next five years

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		Therefore there is significant community benefit retained in Peterborough.
53	Why only consider selling to Ontario Hydro? How about the other local public utilities i.e. Veridian?	Hydro One offers a distinct natural advantage by having contiguous service territory with PDI. That is requirement for effective consolidation as noted in the Ontario Distribution Sector Review Panel report to the Provincial Government. That core recommendation was also confirmed by the Premiers Advisory Council on Government Assets. Other utilities, like Veridian cannot achieve this requirement. As a result of this advantage a Hydro One proposal provides for an expanded regional presence in Peterborough for continued employment, as follows: Hydro One has approximately 70 jobs presently working in Peterborough in aging and congested facilities. PDI has approximately 60 - 65 jobs currently working in its operations. As PDI's service territory is contiguous (shoulder to shoulder) with Hydro One's service territory, the opportunity to build a new Regional Hub Operation Centre in Peterborough becomes logical as the industry consolidates and Hydro One looks to upgrade and site its regional operations. The development of a new Regional Hub by Hydro One in Peterborough provides a strong opportunity for continued local presence in Peterborough, and retaining jobs in Peterborough. The related future economic benefit to the community is estimated to be $100.0 - $150.0 million over the next five years As the industry consolidates, the future opportunity for regional operations in Peterborough will be become less likely. Operations

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		Centres will be sited in other regions as decisions are made in those areas. It should also be noted that this is a distinguishing component of a Hydro One proposal, made possible by contiguous service territory. Accordingly, such benefits cannot be easily replicated by other potential acquirors Secondly, many of these other utilities like Veridian are of insufficient size to address the Ontario Distribution Sector Review Panel report to the Provincial Government. That core recommendation was also confirmed by the Premiers Advisory Council on Government Assets. Thirdly, many of these utilities lack the capital to complete a transaction of this size with the City.
54	How much will the city lose in revenue per year and over a 10/20 year period if the PDI is sold? How much will be gained by the sale? Why now? Why is PDI being considered for sale now?	<u>Under Status Quo – No Sale</u> The estimated future annual return to the City of Peterborough is expected to be approximately ***$1.0 million per annum***, and: 1. This annual amount is ***not expected to grow*** without considerable economic expansion in the service territory. That growth has not been seen historically and any recent growth has occurred in areas surrounding PDI's service territory and in Hydro One's service territory. 2. This annual amount is ***more likely to decline*** with increased regulatory pressure on rates, increased mandated performance criteria and required investment to address future utility infrastructure requirements.

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		3. Given the expected period of industry change and consolidation, the annual return to the City is at risk to continue over the long run (beyond 10 years). Forecasting total future return to the City from status quo (no sale) operations is now greatly influenced by the above noted risks of limited growth, rate pressure and industry change. ***We can no longer assume that past returns can continue forever or unaltered***. Given these risks and assuming a 7 to 10 year horizon, the City's ***total amount*** expected from annual distributions from status quo (no sale) PDI operations ***would not exceed $7.5 to $10.0 million.*** a) Illustrative Proceeds on Sale of PDI Based on recent LDC transactions in the past few years, the total purchase price for PDI could be expected to be in the $100.0 million range. After deduction for debt and transaction costs, the net cash proceeds that would be returned to the City is estimated to be in the range of ***$40.0 to $50.0 million. For example, reinvestment of the expected proceeds at 2% - 5% would yield an annual return to the City of approximately $1.0 to $2.5 million.*** We expect that as the industry continues to consolidate, these market premiums will erode and the opportunity to make these gains will greatly diminish. Furthermore, completion of a transaction during the reduced tax rate period (expiring January, 2019) ***will save the City of Peterborough approximately $9.0 to $11.0 million in taxes***.

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		<u>Why Now and Why Not Wait?</u> The recent advisory reports to the Provincial Government confirm that Ontario, unlike many jurisdictions in North America and worldwide, simply has too many small utilities and this is cost ineffective. ***In Ontario, there are 63 utilities serving only 30% of the customers. PDI is one of these utilities.*** The pace of change and momentum to gain cost efficiencies for the electricity consumer is unprecedented. We must recognize what that means for PDI – specifically: 1. That the environment of change established by Provincial policy will significantly affect the industry and the existence of smaller LDCs in the long run. 2. That PDI, as a small utility of 36,000 customers, in this period of change, may become one of the smallest utilities; 3. That in this period of change and thereafter, PDI may not be as effective as it was historically. It will be challenged to provide the same level of service, rates, and financial return to the City. The Ontario Distribution Sector Review Panel and the Premier's Advisory Council on Government Assets, both acknowledge that LDCs lack the capability and capital to respond to future demands on the utility. Municipal owners may be required to provide funding to LDCs in the future, and many may not have the capability or desire to make that investment. 4. That proactive consideration of LDC options in advance of other

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		market participants may be advantageous. Voluntary determination or negotiation of terms – rates, employment, service and financial return, is better than ignoring change and becoming a small LDC making a decision too late or being told of the decision.
55	You claim there is a political push/pressure to amalgamate the existing power services – why? Who is doing the pressuring? At who's initiation? How can you promise to save money by eradicating "back office costs" and at the same time promise to preserve local jobs? Aren't they the same thing?	The Provincial direction and stated desire for consolidation is clear, in order to achieve much needed cost reductions for all consumers – estimated in the range of $1.2 billion. To ignore this direction and its local impact on the community is not considered a prudent course. Taxation and regulatory changes recently enacted will see more utilities sold and smaller utilities like PDI will become even smaller with few advantages or opportunities in the long run. Current advantages such as the proposed Regional Operations Centre located in Peterborough to retain local employment will not be available in the future. The Provincial Government is on record that they are not mandating consolidation, but they are clear that they embrace all reports that consolidation should happen and is desirable. Back office costs include other non- labour components that are necessary, such as reinvestment in antiquated systems – e.g. customer billing systems. Customer billing system investments should service 1 million customers, not 36,000.
56	What is it worth today? Who gets the money? Who sees the profit now? How much? Why to Hydro?	Based on recent LDC transactions in the past few years, the total purchase price for PDI could be expected to be in the $100.0 million range. After deduction for debt and transaction costs, the net cash proceeds that would be returned to the City is estimated to be in the range of ***$40.0 to $50.0 million.*** The City of Peterborough, as owner receives the money. The City of

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		Peterborough, as owner receives the profit now. The estimated future annual return to the City of Peterborough is expected to be approximately $1.0 million per annum, and this annual amount is ***not expected to grow*** and is ***more likely to decline*** with increased regulatory pressure on rates, increased mandated performance criteria and required investment to address future utility infrastructure requirements. Hydro One provides several benefits key of which is and expanded regional presence in Peterborough for continued employment. Hydro One has approximately 70 jobs presently working in Peterborough in aging and congested facilities. PDI has approximately 60 - 65 jobs currently working in its operations. As PDI's service territory is contiguous (shoulder to shoulder) with Hydro One's service territory, the opportunity to build a new Regional Hub Operation Centre in Peterborough becomes logical as the industry consolidates and Hydro One looks to upgrade and site its regional operations. The development of a new Regional Hub by Hydro One in Peterborough provides a strong opportunity for continued local presence in Peterborough, and retaining jobs in Peterborough. The related future economic benefit to the community is estimated to be $100.0 - $150.0 million over the next five years As the industry consolidates, the future opportunity for regional operations in Peterborough will be become less likely. Operations Centres will be sited in other regions as decisions are made in those areas. It should also be noted that this is a distinguishing component of a Hydro One proposal, made possible by contiguous service

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		territory. Accordingly, such benefits cannot be easily replicated by other potential acquirors.
57	What will happen to the funds earned by the City as a result of the sale of PDI? General revenue? Capital projects? Other?	The proceeds of the sale has not been discussed or determined by Council. Such discussion will occur at a future date.
58	We have too much to lose. City will use up any money raised.	
59	I would like this city to stay as local as possible.	
60	Please listen to what your citizens have to say. I don't believe any good will come from sale.	
61	City should ask for regular payments from Hydro to compensate us.	
62	I am retired from PUSI/PDI and we are reliable, cost effective, good customer service. Hydro One is more expensive and poor customer service.	
63	Hydro One on panel makes it look like a done deal. What process had PDI/City undertaken to uncover the various options available, including the status quo? Has there been a committee struck to review the options and provide council with an unbiased opinion? Why vote to sell PDI when 88% of people in Peterborough oppose the sell off? City and County Councils both voted against selling off Hydro One, so why would we consider	The City of Peterborough Holdings Inc. (COPHI) and a Joint Steering Committee comprised of COPHI and City representation undertook an investigation to assess the opportunity for disposition of its regulated business, PDI. Indicated in our public reports are the following: <u>Status Quo</u> Status quo is at risk given the Provincial Government direction of consolidation supported by various key studies such as the

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	selling to Hydro One? What assurances can City provide that PDI jobs will be kept in City? What assurances can the City provide that the Peterborough Zoo will remain the lovely attraction that it is today for residents and visitors?	Drummond report, the Ontario Distribution Sector Review Panel report, and the report of the Premiers Advisory Council on Government Assets. These reports indicate that there are too many small utilities in Ontario serving too few customers, and that consumer savings can be achieved in the range of $1.2 billion. They recommend that the average utility size should be in the range of approximately 400,000 customers. In this context, PDI with 36,000 customers is simply not large enough to continue as a stand-alone utility. We have further indicated that under the status quo, that the estimated future annual return to the City of Peterborough is expected to be approximately $1.0 million per annum, and: 1. This annual amount is not expected to grow without considerable economic expansion in the service territory. That growth has not been seen historically and any recent growth has occurred in areas surrounding PDI's service territory and in Hydro One's service territory. 2. This annual amount is more likely to decline with increased regulatory pressure on rates, increased mandated performance criteria and required investment to address future utility infrastructure requirements. 3. Given the expected period of industry change and consolidation, the annual return to the City is at risk to continue over the long run (beyond 10 years). Forecasting total future return to the City from status quo (no sale) operations is now greatly influenced by the above noted risks of

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		limited growth, rate pressure and industry change. We can no longer assume that past returns can continue forever or unaltered. Given these risks and assuming a 7 to 10 year horizon, the City's total amount expected from annual distributions from status quo (no sale) PDI operations would not exceed $7.5 to $10.0 million. Alternative to Status Quo Based on recent LDC transactions in the past few years, the total purchase price for PDI could be expected to be in the $100.0 million range. After deduction for debt and transaction costs, the net cash proceeds that would be returned to the City is estimated to be in the range of $40.0 to $50.0 million. **For example, reinvestment of the expected proceeds at 2% - 5% would yield an annual return to the City of approximately $1.0 to $2.5 million.** Hydro One Provides Employment Opportunity Hydro One provides several benefits key of which is an expanded regional presence in Peterborough for continued employment. This will ensure that PDI and H1 jobs continue to be in the community. Hydro One has approximately 70 jobs presently working in Peterborough in aging and congested facilities. PDI has approximately 60 - 65 jobs currently working in its operations. As PDI's service territory is contiguous (shoulder to shoulder) with Hydro One's service territory, the opportunity to build a new Regional Hub Operation Centre in Peterborough becomes logical as the industry consolidates and Hydro One looks to upgrade and site its

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		regional operations. The development of a new Regional Hub by Hydro One in Peterborough provides a strong opportunity for continued local presence in Peterborough, and retaining jobs in Peterborough. The related future economic benefit to the community is estimated to be $100.0 - $150.0 million over the next five years As the industry consolidates, the future opportunity for regional operations in Peterborough will be become less likely. Operations Centres will be sited in other regions as decisions are made in those areas. It should also be noted that this is a distinguishing component of a Hydro One proposal, made possible by contiguous service territory. Accordingly, such benefits cannot be easily replicated by other potential acquirors *Why vote to sell PDI when 88% of people in Peterborough oppose the sell off?* The industry will continue to consolidate and the opportunities to retain jobs locally, control rates and retain financial value in the community will decline. We cannot ignore the studies supporting the Provincial Government's direction, all of which indicate that a 36,000 customer utility will not survive in the long run. To ignore this would be imprudent. *City and County Councils both voted against selling off Hydro One, so why would we consider selling to Hydro One.* As noted above – the Hydro One proposal is highly advantageous due to PDI's geographic location of its service territory, which is contiguous to Hydro One's territory. That allows for the development

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		of a new Regional Hub by Hydro One in Peterborough providing a strong opportunity for a continued local presence in Peterborough, and retaining jobs in Peterborough. The related future economic benefit to the community is estimated to be $100.0 - $150.0 million over the next five years Hydro One continues to be regulated by the Ontario Energy Board. The Minister of Energy has recognized that a utility's ownership, is distinct from its effective control due to the presence of the OEB, as regulator. Control is by the regulator. PDI as status quo, or owned by Hydro One, will continue to be controlled by the regulator. This is unaffected by the ownership of Hydro One. Therefore the decision regarding a sale to Hydro One should be measured on its merits. Hydro One's ownership is a distinct issue. In this context, the considerable benefit of employment retention in the community in a consolidating industry, is a key Hydro One benefit. As noted that brings a community value in the range of $100 to $150 million to Peterborough. *What assurances can the City provide that the Peterborough Zoo will remain the lovely attraction that it is today for residents and visitors?* We have publicly stated that PDI is the only company in PUG that is subject to regulation and the Province's direction of consolidation for cost improvements. Therefore PDI, the electricity distributor, is the only company that is under consideration for disposition. PUG will continue to own and operate all other companies in the

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		group. Generation development and operations (in the unregulated business), the services and water businesses, and the Riverview Park and Zoo will continue operations as usual.
64	I am proud of PDI service and would still support local ownership even if it was not profitable.	
65	Worked directly and indirectly with PUC for 25 yrs. It is a great service. It is part of a flawed liberal plan.	
66	Do not sell to "worst run hydro company in NA". We now pay the highest rates of all.	
67	Who initiated the discussions to sell PDI to Hydro One? What was the reason behind this? What are the positive outcomes for the citizens of Ptbo? Who is evaluating the cost/benefits of this proposed sale? Is there a possibility of taking the utility back for the citizens if the proposed sale is not benefiting us? When will the actual costs be revealed so that citizens can make an informed choice? Can we be assured that the power generated here will be available first to the citizens and businesses of Ptbo? What positive steps will PDI take to diversify their power generation to include solar and wind sources? How will citizens be able to influence the decision being considered?	The City of Peterborough Holdings Inc. (COPHI) and a Joint Steering Committee comprised of COPHI and City representation undertook an investigation to assess the opportunity for disposition of its regulated business, PDI. The reasons of this review and some of the cost benefits that are now in front of Council for consideration are summarized as follows: Status quo is at risk given the Provincial Government direction of consolidation supported by various key studies such as the Drummond report, the Ontario Distribution Sector Review Panel report, and the report of the Premiers Advisory Council on Government Assets. These reports indicate that there are too many small utilities in Ontario serving too few customers, and that consumer savings can be achieved in the range of $1.2 billion. They recommend that the average utility size should be in the range of approximately 400,000 customers. In this context, PDI with 36,000 customers is simply not large enough to continue as a stand-alone utility.

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		We have further indicated that under the status quo, that the estimated future annual return to the City of Peterborough is expected to be approximately $1.0 million per annum, and: 1. This annual amount is not expected to grow without considerable economic expansion in the service territory. That growth has not been seen historically and any recent growth has occurred in areas surrounding PDI's service territory and in Hydro One's service territory. 2. This annual amount is more likely to decline with increased regulatory pressure on rates, increased mandated performance criteria and required investment to address future utility infrastructure requirements. 3. Given the expected period of industry change and consolidation, the annual return to the City is at risk to continue over the long run (beyond 10 years). Forecasting total future return to the City from status quo (no sale) operations is now greatly influenced by the above noted risks of limited growth, rate pressure and industry change. We can no longer assume that past returns can continue forever or unaltered. Given these risks and assuming a 7 to 10 year horizon, the City's total amount expected from annual distributions from status quo (no sale) PDI operations would not exceed $7.5 to $10.0 million. <u>Alternative to Status Quo</u> Based on recent LDC transactions in the past few years, the total

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		purchase price for PDI could be expected to be in the $100.0 million range. After deduction for debt and transaction costs, the net cash proceeds that would be returned to the City is estimated to be in the range of $40.0 to $50.0 million. **For example, reinvestment of the expected proceeds at 2% - 5% would yield an annual return to the City of approximately $1.0 to $2.5 million.** <u>Hydro One Provides Employment Opportunity</u> Hydro One provides several benefits key of which is and expanded regional presence in Peterborough for continued employment. This will ensure that PDI and H1 jobs continue to be in the community. Hydro One has approximately 70 jobs presently working in Peterborough in aging and congested facilities. PDI has approximately 60 - 65 jobs currently working in its operations. As PDI's service territory is contiguous (shoulder to shoulder) with Hydro One's service territory, the opportunity to build a new Regional Hub Operation Centre in Peterborough becomes logical as the industry consolidates and Hydro One looks to upgrade and site its regional operations. The development of a new Regional Hub by Hydro One in Peterborough provides a strong opportunity for continued local presence in Peterborough, and retaining jobs in Peterborough. The related future economic benefit to the community is estimated to be $100.0 - $150.0 million over the next five years As the industry consolidates, the future opportunity for regional operations in Peterborough will be become less likely. Operations Centres will be sited in other regions as decisions are made in those

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		areas. It should also be noted that this is a distinguishing component of a Hydro One proposal, made possible by contiguous service territory. Accordingly, such benefits cannot be easily replicated by other potential acquirors. *Is there a possibility of taking the utility back for the citizens if the proposed sale is not benefiting us?* The benefits are clear and will be proven out as the industry consolidates, which is inevitable given the government's recent regulatory and tax changes that are now in place. The risk of doing nothing will be lost opportunity to retain employment here locally. The opportunity to reacquire the utility should these benefits not materialize is not contemplated in the proposed path. *When will the actual costs be revealed so that citizens can make an informed choice?* The actual value at hand has been disclosed publicly now, as noted above. *Can we be assured that the power generated here will be available first to the citizens and businesses of Ptbo?* All power generation that PUG operates is unaffected by this decision. Power generation is in a separate company that will continue to be owned by the City. Under the current Provincial system all power that is generated is supplied to the Provincial grid which then allocates power as required. Presently, under this system, PUG does not produce all generation for local consumption, nor is it allowed to. *What positive steps will PDI take to diversify their power generation to*

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		include solar and wind sources? PUG will continue to own and operate all other companies in the group. Generation development and operations (in the unregulated business), the services and water businesses, and the Riverview Park and Zoo will continue operations as usual. Presently, PUG is one of the largest municipally owned generators of renewable generation, focusing on hydro and solar. That will be unchanged and unaffected by the PDI decision. *How will citizens be able to influence the decision being considered?* Through this public input process and public Council meetings and other forums as required and established by Council, and of course by contacting your local City Council representative.
68	*A very long email largely commenting on Hydro One sale, parkway comments, high taxes etc.*	
69	Strongly oppose the sale of PDI	
70	Is there any compensation due under contract to the PDI board/executives if a sale occurs?	None.
71	Priority of Hydro One will be to make profits, so the bills will go up.	
72	Sale of PDI not wise. The opposite is happening in Germany where towns are buying back power distribution.	
73	We have 2nd highest rate of	

#	Question or Comment	Response Provided
	unemployment in Canada, why consider selling? PS if you "take the deal good luck on getting re-elected". Mayor will go "down in history as a city-killer"	
74	We have 2nd highest rate of unemployment in Canada, why consider selling? PS if you "take the deal good luck on getting re-elected". Mayor will go "down in history as a city-killer"	
75	I would like to know what will happen to the hydro electric damns that PDI has spent money on. What is going to happen to local employees?	
76	I was a Hydro One customer and after poor service and outrageous bills it was a deciding factor to move family back to Ptbo. How will people be able to pay increased bills?	
77	Need to keep PDI. Our hydro bill runs $300/mo right now.	
78	Is private better than public? Is bigger better than smaller? Is remote better than local? Why sell a well run public company to a huge private remote company? The $1.3 billion that will be saved provincially, who can substantiate this claim? Are our Councillors aware that in other places in the world cities are buying back utilities? Wouldn't we be better to be small and nimble to react to changes in the electrical grid?	An efficient electrical system is what benefits all Ontarians. The recent advisory reports to the Provincial Government confirm that Ontario, unlike many jurisdictions in North America and worldwide, simply has too many small utilities and this is cost ineffective. In Ontario, there are 63 utilities serving only 30% of the customers. PDI is one of these utilities. The savings of $1.3 billion has been documented and supported by the work done in these Provincial Government mandates.

#	Question or Comment	Response Provided
		Regardless of private or public ownership, Ontario is inefficient and the distribution system is fragmented in comparison to better performing jurisdictions in the world. *Some jurisdictions are buying back utilities*? Many of the jurisdictions operate under different models where distribution and generation are together and ownership of the grid may provide better advantage to address generation development. The market structure is different in Ontario whereby distribution (grid) ownership cannot provide any preferred advantage to generation developers. Grid access must be provided on a fair basis to all and free of bias – equal access. PDI cannot provide any preferred access to any generator. PDI is highly regulated in this regard. Grid ownership cannot influence and therefore is not a factor in generation – local or afar. PUG generation has never benefited from the fact that PDI is owned by the City. Fair and equal access. That will continue regardless of who owns the grid. Ontario renewable development is determined at the Provincial level through centralized energy procurement programs, to meet the overall demand and the Provincial desire for renewable energy content. This is not locally determined – nor is it dictated by grid ownership. *Wouldn't we be better to be small and nimble to react to changes in the electrical grid?*

#	Question or Comment	Response Provided
		The grid is highly controlled and regulated. PDI has no advantages being a small grid utility. In fact it is cost disadvantaged. Nimbleness and reaction speed are traits worth of consideration in the unregulated business, which PUG will continue to operate. That is unaffected by grid ownership.
79	There should be a referendum, not just a vote by Council.	
80	Process up to this point not transparent. Local control is better.	
81	Will not benefit the people of Peterborough long term. Hydro has a poor track record	
82	Will the Councillors due diligence include talks with some of the smaller utilities which Hydro one is so quick to announce; already consolidated without any down sides? Will another public access meeting on this important issue be held? Embarrassed that Leal didn't show up for meeting.	Council will ensure that they receive all information that is necessary to make an informed decision. That may include discussions with utilities recently acquired. Council has yet to determine if another public meeting is required; but future discussions on this matter will be at public Council meetings.
83	Rates will increase and local jobs will be lost. Daughter pays $150/month delivery charge for Hydro One which is more than the cost of the actual electricity.	
84	Negotiate your best deal with some employee and certainly rate protections, focus on the power generation aspect of the utility, spend the extra interest dividend on something that matters to the	

#	Question or Comment	Response Provided
	City.	
85	Will Hydro One maintain a separate standby crew for the City or will they use their existing standby crew to respond to trouble calls in the City and will this have a huge impact on response time?	The presence of a regional hub in the City of Peterborough will ensure that standby crews are located in Peterborough which will ensure that historic PDI response time is not affected.
86	Who gives you the right to sell PDI for short term gain? We will end up like the 407, with someone in another country owning it.	Municipal City Councils, by legislation, are entrusted to make the decision regarding their utilities. Any decision must take into account the longer term view of the industry, the Province's direction for consolidation, and the risk to smaller utilities. It is not motivated by short term gain.
87	Research should be done on other similar sales in Ontario. In Germany municipalities are buying back utilities.	
88	Believe sale will increase rates. Concerns with Green Energy program of Liberals.	
89	Who is protecting interest of consumers? The province wants consolidation to attract capital, exactly how is that capital going to be used? Found Mayor to be arrogant and smug at meeting, Leal too cowardly to show his face.	The Ontario Energy Board takes into account consumer interests and must approve any proposed transaction. In a public process they will apply a "no-harm" test to ensure that the ratepayer is protected. Low cost capital is needed to reinvest in the aging electrical infrastructure and prepare for advancement of new technologies in the future. Smaller municipal utilities do not have access to this low cost capital.
90	Strongly request we don't sell PDI to Hydro One. Irreversible decision.	
91	Former member of PDI board of directors and Hydro One employee – believe that Council will make a 92decision based on "the greater good of the community and	

#	Question or Comment	Response Provided
	not emotion"	
92	Totally opposed to sale of PDI to anyone	
93	Opposed to sale – thinks rates will increase. "I don't believe it is within the purview of city council to make a decision to sell our assets."	
94	Please don't sell PDI. Nova Scotia is one province where some small towns have decided not to sell to provincial hydro and they are doing very well.	
95	Not in support of sale.	
96	It should be kept public. People take hydro for granted. Once it's sold it can't be bought back. Bill was $154 last month for a 4 bedroom detached bungalow last month.	
97	"A fraction of the citizens in Peterborough voted for Mr. Bennett. He cannot therefore act on our behalf. I feel disenfranchised by my home city."	
98	Zero faith in Hydro One. If there is a sale I have no doubt my bill will cost more. Loss of jobs.	
99	"Not the most insightful decision our city could approve. In the present time I consider the option of moving toward a self contained property (i.e. off the grid)."	
100	Object to sale of PDI. Ontario residents pay highest rates of electricity in the country.	

#	Question or Comment	Response Provided
101	Our rates are fair and Hydro One is in a debt position – against sale. "Sir Adam Beck must be rolling over in his grave." *(sent same email twice)*	
102	Most people have nothing good to say about Hydro One. Bills will go up. Take it to the people in a referendum.	
103	Hydro One doesn't have a good track record like PDI. No to sale.	
104	Totally against sale, I know bill will go higher. Council doesn't listen to residents – hopefully they will this time.	
105	Don't understand what the rush is. Strongly urge council to slow down the process so people can form an informed opinion. "The goal here should be to make the best decision possible with all of the available facts, rather than rush to judgment."	
106	Where is Hydro One getting the money to buy PDI? If they are borrowing how are they doing it? From whom? What is the rate of return? What will those interest payments add to the bills of people in Peterborough? Liberals are allowing stranded debt to grow larger.	Hydro One has its own resources and access to low cost capital in the public debt and equity markets. Investors that choose to invest in Hydro One provide this capital. Hydro One as a utility regulated by the OEB, has its rates of return established by the OEB annually. The current rate of return on equity is 9.19%, and long term debt is 4.54%. These are established in relation to the market rates. The costs of debt and equity at OEB prescribed amounts are allowed in distribution rates for all utilities. PDI's existing rates also have debt and equity components as deemed by OEB. This is will not change with Hydro One ownership. Local distribution rates are controlled by the OEB and Peterborough

#	Question or Comment	Response Provided
		local rates will not increase for these sources of capital.
107	Why fix something that isn't broke. There will be more homeless people if this goes through.	
108	I understand that PDI employees will be taken care of, but what about the other employees that may be shared services with other departments running at the utilities building? Can you guarantee jobs for each person working at Peterborough Utilities Group as a whole?	PUG will continue to run water and unregulated operations without change. Those employees not directly related to PDI, and working with these other departments will continue to be employed and operate as usual. Shared services that provide support to both PDI and other departments will be separated as required. Those shared service employees allocated to PDI will be Hydro One employees. Those shared service employees that are allocated to the water and other PUG businesses, will continue to be employed and work with PUG. Shared Service employees therefore will continue to work with PUG or continue to work with Hydro One.
109	What happens to the other staff that work for shared services within Peterborough Utilities? Nothing mentioned about their jobs.	PUG will continue to run water and unregulated operations without change. Those employees not directly related to PDI, and working with these other departments will continue to be employed and operate as usual. Shared services that provide support to both PDI and other departments will be separated as required. Those shared service employees allocated to PDI will be Hydro One employees. Those shared service employees that are allocated to the water and other PUG businesses, will continue to be employed and work with PUG.

#	Question or Comment	Response Provided
		Shared Service employees therefore will continue to work with PUG or continue to work with Hydro One.
110	Hope Councillors will be very thorough and look at the deal objectively and not emotionally. Ferret out the hidden costs and determine if it is a worthwhile offer. "I hope that in the end, if the deal is accepted it will be a win/win and if it is not to our advantage/benefit, our Councillors will have the courage to walk away from it.	
111	Sale is bad. If the city was concerned it would work for the citizens and not against them.	
112	Why did we not know about this until the last moment? What are the benefits to us as taxpayers? Have we conducted an engineering economic analysis? If not, why not? If we have, she wants a copy of it. Why was annual report last year so positive if now we need to sell? Are you listening?	The Public Session on March 3, 2016 introduced the matter to the public to commence the public dialogue. An engineering economic analysis is not considered required for the decision that is at hand. Significant analysis of the industry risk and key impacts to employment, rates, service and financial return has been completed and is outlined in the public document entitled Management Discussion and Analysis and Frequently Asked Questions that can be found at http://www.peterboroughutilities.ca
113	Council supposed to act in best interest of citizens so shouldn't be considering offer. I suggest you listen to the people.	
114	PUC should remain whole. Listen to the citizens.	
115	I don't understand why we are considering selling off PDI when Hydro One is being sold off.	
116	One time influx of money, how does the	The decision under consideration is motivated by industry

#	Question or Comment	Response Provided
	budget balance in the future? Cutting services and raising taxes?	consolidation and the direction of the Provincial Government. Any sale proceeds can be reinvested to address the current day returns to the City from PDI.
117	Possible benefits don't outweigh the serious side effects that Hydro One will create.	
118	Why would you sell a business that makes money every year? It is not for sale.	The decision under consideration is motivated by industry consolidation and the direction of the Provincial Government. The environment of change established by Provincial policy will significantly affect the industry and the existence of smaller LDCs in the long run.
119	Wants to keep PDI.	
120	100% against sale. Have a referendum.	
121	Against sale. Hydro One has a lurid history. Looks like decision has been made before going public. Mayor's behaviour is undemocratic and disappointing.	
122	How would you be running PDI at a loss by not selling to Hydro? You said there are 1.3 billion in efficiencies by combining utilities. How is this done? Where are these huge savings? If you sell you are betraying the interests of the people who put you in power.	PDI is not running at a loss. The direction of the Provincial Government is for industry consolidation. PDI, as a small utility of 36,000 customers, in this period of change, may become one of the smallest utilities and as such, it will be challenged to provide the same level of service, rates, and financial return to the City. The Ontario Distribution Review Panel Report to the Provincial Government outlines the noted cost savings and benefits, and the basis of those estimates.
123	We do not need a cash grab. PDI is very well run unlike Hydro One.	

#	Question or Comment	Response Provided
124	Do not sell our utility. We must keep it out of the hands of a large corporation that is privatizing.	
125	Hydro One has a bad history. Lowering delivery rate by 1% for five years then what? What happens to what's left of Peterborough Utilities? Will the water rates/sewer surcharge have to be increased to cover a portion of the shared infrastructure that PDI paid? What happens to 1867 Ashburnham?	Rates: With reference to other completed transactions for LDCs, we would expect that the PDI existing distribution rate (the portion of total electricity rates directly controlled by PDI) would be reduced by 1% and frozen ("rate freeze") at that level for five years. In comparison, status quo PDI rates, as a minimum will go up 10% in total over that five year period. It is quite possible that with new capital spending requirements over the next five years that the aggregate rate increase may have to be larger than 10%. Beyond Five Years Given OEB control of rates, it would be difficult to quickly erode the "rate advantage" in the years beyond year five, with rate increases. In addition, Hydro One has proposed, as in past LDC transactions and subject to OEB approval, to establish an "Acquired Rate Class". We would expect that this rate class would better align with the customer density of the City of Peterborough and the cost to serve of urban utilities acquired by Hydro One, and that rates would be comparable to the rate classes of all acquired urban utilities. We expect that this will address current comparability issues of the Hydro One existing "Urban" rate class with current LDC rate classes, including PDI.

#	Question or Comment	Response Provided
		The future expectation is that rate increases beyond the rate freeze period would be similar to rate increases experienced for urban utilities or if PDI remained status quo. What happens to what's left of Peterborough Utilities? Will the water rates/sewer surcharge have to be increased to cover a portion of the shared infrastructure that PDI paid? The remaining businesses of Peterborough Utilities will continue. We do not expect that the rates of other businesses will be impacted by this proposed change. Much of shared infrastructure is now limited or of age that requires decision to reinvest, which will provide opportunity to right size requirements to meet the needs of those businesses. Hence we do not envision material impact to the surviving businesses. 1867 Ashburnham remains in the ownership of PUG.
126	Against sale. What will be the cost increases in water rates, and city taxes based on the loss of up to $4.8 million annually in savings? Would selling to Hydro One be in Peterborough Customers best interest? Check out what the Ombudsman had to say about Hydro One.	The rate application that was filed in 2013 refers to PDI's total allocated costs of approximately $4.8 million dollars. These costs are total costs of PDI and not cost savings or synergies. The current day cost equivalent of these costs are completely attributable to PDI, and as such, will be included in any transaction with any Purchaser. These costs also include support services staff who will be offered employment with the Purchaser, should a transaction be approved. Therefore these costs, will not be borne by the surviving PUG or PUC companies. The decision under consideration is in the best interests of the Peterborough community – defined as continued employment, customer rates and service and financial value. In the long run, to

#	Question or Comment	Response Provided
		ignore the Provincial Direction and industry consolidation will be harmful to the Peterborough community and its customers.
127	Against sale. How can you justify selling when all that will be realized after the sale is about $40 million?	The decision under consideration is motivated by industry consolidation and the direction of the Provincial Government. The environment of change established by Provincial policy will significantly affect the industry and the existence of smaller LDCs in the long run. Any sale proceeds can be reinvested to address the current day returns to the City from PDI.
128	Why not fix what is broken? Hydro One sees the value in PDI why not City? Should integrate admin services more into the City structure.	The decision under consideration is not motivated by cost inefficiency. The decision under consideration is motivated by industry consolidation and the direction of the Provincial Government. . The environment of change established by Provincial policy will significantly affect the industry and the existence of smaller LDCs in the long run. Therefore integration of services with the City structure will not address this risk and direction.
129	Would like to see PDI remain in local hands. Bad history of mismanagement with Ontario Hydro/Hydro One.	
130	Hydro sent an arrogant, condescending spokesperson (Richard). Hydro One here brings people on staff for 8 months and then lays them off for 8 months so no benefits.	
131	In 2012 John Stevenson as reported in Peterborough Examiner was strongly opposed to selling. What has changed since then? With a likely increase in rates for delivery, does it make sense for the City to profit on a one time sale only to pass on costs to consumer?	In 2012 Mr. Stephenson spoke out against the Ontario Distribution Review Panel Report to the Provincial Government - which recommended ***mandatory*** merger of utilities. Mr. Stephenson spoke to the need for ***voluntary*** decision making. Since that time:

#	Question or Comment	Response Provided
		1) The Provincial Government has embraced that report and sponsored the Premier's Advisory Council on Government Assets. All of these reports have concluded that further distribution utility consolidation is necessary to remove inefficiencies, reduce costs and ultimately reduce consumer electricity rates. For reference, these reports can be found at: http://www.peterboroughutilities.ca. 2) To further facilitate industry consolidation, in the fiscal 2015 budget, the Provincial Government introduced tax changes to significantly reduce the amount of Provincial taxes ("Transfer Tax") that are payable by Municipal owners to the Province on the sale of LDCs. 3) Several of the Premier's Advisory Council recommendations to the Provincial Government are being implemented including the merger of Powerstream, Horizon, Enersource and Hydro One Brampton LDCs. Many Municipal owners throughout Ontario are considering their LDC's future. Industry consolidation is happening. The decision under consideration is motivated by industry consolidation and the direction of the Provincial Government. The environment of change established by Provincial policy will significantly affect the industry and the existence of smaller LDCs in the long run. Any sale proceeds can be reinvested to address the current day returns to the City from PDI. Therefore we do not see costs negatively affected by this transaction.
132	Why rush to sell? Why haven't we seen offers from other potential buyers? Does	PDI is a well-run utility and does not need the cashflow.

#	Question or Comment	Response Provided
	PDI need cash flow? What about people left at PUG that will have to deal with restructuring and bumping?	The decision under consideration is motivated by industry consolidation and the direction of the Provincial Government. The environment of change established by Provincial policy will significantly affect the industry and the existence of smaller LDCs in the long run. Any sale proceeds can be reinvested to address the current day returns to the City from PDI. Therefore we do not see cost affected by this transaction. PUG will continue to run all its other businesses and the people remaining will be an important part to continuing to run those operations.
133	Against sale.	
134	Against sale.	
135	Review and prepare a report for Council on the OEBs LDC 2014 scorecard comparing PDI/Hydro One from OEB website. Hydro One near or at the bottom of all metrics, PDI scores much higher.	
136	Against sale. Talks about impacts on low income households. *Long letter and very detailed*.	
137	Short sighted decision to make money for City. Poor Hydro One track record.	
138	Against sale.	
139	Disagree with sale. Is Wynne involved here?	Premier Wynne is not involved here.
140	Against sale. Concerns with Hydro One and Wynne. We will have to pay Hydro One debt.	
141	We should continue to generate power	

#	Question or Comment	Response Provided
	and sell excess to Hydro One.	
142	Hydro One bad history. Don't sell.	
143	Don't sell	
144	Hydro One is a liberal boondoggle. Don't sell.	
145	Don't sell. It will be an increase in our hydro prices.	
146	Don't sell.	
147	How could this sale possibly be of benefit to us?	The decision under consideration is motivated by industry consolidation and the direction of the Provincial Government. The environment of change established by Provincial policy will significantly affect the industry and the existence of smaller LDCs in the long run. Details of the benefits including continued employment and the development of a Regional Centre - is outlined in the public document entitled Management Discussion and Analysis and Frequently Asked Questions that can be found at http://www.peterboroughutilities.ca
148	Why do you want everyone to pay more for hydro they already can't afford? How much money are you pocketing from this?	The decision under consideration is motivated by industry consolidation and the direction of the Provincial Government. The environment of change established by Provincial policy will significantly affect the industry and the existence of smaller LDCs in the long run. Details of the benefits including continued employment and the development of a Regional Centre - is outlined in the public document entitled Management Discussion and Analysis and Frequently Asked Questions that can be found at http://www.peterboroughutilities.ca
149	Don't sell. PUC is good.	
150	Please don't do this.	

#	Question or Comment	Response Provided
151	Why rent the power when we can own it?	
152	Don't support sale.	
153	Don't sell and cause our prices to increase because Hydro One needs to support their sunshine list employees!	
154	PDI should have nothing to do with such unethical corruption.	
155	Don't want to sell – to benefit pocket lining of Mayor and Council.	
156	Don't sell.	
157	Disgusted enough to never vote for any of you clowns again. Get all your looting in now while you can because come next election none of you will have a job.	
158	Don't sell.	
159	Don't do this.	
160	Don't do this. I'm so disappointed with this city these past few years.	
161	What point is it to sell an asset that makes our city money? Are we only looking at short term gain instead of long-term? Have we not observed the trauma Hydro One is causing customers?	The decision under consideration is motivated by industry consolidation and the direction of the Provincial Government. The environment of change established by Provincial policy will significantly affect the industry and the existence of smaller LDCs in the long run. Details of the benefits including continued employment and the development of a Regional Centre - is outlined in the public document entitled Management Discussion and Analysis and Frequently Asked Questions that can be found at http://www.peterboroughutilities.ca
162	Support sale. PUC is council's and there shouldn't have been public debate.	

#	Question or Comment	Response Provided
	People have no brains to understand – half of them are upset about loosing the zoo.	
163	Short term gain and long-term gain.	
164	No to sale.	
165	Bad Hydro One history.	
166	No good reason for this to happen.	
167	Totally against sale.	
168	No to sale.	
169	Short term gain, long term effects.	
170	Can't afford to pay more. No control over Hydro One as they have a monopoly.	
171	Hydro bills will be higher, don't deny it.	
172	Sale is a slap in the face to people of Peterborough. This option to exercise my voice is a joke.	
173	This should be voted on by the people.	
174	Don't sell.	
175	Don't sell.	
176	No sale please. Be unique, don't cave.	
177	I might as well talk to the hand because I know you won't be listening. Smoke and mirrors.	
178	Don't sell.	
179	Claim people won't pay more is preposterous. Nothing good will come of this sale.	
180	PUC is better choice than Hydro One.	
181	Do not do this.	
182	I agree with sale. Reinvesting the funds	

#	Question or Comment	Response Provided
	into the PUC or the equities market is what should happen with proceeds to ensure a financial return for PTBO in perpetuity.	
183	People won't be able to pay Hydro One bills because of cost.	
184	One time payment is no good.	
185	Short sighted to sell. We have a good asset.	
186	Keep Peterborough power local.	
187	Don't sell – Hydro One has highest rates.	
188	I like PUC, don't sell.	
189	Hydro One has highest rates and is being privatized.	
190	Not a good idea to sell.	
191	I've always been pleased with PUC. If deal goes through, rates will rise. May be short term benefits, but long term effects will be devastating.	
192	Poor record of Hydro One. This is a Liberal Government scheme	
193	Not in favour of sale. *Long letter*. Works at PDI.	
194	Not in favour of sale. Hydro One doesn't have a vested interest in our community.	
195	We already pay too much and won't costs go up more? What about the zoo? It's a boondoggle.	We do not expect costs to go up more as a result of this proposed transaction. Details of the benefits including continued employment and the development of a Regional Centre and rate protection is outlined in the public document entitled Management Discussion and Analysis and Frequently Asked Questions that can be found at

#	Question or Comment	Response Provided
		http://www.peterboroughutilities.ca The zoo is unaffected by the decision under consideration. The zoo will continue as is.
196	*See #194 – same submission*	
197	Hydro One too expensive. I would rather go off the grid than be a Hydro One customer.	
198	No confidence in Hydro One. Don't sell.	
199	Hydro One too expensive.	
200	Bad decision, think of the public's opinion.	
201	I don't live in PTBO, but am a Hydro One customer. If sale goes through it's so Mayor can line his pockets.	
202	Hydro One employees overpaid. Want a referendum.	
203	*See #202 – same submission*	
204	Why get rid of a steady cash flow? Short financial benefit dwarfed by long term detrimental effects.	The decision under consideration is motivated by industry consolidation and the direction of the Provincial Government. The environment of change established by Provincial policy will significantly affect the industry and the existence of smaller LDCs in the long run. Details of the benefits including continued employment and the development of a Regional Centre - is outlined in the public document entitled Management Discussion and Analysis and Frequently Asked Questions that can be found at http://www.peterboroughutilities.ca Any sale proceeds can be reinvested to address the current day returns to the City from PDI

#	Question or Comment	Response Provided
205	No sale until Hydro One can get their act together with billing and customer service.	
206	Sale would be a massive mistake.	
207	No thanks Hydro One	
208	Please don't sell. Hydro One is mismanaged and PUC is a jewel.	
209	Don't sell. Bennett will profit.	
210	Stop! It's expensive enough to live here.	
211	Don't sell to Hydro One.	
212	Believe sale is good business move. Job creation and at a time when PDI worth the most. Ptbo linesman will be moved up in the wage bracket.	
213	Don't sell. I can't pay more for hydro.	
214	Very bad move. Selling the people of this great city out.	
215	Selling PDI for quick cash is a bad idea. Why ruin a good thing?	The decision under consideration is motivated by industry consolidation and the direction of the Provincial Government. The environment of change established by Provincial policy will significantly affect the industry and the existence of smaller LDCs in the long run. Details of the benefits including continued employment and the development of a Regional Centre - is outlined in the public document entitled Management Discussion and Analysis and Frequently Asked Questions that can be found at http://www.peterboroughutilities.ca Any sale proceeds can be reinvested to address the current day returns to the City from PDI
216	What are the environmental and social	We see no material environmental and social opportunities and

#	Question or Comment	Response Provided
	opportunities and limitations under various scenarios? How does a potential sale affect the ability of Peterborough and surrounding area to shape its own innovative, entrepreneurial future? What level of influence will residents have after sale? How important is this to local residents? Is there an opportunity to acquire/merge with other local utilities/distribution networks in central Ontario? What is the overall consultation process by PDI and City? What conditions and arrangements could be made with the purchaser (jobs, offices, service standards)? If there's a sale, what happens to proceeds? Is there an opportunity to create a trust fund of $40 million to support energy efficiency programs, new generation opportunities, and environmental programs?	limitations from the decision under consideration. PDI is a highly regulated business with significant regulatory restrictions on what it can and cannot do. As such its ability to influence the Peterborough and surrounding area to shape its own innovative, entrepreneurial future, is restricted and not of consideration. What level of influence will residents have after sale? How important is this to local residents? - If a Hydro One transaction was approved by City Council, and with reference to other completed transactions for LDCs, a Municipal Advisory Board could be created comprised of local City representation and senior Hydro One officials to address any future electricity related issues. The Municipal Advisory Board would provide a regularly scheduled forum for the City to directly raise electricity issues with senior Hydro One officials. Is there an opportunity to acquire/merge with other local utilities/distribution networks in central Ontario? There is limited opportunity for PDI to acquire, or for PDI to be purchased by local LDC's, as they have insufficient capital means to do so. Additionally, PDI's service territory is surrounded by Hydro One's service territory, and with no other LDCs in close proximity to Peterborough. This contiguous service territory can provide significant operational synergies and this has been recognized by the ODSRP as a requirement for effective consolidation. To merge with another local LDC will not provide such synergies and must address the size goal of greater than 400,000 customers to be considered to meeting the government direction. The overall consultation process by PDI and City will not be fully

#	Question or Comment	Response Provided
		determined until the public input process is completed. Details of the benefits including continued employment and the development of a Regional Centre - is outlined in the public document entitled Management Discussion and Analysis and Frequently Asked Questions that can be found at http://www.peterboroughutilities.ca The proceeds of the sale has not been discussed or determined by Council. Such discussion will occur at a future date.
217	Government cuts funding for public services due to lack of funds, but wants to sell profit making services. Unacceptable.	
218	Hydro One level of service is unacceptable. Why when there is a regional storm outage Ptbo is back up and running quickly but Hydro One customers are in the dark for 3-5 days? Why do PDI crews assist Hydro One with their storm response once our power is back on? They don't trim their trees adequately or have enough staff. Once Hydro one takes over, do you think same thing will happen when they freeze rates for 5 years and cut tree trimming in Ptbo!	Peterborough' service territory is easier to serve than Hydro One's rural territory, as it has higher customer density and less overall service territory. The proposed Regional Centre to be built and maintained in Peterborough should provide comfort that Peterborough storm response should not be negatively affected going forward.
219	No sale to Hydro One. Over priced and inefficient.	
220	No urgency for a deal. History of mismanagement. Employees fear losing their jobs. Our service is A1 and risks being tampered with. Danger of higher	

#	Question or Comment	Response Provided
	cost.	
221	PDI should not be sold especially to Hydro One. Councillors need to represent their constituents and not worry what Stephenson want (he will make a good profit from this deal). Without PDI what happens to departments like water, zoo, generation, etc? Why sell an on-going income for a one time amount? 22% tax is payable to province with this sale. Councillors should tour utility to see what they are considering selling.	The water, zoo and generation businesses will continue. The decision under consideration is motivated by industry consolidation and the direction of the Provincial Government. The environment of change established by Provincial policy will significantly affect the industry and the existence of smaller LDCs in the long run. Details of the benefits including continued employment and the development of a Regional Centre - is outlined in the public document entitled Management Discussion and Analysis and Frequently Asked Questions that can be found at http://www.peterboroughutilities.ca Any sale proceeds can be reinvested to address the current day returns to the City from PDI
222	Only support sale if hydro costs go down. Hydro is more expensive here than Belleville (Veridian).	
223	If it's not broke, don't fix it.	
224	Current service is good. Afraid of poorer service at a higher cost.	
225	Only reason is that some people in organization stand to make money out of this in the form of a sweetheart deal with government.	
226	Selling to Hydro One is an underhanded way of taxing the citizens of Peterborough.	

#	Question or Comment	Response Provided
227	Don't sell.	
228	This will be a huge mistake that city residents will pay for.	
229	Hydro One has bad track record. Irresponsible to sell income producing assets for short-term gain.	
230	Don't sell.	
231	Keep PDI. It is making money.	
232	PDI has very good service. No one has ever accused Hydro One of doing a good job.	
233	Why sell off something that is making money to an organization that has poor customer service, high debt rates?	The decision under consideration is motivated by industry consolidation and the direction of the Provincial Government. The environment of change established by Provincial policy will significantly affect the industry and the existence of smaller LDCs in the long run. Details of the benefits including continued employment and the development of a Regional Centre - is outlined in the public document entitled Management Discussion and Analysis and Frequently Asked Questions that can be found at http://www.peterboroughutilities.ca Any sale proceeds can be reinvested to address the current day returns to the City from PDI.
234	A huge mistake.	
235	Just No.	
236	Everyone is saying no. Do you even care?	The public input session is to provide public input to Council to be duly considered in evaluating the decision.
237	Don't sell. I'm terrified of how Hydro One will bankrupt us as a community.	

#	Question or Comment	Response Provided
238	Why not sell PDI to private sector? Why is Hydro One trying to buy back more distribution? Will they resell it at an even bigger profit?	Details of the benefits including continued employment and the development of a Regional Centre - is outlined in the public document entitled Management Discussion and Analysis and Frequently Asked Questions that can be found at http://www.peterboroughutilities.ca The benefits include retaining considerable existing employment in the area. The opportunity to replicate these benefits with the private sector is very low. As PDI's service territory is contiguous (shoulder to shoulder) with Hydro One's service territory, the opportunity to build a new Regional Hub Operation Centre in Peterborough becomes logical as the industry consolidates and Hydro One looks to upgrade and site its regional operations. Hydro One is a logical acquirer under the Provinces direction to consolidate the industry. Hydro One has considerable access to low cost capital and is already a significant sized utility in Ontario. There is no indication that the company will be sold later at a higher profit.
239	We pay enough for power and Hydro One sale will leave us vulnerable to even higher rates.	
240	Not in favour of sale because of Hydro One track record.	
241	Don't sell.	
242	Every level of government just wants to bend the tax payer over.	
243	PUC does a tremendous job. I like their "green" take on things. Don't sell.	
244	Only in best interest of Hydro One.	

#	Question or Comment	Response Provided
245	Selling to Hydro One is a huge mistake. Fees will increase.	
246	Don't sell. Hydro is expensive enough and I can't afford more.	
247	We should be proud of PDI. We should stay the course.	
248	*Letter received.* Are Drummond report recommendations valid for smaller utilities and on what criteria were they based? Do they take into consideration the proximity to large urban areas, geography, and population distribution? How many had operating surpluses? How was a minimum population of 400,000 for a local municipal system arrived at?	Since 2012, the Provincial Government has sponsored the Drummond Report, the Ontario Distribution Sector Review Panel ("ODSRP"), and the Premier's Advisory Council on Government Assets. All of these reports are specifically aimed at and valid for smaller utilities. The conclusion is that there are too many small utilities and that is cost inefficient. All of these reports have concluded that further distribution utility consolidation is necessary to remove inefficiencies, reduce costs and ultimately reduce consumer electricity rates. For reference, these reports can be found at: *http://www.peterboroughutilities.ca* Page 9 of the ODSRP report provides comparative sizing for jurisdictions around the world, supporting that 400,000 is a reasonable number. The conclusion of 400,000 as recommended by the ODSRP is on page 29 of that report.
249	I emailed by questions and comments to mayor and council members twice earlier this month. Comment card should be delivered in the billing statement envelope. She will pay the cost of the paper. March 31 deadline needs to be extended. Need to slow down the process. Why are we in such a rush for	Council has committed to receiving public input to consider in its evaluation of this important decision. The approach is not rushed and will consider all material aspects before a decision is made. The industry is continuing to consolidate and the opportunities to capture best community value will not continue to exist as that industry shrinks. Council will decide what the best timing for the decision is, given the

#	Question or Comment	Response Provided
	this to happen? By waiting one year, what amount of money will be lost? How will the profits dwindle (what %) as costs to run PDI increase? Estimation of PDI increase?	industry risks and the opportunities presented.
250	If Hydro One takes over no attention will be paid to local issues. I am concerned that Mayor Bennett considers this a done deal. Can residents be guaranteed that the local distribution rates won't go up? Will we be forced to pay more for province wide maintenance of aging infrastructure, debt retirement, outlandish severance packages, and exorbitant salaries? Why would you want to get rid of something generating money for the City? Where will that revenue come from if PDI is sold? Increased property taxes?	
251	*Package of information including newspaper articles, letter etc. submitted*. I like PDI but not Hydro One. Perhaps a referendum would be in order. Some people may not be submitting concerns about Hydro One because they haven't experienced them.	

City of Peterborough

To:	**Members of Committee of the Whole**
From:	**Allan Seabrooke, Chief Administrative Officer**
Meeting Date:	**October 17, 2016**
Subject:	**Report CAO16-012 Community Engagement Plan – Potential Sale of Peterborough Distribution Inc. (PDI)**

Purpose

A report to seek Council approval of a community engagement plan to provide information to the public on the potential sale of Peterborough Distribution Inc. (PDI).

Recommendation

That Council approve the recommendation outlined in Report CAO16-012, dated October 17, 2016, of the Chief Administrative Officer, as follows:

That Report CAO16-012 outlining a community engagement plan to provide information to the public on the potential sale of Peterborough Distribution Inc. (PDI) be approved.

Budget and Financial Implications

The engagement of Navigant Consulting Inc. to provide third party review of the electricity distribution sector, recommendations and documentation from City of Peterborough Holdings Inc. (CoPHI) on potential divestment was approved by Council through Report CAO16-008 on June 27, 2016 and estimated at approximately $30,000.

To date, approximately $22,000 has been expended by the City to Navigant Consulting to complete the first part of the overall engagement. In addition, the City has expended approximately $120,000 on external legal fees with respect to negotiations on a potential divestment of PDI.

There will be additional expenditures to complete the community engagement plan outlined in this report.

There are substantial financial considerations and options for the City should an eventual transaction occur divesting PDI.

Background

Previous Council Direction

On February 22, 2016, Committee of the Whole considered, and Council approved, the following recommendations based on Report CAO16-005:

a) That Report CAO16-005, and presentation by Peterborough Utilities Group (PUG) providing an update on a potential transaction involving the sale of PDI to Hydro One be received for information;

b) That staff be directed to initiate a public process to receive constituent input on the sale of PDI to Hydro One.

A public process was initiated, in the form of a public meeting hosted by the City on March 3, 2016 at Market Hall, Peterborough. The meeting consisted of a number of presentations with respect to PDI and potential divestment; speakers entertained and responded to questions; and the results of this first consultation were reported to Council in a June 20, 2016 report to Council.

On September 6, 2016, Committee of the Whole considered, and Council approved, the following recommendation based on Report CAO16-009:

That a presentation by Navigant Consulting Inc., providing information on the outlook for medium sized Local Distribution Companies (LDC's) be received for information.

At the meeting of September 12, 2016, the following recommendation was added:

That the recommendation for Report CAO16-009 be amended by adding as follows:

That staff be directed to report on a comprehensive community engagement plan to provide information to the public on the potential sale of PDI.

Community Engagement Plan

Plan Goals – What we will achieve

Through implementation of this engagement plan we will:

- Develop shared understanding with residents and businesses regarding key components of the draft agreement between the City and Hydro One in the divestment of PDI.
- Demonstrate responsiveness to constituents' need for information about the decision making process and how information will be used to inform decisions.
- Demonstrate how the agreement impacts Peterborough and its citizens.
- Articulate how constituents' ongoing concerns will be addressed.

The Approach – How will we achieve this?

Our approach will:

- Use a variety of communication channels to create opportunities for soliciting and gathering input and feedback from the community to inform decision making by Council.
- Make resources available that respond to questions that arise.
- Ensure that the process is transparent and respectful of people's time by providing sufficient notice to become aware of and participate in a manner that works for them.

Outcomes

The desired outcomes from implementation of the engagement plan are:

- Engage a broad and diverse type of community members, associations and stakeholders.
- Strengthen public awareness and confidence in the decision making process by sharing information in a clear, unbiased and open manner on the Hydro One draft agreement.

Objective 1: Engage constituents through different channels that encourage diversity of participation in a way that is respectful of their time and capability.

In Person Opportunities

Community Open Houses – We will host one community open house in each of the five wards. The tentative date, location and times are outlined in Appendix A.

Technical experts and advisors (City staff, Navigant, PDI) will support the event. Materials will include information boards, and takeaway materials to review in their own time. Input will be gathered through comment cards, written notes taken by support staff and entered directly on-line through on-site computers.

City Hall Drop In – Host 1-2 lunch hour information sessions to engage people working in the area and City staff. Information boards used at the Community Open Houses support the session and staff will be available to answer questions. Feedback will be solicited by way of comment cards. A proposed date is to be determined.

Public Pop Up Meetings – Similar to the City Hall Drop In session, a number of information outreach booths will be organized and set up in local venues such as library, farmers market, malls, sports events, etc. to reach people "where they are". At least one of these booths will take place in Lakefield and Norwood.

Information Availability at City Facilities – Information will be made available at city facilities and Townships of Selwyn and Asphodel Norwood where residents will have the opportunity to take print material with them and/or leave comments on cards which will be collected at the venues.

Internet Opportunities

Website and E-Mail – The City website will be populated with supporting information, video, on-line comment capability, and frequently asked questions responses updated on an ongoing basis throughout the process. A PDI dedicated general e-mail account will be established to enable residents to ask their questions to the City and to submit their comments.

Traditional Format

Telephone – A PDI dedicated telephone line/ voicemail resource will be established and will use a prepared Frequently Asked Questions document that is continually refreshed. Residents will be afforded opportunity to provide their feedback via voicemail.

Objective 2 – Provide adequate notification and awareness of engagement opportunities

Press Release – A series of planned releases and advertisements will be prepared and disseminated to all local television, radio and print publishers and through City social media.

Community Notices – Will be posted at all available areas in the City and all local boards, advisory committees and community organizations will be notified.

Objective 3 – Obtain input from community leaders to provide a perspective on the impact of PDI divestment on the City's future.

An outreach to identified leaders in the Peterborough community is planned to solicit their views on the divestment of PDI and its impact on the broader community, including the social and economic implications for Peterborough and its residents. It is important for City representatives to have this input in advance of both the public engagement sessions and the ultimate Council decision making process. Their feedback will also inform public materials and the overall community engagement process.

The outreach will take the form of about 6 telephone interviews lasting 30 to 40 minutes with the identified community leaders. This outreach will be launched immediately following approval of this plan.

Objective 4 – Develop a robust body of supporting materials to support the engagement.

Video – A videotaped interview with the CAO, lasting about two to three minutes, will be prepared for posting as an information resource on the website and for use during community open houses, drop in and pop up sessions. The interview will address the divestment consideration process, key facts about the negotiated offer and describe the impact on the City's strategic plan.

FAQ's – A frequently asked questions document will be prepared, and continually updated to reflect new concerns raised by participants in the process. The document will be informed by comments received to date from the public, augmented by anticipated questions developed by staff and consultants, and community leader feedback. The document will align with/refer to PDI material.

Special Committee of the Whole and Council Meeting

Following completion of the community engagement, staff are recommending the scheduling of a special Committee of the Whole and subsequent special Council meeting where a staff report and recommendations will be tabled on potential divestment of PDI to Hydro One. The special Committee of the Whole meeting will include a staff report, public engagement synopsis and presentation from Navigant Consulting. Navigant will provide an evaluation of a potential transaction through a decision framework that examines the impact on shareholder, impact on the municipality and impact on ratepayers.

This final step affords a formal opportunity for the public to address Council as a delegation on the matter. It is anticipated that these meetings will be scheduled in early December.

Communication Plan – Community Engagement

A communications plan has been prepared by City staff to advertise and create awareness of the various engagement opportunities. The plan includes press releases, website notification, print and radio advertising, and social media. The Township of Selwyn and Asphodel Norwood administration will be consulted and included in communication efforts as requested.

Summary

At the September 12, 2016 Council meeting, staff were directed to report on a comprehensive community engagement plan to provide information to the public on the potential sale of PDI. Staff are recommending a plan that uses a variety of communication channels to develop a shared understanding with residents and businesses regarding the key components of the draft agreement between the City and Hydro One in the divestment of PDI. Through community open houses, drop in and pop up meetings, internet opportunities via websites, social media, dedicated PDI e-mail and phone lines, residents are afforded opportunities to be engaged, informed, provide feedback and have questions answered. A robust plan to create awareness of engagement opportunities is proposed. The process will conclude with a special Committee of the Whole and Council meeting for a Council decision on the matter.

Submitted by,

Allan Seabrooke
Chief Administrative Officer

Appendix A: Tentative Schedule, Community Open Houses

Contact Name:
Allan Seabrooke
Chief Administrative Officer
Phone: 705-742-7777 Ext. 1810
Toll Free: 1-855-738-3755
Fax: 705-749-6687
E-Mail: aseabrooke@peterborough.ca

Report CAO16-012 – Community Engagement Plan
– Potential Sale of Peterborough Distribution Inc . (PDI)

Tentative Schedule – Community Open Houses

Date	Location/Address	Ward	Time
November 1, 2016	Canadian Canoe Museum 910 Monaghan Road	Otonabee	5 – 8 p.m.
November 2, 2016	Peterborough Lions Community Centre 347 Burnham Street	Ashburnham	5 – 8 p.m.
November 3, 2016	TBA		
November 8, 2016	TBA		
November 9, 2016	Peterborough Lawn Bowling Club 577 McDonnel Street	Town	5 -8 p.m.

Committee of the Whole
Market Hall November 24, 2016

#	Name or Organization	Comment or Questions	Response	Theme
1	Peter Morgan	Found some of the Navigant info suspect - relying on Hydro One information. H1 is considered one of the worst distributors in Ontario, doesn't believe savings compared to other places (Orillia). Referenced the Auditor General report. Found the comparison to Orillia as suspect as well. Can Hydro One afford to buy PDI and keep its promises? Hydro One just wants to increase the monopoly and then the province will need to step in. Hydro One will go further into debt. Doesn't understand how Navigant can say we will have secure rates. Better off to stay with PDI and retain local control.	Navigant - There are two charts, PDI an Hydro One. The rates will not go unchanged but they are compared. Rates not guaranteed beyond 10 yrs.	Doesn't trust Hydro One. One sided presentation at public consultation.
2	Maureen Collins	Doesn't trust Kathleen win to control rates or Hydro One. No details on how province will reduce rates, people cannot afford current rates, respects Navigant's opinion.		Rates
3	Vicki Clarke	Do not sell PDI. Do not want to see privatization of a public asset. Song …we need a clear answer - the future is our you see, we must know the facts. What will you do with the money if sold? - with three others		Privatization/Proceeds of sale

#	Name or Organization	Comment or Questions	Response	Theme
4	Nader Kawagu? Lakefield	Why are we bothering to do this to pay of debt for the City? Fairly comparable. No real difference for the residents. Why are we here?	Navigant - The benefits are on the screen. City CAO - We are here because CoPHI identified that future was not secure (2012). They identified risk holding PDI to the future. We are looking at the facts - they are recommending Council consider a sale.	why bother?
5	Cheryl Lyons	Missing consideration in the offer- the economy and what we will leave to our children in the future, The best opportunity for the future is in local control. The panel listed 5 guidelines. The 6th is the security of our local water and energy. This is missing in the CoPHI evaluation. We cant have food security without water security. Could we consider selling our water system? Consider keeping local control of both generation and distribution. We can do this at the local level. Account for the context of climate change. Peterborough can adjust to the future, can be a model for adapting to the future, will have long lasting effects.		Energy security
6	Richard Wellesley-Staples	Reminded of direction traffic at Lansdowne and River during a blackout - need a backup system. Need a system of fairness and freedom. CARP stated 60,000 had Hydro One service last year. How can hydro costs double? Where did the Electric City go? Concerned about the customer service from Hydro One. Why don't we look at other companies instead of Hydro One?	Navigant- CoPHI looked at other options and did not see any other that was competitive across the 5 areas. Someone may be competative one area. Navigant did not review other options.	Rates - lack of trust in Hydro One

#	Name or Organization	Comment or Questions	Response	Theme
7	Bill Templeman	Thank you for doing the talkPDI and Twitter Town hall. Are there any examples where these have been implemented? Are there any precedents 10 - 15 years out? Are there any Ontario examples - Brampton Hydro? Concerned about the debt with Hydro One. Is there something that he is not understanding?	CoPHI - Australia an NZ privatized utilities 10 - 15 years ago. There are too many utilities in Ontario. There are he same number of utilities in Ontario as in the rest of Canada combined. Merging the utilities will drop the costs for rate payers. Brampton Hydro was a well run utility. Hydro One - Hydro One represents 35% of the costs (distribution). 65% is generation. Generation costs have gone up more than distribution. OEB determines the distribution rates. Province chose to go after greener energy and those are expensive. Hydro One went from a crown corp to a private corp. Leadership team assembled 8 weeks ago. This is a very different company. Focus to put the customer first. Give us a chance. Hydro One has one of the strongest balance sheets - they are public and on	Looking for success stories - concerned about Hydro one debt (lack of trust in Hydro One)
8	Dan Hennessey	Concern about Hydro One - over priced power. Concerned about lack of green power. Must be a referendum issue.		Concerned about Hydro One - Referendum

#	Name or Organization	Comment or Questions	Response	Theme
9	Sandra Whatman	Never found fault with the PDI. She has had a bad experience with Hydro One (dead bird in wires). ODSP pays hydro direct equal billing. Could we do this with Hydro One?	Hydro One - There will be no change to the billing process. There were Haldimond Woodstock customers with special payment due dates. This would be possible to do with future customers. There are financial programs in Energy Funds to accommodate electricity charges. There are equalized monthly budget plans.	Billing
10	Brian Weir	Mayor and Dan McWilliams on the CoPHI board and recommended to sell. Isn't that bad for democracy.	CAO - There are many Councillors on Boards and when they come back they vote as Council.	
11	Glen Marshland	Concerned about the pension - defined contribution pension? When did it come in? Wife is an OMERS pensioner. By selling we are hurting the employees because defined contribution plans are not as good as defined benefit pensions. Have them roll the PDI employees into the defined benefit pension.	Hydro One - Defend contribution was in place long before privatization. The 60 existing employees will come over to a defined benefit plan not a defined contribution plan. Seniority and years of service will come across - like a bridge. People are not losing the pension plans. OMERs needs to get involved , it is not just a Hydro One plan. Acquired Utilities have different rules for pension transfer.	Pension

#	Name or Organization	Comment or Questions	Response	Theme
12	Fred Burkett	Wanted to talk bout pensions - not sure if anything got clarified. If people stayed working for PDI, moving over are they going to lose anything in value and time. You are handing PDI over to a company in evolution. You don't now what will happen in the future. Concerned about privatization. Keep it local. Hydro is a matter of social policy.	Hydro One - There is no loss in value and normal retirement is relevant. OMERS is not rolled in to Hydro One plan. Service is recognized in Hydro One networks.	Pension and local control
13	Earl Bennett	Privatization - Profit first not customers first. What is going to happen to the $50 M ? Need a written deal to protect the money.	City CAO - City staff will recommend to Council to create a legacy fund.	Privatization - proceeds of sale
14	Roy Brady	Well known dissatisfaction with Hydro One. How can Hydro One and PDI guarantee service? We had a lot of public meetings this year but they are very one sided. It is disheartening. Why maintain such a one sided position when dealing with the public?	Hydro one - We need to do a lot of work to repair the customer service reputation. There are improvements at the call centre, in the field and in the escalations area. Transforming the company to be more customer centric. Investing in the community. 35% of employees are eligible for retirement. PDI employees are an asset for Hydro One. Halimond integrated during the Hydro One billing problems. There was a strong focus on the customer. City CAO - re community engagement we were asked to provide the offer and the parameters. We had staff to answer questions. Navigant provided both sides of the deal. We will debrief and learn	Customer service and One sided engagement

#	Name or Organization	Comment or Questions	Response	Theme
15	Fred Rapson	Thanks for having the meeting. Can understand the debt. Was PUC Commissioner. There are examples where privatization has been reversed (England). There is no urgency.		Privatization
16	Cam Douglas	Importance of the lines and polls to decentralize and move towards renewable. Who has gone before us and what did we learn? Hamburg voted to buy back the grid from private companies. How can we make this decision without investigating the experience in Germany. What is it that they know that we don't know?	PDI - We are in the generation business. We run that separate from the wires. You don't need to own the wires to influence the generation business in Ontario. In Germany the distribution and generations more connected. There are lessons to be learned but our Ontario market structure is different. Open and fair access to all generators to wires and poles. Navigant - Rates are much higher in Germany. Very Different market. (Germany)	Privitization
17	Mike Maddock (CUPE 504)	Employees are worried that with the loss of PDI and how it impacts the others. Concern about the company that is left behind. Concern about security for those moving to CUPE1000 Power workers Union. If you use PDI forecasted rates then the gap for ratepayers benefit in the future would be less. Concern about the "Newly Acquired LDC rate" Would it be higher than the PDI rate?	Navigant: Yes, if you use PDI forecasted rates then the gap for ratepayers benefit in the future would be less. Anticipate that the "Newly Acquired LDC rate" would be close to the PDI rate in 10 years but there is uncertainty at 11 years out.	employees
18	Lynn Hopkins	This is the biggest decision you will make in your term of Council. Take people into consideration. It is Council's responsibility to take peoples input into consideration. The greatest disadvantage is the loss of control. You are putting peoples lives at risk. Please reconsider.		impact on vulnerable

#	Name or Organization	Comment or Questions	Response	Theme
19	John Flanagan	Difficult issue for Council. If you vote for this sale you are voting against the overwhelming perspective of the people of Peterborough. People say that there are a lot of misrepresentation of the facts. Wants to thank those that were there for PDI who helped to share the information. Open house was missing the Navigant report. Why is there such a rush to get this done. Hydro Ones reputation, commend them for trying to make improvements. Don't depend on the Energy Board to control costs. Don't think the employees will be treated well. Concern about severance costs. Concerns about the $55 M in the bank. Opposed to the sale as is 90% of the City. Councillors are elected to do what their riding want. It is a deal that should not happen.		
20	Darlene Grasswell	How will the sale of PDI impact the water billing system. We need a little more time.	PDI - Billing system is end of life so looking at right sizing the billing system for water only. There won't be an increase to water costs due to new right sizing the billing system. The cost of a new electric billing system for PDI is about $1M. A smaller water billing system is not anticipated to cost more than what is allocated now.	

#	Name or Organization	Comment or Questions	Response	Theme
21	Dean March	Concerned about employment, availability for further funding and follow up. Will Navigant do follow up? What if they don't meet the agreements?	Hydro One Wants to explain that happens to employees. No guarantee for life. City CAO - there will be penalties built into the agreement if agreement is not upheld. Deal cannot be contingent on OEB approval just that there will be an application to the OEB.	don't trust Hydro One
22	Richard Cruise	Hydro One is a publically traded company and has a strong balance sheet. Why would the province want to sell off a company with good returns? Citizens for Monetary and Economic Reform…..	Hydro One - Clarified that investors are getting one of the highest returns. PDI - not familiar with the constitutional case the speaker referenced or the ability to get a loan for 0% interest.	privitization

CITY OF PETERBOROUGH HOLDINGS INC.

News Release

For Immediate Release

October 28, 2016

City of Peterborough Holdings Inc. (CoPHI) Refers Hydro One Offer to Purchase Peterborough Distribution Inc. (PDI) to City of Peterborough

Peterborough, Ontario

CoPHI launches poweringourfuture.ca web site to provide Peterborough residents information about the Hydro One proposal

October 28, 2016 – Peterborough, Ontario – After lengthy discussions, negotiations and careful evaluation, the CoPHI's Board of Directors have referred a unanimous recommendation to the City of Peterborough to sell PDI to Hydro One. Hydro One's offer includes:

- A cash offer of $105 million for PDI
- Stable electricity distribution rates for Peterborough
- Job protection for PDI employees
- Creation of a new Hydro One Operations Centre and Fleet Maintenance Garage in Peterborough, with the addition of 30 new jobs; While keeping 70 existing Hydro One jobs based in Peterborough
- Guarantees for customer service quality

"This is a strong financial deal for the City of Peterborough," said John Stephenson, CoPHI's President and Chief Executive Officer. "Our Board of directors have conducted a careful and thorough review of the Hydro One offer. We are confident it will deliver significant benefits to the community and for ratepayers, including lowering electricity distribution rates, locking in distribution rate stability for at least ten years, and create the opportunity for us to grow the annual dividend CoPHI provides to the City."

The letter outlining Hydro One's offer, which has been provided to the City, describes the offer as "favourable and compelling." The City of Peterborough will review the sale of PDI over the next month and is engaging the public in a consultation process. CoPHI is encouraging the public to get involved and visit poweringourfuture.ca to learn more about the proposed transaction.

About CoPHI

CoPHI is a private business corporation wholly owned by the City of Peterborough as sole shareholder. CoPHI is comprised of several companies, including Peterborough Distribution Inc. (PDI), Peterborough's regulated electricity distribution company.


GET THE FACTS ABOUT
HYDRO ONE'S OFFER TO BUY
PETERBOROUGH DISTRIBUTION INC
poweringourfuture.ca

City of Peterborough Holdings Inc.'s Board of Directors have recommended the City of Peterborough sell Peterborough Distribution Inc. (PDI) to Hydro One. City Council will vote on the offer in December.

Visit **poweringourfuture.ca** to get the facts.

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- Guarantees for customer service quality

The Twitter logo is displayed at the entrance of Twitter headquarters in San Francisco on March 11, 2011 in California. AFP Photo / Kimihiro HOSHINO

#talkpdi Tweets

Click on the widget above to view the Twitter Town Hall tweets

The city will engage social media users Thursday afternoon for a Twitter Town Hall on the potential sale of Peterborough Distribution Inc., or PDI, to Hydro One.

The forum will run from 5 to 6 p.m. on the online messaging platform.

To join the conversation, use the hashtag #TalkPDI. Twitter users can share ideas, communicate with elected officials and city staff, and ask questions.

The Examiner will be part of the conversation and will carry regular updates and full coverage once the event wraps up.

The event follows a series of open house meetings across the city and in Lakefield and Norwood, as well as pop-up information sessions as the city shares its reasoning for considering the sale and gathers input from the public.

Three more events are planned:

Thursday, Nov. 24: City councillors hear their consultant, Navigant, weigh in on whether they should accept Hydro One's offer. 6 p.m., Market Hall.

Wednesday, Dec. 7: City councillors debate and vote for the first time on whether to sell PDI. 6 p.m., Showplace.

Thursday, Dec. 15: City council ratifies its decision from Dec. 7 on whether to sell PDI. 6 p.m., Market Hall.

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The letter outlining Hydro One's offer, which has been provided to the City, describes the offer as "favourable and compelling." The City of Peterborough will review the sale of PDI over the next month and is engaging the public in a consultation process. CoPHI is encouraging the public to get involved and visit poweringourfuture.ca to learn more about the proposed transaction.

About CoPHI

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City of Peterborough
Media Release

FOR IMMEDIATE RELEASE

October 28, 2016
Peterborough, ON --

talkPDI

The City of Peterborough wants to hear from you.

A special Committee of the Whole is scheduled to take place Monday, October 31, 2016 at 6:30 p.m. in Council Chambers to receive a recommendation from City of Peterborough Holdings Incorporated (COPHI) regarding the potential sale of Peterborough Distribution Inc. (PDI) to Hydro One.

The report to the Committee of the Whole, which provides details on the Hydro One offer, is online at www.peterborough.ca/agendas.

An extensive community consultation will take place over the next few weeks in order to inform City residents and PDI customers in Norwood and Lakefield of the details of the offer from Hydro One, and receive community feedback. Visit www.peterborough.ca/talkPDI for details on the offer and the community consultation.

Council will consider the offer at a meeting to be scheduled in the future.

This information is also available on the City of Peterborough website at www.peterborough.ca.

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For further information please contact the undersigned:

Allan Seabrooke
Chief Administrative Officer
City of Peterborough
500 George Street North
Peterborough ON K9H 3R9
705-742-7777 Ext 1810
Toll Free 1-855-738-3755 Ext 1810
aseabrooke@peterborough.ca

ENERGY PROBE INTERROGATORY # 2

Reference:

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

Interrogatory:

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.

Response:

a) Directors: Brad Bowness, Jamie Scarlett
Officers: Brad Bowness, President and Secretary
Jamie Scarlett, Executive Vice President

b) 1937680 is an affiliate of Hydro One Inc. under the *Business Corporations Act* (Ontario); the Affiliate Relationships Code for Electricity Distributors and Transmitters ("ARC") does not prescribe a different definition of "affiliate". Only upon closing of the proposed transaction will 1937680 Ontario Inc. be a "utility" as defined under the ARC, and the ARC will then apply.

c) These Affiliate Agreements have not been finalized and will be completed and in place, as necessary, by the time the transaction closes.

d) Per the application, AmalCo is seeking OEB approval pursuant to section 18 of the OEB Act, to transfer PDI's current distribution licence to 1937680 Ontario Inc.

ENERGY PROBE INTERROGATORY # 3

Reference:

Exhibit A, Tab 1, Schedule 1, Page 6

Interrogatory:

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.

Response:

a) The $1.8 million ESM is a guaranteed fixed amount.

b) Should this unlikely situation arise, any cost will be borne by Hydro One shareholders.

ENERGY PROBE INTERROGATORY # 4

Reference:

Exhibit A, Tab 1, Schedule 1, Page 7

Interrogatory:

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.

Response:

a) The terms AmalCo and amalgamated corporation refer to the amalgamation of PUSI and PDI.

b) AmalCo is the combination of PUSI and PDI.

c) AmalCo is not incorporated and is created on the filing of the requisite articles of amalgamation and other documents required under legislation. At that time AmalCo will be recognized and the officers and directors will be determined. These corporate amalgamation steps will not be initiated until the OEB provides the approvals necessary to proceed.

ENERGY PROBE INTERROGATORY # 5

Reference:

Exhibit A, Tab 1, Schedule 1, Page 9

Interrogatory:

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."

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.

Response:

a) Clearance from the Commissioner of Competition is required pursuant to the Asset Purchase Agreement dated July 31, 2018 (and amended on September 28, 2018) as between The Corporation of the City of Peterborough, The City of Peterborough Holdings Inc., Peterborough Distribution Inc., Peterborough Utilities Services Inc., 1937680 Ontario Inc., and Hydro One Inc. More broadly, clearance from the Commissioner of Competition is required pursuant to Part IX of the *Competition Act*, in respect of any proposed transaction where the relevant thresholds defined in section 109 of the *Competition Act* are exceeded and none of the exemptions identified in Part IX of the *Competition Act* apply.

b) Clearance from the Commissioner of Competition was obtained on November 14, 2018. Please refer to Exhibit I, Tab 1, Schedule 31, Attachment 1.

c) The sentence "this **transaction** was completed on a commercial basis…" on page 9 of Exhibit A, Tab 1, Schedule 1 is referring to transaction of entering into the Asset Purchase Agreement referred to in response (a) above.

d) Please see response to c) above. OEB approval was not required to enter into the Asset Purchase Agreement.

ENERGY PROBE INTERROGATORY # 6

Reference:

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

Interrogatory:

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.

Response:

a) Not confirmed. Year 1 in the table represents a 12 month period post-closing of the transaction. This period is assumed to most closely align with calendar year 2020.

b) Please refer to Exhibit I, Tab 1, Schedule 17 part a) for the savings calculations.

For additional discussion of the OM&A staff savings assumptions, please refer to Exhibit I, Tab 4, Schedule 7 part e).

Once the transaction has been approved, Hydro One will identify where affiliate services are to be utilized and draft ARC agreements as required.

c) Individual capital project plans developed by PDI were not evaluated when creating Hydro One's forecast spend. Any ongoing and future capital plans will be assessed upon integration and managed utilizing Hydro One's existing Asset Risk Assessment process. Please see refer to Exhibit I, Tab 4, Schedule 8 part a, for further details.

d) Confirmed

ENERGY PROBE INTERROGATORY # 7

Reference:

Exhibit A, Tab 2, Schedule 1, Page 10

Interrogatory:

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"

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.

Response:

No, the Advisory Committee has not been established. As per section 6.4 of the Asset Purchase Agreement, the Advisory Committee will be established post-closing.

ENERGY PROBE INTERROGATORY # 8

Reference:

Exhibit A, Tab 2, Schedule 1, Page 11

Interrogatory:

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 ".

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.

Response:

A staff integration report has not been prepared at this point in time. Hydro One has contractual obligations with both the Power Workers Union and the Society of United Professionals to jointly review the employees' current job classifications in PDI/PUSI to assess how these positions will fit into Hydro One classifications. This mapping exercise will happen in advance of employees transferring to Hydro One.

ENERGY PROBE INTERROGATORY # 9

Reference:

Exhibit A, Tab 2, Schedule 1, Page 19

Interrogatory:

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."

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.

Response:

The integration costs are anticipated to be OM&A.

ENERGY PROBE INTERROGATORY # 10

Reference:

Exhibit A, Tab 2, Schedule 1, Page 20

Interrogatory:

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."

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.

Response:

a) PDI's forecast closing net book value of PP&E as at the expected purchase date (31, December 2019) is forecast as approximately $67,784k.

b) The closing net PP&E component is the same value that will be used to calculate rate base. The other components required for calculating regulatory rate base are i) opening net book value, and ii) annual working capital.

ENERGY PROBE INTERROGATORY # 11

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

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

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

Response:
Please see the response to Exhibit I, Tab 1, Schedule 15.

ENERGY PROBE INTERROGATORY # 12

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

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

Response:
Given that the ESM is a guaranteed return of $1.8M, Hydro One confirms there will be no under-earnings recorded in the regulatory account.

ENERGY PROBE INTERROGATORY # 13

Reference:

Exhibit A, Tab 3, Schedule 1, page 9

Interrogatory:

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.

Response:

Please refer to Exhibit I, Tab 1, Schedule 9.

ENERGY PROBE INTERROGATORY # 14

Reference:

Exhibit A, Tab 3, Schedule 1, page 10

Interrogatory:

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.

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

Response:

If required, Hydro One will propose a rate mitigation plan that meets the OEB's Filing Requirements in effect at the time of rebasing.

Some of the options that would be considered to mitigate bill impacts are: i) reducing the revenue-to-cost ratios for the classes with PDI customers; ii) phasing in over a number of years any increases required to the revenue-to-cost ratios to move them within the Board's approved range; and iii) providing customers with a credit on their bill (e.g. $/customer or $/kWh) to mitigate bill impacts (any such credits would be tracked in a variance account for future disposition).

ENERGY PROBE INTERROGATORY # 15

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

Interrogatory:
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.

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

Response:
Until the time of rebasing, these costs will be funded through the savings that will be achieved via consolidation. Consequently, for the purposes of assessing this MAAD application, the benefits that flow to PDI ratepayers as a result of deferring rebasing, are a cost to Hydro One's shareholders in the form of reduced earnings.

ENERGY PROBE INTERROGATORY # 16

Reference:

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

Interrogatory:

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.

Response:

Correct, under the Status Quo scenario the assumption is that PDI would continue using IFRS capitalization rules. Hydro One does not see the relevance in redoing the Status Quo forecast using US GAAP. This is not a scenario that would ever present itself, as PDI, under status quo, would never apply to transition from IFRS to US GAAP.

ENERGY PROBE INTERROGATORY # 17

Reference:

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

Interrogatory:

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.

Response:

a) It is assumed that any productivity improvements or capital expenditure efficiencies will be more than offset by escalating cost pressures of technology, compliance and cyber security readiness. PDI, as an already efficient and low-cost utility, will be challenged to attain the Status Quo projections, as presented.

b) Capital expenditures are expected to grow by 2.5% over the forecast period based on historical averages over the last five to ten years with the exception that there is a computer system upgrade in the amount of approximately $500,000 in each of the years 2020 and 2021.

Operating expenses are expected to grow between 2.3% and 2.5% over the forecast period based on averages for PDI over the last three to ten years.

ENERGY PROBE INTERROGATORY # 18

Reference:

Exhibit A, Tab 4, Schedule 1, page 5

Interrogatory:

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."

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.

Response:

An analysis of each one of the duplicated services in the PDI Status Quo Cost was neither completed nor is it readily available.

The Hydro One Residual Cost to Serve is the incremental cost of operating and maintaining a fully integrated PDI service territory - it is not premised on the build-up of PDI's historic costs. Such an approach did not include nor require the specific identification of each duplicated service.

ENERGY PROBE INTERROGATORY # 19

Reference:

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

Interrogatory:

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."

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.

Response:

a) The application as filed does not propose any allocation of Shared Costs to PDI customers in 2020, as PDI will be under the proposed rate freeze at that time.

b) In 2020, PDI will still be starting a deferred rebasing period and so the requested goal posts are irrelevant.

ENERGY PROBE INTERROGATORY # 20

Reference:

Exhibit A, Tab 4, Schedule 1, page 9

Interrogatory:

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."

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

Response:

Hydro One plans to fully integrate PDI into its distribution business within 18 months of approval of this Application – at that time, consolidation will be completed.

Once integrated, we will follow standard Hydro One processes for tracking and reporting costs (OM&A and Capital) related to serving PDI customers. These costs will be captured under a separate segment within Hydro One.

Hydro One will include a tracking of the assets and the dedicated capital spending in an Appendix to its main DSP. That Appendix will include such things as a listing of the historical and forecast capital expenditures, rate base balances, and applicable OM&A expenditures for PDI. An example of the Appendix to be included would be very similar to that included in Hydro One's last distribution filing for Haldimand County Hydro Inc., Norfolk Power Distribution Inc., and Woodstock Hydro Services Inc. This can be found in in Appendix A of Exhibit B1, Tab 1, Schedule 1 of EB-2017-0049.

VECC INTERROGATORY # 1

Reference:

Exhibit A/T1/S1, page 4 (12-15) and page 5 (lines 4-5)

Interrogatory:

a) During the period of up to 18 months when 1937680 will own and operate the former PDI distribution system, will the personnel operating the "system" (including those in the support functions such as finance, HR , etc.) be employed by 1937680 or by HOI/HONI?

b) If some or all of the personnel will be employed by HOI/HONI please indicate what functions (if any) will be performed by employees of 1937680.

c) If some or all of the personnel will be employed by HOI/HONI please confirm that there will be affiliate services agreements for all services provided by HOI/HONI.

Response:

a) Upon financial close of this transaction, Amalco will transfer an initial group of employees who are fully allocated to PDI work, to 1937680. A second group of employees primarily back office support employees (supporting functions such as finance, billing, call handling) will continue to be employed by a Peterborough non-regulated entity during the transition period between closing and integration into Hydro One.

b) See response to (a) above. The employees will be transferred to Hydro One upon full integration.

c) An Affiliate Services Agreement between 1937680 and Hydro One will be created post closing for the period of up to 18 months.

VECC INTERROGATORY # 2

Reference:

Exhibit A/T1/S1, page 5 (lines 12-13) and Attachment 5, Schedule 6.3

Interrogatory:

a) What community events/programs has PDI supported over the past two years?

b) Will all of these programs continue to be supported by HOI/HONI after the transaction is completed?

Response:

a) PDI along with Peterborough Utilities Commission has funded "Fund for Utility Service Emergencies" (FUSE) to assist customers who struggle to pay for electric and water arrears. This funding was in place before OEB mandated LEAP funding. Contributions to this fund have also been and continue to be made now by consumers on their monthly bills.

PDI supported Trent University Science Fair and supports electrical safety awareness in public school curriculum.

b) Hydro One's planned events are outlined in Schedule 6.3 of the Agreement provided as Attachment 5 of the Application. The Peterborough community will be eligible to fully participate in all of Hydro One's community events/programs.

VECC INTERROGATORY # 3

Reference:

Exhibit A/T1/S1, page 6 (lines 17-18)

Interrogatory:

a) Please explain how the implementation of a guaranteed ESM protects PDI ratepayers in the year 11 and after from the risk of Hydro One failing to achieve the forecast level of synergy.

Response:

The Handbook to Electricity Distributor and Transmitter Consolidations explains that:

> "Consolidating entities that propose to defer rebasing beyond five years, must implement an ESM for the period beyond five years. The ESM is designed to protect customers and ensure that they share in any increased benefits from consolidation during the deferred rebasing period."
> [emphasis added]

The very nature of the ESM is not related to protecting ratepayers in Year 11 forward, therefore it has no bearing on future rate structures for the acquired company.

VECC INTERROGATORY # 4

Reference:

Exhibit A/T1/S1, page 7 (lines 10-13) and page 8 (lines 10-13)

Interrogatory:

a) Please confirm that: i) the 1% reduction in PDI's Base Distribution Delivery Rates will take place upon the time of closing and ii) PDI's approved specific service charges will continue to apply until the distribution system is transferred to Hydro One (up to 18 months later) at which time Hydro One Distribution's Specific Service Charges will apply.

b) Whose Conditions of Service (PDI's or HONI's) will apply during the period the assets are owned and operated by 1937680?

Response:

a)

i. Confirmed

ii. Confirmed

b) PDI's.

VECC INTERROGATORY # 5

Reference:

Exhibit A/T1/S1, page 10 (lines 1-3)
Exhibit A/T2/S1, pages 17-18
Attachment 5, Section 6.6

Interrogatory:

Preamble

While the January 2016 OEB Handbook (page 10) indicates that no evidence is required regarding public policy requirements such as CDM, the Application asserts that PDI customers will benefit from provincial programs that are not currently included in PDI's CDM Plan.

a) Please provide a schedule that compares the CDM programs (by sector) that PDI has offered in 2017-2018 with those that HONI has offered over the same time period.

b) Please provide a schedule that compares the CDM programs PDI currently proposes to offer under its 2015-2020 CDM Plan with those included in HONI's 2015-2020 CDM Plan.

Response:

As VECC has recognized in the preamble, the OEB's "Handbook to Electricity Distributor and Transmitter Consolidations" (page 6) provides the following guidance with respect to CDM:

> "The OEB has implemented a number of instruments, such as codes and licences that ensure regulated utilities continue to meet their obligations with respect to the OEB's statutory objectives relating to conservation and demand management, implementation of smart grid and the use and generation of electricity from renewable resources. With these tools and the ongoing performance monitoring previously discussed, the OEB is satisfied that the attainment of these objectives will not be adversely effected by a consolidation and that "no harm" test will be met following a consolidation.

There is no need or merit in further detailed review as part of the OEB's consideration of the consolidation transaction."

The charts below indicate the programs offered by PDI and Hydro One during the period 2017-2020. Programs that have ended in PDI distribution area are noted by their end-date. The offer period of any program retracted or cancelled by the IESO (such as the SaveOnEnergy Smart Thermostat program) is the same for both entities.

a) 2017-2018 CDM Program Comparisons

2017-2018 CDM Programs - Peterborough Distribution Inc. and Hydro One Networks Inc.

Program Name	Program Type	Peterborough Distribution Inc. Offered	Hydro One Networks Inc. Offered	Targeted Customer Segments							
				Residential	Low Income	Small Business	Commercial	Agricultural	Institutional	Industrial	
Residential											
SAVE ON ENERGY COUPON PROGRAM	Province Wide	Yes	Yes	x							
SAVE ON ENERGY NEW CONSTRUCTION PROGRAM	Province Wide	Yes	Yes	x							
SAVE ON ENERGY HOME ASSISTANCE PROGRAM	Province Wide	Yes	Yes		x						
SAVE ON ENERGY HEATING & COOLING PROGRAM	Province Wide	Yes	Yes	x							
SAVE ON ENERGY SMART THERMOSTAT PROGRAM	Province Wide	Yes (to 31-Jul-2018)	Yes (to 31-Jul-2018)	x							
FIRST NATIONS CONSERVATION LOCAL PROGRAM	Local Program	–	Yes	x	x	x					
SOCIAL BENCHMARKING LOCAL PROGRAM	Local Program	–	Yes	x							
SWIMMING POOL EFFICIENCY LOCAL PROGRAM	Local Program	–	Yes	x							
LOW INCOME AIR SOURCE HEAT PUMP PILOT	Pilot Program	–	Yes		x						
Non-Residential											
SAVE ON ENERGY SMALL BUSINESS LIGHTING PROGRAM	Province Wide	Yes	Yes			x		x			
SAVE ON ENERGY RETROFIT PROGRAM	Province Wide	Yes	Yes			x	x	x	x	x	
SAVE ON ENERGY AUDIT FUNDING PROGRAM	Province Wide	Yes	Yes			x	x	x	x	x	
SAVE ON ENERGY PROCESS & SYSTEMS UPGRADES PROGRAM	Province Wide	Yes (to 31-Oct-2018)	Yes					x	x	x	
SAVE ON ENERGY HIGH PERFORMANCE NEW CONSTRUCTION PROGRAM	Province Wide	Yes	Yes				x	x	x	x	
SAVE ON ENERGY ENERGY MANAGER PROGRAM	Province Wide	Yes	Yes						x	x	
SAVE ON ENERGY MONITORING & TARGETING PROGRAM	Province Wide	Yes	Yes						x	x	
SAVE ON ENERGY EXISTING BUILDING COMMISSIONING PROGRAM	Province Wide	Yes	Yes			x	x		x		
SAVE ON ENERGY BUSINESS REFRIGERATION INCENTIVE PROGRAM	Province Wide	Yes	Yes			x	x				
HIGH EFFICIENCY AGRICULTURAL PUMPING LOCAL PROGRAM	Local Program	–	Yes					x			

b) Current 2019-2020 CDM Program Planning Comparison

The chart below compares the IESO-approved CDM plans of Hydro One and PDI for the period 2019-2020. Any changes to programs and/or pilots require the IESO's approval before implementation.

Current 2019-2020 CDM Program Plan - Peterborough Distribution Inc. and Hydro One Networks Inc.

Program Name	Program Type	Peterborough Distribution Inc. Offered	Hydro One Networks Inc. Offered	Targeted Customer Segments							
				Residential	Low Income	Small Business	Commercial	Agricultural	Institutional	Industrial	
Residential											
SAVE ON ENERGY COUPON PROGRAM	Province Wide	Yes	Yes	x							
SAVE ON ENERGY NEW CONSTRUCTION PROGRAM	Province Wide	-	Yes	x							
SAVE ON ENERGY HOME ASSISTANCE PROGRAM	Province Wide	Yes	Yes		x						
SAVE ON ENERGY HEATING & COOLING PROGRAM	Province Wide	Yes	Yes	x							
SAVE ON ENERGY SMART THERMOSTAT PROGRAM	Province Wide	-	-	x							
FIRST NATIONS CONSERVATION LOCAL PROGRAM	Local Program	-	Yes	x	x	x					
SOCIAL BENCHMARKING LOCAL PROGRAM	Local Program	-	Yes	x							
SWIMMING POOL EFFICIENCY LOCAL PROGRAM	Local Program	-	Yes	x							
LOW INCOME AIR SOURCE HEAT PUMP PILOT	Pilot Program	-	Yes		x						
Non-Residential											
SAVE ON ENERGY SMALL BUSINESS LIGHTING PROGRAM	Province Wide	Yes	Yes			x		x			
SAVE ON ENERGY RETROFIT PROGRAM	Province Wide	Yes	Yes			x	x	x	x	x	
SAVE ON ENERGY AUDIT FUNDING PROGRAM	Province Wide	Yes	Yes			x	x	x	x	x	
SAVE ON ENERGY PROCESS & SYSTEMS UPGRADES PROGRAM	Province Wide	-	Yes					x	x	x	
SAVE ON ENERGY HIGH PERFORMANCE NEW CONSTRUCTION PROGRAM	Province Wide	-	Yes				x	x	x	x	
SAVE ON ENERGY ENERGY MANAGER PROGRAM	Province Wide	Yes	Yes						x	x	
SAVE ON ENERGY MONITORING & TARGETING PROGRAM	Province Wide	Yes	Yes						x	x	
SAVE ON ENERGY EXISTING BUILDING COMMISSIONING PROGRAM	Province Wide	Yes	Yes			x	x		x		
SAVE ON ENERGY BUSINESS REFRIGERATION INCENTIVE PROGRAM	Province Wide	Yes	Yes			x	x				
HIGH EFFICIENCY AGRICULTURLIAL PUMPING LOCAL PROGRAM	Local Program	-	Yes					x			

VECC INTERROGATORY # 6

Reference:

Exhibit A/T1/S1, page 8 (lines 25-28)
Exhibit A/T2/S1, pages 20-21
Attachment 12, page 19 of 33 (Note 6)

Interrogatory:

Preamble:

The Application states that the PDI regulatory assets currently approved by the OEB will continue to be tracked in their respective accounts and disposition will be sought at a future date.

a) Please provide a schedule listing PDI's currently approved regulatory asset accounts; provide the balance in each as of December 31, 2017 and reconcile the total with the balance reported in Attachment 12 (page 29-Note 6). Please also provide the (unaudited balances) as of December 31, 2018 – if available.

b) Which of these regulatory asset accounts does HONI plan on continuing to make additions to (when warranted) after the transaction is completed?

c) In particular, does HONI propose to continue to track variances (post the transaction) for Accounts #1550, #1580, #1584, #1586, #1588 and #1589? If yes, please explain how HONI will ensure the requisite information for the current OPDC service area is available.

d) HONI indicates that disposition for these accounts will be sought at a future date. At the time of disposition, will HONI propose to refund/recover the balances just to/from customers in PDI's current service area or also to/from HONI's legacy customers such that the latter will be impacted?

Response:

a) Please see Attachment 1.

b) With the exception of the Smart Meter Variance Account and the regulatory items approved for settlement, Hydro One plans to make additions to all regulatory asset accounts.

c) Yes, up until integration, Hydro One will maintain separate records for PDI service territory related deferral and variance accounts such that any future dispositions of those account balances will be applicable to customers within the PDI service territory. Further information on Group 1 accounts is found at Exhibit I, Tab 1, Schedule 13.

d) The disposition of PDI's current regulatory accounts will be refunded or recovered from customers in PDI's current service area only.

Peterborough Distribution Inc
Regulatory Asset and Liability Detail

Note: the 2018 numbers are on an interim basis and are subject to change as a result of the year-end process, the 2017 agree to Note 6 per the 2017 audited financial statements.

Regulatory Assets	**2017**	**2018**
Retail Settlement variance Accounts		
Smart meter variance	42	43
LRAM variance	76	77
Renewable connection deferral account	134	121
Regulatory items approved for settlement	469	150
Total Regulatory Assets	**722**	**392**

Regulatory Liabilities		
Retail Settlement variance Accounts		
Wholesale markets services	(3,900)	(1,521)
Transmission - network service	319	(397)
Transmission - connection service	605	(187)
Power	1,971	3,798
Power - global adjustment	226	(4,674)
Low voltage	746	762
SME variance	(10)	(23)
Total variance accounts	**(43)**	**(2,242)**
Other regulatory liabilities	(13)	(23)
Total Regulatory Liabilities	**(56)**	**(2,264)**

Net Regulatory Assets	**666**	**(1,873)**

VECC INTERROGATORY # 7

Reference:

Exhibit A/T2/S1, pages 1-2 and page 12
Attachment 18 and 20

Interrogatory:

a) For purposes of Table 1 (page 2) the Application states that Year 1 most closely aligns with calendar year 2020, which would mean Year 10 aligns with 2029. Please reconcile the Year 10 Status Quo OM&A forecast of $12.0 M with the Status Quo OM&A forecast for 2029 of $9.433 M in Attachment 18.

b) Attachment 18 indicates that the Status Quo forecast was prepared by PDI while Attachment 20 indicates that the Residual (i.e., post transaction) forecast was prepared by HONI. How did the parties ensure that the two forecasts were comparable in terms of services provided to customers?

c) Please explain how HONI expects to achieve an ongoing OM&A reduction of approximately 65%. In doing so please identify and quantify the major areas where cost reductions are expected to be achieved and how this will be achieved without impacting service quality.

d) Please describe the types of work performed by the 13 staff that will be retained (page 12, lines 1-6).

e) Does the Hydro One Forecast OM&A in Table 1 include any allowance for wages and benefits for employees other than the 13 referenced at page 12? If yes, what are the roles of the additional employees and their expected total annual cost?

f) Has Hydro One undertaken an assessment of the incremental impact of acquiring PDI on its staff and contract service requirements for administration or support services (including customer services such as billing, etc.)?
   - If yes, was any dollar impact identified and, if so, is it included in Table 1?
   - If no. what was the basis for Hydro One's assumptions regarding the incremental costs for these activities?

g) It is noted that PDI is just one of recent acquisitions by Hydro One. Has Hydro One undertaken an assessment of the cumulative impact of acquiring these distribution utilities on its staff and contract service requirements for administration or support services (including customer services such as billing, etc.)? If yes, was any dollar impact identified and where/how are these dollars being recovered?

Response:

a) Hydro One believes that VECC has misinterpreted the data it has quoted in Attachment 18. VECC has indicated that the OM&A of $9.4M from Attachment 18 is actually PDI's Status Quo OM&A forecast for 2029 (or the Year 10 value). This is not the case, the $9.4M is PDI's Status Quo OM&A forecast for 2019.

PDI's Status Quo OM&A forecast for 2029 (Year 10 value) is $12.0M.

b) Hydro One and PDI adhere to the same service quality indicators as defined in the Distribution System Code, therefore both forecasts support a safe and reliable distribution system for customers.

c) For the OM&A savings calculation details please refer to Exhibit I, Tab 1, Schedule 17 part a).

A defined range of anticipated on-going cost savings are attributed to the major business areas as shown in Table 1 below:

Table 1

Savings / Synergy Category	**Annual Range** ($ million)
Administration	
Management / Corporate Governance	1.0 - 1.2
Financial / Regulatory	0.7 - 0.9
Other	0.4 - 1.4
Back Office	
Customer Service	(0.2) - 0.0
Information Technology / Other	1.4 - 1.7
Distribution Operations	2.1 - 2.6
Total OM&A	**5.4 - 7.7**
Total Capital (including reprioritization)	**(1.1) - 1.3**

For a discussion regarding reliability and quality of electrical service, please refer to Exhibit I, Tab 5, Schedule 5.

d) The 13 roles referred to will focus on demand work such as storm response, new connections/service upgrades, customer driven line expansions as well as an aggressive maintenance program aimed at increasing customer reliability.

e) For the OM&A savings calculation details please refer to Exhibit I, Tab 1, Schedule 17 part a). The Hydro One Forecast in Table 1 represents all incremental costs anticipated across major business areas.

The Hydro One forecast assessed the business area total incremental dollar cost to serve the new territory. While labour costs are captured within each areas overall incremental cost envelope, the forecasting approach did not utilize a forecast of head count or FTE metrics. In other words, incremental labour costs such as wages and benefits are captured, but not in a manner readily separated from the total.

f) The Hydro One forecast in Exhibit A, Tab 2, Schedule 1, Table 1 represents the incremental cost anticipated across major business areas inclusive of administration and support service costs. Please refer to part e) above.

g) There is no incremental impact of acquiring these distribution utilities on Hydro One's staff and contract service requirements for administration or support services on Hydro One's revenue requirement beyond what is depicted in the Residual Cost to serve the previously acquired utilities.

VECC INTERROGATORY # 8

Reference:

Exhibit A/T2/S1, pages 1-2 and page 11
Attachment 18 and 20

Interrogatory:

a) Please explain how HONI expects to achieve capital spending reductions of $1.3 M per year. In doing so please identify and quantify the major areas where spending reductions are expected to be achieved and how this will be achieved without impacting service quality.

b) Please provide a schedule setting out PDI's actual annual capital expenditures for 2013-2017. Please also include actual 2018 capital spending if available.

c) If the average annual historic capital spending is materially different (10%) from the forecast Year 1 Status Quo Forecast capital spend please explain why.

d) If the transaction did not take place, would HONI still require a new operations and administration building in the Peterborough area similar to that described at page 11? If yes, please explain why?

e) What incremental capital spending has been included in Table 1 to account for the new operations and administration building and what is the basis for the cost estimate?

f) Is the current PDI Operating and Administration centre on Ashburnham Drive the only facility that is either: i) currently owned by PDI or ii) currently owned by PUSI but used to "house" staff that provide services to PDI? If not, what other facilities are there and are any of them being "acquired" by HONI?

g) How are the costs of the lease with PUSI for the centre of Ashburnham Drive treated in Table 1 assuming the acquisition occurs and is there a different treatment under the Status Quo scenario?

Response:

a) Hydro One's forecast savings are not based on a bottom up forecast approach by business area. The Hydro One forecast is an evaluation of the incremental cost of operating and maintaining a fully integrated PDI service territory and was independently arrived at from the PDI forecast. As such, it does not allow a direct comparison with the PDI forecast against any particular area of spend. Hydro One's expected capital spending reduction of $1.3M (based on the level of savings achieved by Year 10) are a result of the differences in high level cost structures and investment approach between the two companies. The existing service quality will not be negatively impacted as a result of the change in capital spend.

b)

$/thousands	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Gross Capital Expenditure	5,209	6,395	7,704	5,766	5,847	5,124
Contributed Capital	1,416	1,313	2,203	1,838	1,745	648
Net Capital Expenditures	3,793	5,082	5,501	3,928	4,102	4,476

c) The average annual capital spend, net of contributed capital, over the period 2013 to 2018 is $4.5M. The net capital spend in 2020, the first year of the status quo forecast period, is $6.2M which is higher by $1.8M or 39%.

The primary reason for the difference of $1.8M can be explained by higher spending for $2.1M for substation work in 2020 compared to the average of $0.3M for the period 2013 to 2018, a difference of $1.8M.

d) Yes, ongoing facilities are required irrespective of the transaction to acquire PDI. Hydro One currently operates in the region from three facilities serving approximately 41,000 Distribution customers. None of these existing facilities are capable of facilitating a centralized operation.

e) None. As the facilities are needed, independent of the proposed transaction, and will benefit all Hydro One customers, the new operations and administration building was not included in the Hydro One forecast capital costs related to PDI.

f) The Ashburnham Drive facility is owned by PUSI and is a multi-use facility that provides facilities to PDI and other businesses of the Peterborough Utilities Group. It is the only facility that is used by PDI. There are no head office facilities being acquired by HONI.

g) The leasing agreement is captured in OM&A costs for both ownership scenarios.

VECC INTERROGATORY # 9

Reference:

Exhibit A/T2/S1, page 3 (lines 1-7)
Attachments 2 & 4
OEB 2017 Yearbook

Interrogatory:

a) Please confirm that the 2017 HONI OM&A costs and customer counts used to derive the $179/customer cost for high density (UR) residential class are forecast values whereas the 2017 OM&A costs and customer counts for PDI are actual values.

b) Please provide a schedule that compares the HONI's total forecast versus actual 2017 OM&A costs and that also compares the customer/connection counts as used in the Cost Allocation Model submitted with the 2017 Draft Rate Order (EB-2016-0081) with the actual 2017 customer counts. (Note: Please include the forecast and actual customer/connection counts for each of HONI's customer classes).

Response:

a) Confirmed.

b) Table below provides the requested information.

	Forecast (as filed in 2017 DRO)	Actuals (2017)
OM&A	$592,962,820	$558,711,095
Total Number of Customers	1,312,485	1,295,709
UR	213,918	215,844
R1	445,243	447,647
R2	334,551	330,514
Seasonal	155,033	147,253
GSe	94,081	88,523
GSd	6,282	5,231
UGe	17,851	17,747
UGd	1,913	1,711
St Lgt*	20,700	22,595
Sen Lgt*	14,836	11,381
USL	5,734	5,455
Dgen	1,523	1,004
ST	822	805

*Number of connections used for cost allocation purposes.

VECC INTERROGATORY # 10

Reference:

Exhibit A/T2/S1, page 3 (lines 1-7)
OEB 2015 Yearbook

Interrogatory:

a) Please clarify the basis for the $241/customer 2017 OM&A cost referenced for PDI (i.e., what customer classes are included in the denominator of the calculation?).

b) Please provide a schedule that sets out using the same basis for the customer counts as in part (a): i) PDI's forecast 2013 OM&A per customer based on the total OM&A costs from PDI's 2013 rebasing application (EB-2012-0160) as approved by the OEB and ii) PDI's actual 2013 OM&A per customer.

c) Please confirm that PDI's actual OM&A cost per customer (as reported in the OEB Yearbooks) has declined from $277 in 2013 to $241 in 2017.

d) Based on the decline noted in part (c), is it reasonable to assume that PDI's OM&A cost per residential customer has declined since 2013 from the forecast values of $187 set out in Footnote #3? If not, why not?

e) Please confirm that the derivation of the $179/customer cost for HONI's UR class is based on the results of a Cost Allocation model that allocates OM&A costs to all of HONI's customer classes.

f) Based on HONI's 2017 Draft Rate Order what are the OM&A costs per customer to serve the UG_e, UG_d and ST customer classes

g) Based on the last Cost Allocation model submitted by PDI to the Board, what percentage of total OM&A costs were allocated to the Residential, GS<50 and GS>50 and LU customer classes?

Response:

Preface: Hydro One assumes that the Reference provided for this interrogatory of "OEB 2015 Yearbook", should actually have been the OEB **2017** Yearbook

a) The PDI OM&A cost of $241/customer presented in Exhibit A, Tab 2, Schedule 1, page 3 of Hydro One's prefiled evidence is sourced from the OEB 2017 Yearbook, specifically from the tab "Unitized" for PDI.

From what Hydro One can ascertain, the calculation in the OEB Yearbook is achieved by dividing i) PDI OM&A of $9,014,060 (found in the workbook Tab "IS") by ii) PDI customers of 37,349 (found in the workbook Tab "General").

The PDI customers included in this calculation are: Residential, GS<50 kW, GS>= 50 kW, and Large Users.

b)

	OM&A	Customer Count	Cost/Customer	Cost/Customer (corrected) [see part c]
2013 Actuals	$9,915,350	35,845	$277	$226
2013 Forecast	$8,440,000	35,697	$236	$236

c) PDI has reviewed the posted OM&A and have found that in recent years it has been in the $240 to $250 bandwidth (see part d below). In 2013, the OEB reporting was in error and overstated OM&A by $1.8 million by incorrectly reporting conservation revenue and expenses. Once adjusted, this error in the OEB reporting reconciles to the 2013 audited financial statements of PDI and the OM&A per customer is $226.

d) Based upon the corrected numbers provided in part c) there is no significant change in OM&A cost/customer. Per the OEB's Yearbook, and the correction provided above, the OM&A/customer since 2013 is as follows:

Year	Cost
2013	$226
2014	$242
2015	$231
2016	$252
2017	$241

Given that the composition of total customers is essentially unchanged from 2013 and there is nothing to suggest that the allocation of total OM&A to customer segments would be materially different from 2013, the cost per customer for Residential customers in 2017 is essentially unchanged from the 2013 cost of service forecast value.

e) Confirmed.

f) The average 2017 OM&A cost per customer is calculated by dividing the approved forecast 2017 OM&A cost allocated to each rate class by the approved 2017 forecast number of customers that were used to determine the HONI's 2017 approved rates. The values for HONI's UGe, UGd, and ST rate classes are shown in the table below.

Rate Class	OM&A per Cust	
UGe	$	476
UGd	$	5,068
ST	$	26,834

g) Please see table below.

Class	Costs		% Share
Residential	$	5,938,842	69.5%
GS<50 kW	$	1,160,545	13.6%
GS>50 kW	$	1,130,149	13.2%
Large User	$	119,180	1.4%
Other	$	196,284	2.3%
Total	$	8,545,000	100%

VECC INTERROGATORY # 11

Reference:

Exhibit A/T2/S1, page 3 (lines 1-7)

Interrogatory:

a) The Application indicates that the customer density for PDI is 65 customers per km of line while HONI's urban rate class covers areas containing 3,000 customers or more with a density of at least 60 customers per circuit km. What is the actual customer density for those areas that HONI as designated as "urban"?

Response:

a) The average customer density for Hydro One's designated urban density areas is 69 customers per circuit km. The average customer density is calculated by dividing the total number of customers in all urban areas by the total number of circuit kilometers in all urban areas. This excludes the service territory associated with the recently Acquired Utility (i.e. Woodstock) which is not part of Hydro One's legacy rates structure.

VECC INTERROGATORY # 12

Reference:

Exhibit A/T2/S1, page 3 (lines 1-7)
OEB 2017 Yearbook

Interrogatory:

a) Please provide a schedule that contrasts the depreciation per customer for PDI (based on the 2017 Yearbook) versus that for HONI's UR, UG_e, UG_d and ST customer classes (based on the 2017 DRO).

b) Please provide a schedule that contrasts the NBV per customer for PDI (based on the 2017 Yearbook) versus that for HONI's UR, UG_e, UG_d and ST customer classes (based on the 2017 DRO).

Response:

a) The average depreciation per customer for PDI (based on the 2017 Yearbook) versus that for HONI's UR, UGe, UGd and ST customer classes (based on the 2017 DRO) is provided below.

	PDI	Hydro One			
	(Total)	UR	UGe	UGd	ST
Depreciation/Customer	$96	$91	$372	$5,180	$16,889

b) The average NBV per customer for PDI (based on the 2017 Yearbook) versus that for HONI's UR, UGe, UGd and ST customer classes (based on the 2017 DRO) is provided below.

	PDI	Hydro One			
	(Total)	UR	UGe	UGd	ST
NBV/Customer	$2,125	$1,422	$5,996	$89,012	$298,492

VECC INTERROGATORY # 13

Reference:

Exhibit A/T2/S1, page 6 (lines 5-10)

Interrogatory:

a) Please provide a schedule setting out the specific services charges currently approved for PDI and compare them with HONI's currently approved specific service charges.

b) What would have been the impact on PDI's 2017 revenue from specific service charges if HONI's currently approved charges were used instead of PDI's currently 2017 approved charges?

Response:

a) Please see Exhibit I, Tab 1, Schedule 32. The analysis has been provided on the basis that Hydro One's proposed specific service charges are approved as proposed in its latest rate application currently before the OEB.

b) PDI cannot readily provide this information at this time. The basis for the calculation and comparison of these charges are difficult if not impossible to attain and as a result is not readily comparable or determinable.

VECC INTERROGATORY # 14

Reference:

Exhibit A/T2/S1, pages 8-10
OEB Electricity Reporting and Record Keeping Requirements (RRR)

Interrogatory:

a) If available, please update Table 4 to include 2018 (either all or as much of the year as information for both utilities is available).

b) With respect to Table 4, please provide the contribution to the reliability metrics for HONI and PDI for the following cause codes:
- Scheduled Outages
- Tree Contacts
- Defective Equipment

c) Please provide a table similar to Table 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:

a) Please find the updated table below.

	2014		2015		2016		2017		2018	
	Hydro One	**PDI**	**Hydro One**	**PDI**	**Hydro One**	**PDI**	**Hydro One**	**PDI**	**Hydro One**	**PDI**
Duration (SAIDI)	5.35	0.90	5.78	3.59	2.09	2.01	3.72	2.22	1.71	2.16
Frequency (SAIFI)	2.01	0.83	1.94	2.81	0.89	2.34	1.18	2.53	0.84	1.92

b) The following table stratifies the overall reliability metrics excluding loss of supply for PDI and Hydro One provided in Table 4 by the cause codes - scheduled outages, tree contacts and defective equipment.

	2014		2015		2016		2017		2018	
	HONI	**PDI**	**HONI**	**PDI**	**HONI**	**PDI**	**HONI**	**PDI**	**HONI**	**PDI**
Duration (SAIDI)	5.35	0.90	5.78	3.59	2.09	2.01	3.72	2.22	1.71	2.16
Frequency (SAIFI)	2.01	0.83	1.94	2.81	0.89	2.34	1.18	2.53	0.84	1.92
Scheduled Outages Contribution										
Duration (SAIDI)	3.21	0.59	1.23	0.68	0.28	0.43	1.35	0.28	0.23	0.46
Frequency (SAIFI)	1.35	0.33	0.45	0.20	0.19	0.15	0.39	0.09	0.15	0.16
Tree Contacts Contribution										
Duration (SAIDI)	1.45	0.01	0.56	0.29	0.79	0.11	1.09	0.07	0.22	0.09
Frequency (SAIFI)	0.35	0.00	0.28	0.27	0.29	0.12	0.43	0.05	0.10	0.12
Defective Equipment Contribution										
Duration (SAIDI)	0.26	0.27	2.22	0.54	0.93	0.62	1.10	0.46	0.52	0.61
Frequency (SAIFI)	0.13	0.83	0.57	2.81	0.31	2.34	0.20	2.26	0.23	0.66

c) The following statistics are as documented by the OEB through the annual OEB Yearbook for the years 2014 through to 2017. Please note that the data provided compares PDI, a largely urban utility, against all of Hydro One, a predominantly rural utility. The regional granularity provided for the comparison of SAIDI and SAIFI in Table 3 is not readily available for these other metrics.

1 **Unitized Statistics and Service Quality Requirements**

	2014		2015		2016		2017	
	Hydro One	**PDI**	**Hydro One**	**PDI**	**Hydro One**	**PDI**	**Hydro One**	**PDI**
Low Voltage Connections (OEB Min. Standard: 90%)	97.40	99.10	97.50	98.80	98.60	97.00	98.06	97.52
High Voltage Connections (OEB Min. Standard: 90%)	100.00	100.00	N/A	100/00	N/A	100.00	N/A	100.00
Telephone Accessibility *(OEB Min. Standard: 65%)*	69.60	76.50	76.40	81.80	74.20	84.60	81.85	90.42
Appointments Met *(OEB Min. Standard: 90%)*	99.30	99.60	98.50	99.50	99.50	99.60	98.94	99.90
Written Response to Enquiries *(OEB Min. Standard: 80%)*	100.00	99.30	100.00	100.00	100.00	100.00	100.00	100.00
Emergency Urban Response *(OEB Min. Standard: 80%)*	N/A	85.70	N/A	87.50	N/A	100.00	N/A	100.00
Emergency Rural Response *(OEB Min. Standard: 80%)*	81.10	N/A	76.30	N/A	75.30	N/A	77.28	N/A
Telephone Call Abandon Rate *(OEB Standard: not exceed 10%)*	4.70	1.90	2.10	1.50	2.70	1.30	2.14	0.75
Appointments Scheduling *(OEB Min. Standard: 90%)*	99.30	94.50	98.50	90.50	99.50	93.60	98.96	90.09
Rescheduling a Missed	95.10	93.30	96.20	99.70	98.50	100.00	99.65	100.00

Appointment *(OEB Standard: 100%)*								
Reconnection Performance Standards *(OEB Min. Standard: 85%)*	95.70	100.00	98.10	99.90	98.50	100.00	98.19	100.00
New Micro-embedded Generation Facilities Connected *(OEB Min. Standard: 90%)*	100.00	100.00	99.78	100.00	99.22	85.00	99.77	95.24
Billing Accuracy *(OEB Min. Standard: 98%)*	94.63	99.74	98.59	99.25	99.04	99.78	99.28	99.51

VECC INTERROGATORY # 15

Reference:

Exhibit A/T2/S1, pages 17-18)

Interrogatory:

a) What is the annual level of LEAP funding that PDI has provided in 2016, 2017 and 2018?

b) Were PDI's LEAP funds fully utilized in either 2016, 2017 or 2018 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.

c) Were HONI's LEAP funds (including top-ups provided by the Corporation) fully utilized in either 2016, 2017 or 2018 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:

a)

2016	$16,887
2017	$17,518
2018	$17,220

b) PDI's LEAP funds have always been fully utilized every year since its inception. Prior to the moratorium on winter disconnects, LEAP funds were depleted by the end of February. Since the moratorium has been introduced, LEAP funds have been exhausted by the end of May/early June as arrears have been accumulated over the winter months.

c) Hydro One's LEAP funds (including top-ups provided by the Corporation) were not fully utilized in either 2016, 2017, or 2018.

VECC INTERROGATORY # 16

Reference:

Exhibit A/T2/S1, page 20 (lines 11-15)

Interrogatory:

a) Will the financing of the proposed transaction (including the premium paid over the assets' book value) impact the weighted cost of debt used in the determination of the cost of capital included in the revenue requirement for HONI?

b) If yes, is it anticipated that this will increase or decrease the overall weighted cost of debt?

Response:

a) No. The financing requirement will be less than 1% of Hydro One's Distribution's asset base and will not impact the weighted cost of debt used in calculating Hydro One's revenue requirement.

b) Not applicable.

VECC INTERROGATORY # 17

Reference:

Exhibit A/T2/S1, pages 21-22

Interrogatory:

a) If HONI were to apply for an ICM during the first ten years following the closing of the transaction, what customers would be responsible for paying the ICM rate rider?

Response:

a) If the ICM is related to the asset needs of PDI customers, then during the deferral period, PDI customers would be responsible for paying the ICM rate rider.

VECC INTERROGATORY # 18

Reference:

Exhibit A/T2/S1, pages 22-23

Interrogatory:

a) Does the change to US GAAP result in any accounting changes the cost implications for which need to accounted for through the introduction of a deferral account? If yes, please explain.

Response:

No. Please see the response to Exhibit I, Tab 1, Schedule 15.

VECC INTERROGATORY # 19

Reference:

Exhibit A/T3/S1, pages 5-8

Interrogatory:

a) Table 1 indicates that revenues will be based on "forecast load and customer profiles". Please provide the actual forecast used, by customer class, and fully explain how the forecast was derived.

b) Was the forecast rate base adjusted to remove the cost of the current PDI operations and administration centre on Ashburnham Drive? If not, why not?

c) Table 1 indicates that the annual depreciation is calculated using HONI's OEB-approved depreciation rates. Do these depreciation rates differ from those approved for PDI? If yes, what are the differences?

d) What is the impact of the 20% risk factor which has been applied to OM&A costs on the overall calculation of $1.8 M of earnings sharing?

Response:

a) Hydro One has provided the ESM Customer and Load Forecast assumptions for the ten year deferral period (2020 to 2029) and Year 11 (2030) as Attachment 1 and Attachment 2 to this exhibit.

The forecast for Customer numbers and load were developed by examining available economic / demographic and local information including The Official Plan of the City of Peterborough, dated December 31, 2017 ("the Plan"), as detailed below.

The Plan calls for 20.0% growth in population between the years 2001 and 2031 and 13.5% growth in employment during the same period. This translates into an average annual growth rate of 0.63% for population and 0.45% for employment. These two factors impact household information and suggest that the number of households would grow at a rate between 0.45% and 0.63%. The Plan also states that, going forward, intensification (e.g. multi-residential buildings) will be particularly

encouraged, which will result in the number of residential electricity customers growing less rapidly than the number of households. As such, the number of residential customers was forecast to grow at an average rate of 0.5% per year.

Based on the OEB Yearbook of Electricity Distributors, the number of GS <50kW (GSe) customers has been declining at an average rate of 0.6% per year since 2007. However, more recently, significantly higher levels of GS<50 sales have been experienced. This is consistent with the Plan, which states that Peterborough's growth will be generally driven by immigration; as this tends to increase the number of businesses/self-employed. Accordingly, the forecast assumes an average growth rate of 0.93% per year in the number of GS<50 customers.

Similarly, the number of GS >50kW (GSd) customers has been declining at the rate of 2% per year since 2007, while more recently GS>50 sales experienced a significant growth. Accordingly, the forecast assumes an average growth of 0.74% per year in the number of GS>50 customers.

The forecast for the number of "Other" rate class (e.g. unmetered scattered load and street lighting) was derived in relation to the growth of residential, GSe and GSd, taking into account synergies due to the intensification policy noted above, which reduces the growth rate. The forecast growth rate of "Other" is 0.67%.

Energy sales were forecast using an econometric model that linked energy usage, gross of Conservation and Demand Management (CDM), to personal disposable income in constant dollars, cooling and heating degree days, and accounting for cyclical and trend components in the non-systematic part of data (through moving average and autoregressive terms). The model was used to forecast the gross load and, thereby, total sales net of CDM. The total sales forecast was then allocated to different rate classes based on the historical relationship between them.

The peak forecast for GSe and GSd classes was derived from the sales forecast for those classes, taking into account the historical relationship between sales and peak.

b) The operations and administration centre on Ashburnham Drive is 100% owned by Peterborough Utilities Service Inc. (PUSI) and is therefore not included in any PDI rate base. This is true for both prior and future periods.

c) The table below provides a comparison of the depreciation rates, as approved by the Board for each utility.

Table 1 – Asset Category Depreciation Rate Comparison

Depreciation Rate (%)	Hydro One Rate	PDI Rate
Land	0.00%	0.00%
Buildings	1.82%	1.96%
Distribution Plant	2.30%	2.56%
Other Assets (excluding Fleet)	8.73%	21.81%
Fleet	25.00%	22.73%

d) Refer to Exhibit I, Tab 1, Schedule 18 part d) for the impact of the 20% OM&A risk factor on the ESM.

Customers

VEEC IR 19 Part a - Attachment 1

Number of Customers/Connections Forecast - Peterborough Distribution Inc.

Year	Residential	General Service <50	General Service >50	Other	Total
2019	33,279	3,544	373	9,251	46,448
2020	33,453	3,577	376	9,313	46,719
2021	33,626	3,611	379	9,376	46,992
2022	33,800	3,645	382	9,439	47,266
2023	33,975	3,679	385	9,502	47,541
2024	34,150	3,713	387	9,566	47,817
2025	34,326	3,748	390	9,630	48,094
2026	34,502	3,783	393	9,694	48,372
2027	34,678	3,818	396	9,759	48,651
2028	34,856	3,853	399	9,824	48,932
2029	35,033	3,889	402	9,889	49,213
Average Annual Growth Rate (%)					
2016-2020	0.77	0.02	-0.55	0.56	0.66
2021-2025	0.67	0.37	-0.05	0.60	0.63
2026-2029	0.61	0.58	0.25	0.63	0.61

Percentage Change

Residential	GS<50	GS>50	Other	Total
0.5%	0.94%	0.75%	0.67%	0.58%
0.5%	0.94%	0.75%	0.67%	0.58%
0.5%	0.94%	0.75%	0.67%	0.58%
0.5%	0.93%	0.74%	0.67%	0.58%
0.5%	0.93%	0.74%	0.67%	0.58%
0.5%	0.93%	0.74%	0.67%	0.58%
0.5%	0.93%	0.74%	0.67%	0.58%
0.5%	0.93%	0.74%	0.67%	0.58%
0.5%	0.93%	0.74%	0.66%	0.58%

VEEC IR 19 Part a - Attachment 2

Load Forecast in GWh - Peterborough Distribution Inc.

Year	Residential	General Service <50	General Service >50	Other	Total
2019	282.8	116.8	393.6	8.7	802.0
2020	283.1	116.9	394.8	8.8	803.6
2021	283.4	117.0	396.0	8.8	805.1
2022	283.7	117.0	397.1	8.8	806.7
2023	284.0	117.1	398.3	8.8	808.2
2024	284.3	117.2	399.5	8.8	809.8
2025	284.5	117.3	400.6	8.9	811.3
2026	284.8	117.4	401.8	8.9	812.9
2027	285.1	117.4	403.0	8.9	814.4
2028	285.4	117.5	404.1	8.9	816.0
2029	285.7	117.6	405.3	8.9	817.5
Average Annual Growth Rate (%)					
2016-2020	-0.25	0.46	0.33	0.42	0.14
2021-2025	-0.12	0.31	0.32	0.34	0.16
2026-2029	-0.04	0.21	0.31	0.28	0.17

Percentage Change

Residential	GS<50	GS>50	Other	Total
0.10%	0.07%	0.30%	0.21%	0.19%
0.10%	0.07%	0.30%	0.21%	0.19%
0.10%	0.07%	0.30%	0.21%	0.19%
0.10%	0.07%	0.29%	0.20%	0.19%
0.10%	0.07%	0.29%	0.20%	0.19%
0.10%	0.07%	0.29%	0.20%	0.19%
0.10%	0.07%	0.29%	0.20%	0.19%
0.10%	0.06%	0.29%	0.20%	0.19%
0.10%	0.06%	0.29%	0.20%	0.19%
0.10%	0.06%	0.29%	0.20%	0.19%

Note. All figures are weather-normal

VECC INTERROGATORY # 20

Reference:

Exhibit A/T4/S1, page 7, lines 10-18

Interrogatory:

Preamble:

The referenced portion of the Application lists a number of factors that are likely to be taken into account by both Hydro One and a future OEB Panel in determining the methodology to be used to establish the amount of Shared Costs to be included in rates, including those for former PDI customers.

a) Does Hydro One Networks consider the impact on rates for former PDI customers and HONI's legacy customers as being relevant factors for purposes of establishing the methodology for allocating Shared Costs to customer classes or is the consideration of impacts limited to the adjustments that may be made to rates based on the revenue to customer class revenue to cost ratios that are calculated based on the established cost allocation methodology for Shared Costs?

b) If HONI's views the impact on rates as a relevant factor in the establishment of the methodology for allocating Shared Costs to customer classes, please provide references as to where this view is supported by the either policies or decisions approved by the OEB.

c) Based on the cost allocation methodology and results that HONI filed in its most recent distribution rate application (EB-2017-0049) for 2021 please provide a schedule that sets out for the UR, UGS_e, UGS_d, Acquired UR, Acquired UGS_e, and Acquired UGS_d customer classes the following information:
   i. Total allocated OM&A
   ii. Allocated Direct OM&A (comparable to the OM&A forecast in Table 3)
   iii. Allocated OM&A associated with upstream distribution facilities (i.e., comparable to that reflected in LV charges to PDI) and
   iv. Allocated OM&A associated with Shared Services. (Note: Items (ii), (iii) and (iv) should sum to Item (i).

Response:

a) The consideration of rate impacts would be limited to the adjustments that may be made to the revenue to cost ratios that result from the cost allocation methodology.

b) Not applicable.

c)

i. The following table shows the allocation of Hydro One's proposed 2021 total OM&A to the proposed urban rate classes, consistent with the values provided in EB-2017-0049 Exhibit Q, Tab 1, Schedule 1, Attachment 3 (O1 Sheet of the Cost Allocation Model).

Rate Class	Total OM&A	"Direct" OM&A	"Shared" OM&A
UR	$ 44,958,731	$ 15,121,178	$ 29,837,553
UGe	$ 8,722,512	$ 3,947,618	$ 4,774,893
UGd	$ 9,661,991	$ 5,379,509	$ 4,282,482
AUR	$ 2,871,657	$ 1,113,873	$ 1,757,784
AUGe	$ 512,840	$ 217,669	$ 295,171
AUGd	$ 935,312	$ 231,905	$ 703,407

ii. "Direct" OM&A shown in the Table above is assumed to be the amounts identified as "Distribution (di)" costs in the 'O1' sheet of the CAM. These values include all OM&A costs associated with distribution fixed assets, which includes the allocation of certain "Shared Costs" (e.g. upstream and shared facilities) as defined in Exhibit A, Tab 4, Schedule 1, Section 3. As such, the "Direct" OM&A shown in the Table above encompasses a broader range of costs than the OM&A provided in Exhibit A, Tab 4, Schedule 1, Table 3, which is primarily costs associated with fixed assets and services that are not considered "Shared Costs".

iii. Hydro One's OM&A is allocated to the rate classes using its Cost Allocation Model, which does not isolate the OM&A costs associated with only with upstream distribution facilities that would be comparable to that reflected in LV charges to PDI. These costs are included in the "Direct" OM&A values shown in the Table above.

iv. The "Shared" OM&A shown in the Table above is assumed to be the amounts identified as "Customer Related Costs (cu)" and "General and Administration (ad)" in the 'O1' sheet of the CAM. As previously indicated, certain "Shared Costs", as defined in Exhibit A, Tab 4, Schedule 1, Section 3, are included under "Direct" OM&A in the Table above.

VECC INTERROGATORY # 21

Reference:

Exhibit A/T4/S1, page 7 (lines 23-28)

Interrogatory:

Preamble:

At page 7 (lines 23-28) the Application states: "Hydro One proposes within the harmonization and rebasing application following the deferral period, that it would ensure that the total cost, including a portion of Hydro One's Shared Costs, to be collected from the former PDI customers would be between, (a) the Residual Cost to Serve scenario plus LV charges (totaling $16.6M); and (b) the Year 11 revenue requirement under the PDI Status Quo scenario plus Year 11 LV charges (totaling $26.3M)." (Emphasis Added)

a) The choice of the word "collected" as opposed to say "allocated" suggests that HON is proposing that regardless of the results of the cost allocation methodology that will be used at the time of the harmonization and rebasing application, HONI will (at that time) propose a revenue to cost ratio for the customer class representing the former PDI customers such that the resulting rates will result in revenues between the two values referenced in the quote. Please confirm whether or not this is the intent of HONI's proposal as set out in the Preamble. If it is not, please clarify what HONI is proposing.

b) If response to part (a) is yes, would a similar approach be used in subsequent rebasing applications and, if so, how would the values for the Residual Cost to Serve and PDI Status Quo cost to serve be established?

c) If the response to part (a) is yes and the resulting revenues produce a revenue to cost ratio that is below the policy range established by the Board, would it be HONI's intent that any shortfall in revenue be: i) recovered from the other customer classes or ii) be covered by HONI's shareholders? If the former, please explain why this is appropriate.

d) If the response to part (a) is no, please address how the circumstances outlined in parts (b) and (c) would be addressed under HONI's proposal.

Response:

a) Yes, that is Hydro One's intent.

b) No, in subsequent rebasing applications Hydro One's intent is to follow the Board's requirements with respect to cost allocation and rate design. The magnitude of the bill impact on all customers, including former PDI customers, would be a consideration in Hydro One's rate design proposals at that time.

c) Please see the response to Exhibit I, Tab 1, Schedule 8.

d) Not Applicable.

VECC INTERROGATORY # 22

Reference:

Exhibit A/T4/S1, page 7 (lines 23-28) and page 11 (lines 13-22)

Interrogatory:

a) At page 11 the Application indicates that Hydro One anticipates transitioning the former PDI customer to one of its proposed new acquired customer classes or to a new rate class. Please explain how the proposal outlined on page 7 will be implemented if the former PDI customers are transitioned to a customer class that also includes customers from other acquired utilities.

Response:

a) If PDI customers are transitioned to one of Hydro One's new acquired customer classes, Hydro One would implement its proposal as outlined in Exhibit A, Tab 4, Schedule 1 by running two cost allocation models, with and without PDI customers included, in order to determine the incremental distribution asset costs that are added to the new acquired classes as a result of incorporating PDI customers. The cost allocation model including PDI customers would then be adjusted to ensure that the incremental distribution assets added to the new acquired classes appropriately reflect the cost to serve the PDI customers. Hydro One would then assess the amount of revenues to be collected from PDI customers and adjust the revenue to cost ratios, if necessary, to ensure that the revenue collected from PDI customers would fall between the goal posts as outlined in Exhibit A, Tab 4, Schedule 1.

IBEW INTERROGATORY # 1

Reference:

Ex. A/T2/S1P.11& 12 of 24

Interrogatory:

In regards to "Direct Staff", how many employees are expected to be affected? Which specific "duplicative functions" are the Applicants referring to? How many positions will be declared redundant? Will Hydro One be able to offer continued employment to all existing PDI and PUSI staff? Where will the local complement of retained staff be based? Will any staff be relocated?

Response:

Hydro One already has an operating organization in place that provides many of the same functions to those already being performed by PDI – examples include back office, HR, finance, planning, etc.

As discussed in Exhibit A, Tab 2, Schedule 1, p.11, 17 PDI direct staff, such as line and forestry employees, currently operate within the existing PDI service territory. No employees on the Employee Fact Sheet ("all employees") will be declared redundant. In other words, all employees will be offered continued employment. All employees will have a time limited location guarantee within the City of Peterborough. While there are no plans at this time to relocate staff following the location guarantee, if circumstances change, any employee relocations within the integrated employee complement will be done in accordance with the appropriate collective agreements.

IBEW INTERROGATORY # 2

Reference:

Ex. A/T2/S1/P 12 of 24

Interrogatory:

In regards to staff "not working directly on the distribution assets", how many positions will not be absorbed into vacancies within Hydro One? How many support staff will not move to positions within Hydro One once integration is complete? Will Hydro One be able to offer continued employment to all existing PDI and PUSI staff? Where will the local complement of retained staff be based? Will any staff be relocated?

Response:

As discussed in Exhibit A, Tab 2, Schedule, 1, page12, Hydro One, due to its size and current staff retirement profile, is able to offer continued employment to existing PDI and PUSI staff who will be transferred to Hydro One. All impacted employees have a time limited location guarantee within the City of Peterborough. While there are no plans at this time to relocate staff following the location guarantee, if circumstances change, any employee relocations within the integrated employee complement will be done in accordance with the appropriate collective agreements.

IBEW INTERROGATORY # 3

Reference:

Ex. A/T2/S1/P 15 of 24

Interrogatory:

Please specify the "duplication in transaction-processing functions" referred to. How many positions will the Applicants declare redundant for "efficiency gains"?

Response:

Since both Hydro One and PDI/PUSI are mature organizations, each will have their own finance, human resource, information technology and work management systems and processes established. While some employees may be mapped to a new role, no employees will be declared redundant as a result of any efficiency gains achieved as a result of this transaction.

IBEW INTERROGATORY # 4

Reference:

Ex. A/T1/S1/P 9 of 12

Interrogatory:

The evidence states that the proposed transaction will deliver cost synergies and economy of scale savings. Please provide a detailed list of the specific areas where these synergies/savings are expected to occur. Please indicate when these synergies/savings are expected to occur.

Response:

Please refer to Exhibit A, Tab 2, Schedule 1 generally, especially p. 11, line 23 to p.16, line 2.

As illustrated in Table 1 of the same schedule, savings are expected in the first year and are projected to grow over the 10 year deferral period.

IBEW INTERROGATORY # 5

Reference:

Ex. A/T4/S1/P 12 of 12

Interrogatory:

The evidence states that the transaction meets the Board's "No Harm Test". How specifically will the proposed transaction improve the reliability and quality of the electrical service as opposed to the status quo? How exactly will POl and PUSI customers benefit from being served by a larger utility?

Response:

Hydro One has engaged and acquired technology that will assist in fault location and power restoration via automated switching on Hydro One operated lines. Hydro One maintains a vigorous maintenance schedule for all of its assets and currently meets all of its customer OEB requirements. Hydro One maintains numerous internal audit processes that ensure the quality of the work being performed not only meets Hydro One standards but external requirements as well. Our focus on innovation, customer satisfaction and continued staff growth via our Apprenticeship and Mentor program will benefit PDI customers as well as future generations. Hydro One has a robust outage management system and Interactive Voice Response system. Customers can access outage information via phone or online, receiving details such as restoration times via email or text messaging. These are additional customer service options PDI customers do not have today.

IBEW INTERROGATORY # 6

Reference:

Ex. A/T1/S1/P 5 of 12

Interrogatory:

Did Peterborough City Council approve the transaction based on the "no harm" test? If not, what was the approval based on?

Response:

Peterborough City Council did not approve the transaction specifically on the OEB's narrow regulatory "no harm" test. Peterborough City Council necessarily took, as a shareholder of PDI, a broader view of the transaction, considering among other things its obligations to taxpayers, ratepayers, the local community more broadly and relevant economic factors. Approval was based on the complete offer from Hydro One. That offer included the purchase price for PDI, development of a service depot in Peterborough, location guarantee for employees, guarantee of equal or better service levels for consumers and a reduction of distribution rates for the first 5 years and rate increases limited to cost of living increases for the following 5 years. In addition, a rate mitigation plan to keep distribution rates in check by sharing of cost savings/synergies realized in years 11 and beyond. Please see the response to Exhibit I, Tab 3, Schedule 1 for additional details.

So although Council approval was not made solely on the OEB's narrow regulatory "no harm" test, components of the offer do address the "no harm" matter.

IBEW INTERROGATORY # 7

Reference:

Ex. A/T2/S1/P 2 of 24

Interrogatory:

Please provide all assumptions used to create Tab 1= Projected Cost Savings.

Response:

Please refer to Exhibit I, Tab 1, Schedule 17 part a).

PWU INTERROGATORY # 1

Reference:

[Ref 1] Exhibit A, Tab 1, Schedule 1, Page 5 of 12, (#b)
[Ref 2] Exhibit A, Tab 2, Schedule 1, Page 11 of 24
[Ref 3] Exhibit A, Tab 2, Schedule 1, Page 11 of 24

Interrogatory:

Preamble:

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 1]

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 2]

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. [Ref 3]

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?

Response:

a)

	Management	Union
PUSI	8	19
PDI	8	28
Total	16	47

Note: All union employees are IBEW.

b) Hydro One has committed to offer all employees on the Employee Fact sheet a regular position within Hydro One. The specific positions within Hydro One will be finalized after the mapping process has been completed.

PWU INTERROGATORY # 2

Reference:

[Ref 1] Exhibit A, Tab 1, Schedule 1, Page 6 of 12:
[Ref 2] Exhibit A, Tab 3, Schedule 1, Page 2 of 11
[Ref 2] Exhibit A, Tab 3, Schedule 1, Page 2 of 11

Interrogatory:

Preamble:

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 1]

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]

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. [Ref 2]

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.

Response:

a) The $1.8 million guaranteed ESM is the exact amount (subject to minor disposition changes as a result of volume variances from forecast) that will be refunded to ratepayers.

b) Confirmed.

c) Within 18 months of closing, Hydro One will be integrating the operations of PDI into its overall distribution business. Therefore, PDI will no longer have separate financial statements. In the OEB's decision in Hydro One's application to purchase Woodstock Hydro Service Inc., the Board expressed concerns about using Hydro One Distribution's audited financial statements to determine any over-earnings.

The OEB's Handbook for Utility Rate Applications, page v, says:

> "Under the ESM, excess earnings are shared with consumers on a 50:50 basis for all earnings that are more than 300 basis points above the consolidated entity's annual ROE. Earnings will be assessed each year once audited financial results are available and excess earnings beyond 300 basis points will be shared with customers annually. No evidence is required in support of an ESM that follows the form set out in the OEB's reports." [emphasis added]

Because PDI's operations will be fully integrated into Hydro One's distribution business, it will not be feasible to assign and/or calculate actual taxes, debt costs and depreciation that would meet the requirements for independent audited financial statements.

d) Hydro One has not earned an ROE of more than 300 basis points over the OEB-approved ROE in the last 10 years.

e) Hydro One strongly believes that its proposed ESM better protects customers of PDI than that ESM set out in the Board's 2015 Report. Hydro One's ESM is **guaranteeing** the customers of PDI a refund of $1.8 million. The ESM as set out in the Board's 2015 Report contemplates using the *consolidated* entity's audited financial statements. Hydro One documents in part d) that it has not earned an ROE of more than 300 basis points over the OEB-approved ROE in the last 10 years. Due to the size of PDI as compared to Hydro One, any savings resulting from this transaction would have limited impact on the overall earning shown in Hydro One's Financial Statements. Proceeding with the type of ESM that is contemplated in the Board's 2015 Report would eliminate the guaranteed refund Hydro One is proposing and also have a less likely chance of being actualized. In the 2016 Handbook, the OEB commented that the "ESM as set out in the 2015 Report may not achieve the intended objective of customer protection for all types of consolidation proposals. For these cases, applicants are invited to propose an ESM that better achieves the objective of protecting customer interests during the deferred rebasing period." Given this, Hydro One confirms that the ESM, as proposed in this Application, better protects the customers of PDI.

As provided in Exhibit I, Tab 1, Schedule 18, Hydro One has forecast significant savings in the deferral period and beyond. The high level of forecast savings provides PDI's customers a substantial sharing of the benefits of consolidation.

CCC INTERROGATORY # 1

Reference:

N/A

Interrogatory:

More than 20 letters of comment have been filed with the OEB regarding the proposed transaction. Have the Applicants responded to these letters of comment?

If so, please provide those responses. If not, please explain why the letters have not been responded to.

Response:

As is normal course in a proceeding before the OEB, letters of comment are accepted by the OEB and form part of the public record. The Applicants accept and encourage all interested parties to be informed and have their say in the OEB process.

The Applicants fully respect the OEB hearing process and address any letters of comment in concert with submissions raised by intervenors representing other various customer interests through the Applicants' submissions in the regulatory proceeding. The intent of this approach is to provide as transparent a process as possible to assist the regulator in formulating its decision in the proceeding and to provide all interested parties in the proceeding with equal access to information that will form part of the public hearing.

CCC INTERROGATORY # 2

Reference:

N/A

Interrogatory:

What are Hydro One Inc.'s objectives regarding the proposed purchase of PDI's distribution assets?

Response:

Page 9 of the OEB Consolidation Handbook states:

> *"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 [emphasis added] nor the negotiation 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."*

That said Hydro One believes the proposed consolidation will realize operational and organizational efficiencies which will have ongoing benefits for both ratepayers and shareholders. The City of Peterborough believes the transaction will improve the overall economic outlook of its citizens, and PDI wishes to work with the City to help it achieve their objective while at the same time ensure that the best interests of PDI's electricity ratepayers are taken into account over the long run.

CCC INTERROGATORY # 3

Reference:

N/A

Interrogatory:

Please explain what the City of Peterborough's objectives are with respect to the sale of Peterborough Distribution Inc.

Response:

Please refer to Exhibit I, Tab 7, Schedule 2.

CCC INTERROGATORY # 4

Reference:

Ex. A/T1/S1/p. 6

Interrogatory:

The evidence refers to the utilization of the incremental capital investment model ("ICM"). Does HOI intend to apply for ICM relief for the Peterborough service territory during the deferred rebasing period? If so, how often? If so, how will the commitment to the 1% decrease in delivery rates in years 1-5, and the commitment to limit rate increases in years 6-10 to levels that are less than inflation be maintained?

Response:

As documented at Exhibit A, Tab 2, Schedule 1, to encourage consolidation, the Handbook has now explicitly extended the availability of an ICM, for any prudent discrete capital projects, for consolidating distributors that are on either Price Cap Incentive Regulation ("PCIR") or Annual IR Index. Currently, PDI rates are set in accordance with PCIR.

Hydro One currently has no plan to apply for ICM relief during the deferred rebasing period, however if circumstances prevail where Hydro One does require an ICM, the details pertaining to the ICM will be provided in that future application.

With respect to Hydro One's rate commitments, should the need for an ICM rider ever arise those rate commitments will be unaffected as the commitments are tied to base distribution delivery rates.

CCC INTERROGATORY # 5

Reference:

Ex. A/T1/S1/p. 6

Interrogatory:

The evidence states that the implementation of a guaranteed ESM protects PDI ratepayers from the risk of Hydro One failing to achieve the forecast level of synergy. Please explain how it protects ratepayers. How was the ESM amount derived? How is it being funded?

Response:

The guaranteed ESM protects ratepayers from the possibility that Hydro One does not achieve the forecast level of synergies and efficiencies in the same timeline as presented in evidence and thus does not over-earn for each of years 6 to 10. Regardless of whether Hydro One achieves the efficiency levels documented in this Application (~64% reduction in OM&A costs), Hydro One will guarantee that ratepayers receive an earnings sharing totaling $1.8M. Further documentation on the ESM, including the mechanics, how it was derived and how it will be refunded to customers is available at Exhibit A, Tab 3, Schedule 1.

CCC INTERROGATORY # 6

Reference:

Ex. A/T1/S1/p. 8

Interrogatory:

The evidence states that 1937680 and Hydro One are applying for approval to continue to track costs to the regulatory asset accounts currently approved by the OEB for PDI and to seek disposition of their balances at a future date. Please explain how the disposition of these accounts might impact the bills of the PDI customers in the future.

Response:

Depending on the balance of these accounts, i.e., whether they are assets or liabilities, then PDI customer rates will either rise or go down.

CCC INTERROGATORY # 7

Reference:
Ex. A/T1/S1/p. 10

Interrogatory:
The evidence states that the transaction will ultimately create downward pressure on cost structures across both Hydro One and PDI service territories. Please provide copies of all studies and reports that examined how the transaction would "ultimately create downward pressure on cost structures across both Hydro One and PDI service territories."

Response:
There have been multiple reports and studies that have promoted consolidation in the Ontario electricity distribution sector, most notably, the Ontario Distribution Sector Review Panel Report *Renewing Ontario's Electricity Distribution Sector: Putting the Consumer First* ("the Ontario Distribution Sector Review Panel Report").

The Ontario Distribution Sector Review Panel Report helped initiate and was discussed as part of the consultation of the OEB Staff Discussion Paper: *Review of the Board's Polices and Processes to Facilitate Electricity Distributor Efficiency: Service Area Amendments and Rate-Making Associated with Distributor Consolidation*[1]. The culmination of that consultation resulted in the current *Report of the Board on Rate-Making Associated with Distributor Consolidation.* CCC was a party to that consultation and therefore Hydro One assumes CCC has a copy of the Ontario Distribution Sector Review Panel Report.

This transaction achieves the savings and benefits contemplated by that report, e.g., the elimination of artificial electrical borders, reducing the burden on regulators and other administrative agencies, eliminating duplication of equipment, and creating a stronger LDC with the capacity to meet evolving customer needs.

[1] EB-2014-0138

CCC INTERROGATORY # 8

Reference:

Ex. A/T2/S1/p. 2

Interrogatory:

With respect to Table 1: Projected Cost Savings please explain, in detail, how all of the numbers were derived.

Response:

Please refer to Exhibit I, Tab 1, Schedule 17 part a).

CCC INTERROGATORY # 9

Reference:

Ex. A/T2/S1/p. 3

Interrogatory:

Please provide evidence to support the statement that, "… it is reasonable to believe that if this transaction proceeds , Hydro One will be able to serve PDI's service area, which has 37,000 customers and a density of 65 customers per km per line, at a cost that is comparable to Hydro One's UR rate class."

Response:

Please refer to Exhibit I, Tab 1, Schedule 4.

CCC INTERROGATORY # 10

Reference:
N/A

Interrogatory:
Please provide a list of all customer engagement activities Hydro One, PDI or the City of Peterborough undertook related to the transaction. Please provide the results of all of those engagement activities

Response:
Please see Exhibit I, Tab 7, Schedule 2.

The initial public disclosure of the discussions to dispose of the PDI occurred in a special public City Council Committee of the Whole Meeting on February 22, 2016 at which Council was asked to endorse a process to obtain public input

Upon receiving that Council direction, on March 3, 2016, a public meeting was held at Market Hall in Peterborough. In addition, public input on the matter was through on-line comment cards. The nature of that meeting is summarized in the Report CAO016-018 to City Council, which is attached.

All reports to Council and communications from the City of Peterborough Holdings Inc. (COPHI) to Council were made publicly available and were posted on both the City and COPHI websites.

CCC INTERROGATORY # 11

Reference:

Ex. A/T2/S1/p. 6

Interrogatory:

Please provide the current Conditions of Service for HON and for PDI. Will HON's Conditions of Service be applied to PDI customers? Please provide Specific Service Charges for both HON and PDI.

Response:

Please refer to Attachments 1 and 2.

Until integration, and while PDI's current distribution licence is in effect, PDI's Conditions of Service will be in effect. Upon completion of integration, Hydro One Conditions of Service will be in effect.

Please refer to Exhibit I, Tab 1, Schedule 32 for information related to Specific Service Charges.

Hydro One Networks Inc.
Distribution Customers

Conditions of Service

January 1, 2015

Table of Contents

SECTION 1 INTRODUCTION

These Conditions of Service describe Hydro One Networks Inc.'s ("Hydro One") operating practices and connection policies and set out the terms and conditions upon which Hydro One offers and the Customer accepts Distribution Services.

Terms contained in these Conditions of Service or in any contract for the supply of electricity by Hydro One shall not prejudice or affect any rights, privileges, or powers vested in Hydro One by law under any federal or Ontario statute or any regulations thereunder.

The definitions of terms used in these Conditions of Service appear in section 4.0. Capitalized expressions used in these Conditions of Service have the meaning ascribed in that section.

1.1. Identification of Distributor and Service Area

Hydro One is a corporation incorporated under Ontario's *Business Corporations Act* and an electricity Distributor licensed by the OEB to distribute electricity in the service area described in Hydro One's Distribution Licence, ED-2003-0043 (the "Licence"). Hydro One's service area may be changed from time to time by the OEB.

Details of the Licence may be viewed at www.HydroOne.com.

1.2. Related Codes and Governing Laws

Hydro One and the Customer shall comply with all Applicable Laws, including the provisions of the latest editions of the following documents:

(i) *Electricity Act;*
(ii) *Ontario Energy Board Act;*
(iii) the Licence;
(iv) Affiliate Relationships Code for Electricity Distributors and Transmitters;
(v) Distribution System Code;
(vi) Retail Settlement Code;
(vii) Standard Supply Service Code; and
(viii) Relevant Rate Orders.

If there is a conflict between these Conditions of Service and any of the above, the documents listed above shall govern in order of priority indicated above. If there is a conflict between these Conditions of Service and a Connection Agreement executed by the Customer and Hydro One; the Connection Agreement shall govern. The fact that a condition, right, obligation, or other term appears in these Conditions of Service but not in any of the documents listed above or in a

Connection Agreement shall not be interpreted as a conflict or be deemed grounds for finding a conflict.

Customers and their agents planning and designing for electricity service must refer to all applicable provincial and Canadian electrical codes and all applicable federal, provincial, and municipal laws, regulations, codes and by-laws to ensure compliance with their requirements. All work shall be conducted in accordance with the latest edition of Ontario's *Occupational Health and Safety Act* (OHSA) and, where applicable, the Regulations for Construction Projects and the harmonized Electrical and Utility Safety Association (E & USA) Rule Book.

1.3. Interpretations

In these Conditions of Service:

(i) Words importing the singular include the plural and vice versa;
(ii) the use of one gender includes the other;
(iii) the word "person" includes not only a natural person but also a firm, a body corporate, an unincorporated association and an authority;
(iv) the word "its" may mean "his", "her" or "their";
(v) the words "including", "include(s)" and "included" shall be interpreted as being without limitation;
(vi) a reference to a person includes a reference to the person's heirs, executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns;
(vii) an agreement, representation or warranty on the part of or in favour of two or more persons binds or is for the benefit of them jointly and severally;
(viii) specified periods of time refer to business days, and the number of days from a given day or the day of an act or event is to be calculated exclusive of the given day or day of the act or event;
(ix) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later and does not include weekends and Public Holidays;
(x) where "meter read or reading" is used in this document, is means the collection of data either manually, automatically or remotely;
(xi) a reference to a document or a provision of a document includes any amendment or supplement to, or any replacement of, that document or that provision of that document; and
(xii) Headings are for convenience only and shall not affect the interpretation of these Conditions of Service.

1.4. Amendments and Changes

The provisions of these Conditions of Service and any amendments made from time to time form part of the contract between Hydro One and any connected

Customer, Retailer, or Generator, and these Conditions of Service supersede all previous Conditions of Service, oral or written, of Hydro One and any of its predecessor municipal electric utilities as of the effective date (Section 1.11) of these Conditions of Service.

In the event of changes to these Conditions of Service, Hydro One will issue an advance public notice with the Customer's bill as per Section 2.4.8 of the Distribution System Code. Customers will have ten (10) days, from receipt of the notification, to provide comments through the contacts identified in the public notice.

The Customer is responsible for contacting Hydro One to obtain the current version of these Conditions of Service. Hydro One may charge a reasonable fee for providing the Customer with a copy of these Conditions of Service. The current version of the Conditions of Service is posted on the Hydro One Web site and may be downloaded from: www.HydroOne.com.

1.5. Contact Information

For general inquiries, Hydro One can be reached during its normal business hours: Monday to Friday from 7:30 am to 8 pm. E.T. at 1-888-664-9376, by e-mail at CustomerCommunications@HydroOne.com or by writing to:

Hydro One Networks Inc.
P.O. Box 5700
Markham, Ontario
L3R 1C8

For emergency purposes, Customers can call Hydro One at 1-800-434-1235, twenty four (24) hours per day, seven (7) days per week, or the number shown on the Customer's bill.

1.6. Customer Rights and Obligations

A. Accuracy of Information

Hydro One may request certain information from the Customer including the Customer's credit report, driver's licence number, property tax bill, articles of incorporation and/or business registration, as appropriate. Customers have the obligation to provide Hydro One with information that is true, complete, and correct. The information is used to provide Customer service, deliver and/or supply energy, manage Customer accounts and assess credit history regarding the need for a security deposit. Hydro One may, at any time, verify the accuracy of all information provided and may obtain additional credit information from a credit-reporting agency as required. If Hydro One is unable to establish the identity of the Customer based upon the information provided by the Customer,

Hydro One may disconnect the Customer in accordance with Section 2.2 of these Conditions of Service.

B. Space and Access

The Customer shall provide Hydro One, free of charge or rent, with a convenient and safe place for Hydro One's Facilities and Equipment, for example, a Meter Installation, on the Customer's premises and/or Customer Equipment. Hydro One assumes no risk thereby and under no circumstances will Hydro One be liable for any damages resulting from, arising out of or related to the presence of the Hydro One Facilities and Equipment.

The Customer shall not allow anyone other than an employee or authorized agent of Hydro One, or a person lawfully entitled to do so, to repair, remove, replace, alter, inspect or tamper with the Hydro One Facilities and Equipment on the Customer's premises and/or Customer Equipment.

In addition to Hydro One's rights under Section 40 of the *Electricity Act*, Hydro One employees and Hydro One's authorized agents may enter the Customer's property at any time for any of the following purposes:

(i) install, inspect, read, calibrate, maintain, repair, alter, remove, or replace all or any part of a Meter Installation;

(ii) inspect, maintain, repair, alter, remove, replace, or disconnect wires or other facilities used to transmit or Distribute electricity;

(iii) inspect, maintain, repair, alter, remove, and replace Hydro One Facilities and Equipment, such as sentinel lights; and

(iv) perform switching operations or interrupt the Customer's supply to maintain or improve the supply system or to provide new or upgraded services to other Customers.

Hydro One will use reasonable efforts to exercise this power of entry during normal business hours. The Hydro One employee or authorized agent exercising this power of entry will identify himself with proper identification upon request.

Where Hydro One has requested key access for Meter Installations or meter rooms inside the Customer's premises, key access shall be provided to Hydro One. Any exceptions to this requirement are subject to Hydro One's written approval. Hydro One may require that a Customer relocate an inaccessible Meter Installation to an accessible location at the Customer's expense.

C. Customer Equipment

The Customer is responsible for installation and maintenance of Customer Equipment, including vegetation maintenance around the Customer's power lines.

Customer Equipment includes, but is not limited to, power lines, poles and the base of the meter.

The Customer is responsible for ensuring that all Customer Equipment complies with all Applicable Laws, including, but not limited to, the Electrical Safety Code and is properly identified and connected for metering and operation purposes. Where applicable, Customer Equipment shall be subject to the reasonable acceptance of Hydro One and the approval of the Electrical Safety Authority. Hydro One's approval of any Customer Equipment is solely for the purposes of Hydro One's protection of the Distribution System. The Customer is solely responsible for protecting its own property.

The Customer shall inspect the Customer Equipment at regular intervals. Clearances must conform to the Electrical Safety Code. The Customer shall repair or replace, in a timely fashion, any Customer Equipment, including, but not limited to, poles and transformer pads, that may affect the safety, integrity or reliability of the Distribution System. If the Customer does not take such action within the time specified by Hydro One, Hydro One may disconnect the supply of power to the Customer. Hydro One's policies and procedures with respect to the disconnection process are further described in these Conditions of Service.

If the Customer does not carry out its repairs within a reasonable time, or the repairs are not considered adequate by Hydro One or an inspection authority, Hydro One may disconnect the supply of electricity to the Customer and/or carry out the repairs at the Customer's expense, and Hydro One shall not be liable to the Customer for any damages arising as a result thereof, other than physical damage to the Customer Equipment arising directly from entry on the Customer's property.

Customers wishing to install or remove Neutral Ground Resistors (NGR) on the secondary side of the service transformer shall inform Hydro One of their intentions and obtain Hydro One's permission before proceeding (see section 2.3.7.1 E, Secondary Metering – Neutral Ground Resistor).

Customers shall ensure that their electrical equipment does not cause any unacceptable voltage fluctuations, voltage unbalance, harmonics, or other disturbances that could negatively affect other Customers connected to the Distribution System, or Hydro One Facilities and Equipment. See section 2.3.3 for additional details on electrical disturbances and customer responsibilities.

D. Tree and Vegetation Management

Subject to any prior agreements, Customers are responsible for all initial and continuing tree trimming, tree and brush removal for all new and existing Secondary and Primary Services on a Customer's property. Clearances must conform to the Electrical Safety Code. For distribution or sub-transmission lines built by the Customer, and where ownership is to be transferred to Hydro One

upon Connection, the clearances must conform to Distribution Standards. Hydro One strongly recommends that a certified utility arborist or a qualified electrical contractor be hired for this work. Refer to Section 2.1.2 E for sources.

E. No Charge Outage for Upgrade or Maintenance of Customer Equipment for Safety Reasons

Hydro One will, upon at least ten (10) days' prior notice from the Customer, once each calendar year during normal business hours, disconnect and reconnect the Customer's service without charge, for the Customer to upgrade or maintain Customer Equipment for safety reasons, including, but not limited to, the safe clearance of trees and vegetation from Customer lines. .

F. Responsibility for Damage to Hydro One Facilities and Equipment

Hydro One Facilities and Equipment located on the Customer's premises and/or Customer Equipment are in the care of and at the risk of the Customer. If any of Hydro One's Facilities and Equipment are damaged or destroyed by fire or any other cause other than ordinary wear and tear, the Customer shall pay Hydro One either, at Hydro One's sole discretion, the value of said Hydro One Facilities and Equipment or the cost of repairing or replacing same.

The Customer shall not build, or cause to be built, plant, place or maintain any structure, tree, shrub or landscaping or other thing that a Customer, acting reasonably, would or could know may result in the obstruction of access to, the operation of (including, but not limited to, the ability to manually, automatically or remotely read a Metering Installation) or endanger all or any part of the Hydro One Facilities and Equipment, interfere with the proper and safe operation of all or any part of the Hydro One Facilities and Equipment or all or any part of the Distribution System or any part thereof or affect Hydro One's compliance with any Applicable Laws. If the Customer does not remove the structure, tree, shrub or landscaping or other thing that would or could obstruct access to, the operation of (including, but not limited to, the ability to manually, automatically or remotely read a Metering Installation) or endanger all or any part of the Hydro One Facilities and Equipment, interfere with the proper and safe operation of all or any part of the Distribution System or affect Hydro One Facilities and Equipment or all or any part of the Distribution System or affect Hydro One's compliance with any Applicable Laws, Hydro One may disconnect the supply of electricity to the Customer and/or carry out the removal of the structure, tree, shrub, landscaping or other thing at the Customer's expense, and Hydro One shall not be liable to the Customer for any damages arising as a result thereof, other than physical damage arising directly from entry on the Customer's property.

G. Direction to Make Corrective or Preventative Action

Hydro One may direct a Customer connected to the Distribution System to take corrective or preventive action on the Customer's electric system when there is a

direct hazard to the public or the Customer is causing or could cause adverse effects to the reliability of the Distribution System.

H. Testing Customer's Load

The Customer shall allow Hydro One to install and use meters and other equipment to conduct tests to determine the electrical characteristics of the Customer's load.

I. Automatic Reclosing Facilities

In order to restore the Distribution System, Hydro One installs facilities for automatic reclosing of circuit breakers and reclosers, and from time to time may change the reclosing time of any such reclosing facilities. The Customer shall be responsible for providing at his own expense:

(a) adequate protective equipment for any electrical apparatus which might be adversely affected by reclosing facilities; and

(b) such equipment as may be required for the proper reconnection of any apparatus or equipment of the Customer, without adversely affecting the proper functioning of the reclosing facilities.

J. Registration/Deregistration as a Wholesale Market Participant

In order for Hydro One to make the necessary changes to its billing systems, Customers who wish to register or de-register with the Independent Electricity System Operator (IESO) as a Wholesale Market Participant shall notify Hydro One in writing at least sixty (60) days in advance and complete the necessary documentation.

K. Accounts with more than one Person

If an account is opened in more than one person's name, all such persons are Customers and are jointly and severally responsible for compliance with these Conditions of Service and to pay the Rates and charges in accordance with these Conditions of Service.

1.7. Hydro One's Distributor Rights

A. Access to Customer Property

Hydro One shall have access to Customer's property in accordance with section 40 of the *Electricity Act.*

B. Tree and Vegetation Management and Removal of Obstructions

To ensure public safety and the continued reliable operation of the Distribution System Hydro One maintains its rights of way on a continued and cyclical basis.

The timing of this periodic re-clearing of existing rights of way is determined by system assessments, rights of way limitations, storm damage, diseased trees, and vegetation type. Re-clearing of rights of way typically affects trees and vegetation on private property. Hydro One will notify and discuss the planned re-clearing of existing rights of way with property owners prior to performing the work in order to mitigate the impacts to the environment and the property. However, in the event of emergencies, Hydro One may be unable to notify the property owner prior to performing the work.

In any event, pursuant to subsection 40(4) of the *Electricity Act,* Hydro One may enter any land for the purpose of cutting down or removing trees, branches or other obstructions, if in the opinion of Hydro One, it is necessary to do so to maintain the safe and reliable operation of the Distribution System.

C. Ability to Transfer Arrears From One Account to Another

Hydro One shall have the right to transfer arrears for Distribution Services, electricity supplied, or other services provided by Hydro One from one account in a Customer(s) name to any other account in that same Customer(s) name irrespective of rate classification or whether either account is in the name of other person(s) in addition to the Customer.

1.8. Disputes

Initial contacts for Customer complaints should be made by calling Hydro One at 1-888-664-9376 during normal business hours, Monday to Friday from 7:30 a.m. to 8 p.m. E.T. Customer complaints that cannot be resolved by calling this number will be escalated to Hydro One's Customer Relations Centre (CRC), which will serve as the primary point of contact with Hydro One. A member of the CRC will make contact with the Customer, coordinate internal complaint activities, research, investigate, and follow up (when necessary) on the complaint to ensure resolution and closure.

In the event that issues cannot be resolved between Hydro One and the Customer, complaints can be escalated to a third party complaints resolution service provider approved by the OEB. Until such time as the OEB approves an independent third party, the OEB will assume this role.

1.9. Liability

Hydro One shall be liable to a Customer and a Customer shall be liable to Hydro One only for any damages that arise directly out of the wilful misconduct or negligence of:

(i) Hydro One in providing Distribution Services to the Customer;
(ii) the Customer in being connected to the Distribution System; or

(iii) Hydro One or the Customer in meeting their respective obligations or exercising their respective rights under these Conditions of Service, their licences and any other Applicable Laws.

Notwithstanding the above, neither Hydro One nor the Customer shall be liable under any circumstances whatsoever for any loss of profits or revenues, business interruption losses, loss of contract or loss of goodwill, or for any indirect, consequential, incidental or special damages, including but not limited to punitive or exemplary damages, whether any of the said liability, loss or damages arise in contract, tort or otherwise.

1.10. Force Majeure

Other than for any amounts due and payable by the Customer to Hydro One or by Hydro One to the Customer, neither Hydro One nor the Customer shall be deemed to have committed an event of default in respect of any obligation under these Conditions of Service if prevented from performing that obligation, in whole or in part, because of a Force Majeure Event.

Hydro One shall not be liable for any delay or failure in the performance of any of its obligations under these Conditions of Service due to any Force Majeure Event.

If a Force Majeure Event prevents either party from performing any of its obligations under these Conditions of Service, that party shall:

(i) other than for Force Majeure Events related to Acts of God, promptly notify the other party of the Force Majeure Event and a good faith assessment of the effect that the event will have on the former party's ability to perform any of its obligations. If the immediate notice is not in writing, it shall be confirmed in writing as soon as reasonably practical;

(ii) not be entitled to suspend performance of any of its obligations under these Conditions of Service to any greater extent or for any longer time than the Force Majeure Event requires it to do;

(iii) use its best efforts to mitigate the effects of the Force Majeure Event, remedy its inability to perform, and resume full performance of its obligations;

(iv) keep the other party continually informed of its efforts; and

(v) other than for Force Majeure Events related to Acts of God, provide written notice to the other party when it resumes performance of any obligations affected by the Force Majeure Event; and

(vi) if the Force Majeure Event is a strike, lockout or other labour dispute involving Hydro One's employees or authorized agents, Hydro One shall be entitled to discharge its obligations to notify its Customers in writing by means of placing a notice in the local newspaper, and, notwithstanding (iii) above, the settlement of any

strike, lockout or labour dispute involving Hydro One's employees or authorized agents shall be within the sole discretion of Hydro One or its authorized agents, none of whom shall be under any of the obligations in (iii) above.

1.11. Coming Into Force

These Conditions of Service are effective as of January 1, 2015.

SECTION 2 DISTRIBUTION ACTIVITIES – GENERAL

A. Cable Locates

Upon request, Hydro One will locate, if able, all Hydro One-owned secondary and primary underground cables connected to its Distribution System without charge.

Cables installed on private property, serving the Customer and connected to the Hydro One Distribution System, will be located, to the extent that Hydro One is able to do so, at no charge to the Customer up to the point where the Customer or the Customer's contractor can safely isolate the balance of the service.

If Hydro One is unable to locate a Customer-owned cable which is connected to its Distribution System, Hydro One will provide, at the Customer's request, a service disconnection and reconnection for the Customer during normal working hours without charge. Hydro One will charge for underground cable locates outside normal business hours, other than in an Emergency situation.

In the interests of public safety, Customers, contractors and other third parties are advised that cables owned by other parties will not be located by Hydro One, and parties should obtain information from the owners of such cables.

If a customer requires Hydro One-owned secondary and primary underground cables connected to its Distribution System to be located then the Customer can request a cable locate through Ontario One Call in the following ways:

- Call Ontario One Call at 1-800-400-2255
- Submit an e-ticket at www.on1call.com

For more information visit
http://www.hydroone.com/MyHome/StaySafe/Pages/Callbeforeyoudig.aspx

This contact information is accurate as of the effective date of this Conditions of Service, May 21, 2013, but may change from time to time.

B. Fault Locates and Repairs

Hydro One will normally locate and repair faults on all Hydro One-owned service cables without charge. In the event that a fault and/or damage is caused by the Customer or third party, the costs of repair shall be paid by the party responsible.

In the event that structures, pavement, or landscaping make the cable inaccessible for repair, the Customer shall provide, at their cost, all civil work, supports, vegetation and landscaping associated with any repair or replacement of the failed cable.

C. Motors and Welders

The maximum acceptable rating for a motor or combination of motors that may be started simultaneously at full voltage across the line is:

Voltage Level	Maximum Rating
120 V	2 HP
240 V	4 HP
120/208 V	6 HP
347/600 V	8 HP

Where the simultaneous motor load is more than allowable for simultaneous starting at full voltage across the line, the Customer shall use reduced-voltage starters that are acceptable to Hydro One.

Motors and welders in excess of the following thresholds are subject to approval by Hydro One:

Welder size exceeds 30 kVA
Motor size exceeds the following levels:

Voltage Level	1-phase motor	3-phase motor
16/27.6 kV	> 20 hp	> 100 hp
Below 16/27.6 kV	> 10 hp	> 25 hp

2.1. Connections

A. Early Consultation

The Customer shall submit to Hydro One, well in advance of commencement of construction, the following information:

(i) required in-service date;
(ii) service entrance capacity and voltage rating of the service entrance equipment;
(iii) detailed information on heating equipment, air conditioners and any other appliances and/or equipment that demands a high consumption of electrical energy;

(iv) detailed information, as per application forms for the connection of an Embedded Generation Facility, for all generators being connected in parallel with the Distribution System;
(v) survey plan or site plan, at the request of Hydro One indicating the proposed location of the service entrance equipment with respect to public rights-of-way and property lot lines;
(vi) all information required to set up an account for billing purposes; and
(vii) additional information as noted on the Hydro One Web site at www.HydroOne.com or specified by Hydro One, in writing.

B. Common Service Taps

Customers shall provide, at their expense and in compliance with the Electrical Safety Code, a secondary or primary pole or an underground primary voltage line, for common service taps. Hydro One will supply two neighbouring Customers from the same Customer-supplied facility (common service taps) only when the following conditions are met:

(i) the Customers and Hydro One agree on the location of the portion of the Customer's supplied and built facility to be owned by Hydro One ("Common Line");
(ii) the Common Line is located on property owned by one or both of the neighbouring Customers;
(iii) the Common Line to be owned by Hydro One is built to Hydro One's Distribution Standards;
(iv) the Common Line is transferred with easements and tree-clearing rights to Hydro One for a nominal fee; and
(v) an access road is provided when requested by Hydro One.

If all the above conditions cannot be met, each Customer shall supply, install, and own a separate line on its own property, or the Customers shall agree amongst themselves, to share the Customer-owned line.

C. Temporary Connections

If a Customer requires temporary service, the two types and applicable charges are as follows:

(i) temporary service that at a later date is to be relocated to a permanent service site: a standard temporary service fee is charged.
(ii) temporary service that has a finite Connection and cancellation time period, for example, service to construction sites: The material cost of the transformation and metering will be provided by Hydro One without charge. All other labour and material costs

to install and remove the service will be paid by the Customer based on Hydro One's actual costs.

D. Service to Sub-transmission Customers – Exclusive of Embedded Distributor

Service to Sub-transmission Customers, provided at voltages above 13 kV, may be a Basic Connection or an Expansion. However, transformation, secondary conductor or a credit for secondary conductor is not provided by Hydro One. A MIST Meter is required for all new Sub-transmission Customers and when an Expansion is required, the Sub-transmission Customer shall contribute to the cost, such contribution to be determined by Hydro One using a discounted cash flow model in compliance with Appendix B of the Distribution System Code.

E. Embedded Distributor

Transformation and conductor are not provided for an Embedded Distributor. A MIST Meter is required for all Connections and is provided either by the Embedded Distributor or by Hydro One, in which latter case the Embedded Distributor may be required to contribute to the cost, as calculated by Hydro One.

F. Embedded Generation Facility

A Generator is responsible for all cost of connection of an Embedded Generation Facility, and, if applicable, any required changes to the Distribution System, unless the changes needed are an Expansion investment that does not exceed the Renewable Energy Cost Cap, or a Renewable Enabling Improvement required for the connection of a Renewable Energy Generation Facility, which is the subject of an application for connection to the Distribution System after October 21, 2009.

When an Expansion is required to connect an Embedded Generation Facility**,** Hydro One will perform an economic evaluation in compliance with sections 3.2.5, 3.2.5A and 3.2.5B of the Distribution System Code.

G. Central Metered Services

At the request of a Customer, Hydro One may, at its discretion, supply a Single-Phase Customer with a central metering service to two or more buildings. The Customer shall:

(i) pay the difference between the cost of the central metering and the meter that Hydro One would have provided to the Customer under the Standard Supply Code;
(ii) comply strictly with the Electrical Safety Code and Hydro One's Distribution Standards;
(iii) have an appropriately sized main disconnect and equipment for each service connected to the central metering service; and

(iv) supply and install, at its own expense, all conductor, poles, and underground conductor, as required on its private property.

The maximum number of services to be connected at the central metering point is four. Additional services must be connected downstream of the central metering point.

Where Hydro One requires that a Customer install the central metering, the costs set out in Section 2.3.7 shall apply.

H. Primary Metered Services

When a Customer requests a Primary Metered Service (connected at the primary voltage level) or the design of the layout makes secondary metering impractical, the Customer shall install, own, and maintain, at its own expense, the entire distribution system required downstream from the metering point, including conductors, poles, and transformation. Customers requiring non-standard secondary voltages are responsible for the incremental cost of primary metering over the cost of the non-standard secondary metering.

Secondary metering is considered practical when the Customer's entire load can be metered on the secondary side of the transformation.

I. Mobile Home Parks

Parks containing Mobile Homes or Land Leased Community Homes that meet the Planning Act are treated like a subdivision. Hydro One will install and own the Distribution System, subject to the terms of the economic assessment and the Distribution System Code.

Hydro One will own the primary Distribution System only under the following conditions:

(i) there is a registered plan of subdivision;
(ii) construction is to Hydro One's design standards; and
(iii) easements and cutting rights are granted to Hydro One for all primary lines.

J. Travel Trailer Parks (Intermittent/Seasonal Use)

The park authority/owner will provide, own, and maintain all distribution facilities, including transformers and individual metering as required, within the park boundary. Such facilities will be subject to the approval of the Electrical Safety Authority. All electricity supplied for park services will be combined and billed under one General Service account. If a Secondary Metered Service is not practical, a Primary Metered Service will be required at or near the park property limit.

K. Existing Parks

For existing parks where Hydro One owns, as of the date of these Conditions of Service, the transformers on the Customer's distribution line and the Secondary Metered Service within the park boundary, Hydro One will continue to own these facilities, provided that no new services are added.

When the park owner requests an increase in the size of the services, additional services within the park or such additional services are required, the park owner must choose one of the following:

1) Park distribution system owned by park owner:

   (i) the park owner will, subject to OEB approval, purchase the existing distribution facilities owned by Hydro One within the park boundary. If the park owner does not purchase the existing park facilities, the park owner may choose to replace the existing park facilities at its own expense and will own the new facilities;
   (ii) the park owner shall supply and install new distribution facilities including transformers, etc., as required for the addition;
   (iii) Hydro One shall remove existing Secondary Metered Service, install a Primary Metered Service at or near the Customer's property limit without charge, and consolidate existing contracts into one General Service account;
   (iv) park owners of privately-owned systems shall meet all the requirements of the Electrical Safety Authority, or

2) Park distribution system transferred to Hydro One:

   (i) the park owner must have a plan of subdivision registered or approved by the municipality;
   (ii) the park owner will have the distribution system within the park brought up to Hydro One's design standards and transfer the ownership of the distribution system with required easements and cutting rights to Hydro One for a nominal fee; and
   (iii) the park owner shall also provide a site plan with all poles and electrical equipment surveyed.

L. Service and Supply Locations

Hydro One reserves the right to determine the service supply and Connection locations. The Customer shall obtain Hydro One's approval prior to the construction of electrical facilities.

One service layout or estimate is normally provided without charge. The Customer shall pay a fee to Hydro One if the Customer changes any of its

Connection requirements after the initial layout or estimate is provided or the Customer requests another estimate or layout for the same Connection.

M. Number of Delivery Points

Normally Hydro One permits only one Delivery Point per property. Where it is not technically feasible or creates excessive costs to the customer to have only one Delivery Point and sufficient capacity is available to supply this addition and future expected load growth, Hydro One may, in its sole discretion, connect additional Delivery Point(s) on the same property. Each Delivery Point must be separately metered and billed at the appropriate rate classification. The Customer will be responsible for all costs of the new delivery point and the combined capacity of the delivery points shall not exceed the delivery point capacity stated below unless agreed to by Hydro One.

N. Delivery Point Capacity

The maximum size of Primary Service or Secondary Service at any Delivery Point is as follows:

(i) for a Single Phase Customer Connection: 167 kVA of transformation capacity, Customers that require service above 167 kVA must either install or convert to a three-phase service

(ii) for a Three Phase Customer Connection:

(a) if the Distribution voltage is 13 kV or less: 501 kVA of transformation capacity

(b) if the Distribution voltage is above 13 kV or a situation exists such as the Distribution Network being supplied from a Distribution Station that is directly connected to a high voltage Transmission Line, the maximum size is determined by Hydro One based on system configuration and capability.

O. Transformation - Overhead Transformers

The maximum overhead transformer sizes for standard secondary voltages provided by Hydro One are:

(i) for a Single Phase overhead Customer Connection: 167 kVA;
(ii) for a Three Phase Customer Connection: 501 kVA.

Customers requiring non-standard secondary voltages and connection voltages above 27.6kV will be responsible for installing, owning, maintaining and operating their own transformer. Customer-supplied transformers shall be properly sized, acceptable to Hydro One and meet the energy efficiency standards in CSA C802.1.

P. Transformation - Pad- Mounted Transformers (underground type)

Maximum transformer sizes supplied by Hydro One are:

(i) for Single Phase Customer Connection: 167 kVA
(ii) for a Three Phase Customer Connection: 500 kVA (Y-Y)

Customers requesting underground pad-mounted type transformers will pay the difference in material and installation costs between the overhead installation and the underground installation, and will supply and install at the Customer's expense an appropriate transformer pad. The Customer should contact Hydro One for further information on transformer pads.

Customers which require non-standard secondary voltages and connection voltages above 27.6kV shall install, own, maintain and operate their own pad-mounted transformer and will be entitled to a Customer-supplied transformation allowance. Customer-supplied transformers shall be properly sized, acceptable to Hydro One and meet the energy efficiency standards in CSA C802.1.

Q. Transformation - Station Transformers

Where Customers require transformation capacity in excess of the sizes noted above, the Customer shall supply the station site, pad, transformers, fencing, structure, and distribution line on Private Property in accordance with the Electrical Safety Code. Customer-supplied transformers shall be properly sized, acceptable to Hydro One and meet the energy efficiency standards in CSA C802.1

The high voltage protection of a Customer-supplied transformer(s) shall co-ordinate with the Distribution System protection.

An appropriate transformation ownership allowance shall be applied, as approved by the OEB. Hydro One does not supply live bushing (station type) transformers for new Connections.

Existing Hydro One-owned station type transformers serving a Customer will be maintained to the end of their useful life. At the end of the useful life, the Customer will supply, install, own, and maintain the replacement unit.

R. Transformation - Additional Station Transformers

In the event that additional transformation is required due to load growth, and Hydro One owns the original transformer, Customers have two options:

(i) purchase Hydro One's transformer and switchgear and add additional transformation; or
(ii) if mutually agreeable, pay Hydro One the actual costs of installing the additional transformation, in which case Hydro One would continue to own, maintain, and replace the transformer as needed.

The Customer will supply all other associated material and perform any other work required to accommodate the additional transformation, at its own expense.

S. Winter Weather

Winter weather increases the difficulty of underground installations. In addition to the "Hydro One Trenching Guidelines" pamphlet, which illustrates the correct method for installation of underground cable, following are further considerations with respect to winter installations.

Equipment operates differently at extreme cold temperatures. Often winter weather prohibits the installation of underground cable. It is at the discretion of Hydro One's Lines Management whether or not installation will occur. Customers will be informed well in advance whether installation will occur so other arrangements can be made, if necessary. There is always a risk in winter that the work cannot be commenced or completed within a specified time frame.

When specialized equipment is required to make a winter connection, any incremental costs will be the responsibility of the Customer.

Types of Connections

The two types of Connections to the Distribution System are:

(i) Basic Connection; and
(ii) an Expansion.

2.1.1. Basic Connection (Building that Lies Along)

Where a Customer makes a written request to Hydro One to connect a Building that Lies Along Hydro One's Distribution System, Hydro One shall provide a Connection. Hydro One provides a Basic Connection at no charge for all Customers, excluding those who want to connect an Embedded Generation Facility. The Basic Connection consists of:

(i) supply and installation of standard overhead transformation, according to the Customer's rate class, which includes secondary bus extensions or installations complete with conductor and anchoring;
(ii) supply and installation of standard metering;
(iii) an estimate and layout for the new service;
(iv) connection of the Secondary or Primary Service at the described Ownership Demarcation Point and the Operational Demarcation Point; and
(v) for year-round residential and seasonal residential classes only, the supply and installation of up to 30 metres overhead secondary conductor for up to a 200 amp service, or an equivalent credit

toward underground conductor. Year-round residential and seasonal residential Customers with Primary Services will be credited for the 30 meters of secondary wire.

A Basic Connection does not include the following additional costs, for which the Customer shall pay Hydro One:

(a) for year-round residential and seasonal residential Customer classes – the cost difference between overhead and underground secondary wire;
(b) incremental costs associated with the supply and installation of underground transformation;
(c) the supply and installation of poles, anchors, all secondary conductor over 30 metres, hardware, and structures, as required on Customer's property; and
(d) the costs of all changes required to the Distribution System exclusive of the secondary bus installation. These costs include pole changes, anchoring or hardware changes.

Where applicable and at their own expense, Customers will also be responsible for:

(a) the supply of tree and vegetation management on the Customer's property;
(b) any easements or property agreements as required by Hydro One;
(c) the cost of any fees, permits, or other permissions required to connect the service; and
(d) the amount payable by the Customer to Hydro One if the Customer is being added to a Single or Three Phase line constructed on or after January 1, 1993.

The terms above may also apply to a Customer requiring an increase to its existing service capacity which does not trigger changes to the main Distribution System serving that Customer.

Should Hydro One determine that this Basic Connection has been utilized to connect an Embedded Generation Facility within five years of the date of the original Basic Connection, Hydro One will invoice the customer for the full connection costs incurred, in accordance with Section 3.5 of these Conditions of Service.

For Embedded Generation Facilities, see section 3.5 of these Conditions of Service.

2.1.2. Expansions / Offer to Connect

Where a Customer makes a written request to Hydro One to connect a building or an Embedded Generation Facility that is in Hydro One's service territory, Hydro One shall make an "Offer to Connect". For an Expansion, Hydro One will perform an economic evaluation using a discounted cash flow model in compliance with Appendix B of the Distribution System Code to determine the Customer's share, if any, of the projected capital costs (equipment, labour, material) and ongoing maintenance costs of the Expansion facilities (the "Expansion Costs"). If the Present Value of the future revenue is not sufficient to recover the Expansion Costs, the Customer shall pay a capital contribution calculated in a manner consistent with the requirements of the Distribution System Code. The capital contribution that Hydro One may charge in respect of the Expansion to a Customer other than a Distributor, shall not exceed the Customer's share of the difference between the Present Value of the Expansion Costs and the Present Value of the projected revenue.

When performing the economic evaluation for a Customer other than a Generator or a Distributor, Hydro One will estimate the Customer's monthly consumption based on information provided by the Customer. Where available, Customer-supplied load forecasts acceptable to Hydro One will be used.

For Customers requesting a service capacity increase that requires an Expansion, Hydro One will perform an economic evaluation, using a discounted cash flow model in compliance with Appendix B of the Distribution System Code to determine the Customer's capital contribution.

Where an Expansion is required to connect a Renewable Energy Generation Facility, Hydro One shall comply with Section 3.2.5A and 3.2.5B of the DSC.

A. Revenue Horizon

Hydro One uses a revenue horizon of up to twenty-five (25) years to project expected forecasted revenues based on the forecasted load from the Expansion. The load forecast and the revenue horizon used for the economic evaluation are in the sole discretion of Hydro One.

B. Capital Cost Recovery Agreement/Connection Cost Agreement

For an Expansion where Hydro One is making an investment of $75,000.00 or more in the Distribution System, the Customer may be required to execute a Capital Cost Recovery Agreement, which may include a revenue guarantee or a requirement that the Customer provide an Expansion Deposit. Key provisions of this agreement are described in Appendix "A" to these Conditions of Service.

Where an Expansion is required in order to connect an Embedded Generation Facility other than a Micro-embedded Generation Facility, the terms associated with the Expansion will be included in the Connection Cost Agreement. Key provisions of this agreement are described in Appendix "A" to these Conditions of Service.

C. Staking and Engineering Fees

Hydro One will provide staking and design at the Customer's expense. This payment will be recognized in the discounted cash flow calculation.

D. Offer to Connect

Hydro One will respond to requests for Connection within the following timeframes:

(i) from Customers, excluding Embedded Distributors and Embedded Generators, by no later than 15 calendar days after receipt of the request. At this time, Hydro One will specify any information that must be provided and any obligations that must be met, by the Customer in order for Hydro One to process the request. An offer to connect will be made by no later than 60 calendar days following Hydro One's receipt of all necessary information and the Customer's meeting of all its obligations.

(ii) from Embedded Distributors, by no later than 30 calendar days after receipt of a request. At this time, Hydro One will specify any information that must be provided and any obligations that must be met, by the Customer in order for Hydro One to process the request. An offer to connect will be made by no later than 90 calendar days following Hydro One's receipt of all necessary information and the Customer meeting all of its obligations.

(iii) from Customers wishing to connect an Embedded Generation Facility, within the timeframes set out in the Distribution System Code.

Hydro One's initial "offer to connect" will include, at no cost to the Customer:

(a) a statement as to whether the offer is a firm offer or is an estimate of the costs that would be revised in the future to reflect actual costs incurred;

(b) a reference to these Conditions of Service and information on how the Customer requesting Connection may obtain a copy of them;

(c) a statement as to whether a capital contribution will be required from a Customer;

(d) a statement as to whether Hydro One will require an Expansion deposit from the Customer, and the amount of the Expansion deposit that the Customer will have to provide;

(e) a description of the Connection charges that would apply and a statement whether they will be charged separately from the capital contribution, and, if known, the amount of those connection charges;
(f) the amounts to be paid by the Customer to Hydro One if the Customer is being added to a Single or Three Phase line constructed on or after January 1, 1993; and
(g) any additional information pertinent to the offer.

If Hydro One will require a Customer to pay a capital contribution, Hydro One will, in addition to complying with the above, also include in its initial offer, at no cost to the Customer:

(a) the amount of the capital contribution that the Customer will have to pay for the Expansion;
(b) the calculation used to determine the amount of the capital contribution to be paid by the Customer, including all of the assumptions and inputs used to produce the economic evaluation as described in these Conditions of Service;
(c) a statement as to whether the offer includes work for which the Customer may obtain an alternative bid and, if so, the process by which the Customer may obtain the alternative bid;
(d) a description of, and costs for, the contestable work and the non-contestable work associated with the Expansion, broken down into the following categories:

    (i) labour (including design, engineering and construction);
    (ii) materials;
    (iii) equipment; and
    (iv) overhead (including administration);

(e) an amount for any additional costs that will occur as a result of the alternative bid option being chosen (including, but not limited to, inspection costs);
(f) if the offer is for a residential Customer, a description of, and the amount for, the cost of the basic connection that has been factored into the economic evaluation; and
(g) if the offer is for a non-residential Customer and if Hydro One has chosen to recover the non-residential basic connection charge as part of its revenue requirement, a description of, and the amount for, the connection charges that have been factored into the economic evaluation.

E. Alternative Bids

Customers may seek alternative bids for the contestable portion of the Expansion from Qualified Contractors where the Expansion requires a capital contribution to be made by the Customer.

Information on electrical contractors is available from the following sources:

Yellow Pages under Electric Contractors
www.ECAO.org , Find Contractor
www.yellowpages.ca under Electric Contractors

E.1 Non contestable work excluded from alternative bids include:

(i) the preliminary planning, design and engineering specifications of the work required for the Distribution System expansion and connection; and
(ii) the construction work on existing Hydro One Facilities and Equipment.

E.2 The Customer shall be responsible for:

(i) selecting, hiring, and paying the Qualified Contractor the costs for the work eligible for the alternative bid;
(ii) assuming full responsibility for the construction of that aspect of the Expansion;
(iii) administering the contract or paying Hydro One to perform this service, on an Actual Cost basis. Administering the contract includes acquisition of all required permissions, permits, and property rights as required;
(iv) constructing the Expansion (line extension) to meet Hydro One's design requirements;
(v) paying an inspection fee to Hydro One for inspection of the construction;
(vi) paying the cost of any easements or property agreements as required by Hydro One;
(vii) transferring ownership of the facilities built on public property or servicing more than one Customer to Hydro One for a nominal fee prior to connection;
(viii) paying the Actual Cost of any additional design and engineering; and
(ix) paying all applicable Electrical Safety Authority inspection fees.

E.3 Hydro One shall be responsible for:

(i) providing the design specifications for the construction; and
(ii) inspecting and authorizing the line for Connection.

E.4 Private Ownership of Alternative Bid Construction

As a condition of Connection, the following apply to guide ownership of assets.

E.4.1 Lines on Road Allowance

Hydro One will assume ownership of Distribution lines constructed on the road allowance, including those constructed for Embedded Generation Facilities except where Hydro One determines that it foresees no future use for these assets. This provides Hydro One with better planning and control of its Distribution System in its service territory, may provide opportunities to connect other Customers without unnecessary duplication of infrastructure, and enhances safety and reliability.

Lines constructed on road allowance where Hydro One has no distribution assets may be owned by the customer only if Hydro One determines that it has no foreseeable use for such assets and Hydro One agrees in writing to customer ownership.

Lines constructed, in whole or in part, on road allowance and which are to be transferred to Hydro One must be constructed to Hydro One's design standards and approved route. The customer must provide any required easements and cutting rights if the customer is the owner of some of the lands; and where third parties own some of the lands, the customer must obtain easements and cutting rights on Hydro One's behalf prior to transfer.

The provision in the three preceding paragraphs do not apply to "joint use" arrangements with other utilities (including distributors, telephone companies, and cable providers) or Generators where a contractual arrangement is in place between Hydro One and such utilities or Generators to allow them to make attachments and enjoy occupancy on Hydro One assets.

E.4.2 Lines on Private Property

Normally, line constructed on private property shall be owned and maintained by the Customer. However, a line that has been constructed to Hydro One's design standards shall be transferred to Hydro One, at the discretion of Hydro One, with any required easements and cutting rights, where such line supplies more than one Customer or where there is a physical indication of a possible new connection. The Customer shall provide an access road when requested by Hydro One.

When a Customer separates part of its service such as through a land separation or sale of a business, there are three options for the supply to the new customer as follows:

(i) the line must be brought up to Hydro One's design standards, and ownership is transferred to Hydro One along with any required easements and cutting rights;
(ii) the Customers agree on a shared supply arrangement between themselves; or
(iii) a new line is constructed, at the Customer's cost, to supply the new Customer.

In situations where another Customer requests connection to a Customer-owned line and the owner agrees to transfer ownership of the line to Hydro One, the new Customer will be responsible for the costs to bring the line up to Hydro One's design standards and the costs of any easements and cutting rights required by Hydro One.

E.4.3 Lines on Crown Land

Lines on Crown Land shall be treated similarly to lines on Private Property.

E.4.4 Lines on Unopened Road Allowance

Lines on unopened road allowance shall be treated in a similar manner as lines on Private Property. In cases where an unopened road separates two opened roads, Hydro One may agree to take over the ownership of the new distribution line if the line is constructed to Hydro One design standards and any easements and cutting rights needed for Hydro One to maintain the line are provided to Hydro One.

E.4.5 Other Restrictions

Lines which are to be transferred to Hydro One must be constructed to Hydro One's design standards and Hydro One must agree with the route selection taking into consideration factors such as operation and maintenance, reliability and restoration times.

In order for Hydro One to properly operate and maintain the circuits, the height of the poles must be within Hydro One's normal distribution lines standards. Therefore, poles heights shall be limited to a maximum of 5 x 3 phase power circuits with proper separation space as per standards and a two (2) foot space for a communication circuit.

E.4.6 Submarine Cable

Submarine cable supplying a single Customer may be owned and maintained by the Customer. Submarine cable that has been constructed to Hydro One's design standards and that has the appropriate crossing approvals shall be transferred to Hydro One, at the discretion of Hydro One, with any required easements, where such cable supplies more than

one Customer or where there is a physical indication or a reasonable expectation of a possible new connection

F. Rebates for Customers Who Paid a Capital Contribution - Expansions

If a Customer is added, after November, 2000, and within five years of the original in service date of the Expansion facilities (the "Connection Horizon"), to an Expansion that was constructed and paid for by another Customer(s), subject to Section 3.2.27A of the Distribution System Code, Hydro One shall calculate the rebate amount payable to the initial contributor(s) in accordance with the requirements of the Distribution System Code, considering factors such as the relative load level and the relative line length. Hydro One shall collect the rebate amount from the unforecasted customers and shall pay the said amount to the initial contributors.

Before Hydro One makes the Connection and subject to Section 3.2.27A of the Distribution System Code (where the new customer is a Renewable Energy Generation Facility), the new Customer will contribute its fair share of the original Expansion costs for the shared portion of the line; and the original contributor (unless Sections 3.2.5A or 3.2.5B of the Distribution System Code applies) or present property owner, as the case may be, will be entitled to the rebate, without interest, based on the apportioned benefit for the remaining period. No rebates will occur after the Connection Horizon has expired.

G. Rebates for Refund Administration Service

Rebates will normally be made to the present property owners unless a Refund Administration Service agreement is in place.

G.1. Single and Three Phase Lines constructed from January 1, 1993, to October 31, 2000

If a Customer is added to a Single or Three Phase line constructed during the period January 1, 1993 to October 31, 2000, and there is a Refund Administration Service agreement in effect for that line, Hydro One will rebate an amount equal to the new Customer's fair share of the original cost of the shared portion of the line. The original capital contribution is not depreciated.

G.2. Single and Three Phase Lines constructed prior to January 1, 1993 - Capital contribution collected or recorded was $20,000 or more

If a Customer is added to a Single or Three Phase line constructed prior to January 1, 1993, and the original contribution collected or recorded is $20,000 or more, Hydro One will rebate in accordance with the agreement with the original contributor(s), but will not collect from the new Customer an amount equal to the new Customer's fair share of the original cost of the shared portion of the line. The capital contribution is

depreciated at 3 per cent per year in service. Prepaid maintenance charges are not depreciated. At the end of the 15th year of the line Connection date, Hydro One will refund all remaining capital and prepaid maintenance.

2.1.3. Connection Denial

Hydro One may deny Connection to any Customer for any of the following reasons:

(i) refusal by the Customer to sign and deliver any agreements required to be executed by the Customer under these Conditions of Service;
(ii) the Connection will represent a contravention of the laws of Canada or Ontario;
(iii) the Connection will cause Hydro One to be in violation of the conditions in the Licence;
(iv) the Connection will have an adverse effect on the reliability or the safety of the Distribution System;
(v) the Connection will cause a material decrease in the efficiency of the Distribution System;
(vi) the Connection will have a material adverse effect on the quality of the Distribution service received by an existing Customer, which effect could include voltage flicker, harmonics and power outages;
(vii) the Connection will result in the discriminatory access to Distribution Services by other Customers;
(viii) the person requesting the Connection owes Hydro One money, including money owed under any judgment, writ or other judicial order;
(ix) the Customer refuses or is unable to provide current and valid identification or references, if requested;
(x) the Connection is not in compliance with these Conditions of Service;
(xi) the Connection does not meet Hydro One's design requirements;
(xii) the Connection will impose an unsafe situation to workers or the public beyond the normal risks inherent in the operation of the Distribution System;
(xiii) the Connection will result in the inability of Hydro One to perform planned inspections or maintenance;
(xiv) by order of the Electrical Safety Authority;
(xv) the Customer does not have the requisite approval(s) of the Electrical Safety Authority for the Connection; or
(xvi) the premises being connected are the subject of a stop work order under the Building Code Act (Ontario).

Hydro One shall notify the Customer of the Connection denial with reasons in writing. Remedies will be suggested to the Customer where Hydro One is able to

do so. If it is not possible for Hydro One to resolve the issue, it is the responsibility of the Customer to do so before a Connection will be made.

2.1.4. Inspections Before Connections

All Customer electrical installations shall be inspected and approved by the Electrical Safety Authority before Connection to the Distribution System. Hydro One requires notification from the Electrical Safety Authority of this approval prior to Connection of a Customer.

Where Hydro One has required the Customer to perform specified work associated with the installation of connection assets on the Customer's premises, the Customer shall obtain acceptance by Hydro One of said work as a prerequisite to Connection to the Distribution System.

Before connecting to Hydro One's Distribution System, Hydro One will exercise its obligation to inspect all electrical connections and provisions for metering to ensure that they satisfy all technical requirements, unless a protective device that has been accepted by Hydro One separates the Connection.

Hydro One may at any time re-inspect any electrical connection or meter installation notwithstanding any previous inspection and acceptance of the installation.

Inspection requirements also apply to reconnections noted in Section 2.2.D.

2.1.5. Relocation of Hydro One Facilities and Equipment

A Customer requesting a relocation of all or any part of Hydro One Facilities and Equipment shall pay Hydro One all associated costs incurred by Hydro One in relocating the Hydro One Facilities and Equipment. Where there is applicable legislation or an agreement made with Ontario Hydro prior to April 1, 1999, the cost of such relocation will be as per the legislation or agreement.

If the relocation is from public to Private Property, Hydro One shall acquire easement rights at the expense of the Customer. This would include the actual cost to carry out the work and any costs resulting from having to obtain the new easement or authorization equivalent.

2.1.6. Easements

A. Unregistered Rights

Section 46 of the *Electricity Act* provides that all property that is subject to unregistered rights prior to April 1, 1999, will continue to be subject to the right until the right expires or until it is released by the holder of the right.

B. Registered Easements and Owner Agreement

For new or modified Connections, Hydro One shall have the right to require a Customer to provide Hydro One with a registered easement or an owner agreement with respect to Hydro One Facilities and Equipment located on the property of the Customer or the property of a third party and/or where Hydro One deems it necessary.

Hydro One requires registered easements for facilities under any of the following conditions:

(i) any single or multi-phase line, underground or submarine cables, poles, anchors, or aerial occupation where the line crosses Private Property, including any common service taps;
(ii) anchors on Private Property supporting 44 kV lines, 27.6 kV lines, Three Phase feeders, and any single or multi-phase structures supporting reclosers, voltage regulators or capacitor banks where the poles are located on road allowance; and
(iii) any new facilities and equipment being added to Hydro One Facilities and Equipment which are the subject of an existing unregistered easement that does not include replacement or maintenance of the existing Hydro One Facilities and Equipment.

Owner agreements are required for Hydro One Facilities and Equipment where Hydro One does not require registered easements.

2.1.7. Contracts

A. Opening and Closing of Accounts

A property owner or occupant requesting to open an account agrees to be a Hydro One Customer and assume responsibility for Distribution Service charges provide to a service address, and shall do so by completing an account set up by phone or in writing. This will establish a contract with Hydro One and Customer accepts responsibility for charges related to the account.

Hydro One may require a security deposit as outlined in Section 2.4.3.A. Connection charges may also be payable by the Customer at the time of account set up or at a later date. In the case where the Customer is a Corporation or Limited Partnership, an authorised signing officer of the Corporation will be required to bind the agreement. A Solicitor or person with Power of Attorney can agree on behalf of the Customer to the opening of an account.

Customers requesting to close an account are required to provide five business days notice to allow time to read the meter at the service address and issue a final bill. If a Customer requests to cancel a service agreement and no longer request electricity to be provided to the service address, Hydro One may remove certain

delivery equipment, such as power lines, transformers and meters. If a request is made for reconnection, the new Customer setting up an account at the service address will incur the applicable costs to reinstall appropriate delivery equipment. If service has been disconnected from a premise for six months or longer, an ESA inspection is required.

In all cases, Hydro One will not maintain availability of a meter and service without an active account and Customer. When a Customer advises Hydro One they are no longer responsible for the account or requests to close an account, a final bill will be issued for the account. If, at that time, a new Customer has not assumed responsibility for services provided to the property, Hydro One may Disconnect the property and may remove the Hydro One Facilities and Equipment from the property.

For account management purposes, including but not limited to billing, collections and communications with customers, Hydro One may consolidate the accounts of customers with multiple services, including services at multiple locations or premises, and treat these as a single account.

B. Implied Contracts

(i) Effective April 1, 2011, where an account set up has been completed by a Customer over the phone or in writing, an implied contract is in place with any such Customer that is connected to the Distribution System and receives Distribution Services from Hydro One. The terms of the implied contract are embedded in these Conditions of Service, the Electricity Distribution Rate Handbook, Hydro One's Rate schedules, the Licence, the Distribution System Code, the Standard Supply Service Code and the Retail Settlement Code, all as amended from time to time.

Any person(s) who take or use electricity delivered and/or supplied by Hydro One by way of an implied contract shall be liable for payment for such electricity. Any implied contract for the supply of electricity by Hydro One shall be binding upon the heirs, administrators, executors, successors and assigns of the person(s) who took and/or used the electricity supplied by Hydro One.

(ii) This subparagraph shall apply to Customers who were:

(a) connected to the Distribution System and received Distribution Services from Hydro One prior to April 1, 2011; or

(b) connected to the Distribution System and received Distribution Services from Hydro One prior to April 1, 2011 and continues to be connected to the Distribution System and receive Distribution Services from Hydro One as of April 1, 2011.

Notwithstanding the absence of a written contract, Hydro One has an implied contract with any Customer that is connected to the Distribution System and

receives Distribution Services from Hydro One. The terms of the implied contract are embedded in these Conditions of Service, the Distribution System Code, the Standard Supply Service Code, the Retail Settlement Code, all as amended from time to time.

Any person(s) who take or use electricity delivered and/or supplied by Hydro One shall be liable for payment for such electricity. Any implied contract for the supply of electricity by Hydro One shall be binding upon the heirs, administrators, executors, successors and assigns of the person(s) who took and/or used the electricity supplied by Hydro One.

In the absence of a contract for electricity with a tenant, or in the event the electricity was used, prior to April 1, 2011, by a person (s) unknown to Hydro One, the cost for electricity consumed by such person(s) is due and payable by the owner(s) of such property. In the event the cost of electricity consumed prior to April 1, 2011 was due and payable by the owner(s) of a property pursuant to this subparagraph, the cost of electricity consumed after April 1, 2011 will continue to be due and payable by the owner(s) until:

(a) a Customer contacts Hydro One to set up an account and agrees to assume responsibility for services provide to such property; or
(b) the owner(s) advises Hydro One that they are no longer responsible for the account.

C. Landlord and Tenant Agreements

When a tenant has opened an account at a property for the distribution of services they have agreed to be a Hydro One Customer and have accepted responsibility for electricity charges provided to a service address. Therefore, the contract is with that tenant. When a tenant closes the account, Hydro One will adhere to the date provided by the tenant, regardless of the terms of any lease or verbal agreement between that tenant and the landlord or owner, and a final bill will be issued for the account.

A landlord or owner may enter into an agreement with Hydro One to accept responsibility for any and/or all units listed at a service address for which they are the landlord or owner and be responsible for any electricity charges for services provided at that property at any time a person has not assumed responsibility for services delivered to the property until:

(i) new tenant opens an account and agrees to accept responsibility for the charges at the service address, or;

(ii) the landlord/owner terminates the agreement..

A landlord or owner may enter into the above mentioned agreement via the phone or a written agreement. If a new account is set up in landlord/owner's name pursuant to such an agreement, the following terms and conditions apply:

(i) Hydro One will open an account(s) for electrical service to the properties in the landlord/owner's name as soon as any vacating tenant's account has been closed, where;

(ii) the landlord/owner will be responsible for the new account(s) and any electricity charges for service provided, at any and all units listed at a service address, and will comply with these Conditions of Service; and

(iii) a new account set up charge will apply to the new account(s), which will appear on the first electricity bill for any new account(s). Even though the property may be vacant, monthly service charges and electricity used will be billed to this new account(s).

The above agreement will be in place unless Hydro One is advised otherwise either verbally or in writing. For greater clarity, if a tenant has closed an account and a new tenant or landlord or owner had not assumed responsibility for services delivered to the property, Hydro One may Disconnect and remove the Hydro One Facilities and Equipment from the property in accordance with Section 2.1.7 A.

It is the responsibility of the landlord to ensure Hydro One is aware of any changes in contact, mailing and/or billing information. Where landlord information is not known, the above will not apply and Hydro One will disconnect service without an active account.

D. Customer Service Contract

All Customers wishing to connect to the Distribution System, other than a Customer proposing to expand or develop an industrial/commercial or residential subdivision or to develop a condominium or a Generator who has signed a Connection Cost Agreement, must sign a Customer Service Contract as described in Appendix "A" to these Conditions of Service.

E. Capital Cost Recovery Agreement

Where Hydro One is entitled under these Conditions of Service to recover all or a portion of the costs of a Connection and/or requires that a Customer provide a revenue guarantee, the Customer must execute a Capital Cost Recovery Agreement ("CCRA"). The CCRA shall be executed before Hydro One commences any construction activities in respect of the Connection. The CCRA will describe the work to be performed by Hydro One in respect of the Connection and any other conditions set forth in Hydro One's offer to connect, together with the applicable payment terms (including revenue guarantees and/or capital contribution where applicable). Key provisions of the CCRA are described in Appendix "A" to these Conditions of Service.

In estimating the average energy and demand per added customer (by project), Hydro One reserves the right to, in consultation with the Customer, adjust the revenue

forecast to reflect applicable current experience and information for the customer class and type. A 10 year period will be used as the guaranteed incremental revenue period for all Customers except Generators.

F. Subdivision and Condominium Connections

A Customer proposing to expand or develop an industrial/commercial or residential subdivision or to develop a condominium shall be required to execute a Subdivision Agreement/Multi-Service Connection Cost Agreement. Key provisions of this agreement are described in Appendix "A" to these Conditions of Service.

Consistent with the Distribution System Code, Hydro One may, at Hydro One's sole discretion, require the developer to provide an expansion deposit for up to 100% of the present value of the forecasted revenues, or for up to 100% of the present value of the projected capital costs and on-going maintenance costs of the expansion project. The deposit is intended to cover the risk that the projected revenue for the expansion will not materialize as forecasted, and the risks associated with the construction and operation of the expansion facilities. The deposit will be refunded as stipulated by the Distribution System Code.

G. Connection Cost Agreement (formerly known as a Connection and Cost Recovery Agreement)

All Generators who wish to connect a Small Embedded Generation Facility, a Mid-sized Embedded Generation Facility or a Large Embedded Generation Facility to the Distribution System are required to enter into a Connection Cost Agreement with Hydro One. Key provisions of this agreement are described in Appendix "A" to these Conditions of Service.

H. Connection Agreements

H.1. Sub-transmission Customer (including Embedded Distributors)

Hydro One shall have the right to require any Sub-transmission Customer, including an Embedded Distributor, to execute a Connection Agreement. Key provisions of Hydro One's form of Connection Agreement are described in Appendix "A" to these Conditions of Service.

H.2. Embedded Generation Facilities

Hydro One requires all Customers with Generation Facilities connected to the Distribution System and all Embedded Generators wishing to connect to the Distribution System to execute a Connection Agreement in the applicable form prescribed in Appendix "E" of the *Distribution System Code* and/or such other agreements as may be reasonably required by Hydro One in the circumstances as described in Appendix "E" of the

Distribution System Code as "Other Potential Contracts". The Connection Agreement with an Embedded Generator who is not a Wholesale Market Participant will also contain the terms under which Hydro One purchases power from that Embedded Generator.

H.3. Timing of Execution

Hydro One, in its sole discretion, shall have the right to require Customers to execute a Connection Agreement prior to, on or after Connection.

I. Access Agreements

Customers requiring ongoing access to Hydro One Facilities and Equipment, to operate or maintain Distribution equipment including wholesale revenue metering, must enter into an Access Agreement. Key provisions of an Access Agreement are described in Appendix "A" to these Conditions of Service.

J. Special Contracts

Special contracts that are customized in accordance with the service requested by the Customer normally include the following examples:

(i) construction sites;
(ii) mobile facilities;
(iii) non-permanent structures;
(iv) special occasions, etc.; and
(v) house moves.

2.1.8. Bypass of Distribution Facilities

In the event that an existing Customer elects to transfer all or a portion of its existing load at a Hydro One-owned distribution facility to the Customer's own facility or to the facility of another person (including a Transmitter), such transfer is considered to be "bypass". To protect other ratepayers, Hydro One may, at Hydro One's sole discretion, require the Customer to compensate Hydro One for such bypass. Hydro One will calculate the bypass compensation amount based on the net book value of the bypassed facility, including a salvage credit and reasonable removal and environmental remediation costs, if applicable, and by determining the bypassed capacity on the relevant facility in proportion to the total capacity of the bypassed facility. In the event that the above bypass of a distribution facility by the Customer also results in the bypass of a Transmitter-owned facility, Hydro One will require the Customer to also pay, as an "upstream cost", an appropriate share of any bypass compensation payable to the Transmitter in relation to such bypass.

2.2. Disconnection/Load Control

Hydro One reserves the right to Disconnect or control the amount of electricity that a Customer can consume by installing a load control device for any of the following reasons:

(i) failure to pay Hydro One any amounts due and payable for the Distribution of electricity or for supply of electricity under Section 29 of the Electricity Act;
(ii) failure to pay Hydro One any amounts due and payable on a distributor-consolidated bill;
(iii) failure to pay any Connection costs due and payable;
(iv) failure to notify Hydro One of Customer responsibility for electricity account when a new party moves into an existing connected property and consumes electricity;
(v) non-payment of security deposits identified as a condition of service or a condition of continuing service;
(vi) contravention of the laws of Canada or Ontario;
(vii) imposition of an unsafe worker situation beyond normal risks inherent in the operation of the Distribution System;
(viii) adverse effect on the reliability and safety of the Distribution System;
(ix) a material decrease in the efficiency of the Distribution System;
(x) a material adverse effect on the quality of Distribution Services received by an existing Connection;
(xi) inability of Hydro One to perform meter reading (manually, automatically or remotely), planned inspections, maintenance, repairs or replacement of all or any part of a Meter Installation;
(xii) failure of the Customer to comply with a directive of Hydro One that Hydro One makes for the purposes of meeting its Licence obligations;
(xiii) failure of the Customer to comply with any requirements in these Conditions of Service, including a requirement that the Customer complete an account set up process over the telephone or in writing and assume responsibility for Distribution Services charges, or a term of any agreement made between the Customer and Hydro One, including, but not limited to, a Connection Agreement, Connection Cost Agreement or a Connection and Cost Recovery Agreement;
(xiv) failure of the Customer to enter into a Connection Agreement required by these Conditions of Service;
(xv) in compliance with a court order;
(xvi) by order of the Electrical Safety Authority;
(xvii) by order of the IESO; or
(xviii) for the reasons identified in Section 2.2.A of these Conditions of Service.

A. Disconnection/Load Control Process for Reasons of Non-payment

If a bill remains unpaid in whole or in part nineteen (19) calendar days after the due date and at least:

(i) sixty (60) calendar days after a written disconnection notice has been provided to the Customer by personal service, prepaid mail or by posting notice on the property in a conspicuous place, if the Customer is a residential Customer that has provided Hydro One with documentation from a physician confirming that disconnection poses a risk of significant adverse effects on the physical health of the Customer or on the physical health of the Customer's spouse, dependent family member or other person that regularly resides with the Customer; or

(ii) in all other cases, ten (10) calendar days after a written disconnection notice has been provided to the Customer by personal service, prepaid mail or by posting notice on the property in a conspicuous place,

Hydro One may fully interrupt or control the distribution of electricity to the Customer.

In accordance with Section 4.2.1 of the Distribution System Code, Hydro One shall provide the Customer being disconnected for non-payment the Fire Safety Notice of the Office of the Fire Marshall and any other public safety notices or information bulletins issued by public safety authorities and provided to Hydro One, which provide information respecting dangers associated with the disconnection of electricity service.

A residential Customer may designate a third party to also receive a copy of the notices set out in this Section provided that the request is made no later than the last day of the applicable minimum notice period set out in this Section.

Hydro One shall suspend any disconnection action for 21 days from the date of notification by a registered charity, government agency or social service agency that it is assessing a residential Customer for the purposes of determining whether the Customer is eligible to receive bill payment assistance, provided such notification is made within 10 days from the date on which the disconnection notice is received by the Customer. Where the Customer has designated a third party to receive a copy of any disconnection notice, and such third party notifies Hydro One that he or she is attempting to arrange assistance with the bill payment, Hydro One shall suspend all disconnection action for 21 days provided such notification is made within 10 days from the date on which the disconnection notice is received by the Customer. Upon notification by a registered charity, government agency or social service agency that the residential Customer is not eligible to receive bill payment assistance, or if the third party decides not to

assist the Customer with the bill payment, Hydro One may proceed with the disconnection process.

In accordance with Section 4.2.2.5 of the Code, where the disconnection is in respect of a multi-unit, master-metered building, Hydro One shall post a copy of the disconnection notice in a conspicuous place on or in the building promptly after issuance of the notice.

Hydro One shall make reasonable efforts to contact the residential Customer at least 48 hours prior to the scheduled date of disconnection.

B. Restricted Access to Meter Located in Residential Property

Pursuant to Section 40 of the Electricity Act, 1998 and Section 1.6 B of the Hydro One's Conditions of Service (available at www.hydroone.com/cos), Hydro One has a right to enter a Customer's property for the purposes of reading, inspecting, maintaining, repairing or replacing the meter. Furthermore, as per Section 2.2 of these Conditions of Service, Hydro One reserves the right to physically Disconnect or limit the amount of electricity that a Customer can consume for the following reason:

(i) inability of Hydro One Networks to perform meter reading (manually, automatically or remotely), planned inspections, maintenance, repairs or replacement of all or any part of a Meter Installation.

If a residential customer wilfully or otherwise restricts access to a meter located within a residential Customer's property for the purposes of preventing Disconnection due to non-payment; Hydro One reserves the right to make an application to the court for an order to enter your property and request a court appointed sheriff to escort Hydro One employees to your property. If required, Hydro One will further request the assistance of a bailiff and locksmith. All costs expended by Hydro One for the purposes of entering your property in accordance with the Electricity Act, 1998 and these Conditions of Service, including court fees, sheriff's fees, and the costs of a bailiff and locksmith are the Customer's responsibility.

C. Disconnection Process for Reasons Other than Non-Payment

Subject to Hydro One's rights in Section C below, Hydro One will provide notice of disconnection to the Customer for reasons other than non-payment by personal service, prepaid mail or by posting notice on the property in a conspicuous place. If the Customer does not remedy the situation that gave rise to Hydro One's right to disconnect the Customer from the Distribution System within the time period specified by Hydro One in the notice, Hydro One may disconnect the Customer from the Distribution System or interrupt the distribution of electricity to the Customer on or after the date specified in the notice.

D. Immediate Disconnection without Notice

Hydro One may immediately interrupt a Customer, without notice, in accordance with a court order, a request by a fire department or for emergency, public safety (including potential for loss of life or limb), system reliability reasons or in order to inspect, maintain, repair, alter, remove, replace or disconnect wires or other facilities used to distribute electricity or where there is an energy diversion, fraud or abuse on the part of the Customer.

E. Liability for Disconnection

Disconnection does not relieve the Customer of the liability for arrears or minimum bills for the balance of the term of the contract. The Customer shall be liable for any third party costs incurred by Hydro One which are necessary to effect a Disconnection including, but not limited to, court fees, bailiff and sheriff's fees, and the cost of having a locksmith attend the property. Such costs shall be included in the Customer's bill.

Under no circumstances will Hydro One be liable for any damage resulting from, associated with or related to the Disconnection or the control of distribution of electricity, including damage to the Customer or the Customer's premises and any business or other losses suffered by the Customer as a result of the disconnection.

F. Reconnection

Where the reason for the Disconnection has been remedied to Hydro One's satisfaction, Hydro One shall reconnect a Customer. All costs, including inspections, associated with the Disconnection and reconnection shall be paid for by the Customer prior to reconnection of the service.

Under any of the following circumstances, Hydro One requires that the Customer obtain the approval of the Electrical Safety Authority prior to Hydro One reconnecting the service:

(i) where Hydro One has reason to believe that the wiring may have been damaged or altered;
(ii) where service was disconnected for modification of Customer wiring;
(iii) where service has been disconnected for a period of six months or longer;
(iv) where the service was disconnected as a result of an adverse effect on the reliability and safety of the Distribution System; or
(v) where it is a requirement of the Electrical Safety Code.

G. Disconnection and Reconnection Related Charges

Unless specified elsewhere in these Conditions of Service, a charge shall apply in cases where it is necessary for Hydro One to make a trip to the Customer's premises to collect payment for an overdue account, disconnect service, install a Load Controller or reconnect service. The Customer will also be responsible for any incidental charges.

H. Unauthorized Energy Use

Hydro One reserves the right to disconnect the Distribution of electricity to a Customer, without notice, for causes including energy diversion, fraud or abuse on the part of the Customer. Such service shall not be reconnected until the Customer rectifies the condition and pays all uncollected charges, including late payment charges as determined by Hydro One, and costs incurred by Hydro One arising from unauthorized energy use, including inspections and repair costs, and the cost of disconnection and reconnection.

I. Fraudulent Account Setup

Hydro One reserves the right to Disconnect service and/or maintain service interruption if it has reasonable grounds to believe that the consumer(s) of electricity (whether the consumer is an occupant who owns or rents the property, where the property is used for either residential or commercial purposes) has wilfully and intentionally avoided bill payment of outstanding charges by applying or re-applying for a new Hydro One account under a different account holder name. Furthermore, as a condition of establishing a new account and electricity supply, Hydro One reserves the right pursuant to section 3.1.G of the Distribution System Code, and section 2.1.3.v111 of Hydro One's Conditions of Service, to validate the identity of a new account applicant by requesting official identification of the new account applicant; including but not limited to photo identification, a credit bureau report, property tax documentation, legal letter from solicitor affirming the identification of the new account applicant, and that the new account applicant is no way affiliated to any previous account holder who used electricity and stranded arrears.

J. Service Cancellation

Where a Customer requests a service cancellation, Hydro One will remove certain delivery equipment, such as power lines, transformers and meter. If reconnection is requested, the Customer will incur a cost to reinstall appropriate delivery equipment and shall follow the steps and processes for new connections set out in these Conditions of Service.

2.3. Conveyance of Electricity

2.3.1. Limitations on the Guarantee of Supply

Hydro One will endeavour to use reasonable diligence in providing a regular and uninterrupted supply of electricity but does not guarantee a constant supply or the maintenance of unvaried voltage and will not be liable for damages to the Customer by reason of any failure in respect thereof.

Customers, including households, requiring a higher degree of security than that of normal supply are responsible to provide their own backup or standby facilities and/or pay all associated incremental costs to supplement power supply in the event of power outages. Customers may also require, at their premises, special protective equipment which is subject to the approval of Hydro One, to minimize the effect of momentary power interruptions.

Customers requiring a three-phase supply should install protective apparatus to avoid damage to their equipment, which may be caused by the interruption of one phase, or non-simultaneous switching of phases of Hydro One's supply. Damages resulting from the failure to install protective apparatus shall be at the Customer's expense.

During an emergency, Hydro One may interrupt supply of electricity to a Customer in response to a shortage of supply or to effect repairs on the Distribution System, or while repairs are being made to Customer-owned equipment. In addition to Hydro One's rights under Section 40 of the *Electricity Act*, Hydro One or its authorized agents may enter the Customer's property in accordance with Section 1.6.B of these Conditions of Service.

Where submarine cable is used to supply power to Customers, Hydro One may not be able to repair interrupted supply due to safety concerns related to seasonal weather conditions. In this case, Hydro One will notify affected Customers, and power will be restored as soon as conditions permit.

2.3.2. Power Quality

A. Standards and Guidelines for Power Quality

Hydro One shall follow Good Utility Practice in terms of its guidelines and standards for power quality where applicable but does not guarantee an unvaried voltage or frequency.

B. Voltage and Current Harmonics

Large rectifiers, inverters, arc furnaces, static VAR systems and other non-linear loads generate harmonic voltages and currents. These harmonics may interfere with the operation of the Distribution System by conductive interference and/or may interfere with communication systems by inductive interference.

Hydro One will follow Good Utility Practice for establishing limits on harmonic current emissions and voltage distortions. The Customer shall ensure that the equipment at its facility does not generate harmonic currents that exceed acceptable industry practices.

C. Voltage Fluctuations and Flicker

Voltage flicker will be limited to:

Magnitude (%)	Limit
0.5	3 per second
1.0	20 per minute
2.0	45 per hour
3.0	4 per day

A higher flicker may be acceptable for infrequent starts.

D. Frequency Fluctuations

In general, the frequency of AC power on the Distribution System is dictated by the supply frequency on the transmission system to which the Distribution System is connected.

E. Over-voltages

In general, Hydro One will follow Good Utility Practice to minimize the magnitude and extent of short-term over-voltages.

Voltage Unbalance

The Distribution System may be subject to small differences in voltages across the three phases of supply due to unbalanced customer loads or unbalanced loading of the distribution circuits by single-phase customer loads. Since an unbalanced voltage supply can be detrimental to some customer three-phase electrical equipment, Hydro One will endeavour to minimize voltage unbalance, and will apply the following guidelines when voltage unbalance is found to exist.

Measured Voltage Unbalance	Corrective Action to Be Taken
< 3 %	No Action
3 % - 5 %	Correct on a planned basis (within 12 months)
> 5 %	Correct on an emergency basis

F. Stray or Tingle Voltage

Varying amounts of low-level voltage often exist between the earth and electrically grounded farm equipment such as metal stabling, feeders, milk pipelines or even wet concrete floors. Usually, these voltage levels present no harm to animals. However, if an animal touches two pieces of equipment that are at different voltage levels, a small electric current passes through the animal. This is known as stray voltage. Stray voltage can be produced by a wide variety of off-farm and on-farm sources.

Using dairy cows as an example, reported symptoms include:

- Reluctance to enter milking parlour
- Reduced water or feed intake
- Nervous or aggressive behaviour
- Uneven and incomplete milkout
- Increased mastitis
- Lowered milk production
- Reduced growth

These same symptoms can also be the result of other non-electrical farm factors. For example, disease, poor nutrition, unsanitary conditions, or milking machine problems can produce some of the same symptoms in farm animals as stray voltage. Farmers should consider and investigate all possibilities, including stray voltage, when attempting to resolve these symptoms.

Off-farm sources: In a properly functioning electrical distribution system, some voltage will always exist between the neutral system (ground conductors) and the earth. The level of this NEV (neutral-to-earth voltage) can change on a daily or seasonal basis, depending on changes in electrical loading, environmental conditions and other factors. For safety reasons, Hydro One's neutral system is connected to a farm's grounding system. While this bond protects people and animals from shocks caused by faulty electrical equipment and lighting strikes, it also results in a stray voltage equal to a fraction of the NEV appearing on grounded farm equipment such as feeders, waterers, metal stabling, metal grates, milk pipelines and wet concrete floors.

On-the-farm sources: Poor or faulty farm wiring, improper grounding, unbalanced farm system loading, defective equipment or voltages from telephone lines or gas pipelines are all possible sources.

For additional information on the effects of stray voltage on livestock see the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) website, http://www.omafra.gov.on.ca.

If you think you have a stray voltage problem, call Hydro One at 1-888-664-9376 to set up an appointment for a visit from Hydro One staff, who will perform

appropriate measurements as required by section 4.7 of the Distribution System Code to help determine if stray voltage is present on your farm, perform the stray voltage test if required and take remedial action if needed.

G. Power Quality Inquiries

Hydro One maintains a 24-hour call answer service (Section 1.5) for the purpose of receiving inquiries from Customers regarding power interruptions, power quality incidents, and incidents related to the integrity or safety of its Distribution System.

In response to a Customer's power quality concern, where the utilization of electric power affects the performance of electrical equipment, Hydro One will work with the Customer to perform investigative analysis to identify the underlying cause. Depending on the circumstances, this may include review of relevant power interruption data, trend analysis, and/or use of diagnostic measurement tools.

If, after an initial investigation, the power quality issue remains unresolved, and it is determined that further detailed engineering study is required, Hydro One shall advise the Customer of an intended course of action. Upon determination of the cause resulting in the power quality concern, where it is deemed a system delivery issue and where industry standards are not met, Hydro One will recommend and/or take appropriate mitigation measures. Hydro One will not be obligated to correct a problem if correcting the problem would adversely affect other Hydro One Customers. Hydro One will use appropriate industry standards and Good Utility Practice as a guideline.

If, through an initial assessment or subsequent detailed investigation, it is determined that the source of a power quality complaint is the Customer's own equipment, then Hydro One may require reimbursement from the Customer for all or a portion of the costs incurred in carrying out the investigation.

H. Outage Notification Process

It is occasionally necessary to interrupt a Customer's supply to maintain or improve the Distribution System. For planned outages, Hydro One will endeavour to provide as much notice as possible, but at least two (2) business days' notice for minor interruptions and up to ten (10) business days' notice for larger interruptions. Hydro One will notify Customers by telephone, fax, mail or hand delivery. Additional notification through the media may also be provided.

In emergencies, Hydro One will not provide prior notification of an interruption.

2.3.3. Electrical Disturbances

Customer Responsibilities

Customers shall ensure that their electrical equipment does not cause any unacceptable voltage fluctuations, voltage unbalance, harmonics, or other disturbances that could negatively affect other Customers connected to the Distribution System, or Hydro One Facilities and Equipment. Examples of equipment capable of causing disturbances are large motors, welders, and variable speed drives. In planning the installation of such equipment, the Customer must consult with Hydro One.

The Customer's equipment shall comply with the limitations for permissible distortion caused by harmonic currents and voltages described in CAN/CSA-C61000-3-6 from the Canadian Standards Association.

If it is determined that unacceptable conditions are being caused by any Customer Equipment, the Customer shall take appropriate remedial action to correct the condition. Depending on the severity of the electrical disturbance, Hydro One may require that such equipment be disconnected from the Distribution System, in accordance with Section 2.2, until corrective measures are taken.

The characteristics of specific electrical disturbances should be referred to Hydro One for evaluation and interpretation against the Hydro One standards and guidelines for power quality. (See Section 2.3.2A)

Customers who may require an uninterrupted source of electricity, or a supply completely free from fluctuations and disturbance, must provide their own power conditioning equipment for these purposes.

Power Factor: The Customer shall take and use power at all times in such manner that the ratio of the kilowatts to the kilovolt-amperes when measured simultaneously at the point of delivery for power is as near unity as practicable. When the IESO has issued directives that require adherence to a specific PF limit, such as .95 PF at a transformer station, then Hydro One may require a Customer to operate at or above the specified limit or be responsible for the costs that Hydro One incurs in meeting the required limit at the station.

Phase Balancing: The Customer shall take and use the power so that the current will be taken from the three phases equally as far as practicable. If at any time the unbalance in current is greater than 10% and in Hydro One's opinion excessive, the Customer agrees to make at its own expense, upon request, the changes necessary to reduce the unbalance to an acceptable value.

Electrical Fluctuations and Interference: The Customer shall operate in such a manner as not to cause disturbance, fluctuations or interference on Hydro One's distribution system or interference with communication systems or control circuits of Hydro One or of any other third party. The Customer shall take such

remedial measures at its sole expense by way of installing suitable apparatus or otherwise as may be necessary to reduce any disturbance or fluctuations or interference to a tolerable level. In any event, the Customer shall indemnify Hydro One from all claims and demands made against Hydro One by any third party in consequence of failure by the Customer to perform its obligations under this paragraph.

2.3.4. Standard Voltage Offerings

Hydro One will supply a single stage of transformation to the Customer's utilization voltage at standard voltages only. These voltages will conform to Canadian Standards Association ("CSA") standards. The Customer will supply any additional transformation required below the utilization voltage if required. Where the Customer requires a secondary voltage other than those noted below, the Customer shall supply the transformers and associated equipment.

A. Standard Secondary Voltages

Single Phase – 120/240 volts 3 wire;

Three Phase – 120/208 volts 4 wire; and

Three Phase - 347/600 volts 4 wire.

B. Standard Primary Voltages

Hydro One has a variety of primary distribution voltages across the province, but in general has only one primary voltage in each vicinity. Hydro One shall provide only the nominal primary voltage present in the vicinity to service a Connection or development, unless the development cannot be effectively fed from the existing supply. Customers requesting a Primary Service should contact Hydro One to determine the primary voltage available at their location.

Typical Primary Voltages

44,000 Volts – 3 Phase 3 Wire;
16,000/27,600 Volts – 3 Phase 4 Wire;
14,400/25,000 Volts – 3 Phase 4 Wire;
8,000/13,800 Volts – 3 Phase 4 Wire;
7,200/12,470 Volts – 3 Phase 4 Wire;
4,800/8,320 Volts – 3 Phase 4 Wire; or
2,400/4,160 Volts – 3 Phase 4 Wire

Voltage Conversions

When Hydro One undertakes a voltage conversion to accommodate normal load growth the following shall apply:

(i) Hydro One shall pay all labour costs associated with upgrading private service lines not to exceed Hydro One estimated labour costs, plus equipment costs such as insulators, cross arms, cutouts, arresters and transformers and underground cables when required.

(ii) Where it is necessary to replace poles and/or conductor due to end of life condition, the Customer shall be responsible for the cost of the material.

(iii) Hydro One shall pay to convert obsolete delta services to wye-grounded.

(iv) In some cases a more cost effective solution may be the installation of a step up/down voltage transformation device.

(v) Hydro One shall pay for the cost of the electrical inspection.

2.3.5. Voltage Guidelines

Standard operating conditions are:

CSA Standard CAN3-235-83 Table 3				
Nominal System Voltages	Recommended Voltage Variation Limits for Circuits up to 1000 volts, at the Service Entrance.			
	Extreme Operating Conditions	Normal Operating Conditions		Extreme Operating Conditions
Single Phase				
120/240	106/212	110/220	125/250	127/254
240	212	220	250	254
480	424	440	500	508
600	530	550	625	635
Three Phase 4 -Wire				
120/208Y	110/190	112/194	125/216	127/220
240/416Y	220/380	224/388	250/432	254/440
277/480Y	245/424	254/440	288/500	293/508
346/600Y	306/530	318/550	360/625	367/635
Three Phase 3 – Wire				
240	212	220	250	254
480	424	440	500	508
600	530	550	625	635

These voltage guidelines relate to long-term steady-state levels and do not include short term or transient disturbances.

For system voltages greater than 1,000 V and up to 50,000 V, the maximum voltage variation is ± 6% of the nominal voltage. Under emergency conditions voltages may drop below these thresholds.

Where voltages lie outside the indicated limits for Normal Operating Conditions but within the indicated limits for Extreme Operating Conditions, improvement or corrective action will be taken on a planned and programmed basis, but not necessarily on an emergency basis.

Where voltages lie outside the indicated limits for Extreme Operating Conditions, improvement or corrective action will be taken on an emergency basis. The urgency for such action will depend on many factors such as the location and nature of load or circuit involved, and the extent to which limits are exceeded with respect to voltage levels and duration, etc.

Hydro One practises reasonable diligence in maintaining supply voltage levels but is not responsible for variations in voltage from external forces such as operating contingencies, exceptionally high loads and low voltage supply from the transmitter.

2.3.6. Emergency Backup Generation Facilities, Load Displacement Generation Facilities and Energy Storage

A. Emergency Backup Generation and/or Energy Storage Facilities

Customers with an Emergency Backup Generation and/or Energy Storage Facility, whether they are portable or permanently affixed, shall comply with the requirements of the Technical Interconnection Requirements, including any Hydro One communication of Technical Interconnection Requirements updates in the form of bulletins and/or amendments that may occur periodically, if any, and all of the applicable criteria of the Electrical Safety Code. Furthermore, the Customer is responsible for complying with all Applicable Laws in respect of the Emergency Backup Generation and/or Energy Storage Facility, including, all applicable environmental requirements.

All Emergency Backup Generation and/or Energy Storage Facilities must be operated in isolation from the Distribution System. Customers with an Emergency Backup Generation and/or Energy Storage Facility shall ensure that the Emergency Backup Generation Facility never remains connected to the Distribution System for more than 6 cycles (100 milliseconds). As such, the switching transition shall either be OPEN (break before make) or if the switching transition is CLOSED (make before break), then the switching transition shall be within 6 cycles (100 milliseconds).

Customers with permanently affixed Emergency Backup Generation and/or Energy Storage Facilities shall notify Hydro One regarding the presence of such equipment.

B. Load Displacement Generation Facilities

All Customers with a Load Displacement Generation Facility ("**Load Displacement Customer**") must notify Hydro One regarding the presence of

their Load Displacement Generation Facility. Customers intending to install a Load Displacement Generation Facility shall consult with Hydro One during the planning of and prior to the installation of any Load Displacement Generation Facility as all proposed Load Displacement Generation Facilities must undergo an assessment process in order to assess the impact of the connection of the proposed Load Displacement Generation Facility to Hydro One's distribution system, including ensuring that there are no system constraints and that capacity is available. Where connection is feasible, the assessment will specify the connection requirements. The cost of performing the assessment will be paid by the Load Displacement Customer. The Load Displacement Customer will also be responsible for the cost of any connection requirements include upstream work or upgrades to the Distribution System.

The Load Displacement Customer shall ensure that the Load Displacement Generation Facility is installed and operated in a manner that does not adversely affect the Distribution System. Furthermore, the Load Displacement Customer shall ensure that the Load Displacement Generation Facility meets the technical requirements specified in Appendix F.2 of the Distribution System Code, the requirements of the Electrical Safety Code and the Technical Interconnection Requirements. In particular, the Load Displacement Customer shall ensure that the generation output from the Load Displacement Generation Facility does not back feed onto the Distribution System.

The Load Displacement Customer shall provide an interface protection for their Load Displacement Facility that detects all applicable faults on the Hydro One distribution system for the purposes of the Load Displacement Customer disconnecting the Load Displacement Generation Facility from the Distribution System in the event of such faults. The Load Displacement Customer shall provide, install and maintain a disconnecting device at the Point of Common Coupling with the Distribution System or some other acceptable location to Hydro One for the purpose of isolating the Load Displacement Generation Facility in case of an Emergency and for work protection. The disconnecting device shall be installed in accordance with the technical requirements specified in Appendix F.2 of the Distribution System Code, the Technical Interconnection Requirements, including any Hydro One communication of Technical Interconnection Requirements updates in the form of bulletins and/or amendments that may occur periodically, and the Electrical Safety Code.

Proposed Load Displacement Generation Facilities with generation units with a name-plate rated capacity greater than 10 kW are required to successfully undergo a series of commissioning tests before the Customer will be permitted to install same. Hydro One will provide the Load Displacement Customer with a list of testing requirements applicable to the Load Displacement Generation Facility. The requirements will be based on a number of factors, including size and type of generator units and type of connection. The Load Displacement Customer shall complete and confirm the completion of the commissioning testing through the Confirmation of Verification Evidence Report (COVER) process, as established

by Hydro One. All costs associated with commissioning are the responsibility of the Load Displacement Customer.

The Load Displacement Customer shall provide Hydro One with the documentation requested by Hydro One from time to time including, any information specified in the Technical Interconnection Requirements, including any Hydro One communication of Technical Interconnection Requirements updates in the form of bulletins and/or amendments that may occur periodically,

For greater certainty, Sections 3.5 D, E, F, G, H and I of these Conditions of Service are applicable to Load Displacement Generation Facilities.

2.3.7. Meter Installation and Meter Reading

2.3.7.1 General

For Retail settlement and billing purposes, Hydro One shall provide, install, own and maintain a Meter Installation for all Customers except where the Customer elects to be a Wholesale Market Participant or is an Embedded Generator. Wholesale Market Participants must provide metering facilities in compliance with the IESO's market rules. Embedded Generators shall supply and install a metering facility that meets Hydro One's requirements, as described in the Hydro One policy directive AMPD-041.

The type of meter will be based on the Customer's Rate class, energy consumption and peak load. The security and accuracy of metering will be maintained under regulations and standards established by Measurement Canada and Hydro One.

When a Customer's power factor is known to be less than 90 per cent, a kVA meter or other equivalent electronic meter shall be used for measuring and billing.

The Meter Installation may be comprised of telecommunications equipment, to facilitate remote meter consumption data retrieval, in accordance with applicable regulations and directions from the Smart Meter Entity. Hydro One, or its authorized agents, will select the form and location of telecommunications equipment. All such equipment shall be operated at Hydro One's cost.

If deemed appropriate by Hydro One, the Customer shall permit Hydro One to connect a revenue interval meter through the Customer's phone line for remote interrogation and data transfer. Hydro One will ensure that there are no material adverse impacts of the revenue meter connection on the Customer's use of the phone line. In the event there is no phone line at the Customer's premise, please refer to Hydro One's policy direct for metering load Customers (AMPD-031 is available upon customer request).

The Meter Installation is owned and maintained by Hydro One. This ownership ends at the meter base, which then feeds into the premise's electrical panel. Any

maintenance requirements for the meter base are the responsibility of the Customer.

Where a Customer has a Combination Meter/Breaker Unit (meter box and breaker), Hydro One is responsible for the meter (meter/adaptor) only. The meter box, meter base and the breaker are owned by the Customer (regardless of any labels, stickers or nameplates identifying otherwise) and any required repairs and maintenance costs are the Customer's responsibility.

Hydro One will not install or reinstall customer or third-party-owned equipment on Hydro One metering. Hydro One will not be responsible for any damage to the Customer's or third-party-owned equipment during the installation, inspection, reading, calibration, maintaining, repair, alteration, removal, or replacement of all or any part of a Meter Installation. The Customer shall ensure the compatibility of Customer or third-party-owned equipment with Hydro One metering.

A. Location of Meter Installations

The Meter Installation(s) shall be located on the exterior of the building as determined by the layout, and/or subdivision design drawings, and are subject to approval by Hydro One based on standards established by the Electrical Safety Code and the Ontario Building Code. In general, the Meter Installation(s) may be located:

(i) on the driveway side of the building near the front facing the street or roadway;
(ii) no more than 3 metres from the front facing the street or roadway;
(iii) on the wall of the building so that midpoint of the meter after installation will be 1.75 metres plus or minus 100mm from finished grade, or, where this is not possible, the Meter Installation may be installed on poles or on a separate support;
(iv) in dedicated metering rooms for large general service class Customers (e.g. shopping centres, apartment and condominium buildings), provided that guaranteed continuous access, by key or other appropriate means, is provided to Hydro One or its authorized agent.

If the Meter Installation(s) are located on poles, the poles must be installed, owned and maintained by the Customer on the Customer's property.

Without limiting the above, some components of a Meter Installation may be in more than one location.

B. Single Phase – Secondary Metered

New Customers with Secondary Metered Service shall be metered based on estimated load. Existing Customers with Secondary Metered Service shall be metered based on the actual average monthly peak load for the previous year. Customers with an average monthly peak load of less than 50 kW shall be metered and billed on kilowatt-hours ("kWh") only. Customers with an average monthly peak load equal to or greater than 50 kW shall be metered and billed on monthly kW as well as kWh, except those in residential and seasonal residential rate classifications.

C. Three Phase – Secondary Metered

All secondary three-phase customers who average monthly peak load on an annual basis (over the most recent calendar year) is less than 50kW shall be metered and billed based on kWh only. Customers whose average monthly peak load on an annual basis (over the most recent calendar year) is 50kW or more shall be metered based on monthly kilowatt demand, monthly kVA and kWh.

D. Primary Metered

Where a Primary Metered Service is used, the Customer shall own and maintain the entire Distribution System beyond the metering point, which will include poles, conductors and transformers.

E. Secondary Metering – Neutral Ground Resistor

Customers wishing to install or remove Neutral Ground Resistors (NGR) on the secondary side of the service transformer shall inform Hydro One of their intentions and obtain permission before proceeding. The Customer's metering configuration must be approved by Hydro One. Should the installation or removal of the NGR require the Metering Installation to be altered after the metering has been commissioned by Hydro One, the Customer will be responsible for all costs required to have the metering comply with Hydro One's standards.

F. Totalized Metering

When a Customer requests totalizing in order to consolidate two or more Delivery Points at separate locations on one contiguous property, the following conditions shall apply:

(i) the Customer must own the distribution facilities, including transformation beyond the effective metering point. The effective metering point is defined as the location where primary metering is installed;

(ii) totalizing will be accomplished by either primary or secondary metering, through the use of a remote interrogation meter, or other

similar units. The Customer shall pay the incremental costs of providing totalizing metering; and

(iii) the total capacity required is less than the delivery point capacity limits noted in Section 2.1.N.

(iv) all meters are of the same nature, e.g., all interval or all non-interval. Totalizing will not occur if there are multiple meters on site which have shared ownership between Hydro One and another party.

G. Meter Installation for an Embedded Generation Facility

Metering for Embedded Generation Facilities shall comply with the requirements of Hydro One's policy directive on Metering for Embedded Generators AMP-041, which can be found at www.HydroOne.com. See also section 3.5 C.

H. Central Metering

Hydro One may, at its discretion, require that a Customer with two or more buildings be metered by means of a central metering service. The Customer shall pay Hydro One the following labour and material charges:

(i) for existing service under 45 kW, the Customer shall pay labour and material costs;

(ii) for existing service over 45 kW, the Customer shall pay labour costs only;

(iii) for new service under 45 kW, the Customer shall pay for instrument transformer costs; and

(iv) for new service over 45 kW, the Customer shall not be required to pay for labour or material.

I. Metering Pulses

When Customers request metering pulses or signals for load management purposes, two options exist:

(i) The Customer provides his own instrument transformers and signal control equipment in a separate cabinet on the load side of Hydro One's Meter Installation; or

(ii) Hydro One will supply the pulses or signals on the following terms:

(a) the Customer pays all costs to provide pulses and signals; and

(b) the control for pulse or signal will be brought to a Hydro One terminal block remote from the revenue meter. Consequently, the Customer will not have access to Hydro

One's Meter Installation (Customers are not allowed to connect to Hydro One's instrument transformers).

J. Multiple Residential Properties

Where the owner of an existing bulk metered Multiple Residential Property chooses to convert to individual metered dwelling units, the costs of conversion will be the owner's responsibility. In such cases, the common facilities such as elevators, hall lights, exterior lighting, laundry equipment, central electric water heating, etc., shall be combined on a separate service and billed at the General Service rate with demand metering as appropriate.

2.3.7.2 Current Transformer Boxes

Customers are responsible for supplying, owning, and maintaining meter bases, except for Three Phase services with Complex Metering Installations where Hydro One requires and supplies at no charge a "P" base enclosure. For services requiring additional metering components such as instrument transformers, the Customer shall supply and install the following, all of which are subject to approval by the Electrical Safety Authority and Hydro One:

(i) instrument transformer enclosures with minimum dimensions of 90cm x 90cm x 30cm;
(ii) all required conduit as specified by Hydro One; and
(iii) where appropriate, a self-contained 400 amp meter base complete with a 400 amp current transformer. Hydro One will provide the Customer with an allowance for the cost of the current transformer.

For central metering services, a current transformer enclosure is not required.

2.3.7.3 Interval Metering

A. Conditions for Supplying Interval Metering

Hydro One shall provide and install an Interval Meter for any existing Customer who currently has an Energy Meter or Smart Meter as per annual demand monitoring.

Hydro One shall install an Interval Meter on any new installation that is forecasted by Hydro One to have an average monthly peak demand greater than 50 kW.

Hydro One may provide an Interval Meter to an existing Customer who upgrades his service size and as a result of the increased service size, the meter must be replaced.

Existing demand billed (equal to or greater than 50 kW) Customers who are below the 1000 kW threshold may request an Interval Meter, by submitting a written request.

B. Interval-Metering Data

Hydro One requires interval-metering data information to settle the Customer's electricity bill. Hydro One will maintain the usage profile of all Customers with Interval Meters and shall make this information available to Customers.

The Customer has the following options to obtain Interval Meter data:

(i) direct access – The Customer can elect to access the Interval Meter data directly using Customer purchased software. Hydro One will provide the information required to access and use the meter data provided that the Customer executes the Read Only Access Agreement. Key provisions of the Read Only Access Agreement are described in Appendix "A" to these Conditions of Service;

(ii) Web access provided by Hydro One – when available, Customers will have access to their own Interval Meter data on the Internet using their own account specific password.

If a Customer requires real-time information from an Interval Meter, the Customer shall be responsible for installing and maintaining a telecommunications line at its own expense.

C. Smart Metering

Hydro One has replaced and is replacing metering with Smart Meters, to comply with the government's smart meter initiatives. With implementation of time-of-use pricing, the processes for meter consumption data retrieval and billing will align with applicable regulations and directions from the Smart Meter Entity. If Customers require access to his or her real-time and invalidated data from a Smart Meter, access will be provided under the conditions listed in the Retail Settlement Code, including that additional costs are addressed by the Customer, and, access does not hinder Hydro One's access to the meter data.

If a RPP-eligible Customer wants to opt out of time-of-use pricing and, instead, opt for SPOT pricing, that Customer must have an Interval Meter. As set out in subsection 5.1.5 of the Distribution System Code, the Customer is responsible for all incremental cost associated with the Meter Installation.

2.3.7.4 Meter Reading

If unable to access the premises, Hydro One shall attempt to arrange access to the premises at a time convenient for both Hydro One and the Customer. At its discretion, Hydro One may require the Customer to read the meter and provide the results to Hydro One.

If the Customer does not accommodate Hydro One's request for meter reading or access, the Customer shall be informed in writing of its obligation to contact Hydro One and arrange appropriate access to the meters, or provide Hydro One with the required meter readings.

When reading a meter, Hydro One will collect the meter's consumption data either manually, automatically, or remotely. Where "meter read or meter reading" is used in the following section, or in this document, means the collection of data through any of these methods.

Hydro One reads meters on an hourly, monthly, bi-monthly, quarterly, or annual frequency, depending on Rate classification and service size, and meter readings are obtained either manually or remotely using electronic means. Where Hydro One is unable, for any reason, to obtain a meter reading the Customer may be required to provide a meter reading.

Hydro One reserves the right to use an estimated meter read for both energy and demand quantities when actual readings are not scheduled or available.

To ensure accurate billing and proper operation, it is necessary for Hydro One to read, and visually inspect the meter, at least annually. If Hydro One cannot access the Meter Installation for this purpose after the Customer has been contacted directly, Hydro One reserves the right to require a relocation of the Meter Installation at the Customer's expense. If the situation is not rectified, Hydro One may ultimately disconnect the Customer in accordance with Section 2.2 of these Conditions of Service.

2.3.7.5 Final Meter Reading

When a final meter reading is required for billing purposes, the Customer shall provide Hydro One with at least five (5) business days' notice of the date the billing is to be discontinued to allow Hydro One to obtain a final meter reading as close as reasonably possible to the required date. The Customer shall provide access to Hydro One for this purpose. If access is not obtained and a final meter reading is not possible, the Customer shall pay an amount based on estimated electrical demand and/or the electrical energy used since the last meter reading.

2.3.7.6 Faulty Registration of Meters

The security and accuracy of metering is governed by the federal *Electricity and Gas Inspection Act* and associated regulations, under the jurisdiction of Measurement Canada. Hydro One's revenue meters shall comply with the accuracy specifications established by those regulations.

The entity billing a Customer, whether it is Hydro One or a Retailer, is responsible for advising the Customer of any meter error of which it becomes aware and its magnitude and of the Customer's rights and obligations under the

Electricity and Gas Inspection Act. The billing entity is also responsible for subsequently settling actual payment differences with the Customer or Retailer.

In the event of incorrect electricity usage registration, the billing entity will rectify billing errors in the manner set out in Section 2.4.4 of these Conditions of Service.

2.3.7.7 Meter Dispute Testing

Measurement Canada has jurisdiction, under the *Electricity and Gas Inspection Act*, in a dispute between Hydro One and its Customer where the condition or registration of a meter or meter is in question. Hydro One will inform Customers of the assistance provided by Measurement Canada in dispute investigations.

Meter dispute testing is typically the last step in a multi-stage process between the Customer and Hydro One. The process typically begins with a Customer high bill inquiry, the object of which is to validate that the bill calculations, charges and bill determinants are accurate. The process may include any or all of the following steps, as required: collection of problem details from the Customer; analysis of billing details including calculation of charges and appropriateness of meter readings; comparison of estimated readings with past usage; obtaining a check meter reading; provision of information to assist the Customer understanding of and confidence in the bills; and field visit to the Customer premises to verify meter reading, meter data and test meter operation.

At any point in this process, if Hydro One staff determine suspect meter operation, a meter dispute test will be initiated. However, if Hydro One is satisfied with meter operation and accuracy of billing, and the Customer is not satisfied, the Customer will be referred to Measurement Canada.

If the services of Measurement Canada are requested by the Customer or Retailer to resolve the issue, Hydro One may charge the Customer for the costs of processing the application to Measurement Canada and removing and transporting the meter to a testing location. If the dispute is substantiated by Measurement Canada and the resolution is in the favour of the Customer, Hydro One shall bear such costs.

Measurement Canada will follow its dispute investigation process and issue a decision. Hydro One or the Customer who initiated the dispute investigation both have the option to appeal the decision and follow Measurement Canada's appeal process.

2.4. Tariffs and Charges

2.4.1. Service Connection

2.4.1.1. Rate Classifications

When assigning a Customer to the appropriate Rate classification, Hydro One considers the nature and use of the Customer's electricity service, as well as the density of the Customers connected to the Distribution line. The Distribution Services Rates for each classification are based on the cost of delivering electricity to that class of Customers and meeting their electricity supply needs.

The main Rate classifications are Residential-Year-Round, Seasonal Residential, General Service, Lighting (Street Light and Sentinel), Sub-Transmission, MicroFIT Generator and Distributed Generation. All Hydro One Rates charged for each Rate classification for Distribution Services, including charges for services provided to specific Customers where the costs are not recovered through the Distribution Service Rates ("Miscellaneous Distribution Charges") and pass-through charges, are subject to OEB approval. In addition, Hydro One is required to pass through the OEB-approved charges for Wholesale Market Services, Retail Transmission Services, Standard Supply Service charge and Rural and Remote Rate Protection.

2.4.1.2. Components of Distribution Rates

Hydro One Distribution Service Rates include a monthly service charge component and a volume-based component. For Demand Billed Customers, the volume Rate is a per kW charge. The billing demand shall be taken as 90% of the kVA or 100% of the measured demand in kW, whichever is greater. For Energy Only Customers, the volume Rate is a per kWh charge. The monthly service charge component is designed to recover some common costs of Distribution Services that are independent of electricity use. All other Distribution Service costs are recovered through the volume Rate.

2.4.1.3. Rural or Remote Electricity Rate Protection and Debt Retirement Charge

Hydro One is required to collect rural and remote rate protection in accordance with the Regulations made pursuant to Section 79 of the *Electricity Act* and Debt Retirement Charges set in accordance with Section 85 of the *Electricity Act*.

2.4.1.4. Rate Schedules and Notice of Rate Changes

The OEB-approved Rates and charges for Distribution Services are as set out in the Rate schedules available at www.HydroOne.com. Notice of Rate changes may be published in major local newspapers and shall be mailed to all Customers with the first bills issued using the revised Rates.

Hydro One is in the process of introducing a standard set of rate classifications which have been approved by the OEB and changes will be phased in over a transition period expected to be completed in 2012.

2.4.2. Energy (Electricity) Supply

A. Standard Supply Service

Hydro One shall provide Customers connected to the Distribution System with access to electricity through Standard Supply Service. All Customers are Standard Supply Service Customers until Hydro One is informed of and completes the Customer transfer to a competitive Retailer, all in accordance with Section 10 Service Transaction Requests of the Retail Settlement Code.

Hydro One may, at its discretion, refuse to process a Service Transfer Request for a Customer to switch to a Retailer if that Customer is in arrears to Hydro One for Distribution Services and/or Standard Supply Service.

Where a Service Transfer Request is made, a switch bill will be issued to the Customer. This bill will be based on an actual meter read unless the Customer, Hydro One and the Retailer agree in writing to an alternative. The effective date of the service transfer shall be the next scheduled meter reading date unless a request is made for a special meter reading and Hydro One can accommodate the request. The OEB-approved special meter read charge will apply.

All service transfers, except a return to Standard Supply Service, must be supported by the Customer's written authorization, a copy of which must be retained by the applicable competitive Retailer.

B. Pricing of Standard Supply Service, including Regulated Price Plan (RPP)

According to applicable regulations made under the Ontario Energy Board Act and the Standard Supply Code, the pricing for Standard Supply Service is as follows:

(i) Customers with conventional meters are charged two-tier Rates under the Regulated Price Plan (RPP), which Rates depend on the volume of electricity used;

(ii) Customers with Smart Meters are charged mandatory time-of-use Rates under the RPP; and

(iii) Customers with Interval Meters are charged the Hourly Ontario Electricity Prices (HOEP) applicable to the times of electricity use *unless*

(1) the Customers are eligible for RPP two-tier pricing, according to the regulations made under the *Ontario Energy Board Act* and the Standard Supply Code, and

(2) these eligible Customers have elected RPP two-tier pricing as described in point (i) above, in which case such Customers shall be charged RPP two-tier pricing.

All rates are determined, approved or fixed by the Ontario Energy Board.

Customer eligibility for RPP is in accordance with applicable regulations made under the Ontario Energy Board Act and the Standard Supply Code. The kilowatt threshold for eligible low volume consumers that are not residential is 50 kW or less, or less than 250,000 kWh, per year consumption according to the applicable regulations. Hydro One will categorize a Customer as an Electing Spot Consumer only when notified by the Customer in writing, and where the Customer has an Interval Meter or another eligible time-of-use metering infrastructure capable of providing data on at least an hourly basis.

Hydro One will issue an RPP variance settlement amount when:

- advised by the Customer of a move out of Ontario;
- following receipt of a notice that the Customer will buy electricity from a Retailer;
- advised by the Customer of electing to Spot; or
- the Customer ceases to be eligible for RPP.

The variance amount will be a charge or credit, and will be calculated in accordance with the methodology established by the Ontario Energy Board.

Eligible RPP and Spot Customers who wish to switch from RPP to Spot or from Spot to RPP may only do so once per calendar year

C. Competitive Retailer Supplied Electricity

Hydro One does not provide Standard Supply Service to a Distribution System connected Customer that has contracted with a Retailer for electricity supply. Hydro One remains obligated to provide Distribution Services to such Customer in accordance with these Conditions of Service. The Retailer-supplied Customer will be billed either by Hydro One under Distributor Consolidated Billing or by the Customer's designated Retailer under Retailer Consolidated Billing, as prescribed in the Retail Settlement Code.

2.4.3. Deposits

For the purposes of this Section 2.4.3, residential Customers include Year-round Residential, Seasonal Residential, Energy Billed Farm Customers with a principal residence, and bulk metered residential condominiums.

For the purposes of this Section 2.4.3, non-residential Customers include Farm with no principal residence, General Service, Sub-transmission, Unmetered Scattered Loads and Lighting (Street and Sentinel).

A. Requirements for Security Deposit

Hydro One may require a security deposit from a Customer unless the Customer has a good payment history of one year in the case of a residential Customer, five years in the case of a non-residential Customer in a less than 50 kW demand rate class, or seven years in the case of a non-residential Customer in any other rate class. The time period that makes up the good payment history must be the most recent period of time and some of the time period must have occurred in the previous 24 months. Hydro One may offer other options to eliminate the need for security deposits to specific customer classes at its discretion.

Security deposits may be required at the time the Customer initially applies for service, or subsequently when a Customer has failed to maintain a good payment history. The security deposit amount will be applied to the Customer's electricity account and appear as a charge on the next electricity bill issued.

In the event Hydro One applies all or part of a security deposit to offset amounts owing by a residential Customer, Hydro One may require the Customer to repay the amount of the security deposit that was so applied.

B. Acceptable Forms of Security

Hydro One will accept security deposits in either of the following forms, at the discretion of the Customer:

(i) cash or cheque; or
(ii) automatically renewing irrevocable letter of credit from a bank or financial institution as defined in the *Bank Act*.

At the Customer's discretion, a security deposit required at the time of application for service may be paid in equal monthly instalments over a period of up to six months. Customers wishing to pay in instalments must contact Hydro One at 1-888-664-9376 to make such payment arrangements.

C. Calculation of Security Deposit Amounts

Billing Cycle Factors shall be 2.5 for monthly-billed Customers, 1.75 for bi-monthly billed Customers and 1.5 for quarterly-billed Customers.

Security deposit levels for new Customers shall be determined in the following manner:

Billing Cycle Factor X estimated bill based on Customer's average monthly load during most recent 12 consecutive months within the past two years.

Where 12 consecutive months of relevant usage information within the past two years is not available, the Customer's average monthly load shall be based on a reasonable estimate made by Hydro One.

D. Limits on amount of security required

All rate classes:

The maximum amount of a security deposit shall be calculated based on the Billing Cycle Factor multiplied by the estimated bill based on the Customer's average monthly load during the most recent 12 consecutive months within the past two years (or Hydro One's reasonable estimate of monthly load where there is insufficient history).

Where a Customer, other than a residential customer, has a payment history which discloses more than one disconnection notice in a relevant 12-month period, Hydro One will use that Customer's highest actual or estimated monthly load to calculate the security deposit amount.

Non-residential Demand Billed (equal to or greater than 50 kW) rate class:

Despite the above, where the Customer provides Hydro One with a credit rating from a recognized credit rating agency, the maximum amount of security deposit shall be reduced in accordance with the following table. The table below uses Standard & Poor's ratings, but equivalent ratings from Moody's and Dominion Bond Rating Services will be accepted.

Credit Rating (using Standard & Poor's Ratings)	Allowable Reduction
AAA- and above or equivalent	100 per cent
AA-, AA, AA+ or equivalent	95 per cent
A-, From A, A+ to below AA or equivalent	85 per cent
BBB-, From BBB, BBB+ to below A or equivalent	75 per cent
Below BBB- or equivalent	0 per cent

Exception:

Despite the above, for a non-residential > 5000 kW Customer who has established a good payment history for the relevant seven year period, Hydro One will return only 50 per cent of the security deposit held.

E. Review and Updating of Security Deposits

Your security deposit will be reviewed annually to determine whether it should be:

- Fully refunded due to good payment history;
- Partially refunded due to a reduction in electricity use;
- Increased due to an increase in electricity use;

- Any amendments to the calculation process;
- Remain unchanged.

Where some or all of the security is to be returned to the Customer, Hydro One will promptly credit the Customer's account including applicable interest as dictated by the Distribution System Code.

F. Interest on Security Deposits

Interest is payable on cash/cheque security deposits and shall accrue monthly commencing on receipt of the total deposit required. The interest rate shall be at the Prime Business Rate as published on the Bank of Canada Web site, less two (2) per cent, updated quarterly, to a minimum of zero per cent.

Interest due will be paid out quarterly, or on return of the security deposit or closure of the account, whichever comes first. Interest will be paid out as a credit to the account.

G. Waiver/return of security deposit

At Hydro One's discretion, residential Customers who do not have a payment history with Hydro One for the relevant time period, will be asked to provide security at application for service or for an electricity account. At Hydro One's discretion, such security may be waived if the Customer provides a reference letter that confirms good payment history from another electricity or natural gas utility in Canada, where the Customer was previously a customer. The letter must indicate good payment history for at least 12 months if the Customer is residential and/or less than 50 kW demand, or seven years if the Customer has a demand equal to, or greater than, 50 kW demand. Some of this bill history time must have occurred within the previous 24 months. Security may also be waived if the Customer provides Hydro One a Credit Bureau report indicating a positive credit factor, or, in lieu of security, consent for Hydro One to release customer information to a Credit Bureau.

Security deposits shall be waived or returned for all other Customers demonstrating good payment history with Hydro One for the relevant time period.

For all Customers except non-residential > 5000 kW, a security deposit required by Hydro One shall be waived on receipt by Hydro One from the Customer, of a satisfactory credit check from TransUnion, Equifax or D&B credit reporting agencies. The decision as to whether the credit check is satisfactory is within Hydro One's sole discretion.

Effective October 1, 2011, Hydro One will waive the requirement to provide a security deposit for Eligible Low-Income Customer provided the Customer contacts Hydro One to request such a waiver and their low-income eligibility is confirmed. Furthermore, where a social service agency or a government agency advises Hydro One that it is assessing a Customer for eligibility as an Eligible

Low-Income Customer, the due date for payment of the security deposit shall be extended for 21 days pending the eligibility decision. Additionally, an Eligible Low-Income Customer may, after October 1, 2011, request a refund of any security deposit previously paid to Hydro One, after application of the security deposit to any outstanding arrears on said customer's account.

Good Payment History Criteria

A Customer is deemed to have a good payment history unless, during the relevant time period specified below, the Customer has:

(i) received more than one disconnection notice from Hydro One;
(ii) has more than one cheque given to Hydro One by the Customer returned for insufficient funds;
(iii) has more than one pre-authorized payment to Hydro One returned for insufficient funds; or
(iv) a Disconnect/Collect Trip has occurred.

If any of the preceding events occur due to an error by Hydro One, the Customer's good payment history shall not be affected.

Relevant time periods for establishing a good payment history are the most recent period of time, with at least some of the time occurring in the previous 24 months.

Relevant Time Period

In order for Hydro One to waive or refund a security deposit, good payment history criteria must be maintained by the Customer for the following time periods:

Residential Customer: one year's Good Payment History

Non-residential Customer < 50 kW: five years' Good Payment History

Non-residential Customer ≥ 50 kW: seven years' Good Payment History

Non-residential Customer > 5000 kW rate class: after seven years' Good Payment History only 50 per cent of the security deposit held will be returned. The balance of the security deposit will be retained by Hydro One until closure of the account.

Security deposits shall not be applied to active account arrears and shall not constitute payment of an outstanding account, in whole or part. If Hydro One is in possession of a cash security deposit when the account is terminated, the deposit plus accrued interest, or applicable portion thereof, shall be returned to the Customer through a credit applied to the final bill or a cheque, at Hydro One's discretion. Hydro One will return any excess deposit amount to the Customer directly and within six (6) weeks after account closure. Non-cash security will be

applied after the final bill due date, if full payment is not received from the Customer.

If a security deposit amount is applied due to a poor payment history, neither a satisfactory utility reference nor credit check will be accepted to waive the deposit. Only maintenance of a good payment history will allow for refund of the deposit. If good payment history is not maintained, Hydro One will not accept another utility reference letter. Utility reference letters are valid for a one-year period.

H. Enforcement where security deposit not paid

Payment of security deposits identified as a condition of service or continuing service will be enforced through collection activities for amounts due, up to and including disconnection of electrical service (See Section 2.2 of these Conditions of Service).

I. Security from Embedded Distributors

Embedded Distributors shall post security deposits with Hydro One if a good payment history is not maintained for seven years. Deposits will be calculated according to the following:

Maximum Security Deposit Amount. Wholesale Market Participant:
Security Deposit amount will be calculated based on average monthly non-competitive electricity costs billed by Hydro One, multiplied by the Billing Cycle Factor of 2.5.

Maximum Security Deposit Amount. Not a Wholesale Market Participant:
Security deposit amount will be calculated based on Billing Cycle Factor of 2.5 multiplied by the average monthly non-competitive electricity costs plus competitive electricity costs, using the average monthly consumption and cost of energy used by the IESO for the purpose of determining prudential support obligations for Distributors.

Security Deposit Reductions for Good Payment History:
Hydro One will reduce the security deposit amount required from an Embedded Distributor based on the following good payment history time periods listed below:

(i) 25 per cent reduction for 2 years;
(ii) 50 per cent reduction for 3 years;
(iii) 75 per cent reduction for 5 years; and
(iv) 100 per cent reduction for 7 years.

Where a security deposit has been reduced for good credit rating (see D, non-residential Demand Billed) it will be further reduced if good payment history periods outlined above are met.

Review and Adjustment of Security:
Hydro One shall review security deposit amounts on a periodic basis to determine whether:

(i) a portion of the security deposit is to be returned to the customer based on the number of years of good payment history demonstrated; or

(ii) the security deposit amount is to be adjusted based on a recalculation of the maximum security deposit amount.

J. Acceptable Forms of Security

Hydro One shall accept security deposits in the form of cash or cheque, or automatically renewing, irrevocable letter of credit from a bank as defined in the *Bank Act*, or a combination thereof, at the discretion of the Customer.

2.4.4. Billing

In this Section 2.4.4, references to monthly, bi-monthly, quarterly, and annually are notional and approximate time periods only. They are not to be construed as calendar-based time periods.

A. Billing Frequency

Depending on Rate classification and service size, Customers are billed on a monthly, or quarterly frequency. Starting in 2010 and continuing through 2012, Hydro One is phasing out bi-monthly billing frequency as time-of-use pricing is implemented. Customers billed on a bi-monthly basis will be moved to monthly frequency.

B. Low Use Billing Suspension Credit

Billing suspension of any account may be granted for General Service Energy Billed (GSe) class customers with less than 2,500 kWh per year that was connected prior to January 1, 1996. The Customer must sign an agreement annually for each year that a service suspension is requested. Only one service suspension will be granted per 12-month period, for a duration of either four months or six months. The suspension is for either a four-month or six-month period, and the Customer will be credited in an amount equal to the monthly service charge multiplied by the number of months suspended. A charge equal to the suspension credit will be applied if the Customer exceeds the limit of 2,500 kWh per year or takes power during the identified period of suspension. In addition to the charge, the Customer will be billed for the kWh consumed in excess of 2,500 kWh per year.

C. Use of Estimates

In months where a bill is issued but no reading is obtained, Hydro One will estimate energy and demand in order to determine billing quantities. The estimate is based on historical usage for the premise, or a predetermined quantity if there is no historical usage information available.

Customers who do not have an interval meter, or are not yet transitioned to time-of-use pricing, may avoid receiving bills based on estimated meter readings if they provide Customer-obtained meter reads that pass validation checks and are provided according to processes and timing established by Hydro One for billing purposes.

Customers with Smart Meters on Time-of-Use Pricing

In a billing period where meter reading data is not available, Hydro One or the Smart Metering Entity will estimate consumption in order to determine billing quantities. The estimate is based on historical usage for the premise, or a predetermined quantity if there is no historical usage information available.

D. Closing of Account

If a Customer wishes to close their electricity account, Hydro One requires five business days to arrange for a final read and issue a final bill.

E. Pro-ration of Accounts

Accounts will be pro-rated where the bill to a Customer is for a period shorter or longer than the standard billing period or where rates have been revised effective on a date not coincident with the Customer's billing or meter reading date.

F. Budget Billing Plan

A budget billing plan is available to all Standard Supply Service Customers and retailer-enrolled Customers on Distributor Consolidated billing. To help smooth electricity costs over the year, the plan bills an equal portion of the previous year's charges per bill period and then reconciles the balance owing in the anniversary month. Periodic adjustments may be made to the regular budget bill amount due to Rate or usage changes.

The budget billing plan is not available to demand-billed Customers whose meters are read monthly.

G. Billing Errors: Over and Under Billing

Where a billing error, from any cause, has resulted in a Customer or Retailer being overbilled, and where Measurement Canada has not become involved in the dispute, Hydro One will credit the Customer or Retailer with the amount

erroneously billed, for up to a two-year (2-year) period. Where the billing error is not the result of Hydro One's standard billing practices (i.e. estimated meter reads), Hydro One will pay interest on the amount credited at the same rate of interest as dictated in the Retail Settlement Code.

Where a billing error, from any cause, has resulted in a Customer or Retailer being under-billed, and where Measurement Canada has not become involved in the dispute, the Customer or Retailer shall pay to Hydro One the amount that was not previously billed. In the case of an individual Customer who is not responsible for the error, the allowable period of time for which the Customer may be charged is two (2) years for residential customers, including seasonal and farm residence, and all other customers. Where the Customer is responsible for the under-billing, whether by way of tampering, wilful damage, unauthorized energy use or other unlawful actions, the Customer shall pay a late payment charge, as determined by Hydro One in accordance with these Conditions of Service.

For either situation, where Measurement Canada is involved in instances of checking meter registration accuracy, Measurement Canada will issue a decision. Hydro One or the Customer who initiated the dispute investigation both have the option to appeal the decision and follow Measurement Canada's appeal process.

H. Transformation Loss Adjustment

A Transformer Loss Adjustment is applicable to Sub-Transmission rate class Customers, requiring a billing adjustment for transformer losses as a result of being metered on the secondary side of a transformer. The OEB-approved transformer loss adjustment is as set out in the rate schedules available at www.HydroOne.com.

I. Transformer Loss Allowance

A Transformer Loss Allowance is applicable to all Customers excluding Sub-Transmission rate class Customers requiring a billing adjustment for transformer losses as a result of being metered on the primary side of a transformer. The OEB-approved transformer loss allowance is as set out in the Rate schedules available at www.HydroOne.com.

J. Customer-Supplied Transformation Allowance

Customer-supplied Transformation Allowance is applicable to all Customers **e**xcluding Sub-Transmission rate class customers, who are demand or energy-billed and providing their own transformers. Embedded Generation Customers qualify for Customer-supplied Transformer Allowance only for load taken from Hydro One. When the transformer is proven not to be Hydro One owned, a credit will be given to the account holder. The OEB-approved Customer-supplied transformation allowance is as set out in the Rate schedules available at www.HydroOne.com.

K. Annual Monitoring of Electricity Usage

For Energy Meter and Smart Meter non-residential Customers, annual consumption will be monitored to identify services that have grown beyond 400,000 kilowatt-hours annually. At Hydro One's discretion an interval meter will be installed for the Customer's identified above.

For non-residential Interval Metered Customers, average monthly billable demand will be monitored to identify services that have dropped below 50 kW and at Hydro One's discretion a smart meter will be issued.

Billed demand is monitored during the calendar year to determine whether the account should be reclassified for billing purposes. The review occurs in the first quarter of the year, with the measurement period being January 1 through December 31 of the previous year and with the average monthly billing demand calculated based on the measurements taken for bills issued within that time period. Reclassification of an account, with no retroactive adjustment, will be effective the next scheduled bill after the annual review.

General Service Rate reclassification will occur if the average monthly billable demand over the calendar year crosses or is equal to the 50 kW for Interval Metered Energy Only Customer's, then the Customer will be reclassified as a Demand Billed Customer. If the average monthly billable demand falls below 50kW for the calendar year, then the Customer will be reclassified as an Energy Only Customer.

For the purposes of Rate reclassification between General Service and Sub-transmission, a Customer will be reclassified and moved into Sub-transmission if the Customer's average monthly billable demand is greater than or equal to 500kW over the calendar year. Current Sub-transmission Customers will be moved out of the Sub-transmission Rate class to General Service if the Customer's average monthly billable demand over the previous year was less than 300kW.

Alternatively, where a non-residential Customer (in either the General Service or Sub-Transmission Rate classification) requests Hydro One to do a review, Hydro One will reclassify the Customer if billable demand for a period of five consecutive months falls outside limits applicable to the customer's current Rate classification, as per the Distribution System Code. Such review will not take place more than once per calendar year.

L. Billing Determinants for Demand Customers

Hydro One establishes billing determinants for demand customers at the greater of 100 per cent of kW and 90 per cent of kVA where kVA metering is installed. When a Customer's power factor is known to be less than 90 per cent, a kVA meter or other equivalent electronic meter shall be used for measuring and billing.

2.4.5. Payments and Overdue Account Interest Charges

A. Payment Options

Customers may pay their electricity bills using any of the following methods: cheque or money order mailed with the remittance stub portion of the bill to Hydro One at the address on the stub; in person at most Canadian financial institutions; through automated banking machines, telephone banking or Internet bill payment services offered through the Customer's financial institution. All payments must be in Canadian dollars.

Hydro One also offers a pre-authorized payment option.

B. Late Payment Charges

Bills are due on the billing date. A late payment charge is applied and shall be paid by the Customer if payment is not received within nineteen (19) days of the billing date. Hydro One provides customers with a 16-day payment period, plus 3 days for the bill to be sent. The required payment date printed on the bill is set 19 days after the billing date. When a required payment date is a weekend or holiday, the payment will be required on the next business day.

Hydro One's late payment charge is 1.5% per month, compounded monthly (19.56% per year). Late payments are calculated from the billing date to the date the next bill is issued. The late payment charge of 1.5% is applied to the outstanding balance. If partial payment is made within nineteen (19) days of the billing date, the late payment charge will apply only to the amount outstanding after deducting the partial payment. Late payment charges will be added to the Customer's next bill.

An allowance of 3 days is provided after the requirement payment date, to allow for payment receipt by mail.

Customers who are on electronic funds transfer/pre-authorized payment will have their payment amount automatically withdrawn from their designated bank account on the 19th day after the billing date. The withdrawal date and amount is clearly indicated on each bill.

C. Allocation of Payments

Any payments received will be applied to the total outstanding balance of the electricity account. An outstanding balance could include the billed amounts, security deposits, late payment, or other changes. Payment cannot be directed to specific portions of the outstanding balance.

2.4.6. Arrears Management Program

A. Residential Customer

A residential Customer may request to enter into a payment agreement for the total outstanding balance of the electricity account. Any security deposit held by Hydro One shall be applied to the outstanding balance. The Customer may be required to repay the security deposit and pay a down payment of up to 15% of the total outstanding balance as part of the payment agreement.

B. Eligible Low-Income Customer

Where the Customer is an Eligible Low-Income Customer, the Customer may be required to repay the security deposit and shall pay a down payment of 10% of the electricity charge arrears accumulated, inclusive of any applicable late payment charges but excluding other service charges, as part of the payment agreement.

Where an Eligible Low-Income Customer enters into a payment agreement, Hydro One shall waive any service charges related to collection, disconnection, non-payment or load control devices and shall not include such charges in the payment agreement only if the Eligible Low-Income Customer is entering into the payment agreement for the first time or is entering into the payment agreement subsequent to having successfully completed a previous payment agreement as an Eligible Low-Income Customer. Hydro One shall not impose any late payment charges on an Eligible Low-Income Customer after said Eligible Low-Income Customer has entered into a payment agreement in respect of the amount that is the subject of that agreement. Notwithstanding anything in this paragraph, Hydro One shall not be required to waive any late payment charges accrued to the date of the payment agreement.

This paragraph B shall become effective October 1, 2011.

2.5. Customer Information

A. Retail Settlement Code Requirements

Hydro One shall provide current and historical usage information to Customers and retailers in accordance with Chapter 11 of the Retail Settlement Code.

Customers with remotely read Interval Meters shall have access to meter usage data in accordance with Section 2.3.7.3 or over the Internet after having obtained a password from Hydro One for secure access.

Current Usage Data

Customers with cumulative volume, demand and non-remotely read Interval Meters shall receive their current usage data on their electricity bill from Hydro One.

Customers with remotely read or non-remotely read Interval Meters shall have access to meter usage data in accordance with the Read Only Access agreement to be executed by Hydro One and the Customer and in accordance with the standards set out in the Retail Settlement Code. Key provisions of the Read Only Access Agreement are described in Appendix "A" to these Conditions of Service.

Hydro One will provide access to a Customer's meter or meter information under the following conditions:

(i) Hydro One will select the access windows it requires to read the meter;
(ii) if Hydro One's access to the meter is hindered or a Customer's access to the meter corrupts usage information, Hydro One may suspend a Customer's right to access until any outstanding problems are resolved;
(iii) the Customer shall pay the reasonable cost of any software, hardware and other services required for a Customer to obtain direct access to meter information. This may include installation of a secondary meter access system;
(iv) the Customer shall bear any cost incurred by Hydro One to correct problems caused by a Customer's direct access to the meter;
(v) if the Customer assigns his or her right to direct meter access to a Retailer or third party, the Customer shall be responsible for the actions of the assigned party.

Usage Data Generated by Smart Meters

Customer access to their hourly electricity usage information will be available over the internet upon their switch to Time-of-Use pricing. Access to this information is subject to acceptance of the End User Agreement on the Hydro One website.

Historical Information

Provision of Customer-specific information to retailers through the Electronic Business Transaction (EBT) system shall be provided at no charge. Requests to deliver data directly to Retailers and Customers, if not delivered through the EBT System, shall be honoured twice a year, at no direct charge to a Retailer or Customer. Additional requests shall also be honoured, but Hydro One may, at its discretion, charge a reasonable fee for such additional requests. A request is considered to be data delivered to a single address.

Hydro One will provide a Customer with at least 12 months, where available, of historical usage information, information about the Customer's meter configuration, and payment information ("Historical Information"). The Historical Information can be released to the Customer or any third party designated by the Customer, subject to the following:

(i) if the third party is a Retailer, the Customer has provided the Retailer with written authorization for the release; or
(ii) if the third party is someone other than a Retailer, the Customer shall have provided Hydro One with written authorization for the release.

Notwithstanding the above, Hydro One will not provide the Retailers with data related to time-of-use consumption for customers in areas where Hydro One has elected to implement time-of-use pricing.

B. Protection of Individual Privacy and Consumer Information

(i) Privacy Legislation and the Licence

Hydro One is subject to provincial and federal privacy legislation that contains specific restrictions concerning the collection, use and disclosure of Personal Information.

In addition, the Licence prohibits Hydro One from disclosing information regarding a Customer to any other party without the written consent of the Customer, except where such information is required to be disclosed:

(a) to comply with any legislative or regulatory requirements, including the conditions of the Licence;

(b) for billing, settlement or market operation purposes;

(c) for law enforcement purposes; or

(d) to a debt collection agency for the processing of past due accounts of the Customer.

The Licence permits Hydro One to disclose information regarding a Customer where the information has been sufficiently aggregated such that the Customer's particular information cannot reasonably be identified.

(ii) Hydro One's Collection, Use and Disclosure of Customer Information

Hydro One collects information about its Customers, including Personal Information (collectively, "Customer Information"), primarily directly from its Customers, whether verbally, in writing or via the www.HydroOne.com website; however, it may also collect from other sources, including credit bureaus or personal references. This information collected is primarily:

(a) information establishing identity (for example: name, address, phone number, date of birth, etc.);
(b) information related to the provision of electricity and/or distribution services by Hydro One and other electricity distributors; and
(c) information about financial behaviour, such as payment history and creditworthiness.

Hydro One collects the information described above for the following purposes:

(a) to establish and maintain responsible commercial relations and operations, including for purposes of billing and debt collection and for assessing Customer credit history from time to time to determine whether Hydro One requires a security deposit;
(b) to understand Customer needs and eligibility for products and services;
(c) to recommend particular products and services to meet a Customer's needs;
(d) to develop, enhance, market or provide electricity products and services;
(e) to manage and develop Hydro One's businesses and operations;
(f) to meet legal and regulatory requirements; and
(g) to provide Customers with information about the electricity market and rates.

Hydro One does not trade or sell Customer Information to others. Hydro One shall not use or disclose Customer Information for purposes other than those for which it was collected, except with the Customer's consent or in accordance with Applicable Laws.

The information will be used and disclosed internally within Hydro One by and among staff members (for example, its customer care staff and its internal auditors) that need the information in the performance of their duties and where the use and disclosure is necessary and proper in the discharge of Hydro One's business.

In some instances, Customer Information will be shared with third party service providers who perform services on Hydro One's behalf, such as customer service, outage management, data storage, data cleansing and the like. These third party service providers are given only the information necessary to perform those services that Hydro One has contracted them to provide. Additionally, they are prohibited from storing, analyzing or using that information for purposes other than the services they have been contracted to provide. Hydro One uses contractual means to require such service providers to protect Customer Information from loss, theft and

unauthorized access, use, disclosure and otherwise in a manner consistent with the privacy policy and practices established by Hydro One. In the event our service provider is located outside of Canada, the service provider is bound by, and Personal Information may be disclosed in accordance with, the laws of the jurisdiction in which the service provider is located.

In order to measure performance and develop service improvements, Hydro One may disclose Customer information to third party service providers for the purpose of conducting surveys on Hydro One's behalf. The providers are bound by strict confidentiality contracts to use the information for the sole purpose of the survey. Customers may choose not to have their information released by Hydro One to a service provider for survey purposes, by contacting 1-888-664-9376.

(iii) **Access to Personal Information**

Hydro One retains Personal Information only as long as necessary for the fulfilment of the purposes described in this Section.

Customers may obtain access to their Personal Information held by Hydro One at any time and review its content and accuracy, and have it amended as appropriate. However, access may be restricted as permitted or required by law. Customers can request access by contacting 1-888-664-9376.

Further information about Hydro One's practices and procedures concerning the collection, use and disclosure of Personal Information can be found in Hydro One's Privacy Code (available at www.HydroOne.com).

SECTION 3 CUSTOMER CLASS SPECIFIC

3.1. Residential

A. Residential-Year-Round

This Rate classification is applied to a Customer's principal residence and may include additional buildings served through the same meter, provided they are not rental income units. To be classified as year-round residential, all of the following criteria must be met:

(i) occupant represents and warrants to Hydro One that for so long as he/she has year-round residential rate status for the identified dwelling, he/she will not designate another property that he/she owns as a year-round residence for purposes of Hydro One's Rate classification;

(ii) the Customer must live in this residence for at least four (4) days of the week for eight (8) months of the year and the Customer does not reside anywhere else for more than three (3) days a week during eight (8) months of the year;

(iii) the address of this residence must appear on the Customer's documents such as driver's licence the Customer's mailing address on the Customer's electricity bill, credit card invoices, property tax bill, etc.; and

(iv) Customers who are eligible to vote in Provincial or Federal elections must be enumerated for voting purposes at the address of this residence.

Multi-unit residential establishments such as apartment buildings supplied through one service (bulk metered) normally shall be classified as General Service; however, up to four residential units may, at Hydro One's discretion, be classified as Residential-Year-Round.

Where electricity service is provided to a combined residence and business (including agricultural usage) and the wiring does not provide for separate metering, the classification shall be at the discretion of Hydro One, based on such considerations as the estimated predominant consumption.

A.1 Residential UR/U2

Customers classified as Residential UR2 are year-round residences in an urban density zone.

A.2 Residential R1

Customers classified as Residential R1 are year-round residences in a Medium Density Zone.

A.3 Residential R2

Customers classified as Residential R2 are year-round residences in a Low Density Zone.

A.4 Seasonal Residential

This Rate classification includes any residential service not meeting the residential-year-round criteria. As such, the seasonal residential class includes cottages, chalets, and camps.

Where electricity service is provided to a combined residence and business (including agricultural usage) and the wiring does not provide for separate metering, the classification shall be at the discretion of Hydro One, based on such considerations as the estimated predominant consumption.

B. Farm

Hydro One has introduced a standard set of rate classifications, approved by the Ontario Energy Board. Premises formerly classified as Farm Single Phase F1 or Farm Three Phase F3, has been allocated either to a Residential Year Round classification or General Service classification, depending on the size, connection and nature of electricity use, the density zoning, and presence of a principle residence.

Farms with a principal residence, and not classified as demand billed, will be classified as Residential and in the appropriate density zone. A farm business that does not have a principal residence, or a farm that does have a residence but is demand billed, will be classified as General Service and in the appropriate General Service Rate classification.

C. Rural or Remote Electricity Rate Protection:

Under Section 79 of the *Ontario Energy Board Act* and associated regulations, qualifying year-round residences are eligible to receive rural or remote electricity rate protection. The monthly service charge amount for eligible Customers is reduced by the applicable rural or remote electricity rate protection**.**

D. Connection and Upgrade Charges

A Residential or Seasonal Residential Customer who makes a written request for a Connection and whose building lies along Hydro One's existing distribution lines shall pay Hydro One Connection charges in accordance with Section 2.1.1.

A Residential or Seasonal Residential Customer who makes a written request for a Connection and whose building is within Hydro One's service area shall pay Hydro One Connection charges in accordance with Section 2.1.2.

A Residential or Seasonal Residential Customer who requests an upgrade in connection assets at its premises shall pay the net cost of upgrading the connection assets that is in excess of the cost of supplying distribution transformation or metering. The cost of modifications to the main Distribution System due to the upgraded Connection will be in accordance with Section 2.1.2.

E. Ownership Demarcation Point and Operational Demarcation Point

For Secondary Services wholly-owned and maintained by Hydro One, the Ownership Demarcation Point and the Operational Demarcation Point shall be located at:

(i) the top of the Customer's service entrance stack for overhead connections;
(ii) the line side of the Customer's meter base for underground connections; and
(iii) the supply connectors on the load side of the CT for a central-metered service, with the exception of the meter base and stack that will be owned and maintained by the customer.

For Secondary Services wholly owned and maintained by the Customer, the Ownership Demarcation Point and the Operational Demarcation Point is the secondary connection at the transformer or the service bus.

Maintenance of the portion of the Secondary Service owned by Hydro One includes repair and like-for-like replacement of a wire or cable that has failed irreparably. The Customer is responsible for all civil work, supports, vegetation and landscaping associated with any such repair or replacement of the portion of Secondary Service owned by Hydro One on the Customer's property.

For Primary Service Residential Customers, the Ownership Demarcation Point shall be located at the line switch or primary live line clamp.

When a Hydro One owned transformer is installed on a customer owned pole or customer supplied transformer pad the grounding system shall be transferred to Hydro One prior to energization.

Where the Customer has ownership of a primary disconnecting device, this device shall be the Operational Demarcation Point, which shall be under the operating control of Hydro One.

F. Customer-Supplied Secondary Wire

The Customer shall install, own, and maintain the secondary conductor under any of the following conditions:

(i) conductor terminations are inside the Customer's building;
(ii) conductor is installed beyond the service entrance;

(iii) conductor is connected to a Primary Service; or
(iv) conductor is a non-standard installation.

G. Residential and Seasonal Residential Customers

Voltage

Unless approved by Hydro One, for residential and seasonal residential Customers, the nominal secondary supply voltage shall be 120/240 Volts single-phase.

Metering

To accommodate Hydro One's Meter Installation, the Customer shall make provision as follows:

(i) Where the rating of a Customer's main disconnecting device does not exceed 200 A, the Customer shall provide a 120/240 V, 200 A, single phase 4-jaw outdoor meter socket connected on the line side of the main disconnecting device.
(ii) Where the rating of a Customer's main disconnecting device does not exceed 400 A, the Customer shall provide an outdoor combination meter socket and metering transformer enclosure connected on the line side of the main disconnecting device and equipped with:

- 120/240 V, 10 Amp – 5-jaw meter socket with automatic circuit-closing device (Ex: CT shorting switch); and
- 400 Amp revenue-metering (Measurement Canada approved) current transformer.

The Meter Installation shall be installed in a location acceptable to Hydro One.

For metering installed on poles, the pole will be installed, owned and maintained by the Customer. The grounding system for the metering shall be transferred to Hydro One prior to energization.

H. Residential and Seasonal Residential Three Phase Customers

Voltage

When approved by Hydro One, for Residential and Seasonal Residential Three Phase Customers, the nominal supply voltage shall be 120/208 volts 4 wire or 347/600 volts 4 wire.

Metering

To accommodate Hydro One's Meter Installation, the Customer shall provide acceptable equipment in accordance with one of the following arrangements, as determined by Hydro One and in a location acceptable to Hydro One:

(i) 120/208 V, 200 A, 3-phase 7-jaw meter socket connected on the load side of the main disconnecting device; or
(ii) 347/600 V, 200 A, 3-phase 7-jaw indoor meter socket with an insulated neutral jaw, and connected on the load side of the main disconnecting device.
(iii) Metering for 347/600 V, 3 phase four wire circuits that only have 1 metering point per service entrance shall use transformer rated metering using 3 CTs and 3 PTs on the load side of the Customer's main disconnect switch. CTs and PTs must be Measurement Canada approved for revenue billing.
(iv) Metering for 347/600 V, 3 phase four wire circuits that have more than 1 metering point per service entrance may use self-contained metering up to 200 A on the load side of the customer's service entrance, in conformity with the requirements of the Electrical Safety Code.

For metering installed on poles, the pole will be installed, owned and maintained by the Customer. The grounding system for the metering shall be transferred to Hydro One prior to energization.

3.2. General Service (Below and Above 50 kW)

These Rate classifications are applicable to any service that does not fit the description of the year-round residential or seasonal residential classes, or Sub-Transmission (ST), MicroFIT Generator, Distributed Generation customer classes, and Lighting classes. Generally, it is composed of commercial, industrial, educational, administrative, auxiliary and government type services. It includes combination-type services where a variety of uses are made of the service by the owner of one property, and all multiple services except residential with up to four units.

A. General Service

A General Service customer could be energy billed (less than 50 kW) or demand billed (equal to or greater than 50 kW), depending on average monthly billing demand (See section 2.4.4 Billing, K Annual Monitoring of Electricity Usage).

A.2. General Service, Urban Density UG

This Rate classification is applicable to General Service Customers who are located in an Urban Density Zone.

A.3. General Service, GS

This Rate classification is applicable to General Service Customers that are not located in an Urban Density Zone.

B. Unmetered Connections

See Section 3.8

C. Connection and Upgrade Charges

A General Service Customer who makes a written request for a Connection and whose building lies along Hydro One's existing distribution lines shall pay Hydro One Connection charges in accordance with Section 2.1.1.

A General Service Customer who makes a written request for a Connection and whose building is within Hydro One's service area shall pay Connection charges in accordance with Section 2.1.2.

A General Service Customer who requests an upgrade in connection assets at its premises shall pay Hydro One the net cost of upgrading the connection assets that is in excess of the cost of supplying distribution transformation or metering. When modifications to the Distribution System are required due to the upgraded Connection, the cost will be in accordance with Section 2.1.2.

A General Service Customer who supplies their own transformer (in excess of 500 kVA) via a service upgrade at its premises, shall pay Hydro One the net cost of upgrading the connection assets that is in excess of the cost of supplying metering. When modifications to the Distribution System are required due to the upgraded Connection, the cost will be in accordance with Section 2.1.2

If by completing this upgrade the General Service Customer believes they are eligible for the Sub-Transmission Rate Class, a load forecast and rate change will be considered when the General Service Customer submits a request for a rate change. Without a formal request, a rate change will only occur once the account has been assessed by the Annual Demand Monitoring program, thus waiting at a minimum a full calendar year before changing rate classes.

D. Ownership Demarcation Point and Operational Demarcation Point

For Secondary Service General Service Customers, the Ownership Demarcation Point and Operational Demarcation Point shall be located as follows:

(i) where the Customer's conductors emerge from the service head or mast on overhead Secondary Services, or at the secondary terminal (spade) of the transformer, or at the secondary connection pedestal located at the property line, as determined by Hydro One at the Customer's location; or

(ii) on underground Secondary Services, at the secondary terminal (spade) of the transformer.

For Primary Service General Service Customers, the Ownership Demarcation Point shall be located at the primary live line clamp or line switch.

When a Hydro One owned transformer is installed on a customer owned pole or customer supplied transformer pad the grounding system shall be transferred to Hydro One prior to energization.

Where the Customer has ownership of a primary disconnecting device, this device shall be the Operational Demarcation Point, which shall be under the operating control of Hydro One.

E. Voltage

For Secondary Service General Service Customers, Hydro One supplies electricity at the following nominal voltages and phases, where available:

(i) 347/600Y Volts 3-phase 4 wire;
(ii) 120/208Y Volts 3 phase 4 wire; or
(iii) 120/240 Volts 1-phase.

The Customer shall consult with Hydro One early to confirm availability of specific voltages within the Hydro One Distribution System.

For Primary Service General Service Customers, Hydro One supplies electricity at the following nominal voltages and phases, where available:

(i) 44,000 Volts – 3 Phase 3 Wire;
(ii) 16,000/27,600 Volts – 3 Phase 4 Wire;
(iii) 14,400/25,000 Volts – 3 Phase 4 Wire;
(iv) 8,000/13,800 Volts – 3 Phase 4 Wire;
(v) 7,200/12,470 Volts – 3 Phase 4 Wire;
(vi) 4,800/8,320 Volts – 3 Phase 4 Wire; or
(vii) 2,400/4,160 Volts – 3 Phase 4 Wire

F. Metering

Metering Equipment

For metering installed on poles, the pole will be installed, owned and maintained by the Customer. The grounding system for the metering shall be transferred to Hydro One prior to energization.

To accommodate Hydro One's Meter Installation, the Customer shall provide acceptable equipment and in a location acceptable to Hydro One in accordance with one of the following arrangements, as determined by Hydro One:

Self-Contained Metering Up to 200 A

A self-contained Meter Installation at one of the three secondary voltages in section F where the rating of the Customer's main disconnecting device shall include one of the following:

(i) 120/240 V, 200 A, 1-phase 4-jaw outdoor socket-base meter connected on the line side of the main disconnecting device;
(ii) 120/208V, 200 A, 1-phase 5-jaw indoor socket-base meter (network) connected on the load side of the main disconnecting device;
(iii) 120/208 V, 200 A, 3-phase 7-jaw socket base meter connected on load side of the main disconnecting device; or
(iv) 347/600V, 200 A, 3-phase 7-jaw indoor socket base meter connected on the load side of the main disconnecting device; and
(v) metering of any 3-phase secondary voltages other than those specified shall use transformer rated metering.

120/240 V, 400 A

A General Service single-phase transformer-type Meter Installation at 120/240 V where the rating of the Customer's main disconnecting device ranges from greater than 200A up to 400 A shall be provided with:

(i) 120/240 V, 10 A, 5-jaw meter socket connected on the line side of the main disconnecting device with an automatic circuit-closing device (CT shorting switch);
(ii) indoor instrument transformer enclosure; and
(iii) 19 mm conduit from the instrument transformer enclosure to the meter socket.

Three-Phase Less than or Equal to 200 kW

A three-phase transformer-type Meter Installation that is not equipped with interval meters and where the monthly average peak demand during a calendar year is forecasted by Hydro One not to exceed 200 kW shall be provided with:

(i) an acceptable outdoor meter enclosure;
(ii) an indoor instrument transformer enclosure; and
(iii) 31 mm conduit from the instrument transformer enclosure to the meter enclosure.

Three-Phase Greater than 200 kW

A transformer-type Meter Installation where the monthly average peak demand during a calendar year is forecasted by Hydro One to exceed 200 kW and where the rating of the Customer's main disconnecting device does not exceed 3000 A at low voltage shall have an interval meter and shall be provided with:

(i) an acceptable meter enclosure;
(ii) an indoor instrument transformer enclosure;
(iii) 31 mm of conduit from the instrument transformer enclosure to the meter enclosure; and
(iv) when requested by Hydro One, a voice grade direct access telephone line that is active 24 hours every day, seven days per week, and protected by a 13 mm conduit from the telephone entrance equipment into the meter enclosure.

Instrument Transformer Enclosure

A Customer who requires a transformer-type Meter Installation shall provide a metal instrument transformer enclosure that is:

(i) equipped with a hinged door or doors, provision for securing of the instrument transformers in the enclosure, and padlock hasp or other means of rendering the enclosure inaccessible to unauthorized persons;
(ii) connected on the load side of the main disconnecting device;
(iii) sized as follows:

- 120/240 Volts single phase service: Over 200 Amperes up to and including 400 Amperes - 1.0 m x 1.0 m x 0.3 m (36" x 36" x 12"); Over 400 Amperes - 1.2 m x 1.2m x 0.3m (48" x 48" x 12")
- 120/208 Volts three phase four wire service: Over 200 Amperes up to and including 600 Amperes - 1.2 m x 1.2 m x 0.3 m (48" x 48" x 12")
- 347/600 Volts three phase four wire service: Over 200 Amperes up to and including 600 Amperes - 1.2 m x 1.2 m x 0.3 m (48" x 48" x 12")
  Where a cabinet is required for meters only, the dimensions will be 0.61 m x 0.412 m x 0.257 m (24" x 16.2" x 10.1")
- 347/600 Volts, 3 phase four wire circuits that only have 1 metering point per service entrance shall use transformer rated metering using 3 CTs and 3 PTs; and

(iv) provided with one of the following meter loop arrangements - Spare conductors not less than 450 mm in length, equipped with connectors supplied and terminated by the Customer at each bar-type current transformer connection point, or three-phase conductors installed through ring-type current transformers, or other acceptable provision for connection of current transformers.

Multi-Occupancy Metering

The Meter Installation for a multiple occupancy structure where the Customer requires individual meters and where the rating of the main disconnecting device exceeds 400 A shall satisfy the following requirements:

(i) Meters shall be installed in a central service room with access as per Section 1.7.1 Space and access.
(ii) The central service room shall be separated from the remainder of the building by an approved fire separation.
(iii) Any splitter trough cover shall be hinged to open downward and equipped with provision for padlock and seal.
(iv) A full-sized neutral supply conductor shall be extended from any splitter trough to each meter socket.
(v) The conductors to each meter shall be provided with a separate sub-service box.
(vi) Sub-service boxes shall be identified with an approved address or unit number and the same number shall identify the service panel inside the unit.
(vii) Metering for 347/600 V, 3 phase four wire circuits that have more than 1 metering point per service entrance may use self-contained metering up to 200A on the load side of the Customer's service entrance in conformity with the requirements of the Electrical Safety Code.

3.3. General Service

In the Distribution System Code Appendix A, section 3.2 is General Service Below 50 kW, and section 3.3 is General Service Above 50 kW. However, in this Conditions of Service document, these two sections are combined into section 3.2 above.

3.4. Sub-Transmission (ST)

This Rate Classification is applicable to:

(i) Local Distribution Companies (LDC) receiving supply from Hydro One Distribution assets, where Hydro One is the Host Distributor to the LDC, or
(ii) customers taking load which:
    (a) is three-phase;
    (b) is greater than 500 kW (monthly measured maximum demand averaged over the most recent calendar year, or whose forecasted monthly average demand over twelve consecutive months is greater than 500 kW),
    (c) directly connected to and supplied from Hydro One Distribution assets between 44 kV and 13.8 kV inclusive,

(d) Hydro One Networks has no responsibility for local transformation; customer provides their own transformation.

Customers formerly classified as Direct Customers are included in this rate class if they meet the above criteria.

For the purpose of rate reclassification please refer to Section 2.4.4 Billing, Annual Monitoring of Electricity Usage.

A. Connection and Upgrade Charges

A Sub-Transmission Customer who makes a written request for a Connection and whose building lies along Hydro One's existing distribution lines shall pay Hydro One Connection charges in accordance with Section 2.1.1.

A Sub-Transmission Customer who makes a written request for a Connection and whose building is within Hydro One's service area shall pay Connection charges in accordance with Section 2.1.2.

A Sub-Transmission Customer who submits a written request for a service upgrade may be required to enter into a Capital Cost Recovery Agreement with Hydro One. The cost of modifications to the Distribution System, due to the upgraded Connection, will be in accordance with Section 2.1.2.

B. Ownership Demarcation Point and Operational Demarcation Point

For Sub-Transmission Customers, excluding Embedded Distributors, the Ownership Demarcation Point shall be:

(i) located at the line switch or primary live line clamp; or
(ii) where the Customer has ownership of a primary disconnecting device, this device shall be the Operational Demarcation Point, which shall be under the operating control of Hydro One; or
(iii) as specified in the Connection Agreement; or
(iv) for Customers not covered by the above cases (such as customers, excluding Embedded Distributors and Generators, who also were moved into the Sub-transmission rate class from another rate class), the Ownership Demarcation Point and Operational Demarcation Point shall be the first operating device along the tap to the Customer, providing that the first operating device is less than 200M from the line tap and does not cross a third party's property or an ownership demarcation point will be installed at Hydro One's cost as close as reasonably possible to the property line and if necessary an Operational Demarcation Point will be installed to meet ESA requirements by the customer; or
(v) if there is no operating device, an operational device will be installed at Hydro One's cost as close as reasonably possible to the Ownership Demarcation Point (property line) or the Demarcation

Point that the Customer may have supported by agreements with a third party.

For Sub-Transmission Customers who are Embedded Distributors, see the Embedded Distributor section 3.7.

C. Voltage

The Customer shall consult with Hydro One early to confirm availability of specific voltages within the Hydro One Distribution System.

For Sub-Transmission Customers, Hydro One supplies 3 phase electricity at the following nominal phase-to-phase voltages, where available:

(i) 44,000 Volts – 3 Phase 3 Wire;
(ii) 27,600 Volts – 3 Phase 4 Wire;
(iii) 25,000 Volts – 3 Phase 4 Wire; or
(iv) 13,800 Volts – 3 Phase 4 Wire.

In some cases, Hydro One supplies electricity at below 13,800 Volts to Embedded Distributors.

D. Metering

For Sub-Transmission Customers, the Meter Installation shall be as specified below or in the Connection Agreement.

A transformer-type Meter Installation where the monthly average peak demand during a calendar year is forecasted by Hydro One to exceed 500 kW and where the rating of the Customer's main disconnecting device does not exceed 3000 A at low voltage shall have an interval meter and shall be provided with:

(i) an acceptable meter enclosure;
(ii) an indoor instrument transformer enclosure if secondary metered;
(iii) a 31 mm conduit from the instrument transformer enclosure to the meter enclosure; and
(iv) when requested by Hydro One, a voice grade direct access telephone line that is active 24 hours every day, seven days per week, and protected by a 13 mm conduit from the telephone entrance equipment into the meter enclosure.

Primary metering requirements shall be determined by Hydro One on an individual basis.

3.5. Embedded Generation Facilities

An Embedded Generator is solely responsible for all commercial arrangements it may have or wish to have with the Ontario Power Authority ("**OPA**") with respect to its Embedded Generation Facility, including, the contract application process and the administration of their contract with the OPA.

Embedded Generators shall ensure that their Embedded Generation Facility meets the technical requirements specified in Appendix F.2 of the Distribution System Code, the requirements of the Electrical Safety Code and the Technical Interconnection Requirements, including any Hydro One communication of Technical Interconnection Requirements updates in the form of bulletins and/or amendments that may occur periodically. .

If there is a conflict between the Technical Interconnection Requirements and:

(i) these Conditions of Service, the Technical Interconnection Requirements shall take precedence; and

(ii) the technical requirements specified in Appendix F.2 of the Distribution System Code, the technical requirements specified in Appendix F.2 of the Distribution System Code shall take precedence.

For greater certainty, Embedded Generation Facility also includes a Net Metered Generation Facility.

A. Technical Requirements - Equipment Deemed Compliant

All Embedded Generation Facility equipment connected and operating before May 1, 2002, is deemed to be in compliance with all relevant technical requirements. The Embedded Generator remains responsible for ensuring compliance with the Electrical Safety Code and the requirement to have an isolating device as identified in subsection C.2 below.

Hydro One may require that the Embedded Generator bring the equipment deemed compliant above into actual compliance with all relevant technical requirements, including, the technical requirements specified in Appendix F.2 of the Distribution System Code, within a specific reasonable time period specified by Hydro One, but not to exceed 12 months, where, in Hydro One's sole opinion, there is:

(i) a material deterioration of the reliability of the Distribution System resulting from the performance of the Generator's equipment;

(ii) a material negative impact on the quality of power of an existing or a new Customer resulting from the performance of the Generator's equipment; or

(iii) a material increase in generator capacity at the site where the equipment deemed compliant is located.

B. Size Categories

The Distribution System Code places Embedded Generation Facilities into different categories based on their name-plated rated capacity. The categories are outlined below:

Embedded Generation Facility Classification	Name-plate Rated Capacity
Micro-Embedded Generation Facility	10 kW or less
Capacity Allocation Exempt Small Embedded Generation Facility	(a) 250 kW or less connected to a less than 15 kV line; and (b) 500 kW or less connected to a 15 kV or greater line; (c) does not include a Micro-Embedded Generation Facility.
Small Embedded Generation Facility	(a) 500 kW or less connected to a less than 15 kV line; and (b) 1 MW or less connected to a 15 kV or greater line; (c) does not include a Micro-Embedded Generation Facility.
Mid-sized Embedded Generation Facility	Name-plate rated capacity of 10 MW or less and: (a) more than 500 kW connected to a less than 15 kV line; and (b) more than 1 MW connected to a 15 kV or greater line.
Large Embedded Generation Facility	Greater than 10 MW

C. Connection Process

This Section 3.5C does not apply to Emergency Backup Generation Facilities, Energy Storage Facilities, and to Load Displacement Generation Facilities. The process to be followed with respect to Emergency Backup Generation Facilities and Load Displacement Generation Facilities can be found in Section 2.3.6 of these Conditions of Service.

The process and time line associated with the connection of a Generation Facility of any size to the Distribution System can be found on Hydro One's Website and in the Distribution System Code available on the Ontario Energy Board web site (www.ontarioenergyboard.ca). Embedded Generators are responsible for fulfilling their obligations (including for example, making payments for impact assessments, the execution of connection cost agreements, or remedying a default of any terms of a connection cost agreement, etc.) in a timely manner. This will enable Hydro One to meet its responsibilities as a distributor specified in the Distribution System Code. The "clock" for Hydro One's specific timelines begins only after Hydro One receives all information from the Generator that Hydro One requires in order to perform its obligations. Failure of the Embedded Generator to meet their obligations within the timelines specified by Hydro One could result in processing delays, or more critically, the removal of the Embedded Generator's capacity allocation, in accordance with Section 6.2.4.1e of the Distribution System Code.

As of the date of these Conditions of Service, Hydro One has requested from the Ontario Energy Board exemptions from two Distribution System Code requirements (sections 6.2.6 and 6.2.7) respecting the connection of Micro-embedded Generation Facilities, and specifically pertaining to:

(i) the timelines for providing an Offer to Connect or reasons for refusing to connect the proposed generation facility;
(ii) the timeline to connect a Micro-embedded Generation Facility.

The application and Hydro One's request may be viewed at the Ontario Energy Board or its website (www.OntarioEnergyBoard.ca) under docket number EB-2011-0118.

Hydro One may or may not receive the Ontario Energy Board's approval of these exemptions and will abide by the Decision obtained.

All proposed Embedded Generation Facilities regardless of size will undergo an assessment process to ensure there are no system constraints and that capacity is available. Hydro One may, at its sole discretion, refuse to connect an Embedded Generation Facility for any of the reasons provided in Section 3.1.1 of the Distribution System Code or Section 2.1.3 of these Conditions of Service. If Hydro One has refused to connect a proposed Embedded Generation Facility for reasons:

(i) that are within the control of the Generator, the proposed Embedded Generation Facility will not be re-assessed unless the Generator makes another application to connect which addresses Hydro One's reasons for refusing to connect the Embedded Generation Facility to Hydro One's satisfaction; and

(ii) that are not within the control of the Generator, including, lack of capacity and system constraints, should capacity become available in the future or the system condition be remedied subsequent to Hydro One's refusal to connect, Hydro One will not re-assess the proposed Embedded Generation Facility unless the Generator makes another application to connect.

The following are some of the steps and conditions required to be met for the Connection of an Embedded Generation Facility to the Distribution System. More detailed information can be found on Hydro One's website http://www.HydroOne.com .

C.1 Connection Impact Assessment (CIA) and Documentation Requirements

All Generators shall provide Hydro One with the documentation requested by Hydro One including any information specified in the Technical Interconnection Requirements. .

Hydro One performs a Connection Impact Assessment ("**CIA**") for any Embedded Generation Facility with a name-plate rated capacity greater than 10 kW, or for any Embedded Generation Facility 10 kW or less when deemed required by Hydro One, in order to assess the impact of the connection of the proposed Embedded Generation Facility to Hydro One's distribution system and where connection is feasible, to specify the connection requirements. Capacity will be allocated for the Embedded Generation Facility upon the completion of the CIA in accordance with the Distribution System Code. The cost of performing the CIA will be paid by the Generator, at the applicable OEB-approved rates.

If the Embedded Generator changes the Embedded Generation Facility's design, plans or equipment materially from that in the original application for connection, Hydro One is obligated to follow the treatment prescribed in Section 6.2.15 of the Distribution System Code.

C.2 Interface Protection and Isolating Devices

The Embedded Generator shall provide an interface protection for their Embedded Generation Facility that detects all applicable faults on the Hydro One distribution system for the purposes of the Embedded Generator disconnecting the Embedded Generation Facility from the Distribution System in the event of such faults. The Embedded Generator shall provide, install and maintain a

disconnecting device at the Point of Common Coupling with the Distribution System or some other acceptable location to Hydro One for the purpose of isolating the Embedded Generation Facility in case of an Emergency and for work protection. The disconnecting device shall be installed in accordance with the technical requirements specified in Appendix F.2 of the Distribution System Code, the Technical Interconnection Requirements, including any Hydro One communication of Technical Interconnection Requirements updates in the form of bulletins and/or amendments that may occur periodically, and the Electrical Safety Code.

C.3 Metering for Embedded Generation Facilities

Metering Installations for Micro-embedded Generation Facilities

The Embedded Generator is responsible for providing a Meter Installation for its Micro-embedded Generation Facility in accordance with the requirements of the Distribution System Code, Hydro One's standard metering requirements and Hydro One's policy directive for Embedded Generation Facility metering (AMPD-041 located at www.HydroOne.com). Hydro One shall supply and install the revenue meter. All costs associated with new or modified metering are the responsibility of the Embedded Generator.

Metering for Embedded Generation Facilities Larger than 10 kW

a) Metering Installations – Installed after July 14, 2000

The Embedded Generator is responsible for providing a Meter Installation in accordance with the requirements of the Distribution System Code, Hydro One's standard metering requirements and Hydro One's policy directive for Embedded Generation Facility metering (AMPD-041 located at www.HydroOne.com). Prior to installing the Meter Installation, the Embedded Generator shall provide Hydro One with the technical details of the Meter Installation, for Hydro One's approval. All costs associated with new or modified metering are the responsibility of the Embedded Generator.

The Meter Installation shall be installed at the Point of Common Coupling with the Distribution System or some other acceptable location at the sole discretion of Hydro One. If the Meter Installation is not installed at the Point of Common Coupling, Hydro One shall apply loss factors to the output of the Embedded Generation Facility in accordance with the OEB-approved loss factors applied for retail settlements and billing.

The Embedded Generator shall supply single line diagrams showing revenue metering connections in the format specified by Hydro One. Such diagrams must be signed and stamped by a professional engineer registered in Ontario. The loss factors, if required, must be supplied by the Embedded Generator in the format specified by Hydro One and signed and stamped by a professional engineer registered in the province of Ontario.

In all cases where the Generator is responsible for any Meter Installation, the Generator is also responsible for the quality of the equipment and installation including all work and materials related to the Meter Installation. Deficiencies in any Meter Installation that require remediation, as determined by Hydro One, including but not limited to replacement costs and labour, will be performed by Hydro One at the cost of the Generator. The Generator shall be responsible to Hydro One for Meter Installation deficiencies for a period of two (2) years after Hydro One becomes the owner of the Meter Installation.

b) Metering Installations – Installed Prior to July 14, 2000

Where the existing Meter Installation for an Embedded Generation Facility was installed prior to July 14, 2000, the Embedded Generator shall upgrade the Meter Installation to be in accordance with Hydro One's standard metering requirements and Hydro One's policy directive for Embedded Generation Facility metering (AMPD-041 located at www.HydroOne.com) by no later than the meter seal expiry date. All costs associated with metering are the responsibility of the Embedded Generator.

C.4 Transformer Requirements

a) Micro-embedded Generation Facilities

Embedded Generators connecting a Micro-embedded Generation Facility in parallel to a new or existing load service, may use the existing transformer to interface with the distribution system if it is of sufficient size as specified in the appropriate Technical Interconnection Requirements, including any Hydro One communication of Technical Interconnection Requirements updates in the form of bulletins and/or amendments that may occur periodically. Embedded Generators connecting Micro-embedded Generation Facilities in a standalone fashion shall pay the Actual Costs for Hydro One to supply, install and maintain the step up transformation. In the case where the connection of the Embedded Generation Facility requires a transformer upgrade to a size over and above the requirements of the load, Hydro One will provide, install, own and maintain the transformer at standard Hydro One voltages. The transformation supplied by Hydro One is dependent on the load of the new or existing load service, is subject to the limitations noted in Section 2.1, and is sized solely upon the new or existing load. All costs associated with the transformer upgrade (including procurement and installation of the new transformer and the decommissioning and removal of the existing transformer) will be at the Embedded Generator's expense.

b) Embedded Generation Facilities With a Name-plate Rated Capacity of Greater than 10 KW

Any Embedded Generator connecting an Embedded Generation Facility with a name-plate rated capacity greater than 10 KW in parallel to a new or existing load service, may use the existing transformer to interface with the distribution system

if it is of sufficient size and provided that the net reverse power flow through the transformer is within the reverse flow limit established by Hydro One. In the case where a connection of the Embedded Generation Facility requires a transformer upgrade to a size over and above the requirements of the load, Hydro One will provide, install, own and maintain the transformer for standard Hydro One voltages to a maximum size of 500 KVA. The transformation supplied by Hydro One is dependent on the load of the new or existing load service, is subject to the limitations noted in Section 2.1, and is sized solely upon the new or existing load. All costs associated with the transformer upgrade (including procurement and installation of the new transformer and the decommissioning and removal of the existing transformer) will be at the Embedded Generator's expense.

Excluding the above, any step-up transformation equipment that is required to step-up the Embedded Generation Facility's output voltage to the primary voltage of Hydro One's distribution line shall be supplied, installed, owned and maintained by the Embedded Generator at their own expense.

C.5 Connection Costs

C.5.1 All Embedded Generation Facilities Other than Micro-embedded Generation Facilities

For all proposed Embedded Generation Facility connections other than Micro-embedded Generation Facilities, an estimate of the cost to connect the Embedded Generation Facility is provided at the time the CIA is completed. The estimate is a "Class C" estimate, which is in the range of plus or minus 50%. The Embedded Generator has the option of requesting that Hydro One perform a detailed cost estimate at the Embedded Generator's expense. The CIA and cost estimate are valid for six months from the date of the CIA release.

All Embedded Generators who wish to connect an Embedded Generation Facility to the Distribution System are required to enter into a Connection Cost Agreement ("**CCA**") with Hydro One within 6 months of the Embedded Generator receiving a capacity allocation as referenced in Section 3.5.C.1 for the Embedded Generation Facility. The Embedded Generator is also required to pay all required deposits at the time the CCA is executed which will also include, where applicable, any amounts that Hydro One needs to collect from the Embedded Generator to reimburse to third parties as Upstream Transmission Rebates or other rebates upon the connection of the Embedded Generation Facility. Failure to pay the connection cost deposit or other required deposits or to have a signed CCA in relation to the connection of the Embedded Generation Facility within the above-referenced timeline will result in Hydro One being required to remove the Embedded Generator's capacity allocation in accordance with Section 6.2.4.1e) of the Distribution System Code.

The Key provisions of the CCA are described in Appendix "A" to these Conditions of Service.

C.5.2 Micro-embedded Generation Facilities

An Embedded Generator whose proposed Micro-embedded Generation Facility passes Hydro One's assessment will receive an Offer to Connect which includes a cost estimate for the work required to be performed by Hydro One in order for the Micro-embedded Generation Facility to be connected to the distribution system, the appropriate meter, and/or other material and equipment, as required, and any other applicable charges attributable to the proposed facility. As of the date of these Conditions of Service, Hydro One's costs are charged on an Actual Cost basis. The offer to connect and cost estimate will be valid for six months from the date of their issue by Hydro One.

C.5.3 Capital Contributions in Respect of Expansions

An Embedded Generator (including for greater certainty, an Embedded Generator with a Micro-embedded Generation Facility) may be required to pay a capital contribution towards an Expansion in accordance with the process described in Section 2.1.2 of these Conditions of Service. An Embedded Generator who has made such a capital contribution may receive a rebate when an unforecasted customer is added to that Expansion, in accordance with the treatment described in Section 2.1.2 G of these Conditions of Service and Section 3.2 of the Distribution System Code.

C.6 Commissioning

All Embedded Generation Facilities with generation units with **a** name-plate rated capacity greater than 10 kW are required to successfully go through a series of commissioning tests before final Connection to the Distribution System will be permitted. Hydro One will provide the Embedded Generator with a list of testing requirements applicable to the Embedded Generation Facility. The requirements will be based on a number of factors, including size and type of generator units and type of connection. The Embedded Generator shall complete and confirm the completion of the commissioning testing through the Confirmation of Verification Evidence Report (COVER) process, as established by Hydro One. All costs associated with commissioning are the responsibility of the Embedded Generator.

D. Connection Agreement:

Hydro One requires all Embedded Generators with Embedded Generation Facilities connected to the Distribution System and all Embedded Generators wishing to connect an Embedded Generation Facility to the Distribution System to execute a Connection Agreement in the applicable form prescribed in Appendix "E" of the *Distribution System Code* and/or such other agreements as may be reasonably required by Hydro One in the circumstances as described in Appendix "E" of the *Distribution System Code* as "Other Potential Contracts".

Generators with Embedded Generation Facilities connected to the Distribution System who have not executed a Connection Agreement with Hydro One shall,

subject to any agreement to the contrary between the Generator and Hydro One, execute a Connection Agreement with Hydro One within a reasonable period of time. During the time when such an agreement is not yet in place, the Generator will be deemed to have an implied contract with Hydro One. The terms of the implied contract are embedded in these Conditions of Service, the Electricity Distribution Rate Handbook, Hydro One's Rate schedules, the Licence, the Distribution System Code and the Retail Settlement Code.

In accordance with Section 2.2 of these Conditions of Service, Hydro One may disconnect the Embedded Generation Facility where the Embedded Generator has not executed a Connection Agreement in respect of that Embedded Generation Facility.

E. General Operating Principles, Responsibility for Damages and Consequences of Excess Generation Output

In addition to meeting the requirements of their Connection Agreements, all Embedded Generators are responsible for operating their Embedded Generation Facilities in a manner which does not materially adversely affect:

(i) the safety, reliability and efficiency of Hydro One's distribution system, or
(ii) the quality of distribution services received by existing customers,

in accordance with Sections 3.1.1 and 6.2.25 of the Distribution System Code.

Despite Section 1.9 of these Conditions of Service, if damage to the Distribution System or increased operating costs result from the Connection of an Embedded Generation Facility (other than a Micro-embedded Generation Facility), Hydro One shall be reimbursed for these costs by the Embedded Generator, in accordance with Section 6.2.26 of the Distribution System Code.

The Embedded Generation Facility is not to generate electricity at a capacity greater than the amount allocated to it upon the completion of the Connection Impact Assessment and/or identified in the Connection Agreement. Any excess generation output is subject to review by Hydro One and is a material breach of the Connection Agreement and these Conditions of Service.

F. Maintenance Schedules

(i) Embedded Generation Facilities with a name-plate rated capacity greater than 10 kW

An Embedded Generator with an Embedded Generation Facility with a name-plate rated capacity greater than 10 kW must implement and adhere to a regular scheduled maintenance plan to ensure that the Embedded Generation Facility's connection devices, protection and control systems are maintained in good working order. The maintenance plan is outlined in the Connection Agreement or

the Technical Interconnection Requirements, including any Hydro One communication of Technical Interconnection Requirements updates in the form of bulletins and/or amendments that may occur periodically. The Embedded Generator must conduct a re-verification at least every 48 months (or as specified in the Connection Agreement) and provide a written report to Hydro One signed by professional licensed engineer. A verification report of maintenance activities including, the operation of devices shall be retained by the Embedded Generator and shall be Promptly provided to Hydro One upon request.

Hydro One, in its sole discretion, may require the Embedded Generator to permit Hydro One to witness the re-verification of any of the Embedded Generation Facility's protections that could adversely affect the Distribution System. The Embedded Generator shall pay for the re-verification and provide Hydro One a copy of the report describing the results of the re-verification of the protections in detail.

(ii) Micro-embedded Generation Facilities

The maintenance schedules for a Micro-embedded Generation Facility are outlined in the Connection Agreement and/or in the Technical Interconnection Requirements.

G. Reporting Requirements

Generators with Embedded Generation Facilities connected to Hydro One's distribution system must meet the reporting requirements specified in the Technical Interconnection Requirements, including any Hydro One communication of Technical Interconnection Requirements updates in the form of bulletins and/or amendments that may occur periodically.

H. Post-Connection Changes

If a Generator proposes to do any one or more of the following with respect to an Embedded Generation Facility that is in service:

(i) increase the output of the Embedded Generation Facility beyond the capacity allocated to it upon the completion of the Connection Impact Assessment and/or identified in the Connection Agreement;
(ii) change the mode of operation; or
(iii) change the protective devices,

The Embedded Generator must make a new application for the proposed change(s) and Hydro One is obligated to follow the process prescribed in sections 6.2.9 through 6.2.24 of the Distribution System Code. This work, including any required impact assessments, will be performed at the Embedded Generator's expense.

I. Disconnection of a Generation Facility

An Embedded Generator shall discontinue the operation of their Embedded Generation Facility and Hydro One may isolate or disconnect the Embedded Generation Facility from the Distribution System, where, in the sole opinion of Hydro One, any of the following conditions, exist:

(i) there is a material deterioration of the Distribution System reliability resulting from the performance of the Embedded Generation Facility's equipment;

(ii) there is a material negative impact on the quality of power of an existing or a new Customer resulting from the performance of the Embedded Generation Facility's equipment;

(iii) the Embedded Generator has failed to re-verify the Embedded Generation Facility's protection and control systems every 48 months or as specified in the Connection Agreement or failed to submit the report to Hydro One within 30 days;

(iv) the Embedded Generator's report of the re-verification of the Embedded Generation Facility's protection and control systems shows deficiencies that are unacceptable to Hydro One;

(v) the Embedded Generator has made material changes in the Embedded Generation Facility's capacity and /or mode of operation and/or protective devices without obtaining Hydro One's prior written consent;

(vi) the Embedded Generation Facility does not meet any one or more of the technical requirements specified in Appendix F.2 of the Distribution System Code or any of those identified in the Technical Interconnection Requirements, including any Hydro One communication of Technical Interconnection Requirements updates in the form of bulletins and/or amendments that may occur periodically,;

(vii) the Embedded Generator has failed to provide any documentation as specified in the application and assessment process Promptly upon Hydro One's request;

(viii) the Embedded Generator has failed to provide power quality or equipment status information, or other equipment information as requested by Hydro One in a timely manner and there is a material deterioration of the Distribution System that may be related to the operation of the Embedded Generation Facility; or

(ix) the Embedded Generator fails to cease generating electricity at a capacity greater than the amount allocated to it upon the completion of the Connection Impact Assessment within 15 days of being notified by Hydro One, in writing, of the excess generation output.

(x) In the event an Embedded Generation Facility was disconnected for any of the reasons above, reconnection will only be allowed under the conditions outlined in Section 2.2 (E) of these Conditions of Service.

J. Default Cure Periods - Form of Connection Agreement for Small Embedded Generation Facility or a Mid-sized Embedded Generation Facility

For the purposes of Section 19.4 of the Form of Connection Agreement for Small Embedded Generation Facility or a Mid-sized Embedded Generation Facility, the cure periods for a Default as that term is defined in such Connection Agreement) are as follows:

i) The Cure Period for a Financial Default shall be ten business days from the date that Hydro One provides the Embedded Generator with written notice of the Financial Default.

ii) The Cure Period for a Non-financial Default shall depend on the impact of the Non-financial Default, determined by Hydro One as follows:

Impact of Default	**Description**	**Cure Period**
Safety - Immediate	A Non-financial Default that could result in immediate injury or loss of life (e.g., exposed wires, destroyed station fence, etc.).	Promptly
Safety - Potential	A Non-financial Default that could result in injury or loss of life if a single contingency were to occur (e.g., substandard grounding).	Promptly
Asset Integrity	A Non-financial Default that could adversely affect the ability of an asset to operate within prescribed ratings (voltage, thermal, short circuit) or be maintained to required standards for the purpose of prolonging the lifespan of the asset or satisfying safety or environmental requirements.	Promptly
Environment - Immediate	A Non-financial Default that could result in immediate adverse effects on land, air, water, plants, or animals.	Promptly
Environmental - Potential	A Non-financial Default that could, if a single contingency were to occur, result in adverse effects on land, air, water, plants, or animals.	30 days
Power Quality Immediate	A Non-financial Default that results in a materially adverse effect on the quality of distribution services received by other customers, and which adverse effect results in a variation in electric power service that is likely to cause the failure or improper or defective operation of end-use equipment, such as voltage sag, overvoltage, transients,	Promptly

	harmonic distortion and electrical noise.	
Power Quality Potential	A Non-financial Default that could result in an adverse effect on the quality of distribution services received by other customers, and which adverse effect could result in a variation in electric power service that is seen to be objectionable by other customers and could cause the failure or improper or defective operation of end-use equipment, such as voltage sag, overvoltage, other transient events, harmonic distortion and electrical noise.	30 days

Where a Non-financial Default can have more than one impact and the impacts have different Cure Periods, the shortest of the Cure Periods shall apply. Unless Hydro One is found at fault, the cost of any remedial work is to be performed at the Embedded Generator's expense.

K. Rates and Settlement

K.1 MicroFIT Generator Rate Classification

The MicroFIT Generator Rate Classification is a separate Rate classification and tariff that applies to Embedded Generation Facilities within the MicroFIT program. This classification applies only to an Embedded Generator who has entered into a MicroFIT contract with the Ontario Power Authority in respect of a Micro-embedded Generation Facility.

K.2 Distributed Generation Rate Classification

Any Embedded Generation Facility with a name-plate rated capacity that is greater than 10 kW, or, that is not classified in the MicroFIT Generator Rate Classification, will have a rate classification of Distributed Generation.

This rate classification is applicable to associated load needed to generate, for example for station service, and only when the Embedded Generation Facility and the associated load are supplied through a single point of connection to the Distribution System.

This classification is not applicable to a Load Displacement Generation Facility.

K.3 Distributors right to deduct

Power purchase payments to Generators will be made by Hydro One as required by the Retail Settlement Code. Hydro One shall have the right to deduct any

amounts owing to Hydro One by the Generator, including, but not limited to charges for Standard Supply Service, from the power purchase payments payable by Hydro One to the Generator.

K.4 Electronic Funds Transfer (EFT)

Payments for power purchases will only be made via electronic funds transfer in Canadian funds to a Canadian banking institution. All payments shall be made payable to the Generator unless a written direction of funds is received from the Generator instructing otherwise.

3.6. Embedded Wholesale Market Participant

An Embedded Wholesale Market Participant is a Customer who is registered as a Wholesale Market Participant with the IESO and whose facility is not directly connected to the IESO Controlled Grid but is connected to the Distribution System. All Embedded Wholesale Market Participants within the service jurisdiction of Hydro One, once approved by the IESO, shall inform Hydro One in writing of their approved status 60 days prior to their participation in the IESO-administered market.

A Connection Agreement, including an operating schedule, will be required between an Embedded Wholesale Market Participant and Hydro One.

An Embedded Wholesale Market Participant will be responsible for the ownership, installation and maintenance of the meter and contracting the services of a Registered Meter Service Provider.

3.7. Embedded Distributor

The reliability of supply and the voltage level at the Delivery Point from the Distribution System to an Embedded Distributor's distribution system shall be as good as or better than what is provided to Hydro One's other distribution Customers.

Hydro One will make every reasonable effort to respond promptly to an Embedded Distributor's written request for a Connection to the Distribution System and shall comply with all of the requirements of Connection as identified in section 6.3 of the Distribution System Code.

A. General Information Requirements

The Embedded Distributor shall provide load forecasts or any other information related to the Embedded Distributor's system to Hydro One, as determined and required by Hydro One. Hydro One shall not require any information from another Distributor unless it is required for the safe and reliable operation of either the Distribution System or Transmission System or in order for Hydro One to meet its obligations under any Applicable Laws or its Licences.

B. Connection and Upgrade Charges

As of May 21, 2013, the following cost responsibility principles shall apply to load connections of Embedded Distributors, including, but not limited to:

- new Distribution Facilities required to meet an Embedded Distributor's supply capacity needs;
- upgrades to existing Distribution Facilities required to meet an Embedded Distributor's supply capacity needs; and
- system enhancements required to meet an Embedded Distributor's power quality and/or system reliability needs, independent of any supply capacity requirements.

The following cost responsibility principles will not apply to any facilities, upgrades and enhancements which were identified and included in Hydro One's approved rate base prior to May 21, 2013.

B1. Need for Supply Capacity

When it is identified that the Total Normal Supply Capacity of a Distribution Facility has been reached, Hydro One will inform all Embedded Distributors served by that facility that the Total Normal Supply Capacity has been reached.

Hydro One will request each Embedded Distributor served by the Distribution Facilities to indicate if the Embedded Distributor anticipates the need for additional capacity and, if so, to provide a load forecast for each supply point on the Distribution System that serves that Embedded Distributor.

- For each Embedded Distributor that notifies Hydro One, in writing, of its need for additional capacity, Hydro One will, in consultation with that Embedded Distributor, identify the preferred option for meeting the additional capacity requirement, in accordance with the cost responsibility provisions set out in this section 3.7 B.

- Where an Embedded Distributor does not notify Hydro One, in writing, of its need for additional capacity, the Embedded Distributor's capacity entitlement at each of its supply points on the Distribution System shall be capped at the Embedded Distributor's Historical Capacity at that particular supply point.

B2. New Facility for Capacity

Where a new Distribution Facility is required to meet the supply capacity needs of an Embedded Distributor, Hydro One shall require a capital contribution from the Embedded Distributor to cover the cost of the new facility, as determined using the economic evaluation methodology set out in

Appendix B of the Distribution System Code. A capital contribution may only be required to the extent that the cost of the new facility is not recoverable in distribution rate revenues. To that end, Hydro One shall include in the economic evaluation the relevant annual distribution rate revenues over the applicable economic evaluation period that are derived from that part of the distributor's new load that exceeds the Total Normal Supply Capacity of the existing Distribution Facilities already serving the distributor and that will be served by the new Distribution Facility.

B3. Upgrade for Capacity

Where an upgrade to an existing Distribution Facility is needed to meet the supply capacity needs of an Embedded Distributor, Hydro One shall require a capital contribution from the distributor to cover the cost of the upgrade, as determined using the economic evaluation methodology set out in Appendix B of the Distribution System Code. A capital contribution may only be required to the extent that the cost of the upgrade is not recoverable in distribution rate revenues from the distributor. To that end, Hydro One shall include in the economic evaluation the relevant annual distribution rate revenues over the applicable economic evaluation period that are derived from that part of the Embedded Distributor's new load that exceeds the total normal supply capacity of the existing Distribution Facilities already serving the Embedded Distributor and that will be served by the upgraded Distribution Facility.

B4. Non-Capacity System Enhancement

Where a new Distribution Facility or an upgrade to an existing Distribution Facility is needed to meet the system enhancement (i.e. power quality and/or system reliability) needs of an Embedded Distributor, and such needs are not also associated with the supply capacity needs of that Embedded Distributor, Hydro One shall require a capital contribution from that Embedded Distributor to cover the cost of the new facility or upgrade without using the economic evaluation methodology set out in Appendix B of the Distribution System Code.

B5. Single Embedded Distributor

For a single Embedded Distributor, Hydro One shall attribute to that distributor the cost of any new Hydro One–owned Distribution Facility or any upgrade to an existing Hydro One–owned Distribution Facility that is required to serve that part of the Embedded Distributor's new load that exceeds the Total Normal Supply Capacity of any Distribution Facility already serving that distributor, as reasonably projected by the load forecast provided by the Embedded Distributor or by such modified load forecast as may be agreed to by the Embedded Distributor and Hydro One.

Where Hydro One determines that a new Distribution Facility (as described in section B.2 above) or an upgrade to an existing Distribution Facility (as described in section B.3 above) that is required to meet an Embedded Distributor's supply capacity needs will also meet Hydro One's supply capacity or system enhancement needs, the cost attribution methodology in section B.6 (Multiple Embedded Distributors) shall be used to apportion the cost between Hydro One and the Embedded Distributor.

Where Hydro One determines that a non-capacity system enhancement (as described in section B.4 above) that is needed to meet an Embedded Distributor's needs will also meet Hydro One's supply capacity or system enhancement needs, the cost of the non-capacity enhancement shall be shared based on Hydro One's and the Embedded Distributor's respective share of the load on the relevant Distribution Facility or, alternatively, based on such other cost-sharing arrangement as may be agreed to by the Embedded Distributor and Hydro One.

B6. Multiple Embedded Distributors

Where more than one Embedded Distributor triggers the need for a new Distribution Facility or an upgrade to an existing Distribution Facility, Hydro One shall attribute the cost to those Embedded Distributors:

a) in proportion to their respective non-coincident incremental peak load requirements, as reasonably projected by the load forecast provided by each such Embedded Distributor or by such modified load forecast as may be agreed to by the Embedded Distributors and Hydro One and, in the case of feeders, taking into account the relative length of line used by each Embedded Distributor; or

b) alternatively, in accordance with any other such methodology as may be agreed to by the Embedded Distributors and Hydro One.

Where Hydro One determines that a new Distribution Facility (as described in section B.2 above) or an upgrade to an existing Distribution Facility (as described in section B.3 above) that is required to meet an Embedded Distributor's supply capacity needs will also meet Hydro One's supply capacity or system enhancement needs, the cost attribution methodology in sub-sections (a) and (b) of this section B.6 shall be used to apportion the cost among the Embedded Distributors and Hydro One.

Where Hydro One determines that a non-capacity system enhancement (as described in section B.4 above) that is needed to meet an Embedded Distributor's needs will also meet Hydro One's supply capacity or system enhancement needs, the cost of the non-capacity system enhancement shall be shared based on Hydro One's and the Embedded Distributors' respective shares of the load on the relevant Distribution Facility or, alternatively, based

on such other cost-sharing arrangement as may be agreed to by the Embedded Distributors and Hydro One.

B7. Upstream Costs

Where a capital contribution is charged to Hydro One for work performed by a transmitter (including Hydro One's Transmission business unit) or a Host Distributor to meet the needs of an Embedded Distributor, Hydro One shall in turn require a capital contribution from that Embedded Distributor to cover such upstream cost. The upstream cost will be passed through to the Embedded Distributor dollar-for-dollar; Hydro One will not apply the economic evaluation methodology set out in Appendix B of the Distribution System Code to the upstream cost.

Where such upstream cost is associated with a load guarantee, as calculated by the transmitter or host distributor through an economic evaluation, Hydro One shall in turn require the Embedded Distributor to be subject to a corresponding load guarantee. Hydro One shall require the Embedded Distributor to pay any upstream true-up costs that may result from the distributor's subsequent load shortfall in relation to the Embedded Distributor's load guarantee.

B8. Capital Cost Recovery Agreement

Terms and conditions addressing the arrangements described in this section B between Hydro One and Embedded Distributors shall be incorporated in a Capital Cost Recovery Agreement (CCRA). Where multiple Embedded Distributors are involved, Hydro One will normally enter into a separate CCRAs with each Embedded Distributor. Hydro One will not commence work on any new Distribution Facility or on any upgrades to existing Distribution Facilities until a CCRA is fully executed between Hydro One and the Embedded Distributor or in the event that multiple Embedded Distributors are involved, until a CCRA has been executed with each of the Embedded Distributors, and all required payments have been made in accordance with the CCRA(s).

C. Ownership Demarcation Point and Operational Demarcation Point

For an Embedded Distributor, the Ownership Demarcation Point and the Operational Demarcation Point shall be specified in the Operating Schedule of the Connection Agreement.

D. Voltage

The Embedded Distributor shall consult with Hydro One early to confirm availability of specific voltages within the Hydro One Distribution System.

For Embedded Distributor, Hydro One supplies electricity at the following nominal voltages and phases, where available:

(i) 44,000 Volts – 3 Phase 3 Wire;
(ii) 16,000/27,600 Volts – 3 Phase 4 Wire;
(iii) 14,400/25,000 Volts – 3 Phase 4 Wire; or
(iv) 8,000/13,800 Volts – 3 Phase 4 Wire.

E. Metering

For Embedded Distributors, metering shall be specified in the Connection Agreement or as Hydro One shall otherwise specify.

F. Embedded Generation Facility Connections

F.1. Application and Information Requirements for Embedded Generation Facility Connections with a Name-plate Rated Capacity > 10 kW

As the proposed connection of an Embedded Generation Facility with a name-plate rated capacity that is greater than 10 kW to the Embedded Distributor's distribution system impacts Hydro One's Transmission System and Distribution System, an Embedded Distributor shall submit an application to Hydro One in respect of such proposed connection, in a form acceptable to Hydro One, as soon as is practicable and no later than five days after receipt of a complete application for connection,. The following information will be required in the application to Hydro One: a description of the proposed Generation Facility, including the type of technology, proposed in-service date, the proposed name-plate rated capacity of the Embedded Generation Facility and the Embedded Distributor's feeder line to which the Embedded Generation Facility is proposing to connect.

Hydro One will make every reasonable effort to respond promptly to an Embedded Distributor's application in respect of the proposed connection of an Embedded Generation Facility with a name-plate rated capacity that is greater than 10 kW to the Embedded Distributor's distribution system and shall comply with all of the requirements of a Host Distributor identified in section 6.2 of the Distribution System Code.

F.2. Information Requirements for all Embedded Generation Facility Connections

The Embedded Distributor shall provide Hydro One with the following information with respect to the connection of Embedded Generation Facilities to the Embedded Distributor's distribution system on a quarterly basis:

(i) the number of connection impact assessments performed by the Embedded Distributor for Embedded Generation Facilities with a name-plate rated capacity of greater than 10 kilowatts;

(ii) the amount of name-plate rated capacity of Embedded Generation Facilities connected in the previous quarter, regardless of the size; and

(iii) the total removal/reduction of previously allocated capacity expressed in kilowatts for Embedded Generation Facilities with a name-plate rated capacity of greater than 10 kilowatts.

Such information is critical to Hydro One's capability to plan for impacts of such connections on its Distribution System and Transmission System in a timely manner. Without this information, Hydro One cannot guarantee the availability of capacity for proposed projects.

Furthermore, the Embedded Distributor is responsible for timely communications with any Embedded Generator proposing to connect an Embedded Generation Facility to the Embedded Distributor's distribution system and for ensuring that Hydro One's requirements are met by the Embedded Distributor and/or the affected Embedded Generator in the case of any issues involving Hydro One.

G. Load Capacity on a Distribution Facility

G.1 Total Normal Supply Capacity

The Total Normal Supply Capacity of a Distribution Facility is equivalent to the maximum amount of load that can be supplied by that facility. The Total Normal Supply Capacity is determined based on equipment electrical ratings, voltage constraints in accordance with CSA standards, and system reliability considerations (e.g. the ability to reliably discriminate between normal and faulted conditions). Each Distribution Facility can be either winter- or summer-critical, as identified by Hydro One.

G.2 Historical Capacity

G.2.1 Determination

An Embedded Distributor's *Historical Capacity* on a Distribution Facility shall be equal to the Embedded Distributor's highest rolling three-month average non-coincident peak load on the Distribution Facility under normal operating conditions in the most recent five years.

If an Embedded Distributor has been connected to a Distribution Facility for a period of less than five years, for purposes of determining the Embedded Distributor's Historical Capacity, Hydro One shall use the distributor's highest rolling three-month average non-coincident peak load on the Distribution Facility in the year or years during which the Embedded Distributor has been connected to the Distribution Facility.

G.2.2 Load Manipulation

Where Hydro One reasonably believes that an Embedded Distributor is manipulating its load for the purpose of the determination of its Historical Capacity, Hydro One may, at its sole discretion, re-determine the Historical Capacity to eliminate the effects of such manipulation. Hydro One will notify the Embedded Distributor of any adjustments made to its Historical Capacity and provide the rationale for the adjustments.

G.2.3 Notification

Upon written request from an Embedded Distributor, Hydro One will determine the Embedded Distributor's Historical Capacity on a Distribution Facility and provide it to the Embedded Distributor.

G.3 Assigned Capacity

G.3.1 Assignment of Available Capacity

Where unused and unassigned supply capacity is available on an existing Distribution Facility, Hydro One may assign such *Available Capacity* to an Embedded Distributor, upon written request from the Embedded Distributor.

Hydro One shall assign available capacity to an Embedded Distributor, in writing, on a first-come first-served basis. The capacity will be assigned at the sole discretion of Hydro One and will be referred to as the Embedded Distributor's *Assigned Capacity.*

Hydro One will not assign capacity to an Embedded Distributor unless the Embedded Distributor has demonstrated its need for the capacity to the satisfaction of Hydro One.

G.3.2 Competing Requests

Where requests for capacity assignments are received from multiple Embedded Distributors in relation to a Distribution Facility, and the Available Capacity on the facility is insufficient to fully accommodate the requests, Hydro One shall assign the available capacity on that facility to the Embedded Distributors in proportion to their respective demonstrated needs.

G.3.3 Cancellation of Assigned Capacity

Where Available Capacity on a Distribution Facility has been assigned to an Embedded Distributor and that Assigned Capacity has not been taken

up by the Embedded Distributor within one year of the assignment, Hydro One shall

a) cancel the assignment;
b) treat such capacity as Available Capacity; and
c) notify all Embedded Distributors currently requesting capacity at that facility of the cancellation.

An Embedded Distributor may request Hydro One to extend the one-year period referred-to above, where circumstances warrant, such as where a load customer of the Embedded Distributor is constructing a new facility that requires more than one year to come into service.

G.4 Contracted Capacity

Where a CCRA has been fully executed with an Embedded Distributor in relation to a new or modified Distribution Facility, and the associated economic evaluation is conducted on the basis of a load forecast, the distributor's *Contracted Capacity* shall, during the economic evaluation period to which the economic evaluation relates, be equal to the load identified in that load forecast.

3.8. Unmetered Connections

There are instances where electrical service can be provided without metering to certain Connections that draw a small and uniform electrical load. Hydro One reserves the right to review all cases for eligibility for such unmetered service, and to determine, at its sole discretion, whether to allow an unmetered connection or require that a meter be installed at the Connection.

Services that can be unmetered include cable TV amplifiers, telephone switching devices, phone booths, bus shelters, rail way crossing signals, traffic signals, and other small, uniform or fixed loads. Only loads of less than 5 kW can be set up as unmetered Connections. The unmetered Customer shall provide detailed manufacturer information and documentation with regard to the electrical demand or consumption of the proposed unmetered load. A completed load study that is acceptable to Hydro One may be required for determination of the load and hours of usage.

Unmetered connected service facilities are not intended for Customers with generation facilities to generate and deliver electricity into Hydro One's distribution system. If an unmetered Customer has generation facilities, the connection shall meet Hydro One's technical specification for emergency backup or standby generation, as discussed in section 2.3.6 Emergency Backup Generation Facilities, Load Displacement Generation Facilities and Energy Storage.

3.8.1 General Conditions for Unmetered Service Connections

Hydro One has the fiduciary responsibility to all Customers to ensure that good processes are established and followed. Accordingly there are reciprocal obligations and responsibilities that must be met by both Hydro One and a Customer who wishes to take advantage of less complex supply point equipment associated with an unmetered service connection. Acceptance of an unmetered connected load by Hydro One thus requires Hydro One and the unmetered Customer to uphold the conditions and respective responsibilities listed below.

Further, at Hydro One's discretion, an agreement may be required between the unmetered Customer and Hydro One that identifies the unmetered Customer's obligations and responsibilities in notifying Hydro One of changes to existing or new equipment and of Connections added to the Distribution System by the unmetered Customer.

Where an unmetered Customer wishes to affix its attachments to a Hydro One asset, Hydro One must approve the method of attachment and location of installations and the owner must enter into an additional Customer-specific Joint Use Agreement.

The billing of unmetered Connections will be based on estimated usage.

All unmetered Connections fall under the Unmetered Scattered Load or Lighting Rate classifications.

3.8.1.1 General Responsibilities

3.8.1.1.1 Unmetered Connected Load Service Customer Responsibilities

This section lists the unmetered Customer responsibilities which are to:

- comply with the requirements of Hydro One standards and the Ontario Electrical Safety Code to ensure public safety;
- provide a letter on company letterhead, duly signed and stamped by a professional engineer registered with the Professional Engineers of Ontario (PEO), indicating the estimated load of the unmetered connected service;
- retain all information provided to and by Hydro One pursuant to the terms in Section 3.8.3 Data Quality & Audit Requirements and Records Retention. Hydro One may choose not to retain record details with each unmetered connected service and thus will not be held responsible for any incomplete records;
- provide timely and accurate data (refer to Section 3.8.3 Data Quality & Audit Requirements and Records Retention);

- accept energy consumption based on either:
    - the maximum continuous calculated load or
    - the results of a Hydro One accepted audit (See Section 3.8.3 Data Quality & Audit Requirements and Records Retention).
- allow no external party to connect to its unmetered connected service and its unmetered secondary bus;
- relocate, at the unmetered Customer's cost, the secondary conductors of an unmetered service to another designated Supply Point at Hydro One's request; and
- complete, sign and submit to Hydro One, a customer self-declaration form and data requirement sheet within 60 days of a request by Hydro One or by any other date specified by Hydro One.

3.8.1.1.2 Hydro One Responsibilities

Hydro One's responsibilities include the following:

- provide a service layout for each unmetered service location that identifies the Supply Point and prescribes any applicable Hydro One standards and conditions;
- should the Supply Point require relocation, provide reasonable notice to the unmetered Customer, as follows:
    - planned Supply Point relocations – 90 day written notice
    - emergency Supply Point relocations – when possible
- assign the Unmetered Service Load ("USL") energy account for New Connected load; and
- ensure that unmetered connected service billing information accurately reflects calculated electrical consumption by unit, quantity, load profile and demand. Devices of the same class by type or load may be grouped together where possible and assigned the same billing determinants.

3.8.2 Data Requirements

3.8.2.1 New Unmetered Connected Load Services

New unmetered connected load services shall meet with the data quality requirements described in Section 3.8.3 Data Quality & Audit Requirements and Records Retention.

Unmetered Customers shall provide Hydro One with the necessary information to complete each unmetered connected service layout.

3.8.2.2 Existing Unmetered Connected Load Services

Throughout the lifecycle of the unmetered connected service, unmetered Customers are required to submit updated and accurate data to Hydro One when it becomes known by the unmetered Customer, or is requested by Hydro One.

The unmetered Customer shall make an annual declaration confirming data accuracy.

3.8.3 Data Quality Auditing Requirements and Records Retention

In the event that Hydro One or the unmetered Customer identifies or causes a billing error, Hydro One will rectify the matter consistent with this section (3.8.3) and Section 3.8.5.7 Error Costs.

The unmetered Customer shall meet the following data requirements:

3.8.3.1 Data Quality Requirements

The unmetered Customer shall collect and retain accurate GPS coordinates and provide such to Hydro One when requested.

Electrical profile, power quality, and usage accuracy studies are required when new unmetered equipment is introduced or when these are requested by Hydro One. The unmetered Customer, has two options with which to develop and provide the information to Hydro One:

- an in-house test plan (covering scope, applicability, conditions, quality control, measurement devices, timing, staff competencies, control documents, error resolution process, and external references) for Hydro One approval. Final results and report shall be signed and sealed by a Professional Engineer of Ontario; or

- a signed and sealed certified test report from a Standards Council of Ontario or ANSI compliant laboratory having competencies in electrical equipment testing.

Costs for either option will be borne by the unmetered Customer.

Where data errors are identified, the applicable cost treatment described in Section 3.8.5.7 shall apply.

3.8.3.2 Data Auditing Requirements

Hydro One may initiate an audit at regular intervals or on notice.

3.8.3.3 Records Retention

The unmetered Customer shall retain information provided to and by Hydro One for a minimum period of seven years while the unmetered connected service is in a state other than "permanently removed" (see Section 3.8.5.1 Proposed and Section 3.8.5.2 In-Service and Section 3.8.5.3 Permanently Removed). Once the unmetered connected service has been permanently removed, the retention period shall be a minimum of two years from the removal date.

The retained information shall include the information discussed in this section 3.8 and any other relevant correspondence or agreements regarding the unmetered connected service, including the associated service connections and load.

If the unmetered Customer does not retain such records, Hydro One may incur costs associated with research and reconstruction of the missing information as described in Section 3.8.5.6 Audit Costs and 3.8.5.7 Error Costs. Hydro One reserves the right to recover all of such costs from the unmetered Customer.

3.8.4 Unmetered Load Types Defined

The method of determining, and the location of Supply Points may vary for each unmetered service connection application and shall be established based on consultation with Hydro One. The following sections outline the types of unmetered service connections, each of which has specific requirements captured within each section.

3.8.4.1 Street Lighting

This section pertains to the distribution and supply of electrical energy for street lighting. Street lights are devices owned by or operated for the road authority and/or the municipal corporation.

The energy consumption for street lights is estimated based on Hydro One's profile for street lighting load, which provides the amount of time each month that the street lights are operating. The energy charge is based on installed load.

Street lighting plant, facilities, or equipment owned by the unmetered Customer are subject to the requirements of the Electrical Safety Authority.

The unmetered Customer is responsible for paying the Actual Cost of the work related to the connection of Street Lighting performed by Hydro One.

Streetlights attached on Hydro One's line poles will require the owner to enter into an agreement to use such poles. The location and method of attachment is subject to Hydro One approval. Hydro One will make the electrical service connection of all streetlights to the Distribution System. The normal service voltage will be 120/240 volts, single-phase, three-wire.

The unmetered Customer will provide the secondary conductor to the supply point. Hydro One will install and connect the service conductor at the supply point.

3.8.4.2 Telecommunication Power Supplies

This section pertains to the distribution and supply of electrical energy for cablevision power units. The standard service with no accessories (heaters or air conditioners, etc.) can be unmetered. A completed load study will be required; otherwise the account will be set up on full name plate rating. Energy consumption will be based on connected wattage on the line side power supply and based on twenty-four hours of use.

Power units that have additional accessories such as heaters or air conditioners, etc. shall require metering.

Each power supply will be set up as an individual account.

The service voltage will be 120 volts, single phase, two wire, maximum 15 amp.

The method and location of supply will vary and will be established for each application through consultation with Hydro One.

3.8.4.3 Traffic Signals

This section pertains to the distribution and supply of electrical energy for traffic signals and crosswalks. These are the devices owned and maintained by the road authority and/or the municipal corporation.

The service may be unmetered for small intersections, while larger loads may require metering. Energy consumption will be based on the connected wattage and the calculated hours of use.

The service voltage will be 120/240 volts, single phase, three wire.

The method and location of the supply will vary and will be established for each application through consultation with Hydro One.

The unmetered Customer will provide the secondary conductor to the supply point. Hydro One will install and connect the service conductor at the supply point.

3.8.4.4 Decorative Lighting

This section pertains to the distribution and supply of electrical energy for decorative street lighting installations. Such installations could be lighting for festive occasions or streetscaping. These are privately owned and maintained and subject to Electrical Safety Authority and Hydro One service conditions.

This section does not apply to street lighting that is owned by or operated by the road authority and/or the municipal corporation.

Hydro One shall determine whether metering is required on a case-by-case basis by considering the demand, load profile, location, accessibility, duration of the Connection, and municipal agreement.

The nominal service voltage will be 120/240 volts, single phase.

The method and location of the supply will vary and will be established for each application through consultation with Hydro One.

Charges for part time or decorative seasonal lighting include an energy charge calculated at dollars/kWh/month. Minimum billing will be for one month (Dollars per kWh x # of fixtures x kWh).

3.8.4.5 Other Small Services

Telephone booths, small power supplies, communication amplifiers and antennas, road and utility cathodic protection, railway signals, flasher beacons, and similar small unmetered Customer loads within the public road right-of-way may qualify for unmetered connected servicing.

3.8.5 Service Costs

There are three life cycle states for an unmetered connected load service. They are as follows:

(i) Proposed;
(ii) In-service; or
(iii) Permanently removed.

In each state, the minimum billing period remains as one month regardless of when the unmetered connected load service lifecycle state changes. Also, billing of the energy and fixed charges continues monthly in all lifecycle states until the service has been permanently removed.

3.8.5.1 Proposed

On request of a new connection, the unmetered Customer's proposal will initiate the service point as "Proposed" for a period of up to 90 days.

3.8.5.2 In-Service

An unmetered connected load service is deemed to be "in-service" when it has been energized or it has been electrically isolated (removed from any electrical energy source) at any time between being energized or permanently removed. The two in-service lifecycle states are described as follows:

(i) Energized

An existing unmetered connected load service that has been physically connected to the Hydro One distribution network is deemed to be "Energized".

(ii) Electrically Isolated

An existing unmetered connected load service that has been physically detached from the Hydro One distribution network is deemed to be "Electrically Isolated". Isolation of the unmetered connected load service may be initiated by Hydro One for power quality, outage events, or data issues (See Section 3.8.5.7 Data Requirements), or by the unmetered Customer through written request.

In this lifecycle state, Hydro One continues to calculate the bill (energy and fixed charges) on a per month basis for not more than six consecutive months. Following the sixth month of being "electrically isolated", the unmetered connected load service must be either placed back "in-service" or "permanently removed" from service. Hydro One retains the right to disconnect the service per the terms defined in Section 2.2.

3.8.5.3 Permanently Removed

An unmetered connected load service is deemed "permanently removed" following the sixth consecutive month in the "electrically isolated" state, or when the unmetered Customer requests that the unmetered connected load service be permanently cancelled and physically detached from the Hydro One distribution network energy source.

When an unmetered connected load service has been deemed "permanently removed", billing charges (energy and fixed charges) shall cease as of the next scheduled billing date.

Re-energization of an unmetered connected load service in this lifecycle state shall be treated as a new unmetered connected load service and be subject to the requirements contained within this document for new unmetered connected load service requests.

3.8.5.4 Work by Hydro One

Hydro One connection, isolation and re-energization fees will apply. Note that extra work by Hydro One beyond a simple, basic connection onto the overhead or underground system is at the unmetered Customer's expense. See Section 2.1.

3.8.5.5 Electrical Disturbances

Should unmetered Customer loads create disturbances on Hydro One's distribution system, the unmetered connected load service may be billed for subsequent Hydro One restoration costs, or may be "electrically isolated" or "permanently removed" from the Hydro One distribution network.

For more information on the conveyance of electricity and potential impact of Customer connections, including electrical disturbances, see Section 2.3 Conveyance of Electricity.

3.8.5.6 Audit Costs

Any costs or expenses that are incurred by the unmetered Customer in supporting or responding to the requirements of a Hydro One audit shall be the responsibility of the unmetered Customer.

3.8.5.7 Error Costs

Hydro One encourages voluntary data error disclosure and data quality improvement.

Recurring data errors, or data quality problems, may result in an unmetered Customer being "electrically isolated" or "permanently removed" from the Hydro One distribution network, with the option for the unmetered Customer to upgrade to a metered service from a Hydro One-designated supply point.

When an unmetered Customer volunteers corrected or improved data before commencement of a joint audit, the unmetered Customer will be held responsible for the corrected consumption usage.

To improve the quality of the unmetered connected load service data, Hydro One encourages the unmetered Customer to cooperate in a joint audit as described in Section 3.8.3.2 Data Audit Requirements. In this case, the unmetered Customer will be responsible for the associated costs and the corrected consumption usage.

If the unmetered Customer provides Hydro One unmetered data that is of insufficient quality (i.e. not meeting audit standards), no data, or late data, the unmetered Customer shall pay Hydro One's field verification and data correction costs, equivalent costs per each unmetered connected load service, and the corrected consumption usage.

Unmetered Services - Customer Annual Load Accuracy Declaration

I declare that Hydro One's records in the attached file for the unmetered load connected to Hydro One's distribution system are accurate as of the date provided.

In addition, I declare that any updates to the records that I've made including but not limited to changes in load at current supply points, or new load at different supply points, are also accurate.

Reporting Period: _____

Corporation: _____

Name: _____

Title: _____

Date: _____

I have authority to bind the Corporation;

Signature: _____

Submit in PDF format to Hydro One. It is the responsibility of the unmetered load customer to ensure that Hydro One has acknowledged receipt of the declaration.

hydro one

Partners in Powerful Communities

SECTION 4 GLOSSARY OF TERMS

"Acquired Local Distribution Company" means a distribution company or a distribution system acquired by Hydro One since April 1, 1999. "Affiliate Relationships Code" means the code, issued by the OEB and in effect at the relevant time, which among other things, establishes the standards and conditions for the interaction between electricity distributors or transmitters and their respective affiliated companies;

"Actual Cost" means Hydro One's charge for equipment, labour and materials at Hydro One's standard rates plus Hydro One's standard overheads and interest thereon;

"Applicable Laws" means any and all applicable laws, including environmental laws, statutes, codes, licensing requirements, treaties, directives, rules, regulations, protocols, policies, by-laws, orders, injunctions, rulings, awards, judgments, or decree or any requirements or decision or agreement with or by any government or governmental department, commission, board, court authority or agency;

"Basic Connection" means a Connection of a Building that Lies Along that can be connected without requiring an Expansion;

"Billing Cycle Factor" means a factor applied to a bill amount in order to normalize to the length of the bill period plus forty-five (45) days for the purposes of calculating security deposit requirements, i.e., a monthly bill is adjusted by a Billing Cycle Factor of 2.5, a bi-monthly bill is adjusted by a Billing Cycle Factor of 1.75 and a quarterly bill is adjusted by a Billing Cycle Factor of 1.5;

"Bi-monthly Billing" means a notional and approximate sixty day (60) period for a billing cycle, not necessarily aligned with calendar months;

"Building that Lies Along" means a Customer property or parcel of land that is directly adjacent to or abuts onto the public road allowance where Hydro One has Hydro One Facilities and Equipment of the appropriate voltage and capacity;

"Capital Cost Recovery Agreement" formerly known as a "Connection Cost Recovery Agreement and means an agreement entered into between Hydro One and a person connected to its Distribution System that describes the work to be performed by Hydro One in connecting the Customer, the cost of same, any required capital contributions and/or revenue guarantees;

"Combination Meter/Breaker Unit" means a meter box that contains both a meter and a breaker unit;

"Common Line" means that portion of a line on private property that is owned by Hydro One and is used to serve more than one Customer;

"Complex Metering Installation" means a Metering Installation where instrument transformers, test blocks, recorders, pulse duplicators and multiple meters may be employed;

"Connection" means the process of installing and activating connection assets in order to distribute electricity to a Customer;

"Connection Assets" means that portion of the Distribution System used to connect a Customer to the existing main Distribution System, and consists of the assets between the point of Connection on the main Distribution System and the Ownership Demarcation Point with that Customer;

"Connection Agreement" means the agreement entered into between Hydro One and a person whose Customer Equipment is or is to be connected to the Distribution System that delineates the conditions of the Connection and delivery of electricity to or from that Connection;

"Connection Cost Agreement" means an agreement made between Hydro One and a Generator in relation to the Connection of a Small Embedded Generation Facility, a Mid-sized Embedded Generation Facility or a Large Embedded Generation to the Distribution System as referred to in Section 6.2.18 of the Distribution System Code;

"Cure Period" means the period of time given to a Defaulting Party for the purposes of remedying an Event of Default under a Connection Agreement;

"Customer" means a person that has contracted for or intends to contract for connection of a building or an Embedded Generation Facility. This includes developers of residential or commercial subdivisions and Embedded Distributors;

"Customer Equipment" means all electrical and mechanical equipment that is owned by the Customer and is used by the Customer and only supplies the Customer's home or business and does not include any Hydro One Facilities and Equipment;

"Demand Billed Customer" means a non-residential Customer with average monthly peak demand equal to or greater than 50 kW over the most recent calendar year that is read monthly and billed on kW demand or 90% of kVA as well as kWh energy;

"Demand Meter" means a meter that measures a Customer's peak usage during a specified period of time;

"Disconnect" or "Disconnection" means a deactivation of connection assets that result in cessation of Distribution Services to a Customer;

"Disconnect/Collect Trip" is a visit to a Customer's premises by an employee or agent of Hydro One to demand payment of an outstanding amount or to shut off or limit distribution of electricity to the Customer failing payment;

"Distribute" or "Distribution" with respect to electricity, means to convey electricity at voltages of 50 kV or less;

"Distribution Facility" means all distribution electrical equipment and systems associated with delivering electrical power from a transmission connection facility to one or more distribution end-use Customers. A Distribution Facility normally includes a distribution feeder and may include a distribution station, as well as a secondary distribution feeder. Voltage regulating devices, overcurrent protection devices, and metering equipment are all examples of equipment that are typically also included as part of a Distribution Facility. Any reference to a Distribution Facility in these Conditions of Service means a Hydro One–owned Distribution Facility, unless otherwise noted.

"Distribution Losses" means energy losses that result from the interaction of intrinsic characteristics of the distribution network such as electrical resistance with network voltages and current flows;

"Distribution Loss Factor" means the factor(s) by which metered loads must be multiplied such that when summed it equals the total measured load at the supply point(s) to the Distribution System;

"Distribution Services" means services related to the distribution of electricity and the services the OEB has required Distributors to carry out, for which a charge or Rate has been approved by the OEB under Section 78 of the *Ontario Energy Board Act*;

"Distribution Standards" means Hydro One's distribution standards;

"Distribution System" means Hydro One's system for distributing electricity, and includes any structures, equipment or other things used for that purpose. The Distribution System is composed of the main system capable of distributing electricity to many Customers and the connection assets used to connect a Customer to the main Distribution System;

"Distribution System Code" means the code, issued by the OEB, and in effect at the relevant time, which, among other things, establishes the obligations of a Distributor with respect to the services and terms of service to be offered to Customers and Retailers and provides minimum technical operating standards of distribution systems;

"Distributor" means a person who owns or operates a distribution system;

"Distributor Consolidated Billing" is as described in the Retail Settlement Code;

"Electricity Act" means the *Electricity Act, 1998*, being Schedule A to the *Energy Competition Act*, S.O. 1998, c. 15, as amended;

"Electricity Distribution Rate Handbook" means the document issued by the OEB that outlines the regulatory mechanisms that will be applied in the setting of Distributor's Rates;

"Electrical Safety Authority" or "ESA" means the person or body designated under the regulations made pursuant to the *Electricity Act* as the Electrical Safety Authority;

"*Electrical Safety Code*" means the code referred to in O. Reg. 164/99, as amended;

"Electricity System" means the integrated power system and all facilities connected to that system;

"Eligible Low-Income Customer" means, effective October 1, 2011,:

(a) a residential Customer who has a pre-tax household income at or below the pre-tax Low Income Cut-Off, according to Statistics Canada, plus 15%, taking into account family size and community size, as qualified by a social service agency or government agency; or

(b) a Customer who has been qualified for any OEB-approved emergency financial assistance program made available by Hydro One for Eligible Low-Income Customer,

(c) and said Customer shall remain an Eligible Low-Income Customer for a period of two (2) years from the date on which the Customer first qualified as an Eligible Low-Income Customer.

"Embedded Distributor" or "Embedded LDC" means a Distributor that is provided electricity by the Host Distributor. In this document, an Embedded Distributor or Embedded LDC may or may not be a Wholesale Market Participant;

"Embedded Generator" means a Generator whose Generation Facility is connected to the Distribution System;

"Embedded Generation Facility" means a Generation Facility which is not directly connected to the IESO-controlled Grid but instead is connected to a distribution system and has the extended meaning given to it in Section 1.9 of the Distribution System Code;

"Emergency" means any abnormal system condition that requires remedial action to prevent or limit loss of a Distribution System or supply of electricity that could adversely affect the reliability of the Electricity System;

"Emergency Backup Generation Facility" means a Generation Facility that has a transfer switch that isolates it from the Distribution System;

"Energy Meter" means a meter that measures a Customer's energy consumption

"Energy Only Customer" means any Customer with average monthly peak demand of less than 50 kW over the most recent calendar year that is billed for electricity service on kWh energy only;

"Energy Storage Facility" means an energy storage facility that has a transfer switch that isolates it from the Distribution System;

"Event of Default" means a Financial Default or a Non-financial Default;

"Expansion" is a situation in which Hydro One needs to construct new facilities to its main Distribution System or increase the capacity of existing Hydro One Facilities and Equipment of its main Distribution System in order to be able to connect a specific Customer;

"Existing Park Facilities" means distribution facilities that are owned by Hydro One and are within the park boundary;

"Financial Default" means a failure by a party to pay an amount to the other party to the Connection Agreement when due, including failure to pay compensation or indemnification for loss or damage to agreed by the parties or for amounts determined to be owed to a party as a result of the settlement or resolution of a dispute arising under a Connection Agreement;

"Force Majeure Event" shall be deemed to be a cause reasonably beyond the control of the party whose inability as aforesaid is involved such as, but without limitation to, strike, lockout or other labour dispute of that party's employees, damage or destruction by the elements, accident to the works of that party, fire explosion, war on the Queen's enemies, legal act of the public authorities, insurrection, Act of God or inability to obtain essential services or to transport materials, products or equipment because of the effect of similar causes on that party's suppliers or carriers;

"Four-Quadrant Interval Meter" means an Interval Meter that records power injected into the Distribution System and the amount of electricity consumed by the Customer;

"General Service" means the Rate classifications applicable to any service that does not fit the description of year-round residential or seasonal residential, Sub-Transmission (ST), MicroFIT Generator, Distributed Generation customer classes, and Lighting classes. Generally, it is composed of commercial, industrial, educational, administrative, auxiliary and government type services. It includes combination-type services where a variety of uses are made of the service by the

owner of one property, and all multiple services except residential with up to four units;

"Generate" or "Generating", with respect to electricity, means to produce electricity or provide ancillary services, other than ancillary services provided by a transmitter or distributor through the operation of a transmission or distribution system;

"Generation Facility" means a facility for Generating electricity or providing ancillary services, other than ancillary services provided by a transmitter or Distributor through the operation of a transmission or distribution system, and includes any structures, equipment or other things used for that purpose;

"Generator" means a person who owns or operates a Generation Facility;

"Good Utility Practice" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry in North America during the relevant time period, or any of the practices, methods and acts which in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in North America;

"Historical Capacity" is defined in section 3.7.G.2

"Host Distributor" means the Distributor who provides electricity to an Embedded Distributor and for the purposes of these Conditions of Service, means Hydro One;

"Hydro One Facilities and Equipment" means Hydro One's Meter Installation(s), wires, poles, cables, transformers, any other structures, equipment, all other appliances and equipment or other things used for distributing electricity;

"IESO" means the Independent Electricity System Operator established under the *Electricity Act*;

"IESO Controlled Grid" means the transmission systems with respect to which, pursuant to agreements, the IESO has the authority to direct operation;

"Insolvency/Dissolution Event" means any of the following in respect of a party, the making of an order or resolution for the winding up of the party or of its operations or the occurrence of any other dissolution or liquidation proceeding instituted by or against a party, including, but not limited to bankruptcy and insolvency;

"Interval Meter" means a meter that measures and records electricity use on an hourly or sub-hourly basis;

"Land Lease Community Home", means any dwelling that is a permanent structure where the owner of the dwelling leases the land used or intended for use as the site for the dwelling, but does not include a mobile home;

"Large Embedded Generation Facility" means an Embedded Generation Facility with a name-plate capacity of more than 10 MW;

"Load Displacement" means in relation to a Generation Facility that is connected on the Customer side of the Ownership Demarcation Point, that the output of the Generation Facility is used or intended to be used exclusively for the Customer's own consumption;

"Load Displacement Generation Facility" means an Embedded Generation Facility that is used exclusively for Load Displacement purposes at all times;

"Load Controller" is a device that will control the amount of power delivered to **a** premise. Load interrupters are also used to control the amount of power delivered. The load controlling devices are typically used during collection activity;

"Load Transfer" means a network supply point of one distributor that is supplied through the distribution network of another distributor and where this supply point is not considered a wholesale supply or bulk sale point;

"Load Transfer Customer" means a Customer that is provided Distribution Services through a Load Transfer;

"Local Distribution Company" or "LDC" means a Distributor licensed by the Ontario Energy Board who is an Embedded Distributor;

"Low Density Zone (R2)" means an area other than an Urban or Medium Density Zone;

"Market Participant" means a person who is authorized by the Market Rules to participate in the IESO-administered markets or to cause or permit electricity to be conveyed into, through or out of the IESO-controlled grid;

"Market Rules" means the rules made under Section 32 of the *Electricity Act*;

"Measurement Canada" means the Special Operating Agency established in August 1996 by the *Electricity and Gas Inspection Act* (Canada);

"Medium Density Zone (R1)" means an area containing 100 or more Customers with a line density of at least 15 Customers per kilometre. All classes of Customers are included in the density count;

"Meter Installation" means the meter and, if so equipped, the instrument transformers, wiring, test links, fuses, lamps, loss of potential alarms, meters, data recorders, telecommunication equipment and spin-off data facilities installed to measure power past a meter point, provide remote access to the metered data and monitor the condition of the installed equipment, whether or not such equipment is located in the immediate vicinity of the meter and includes, where applicable, a Socket-Mounted Collector or a Pole-Mounted Collector, and including all other equipment required for the Meter Installation;

"Metering Services" means installation, testing, reading, and maintenance of meters;

"Micro-embedded Generation Facility" means an Embedded Generation Facility with a name-place rated capacity of 10 kW or less;

"MicroFit Contract" means an agreement made between the Ontario Power Authority and a Generator in respect of the feed-in tariff program for Micro-embedded Generation Facilities;

"MicroFIT Generation Facility" means a Micro-embedded Generation Facility with a MicroFIT Contract;

"Mid-Sized Embedded Generation Facility" means an Embedded Generation Facility with a name-plate rated capacity of 10 MW or less and:

(a) more than 500 kW in the case of a facility connected to a less than 15 kV line; and
(b) more than 1 MW in the case of a facility connected to a 15 kV or greater line;

"MIST" refers to "Metering Inside the Settlement Timeframe";

"MIST Meter" means an Interval Meter from which data is obtained and validated within a designated settlement timeframe;

"Mobile Home" means any dwelling that is designed to be made mobile, and constructed or manufactured to provide a permanent residence for one or more persons, but does not include a travel trailer, tent trailer or trailer otherwise designed;

"Monthly Billing" means a notional and approximate 30-day period for a billing cycle, not a calendar month;

"MOST" refers to "Metering Outside the Settlement Timeframe";

"MOST Meter" means an Interval Meter from which data is only available outside of the designated settlement timeframe;

"Multiple Residential Properties" means a property, which provides separate living accommodation for two or more families. It does not include properties used for short-term occupancy such as hotels, motels, etc.;

"Net Metered Generation Facility" means an Embedded Generation Facility that meets the requirements of O. Reg. 541/05 "Net Metering";

"Neutral Ground Resistor (NGR)" means a resistor that has been installed between the transformer neutral and ground;

"Non-financial Default" means in respect of a party:

(a) any breach of a Connection Agreement by that party, other than a breach that constitutes a Financial Default;
(b) the licence (if any) of the party is suspended, withdrawn or revoked or expires without being replaced; or
(c) an Insolvency/Dissolution Event occurs in relation to the party;

"OEB" means the Ontario Energy Board;

"Ontario Energy Board Act" means the *Ontario Energy Board Act*, *1998*, being Schedule B to the *Energy Competition Act*, S.O. 1998. c. 15, as amended;

"Operational Demarcation Point" means the physical location at which Hydro One's responsibility for operational control of distribution equipment, including Connection assets ends at the Customer;

"Ownership Demarcation Point" means the physical location at which Hydro One's ownership of distribution equipment, including Connection assets ends at the Customer;

"Personal Information" means any factual or subjective information, recorded or not, about an identifiable individual and this includes information in any form such as: age, name, ID numbers, income, ethnic origin, or blood type, opinions, evaluations, comments, social status, or disciplinary actions. Personal information does not include the name, title, business address or telephone of an employee of an organization;

"Point of Common Coupling" or "PCC" or "Point of Supply", with respect to an Embedded Generation Facility, means the Connection point where electricity produced by the Embedded Generation Facility is injected into the Distribution System;

"Pole-Mounted Collector" means an advanced metering infrastructure device installed on a Customer-owned pole to support meter communications;

"Present Value" means the current value of a future amount of money;

"Primary Metered Service" means a Connection whose meter point is located on the primary side of a distribution transformer;

"Primary Service" means a Connection directly to Hydro One's primary facilities. The Customer owns all conductors, supports and civil works located on its property;

"Private Property" means any property owned by a Customer or a third party and does not include any public street or highway;

"Promptly" means performed in an expeditious manner and without undue delay, using due diligence, and with the intent of completing a required act or task as quickly as practicable;

"Public Holidays" mean the days designated by Hydro One from time to time. Until otherwise designated, including: New Year's Day, Family Day, Labour Day, Good Friday, Thanksgiving Day, Easter Monday, Christmas Day, Victoria Day, Boxing Day, Canada (Dominion) Day, and the Civic Holiday (as celebrated in Metropolitan Toronto);

"Qualified Contractor" means a contractor qualified to deal with electrical hazards in accordance with the requirements of the Occupational Health & Safety Act, (Ontario) as amended and all applicable regulations thereto including, Construction Projects – O. Reg. 213/91;

"Quarterly Billing" means a notional and approximate 90-day period for a billing cycle, not necessarily aligned with calendar months;

"Rate" means any rate, charge or other consideration, and includes a penalty for late payment;

"Refund Administration Service" means the service offered prior to the Distribution System Code coming into force to new Customers requiring an Expansion for Connection to the Distribution System, as such Customers were required to pay all costs of the Expansion. For a fee, Hydro One monitored new Connections to the line, to collect from any new Customers connecting to the original Expansion a fair share of the original costs and to administer a refund to the original or contributor or the present property owner. This service was provided in 5-year terms and could be renewed for additional 5-year terms upon additional payments of the fee. Customers who did not opt for a Refund Administration Service were not eligible for rebates if new Customers were added to the original expansion. Refund Administration Service is no longer offered to new Customers requiring Expansions for Connection;

"Regulated Price Plan" or "RPP" means the Rate plan established by the Ontario Energy Board for retailing of electricity to eligible consumers, as defined by regulations made pursuant to the *Ontario Energy Board Act*. Regulated prices are established for tiered pricing or time-of-use pricing;

"Registered Meter Service Provider" means a Person that provides, installs, commissions, registers, maintains, repairs, replaces, inspects and tests Metering Installations and is approved and registered by Measurement Canada and the IESO;

"Renewable Energy Expansion Cost Cap" has the meaning given to it in the Distribution System Code;

"Renewable Energy Generation Facility" has the meaning given to it in the *Ontario Energy Board Act*;

"Renewable Enabling Improvement" has the meaning given to it in the *Ontario Energy Board Act*;

"Retail", with respect to electricity means,

a) to sell or offer to sell electricity to a Customer;

b) to act as agent or broker for a Retailer with respect to the sale or offering for sale of electricity; or

c) to act or offer to act as an agent or broker for a Customer with respect to the sale or offering for sale of electricity;

"Retail Settlement Code" means the code issued by the OEB and in effect at the relevant time, which, among other things, establishes a Distributor's obligations and responsibilities associated with financial settlement among Retailers and Customer and provides for tracking and facilitating Customer transfers among competitive Retailers;

"Retailer" means a person who Retails electricity;

"Retailer Consolidated Billing" is as described in the Retail Settlement Code;

"Secondary Metered Service" means a Connection whose meter point is located on the secondary side of a distribution transformer;

"Secondary Service" means a Connection to the low voltage side of Hydro One's transformer located on the Distribution System. Hydro One may own the conductor and the Customer always owns all supports and civil works on the Customer's property;

"Service Transfer Request" is as described in the Retail Settlement Code;

"Single Phase" means a system that supplies a single alternating current electricity supply;

"Small Embedded Generation Facility" means an Embedded Generation Facility which is not a Micro-Embedded Generation Facility with a name-plate rated capacity of 500 kW or less in the case of a facility Connected to a less than 15 kV line and 1 MW or less in the case of facility connected to a 15 kV or greater line;

"Smart Grid" means the advanced information exchange systems and equipment described in subsection 1.3 of the *Electricity Act;*

"Smart Meter" means a meter that is part of an advanced metering infrastructure that meets the functional specification referenced in the Criteria and Requirements for Meters and Metering Equipment, Systems and Technology Regulation, O. Reg. 425/06;

"Smart Metering Data" means data derived from Smart Meters, including data related to consumer's consumption of electricity;

"Smart Metering Entity" or "SME" means the corporation incorporated, the limited partnership or the partnership formed or the entity designated pursuant to Section 53.7 of the *Electricity Act* to accomplish the government's smart metering initiative;

"Socket-Mounted Collector" means an advanced metering infrastructure device installed in the Customer's meter base to support meter communications;

"Standard Supply Service" means the service approved by the OEB and in effect at the relevant time, which, among other things, establishes the minimum conditions that a Distributor must meet in carrying out its obligations to sell electricity under Section 29 of the *Electricity Act*;

"Standard Supply Service Code" means the code, issued by the OEB, and in effect at the relevant time, which, among other things, sets the minimum conditions that a Distributor must meet in carrying out its obligation to sell electricity under Section 29 of the *Electricity Act* unless otherwise stated in its licence;

"Sub-Transmission Customer" means:

(a) an Embedded Distributor; or

(b) a customer who has a load which is: a) three-phase; b) directly connected to and supplied from Hydro One's Distribution assets between 44 kV and 13.8 kV inclusive (the meaning of "directly" includes where Hydro One does not own the local transformation); and c) greater than 500 kW (monthly measured maximum demand averaged over the most recent calendar year, or whose forecasted monthly average demand over twelve consecutive months is greater than 500 kW);

"Sub-transmission System" means a system related to the Distribution of electricity supplied at voltages above 13 kV, 3 wire but less than 50 kV, 3 wire;

"Technical Interconnection Requirements" means:

(a) Hydro One's "Interconnection Requirements for Distributed Generation for Single phase DG – 10 kW or less and Three phase – less than 30 kW" which applies to all Micro-Embedded Generation Facilities and Small Embedded Generation Facilities that have a name-plated rated capacity of less than 30 kW; and

(b) Hydro One's "Distributed Generation Technical Interconnection Requirements for Generators Connecting to Hydro One's Distribution System" which applies to all Generation Facilities other than those that are subject to the "Interconnection Requirements for Distributed Generation for Single phase DG – 10 kW or less and Three phase - less than 30 kW";

"Three Phase" means a system having three distinct alternating currents 120 degrees between each phase;

"Total Losses" means the sum of Distribution Losses and Unaccounted for Energy;

"Transformer Loss Adjustment" means the dollar value given to a customer account to rectify a charge of lost energy. A Sub-transmission Customer qualifies for Transformer Loss Adjustment provided that their meter is located on the secondary side of the transformer. "Transformer Loss Allowance" means the dollar value added to a customer account to compensate for predicted energy loss. A General Service Customer qualifies for Transformer Loss Allowance, provided that their meter is located on the primary side of the transformer;

"Total Normal Supply Capacity" is defined in section 3.7.G.1

"Unaccounted for Energy" means all energy losses that cannot be attributed to Distribution Losses. These include measurement error, errors in estimates of Distribution Losses and, energy theft and non-attributable billing errors;

"Unmetered Loads" means electricity consumption that is not metered and is billed based on estimated usage;

"Upstream Transmission Rebates" means refunds payable to any initial contributors in respect of work previously or currently being performed on Hydro One's transmission system at the expense of initial contributor(s) where such work benefits future Customers and Embedded Generation Facilities that connect to Hydro One's distribution system within five years of the in service date of that work. Upstream Transmission Rebates are determined by Hydro One considering such factors as the relative name-plated capacities of the initial contributor(s) and the future connecting Customer(s);

"Urban Density Zone (UR)" means an area containing 3,000 or more Customers with a line density of at least 60 Customers per kilometre. All classes of Customers are included in the density count;

"Utilization Voltage" means the highest voltage at which a Customer uses or distributes power on the Customer's property;

"Validating, Estimating and Editing" or "VEE" means the process used to validate, estimate and edit raw metering data to produce final metering data or to replicate missing metering data for settlement purposes; and

"Wholesale Market Participant", means a person that sells or purchases electricity or ancillary services through the IESO administered markets.

Appendix A

A. Description of Certain Agreements

I. Customer Service Contract

Key provisions of the Customer Service Contract are:

- a description of the work to be performed by Hydro One including specifications such as capacity and voltage range and work to be performed by the Customer;
- final Ownership Demarcation Point for Connection;
- requirement that Customer obtain all necessary approvals for the construction and Connection, including ESA approval, except where specifically noted that Hydro One is obligated to obtain the approval;
- property requirements, e.g. easements;
- requirement that both parties perform their work in accordance with Good Utility Practice, in compliance with the Conditions of Service, the Distribution System Code, all Applicable Laws and using duly qualified and experienced people;
- an estimate of the cost (plus applicable taxes) of the work to be performed by Hydro One;
- a requirement that the Customer reimburses Hydro One for costs and expenses in certain circumstances, e.g. where the Customer changed the condition of the Service Location or the Electrical System, or utilized a Basic Connection intended for the supply of electricity to inappropriately connect an Embedded Generation Facility to Hydro One's Distribution System;
- Hydro One and the Customer liable for damages only that arise directly out of the wilful misconduct or negligence and Hydro One's total liability is limited to the aggregate amounts paid for the Work by the Customer to the date of such negligent act or wilful misconduct.

II. Capital Cost Recovery Agreement

Section 2.1.7C of the Conditions of Service describes the Customers that in addition to executing a Customer Service Contract are also required to enter into a Capital Cost Recovery Agreement (the "CCRA") with Hydro One. Key provisions in the CCRA are:

- capital contribution requirements (if any) and associated payment schedule;
- annual revenue requirements to be met by Customer including financial and non-financial default conditions;
- Customer may be required to furnish security satisfactory to Hydro One, including deposit;
- limitation of liability; and

- deferral, cancellation or termination clauses that the Customer pays Hydro One for the cost of the work performed to date and the cost associated with the winding up of the work.

III. Connection Cost Agreement (formerly known as the Connection Cost Recovery Agreement")

The Connection Cost Agreement ("CCA") means the agreement that Hydro One is required to enter into with a Small Embedded Generation Facility, a Mid-sized Embedded Generation Facility or a Large Embedded Generation Facility (the "Generation Facility") in accordance with Section 6.2.18 of the Distribution System Code. Key provisions in the CCA are:

- a description of the work to be performed by Hydro One and the Generator in order for Hydro One to connect the Generation Facility to the Distribution System;
- Hydro One's estimate of the allocated cost of Connection for which the Generator is responsible;
- Generator's requirement to pay certain deposits within the timeframes specified in the CCA;
- requirement for Hydro One to remove the Generator's capacity allocation in the circumstances described in Subsection 6.2.4.1e. ii., iii., iv. and v of the Distribution System Code;
- terms applicable where the Generator has elected to perform Alternative Bid work;
- limitation of liability;
- the generator's right to assign the CCA to a lender for security purposes without Hydro One's consent upon providing notice to Hydro One; and
- the right of Lender to remedy a default of the Generator.

IV. Subdivision Agreement/Multi-Service Connection Cost Agreement

Customers proposing to expand or develop an industrial/commercial or residential subdivision or to develop a condominium shall execute a Subdivision Agreement/Multi-Service Connection Cost Agreement. Key provisions of this agreement are:

- a description of the work to be performed by Hydro One, including inspection of Customer's contractor's work;
- detailed description of the work to be performed by the Customer;
- requirement that Customer obtain all necessary approvals for the construction and Connection, including ESA approval, except where specifically noted that Hydro One is obligated to obtain the approval;
- property requirements, e.g. easements;

- an estimate of the cost (plus applicable taxes) of the work to be performed by Hydro One;
- security/expansion deposit and capital contribution requirements;
- requirement that Customer provide evidence of Customer's proposed contractor's previous experience and satisfactory performance prior to contractor beginning the installation of the Electrical Distribution System;
- obligation to transfer Electrical Distribution System and the Line Extension constructed by the Customer to Hydro One free and clear for one dollar;
- Customer required to warrant the Electrical Distribution System and the Line Extension constructed by the Customer to be free from defects for two (2) years;
- limitation of liability; and
- Customer to maintain certain specified types of insurance with minimum limits during term of the agreement.

V. Connection Agreement :

Subsection 2.1.7F(i) of the Conditions of Service describes the circumstances where certain Customers required to enter into a Connection Agreement with Hydro One. Hydro One's form of the Distribution Connection Agreement sets out the terms upon which Hydro One has agreed to offer and the Customer has agreed to accept connection service.

Key provisions and requirements of Hydro One's form of Connection Agreement are:

- terms, conditions and obligations of the parties as prescribed under the Distribution System Code;
- lists all necessary contact names and telephone numbers of both parties to ensure proper communication;
- the demarcation of the Ownership Demarcation Point and the Operational Demarcation Point as between Hydro One and the Customer;
- description of the language and procedures to be used for communications between the parties in normal and emergency situations;
- technical description of the Customer's installed protection equipment;
- the single line diagram provided by the Customer that identifies the interface of the Customer's facilities with the Distribution System;
- the description of the metering information;
- the tariff applications by supply point as well as payment requirements;
- the levels of maintenance and testing to be performed by both parties;

- the circumstances under which the Customer can be disconnected from the Distribution System for financial or non-financial defaults;
- the specific technical requirements applicable for a particular type of Customer:
    1. Load Customers: includes Hydro One's requirements with respect to disconnection devices, system design and protection, metering and grounding, capacity of each connection point, motor size and starting and operating requirements; and
    2. Embedded LDCs: includes Hydro One's requirements with respect to disconnection devices, protection and coordination and metering as well as the data to be provided by the Embedded LDC when making requests for additional supply, capacity of each embedded connection point, requirements for load forecast information to be provided by Embedded LDC for each connection point for use in supply planning studies, and may include specific thresholds for embedded load connections, e.g. load/motor sizes, for system impact assessment studies;
- performance requirements for various power quality items such as voltage variations, unbalances, voltage and current harmonics;
- for most Customers, description of metering, instrument transformer, meter programming and meter communications requirements as well as specification of site specific losses; and
- the name of the Customer's Registered Meter Service Provider.

VI. Read Only Access Agreement To Interval Meters

If a Customer who is not a Wholesale Market Participant requires remote electronic access to their interval meter recorders, the Customer must execute a Read Only Access Agreement ("ROA"). The ROA allows Customers to have remote electronic access to their interval meter recorders for the purposes of obtaining kilowatt hour and kilovar hour billing meter quantities. Key provisions of the ROA Agreement are:

- Customer is permitted to use, at its expense, only software and communications protocols that have been specifically approved by Hydro One;
- Customer access is limited to daily interrogations, within a time frame specified by Hydro One;
- Hydro One does not provide assistance for reading or interpretation of Metering Information; and
- Customer may have only one third party, who has been approved by Hydro One, to have remote access to the metering data on its behalf.

VII. Access Agreements

Customers requiring ongoing access to Hydro One Facilities and Equipment to operate or maintain Distribution equipment including wholesale revenue metering must enter into an Access Agreement. Key provisions of an Access Agreement are:

- requirement to comply with Hydro One's security protocol and Access Policy and Procedures;
- requirement to provide a list of employees, temporary employees, agents, subcontractors and licensees (the "Customer Personnel") requiring access;
- Customer responsible for ensuring that Customer Personnel have adequate Electrical Safety Awareness Training;
- Customer required to use the contact number provided by Hydro One to enter and exit Distribution facility;
- describes the limitations on access within operational areas within the Distribution facility; and
- Customer is responsible for any and all losses to persons (including death) including Customer personnel or property when accessing the specified Hydro One Facilities and Equipment.

Peterborough Distribution Inc.

CONDITIONS OF SERVICE

January 1, 2015 – Rev 5

CONDITIONS OF SERVICE

Table of Contents

Section 1.0 INTRODUCTION

1.1 IDENTIFICATION OF DISTRIBUTOR AND TERRITORY

Peterborough Distribution Inc. (PDI) under Ontario Energy Board Licence **ED-2002-0504** (amended March 9, 2012) is the authorized distributor in the City of Peterborough, Village of Lakefield and the Village of Norwood.

1.2 RELATED CODES AND GOVERNING LAWS

The delivery of electricity and related services to its Customers by Peterborough Distribution Inc. is governed by various laws, regulations and codes as listed:

The Energy Competition Act 1998
(Schedule A - The Electricity Act, 1998)
(Schedule B - The Ontario Energy Board Act 1998)
Green Energy and Economy Act 2009
Energy Consumer Protection Act 2010
Affiliate Relationships Code
Transmission System Code
Distribution System Code
Electrical Distribution Safety Ontario Regulation 22/04
Ontario Electrical Safety Code
Retail Settlement Code
Standard Service Supply Code

In the event of a conflict between the various laws and codes the provisions of the Act or codes shall prevail in the order listed above. If there is a conflict between the Connection Agreement with a Customer and the Conditions of Service, the Conditions of Service shall prevail.

The Customer and their Agents must comply with all applicable Ontario and Canadian electrical codes, all other applicable federal, provincial and municipal regulations, codes and bylaws including but not limited to the Ontario Business Corporation Act, the Occupational Health and Safety Act (Regulations for Construction Projects and Regulations for Industrial Establishments as applicable).

1.3 INTERPRETATIONS

These Conditions are to be interpreted as written but not to be interpreted in contravention of the Distribution System Code. Words referring to the singular include the plural and vice versa.

1.4 AMENDMENTS AND CHANGES

Amendments or changes to this document require advance public notice to Peterborough Distribution Inc. Customers through a notice on the Customer's bill and/or an advertisement in a local newspaper. Public comments may be made in writing as outlined in the notice. The Customers will be notified of any amendments or changes to this document as required by the code and a copy of the Conditions of Service is filed with the Ontario Energy Board.

1.5 CONTACT INFORMATION

Peterborough Distribution Inc. can be contacted by the following means:

Mailing Address:	P.O. Box 4125 Peterborough ON K9J 6Z5	
Street Address:	1867 Ashburnham Drive Peterborough ON K9L 1P8	
Telephone:	Business Hours	Monday to Friday (excluding statutory holidays) 8:30 am to 4:30 pm
	Customer Service	– (705) 748-6900
	General Inquiry	– (705) 748-9300
	Emergency After-Hours	
	Emergency Calls	– (705) 748-9300
Website:	www.peterboroughutilities.ca	

1.6 CUSTOMER RIGHTS

The Customer is entitled to fair and reasonable service as prescribed in these Conditions of Service, in the Distribution System Code or other applicable codes.

The Customer or Embedded Generator shall indemnify and hold harmless Peterborough Distribution Inc., its directors, officers, employees and agents from any claims made from third parties in connection with the construction, installation and operation of Customer owned facilities that connect to the distribution system.

Peterborough Distribution Inc. or its Customers shall not be liable under any circumstances whatsoever for any loss of goods or loss of profits or business,

business interruption losses, loss of contract or loss of goodwill for interruption of distribution service.

1.7 DISTRIBUTOR RIGHTS

Peterborough Distribution Inc. shall have access to the Customer premises as required to operate and maintain the distribution system as specified in Section 40 of the Electricity Act, 1998.

The Customer will comply with all provisions of the Ontario Electrical Safety Code in the construction and maintenance of its electrical equipment that is connected to the distribution system. Failure to do so may result in the disconnection of the supply of electrical power.

The Customer shall maintain all proper clearances, clear and safe access to all Peterborough Distribution Inc. equipment on the Customer's property.

The Customer must grant the right to Peterborough Distribution to seal or lock all facilities where a connection to the distribution system could be made on the line side of the revenue metering.

Peterborough Distribution Inc. shall have the right to lock and restrict access to any Customer facilities that contain an ownership or operational demarcation point.

1.8 DISPUTES

Customers or Retailers should refer any formal complaints or disputes in writing via email, facsimile or regular mail to the attention of "Customer Service" who will investigate and initiate a response. Contact information can be found on the utility's website: www.peterboroughutilities.ca . A response should be returned to the Customer within ten (10) business days.

If the issue is not resolved at the staff level, the dispute can be forwarded to the President & CEO, Peterborough Distribution Inc. Complaints that remain unresolved can be registered with the Peterborough Distribution Inc. Board of Directors or the dispute can be referred to the Ontario Energy Board:

Ontario Energy Board
PO Box 2319
2300 Yonge St., 27th Floor
Toronto ON M4P 1E4

Telephone: 1-877-632-2727 (Toll free within Ontario)
Facsimile: (416) 440-7656
Website: www.ontarioenergyboard.ca

Section 2.0 DISTRIBUTION ACTIVITIES (GENERAL)

2.1 CONNECTIONS

2.1.1 Building That Lies Along/Offer to Connect

This section outlines general conditions for all connections for buildings and property that abut or is directly adjacent to the public road allowance where Peterborough Distribution Inc. has existing distribution facilities. System expansions or upgrades will be provided according to the conditions outlined in Section 2.1.2. Additional specific conditions for service connections for all customer rate classes are found in Section 3.0.

Peterborough Distribution Inc. will supply one electric service connection to any building or complex of buildings on the same legal parcel of land (property). The service connection shall originate from the frontage on public road allowance. If other voltages and/or additional servicing arrangements are required, the Customer shall supply their own facilities. (Also reference Ontario Electrical Safety Code, Rule 6-102)

Service connection facilities, except for the basic overhead connection for residential services and general service under 50 kW, are provided at the Customer's cost. Where the required service length is beyond the standard length as provided by Peterborough Distribution Inc., the Customer may be required to own and maintain all of the service connection facilities. Standard service does not include transformer and/or conductor support structures or other civil works required to be installed on the Customers' property and is to be provided and maintained by the Customer.

Overhead transformation located on the public road allowance is included in the distribution rate structure. A construction deposit will be required for overhead transformation to be installed on the public road allowance for general service secondary voltage connections before any materials for the service connection are ordered. The construction deposit will be returned to the Customer upon energization of the service. Payment of estimated connection charges for non-standard service will be required prior to materials being ordered and the work being scheduled.

The Customer is responsible for the actual cost of the connection. A refund or invoice based on the actual cost versus the estimated deposit will be issued upon completion of the work.

A Customer requesting a new or upgraded service connection to the distribution system shall complete the Electric New Service Request or Electric Service Change

Request form and provide the required service and load information by completing the Electric Load Summary form. The forms are available on the Distributor's website or at its main office. Additional information such as the site electrical plan and electrical schematic may also be required before an Offer to Connect is provided. An application deposit of a minimum of $500 will be required at the time the service request is submitted.

A six-month notice period is recommended for any service connection over 200 Amps. Any service over 400 Amps requires the transformation to be installed on the Customer's property.

All services require an approved service location by Peterborough Distribution Inc. prior to installation. All new or upgraded service connections must comply with these Conditions of Service and the Peterborough Distribution Inc. technical specifications and standards. Upgraded services include but are not limited to changes to the Customer service entrance size, location configuration or equipment.

A safe work area shall be maintained at all times while Peterborough Distribution Inc. is installing electrical service connections. The work area shall be free from hazards and obstructions and meet all the requirements under the Occupation Health and Safety Act and Regulations to ensure protection for work crews, the general public and customers.

Standard energy and/or demand metering and the required instrument transformers for load customers are provided within the distribution rate structure. Customers requesting metering installations beyond the standard allowance will be charged the additional cost beyond the standard. Customers are responsible to maintain metering facilities in a safe condition and must meet current technical standards to provide for the provision of metering electricity supplied or delivered through their service connection from the distribution system.

2.1.2 Expansions/Offer to Connect

If a Customer requests a connection that requires an expansion to the distribution system then the Customer may be required pay a capital contribution for the construction of the expansion. The amount of the capital contribution will be determined using the Economic Evaluation method as specified in the Ontario Energy Board's Distribution System Code, Appendix B.

Peterborough Distribution Inc. will complete an initial (preliminary) economic evaluation of a distribution system expansion at the time the Offer to Connect is provided to the Customer.

The Customer is required to finance the expansion at the time of construction through a capital contribution. Upon completion of the expansion, the actual costs will be used to perform the final economic evaluation.

Annually, in the month of January, Peterborough Distribution Inc. will review the number of new customer connections (subdivisions) or new load (general service customers) connected to the expansion in the previous calendar year. This review will determine the amount of the rebate of the capital contribution, if applicable, due to the Customer and it will be remitted within 60 days after the review. Customers or load connected beyond the customer connection horizon of five (5) years will not be eligible for rebates (if applicable). The five (5) year period runs from the date of energization of the expansion facilities.

In the case of alternate bids where the Customer performs the work to construct the system expansion, an Expansion Security Deposit for 100% of the estimated value of the work will be required. Upon energization and acceptance of the system expansion, the Expansion Security Deposit will be reduced to 20%. Upon final acceptance, assumption and inspection of the system expansion, the Expansion Security Deposit will be reduced to 10% for a period of one year to cover a maintenance guarantee. At the end of the one-year maintenance guarantee period the Expansion Security Deposit will be extinguished. Additionally, a construction deposit is required for work and materials that will be supplied by Peterborough Distribution Inc. for the expansion.

Peterborough Distribution Inc. reserves the right to supply the transformation required for the expansion. The Customer will be required to finance the cost of transformation as part of the expansion.

Service connection facilities from the main distribution system to the Customer's main service disconnect do not form part of the distribution system expansion and will be provided according to general conditions set out in Section 2.1.1 and specific conditions in Section 3.0.

2.1.3 Connection Denial

A connection to the distribution system may be denied for the following reasons:

i) Contravention of the laws of Canada or the Province of Ontario or of the Municipality.

ii) Violation of the conditions contained in the Distribution Licence of Peterborough Distribution Inc. and/or in the Distribution System Code.

iii) Adverse effects on the reliability or safety of the distribution system.

iv) The imposition of an unsafe worker situation beyond normal risks inherent in the operation of the distribution system.

v) A material decrease in the efficiency of the Peterborough Distribution Inc. distribution system.

vi) A materially adverse effect on the quality of distribution services received by an existing connection.

v) Discriminatory access to distribution services.

vi) If the Customer requesting the connection is in default of payment to Peterborough Distribution Inc. for any distribution or distribution system related services.

vii) Violation of any conditions identified in Peterborough Distribution Inc. Conditions of Service or its technical specifications or standards.

2.1.4 Inspections Before Connection and Re-connection

The Customer is required to have all customer-owned facilities inspected by the Electrical Safety Authority prior to connection by Peterborough Distribution Inc. Peterborough Distribution Inc. reserves the right to inspect any equipment that is to be connected or re-connected to the distribution system. Peterborough Distribution Inc. will require from the Customer a Connection Authorization issued by the Electrical Safety Authority prior to connection or re-connection. The location to be connected must be clearly identified with a valid municipal address.

The only exception to Connection Authorization will be re-connects for services that were cut-off for non-payment or non-signature for a period of six months or less (ref. OESC Rule 2-012, subsection (2)).

2.1.5 Relocation of Plant

Peterborough Distribution Inc. is not obligated to relocate plant. Peterborough Distribution Inc. will exercise its rights and discharge its obligations in accordance with existing acts and regulations.

Any party requesting the relocation of plant will be required to pay the full cost of the relocation unless the relocation is requested by the Municipality and is due to a road widening and is covered under the Public Service Works on Highways Act.

2.1.6 Easements

To maintain the reliability, integrity and efficiency of the distribution system, Peterborough Distribution Inc. has the right to have supply facilities on private property and to have easements registered on the title to the property in its' name. Easements are required where facilities (overhead or underground) serve property other than the property where the facilities are located and/or where Peterborough Distribution Inc. deems it necessary.

All easements obtained by Peterborough Distribution Inc. will require easement agreements and will be registered prior to the energization of the service. The easement will be provided at the Customer's cost complete with reference plan (if required) and free from encumbrance in a form satisfactory to Peterborough Distribution Inc.

2.1.7 Contracts

Upon accepting a connection to Peterborough Distribution Inc.'s distribution system, the Customer agrees to give sole operating control of any high voltage plant (above 750 V) to Peterborough Distribution Inc. Operating control and access to such plant would be restricted to Peterborough Distribution Inc. Additionally, Peterborough Distribution Inc. retains operating control over facilities it owns and/or facilities that are designated within the Conditions of Service.

2.2 DISCONNECTION

2.2.1 Disconnections

Peterborough Distribution Inc. has the right and obligation to disconnect any Customer that has not met the conditions and obligations as described in the Distribution System Code, Electrical Safety Codes, Conditions of Service or in the Offer to Connect.

Peterborough Distribution Inc. has the right and obligation to disconnect any Customer that has not met the conditions outlined in the Security Deposit - Electric and Collection of Delinquent Accounts business processes. Information on these are available at its offices at 1867 Ashburnham Drive, Peterborough, Ontario and on its website www.peterboroughutilities.ca .

Peterborough Distribution Inc. reserves the right to disconnect service from the distribution system due to:

- Contravention of the laws of the Province of Ontario or the Dominion of Canada.
- Introducing adverse effects on the reliability and safety of the distribution system.
- Introducing adverse effects to other Customers connected to the distribution system.
- Discovery of an unsafe installation as determined by Peterborough Distribution Inc. or the Electrical Safety Authority.
- Energy diversion, fraud or abuse on the part of the Customer. Unauthorized use of energy is a criminal offence and Peterborough Distribution will notify, as appropriate, Measurement Canada, the Electrical Safety Authority, the Police and Retailers (if applicable).

- Tampering with meters or any other equipment owned or operated by Peterborough Distribution Inc.
- Non-payment of the distribution service charges, energy commodity, market related charges or other charges related to the operation and maintenance of the distribution system as described in Section 2.4 and Section 5.0. (Upon disconnection, Peterborough Distribution Inc. will provide a copy of the Fire Safety Notice from the Ontario Fire Marshalls office.)
- Termination of the electric service and/or account relationship by the customer. Service will be disconnected if there is not a new application for service. Other charges and conditions apply as described in Section 2.4. (Note: Any damages that are incurred due to disconnection of the electric service are the responsibility of the building owner.)

2.2.2 Planned Outages

Peterborough Distribution Inc. will notify all General Service Class Customers prior to any planned power outage initiated by Peterborough Distribution that will affect their service connection or distribution supply point.

Peterborough Distribution Inc. will attempt to verbally notify all Residential Class Customers at the time of the outage prior to short duration (up to one (1) hour in length) outages. For long duration outages defined as over one (1) hour in length, Peterborough Distribution Inc. will notify Residential Class Customers by telephone message or letter or notification card at least twenty four (24) hours in advance.

Customers must note that an Emergency Outage is an unexpected occurrence that may not allow for any notification of an outage or disconnection of service.

Outages to the Bulk Electric System are controlled by Hydro One Networks Inc. and the Independent Electricity System Operator (IESO) and may not allow for sufficient notices of an outage.

2.2.3 Disconnection for Maintenance to Customer Owned Facilities

Residential rate class services and general rate class services less than 50 kW will be disconnected and reconnected to allow for maintenance of customer owned facilities at no charge during normal business hours. Charges will apply for disconnections and reconnections outside of normal business hours.

General rate class services over 50 kW will be allowed one annual reconnect/disconnect to allow for maintenance of customer owned facilities at no cost during regular business hours. Additional reconnect/disconnects and those completed after hours will be at full cost to the Customer.

2.2.4 Unplanned Outages and Restoration

Peterborough Distribution Inc will take reasonable measures, consistent with good utility practice and industry standards to ensure adequacy and reliability of the delivery of electricity. Peterborough Distribution Inc. cannot ensure uninterrupted delivery of electricity and will take reasonable measures under the circumstances to restore power in an equitable manner giving regard to public health, safety, system reliability and economic disruption.

Peterborough Distribution Inc. may disconnect the supply of electricity to a Customer without notice in accordance with a court or regulatory order or for emergency, safety or system reliability reasons.

The Customer should be advised that Peterborough Distribution Inc. under Section 40, Part III, Schedule A of the Electricity Act 1998 has the power to enter on lands to inspect, maintain, disconnect and protect its property and plant.

2.3 CONVEYANCE OF ELECTRICITY

2.3.1 Limitations on the Guarantee of Supply

Peterborough Distribution Inc. does not guarantee the continuous delivery of electricity to the Customer and is not liable for any damages, losses or consequences due to the interruption of the supply of electricity.

The supply of electricity to a Customer may be interrupted due to planned maintenance or emergency conditions on the distribution system. Peterborough Distribution Inc. will endeavour to notify Customers of planned outages according to its Outage Notification Procedure. Customers may also experience interruptions to their service due to conditions on the Hydro One Network Inc.'s bulk transmission system.

2.3.2 Power Quality

Peterborough Distribution Inc. will maintain a safe and reliable electricity supply to the Customer as dictated by industry standards and norms and will endeavour to provide voltage levels as outlined in Section 2.3.6. Basic voltage and power quality complaint investigations (i.e., flickering lights, high/low voltage, electromagnetic fields) will be completed by Peterborough Distribution Inc. once the Customer has a licenced electrician confirm that the Customer's facilities are in good repair and working order. Complex complaints (i.e., harmonics, other electrical disturbances) will initially be the responsibility of the Customer to ensure the source is not within the Customer's premise. If the investigation reveals the source of the problem is outside the Customer's facility, Peterborough Distribution Inc. may reimburse the Customer's reasonable cost of investigation.

Farm stray voltage complaints will be investigated by Peterborough Distribution Inc. as outlined in Appendix H of the Distribution System Code.

2.3.3 Electrical Disturbances

Peterborough Distribution Inc. will not be held liable for any damages caused by the failure to maintain supply voltages within standard levels due to disturbances beyond its control. Disturbances include but not limited to power spikes and surges that may occur.

Customers are responsible to ensure that their equipment does not interfere with the operation of or create disturbances on the distribution system. Customers that require an uninterrupted source of power or a conditioned supply must provide their own on-site equipment subject to approval by the ESA and Peterborough Distribution Inc.

Electrical disturbances on the electrical distribution system are inherent in the operation of the electric distribution systems and are typically beyond the control of Peterborough Distribution Inc. Customers are responsible to install and maintain adequate protection on the customer premise to protect any customer owned equipment and systems. Customers are responsible for any damage sustained to their own equipment.

2.3.4 Standard Voltage Offerings

The following nominal primary voltages are available in Peterborough Distribution Inc. territory:

44 kV – 3 Wire (Availability may be restricted in some areas)
27.6 kV – 4 Wire (City of Peterborough only. Availability may be restricted in some areas.)
8.32 kV – 4 Wire (Village of Norwood only)
4.16 kV – 4 Wire (Availability may be restricted in some areas)

The following standard nominal secondary voltages are available in Peterborough Distribution Inc. territory:

347/600V, three phase - four wire
120/208V, three phase - four wire
120/240V, single phase - three wire

Customers with legacy 240 V and 600 V delta services will be required to make the necessary changes to their service entrance equipment to accommodate the standard nominal secondary voltages when changing or upgrading their service connection. Peterborough Distribution Inc. at its sole discretion can request the

Customer to upgrade their service to the new standard if the service connection is causing disturbances on the distribution system.

2.3.5 Voltage Availability in Downtown and Underground Residential Areas

In some downtown underground areas, only 120/208V three phase and single phase network service to a maximum of 200 kW (600 Amp Main Service) is available. If service beyond this limit is required, a primary voltage service would be required and transformation would be installed on the Customer's property.

In underground residential areas, only 120/240V single phase service is available.

2.3.6 Voltage Guidelines

Voltages will be maintained within the Voltage Variation Limits Applicable at Service Entrances as described in CSA CAN3-235, current edition.

2.3.7 Back-Up Generators

Customers with portable or permanently connected emergency generation capability shall comply with all applicable criteria of the Ontario Electrical Safety Code and in particular shall ensure that Customer emergency generation does not feed back at any time onto the Peterborough Distribution Inc. distribution system.

Customers with permanently connected emergency generation equipment are required to notify the Peterborough Distribution Inc. regarding the presence of such equipment.

2.3.8 Metering

Metering of the load Customer's electrical service will be at the secondary utilization voltage level (i.e. load side of the customer's transformation, in some circumstances this may be at a primary voltage level) located on the Customer's property. This is the standard and preferred method of metering by Peterborough Distribution Inc.

Metering at the primary voltage level (i.e., line side of the customer's transformation) may be considered but is discouraged under most circumstances. If the primary metering installation is approved by Peterborough Distribution Inc., the Customer will bear the additional cost of the primary metering installation above standard secondary level metering.

All PDI customers are required to have a remotely read smart or interval meter.

As required by O.Reg. 389/10, Peterborough Distribution Inc requires individual unit metering for multi-unit residential buildings. However, if the unit's heating is primarily electric heat, the electrical supply for the unit's heating must be separated from any billing to a tenant. Rental unit metering must comply with O.Reg. 389/10 and the Residential Tenancies Act 2006.

New condominium developments can request a bulk meter from Peterborough Distribution Inc. but must contract a licenced provider to install a smart sub-metering system to provide individual unit metering.

For other non-residential multi-unit developments, bulk metering or individual metering is the Customer's or building owner's choice. The building owner would be responsible for any privately owned switchgear or facilities required to accommodate the individual unit metering.

All metering designs and configurations must be approved by Peterborough Distribution Inc. prior to installation. The Customer has the option to determine, at their cost, the site-specific total loss factor to be used for billing determinants but must be approved by Peterborough Distribution Inc.

2.3.8.1 General

Meter base (or cabinet) installations for all rate classes must meet the technical specifications of Peterborough Distribution Inc. and the Ontario Electrical Safety Code. Meter bases (or cabinets) for all rate class must be suitable to accept the current standard meter configuration in current use by Peterborough Distribution Inc. The Customer is responsible for the ownership, maintenance and good condition of their meter base and is responsible for any upgrades required to meet current technical and safety standards.

Residential rate class meter installations shall be new sequence wired meaning the meter is located on the outside of the residence and on the line side of the main disconnect switch. The location and placement of the meter base installation is dictated by the technical requirements of Peterborough Distribution Inc.

General Service rate class meters are to be located on the load side of the main disconnect switch inside the building's electrical room. Standard meters are supplied and installed by Peterborough Distribution Inc. A standard meter installation includes the appropriate standard meter and instrument transformers. The meter base, meter cabinet or switchgear is supplied, owned and maintained by the Customer. The meter base and/or meter cabinet and its installation must meet the technical specifications of Peterborough Distribution Inc. and the Ontario Electrical Safety Code. Meters must not be installed less than 1.0 metre from the floor or ground level or above 3.0 metres in any circumstance. Meters must be clearly identified with the unit number that they are associated with in multi-unit buildings (Where possible the postal delivery street address should be used).

The additional cost of non-standard metering or additional non-standard equipment will be borne by the Customer. When additional meters are installed on an existing service, any existing meters must be located or re-located so as to comply with these Conditions of Service and Peterborough Distribution Inc. technical specifications and the Ontario Electrical Safety Code.

A Connection Authorization issued by the Electrical Safety Authority is required prior to any meter being placed or re-installed on a Customer's service connection.

Peterborough Distribution Inc. will require access to maintain and operate the Customer's metering installation. Normally, access will be required during Peterborough Distribution Inc.'s regular business hours. Meters must be located in a readily accessible place. A clear unobstructed space of 1.0 metre (minimum) will be provided in front of all meter installations. Meter locations and configurations must be approved by Peterborough Distribution Inc. prior to installation.

2.3.8.2 Instrument Transformer Enclosures

Where current and potential instrument transformers are required, a metering cabinet approved by Peterborough Distribution Inc. is to be provided by the Customer. Current and potential transformers may be installed in the Customer's switchgear if approved by Peterborough Distribution Inc. Peterborough Distribution Inc. will rebate a load Customer for the cost of the instrument transformers supplied by the Customer if pre-installed in the switchgear and approved by Peterborough Distribution Inc. prior to installation.

2.3.8.3 Network Metering

Where a three phase 120/208 Volt service connection is provided and single phase network metering is requested, Peterborough Distribution Inc. will provide network metering. The Customer is required to pay for the additional capital cost of the network meter over the standard single phase meter. The network meter capital charge is listed in Section 5.0.

2.3.8.4 Sub-Metering

Sub-metering systems may be installed subject to the conditions in the Distribution System Code and the Smart Sub-Metering Code. The Customer or the building owner can request a bulk meter and install an approved sub-metering system at the building owner's cost. The sub-metering installation must be provided by a licenced sub-metering provider. A list of licenced sub-metering providers can be found on the OEB website.

2.3.8.5 Interval Metering

A standard interval metering installation is required by all Customers with or with an expected monthly average peak demand load of 500 kW or greater. The meter installation will be provided to the Customer at no additional cost. The Customer is required to provide the metering cabinet or enclosure to house the metering installation at their cost. All interval meter installations will be remotely interrogated and the Customer will be responsible to provide and maintain an appropriate communication line. The Customer will provide the communication line for remotely reading the interval meter prior to the connection of the electrical service. If for some valid reason an appropriate communication line cannot be installed, Peterborough Distribution Inc. will manually read the interval meter at no cost for a period of one (1) month after the service connection. After one (1) month a standard meter reading charge will apply for each week the interval meter is required to be read manually.

Customers with interval metering may request the consolidation of interval meter readings for one service location on one account.

Any Customer may request an interval meter but will be required to pay the installation cost if not provided for in the Conditions of Service. The standard rate for a typical interval meter installation is noted in Section 5.0. The Customer may be required to sign an Interval Metering Agreement. Non-standard installations or additional features requested by the Customer will require the Customer to pay the associated additional costs and the must be approved by PDI.

2.3.8.6 Meter Reading

The Customer must provide free, safe and unobstructed access during regular business hours to Peterborough Distribution Inc. or its authorized agent to make regular meter readings as required. In the absence of a reading, an estimate may be used for billing purposes and an attempt to gain a valid meter read will be made. If the Customer cannot provide access during regular business hours then such access will be arranged at a mutually convenient time.

If the Customer continues to refuse to provide access for regular meter readings, the electrical service may be subject to disconnection.

2.3.8.7 Final Meter Reading

The Customer shall provide sufficient notice to obtain a final reading if a service disconnection is requested. The Customer must provide access to the meter if required to Peterborough Distribution Inc. or its agent to obtain a final reading or disconnection as close as possible to the date of disconnection. The Customer will be final billed on an estimate if a final reading cannot be obtained. The Customer is responsible for notification to the building owner regarding disconnection of service.

Peterborough Distribution Inc. will not be liable for any damages as a result of electric service disconnection due to final billing.

2.3.8.8 Faulty Registration of Meters

The Customer is responsible for all applicable charges as result of their electricity use. If it is determined that billing was in error due to metering inaccuracy, multiplier error, connection error or other related problem then the Customer would be responsible for the under billing and Peterborough Distribution Inc would reimburse for the over billing as prescribed under Measurement Canada regulations.

2.3.8.9 Meter Dispute Testing

The Customer has the right to dispute a meter's measurement or registration of energy consumed. The Customer should notify Peterborough Distribution Inc. in writing of their request to have a dispute test performed on their meter installation. Peterborough Distribution Inc. will make arrangements with Measurement Canada to have the dispute test performed. The Customer may be responsible for the applicable costs to perform dispute testing if the meter is found to be accurate. The Customer can seek redress with Measurement Canada directly if necessary.

2.3.8.10 Tree Trimming

Customers are advised that under the Electricity Act 1998, Schedule A, Part III Section 40 (4), Peterborough Distribution Inc. has the right to enter any lands to remove trees, branches or other obstructions if it deems them to be interfering with the safety and reliability of the distribution system.

Peterborough Distribution Inc. operates a regular tree trimming program to trim trees adjacent to its power lines to protect the public against potential hazards and power outages due to tree interference. Line clearances will be maintained according to the technical specifications of each type of line. Any removal of trees on municipal property must be authorized by the municipal authority. The removal of trees on private property is the responsibility of the customer or owner. Permission will be reasonably sought from the tree owner but may be removed by Peterborough Distribution Inc. if it is determined the tree is a hazard to the safe operation of the electric distribution system.

2.4 TARIFFS AND CHARGES

2.4.1 Service Connections

Charges for on going distribution services are published in the annual Rate Schedule available from Peterborough Distribution Inc. or on the PDI website. Other standard service charges are listed in the annual Rate Schedule.

Standard residential rate class overhead connections to the distribution system as described in Section 2.1.1 are covered by distribution rates. Non-standard overhead connections will be subject to standard and/or variable connection charges to recover the cost for facilities beyond what is supplied for the standard service connection. These variable connection charges are determined on a site-specific basis.

Variable connection charges paid by the Customer will be required for transformers that are located on the Customer's property. Low loss transformers are required by Peterborough Distribution Inc. Customers must submit loss evaluations for customer owned transformers and compensate Peterborough Distribution Inc. for losses exceeding the maximum loss values allowed.

Service connections requiring underground facilities are subject to variable connection charges that fully recover the costs to provide these service connections. The variable connection charges will be site-specific and will be estimated and outlined in an Offer to Connect. Additional connection charges may be applicable if service is requested during winter conditions and frost is likely to be encountered.

If a Customer requests a connection that requires Peterborough Distribution Inc. to order materials specific to the project, the Customer will be required to provide a cash construction deposit for the estimated connection costs prior to the placing of the order. The Customer will be charged the actual cost of provisioning the service connection.

A schedule of miscellaneous standard and variable connection charges is detailed in Section 5.0 of the Conditions of Service.

2.4.2 Energy Supply

All existing Peterborough Distribution Inc. Customers are supplied energy through Standard Service Supply until Peterborough Distribution Inc. is informed of the Customer's request to switch to a competitive electricity supplier (Retailer). The Customer or the Customer's authorized Retailer must make the Standard Transaction Request (STR).

All requests shall be submitted as electronic files and transmitted through Peterborough Distribution Inc.'s authorized electronic hub provider. The electronic file shall contain information as set out in the Retail Settlement Code. If the information is incomplete, Peterborough Distribution Inc. will notify the Retailer or the Customer regarding the deficiencies and will require a response prior to proceeding with the transfer.

A Customer wanting to wheel energy through the distribution system must contact Peterborough Distribution Inc. for technical requirements and potential tariffs.

2.4.3 Deposits

Customers may be required to pay construction and/or security deposits when requesting electrical service connections or expansions to the distribution system. The construction deposit requirement and amount will be dependant on the type and configuration of the electrical service connection to be installed.

Security deposits for monthly billing of distribution services and energy for Customers on Standard Service Supply or third party Retailer will be required according to Peterborough Distribution Inc.'s Security Deposit Policy for all customer rate classes. The Policy is available to the public by appointment at its offices at 1867 Ashburnham Drive, Peterborough, Ontario and on its website: www.peterboroughutilities.ca .

2.4.4 Billing

Peterborough Distribution Inc. will bill its Customers on a regular basis. Bills for the delivery and use of electrical energy will be based on a metered rate or for flat rate services on a calculated consumption rate as determined by Peterborough Distribution Inc.

Billing will be according to the current rate schedule. Billing for peak demand load will be based on the higher of the kW demand or 90% of the kVA demand drawn by the Customer in a billing period.

Customers with flat rate or unmetered connections are required to provide load connection data for the unmetered connection prior to connection or upon request by Peterborough Distribution Inc.

A Customer may request aggregated billing for multiple meter points if all of the following conditions are met:

- The buildings are located on one property and under the same ownership.
- There is one connection to the distribution system.
- The meter points are billed to the same customer.
- There is interval metering on each service connection.
- The Customer pays for the meter upgrade to interval metering if not required by the Distribution System Code or the Conditions of Service.

2.4.5 Payments, Non-Payment and Late Payment Charges

Regular bills are rendered for distribution and energy services provided to the Customer. The bills are payable on the due date and subject to overdue interest charges if payment is not received by Peterborough Distribution Inc. by the due date.

Outstanding bills are subject to a collection process and to disconnection of the service. Service will be restored upon payment for all outstanding amounts owing. Peterborough Distribution Inc. will not be liable for any damages as a result of service disconnection due to non-payment or final billing. A disconnection charge will apply if the service has been disconnected for non-payment. A Security Deposit may be required prior to re-connection.

Customers will be charged a service fee for handling non-sufficient fund cheques, overdue notices and visits to collect payment.

2.4.6 Other Charges

Peterborough Distribution Inc. will recover costs from the responsible party or Customer for providing services related to the security, maintenance and/or repairs of damages to the distribution system that are initiated from events not related to the operation of the distribution system. Examples of events that would be included in this category are vehicle accidents, electrical isolation of distribution circuits or services to allow for maintenance to signs, buildings or removal of trees threatening the distribution system and fires or water damage caused by privately owned facilities or originating in a privately owned building. Additionally, Customers will be charged the cost of responding to power interruptions that are found to be caused by the Customer's privately owned facilities. Payment of deposits for this work will be required from the Customer or requestor prior to any work being performed except in the case of emergency situations.

Residential rate class single family customers (except apartment, townhouse or condominium complexes) will not be charged for the isolation of distribution lines for the removal of private trees threatening the distribution system if completed during normal business hours. Charges will apply for work completed after normal business hours.

Peterborough Distribution Inc. will recover the cost of providing inspection for excavation around underground distribution system facilities. Underground locates for Peterborough Distribution Inc. facilities required for imminent excavation (within 30 days) will be provided at no cost. The Cost for providing locates of underground facilities for survey and design purposes will be recovered from the requesting party. PDI does not provide locates for private customer owned facilities.

Peterborough Distribution Inc will recover the cost of providing disconnects and reconnects to customers subject to the conditions in Section 2.2.3.

2.4.7 Customer Owned Equipment

If the Customer requests Peterborough Distribution Inc. to make emergency repairs to Customer owned equipment, the full cost of the repairs will be recovered from the Customer. Peterborough Distribution Inc. has the right to decline to make the repairs and the decision is at the sole discretion of Peterborough Distribution Inc.

Customer owned equipment includes but not limited to overhead service stacks, meter bases, main disconnect switches and meter cabinets.

2.5 CUSTOMER INFORMATION

A Customer's historical electricity usage and payment information will be made available to the Customer upon written request from the Customer at their cost. The Customer's historical usage and payment information may be available online at the Customer Self-Service Web Portal at www.peterboroughutilities.ca .

The Customer's historical electricity usage and payment information will be provided to a Retailer in accordance with Section 11 of the Retail Settlement Code.

Where available, at the cost of the Customer, access to the meter data will be made available upon written request.

Peterborough Distribution Inc. will provide information on an operational basis to a transmitter, another distributor, the IESO or the OEB as required under regulations such that the individual Customer's information cannot be reasonably identified.

Section 3.0 CUSTOMER CLASS SPECIFIC

The appropriate rate class for a load Customer's electrical service will be determined by the zoning of the property and/or its use and the electrical load requirements. The rate class for non-residential customers will be re-assessed each year and changed if necessary, based on the annual consumption and demand in accordance with the Distribution System Code. Once a year, the Customer can request a review of their rate classification.

Existing electrical service connections that are upgraded will be required to be brought to current standards as specified in the Conditions of Service and Peterborough Distribution Inc.'s technical standards and specifications.

All new service connections to the distribution system are to be constructed to Peterborough Distribution Inc. design standards and technical specifications.

Rate classification of the metered customer for billing purposes does not necessarily dictate the requirements for the physical service connection as required in throughout this section.

Customer Owned Service Connections

If Customers choose to own their service connection facilities they must be constructed to meet Ontario Electric Safety Code requirements and may be required to meet some or all of Peterborough Distribution Inc.'s service requirements. All Customer or privately owned facilities are subject to inspection and approval by the Electrical Safety Authority and Peterborough Distribution Inc. On Customer owned service connection facilities, Peterborough Distribution Inc. will require appropriate disconnect means at the ownership demarcation point.

For high voltage primary service connections the ownership demarcation shall be at the disconnect means and shall be located on the customer's property. For low voltage secondary service connections, the ownership demarcation will be at the connection point to PDI owned facilities and may be located on the PDI distribution system when approved by PDI.

In some cases, Peterborough Distribution Inc. will retain operating control of some customer owned facilities to maintain the safety and reliability of the distribution system.

3.1 RESIDENTIAL

Residential Class Customers are defined as single-family dwelling units zoned and/or used for domestic or household purposes.

The basic connection for residential rate class is a single overhead 120/240 Volt single phase secondary service up to 200 Amps as described in the Distribution System Code. The basic connection is provided to the Customer under the current distribution rate structure. All other connections would be provided on a variable connection charge as specified in this section.

Semi-detached and row town-housing customers will be considered residential class if each individual unit is located on its own registered freehold lot fronting on the public road allowance and if each unit is individually metered and zoned for residential use. Each unit must have it own individual connection from the road allowance and each main service disconnect is accessible from the unit which it supplies.

All other developments of multi-unit or multi-residential units are considered for the purposes of service connection to be in the General Service Class depending on site specific servicing conditions as noted in subsequent sections of this document. If the dwelling units are individually metered and the main disconnect is accessible in the unit it supplies the Customers will be billed in the residential rate class.

Peterborough Distribution Inc. reserves the right to install temporary jumper cables from either a Customer's or a neighbouring Customer's service entrance (meter base) in the event of a fault on the Customer's secondary service connection to the distribution system. Peterborough Distribution Inc will make the connections on the line side of the meter NOT affecting energy consumption charges to the Customer.

3.1.1 Residential Overhead Services (up to 200 Amp)

The Customer owns facilities on the building including the service attachment point, the mast, the meter base and the conductors from the load side of the connections at the service masthead. Peterborough Distribution Inc. will own and supply the meter and the service connection conductor to a maximum of 30 metres from the connection to the distribution system. Standard residential overhead service if provided for in the distribution rate structure. If the service is beyond 30 metres, the Customer will supply and own the service connection conductors beyond the first span or first attachment point whichever is less.

A standard kWh smart meter will be installed. The meter and meter base are to be installed on the outside of the building on the line side of the main disconnect panel according to Peterborough Distribution Inc. technical specifications. Clear and

unobstructed access to the meter location must be provided at all times. The meter base is to be installed no more than three (3) metres from the front of the residence.

A residential service location must be obtained and approved by Peterborough Distribution Inc. prior to obtaining service. The standard service entrance will be a maximum of 200 Amps. The standard service connection will be supplied from the front of the residence or the frontage (or flankage) on a public road allowance.

Service entrances above 200 Amps will require special service connection arrangements and will be determined on a site-specific basis. Costs for the service will be determined on a variable connection charge basis.

Existing service connections that are supplied from the rear yard that are upgraded may be required to relocate the service to the frontage of the property. Where a service is connected from a rear lot pole line (non-standard service) and a service connection is available or made available from the front (standard service) the Customer will be required to bring their service to the front of the property if the service is upgraded or replaced. If the rear lot overhead line is being removed the Customer will be required to accept standard service from the front. In all cases, Peterborough Distribution Inc will bear the costs associated with relocating the standard service connection and the Customer will bear the costs of all upgrades, replacement or restoration of facilities owned by the Customer.

Peterborough Distribution Inc. retains operational control over the meter base and overhead service conductors.

3.1.2 Residential Underground Services (up to 200 Amp)

The Customer owns the meter base, conduit and service conductors from the load side of the meter base. In addition, the Customer owns the conduit from the meter base to the property line and is responsible for the costs of the conduit beyond the property line to the secondary bus of the distribution system. Peterborough Distribution Inc. will own and supply the meter and the service conductors to the meter base to a maximum of 10 metres from the property line for a standard connection charge. The standard connection charge is specified in Section 5.0. The additional cost for underground transformation is included in the standard residential underground standard service charge. Services beyond 10 metres from the property line will be subject to a variable connection charge as outlined in Section 5.0.

A standard kWh smart meter will be installed. The meter and meter base are to be installed on the outside of the building on the line side of the main disconnect panel according to Peterborough Distribution Inc. technical specifications. Clear and unobstructed access to the meter location must be provided at all times. The meter base is to be installed no more than 3.0 metres from the front of the residence.

A residential service location must be obtained and approved by Peterborough Distribution Inc. prior to obtaining service. The standard service entrance will be a maximum of 200 Amps. The standard service connection will be supplied from the front of the residence or the frontage (or flankage) on a public road allowance.

Service entrances above 200 Amps will require special service connection arrangements and will be determined on a site-specific basis. Costs for the service will be determined on a variable connection charge basis.

Peterborough Distribution Inc. retains operational control over the meter base and the underground service conductors.

The City of Peterborough requires all new subdivisions to be serviced underground. The Customer would be required to install underground servicing in existing areas serviced by underground distribution.

3.1.3 Residential Services over Swimming Pools

Peterborough Distribution Inc. does not allow electrical conductors to be installed or located near or over swimming pools. Service and distribution system installations in the vicinity of swimming pools must meet the Peterborough Distribution Inc. technical specifications and the requirements of the Ontario Electrical Safety Code (refer to OESC Sec. 68-054). The Customer is responsible for any distribution system or service costs related to the accommodation or relocation for a swimming pool.

3.1.4 Residential Subdivisions

Residential underground subdivision developments are treated as main distribution expansions and are to be constructed and connected in accordance with the Distribution System Code, these Conditions of Service and Peterborough Distribution Inc. technical specifications (refer to Section 2.1.2).

New residential subdivisions in the City of Peterborough are required to be serviced with local underground electrical distribution (City of Peterborough Resolution GC-94-34). Peterborough Distribution Inc. reserves the right to install main distribution or sub-transmission feeders overhead through an underground subdivision at its sole discretion. All other territories would have the option of overhead or underground electrical servicing within the residential subdivision unless otherwise required by local bylaws.

In addition to the Offer to Connect, the Developer is required to enter into a subdivision agreement to provide for the installation of primary voltage distribution, transformation, secondary voltage distribution, secondary voltage service connections and main distribution system expansion (if required).

Payment of all connection charges, capital contributions and expansion deposits is required prior to construction or the ordering of any materials.

3.2 GENERAL SERVICE LESS THAN 50 kW

General Service Class Customers less than 50 kW are defined as all buildings or connections not classified as residential and use less than 50 kW of demand for electricity per month.

Standard general service class overhead service connections up to 200 Amps, single or three phase are provided to the Customer under the current distribution rate structure. Overhead transformer security deposits are required.

Underground service connections and transformation are provided on a variable connection charge basis as specified in this section.

3.2.1 Overhead Services

3.2.1.1 Overhead Single Phase (up to 200 Amps)

The Customer owns facilities on the building including the service attachment point, the mast, the meter base and the conductors from the load side of the connections at the service masthead. Peterborough Distribution Inc. will own and supply the meter and the service connection conductor to a maximum of 30 metres from the connection to the distribution system. If the service is beyond 30 metres, the Customer will own the service connection conductors beyond the first span or the first attachment point whichever is less.

A standard kWh smart meter will be installed. The meter and meter base are to be installed outside the building on the line side of the main disconnect according to Peterborough Distribution Inc. technical specifications. Clear and unobstructed access to the meter location must be provided at all times.

A service location must be obtained from and approved by Peterborough Distribution Inc. prior to obtaining service. The standard service entrance will be a maximum of 200 Amps. The standard service connection will be supplied from the front of the building or the property frontage (or flankage) on a public road allowance.

Peterborough Distribution Inc. retains operational control over the meter base and overhead service connection conductors.

3.2.1.2 Overhead Three Phase (up to 100 Amp at 120/208 V)
(up to 60 Amp at 347/600 V)

The Customer owns the facilities on the building including the service attachment point, the mast, the meter base and the conductors from the load side of the connections at the service masthead. Peterborough Distribution Inc. will own and supply the meter and the service connection conductors to a maximum of 30 metres from the connection to the distribution system. If the service is beyond 30 metres, the Customer will own the service connection conductors beyond the first span or first attachment point whichever is less.

A standard kWh smart meter will be installed. The meter and meter base are to be installed inside the building on the load side of the Customer's main disconnect according to Peterborough Distribution Inc. technical specifications. Clear and unobstructed access to the meter location must be provided at all times.

A service location must be obtained from and approved by Peterborough Distribution Inc. prior to obtaining service. The standard service entrance will be a maximum of 100 Amps at 120/208 Volts and 60 Amps at 347/600 Volts. The standard service connection will be supplied from the front of the building or the property frontage on a public road allowance.

Peterborough Distribution Inc. retains operational control over the meter base and overhead service connection conductors.

3.2.2 Underground Services

3.2.2.1 Underground Single Phase (up to 200 Amps)

The Customer owns the meter base, conduit and service connection conductors from the load side of the meter base. In addition, the Customer owns the conduit if required from the meter base to the property line and is responsible for the conduit beyond the property line to the secondary bus of the distribution system. Peterborough Distribution Inc. will own and supply the meter and the service connection conductors from the line side of the meter base to the connection to the distribution system.

A standard kWh smart meter will be installed. The meter and meter base are to be installed on the outside of the building on the line side of the main disconnect in accordance with Peterborough Distribution Inc. technical specifications. Clear and unobstructed access to the meter location must be provided at all times.

A service location must be obtained from and approved by Peterborough Distribution Inc. prior to obtaining service. The standard service entrance will be a maximum of 200 Amps.

Peterborough Distribution Inc. retains operational control over the meter base and the underground service connection conductors.

3.2.2.2 Underground Three Phase (up to 100 Amps at 120/208 V)
(up to 60 Amps at 347/600 V)

The Customer owns the meter base, conduit and service connection conductors from the load side of the Customer owned main disconnect. The Customer owns and supplies the concrete encased duct bank required for the service to the property line and is responsible for the duct bank to the secondary bus of the distribution system. Peterborough Distribution Inc. will own and supply the meter and the service connection conductors to the line side of the Customer owned main disconnect or splitter from the connection to the distribution system. The service connection is provided for a variable connection charge. There is no charge for the transformation located on the public road allowance.

A standard kWh meter will be installed. The meter and meter base are to be installed inside the building on the load side of the Customer's main disconnect according to the Peterborough Distribution Inc. technical specifications. Clear and unobstructed access to the meter location must be provided at all times.

A service location must be obtained from and approved by Peterborough Distribution Inc. prior to obtaining service. The standard service entrance will be a maximum of 100 Amps at 120/208 Volts and 60 Amps at 347/600 Volts.

Peterborough Distribution Inc. retains operational control over the meter base and the underground service connection conductors.

3.3 GENERAL SERVICE 50 kW to 4999 kW

General Service Class Customers equal to or above 50 kW and up to 4999 kW are defined as all buildings not classified as residential and having a service connection capable of load delivery of 50 kW or having an average monthly peak demand equal to or greater than 50 kW but less than 5000 kW.

All service connections in this class are provided on a variable connection charge basis as specified in this section.

3.3.1 Overhead Services

3.3.1.1 Overhead Single Phase (over 200 Amp up to 400 Amp)

The Customer owns the facilities on the building including the service attachment point, the mast and the service connection conductors from the load side of the connections at the service attachment masthead. Peterborough Distribution Inc. will own and supply the meter and the service connection conductors to a maximum of

30 metres from the connection to the distribution system. If the service is beyond 30 metres, the Customer will own the service connection conductors beyond the first span or first attachment point whichever is less.

A standard kWh, kW and kVA smart meter will be installed unless interval metering is required by Peterborough Distribution Inc. or requested by the Customer. The meter and meter base are to be installed inside the building on the load side of the Customer's main disconnect according to the Peterborough Distribution Inc. technical specifications. Clear and unobstructed access to the meter location must be provided at all times.

A service location must be obtained from and approved by Peterborough Distribution Inc. prior to obtaining service. The standard service entrance will be a maximum of 400 Amps. The standard service connection will be supplied to the front of the building or the property frontage (or flankage) on a public road allowance.

Peterborough Distribution Inc. retains operational control over the meter base and overhead service connection conductors.

3.3.1.2 Overhead Three Phase (over 100 Amp at 120/208 V)
(over 60 Amp at 347/600 V)

The Customer owns the facilities on the building including the service attachment, the mast, the meter base and the service connection conductors from the load side of the connections at the service attachment masthead. Peterborough Distribution Inc. will own and supply the meter and the service connection conductor to a maximum of 30 metres from the connection to the distribution system. If the service connection is beyond 30 metres, the Customer will own the service connection conductors beyond the first span or first attachment point whichever is less.

A standard kWh, kW and kVA smart meter will be installed unless interval metering is required by Peterborough Distribution Inc. or requested by the Customer. The meter, meter base or metering cabinet are to be installed inside the building on the load side of the Customer's main disconnect according to the Peterborough Distribution Inc. technical specifications. Clear and unobstructed access to the meter location must be provided at all times.

A service location must be obtained from and approved by Peterborough Distribution Inc. prior to obtaining service. The standard service entrance will be a maximum of 400 Amps at 120/208 Volts and 347/600 Volts. The standard service connection will be supplied to the front of the building or the property frontage (or flankage) on a public road allowance.

For service entrances above 400 Amps the Customer must be serviced with a primary voltage service and have transformation located on the Customer's

property. Peterborough Distribution Inc. will supply and own the transformation required on the Customer's property to the maximum sizes noted in Section 3.3.3. The primary service conductors and transformation required to be located on the Customer's property will be supplied at the Customer's cost.

Peterborough Distribution Inc. retains operational control over the transformer(s), primary and secondary service connection conductors, meters, meter bases, meter cabinets and instrument transformers.

3.3.2 Underground Services

3.3.2.1 Underground Single Phase (over 200 Amp up to 400 Amp)

The Customer owns the meter base or cabinet, conduit and service connection conductors from the load side the Customer owned main secondary disconnect or splitter. The Customer owns the concrete encased duct structure from the Customer owned main secondary disconnect or splitter to the property line and is responsible for the duct structure to the service riser pole. Peterborough Distribution Inc. will own and supply the meter and the service connection conductors. The service connection will be subject to a variable connection charge but there is no additional charge for the transformation installed on the public road allowance. A transformer security deposit may be required.

A standard kWh, kW and kVA smart meter will be installed. The meter and meter base or cabinet are to be installed on the inside of the building on the load side of the Customer's main disconnect according to the Peterborough Distribution Inc. technical specifications. Clear and unobstructed access to the meter location must be provided at all times.

A service location must be obtained from and approved by Peterborough Distribution Inc. prior to obtaining service. The standard service entrance will be a maximum of 400 Amps. The maximum available transformer size is 100 kVA. The standard service connection will be supplied to the front of the building or the property frontage (or flankage) on a public road allowance. Services that exceed 50 metres in length may require additional civil structure facilities, connection enclosures and/or a change in ownership demarcation.

Services above 400 Amps will require a primary service with transformation installed on the Customer's property. Peterborough Distribution Inc. may consider services above 400 Amps where there are extenuating and unusual circumstances. The maximum transformer size available is 167 kVA. Where transformation is located on the Customer's property, the Customer owns the secondary service connection conductors from the secondary terminals of the transformer. The primary service conductors and transformation required to be located on the Customer's property will be supplied at the Customer's cost.

Peterborough Distribution Inc. retains operational control over the transformer(s), primary underground service connection conductors, meter, meter base, meter cabinet or underground secondary service connection conductors where applicable.

3.3.2.2 Underground Three Phase (over 100 Amp at 120/208 V)
(over 60 Amp at 347/600 V)

The Customer owns the meter base or cabinet, conduit and service connection conductors from the load side of the Customer owned main secondary disconnect or splitter or the secondary terminals of the transformation where applicable. The Customer owns the concrete encased duct structure required for the service connection conductors on their property and is responsible for the duct structure to the service riser pole at the connection to the distribution system. Peterborough Distribution Inc. will supply and own for a variable connection charge the primary or secondary service connection conductors, the transformation, the meter and metering instrument transformers.

A standard kWh, kW and kVA smart meter will be installed unless interval metering is required by Peterborough Distribution Inc. or requested by the Customer. The meter, meter base or metering cabinet are to be installed inside the building on the load side of the Customer owned main disconnect according to the Peterborough Distribution Inc. technical specifications. Clear and unobstructed access to the meter location must be provided at all times.

A service location must be obtained from and approved by Peterborough Distribution Inc. prior to obtaining service. The standard service entrance will be a maximum of 400 Amps at 120/208 Volts and 347/600 Volts. Services that exceed 50 metres in length may require additional civil structure facilities, connection enclosures and/or a change in ownership demarcation. The standard service connection will be supplied to the front of the building or the property frontage on a public road allowance.

For service entrances above 400 Amps the Customer must be serviced with a primary voltage service connection and have transformation located on the Customer's property. Peterborough Distribution Inc. will supply and own the primary service connection conductors and the transformation required on the Customer's property to the maximum sizes available as specified in Section 3.3.3. The primary service conductors and transformation required to be located on the Customer's property will be supplied at the Customer's cost.

Peterborough Distribution Inc. retains operational control over the transformer(s), primary service connection conductors, meters, meter bases, meter cabinets and instrument transformers. Peterborough Distribution Inc. retains operational control over underground secondary service connection conductors where owned by Peterborough Distribution Inc. and all primary voltage facilities.

3.3.3 General Service (1000 kW – 4999 kW)

This section outlines additional service conditions on those Customers with a service connection capable of delivering from 1000 kW to 4999 kW. All conditions outlined in Section 3.3 apply except where they are superseded by this section.

Customers who require service connections above 1000 kW must supply and own the primary service connection conductors, switchgear and their own transformation above the maximum sizes supplied by Peterborough Distribution Inc. (see Section 3.8 on Transformation).

The maximum allowable service connection on the 27.6 kV system is 3,000 kW. All service connections above 3000 kW must be supplied from the 44 kV system.

Peterborough Distribution Inc. retains operational control of all equipment connected to its primary voltage distribution systems unless otherwise negotiated with the Customer. Peterborough Distribution Inc. may restrict access by the Customer to substation yards and transformer vaults located on the Customer's property where deemed appropriate for safety and operational reasons. Peterborough Distribution Inc. retains the right to place its locks on Customer owned disconnect devices connected to its distribution system for safety and operational reasons.

3.4 LARGE USE (5000 kW and ABOVE)

Those Customers with an average monthly demand that is equal to or exceeds 5000 kW are defined as a "Large Use" customer.

Large Use Customers are required to supply and own all of their connection facilities. Large Use Customers will not receive the Transformer Allowance for transformer ownership as the allowance for these Customers is embedded in the Large Use distribution rate.

3.5 UNMETERED SCATTERED LOAD (USL)

This Customer Rate Class covers loads that are proven to not be practical or economical to meter. They include single ownership of a number of separate connections, low consumption individual loads with predictable stable energy consumption patterns and non-photo sensitive controlled that are connected to standard secondary low voltages and less than 50 kW in demand.

Permissible loads in this rate class may include bus shelters, billboards, signs, phone booths or cable television amplifiers. All reasonable attempts must be made to connect these loads to a metered service where possible. The Customer is required to provide details of the connected load and usage pattern prior to obtaining approval to connect unmetered to the distribution system.

The Customer owns all the equipment and facilities from the load side of the connection to the distribution system. The ownership demarcation shall be where the connection is made to the secondary buss on the distribution system. The service connection shall be provided through a suitable customer disconnect switch for the each specific facility and equipment location. The Customer has ownership and operational control of the disconnect switch if authorized by Peterborough Distribution Inc. and operated by qualified personnel. Peterborough Distribution Inc. retains ownership and operational control over the connection to the distribution system.

A service location must be obtained from and approved by Peterborough Distribution Inc. prior to obtaining service.

The Customer must supply the location of all connections and provide the load profile of each location to Peterborough Distribution prior to connection. Validation of the load profile is at the sole discretion of Peterborough Distribution. Validation may be provided by certified equipment specification or nameplate information, certified lab testing or infield sampled measurements to the satisfaction of Peterborough Distribution. Peterborough Distribution retains the right to audit connections at its discretion.

All equipment to be connected to the distribution system must be CSA certified (or approved equivalent) and a connection authorization from the ESA is required prior to connection.

Service Charges are based on a per connection basis plus a volumetric rate. Rate allocation and assumptions are determined at Cost of Service Rate application periodically. Information on the class allocation or current rate application can be obtained upon request from the utility.

It is the Customer's responsibility to keep Peterborough Distribution informed of any significant changes to the load profile and inventory of its existing unmetered connections. Changes to the load profile can be submitted at any time to have the utility records updated and the appropriate billing adjustments made if necessary. Peterborough Distribution retains the right to request an audit of load profile, inventory or locations of connections at any time from the Customer at the Customer's cost.

3.5.1 Traffic Signal and Control Devices

Traffic control signals that are owned by a Municipality, operated in and connected to the Peterborough Distribution electric distribution system may be connected in the USL rate class. All conditions of the USL rate class apply to these connections. The Customer is required to provide all connected load and load profile information prior to obtaining approval to connect to the distribution system. The Customer

must also provide an annual inventory of intersections and other connections to the distribution system.

Metering of these connections is not mandatory but is strongly recommended.

The Customer owns all the equipment and facilities from the load side of the connection to the distribution system. The ownership demarcation shall be where the connection is made to the secondary buss on the distribution system. The connection shall be provided through a suitable customer disconnect switch for the specific traffic intersection or installation. The Customer has ownership and operational control of the disconnect switch if operated by qualified personnel. Peterborough Distribution Inc. retains ownership and operational control over the connection to the distribution system.

It is the responsibility of the municipality to advise Peterborough Distribution of any change to load profile or connection inventory. Changes to the billing will be made on the basis of the revised information.

A service location must be obtained from and approved by Peterborough Distribution Inc. prior to obtaining service.

3.6 SENTINEL LIGHTING SERVICE

This Customer Rate Class covers sentinel lights used for security or other private commercial activities. All new installations must be metered. All reasonable attempts must be made to connect existing lights to a metered service where possible when alterations or additions are requested. The Customer is required to provide details of the connected load and usage pattern prior to obtaining approval to connect unmetered to the distribution system.

The Customer owns all the equipment and facilities from the load side of the connection to the distribution system. The ownership demarcation shall be where the connection is made to the secondary buss on the distribution system. The service connection shall be provided through a suitable customer disconnect switch for the installation.

Peterborough Distribution Inc. has ownership and operational control of the connection to the distribution system. The Customer has ownership and operational control of the disconnect switch if operated by qualified personnel.

A service location must be obtained from and approved by Peterborough Distribution Inc. prior to obtaining service.

Service Charges are based on a per connection basis plus a volumetric rate. Rate allocation and assumptions are determined at Cost of Service Rate application

periodically. Information on the class allocation can be obtained upon request from the utility.

3.7 STREET LIGHTING SERVICE

This Customer Rate Class applies only to street lighting equipment owned by a Municipality or the Province of Ontario and operating within the licenced territory of Peterborough Distribution Inc. Included in this Rate Class is decorative and seasonal lighting connected to street lighting facilities owned by the City of Peterborough, other authorized municipalities and the Province of Ontario. The Customer is required to provide details of the connected load and usage pattern prior to obtaining approval to connect unmetered to the distribution system. The Customer is also required to provide regular inventory updates of the connections and load profile as requested by Peterborough Distribution Inc.

The Customer owns all equipment and facilities from the load side of the connection to the distribution system. The ownership demarcation shall be where the connection is made to the secondary buss on the distribution system or the customer disconnect device if present. Peterborough Distribution Inc. has ownership and operational control of the connection to the distribution system. The Customer has ownership and operational control of any customer disconnect device if operated by qualified personnel.

Each street light is to be individually controlled by a photocell. Underground connections for street lighting are provided through a suitable disconnect device to be installed by the Customer.

Service Charges are based on a per connection basis plus a volumetric rate. Rate allocation and assumptions are determined at Cost of Service Rate application periodically. Information on the class allocation can be obtained upon request from the utility.

3.8 TRANSFORMATION

The maximum three phase transformer sizes supplied by Peterborough Distribution Inc. are as follows:

4.16/2.4 kV	500 kVA (distribution class)
8.32/4.8 kV	500 kVA (distribution class)
27.6/16.0 kV	750 kVA @ 120/208 V (distribution class) 1000 kVA @ 347/600 V (distribution class)
	Above 1000 kVA – Customer Owned and Supplied

44 kV Customer Owned and Supplied

Customers have the option of ownership of transformation located on their property at all sizes and are required to own the transformation above the maximum sizes supplied by Peterborough Distribution Inc. If a Customer decides or is required to own their transformation, the transformer technical specifications and its loss evaluation require prior approval from Peterborough Distribution Inc. The Customer is required to compensate Peterborough Distribution Inc for transformer losses that exceed the maximum acceptable losses. Some Customer classes under certain circumstances will receive a transformer allowance as specified in the current rate schedule for privately owned transformation. The Large Use and General Service Less than 50 kW rate class customers are not eligible for the transformer allowance.

Peterborough Distribution Inc. reserves the right to determine the size of transformation it supplies for a Customer service connection. Peterborough Distribution Inc. also reserves the right to install smaller transformation capacity if the existing load history or expected load warrants it. If the PDI supplied transformer is sized to less than the service entrance capacity due to current or future expected load demand, Peterborough Distribution Inc will be responsible for supplying a transformer sized to the existing service entrance size at no cost to the Customer if required in the future.

If a Customer upgrades their service entrance and requires larger capacity transformation, the Customer shall pay the cost of the new transformer. The Customer may receive a credit for the existing transformation if it is in serviceable condition and is 25 years old or less. The credit if applicable will be identified in the Offer to Connect.

3.9 EMBEDDED GENERATION

Peterborough Distribution Inc. will provide a connection to its distribution system for embedded generators where it is technically feasible as determined by the Connection Impact Assessment. All costs related to the connection facilities and generator protective equipment required for the safety of the public and security of the distribution system will be borne by the embedded generator. Other costs related to the distribution system will be allocated and be determined as required by the Green Energy Act 2009 or the Ontario Energy Board Distribution System Code.

All embedded generators must make written application to Peterborough Distribution Inc. if they wish to connect to the distribution system. A Connection Impact Assessment will be completed and embedded generators will be required to enter into a Distribution Connection Agreement.

For more information on the connection process and cost allocations refer to the Ontario Energy Board Distribution System Code. The Ontario Energy Board Retail Settlement Code, Ontario Power Authority Contracts or the Electricity Market Rules

as applicable will govern the purchase of electricity. All embedded generators (except those under 500 kW) must have a valid generator's licence issued by the Ontario Energy Board prior to receiving approval to connect to the distribution system.

Embedded generators must meet all the conditions and standards applicable to the generation of electricity in the Province of Ontario and obtain the necessary approvals from the Electrical Safety Authority, the Independent Electric System Operator, Ontario Energy Board and the Ontario Power Authority. The connection and operation of an embedded generator must not affect the safety, reliability, efficiency or quality of electrical distribution and supply by the distribution system. The embedded generator will be liable for any damage, disturbances or additional costs on the distribution system as a result of its operation of the generation facility.

Peterborough Distribution Inc. will provide for Net Metering to those Customers requesting it according to Ontario Energy Boards Distribution System Code and the Retail Settlement Code. Embedded generators wanting to connect to the distribution system must meet all the requirements applicable in this section. More information on Net Metering can be obtained from the Ontario Energy Board's website.

3.9.1 Technical Requirements

The embedded generator will install and maintain sufficient protection equipment and control systems to protect against and restrict disturbances to the distribution system and other Customers.

A primary voltage three phase (or single phase) interruption and disconnection device is required to provide a point of isolation, disconnection and demarcation of the generator from the distribution system. Peterborough Distribution Inc. retains operating control of the disconnection device unless otherwise negotiated with the generator.

Typical generation protection will be provided to automatically isolate the generator from the distribution system for internal faults within the generator's equipment, external faults on the distribution system and abnormal system conditions such as but not limited to over-current, under/over frequency and under/over voltage. Separate anti-islanding protection schemes are required for all generators over 10 kW. Peterborough Distribution Inc. reserves the right to request a transfer trip protection scheme if it is deemed to be necessary due to distribution system operating conditions.

The generator shall be sufficiently protected from any disturbances or abnormal conditions on the distribution system such as but not limited to lightning, supply circuit reclosures, switching spikes, faults and abnormal voltage conditions. The generator is responsible for protecting its own equipment and Peterborough

Distribution Inc. is not liable for damage to the generator's equipment. The generator's protection scheme must be approved by Peterborough Distribution Inc. prior to connection to the distribution system.

The generator shall not automatically reclose its disconnection device without the approval of Peterborough Distribution Inc. Generator operator initiated connection of the generator to the distribution system is only permitted at the direction of Peterborough Distribution Inc.

The generator will provide remote telemetry of the generation facilities as determined by Peterborough Distribution Inc. The requirement for the telemetry is dependant on site specific configuration and size of the generator.

3.9.2 Generation Limits

The following absolute limits are stated in this section are for planning purposes and the actual limits (which may be lower) will be determined in the Connection Impact Assessment.

Generally, generator installed capacity will be limited to 60% of the station transformer nameplate rating at distribution substations. Generator installed capacity will be limited to 50% of the minimum load of the distribution feeder. Generator installed capacity will not exceed 75% of the distribution transformer capacity to which the generator is connected.

The short circuit limits of the distribution system shall not be exceeded by the connection of embedded generation connections.

3.9.2.1 Distribution Feeder Limits

The total generation capacity connected to distribution feeders shall not exceed in any circumstance:

i) 30 MW for feeders operating at 44 kV

ii) 19 MW for feeders operating at 27.6 kV

iii) 2.9 MW for feeders operating at 8.32 kV

iv) 1.45 MW for feeders operating at 4.16 kV

3.9.2.2 Individual Generation Connection Limits – Three Phase

i) 10 MW per connection on feeders operating at 44 kV

ii) 3 MW per connection on feeders operating at 27.6 kV

iii) 0.5 MW per connection on feeders operating at 8.32 kV or 4.16 kV

3.9.2.3 Individual Generation Connection Limits – Single Phase

i) 150 kW per connection on feeders operating at 27.6 kV

ii) 100 kW per connection on feeders operating at 8.32 kV and 4.16 kV

3.9.3 Metering Requirements

Peterborough Distribution Inc. will determine the appropriate metering arrangement for each generator based on the connection configuration and generator technology but will require as a minimum bi-directional metering to measure kWh delivered to and kWh received from the generator. The meter shall be capable of being remotely read and the communication required must be supplied and maintained by the generator. The metering must meet the requirements of any electricity market contract that the purchase of electricity will be subject to and settled.

Typically, the generator shall supply, own and maintain the metering installation according to Measurement Canada and IESO regulations unless otherwise agreed to by Peterborough Distribution Inc. The generator shall engage the services of a licenced Meter Service Provider to maintain the metering installation unless otherwise agreed to by Peterborough Distribution Inc.

3.10 EMBEDDED MARKET PARTICIPANT

Embedded Market Participants are required to inform, in writing, Peterborough Distribution Inc. of their status 30 days prior to their participation in the Ontario Electricity Market. Embedded Market Participants are required to register with the Independent Electricity System Operator in order to participate in the Ontario Electricity Market.

3.11 EMBEDDED DISTRIBUTOR

Any licenced Embedded Distributor is required to inform, in writing, Peterborough Distribution Inc. of its intention to operate within the jurisdiction of Peterborough Distribution Inc. if authorized to do so by the Ontario Energy Board. The Embedded Distributor will be required to enter into a Distribution Connection Agreement. The terms and conditions applicable to an Embedded Distributor would be outlined in the Distribution Connection Agreement.

3.12 OVERHEAD TO UNDERGROUND AND DOWNTOWN SERVICING

3.12.1 Overhead to Underground Relocations

Peterborough Distribution Inc will relocate existing overhead lines in the distribution system to underground at full cost recovery from the requesting party. The requestor may be eligible to receive a credit towards the underground relocation based on the estimated cost to rebuild the existing line overhead subject to a depreciation reduction allowance if the overhead line is less than twenty-five (25) years old. The credit will be reduced by a straight-line depreciation with the age of the line being determined by the oldest age of the poles, insulators or conductors.

In addition, if the relocation to underground results in an appreciable improvement to overhead line clearance (based on CSA minimum standards) and safety, an additional safety clearance allowance may be applied to a maximum value of five (5) percent of the relocation project cost.

3.12.2 Downtown Servicing

There may be some restrictions to the availability of overhead servicing and standard service voltages in the Downtown Servicing Areas in the City of Peterborough and the Village of Lakefield. Customers seeking service connections in these areas should consult with Peterborough Distribution Inc. to determine the type of service availability.

The Downtown Servicing Areas are currently defined as the area bounded by the inside property lines on Water Street, Brock Street, Aylmer Street and Sherbrooke Street in the City of Peterborough. A second restricted service area is located on Hunter Street East from Burnham Street to Rogers Street. In the Village of Lakefield the area is on Albert/Queen Streets from Water Street to Reid Street.

Typically, service connections will be restricted to underground in these designated areas. The secondary service connection voltage will be restricted to 120/208 Volt, three phase and 120/208 Volt, single phase, network. The maximum connected load to secondary service connections will be 200 kW (600 Amp main disconnect). Primary voltage service connections will require the transformation to be installed and located on the Customer's property.

3.13 TEMPORARY SERVICES

Temporary services are defined as being provided for construction purposes or short-term special events. A service location approved by Peterborough Distribution Inc. is required prior to connection. A connection authorization from the Electrical Safety Authority is required prior to the placement of the meter. The Customer must provide an approved meter base and service stack and entrance disconnect in

accordance with Peterborough Distribution Inc technical specifications and the Ontario Electrical Safety Code.

The standard charges for typical temporary service are listed in the current Peterborough Distribution Inc. rate schedule. Peterborough Distribution Inc. standard service is a single phase 200 Amp overhead service provided to the property line or the first practical attachment point within 10 metres of the Customer's property line. Any facilities beyond the standard service will be provided by the Customer at their cost. Under no circumstances will the Customer be allowed to install their facilities on a Peterborough Distribution Inc. pole. The charges and any construction deposit required are to be paid prior to service being provided.

For temporary service installations that are not standard, additional charges will apply and are located in Section 5.0 of the Conditions of Service. The Customer is responsible for all costs associated with the installation and removal of temporary services with the exception of recoverable material.

A temporary service is provided for a maximum of twelve (12) months. If the service is required beyond that period, a renewal is required to be obtained from Peterborough Distribution Inc.

Section 4.0 GLOSSARY OF TERMS

Amps	The flow of current in a conductor measured in Amperes (A).
Average Peak Demand	A calculation of the average peak demand using the maximum peak demands for each month in a specified time period.
CSA	Refers to the Canadian Standards Association.
Company	Refers to Peterborough Distribution Inc.
Connection	The physical point where the electrical service to the Customer connects to the main distribution system. Ownership demarcation and operational control beyond this point will be as defined in the Conditions of Service or the Offer to Connect.
Connection Impact Assessment	The technical review and evaluation to determine if an embedded generator can connect to the distribution system.
Construction Deposit	A cash deposit required for materials and/or services to be provided by Peterborough Distribution Inc.
Customer	A person under law who has contracted for or intends to contract for connection to the distribution system. This includes Developers of residential or commercial subdivisions. Also refers to the owner or tenant of a building whose electrical service is connected to the distribution system. In addition, a Customer refers to a person or corporation which contracts for distribution services and/or energy use or is an embedded generator.
Demand	The maximum rate of use of electrical power in a specified demand period measured in kilowatts (kW) or kilo-voltamperes (kVA).

Demarcation Point	A physical point that is designated to determine ownership and/or operational control of the Customer's or the Distribution Company's equipment. Ownership demarcation is where the ownership of facilities changes from the Distributor to the Customer. Some equipment owned by the Distributor may be located inside the ownership demarcation point. Operational demarcation determines the facilities that may be owned by either the Distributor or the Customer but remains under the operational control of the Distributor.
Distribution System	The electrical distribution system and facilities owned by Peterborough Distribution Inc. located on public road allowance.
Electrical Service	The portion of electrical facilities located on the Customer's property that connects the facility to the Distribution System.
Embedded Generator	A generator that is connected directly to the distribution system.
Emergency	An abnormal system condition that requires remedial action to prevent loss or damage to equipment and or may impact public safety.
Energy	The rate of use or consumption of electricity measured in kilowatt-hours (kWh).
Energy Diversion	Refers to the theft of energy from meter tampering or tapping off electrical load before the revenue meter.
ESA	Refers to the Electrical Safety Authority who is responsible for public electrical safety in Ontario.
Expansion	An addition or capacity upgrade to the distribution system supplying or potentially supplying multiple Customers and located on public road allowance. It does not refer to the extension of an electrical service connection to a single or group of Customers located on private property.

General Service	Service to buildings or customers that are not classified as single family residential.
IESO	Refers to the Independent Electricity System Operator who operates the competitive electricity market in Ontario.
Instrument Transformers	Devices required to reduce metering quantities for the standard meter configuration.
Interval Meter	A meter measuring electricity consumption for each hour of the day. Designated as a MIST meter in the Distribution System Code.
Large User	A Customer with a monthly average demand of 5000 kW or greater over a specified time period.
Line Side	Refers to the side of the ownership demarcation point that is closest to the distribution system.
Load Side	Refers to the side of the ownership demarcation point that is closest to the Customer's load.
Main Disconnect	Refers to the Customers main isolation switch from the distribution system and sometimes may be designated as the Customers ownership demarcation point.
MMP	Refers to a Metered Market Participant who buys or sells electricity directly to the IESO controlled grid.
Network Meter	Single phase meter for use on network type service of single phase 120/208 Volt supply.
OEB	Refers to the Ontario Energy Board (Regulator).
OESC	Refers to the Ontario Electrical Safety Code
Primary Voltage	Voltage over 750 Volts.
Property Line	The line demarking the boundary between the public road allowance and private property.
Residential Service	Service to single family homes and is zoned for single-family residential use.

Retailer	A licenced person or corporation that sells or retails electricity.
Secondary Voltage	Voltage under 750 Volts.
Security Deposit	A cash and/or letter of credit deposit to cover promises by a third party to provide plant or service to Peterborough Distribution Inc.
Service Connection	Refers to facilities that are required to connect the Customer facilities on private property to the distribution system on the public road allowance.
Service Location	An approved location to connect the Customer's electrical service to the distribution system.
Smart Meters	Refers to electronic remotely read revenue meters required by the Provincial Government. Meters are remotely read through wireless communication.
Sub-metering	Refers to meters installed behind the LDC revenue meter for the purposes of allocating charges to individual units within a building or complex.
Sub-transmission	Distribution feeders operated at 44,000 Volts.
Temporary Service	Refers to an electrical service granted temporarily for such purposes as construction or short term events. It is intended not to be in-service for more than one (1) year.

Section 5.0 APPENDICES AND TABLES

5.1 CONNECTION CHARGES (subject to annual review)

Temporary Services – Underground (with Transformer Installation)		Actual Cost
Temporary Services – Primary Voltage Service Connection		Actual Cost
New Underground Residential Service	- Buss Connected	$1000 (10 metres)
	- Individual	$ 600 (10 metres)
Upgrade Existing Underground Residential Service		Actual Cost
Overhead to Underground Residential Service - Standard *****plus actual excavation and restoration costs		$1000 (25 metres)*****
Underground Residential Service – Extra Length		$21/metre
Miscellaneous Secondary Service Connection (No material or civil work required)		$300
Residential Subdivision Post Inspection		$25/lot
Interval Meter Installation – Standard ******excludes cabinet, etc.		$2500 ******
Network Meters		$64/meter

Notes:
Charges are applicable during regular business hours. If the work is required after normal business hours, additional costs will be recovered from the Customer. Charges are payable prior to the service being provided.

5.2 DEMARCATION SUMMARY

Demarcation Summary Operational and Ownership

Residential/Micro Fit

Service Type	Ownership Demarcation	Operational Demarcation
Overhead, Secondary, up to 200 A	Top of Customer's Service Mast (maximum 30 m)	Meter
Underground, Secondary, up to 200 A	Line side of Customer's Meter Base (maximum 10 m)	Meter
Secondary Service Above 200 A	To be determined on site specific basis.	Meter or first switching device
Overhead, Underground, Primary	Secondary Terminals of Transformer (maximum 30 m)	All primary high voltage equipment

General Service Less than 50 kW

Service Type	Ownership Demarcation	Operational Demarcation
Overhead, Secondary, Single Phase, up to 200 A	Top of Customer's Service Mast (maximum 30 m)	Meter
Overhead, Secondary, Three Phase, up to 100 A	Top of Customer's Service Mast (maximum 30 m)	Line side of the main disconnect
Underground, Secondary, Single Phase, up to 200 A	Meter	Meter
Underground, Secondary, Three Phase, up to 100 A	Line side of the main disconnect	Line side of the main disconnect

General Service 50 to 4999 kW

Service Type	Ownership Demarcation	Operational Demarcation
Overhead, Secondary, Single Phase, 200 to 400 A	Top of Customer's Service Mast (maximum 30 m)	Line side of the main disconnect.
Overhead, Secondary, Three Phase, up to 400 A	Top of Customer's Service Mast (maximum 30 m)	Line side of the main disconnect.
Underground, Secondary, Single Phase, 200 to 400 A	Line side of the main disconnect.	Line side of the main disconnect.
Underground, Secondary, Three Phase, 200 to 400 A	Line side of the main disconnect.	Line side of the main disconnect.
Overhead, Underground, Primary	Secondary Terminals of Transformer (maximum 30 m)	All primary high voltage equipment.

Large Use

Service Type	Ownership Demarcation	Operational Demarcation
Overhead, Underground, Primary	Connection to the distribution system.	All primary high voltage equipment.

Unmetered Scattered Load

Service Type	Ownership Demarcation	Operational Demarcation
Overhead, Underground, Secondary	Connection to the distribution system	Connection to the distribution system

Sentinel Lighting

Service Type	Ownership Demarcation	Operational Demarcation
Overhead, Underground, Secondary	Connection to the distribution system	Connection to the distribution system

Street Lighting

Service Type	Ownership Demarcation	Operational Demarcation
Overhead, Underground, Secondary	Connection to the distribution system	Connection to the distribution system

CCC INTERROGATORY # 12

Reference:

Ex. A/T2/S1/p. 7

Interrogatory:

The Applicants are seeking a Deferred Rebasing Period of 10 years. Under what circumstances would HOI seek to rebase earlier?

Response:

The Application before the OEB is for a 10 year deferral period. No shorter deferral period has been contemplated.

CCC INTERROGATORY # 13

Reference:
N/A

Interrogatory:
Please provide all material provided to Hydro One Inc.'s Board of Directors regarding this transaction. When did the Board of Directors approve the transaction?

Response:
Approval resolutions passed at the meeting of the Boards of Directors of Hydro One Limited and Hydro One Inc. held on May 4, 2017 are provided in Appendix 6 of the Application.

As has been documented in previous MAAD approvals, including the Combined Proceeding, the Board considers that the conduct or motivations of a seller leading up to the consolidation transaction are not relevant to the "no harm" test. In Procedural Order 8 of EB-2013-0187 the OEB outlined the following:

> *"The "no harm" test looks at the effect of a transaction, not the reason for or the process preceding the transaction. Accordingly, the Board does not consider IRs relating to the overall merits or rationale for HONI's acquisition plans … to be relevant to this proceeding."*

Consequently, Hydro One declines to provide the requested information as it is information not relevant to the relief sought in the Application. In support of this position, Hydro One relies on the Handbook. One of the objectives of the Handbook is stated at Page 1:

> *"The OEB has a statutory obligation to review and approve consolidation transactions where they are in the public interest. In discharging its mandate, the OEB is committed to reducing regulatory barriers to consolidation. In order to facilitate both a thorough and timely review of requests for approval of transactions, in this Handbook the OEB provides guidance on the process for review of an application, the information the*

> *OEB expects to receive in support, and the approach it will take in assessing the merits of the consolidation in meeting the public interest.*
>
> *Recent OEB policies and decisions on consolidation applications have already established a number of principles to create a more predictable regulatory environment for applications. This Handbook will provide further clarity to applicants, investors, shareholders and other stakeholders."*

Regulatory efficiencies in consolidation proceedings cannot be achieved if the evidentiary record is allowed to include information that pertains to matters outside of the OEB's stated considerations.

At page 3 of the Handbook, the OEB states that the Filing Requirements found in Schedule 2 set out the information needed for inclusion in an application. The scope of review to be carried out during a consolidation proceeding is discussed at page 9 of the Handbook. Confirmation is provided that deliberations, activities, and documents leading up to the final transaction agreement are not matters relevant for consideration when an application made pursuant to section 86(1) of the OEB Act.

The requested information concerns deliberations, activities and documents leading up to the final transaction agreement and this Application. As such, and based on the above reasons, Hydro One respectfully submits the information is not relevant to this proceeding and therefore declines to produce these materials.

CCC INTERROGATORY # 14

Reference:

Ex. A/T2/S1/p. 8

Interrogatory:

Please explain how the proposed transaction "protects" Hydro One's existing legacy customers.

Response:

Please refer to Exhibit I, Tab 1, Schedule 8.

OEB STAFF INTERROGATORY # 45

Reference:

Exhibit A-5-1

Interrogatory:

Preamble:

At Exhibit A-5-1 p. 2, the Applicants state:

> Hydro One's purchase of PDI will result in over $9 million of savings in Year 11 (i.e., the first rebasing year), as shown in Table 1 below.

Table 1: Savings Resulting from Hydro One's Acquisition of PDI ($M)

PDI Status Quo Total Cost to Serve	$26.3	*Ex. A, Tab 4, Schedule 1 – Table 4*
Total Residual Cost to Serve	17.0	*Ex. A, Tab 4, Schedule 1 – Table 4*
Ratepayer Savings (Year 11)	**$9.3**	

a) Table 1 reports a Total Residual Cost to Serve of $17.0 million. Throughout the original application, the Applicants stated that the Total Residual Cost to Serve would be $16.6 million. Please provide an explanation for the variance.

b) Please confirm that the $9.3 million savings reported in Table 1 does not reflect PDI customers' apportionment of Hydro One Shared Costs.

c) For how many years post-Year 11 are the ratepayer savings demonstrated in Table 1 expected to accrue?

   i. Please provide the estimated savings for each of these years.

Response:

a) On February 27, 2019 in addition to filing supplemental evidence Exhibit A, Tab 5, Schedule 1, Hydro One filed a blue page update. The Total Residual Cost to Serve of $16.6 million comes from Hydro One's original evidence (filed October 12, 2018) in Exhibit A, Tab 4, Schedule 1. This amount was updated to $17.0 million in the Blue Page update (filed February 27, 2019). The difference was attributable to an error in estimating Year 11 tax.

b) The $9.3M represents the difference between the status quo costs and the incremental cost to serve PDI customer and does not include any shared costs apportioned through the cost allocation process. See Exhibit A, Tab 4, Schedule 1, Section 3.0.

c) The $9.3 million savings is considered ongoing.

OEB STAFF INTERROGATORY # 46

Reference:
Exhibit A-5-1

Interrogatory:
Preamble:
At Exhibit A-5-1 p. 2, the Applicants state:

> In Exhibit A, Tab 2, Schedule 1, Table 1 of this MAAD application, Hydro One has provided the forecast incremental OM&A and capital cost to serve the customers of PDI, and commits to tracking the *actual* ***incremental OM&A and capital costs*** to serve PDI customers until the end of the ten year deferral period. This tracking will allow the Board to compare the actual incremental costs to serve PDI customers with that forecast in this application. The actual incremental OM&A and capital costs to serve PDI customers will be reflected in Hydro One's revenue requirement upon rebasing of rates at the end of the ten year deferral period. [***Emphasis added***]

a) Please fully explain what is meant by "incremental OM&A and capital costs" as referenced by the Applicants at Exhibit A-5-1 p. 2. To clarify, is it the Applicants' intention to only track the incremental costs (or marginal costs) incurred by Hydro One to serve the current PDI service territory following the proposed acquisition?

   By way of example, if Hydro One's staffing levels for certain functions, prior to the acquisition, are adequate enough to absorb the PDI service territory without the need for adding staff, would the incremental costs for that function be considered nil? What methods would Hydro One use to identify those costs that are incremental to PDI versus those that are not?

b) Please confirm if the tracking of PDI's incremental OM&A and capital costs will include the tracking of PDI's Shared Costs.
   i. If Shared Costs will not be tracked, please discuss why the tracking of these costs is not required.

c) If applicable, please discuss why only incremental OM&A and capital costs will be tracked and not the total costs to serve PDI customers until the end of the ten year deferral period.

d) At page 159 of the OEB's Decision and Order on Hydro One's Application for electricity distribution rates beginning January 1, 2018 until December 31, 2022[1], the OEB stated:

In approving the acquisition of Norfolk, Haldimand and Woodstock,[2] the OEB directed Hydro One to maintain records of the cost to serve these utilities in order to inform the rate-setting process at the completion of the respective deferral periods. Hydro One has not maintained these records.

Please articulate why and how the Applicants' decision to track only incremental OM&A and capital costs aligns with the expectations established by the OEB through the aforementioned Decision and Order.

Response:

a) Incremental OM&A and capital costs means the additional costs that Hydro One will incur as a result of the acquisition of PDI after anticipated synergies and efficiency gains have been reflected. If PDI was not acquired by Hydro One, these "incremental costs" would not be incurred by Hydro One and therefore would not be included in Hydro One's revenue requirement as they are not needed to service Hydro One's legacy customers.

Hydro One has committed to track both the incremental OM&A and capital costs to service PDI up until the time of the next rebasing. In the Supplemental Evidence, Hydro One has also agreed to continue to track capital costs to serve PDI beyond the deferral period, to inform future rate-setting applications.

The example provided by Board Staff in this interrogatory outlines some of the benefits that will be achieved by this acquisition through the elimination of redundancies and inefficiencies. These align with the OEB's intended efficiencies

[1] EB-2017-0049
[2] EB-2013-0196/EB-2013-0187/EB-2013-0198 (Norfolk), EB-2014-0244 (Haldimand), and EB-2014-0213 (Woodstock).

gained through consolidation. Yes, Hydro One will be able absorb certain activities and functions currently required by PDI into its current staffing levels (e.g. preparation of financial statement, tax returns, human resources support, etc.) without incurring any additional costs. As there are no incremental costs resulting from these activities, the incremental cost would be nil.

During the ten year rebasing deferral period Hydro One will utilize its financial management and reporting system, the same system it uses for all Hydro One's financial business activities, to track incremental capital and OM&A costs to serve PDI's customers. Hydro One's financial system will enable the reporting of these capital and OM&A expenditures over this ten year period by setting up a specific PDI service territory cost centre. Any specific incremental cost expenditures made in PDI's service territory during that period will be recorded and tracked in that PDI cost centre.

b) Hydro One will track all incremental costs, which include any incremental costs that may also be categorized as shared costs. For instance, Hydro One has defined Shared Cost to include customer services, however some customer service activities, such as generating customer's bills will incur incremental costs to serve PDI's customers. These incremental activities will be tracked separately. Hydro One's evidence is that shared costs that will be allocated through the cost allocation process will not be tracked.

Hydro One in both its Distribution and Transmission rate cases provides evidence and justification for all of its costs including its shared costs forecast captured at a corporate level. Hydro One is unable to track actual "shared costs" for any of its customer groups. These costs are not directly charged to any of Hydro One rates classes and are therefore cannot be tracked by customer group. For instance, Hydro One's Finance department's costs (which would be captured in "shared costs") are not forecast or tracked between Hydro One's Rural, UR, GSd or Acquired Utility rate classes.

Total Shared Costs, including any incremental costs that may also be categorized as Shared Costs, will be allocated to PDI customers based on the Board's cost allocation methodology. This is discussed at Exhibit A, Tab 4, Schedule 1.

c) All incremental costs incurred to serve PDI customers will be tracked. See part b) above, which explains that costs which are shared amongst customer groups are not tracked on an individual customer group basis.

d) Hydro One is of the view that it has complied with the OEB direction in each of the previous MAAD decisions. In the previous MAAD applications, Hydro One forecast the incremental costs to serve each utility, and has reported on those costs.

Hydro One has no means of allocating Shared Costs to PDI customers in the deferral period. Currently, and during the deferral period, Hydro One's Shared Costs are 100% allocated to its existing legacy customers. The only time that Hydro One would calculate how much of its Shared Costs should be collected from PDI customers is at the time of integration of PDI customers into Hydro One's rate structures – in year 11.

OEB STAFF INTERROGATORY # 47

Reference:

Ref: Exhibit A-5-1
Ref: Appendix A
Ref: Decision and Order on EB-2017-0049

Interrogatory:

Preamble:
At Exhibit A-5-1 p. 4, the Applicants state:

> Hydro One believes that the best way to ensure that PDI customers are charged only their costs to serve is to introduce new rate classes for them.

Preamble:
At p. 6 of Appendix A (the Navigant Report), Navigant states:

> To distinguish customers in the acquired utility service territory from legacy customers, Hydro One proposed to create unique customer classes for customers from the acquired utility…To the extent that the cost to serve the acquired utility customer classes is different from the cost to serve Hydro One's legacy customer classes, this is a valid justification for creating unique classes for customers from the acquired utility.

Preamble:
At pp. 159-165 of the Decision and Order on EB-2017-0049, the OEB states, among other things:

> The OEB denies Hydro One's rates proposals with respect to the Acquired Utilities for the following reasons.
>
> 1) Hydro One's proposal contains simplistically derived and questionable estimates of revenue requirement comparisons to demonstrate adherence to the no harm requirement.

a) Please provide a description of each new rate class the Applicants anticipate creating.

i. For what time period following the acquisition do the Applicants anticipate the acquired rate classes being in effect? That is, when will rate harmonization take place? Alternatively, is it the expectation of the Applicants that these new rate classes will continue in perpetuity? Please justify the planned approach to future rate setting.

b) Please describe the assessment used by the Applicants to determine that, based on its unique characteristics, it is warranted that new rate classes be created for the current PDI service territory.

c) Please provide the results of the assessment used by the Applicants to determine that new rate classes for PDI are warranted. When responding, please clearly identify the sufficient differences that exist between the current PDI service territory and other Hydro One service areas that justify the new rate classes.

Response:

a) Hydro One anticipates including PDI customers in the following new rate classes:
- Acquired Residential, which will include all customers currently in the PDI residential class
- Acquired General Service < 50, which will include all customers currently in the PDI GS <50 kW class.
- Acquired General Service >50, which will include all customers currently in the PDI GS 50 to 4,999 kW class.
    i. These rate classes would come into effect when the deferred rebasing period ends (i.e. for year 11), subject to Board approval, and are anticipated to be ongoing. Hydro One believes that creating new rate classes for the PDI service territory is necessary to ensure that the rates charged to PDI customers will appropriately reflect their cost-to-serve.

b) The cost of fixed assets associated with serving PDI customers is unique to PDI's service territory (e.g. size, geography, density). Based on the experience with the allocation of costs using the Board's cost allocation model, it is known that the allocation of costs per the methodology underlying the Board's cost allocation model, which allocates Hydro One's average costs across its entire service territory, would result in an over-allocation of the fixed assets known to be required to serve customers in the PDI service territory. The over-allocation of assets required to serve

PDI would result in an over-allocation of costs and the setting of rates that do not accurately reflect the cost to serve customers located in the PDI service territory.

c) See response to b)

OEB STAFF INTERROGATORY # 48

Reference:

Ref: Exhibit A-4-1
Ref: Exhibit A-5-1
Ref: Appendix A
Ref: *Report of the Board on Application of Cost Allocation for Electricity Distributors*

Interrogatory:

Preamble:
At Exhibit A-4-1 p. 7, the Applicants state:

> Hydro One proposes within the harmonization and rebasing application following the deferral period, that it would ensure that the total cost, including a portion of Hydro One's Shared Costs, to be collected from the former PDI customers would be between, (a) the Residual Cost to Serve scenario plus [Low Voltage] charges (totaling $16.6M); and (b) the Year 11 revenue requirement under the PDI Status Quo scenario plus Year 11 [Low Voltage] charges (totaling $26.3M).

Preamble:
At Exhibit A-4-1 pp. 5-6, the Applicants state:

> If the transaction is approved, the underlying cost structures for serving the former PDI customers will be reduced by an estimated annual amount of $11.1M to a revenue requirement of $15.2M[1] under the Residual Cost to Serve scenario. However, the $15.2M revenue requirement does not reflect PDI customers paying their full share of the costs for services that Hydro One would be providing to PDI customers. Hydro One considers the costs of the functions, resources and assets used to provide such services to be its "Shared Costs". More particularly, Hydro One's Shared Costs reflect, (i) shared facilities used to provide operations and maintenance services (i.e. service centres and maintenance yards), billing and IT system costs, and other miscellaneous general plant; (ii) OM&A costs associated with shared services, such as planning, finance, regulatory, human resources,

[1] The Residual Cost to Serve of $15.2 million does not include the Applicants' cost estimate of Low Voltage charges to former PDI customers.

information technology, customer services and corporate communications; and (iii) asset and related OM&A costs associated with upstream distribution facilities used by former PDI customers (i.e. costs formerly captured under [Low Voltage] charges).

Preamble**:**
At Exhibit A-5-1 p. 5, the Applicants state:

> In order to ensure the equitable treatment of both legacy and acquired customers, Hydro One proposes to use the principles underlying the OEB's cost allocation model to determine the cost allocation to all rate classes. To the extent necessary, the OEB's cost allocation model will be adjusted to achieve the following objectives:
>
> 1. Ensure that costs allocated to the PDI rate classes reflect the fixed assets specifically used in PDI's service area.
>
> 2. Ensure that the PDI rate classes are appropriately allocated Shared Costs, which includes a share of upstream distribution assets required to provide service to PDI's service area.
>
> Hydro One fully anticipates that the cost allocation process described above, and detailed in the following sections, will result in a fair and reasonable allocation of costs to the PDI rate classes that will be less than what the cost-to-serve the PDI customers would be if PDI is not acquired.

Preamble:
At pp.1-2 of Appendix A (the Navigant Report), Navigant states:

> The proposed approach to cost allocation and rate design described in the OPDC Supplemental Evidence and the PDI Supplemental Evidence incorporates changes relative to the approach outlined in the Distribution Rate Cost Allocation Model. However, several elements are the same, and the Distribution Rate Cost Allocation Model provided Navigant with a worked, numerical, example of the approach upon which to perform a detailed review.

Preamble:
At p. 7 of the OEB's November 28, 2007 *Report of the Board on Application of Cost Allocation for Electricity Distributors*, the OEB states:

> Distributors should endeavour to move their revenue-to-cost ratios closer to one if this is supported by improved cost allocations. However, if a large increase is required to move closer to one, rate mitigation plans should be proposed by the distributor. Distributors should not move their revenue-to-cost ratios further away from one.

The Applicants' evidence specifies that the Total Residual Cost to Serve does not include Shared Costs. Further, the Applicants' evidence highlights that the portion of Hydro One's Shared Costs to be collected from current PDI customers following harmonization will be no greater than approximately $9.3 million. The $9.3 million represents the monetary value of the Applicants' estimated efficiency gains resulting from the acquisition. The Applicants also state that they will "use the principles underlying the OEB's cost allocation model" during future rate harmonization processes. The benefit of this approach, as stated by the Applicants, is that it ensures all costs, including Shared Costs, allocated to the PDI rate classes reflect the fixed assets specifically used in the current PDI service territory.

a) Please provide the following with respect to the Applicants' proposed cost allocation methodology:
    i. The Distribution Rate Cost Allocation Model reviewed by Navigant and referenced in their report.
    ii. The Applicants' proposed adjustment factors, the formula and inputs used in their calculation, as well as a description of the rationale that supports their reasonableness.

b) Using the Applicants' proposed Distribution Rate Cost Allocation Model (as referenced in the Navigant Report), please calculate the Total Residual Cost to Serve PDI ensuring that the calculation reflects all applicable costs, including, but not limited to, Low Voltage charges as well as an appropriate allocation of Shared Costs. The result of the calculation should be a reasonable estimate based on sound assumptions of the costs to serve the current PDI service territory following the rebasing deferral period (i.e., post-Year 10).

i. In response to this question, the Applicants are requested to fully describe the process used by the Applicants to determine the appropriate allocation of Shared Costs to PDI and clearly demonstrate how these Shared Costs are reflected in the allocation model.

c) If the result of the calculation undertaken in response to part a) is greater than $26.3 million, please discuss the implications of the result in terms of the proposed acquisition satisfying the conditions of the "no harm" test.

d) Please confirm, and provide reasoning/evidence, that as a result of the estimate undertaken in response to part a), legacy Hydro One customers would not be subsidizing any costs that should be allocated to current PDI customers post-rebasing deferral period.

e) Please explain and demonstrate how Hydro One's proposed allocation methodology is consistent with the guidance provided by the OEB in its *Report of the Board on Application of Cost Allocation for Electricity Distributors* with respect to moving revenue-to-cost ratios closer to one.

Response:

Note: The numbers quoted in the preamble and question refer to the original pre-filed evidence and do not reflect the updates to those numbers provided as part of the Blue Page update filed on February 27, 2019.

a)

i) The Distribution Rate Cost Allocation Model reviewed by Navigant and referenced in their report was provided in MS Excel format as Q-01-01-03.xlsx in Hydro One's 2018-2022 distribution rate application (EB-2017-0049) on December 21, 2017. It is also provided as a live Excel (I-01-48-01) to this response for convenience.

ii) In response to part b) of this question, Hydro One has prepared a 2030 Cost Allocation Model (2030 CAM) to show how costs would be allocated to PDI in year 11 and to estimate the Notional Post-Rebasing Deferral Period Rates (NPRDPR) for responding to Exhibit I, Tab 1, Schedule 49.

The fixed asset adjustment factors used in the 2030 CAM for the PDI rate classes are listed in Tables 1 and 2.

Table 1: GFA Adjustment Factors*			
Rate Class	**Residential (AUR)**	**GS < 50kW (AUGe)**	**GS > 50 kW (AUGd)**
Factor	31.8%	18.4%	11.5%
Table 2: NFA and NFA Excluding Capital Contributions Adjustment Factors			
Rate Class	**Residential (AUR)**	**GS < 50kW (AUGe)**	**GS > 50 kW (AUGd)**
Factor	33.7%	20.2%	14.4%

** The GFA adjustment factors are also used to adjust the deprecation amounts allocated to the PDI rate classes.*

The derivation of Hydro One's proposed adjustment factors used in the 2030 CAM to modify the gross fixed asset (GFA), net fixed assets (NFA) and depreciation expense allocated to PDI customer classes in year 11 is provided as a live Excel (I-01-48-02).

The following is a description of the worksheets in I-01-48-02:

Tab "1. Forecast PDI GFA": Provides the derivation of the 2030 GFA associated with USofA accounts 1815-1860 for PDI. Hydro One's 2030 GFA forecast for PDI used in this worksheet is calculated using PDI's 2019 Year-end forecast of GFA as the starting value. From 2020 until Year 11 (2030) the GFA includes capital expenditures as forecast by Hydro One as outlined in Exhibit A, Tab 2, Schedule 1, Table 1.

Tab "2. PDI last CAM outputs": Provides information from PDI's most recent Cost Allocation Model (filed in EB-2012-0160) used to determine how much of each USofA account 1815-1860 was allocated to the various rate classes.

Tab "3. Allocated Forecast PDI GFA": Provides the proportion of the total 2030 GFA for accounts 1815-1860 that is associated with PDI residential and general service rate classes.

Tab "4. Non Adj 2030 CAM outputs": Provides information on the 2030 GFA associated with USofA accounts 1815-1860 that is allocated to the PDI rate classes by the CAM, and also distinguishes the bulk assets included in those accounts, from those that specifically serve the new PDI rate classes

Tab "4.5. PDI Upstream DX factor": Using PDI's 2019 IRM Rate Generator Model (EB-2018-0067) filed on March 18, 2019, this worksheet determines the share of PDI

load that is supplied through upstream distribution facilities to properly allocate upstream distribution costs to the PDI rate classes.

Tab "5. Determine Alloc for PDI": Provides the derivation of the GFA Adjustment Factor for PDI rate classes based on comparing the GFA that should be allocated to each new PDI rate class against the GFA allocated to those classes by the CAM prior to any adjustments. The share of PDI load supplied through upstream distribution facilities derived in worksheet 4.5 is used in this worksheet to determine the amount of upstream distribution ("bulk") assets allocated to the PDI rate classes.

Tab "6. NFA": Provides the derivation of the NFA Adjustment Factors for each PDI rate class based on the ratio of NFA to GFA as determined in the CAM.

Tab "7. Depn5705": Provides the derivation of the adjusted annual depreciation costs for the PDI rate classes.

Given the critical role of fixed assets in the allocation of costs within the cost allocation model, and the fact that PDI's customers are located within a defined service area, the use of adjustment factors within the cost allocation model is a way to ensure that the amount of fixed assets allocated to the PDI rate classes matches the amount of fixed assets specifically used to serve the customers within their service area.[2] At the time of harmonization of PDI, Hydro One will know the amount of fixed assets being used to serve the former PDI service area. The use of adjustment factors will effectively directly allocate local fixed assets to PDI rate classes in the cost allocation model to ensure a more accurate reflection of the fixed assets, and associated costs, required to serve PDI customers.

b) Hydro One has prepared a 2030 Cost Allocation Model (2030 CAM) to calculate the costs to serve PDI customers in year 11. While the results from the CAM are indicative of what the results could be in 2030, as detailed further below, a number of assumptions were required to estimate the CAM inputs in 2030 for both Hydro One legacy and PDI rate classes.

The results of the 2030 CAM for the acquired rate classes are shown in the table below:

[2] Further rationale on the use of adjustment factors is provided in this application at Exhibit A, Tab 5, Schedule 1, section 4.0 (b) and Exhibit A, Tab 5, Schedule 1, Appendix A, page 5 to 6, and in EB-2017-0049 at Exhibit G1, Tab 3, Schedule 1, section 2.2.3 and Exhibit Q, Tab 1, Schedule 1, section 2.2.1

	Residential (AUR)	GS < 50 kW (AUGe)	GS > 50 kW (AUGd)	Total
Allocated Costs	$14,111,869	$4,077,833	$4,806,102	$22,995,804
R/C Ratio from CAM*	0.74	0.67	0.69	

** The CAM R/C ratios for all rate classes will be adjusted as part of the rate design process provided in the response to Exhibit I, Tab 1, Schedule 49 to bring them within the Board's approved R/C ratio range.*

The total costs allocated to the PDI Residential and GS acquired rate classes is $23.0M. A further $1.5M[3] in costs are estimated to be allocated to the PDI customers that will be included in the Hydro One Street Lights, Sentinel Lights, USL and ST (large user) rate classes ("combined classes"). The total cost of $24.5M for PDI customers is below the PDI cost to serve (Status Quo cost plus LV charges) of $26.3M.

The 2030 CAM allocates Hydro One's total revenue requirement, which includes the Residual Cost associated with serving PDI customers, to all rate classes using the principles embedded in the OEB's cost allocation model. To appropriately allocate costs to the PDI rate classes, Hydro One uses adjustment factors (as described in part a) to effectively directly allocate the amount of local fixed assets (USofA 1815 to 1860) used in serving the PDI rate classes in 2030. The accurate allocation of fixed assets to the PDI classes is key to ensuring that an appropriate share of Hydro One's total costs are allocated to the PDI classes using the principles embedded in the OEB's cost allocation model.

Shared assets associated with upstream distribution facilities used by PDI customers are allocated to the PDI rate classes as described above in part a) ii). All remaining Shared costs are allocated to all rate classes, including both legacy and PDI rate classes, on the same basis using the principles and allocators embedded within the OEB's cost allocation model for the allocation of such costs.

[3] This amount is determined based on PDI's forecast electricity usage of the Street Lights, Sentinel Lights, USL and ST classes relative to Hydro One's forecast electricity usage for these classes.

The following is a description of the key inputs and assumptions used to populate the 2030 CAM. The 2030 CAM is based on the 2021 CAM used in EB-2017-0049, with the following modifications:

- 2030 Revenue Requirement:
  Hydro One legacy customers: The average annual growth rate from 2017[4] to 2022 as approved in the EB-2017-0049 Decision[5] is used to project the 2030 revenue requirement.
  PDI customers: Used the 2030 Residual revenue requirement as per Exhibit A, Tab 4, Schedule 1, Table 4.
- 2029 Rates (used to determine Revenue at Existing Rates in CAM):
  Hydro One legacy customers: The average annual growth in rates, by class, over the period from 2018 to 2022 as approved in the EB-2017-0049 Decision are used to project the 2029 rates.
  PDI customers: The 2029 rates are based on current (2019) rates that are held constant for 2020-2024 and then increased by 1.55% under IRM for 2025 to 2029.
- Fixed Assets/Rate Base:
  Hydro One legacy customers: The average annual growth rate from 2017 to 2022 as approved in EB-2017-0049 Decision is used to project the 2030 fixed asset and rate base values.
  PDI customers: Used the 2030 Residual asset values as per Exhibit A, Tab 2, Schedule 1, Attachment 18.
- Charge Determinants and CP/NCP Demand Data:
  Hydro One legacy customers: The annual growth rate from 2018 to 2022 as per EB-2017-00049 Decision is used to project the 2030 values.
  PDI customers: Used the 2030 forecast consistent with forecast used in the Earning Sharing Mechanism model. The CP/NCP values from PDI's last cost allocation model (2013) were scaled to match the growth in PDI's 2013 to 2030 load forecast.
- New PDI Rate Classes:
  - Acquired Urban Residential (AUR) - All PDI Residential customers go to AUR

[4] 2017 approved revenue requirement as per EB-2016-0081.
[5] As submitted in Hydro One's Draft Rate Order filed April 5, 2019.

- Acquired Urban General Service less than 50kW (AUGe) – All PDI GS <50 kW customers go to AUGe
- Acquired Urban General Service 50 to 4,999kW (AUGd) – All PDI GS 50 to 4,999kW customers go to AUGd

The 2030 CAM is provided as a live Excel (I-01-48-03) to this response.

c) The total cost allocated to PDI customers, as discussed in part a), is less than the PDI cost to serve (Status Quo plus LV charges) of $26.3 million.

d) Hydro One's legacy customer classes will not subsidize the PDI acquired classes. Following the adjustment to bring the R/C ratios for all PDI rate classes within the Board's approved R/C ratio as part of the rate design process (as shown in Exhibit I, Tab 1, Schedule 49), a total revenue of $20.6M will be collected from PDI customers. Since the total Residual Cost to serve including LV charges is $17.0M and the PDI 2030 Status Quo cost including LV charges is $26.3M, the collection of $20.6M from PDI customers means that legacy customers are benefitting from a reduction of $3.6M ($20.6 - $17.0) in revenue collected, while PDI customers are benefitting from a reduction of $5.7M ($26.3 - $20.6) relative to what they would pay if PDI is not acquired.

e) The OEB's *Report of the Board on Application of Cost Allocation for Electricity Distributors* issued March 31, 2011 premises the move of R/C ratios closer to 1 as being conditional on improved cost allocations. Hydro One does not contemplate any substantive changes to the cost allocation model for its existing rate classes and the introduction of new classes within the model further complicates the process of allocating costs across all of Hydro One's rate classes. As such, Hydro One believes the existing R/C ratio ranges are appropriate and provide utilities the needed flexibility to manage the rate impacts to their customers. Hydro One is also cognizant, and supportive, of the Board's view as expressed on page 4 of in their Report on *Application of Cost Allocation for Electricity Distributors* (EB-2007-0067) which states " a revenue-to-cost ratio of one may not be achievable or desirable for other reasons (for example, to accommodate different rate design objectives)". In this case, Hydro One believes the Board's approved R/C ratio ranges provide Hydro One the flexibility to ensure that the rates established for PDI at the time of harmonization

(Year 11) will reflect a sharing of the acquisition benefits between Hydro One legacy and PDI customers.

OEB STAFF INTERROGATORY # 49

Reference:
Exhibit A-5-1

Interrogatory:
Preamble:
At Exhibit A-5-1 p. 1, the Applicants state:

> The purpose of this Supplemental Evidence is to explain in detail Hydro One's proposed cost allocation and rate design for PDI customers at the end of the rebasing deferral period. The Supplemental Evidence demonstrates that the application of Hydro One's proposed cost allocation and rate design to PDI customers in a Year 11 rebasing will: (a) result in an allocation of costs to PDI customers that reflects the cost to serve them; (b) ***result in rates that collect costs from PDI customers that are less than what those customers would have paid in the absence of the proposed transaction***; and (c) leave Hydro One legacy customers unharmed or slightly better off than they would have been in the absence of the proposed transaction. In fact, the outcome of the cost allocation model and rate design reflects the sharing of cost savings in Year 11 and beyond for the benefit of both PDI and Hydro One legacy customers. **[*Emphasis added*]**

OEB staff's focus is on understanding how the application of the proposed cost allocation, as defined by the Applicants in response to OEB Staff-4, is likely to impact the post-rebasing deferral period electricity bills of current PDI customers.

To illustrate post-rebasing deferral period impacts, the Applicants are requested to create what OEB staff refers to as a Notional Post-Rebasing Deferral Period Rate (NPRDPR). The NPRDPR serves a fundamental purpose: it will allow the Applicants to forecast, based on their proposed allocation methodology, the monthly bill of a typical PDI customer post-rebasing deferral period. The intent of the NPRDPR is to enable a legitimate forecast comparison between the typical PDI customer's current and post-acquisition monthly bill. In-turn, a determination on the performance of the proposed transaction against a primary component of the "no harm" test can be made.

Below, OEB staff describes the methodology the Applicants should follow to produce the NPRDPR and subsequent bill comparison.

Computing the NPRDPR and Performing the Comparison

The NPRDPR will be used by the Applicants to demonstrate the bill impacts of the proposed acquisition if the post-rebasing deferral period electricity rate ***came into effect today***.

At Attachment 7 of the original application, the Applicants provided bill impact tables for the following PDI customer types:

1. Residential
2. General Service Less Than 50kW
3. General Service 50 to 4,999 kW
4. Large Use

Specifically, for each of the four customer types listed above, the Applicants are requested to compare the current typical monthly bill with that calculated using the NPRDPR methodology.

Components of the NPRDPR Comparison

The NPRDPR requires the Applicants to quantify both the savings and costs that they reasonably believe will be experienced by PDI customers at the end of the rebasing deferral period. OEB staff's expectation is that the savings and costs used to develop the NPRDPR will be the same as those used by the Applicants to inform their response to OEB Staff-4.

Boxes 1 and 2 demonstrate the inputs the Applicants can use when developing the estimates for the pre- and post-acquisition bill impacts.

Box 1: Current Customer Bill Calculations

- For purposes of illustrating the current typical monthly PDI customer bill, OEB staff expects that the Applicants can rely on the values already provided in the Customer Bill Impacts Tables found at Attachment 7 of the original application.
    - i.e., no additional calculations are likely required given that the columns labelled "Current Rates" and "Current Charges ($)" in these tables already demonstrate the typical inputs into the PDI customer's monthly bill.
- The Applicants may elect to update the values in these tables for items such as current time-of-use electricity prices. If updates to values are made, OEB staff requests that the Applicants fully explain the rationale for the change.

Box 2: NPRDPR Calculations

- The NPRDPR represents the Current Typical Monthly Bill (inclusive of Low Voltage charges), adjusted to reflect the financial impacts of acquisition-related efficiencies (e.g., OM&A cost reductions) and Hydro One loss factors ***as well as*** an appropriate allocation of Hydro One Shared Costs to each customer group.

  Importantly, the calculation of the NPRDPR should ***not*** include any acquisition related short-term customer benefit such as the Applicants' proposed guaranteed earnings sharing mechanism or the 1% distribution rate discount.

- For demonstrative purposes, the Residential bill impacts table provided at Attachment 7, page 1 of the original application, has been recreated below to illustrate how the results of the NPRDPR analysis can be presented. When responding, the Applicants may choose to revise the tables as appropriate to clearly demonstrate how the NPRDPR monthly bill calculation reflects both the savings and costs experienced by PDI customers as a result of the acquisition.
    - Below, within the reproduced Attachment 7 table, OEB staff have highlighted in green the values that are likely to change as a result of this comparative exercise. Cells highlighted in grey represent values that OEB staff do not anticipate the comparison will impact. Note that these are assumptions only and the Applicants should update NPRDPR values as necessary to ensure an accurate comparison of pre- and post-rebasing deferral period bill impacts is created.

Questions:

a) Applying the same cost allocation approach created in response to OEB Staff-4, calculate the typical monthly bill for each of the four customer types shown in Attachment 7.

b) Please provide the resultant revenue to cost ratios for each of the four customer types/rate classes.

Example Comparison Reporting Table

	Residential					
	Volume	**Current Rates**	**Current Charges ($)**	**Rates as per NPRDPR**	**Charges per NPRDPR ($)**	**% Change**
Monthly Consumption (kWh)	750			750	750	
Total Loss Factors	1.0548					
TOU - Off Peak Consumption	488	$0.065	$ 31.69	$0.065	$ 31.69	
TOU - Mid Peak Consumption	128	$0.094	$ 11.99	$0.094	$ 11.99	
TOU - On Peak Consumption	135	$0.132	$ 17.82	$0.132	$ 17.82	
Total: Commodity			**$ 61.49**		**$ 61.49**	
DX Fixed Charge	1	$18.9800	$ 18.98			
DX Fixed Charge Rate Riders	1	$0.0000	$ -			
DX Vol. Charge ($/kWh)	750	$0.0047	$ 3.53			
DX Low Voltage Charge ($/kWh)	750	$0.0010	$ 0.75			
DX Vol. Rate Riders ($/kWh)	750	-$0.0009	$ (0.68)			
Distribution Rates Only			**$ 22.58**			
Smart Meter Entity Charge	1	$0.57	$ 0.57	$0.57	$ 0.57	
Cost of Losses	41	0.082	$ 3.37			
Distribution Pass Through Charges			**$ 3.94**			
Total: Distribution			**$ 26.52**			
TX - Network ($/kWh)	791	$0.0073	$ 5.78			
TX - Connection ($/kWh)	791	$0.0061	$ 4.83			
Total: Transmission			**$ 10.60**			
WMSC ($/kWh)	791	$0.0036	$ 2.85			

RRRP ($/kWh)	791	$0.0003	$ 0.24			
SSA ($)	1	$0.25	$ 0.25			
Total: Regulatory			**$ 3.34**			
Total Bill (Before Taxes)			$ 101.95			
HST		13%	$ 13.25			
OREC		-8%	$ (8.16)			
Total Bill (Including HST and OREC)			**$ 107.05**			

Response:

Hydro One has provided an estimate of the 2030 rates using the NPRDPR assumptions provided in the question but does not believe that comparing rates based on estimates made for both utilities that far into the future is required to satisfy the No Harm Test.

While Hydro One has provided the requested comparison in the response to part a), a more appropriate assessment of the impact of the acquisition on customer rates is to compare Hydro One's estimated 2030 rates with the 2030 Status Quo rates if PDI had not been acquired, which is provided in Exhibit I, Tab 2, Schedule 43.

a) Attachment 1 to this response provides the requested bill impacts. Hydro One has added columns to the table to show Year 10 (2029) rates, with consolidation, in order to accurately reflect the bill impacts that PDI customers are forecast to see in 2030. PDI's 2029 customers' rates are their existing 2019 rates plus five years of IRM increases (the 5-year period after the rate freeze).

b) Using the output results from the 2030 CAM (as described in Exhibit I, Tab 1, Schedule 48), Hydro One has prepared a 2030 Rate Design model to calculate the rates and revenue-to-cost (R/C) ratios in year 11 (see Attachment 2 to this response). The table below provides the "proposed" R/C ratios for the requested rate classes, which are all within the Board's approved R/C ratio ranges.

Rate Class	R/C Ratio from CAM	Proposed R/C Ratio from Rate Design	Board Approved R/C Ratio Range
Residential	0.74	0.85	0.85 to 1.15
GS < 50kW	0.67	0.80	0.80 to 1.20
GS 50-4,999 kW	0.69	0.80	0.80 to 1.20
Large Use*	1.00	1.00	0.80 to 1.20

** Large Use Customers are proposed to be moved to Hydro One's Sub-Transmission Rate Class*

At the proposed R/C ratios, the estimated revenue collected from PDI customers in 2030 will be $20.6M ($19.1M from customers in the PDI rate classes and an estimated $1.5M from PDI customers in the "combined" rate classes). The amount to be collected from PDI customers is between the year 11 total Residual cost to serve including LV charges ($17.0M) and the total PDI Status Quo including LV charges ($26.3M). Since the revenue collected from the PDI customers falls between these two amounts, both Hydro One legacy and PDI customers will benefit from the acquisition of PDI. Hydro One legacy customers will see a benefit of $3.6M ($20.6 - $17.0) in revenue that would otherwise be collected from them if PDI is not acquired. PDI customers will see a benefit of $5.7M ($26.3 - $20.6) that would otherwise be collected from them if PDI is not acquired.

	Residential								
	Volume	**Current (2019) Rates**	**Current (2019) Charges ($)**	**Year 10 (2029) Rates**	**Year 10 (2029) Charges ($)**	**Rates as per NPRDPR (2030)**	**Charges per NPRDPR (2030) ($)**	**% Change (Year 11 over Current Rates)**	**% Change (Year 11 over Year 10)**
Monthly Consumption (kWh)	**750**								
Total Loss Factors	**1.0548**								
TOU - Off Peak Consumption ($/kWh)	488	$0.065	$31.69	$0.065	$31.69	$0.065	$31.69		
TOU - Mid Peak Consumption ($/kWh)	128	$0.094	$11.99	$0.094	$11.99	$0.094	$11.99		
TOU - On Peak Consumption ($/kWh)	135	$0.134	$18.09	$0.134	$18.09	$0.134	$18.09		
Total: Commodity			**$61.76**		**$61.76**		**$61.76**	**0.0%**	**0.0%**
DX Fixed Charge ($)	1	$22.62	$22.62	$24.42	$24.42	$27.16	$27.16		
DX Fixed Charge Rate Riders ($)	1	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00		
DX Vol. Charge ($/kWh)	750	$0.0000	$0.00	$0.0000	$0.00	$0.00	$0.00		
DX Low Voltage Charge ($/kWh)	750	$0.0010	$0.75	$0.0019	$1.43	$0.00	$0.00		
DX Vol. Rate Riders ($/kWh)	750	$0.0000	$0.00	$0.0000	$0.00	$0.00	$0.00		
Distribution Rates Only			**$23.37**		**$25.85**		**$27.16**	**16.2%**	**5.1%**
Smart Meter Entity Charge	1	$0.57	$0.57	$0.57	$0.57	$0.57	$0.57		
Cost of Losses	41	$0.082	$3.38	$0.082	$3.38	$0.082	$3.38		
Distribution Pass Through Charges			**$3.95**		**$3.95**		**$3.95**		
Total: Distribution			**$27.32**		**$29.80**		**$31.11**	**13.9%**	**4.4%**
TX - Network ($/kWh)	791	$0.0067	$5.30	$0.0067	$5.30	$0.0067	$5.30		
TX - Connection ($/kWh)	791	$0.0055	$4.35	$0.0055	$4.35	$0.0055	$4.35		
Total: Transmission			**$9.65**		**$9.65**		**$9.65**	**0.0%**	**0.0%**
WMSC ($/kWh)	791	$0.0034	$2.69	$0.0034	$2.69	$0.0034	$2.69		
RRRP ($/kWh)	791	$0.0005	$0.40	$0.0005	$0.40	$0.0005	$0.40		
SSA ($)	1	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25		
Total: Regulatory			**$3.34**		**$3.34**		**$3.34**	**0.0%**	**0.0%**
Total Bill (Before Taxes)			$102.07		$104.55		$105.86		
HST		13%	$13.27	13%	$13.59	13%	$13.76		
OREC		-8%	-$8.17	-8%	-$8.36	-8%	-$8.47		
Total Bill (Including HST and OREC)			**$107.18**		**$109.78**		**$111.16**	**3.7%**	**1.3%**

	General Service Less Than 50 kW								
	Volume	**Current (2019) Rates**	**Current (2019) Charges ($)**	**Year 10 (2029) Rates**	**Year 10 (2029) Charges ($)**	**Rates as per NPRDPR (2030)**	**Charges per NPRDPR (2030) ($)**	**% Change (2030 over 2019)**	**% Change (2030 over 2029)**
Monthly Consumption (kWh)	**2,000**								
Total Loss Factors	**1.0548**								
TOU - Off Peak Consumption ($/kWh)	1300	$0.065	$84.50	$0.065	$84.50	$0.065	$84.50		
TOU - Mid Peak Consumption ($/kWh)	340	$0.094	$31.96	$0.094	$31.96	$0.094	$31.96		
TOU - On Peak Consumption ($/kWh)	360	$0.134	$48.24	$0.134	$48.24	$0.134	$48.24		
Total: Commodity			**$164.70**		**$164.70**		**$164.70**	**0.0%**	**0.0%**
DX Fixed Charge ($)	1	$31.36	$31.36	$33.86	$33.86	$39.55	$39.55		
DX Fixed Charge Rate Riders ($)	1	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00		
DX Vol. Charge ($/kWh)	2,000	$0.0089	$17.80	$0.0094	$18.80	$0.0110	$22.00		
DX Low Voltage Charge ($/kWh)	2,000	$0.0009	$1.80	$0.0017	$3.40	$0.0000	$0.00		
DX Vol. Rate Riders ($/kWh)	2,000	$0.0000	$0.00	$0.0000	$0.00	$0.0000	$0.00		
Distribution Rates Only			**$50.96**		**$56.06**		**$61.55**	**20.8%**	**9.8%**
Smart Meter Entity Charge	1	$0.57	$0.57	$0.57	$0.57	$0.57	$0.57		
Cost of Losses	110	$0.082	$9.03	$0.082	$9.03	$0.082	$9.03		
Distribution Pass Through Charges			**$9.60**		**$9.60**		**$9.60**		
Total: Distribution			**$60.56**		**$65.66**		**$71.15**	**17.5%**	**8.4%**
TX - Network ($/kWh)	2,110	$0.0062	$13.08	$0.0062	$13.08	$0.0062	$13.08		
TX - Connection ($/kWh)	2,110	$0.0050	$10.55	$0.0050	$10.55	$0.0050	$10.55		
Total: Transmission			**$23.63**		**$23.63**		**$23.63**	**0.0%**	**0.0%**
WMSC ($/kWh)	2,110	$0.0034	$7.17	$0.0034	$7.17	$0.0034	$7.17		
RRRP ($/kWh)	2,110	$0.0005	$1.05	$0.0005	$1.05	$0.0005	$1.05		
SSA ($)	1	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25		
Total: Regulatory			**$8.48**		**$8.48**		**$8.48**	**0.0%**	**0.0%**
Total Bill (Before Taxes)			$257.36		$262.46		$267.95		
HST		13%	$33.46	13%	$34.12	13%	$34.83		
OREC		-8%	-$20.59	-8%	-$21.00	-8%	-$21.44		
Total Bill (Including HST and OREC)			**$270.23**		**$275.58**		**$281.35**	**4.1%**	**2.1%**

	General Service 50-4,999 kW								
	Volume	**Current (2019) Rates**	**Current (2019) Charges ($)**	**Year 10 (2029) Rates**	**Year 10 (2029) Charges ($)**	**Rates as per NPRDPR (2030)**	**Charges per NPRDPR (2030) ($)**	**% Change (2030 over 2019)**	**% Change (2030 over 2029)**
Monthly Consumption (kWh)	**182,500**								
Peak (kW)	**250**								
Total Loss Factors	**1.0548**								
12-Month Average WAHSP (2018) ($/kWh)	192,501	$0.1157	$22,278.78	$0.1157	$22,278.78	$0.1157	$22,278.78		
Total: Commodity			**$22,278.78**		**$22,278.78**		**$22,278.78**	**0.0%**	**0.0%**
DX Fixed Charge ($)	1	$160.31	$160.31	$173.08	$173.08	$195.33	$195.33		
DX Fixed Charge Rate Riders ($)	1	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00		
DX Vol. Charge ($/kW)	250	$2.7323	$683.08	$2.9500	$737.50	$3.3293	$832.33		
DX Low Voltage Charge ($/kW)	250	$0.3277	$81.93	$0.6298	$157.45	$0.0000	$0.00		
DX Vol. Rate Riders ($/kW)	250	$0.0000	$0.00	$0.0000	$0.00	$0.0000	$0.00		
Total: Distribution			**$925.31**		**$1,068.03**		**$1,027.66**	**11.1%**	**-3.8%**
TX - Network ($/kW)	250	$2.4893	$622.33	$2.4893	$622.33	$2.4893	$622.33		
TX - Connection ($/kW)	250	$1.9217	$480.43	$1.9217	$480.43	$1.9217	$480.43		
Total: Transmission			**$1,102.75**		**$1,102.75**		**$1,102.75**	**0.0%**	**0.0%**
WMSC ($/kWh)	192,501	$0.0034	$654.50	$0.0034	$654.50	$0.0034	$654.50		
RRRP ($/kWh)	192,501	$0.0005	$96.25	$0.0005	$96.25	$0.0005	$96.25		
SSA ($)	1	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25		
Total: Regulatory			**$751.00**		**$751.00**		**$751.00**	**0.0%**	**0.0%**
Total Bill (Before Taxes)			$25,057.85		$25,200.57		$25,160.19		
HST		13%	$3,257.52	13%	$3,276.07	13%	$3,270.82		
OREC		0%	$0.00	0%	$0.00	0%	$0.00		
Total Bill (Including HST and OREC)			**$28,315.37**		**$28,476.64**		**$28,431.02**	**0.4%**	**-0.2%**

	Large Use								
	Volume	**Current (2019) Rates**	**Current (2019) Charges ($)**	**Year 10 (2029) Rates**	**Year 10 (2029) Charges ($)**	**Rates as per NPRDPR (2030)**	**Charges per NPRDPR (2030) ($)**	**% Change (2030 over 2019)**	**% Change (2030 over 2029)**
Monthly Consumption (kWh)	**3,650,000**								
Peak (kW)	**5,000**								
Total Loss Factors	**1.0172**								
12-Month Average WAHSP (2018) ($/kWh)	3,712,780	$0.1157	$429,692.41	$0.1157	$429,692.41	$0.1157	$429,692.41		
Total: Commodity			**$429,692.41**		**$429,692.41**		**$429,692.41**	**0.0%**	**0.0%**
DX Fixed Charge ($)	1	$6,440.97	$6,440.97	$6,954.11	$6,954.11	$1,629.52	$1,629.52		
DX Fixed Charge Rate Riders ($)	1	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00		
DX Vol. Charge ($/kW)	5,000	$0.7524	$3,762.00	$0.8123	$4,061.50	$1.6923	$8,461.50		
DX Low Voltage Charge ($/kW)	5,000	$0.4014	$2,007.00	$0.0000	$0.00	$0.0000	$0.00		
DX Vol. Rate Riders ($/kW)	5,000	$0.0000	$0.00	$0.0000	$0.00	$0.0000	$0.00		
Total: Distribution			**$12,209.97**		**$11,015.61**		**$10,091.02**	**-17.4%**	**-8.4%**
TX - Network ($/kW)	5,000	$2.9328	$14,664.00	$2.9328	$14,664.00	$2.9328	$14,664.00		
TX - Connection ($/kW)	5,000	$2.3544	$11,772.00	$2.3544	$11,772.00	$2.3544	$11,772.00		
Total: Transmission			**$26,436.00**		**$26,436.00**		**$26,436.00**	**0.0%**	**0.0%**
WMSC ($/kWh)	3,712,780	$0.0034	$12,623.45	$0.0034	$12,623.45	$0.0034	$12,623.45		
RRRP ($/kWh)	3,712,780	$0.0005	$1,856.39	$0.0005	$1,856.39	$0.0005	$1,856.39		
SSA ($)	1	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00		
Total: Regulatory			**$14,479.84**		**$14,479.84**		**$14,479.84**	**0.0%**	**0.0%**
Total Bill (Before Taxes)			$482,818.22		$481,623.86		$480,699.27		
HST		13%	$62,766.37	13%	$62,611.10	13%	$62,490.90		
OREC		0%	$0.00	0%	$0.00	0%	$0.00		
Total Bill (Including HST and OREC)			**$545,584.59**		**$544,234.96**		**$543,190.17**	**-0.4%**	**-0.2%**

2030 Rate Design (EB-2018-0242)

	Number of Customers	GWh	kWs	Revenue (A)	Allocated Costs (B)	(%)	Misc Rev (C)	Revenue from Rates (D=A-C)	2022 R/C Ratio (E)	R/C Ratio from the CAM (F=A/B)	Target 2030 R/C Ratio (G)	Total rev to be collected (H=BxG)	Shifted Rev (I=H-A)	% Change in revenue from rates (J=I/D)	Fixed Charge ($/month)	Revenue from Fixed Charge (K)	Fixed Rev %	Revenue from Volumetric Charge (L=H-C-K)	Volumetric Charge ($/kWh)	Volumetric Charge ($/kW)
UR	261,362	1,993		$ 137,278,669	$ 121,452,732	6.31%	$ 4,736,591	$ 132,542,078	1.12	1.13	1.11	134,691,875	(2,586,794)	-2.0%	$ 41.44	$ 129,955,284	100%	$ -	$ -	
R1	495,300	4,676		$ 432,699,237	$ 392,477,147	20.39%	$ 12,376,223	$ 420,323,014	1.12	1.10	1.10	432,699,237	-	0.0%	$ 70.72	$ 420,323,014	100%	$ -	$ -	
R2	349,752	3,869		$ 676,174,964	$ 676,682,752	35.15%	$ 14,422,222	$ 661,752,743	0.97	1.00	1.00	676,174,964	-	0.0%	$ 157.67	$ 661,752,743	100%	$ -	$ -	
Seasonal	151,486	489		$ 135,650,149	$ 126,249,424	6.56%	$ 2,731,349	$ 132,918,799	1.07	1.07	1.07	135,650,149	-	0.0%	$ 73.12	$ 132,918,799	100%	$ -	$ -	
GSe	86,717	1,849		$ 184,653,062	$ 193,725,852	10.06%	$ 4,350,795	$ 180,302,268	0.94	0.95	0.95	184,653,062	-	0.0%	$ 35.02	$ 36,441,264	20%	$ 143,861,003	$ 0.0778	
GSd	5,775	2,264	7,401,712	$ 171,472,438	$ 212,288,066	11.03%	$ 2,600,708	$ 168,871,730	0.88	0.81	0.81	171,472,438	-	0.0%	$ 115.21	$ 7,983,747	5%	$ 160,887,983		$ 21.7366
UGe	19,046	561		$ 28,030,967	$ 29,642,792	1.54%	$ 788,340	$ 27,242,627	0.99	0.95	0.95	28,030,967	-	0.0%	$ 28.26	$ 6,459,480	24%	$ 20,783,148	$ 0.0370	
UGd	1,829	975	2,323,345	$ 31,931,011	$ 38,589,389	2.00%	$ 530,242	$ 31,400,769	0.87	0.83	0.83	31,931,011	-	0.0%	$ 103.36	$ 2,268,538	7%	$ 29,132,230		$ 12.5389
St Lgt	5,930	102		$ 13,563,371	$ 14,573,224	0.76%	$ 266,535	$ 13,296,837	0.93	0.93	0.93	13,563,371	-	0.0%	$ 4.01	$ 285,541	2%	$ 13,011,295	$ 0.1270	
Sen Lgt	20,950	12		$ 5,632,574	$ 5,689,992	0.30%	$ 1,953,687	$ 3,678,887	0.94	0.99	0.99	5,632,574	-	0.0%	$ 3.96	$ 996,202	27%	$ 2,682,685	$ 0.2190	
USL	5,899	31		$ 3,715,403	$ 3,679,421	0.19%	$ 113,316	$ 3,602,087	1.11	1.01	1.01	3,715,403	-	0.0%	$ 39.22	$ 2,776,418	77%	$ 825,669	$ 0.0263	
DGen	3,043	39	284,678	$ 11,807,782	$ 10,908,665	0.57%	$ 276,493	$ 11,531,289	0.87	1.08	1.08	11,807,782	-	0.0%	$ 196.16	$ 7,163,667	62%	$ 4,367,622		$ 15.3423
ST	843	14,930	33,322,764	$ 76,187,693	$ 76,357,502	3.97%	$ 1,113,836	$ 75,073,857	0.99	1.00	1.00	76,187,693	-	0.0%	$ 1,387.95	$ 14,046,487	19%	$ 61,027,370		$ 1.8314
AUR	35,211	286		$ 10,494,493	$ 14,111,869	0.73%	$ 520,329	$ 9,974,163		0.74	0.85	11,995,089	1,500,596	15.0%	$ 27.16	$ 11,474,759	100%	$ -	$ -	
AUGe	3,925	118		$ 2,718,627	$ 4,077,833	0.21%	$ 107,895	$ 2,610,732		0.67	0.80	3,262,266	543,639	20.8%	$ 39.55	$ 1,862,653	59%	$ 1,291,719	$ 0.0110	
AUGd	403	352	852,167	$ 3,302,323	$ 4,806,102	0.25%	$ 63,353	$ 3,238,970		0.69	0.80	3,844,882	542,558	16.8%	$ 195.33	$ 944,437	25%	$ 2,837,092		$ 3.3293
	1,447,471	**32,546**	**44,184,667**	**$ 1,925,312,763**	**$ 1,925,312,763**	**100%**	**$ 46,951,913**	**$ 1,878,360,850**					**$ 0**			**$ 1,437,653,033**		**$ 440,707,816**		

Total Rev (K+L) $ 1,878,360,850
Misc Rev (C) $ 46,951,913
Total Rev Req $ 1,925,312,763

SEC INTERROGATORY # 29

Reference:
[Ex. A/5/1, p. 2 and Ex. A/4/1, Table 4, and Ex. I/1/27, p. 3]

Interrogatory:
SEC is concerned with understanding the underlying drivers of the claimed ratepayer savings. With respect to Table 1 in the Update and Table 4 in the pre-filed evidence, please provide a detailed breakdown, for each year, of the components of the "ratepayer savings" of $9.3 million.

Response:
Table 1 in Exhibit A, Tab 5, Schedule 1 shows the savings for PDI customers in Year 11. The LV charges under the status quo will be recovered through a separate rate whereas in the residual cost to serve these costs are recovered in revenue requirement.

The table below provides a breakdown of all revenue requirement components plus LV Charges that make up the savings levels discussed above. OM&A and LV Charges make up approximately 88% of the ratepayer savings. Please refer to Exhibit I, Tab 4, Schedule 7c) for an explanation of the OM&A driver savings.

($000s)	**Hydro One**	**PDI**	**Savings**
OM&A	4,311	12,269	(7,958)
Depreciation	4,106	6,193	(2,087)
Cost of Capital – Debt	2,679	2,350	329
Cost of Capital – Equity	3,717	3,494	223
Tax	807	607	200
Revenue Requirement (without LV Charges)	**15,620**	**24,913**	**(9,293)**
LV Charges	-	1,411	(1,411)
Cost to serve	**15,620**	**26,324**	**(10,704)**

SEC INTERROGATORY # 30

Reference:
[A/5/1, p. 3]

Interrogatory:
Please explain how, once the rates are harmonized, customers can be confident that they will continue to benefit from savings from the acquisition into the future, if the costs to serve the acquired customers are no longer being tracked.

Response:
The savings that Hydro One has forecast in OM&A are ongoing savings which will benefit PDI customers into the future. Hydro One has committed to track capital costs to serve the PDI service territory beyond the deferral period which will be used to substantiate the rates for PDI customers. Please see Exhibit I, Tab 4, Schedule 32.

The rebasing in Year 11 locks in the acquisition savings in the Year 11 rates established for the PDI customers. Any rate adjustments beyond the first rebasing period (i.e. 16 years into the future and beyond) will be in accordance with the OEB's cost allocation and rate design policies in effect at the time.

Given that PDI's Year 11 rates will result in rates below the status quo, Hydro One has no reason to believe that future rates will be in excess of what the customers of PDI would have faced in absence of the transaction. Hydro One will track all capital expenditures associated with serving PDI's customers; these expenditures will be reviewed by a future OEB panel for need and prudency. Hydro One expects that any future investments required in the PDI service territory to ensure the safe and reliable supply of electricity, and satisfy all applicable standards at the time, would have been required whether or not PDI was purchased by Hydro One. There is also no basis for reliably establishing what the PDI status quo costs would have been 16 years into the future and beyond.

All cost allocation and rate design proposals in subsequent years will be reviewed and tested by the OEB as part of a future rates application.

SEC INTERROGATORY # 31

Reference:
[A/5/1, p. 3]

Interrogatory:
The Applicants state that they are unable to "track…the costs associated with certain Hydro One resources that PDI customers will enjoy the benefit of". Please confirm that the Applicants can track the amounts with respect to those costs that would be allocated to the PDI customers if they were allocated on the same basis as the legacy customers.

Response:
This question is confusing tracking costs and cost allocation to determine rates.

The quoted statement was referencing the capital costs that Hydro One would be tracking to serve the customers of PDI. These are costs that Hydro One would not incur if the transaction did not proceed. During Hydro One's recent Distribution Rates proceeding (EB-2017-0049), concerns were raised that Hydro One would not track capital costs for the Acquired Utilities beyond the time "Hydro One applies for new rates"[1]. In Exhibit A, Tab 5, Schedule 1, page 2, Hydro One commits to continue to track capital costs to serve PDI customers after the rebasing period, which ensures that rates for PDI customers and any fixed asset adjustment factors that will be used, will be informed by the most up-to-date asset cost data.

Hydro One is unable to track actual "shared costs" for any of its customer groups. These costs are incurred at the corporate level and are not directly charged to any of Hydro One's rates classes. For instance, Hydro One's Finance department's costs (which would be captured in "shared costs") are neither forecast nor tracked between Hydro One's Rural, UR, GSd or Acquired rate classes. Shared costs for all Hydro One customers have always only been recorded at a corporate level.

[1] EB-2014-0213 – Decision and Order, page 21; EB-2014-0244 – Decision and Order, page 3; EB-2013-0196/0187/0198 – Decision and Order, page 25.

In Hydro One's Distribution Rates Application (EB-2017-0049), it was clear that legacy OM&A costs were not impacted by the integration of the Acquired Utilities[2]; this is also true for the integration of PDI. Shared legacy OM&A costs will not increase as a result of the acquisition of PDI nor will they decrease if PDI is not acquired.

Shared costs are allocated between all customer rates classes, both legacy and any new acquired classes, on the same basis as part of the cost allocation process.

[2] EB-2017-0049 – Exhibit A, Tab 3, Schedule 1, Page 7, Table 2. Line 9 of this table shows that Hydro One's legacy OM&A costs are only inflated by the CPI index. The additional costs to serve the Acquired Utilities of $10.7M is the only addition to OM&A revenue requirement - the $10.7M is the residual cost to serve those customers.

SEC INTERROGATORY # 32

Reference:
[A/5/1, p. 4, 7]

Interrogatory:
In the EB-2017-0049 Decision with Reasons, at p. 161/2, the Board said:

> *"As SEC argued, Hydro One's rate proposal is based on a snapshot of the existing asset base in the acquired service area. The OEB agrees and based on Hydro One's failure to demonstrate that its costs are the same or lower in its evidence,[308] finds that the proposal will result in one of the two following negative outcomes.*
>
> *a) In the absence of recalibration of the adjustment factors, an undue subsidy from Hydro One's legacy customers would be required.*
>
> *b) In the situation where the calibration of the adjustment factors is commensurate with asset renewal at Hydro One's higher costs, harm in the form of relatively higher rates to the customers of the Acquired Utilities would need to be imposed."*

Please explain how the current proposal for PDI will not produce either

a. A situation in which legacy customers bear part of the costs fairly attributable to PDI customers, or

b. As PDI assets are replaced with higher cost Hydro One assets over time, and the adjustment factor is reduced, the PDI customers will be harmed by higher longer term rates.

Response:
a) With respect to item a), Hydro One's legacy customers will not be charged costs that are directly attributable to serving the customers of PDI. The opposite is true – legacy customers will benefit from the allocation of Hydro One's Shared Costs to the acquired PDI rate classes. In the absence of this transaction, legacy customers would

not benefit from having those costs shared – instead, they would be 100% recovered from legacy customers. With respect to item b), Hydro One is proposing to track the capital cost to serve PDI customers beyond rate harmonization at the end of the deferred rebasing period, which will inform the fixed asset adjustment factors that will be used to determine the costs that will be allocated to their rate classes to set rates.

b) Hydro One disagrees with the statement that PDI assets will be replaced with "higher cost Hydro One assets over time" and there is no evidence on the record to support this assertion. Any asset that is replaced after its useful life has expired; often 30 or more years hence, will be replaced at a higher cost than it was constructed at – regardless of which distributor replaces the asset.

It is not possible to know what the asset replacement costs for Hydro One and PDI will be beyond the deferred rebasing period (i.e. after 2030). In its recent Distribution Application, Hydro One demonstrated its commitment to finding efficiencies and productivity savings that will further reduce Hydro One's asset replacement cost and asset replacement rate (e.g., exploring a pole refurbishment program).

SEC INTERROGATORY # 33

Reference:
[A/5/1, p. 4-6]

Interrogatory:
In the EB-2017-0049 Decision with Reasons, at p. 162, the Board said:

> *"The OEB has provided clear guidance with respect to its expectations that evidence of lower cost structures relied on in acquisition proposals are expected to result in concomitant lower rates. Hydro One would be expected to apply any distinguishable cost causation analysis relied on in an acquisition application to any customers that met the identified cost causation criteria whether they are new or legacy customers. The OEB did not direct Hydro One to isolate the Acquired Utilities in its cost allocation methodology. Hydro One has not demonstrated that its proposal is equitable to all customers." [emphasis added]*

Please confirm that, under the Applicants' new proposal, Customers in towns like Brockville, Smith's Falls, Ancaster and other Hydro One service areas of a similar size and density to Peterborough will also have their costs allocated using adjustment factors similar to those being applied to PDI. If that is not confirmed, please explain how the Applicants' current proposal complies with the direction of the Board as set forth above.

Response:
Hydro One is not proposing to create new rate classes for customers in the specific communities referenced. Other than using adjustment factors to specifically allocate the fixed assets associated with serving customers in the PDI service territory, Hydro One will use the same cost causation principles implicit in the Board's cost allocation model to allocate costs to all rate classes, including legacy and any new acquired classes. The distinguishing characteristic of the new acquired classes is that they relate to a specific geographic area for which specific assets required to serve are known, given that PDI existed as a separate utility prior to being acquired. This will allow rates to be set for the PDI acquired classes that best reflect their specific cost-to-serve. Hydro One does not track the cost to serve its legacy customers on a geographic basis, therefore the same information is not available for the individual communities referenced, and in any case, it

would not be feasible for Hydro One to establish separate rate classes for each of the large numbers of communities it serves.

SEC INTERROGATORY # 34

Reference:
[A/5/1, p. 6]

Interrogatory:
Please confirm that all of the examples of adjustment factors cited apply to all customers with similar characteristics, and are all designed to ensure that like customers are allocated costs in a consistent manner. Please explain how the proposed adjustment factors for PDI achieve a similar result.

Response:
Adjustment factors are intended to improve the accuracy of the allocation of costs to an established class of "like" customers. In the case of the PDI acquired rate classes, the adjustment factors effectively directly allocate the fixed assets required to serve the PDI classes. The PDI classes have similar characteristics in that they contain customers associated with the geographic area of the PDI service territory.

SEC INTERROGATORY # 35

Reference:
[A/5/1, p. 7]

Interrogatory:
SEC is seeking to better understand how the adjustment factors will change over time as Hydro One replaces PDI assets. For each of the categories of assets to which the adjustment factors are proposed to apply, please provide

a. The most recent actual unit costs to Hydro One of new assets in each of those categories, and the most recent actual unit costs to PDI of new assets in each of those categories, and an explanation as to any material differences in unit costs.

b. The current PDI book value per customer, by rate class, for each of those asset categories, and the current Hydro One book value per customer, by rate class, for each of those asset categories, plus any further information (such as weighted average vintage data) that can help the Board and parties understand any material differences in book value per customer for those asset categories.

Response:
a) The requested unit cost data is not available by USofA to which the adjustment factors apply.

b) The current PDI book value per customer by rate class is not available. The Hydro One 2018 forecast book value per customer[1], by rate class, for each of the USofA asset categories to which the adjustment factors are proposed to apply are provided in the table below:

[1] As per EB-2017-0049, Draft Rate Order Exhibit 3.1, filed April 5, 2019

1

HONI 2018 Forecast Gross Book Value of USofAs 1815-1860 by Rate Class (per EB-2017-0049) ($/per Customer)

Rate Class	1815	1820	1825	1830	1835	1840	1845	1850	1855	1860
UR	30	115	-	671	394	5	486	358	-	377
R1	67	240	-	1,447	846	10	943	538	-	377
R2	215	848	-	4,591	2,650	30	2,492	1,075	-	377
Seasonal	43	20	-	1,489	887	11	1,649	717	-	377
GSe	228	1,290	-	4,963	2,783	31	4,302	-	-	676
GSd	3,871	29,189	-	60,780	40,421	494	110,632	-	-	6,752
UGe	124	913	-	2,839	1,562	18	3,018	-	-	676
UGd	2,293	18,359	-	35,067	23,366	283	61,619	-	-	6,752
St Lgt	94	1,038	-	5,763	3,152	42	4,260	-	-	-
Sen Lgt	3	3	-	508	290	4	630	-	-	-
USL	35	27	-	1,154	689	9	1,268	-	-	-
DGen	180	121	-	1,467	1,103	10	1,139	-	-	8,016
ST	62,511	55,492	-	171,292	135,807	1,990	39,560	-	-	25,670

SEC INTERROGATORY # 36

Reference:
[A/5/1, p. 7]

Interrogatory:
Please provide a run of the cost allocation model for 2018, using Board-approved costs, book value, and all other necessary assumption, to show how costs would be allocated to PDI on a harmonized basis under the Hydro One proposal if that allocation took place in 2018. For the purposes of this sample allocation, please assume that all of the cost savings expected over the next ten years as a result of the PDI acquisition have been realized.

Response:
A 2018 cost allocation model run, using Hydro One 2018 data and PDI data that reflects the savings expected over the next ten years would not appropriately reflect Hydro One's proposals in this application. The best way to capture all of the costs savings expected over the next ten years, and appropriately allocate costs to all legacy and PDI customers, is to run a cost allocation model that reflects both what Hydro One and the PDI costs would be at the end of the deferred rebasing period. The response to Exhibit I, Tab 1, Schedule 48 provides a cost allocation run showing an estimate of "the costs that would be allocated to the new PDI acquired rate classes on a harmonized basis under Hydro One's proposal" as requested in this interrogatory.

SEC INTERROGATORY # 37

Reference:
[A/5/1, p. 7]

Interrogatory:
In the EB-2017-0049 Decision with Reasons, at p. 162, the Board said:

> *"Hydro One's cost allocation evidence indicates that in the absence of adjustment factors, Hydro One's long term costs to serve the Acquired Utilities are higher than the costs of those previous utilities. This is in direct contradiction to the evidence relied on in its acquisition proposals."*

Please confirm that this statement is true with respect to PDI as well, i.e. that absent any adjustment factors the costs normally allocated to PDI customers would be higher than status quo costs.

Response:
The proposed adjustment factors ensure that only the actual local fixed assets used to serve the PDI service territory are allocated to the PDI acquired classes. Without the adjustment factors, the PDI acquired classes would be allocated the average costs associated with serving Hydro One's entire service territory, which would not be an accurate reflection of the cost to serve the specific geographic area associated with the PDI service territory. This inaccurate allocation of costs would be higher than the PDI status quo.

SEC INTERROGATORY # 38

Reference:

[A/5/1, p. 7]

Interrogatory:

Please provide a detailed list of the current Shared Costs of Hydro One, and provide the amount of each such Shared Cost currently allocated to each UR, UGe, UGd, R1, GSe, and GSd customers as of the most recent cost allocation by Hydro One.

Response:

Not all Shared Costs are specifically identified as such within the cost allocation model, and in many cases are bundled together with costs that would be directly associated with providing local service. However, the bulk of the costs included in the "Customer and Related Costs (cu)" and "General and Administration (ad)" categories in Sheet O1 of the cost allocation model would be Shared costs. A summary of the 2018 OM&A costs included in the "cu" and "ad" categories is provided in the table below.

USoA Account #	Accounts	O1 Grouping	"Shared" OM&A Costs per Hydro One's 2018 CAM (EB-2017-0049 Draft Rate Order, Exhibit 3.1, filed on April 5, 2019)						
			Total	UR	UGe	UGd	R1	GSe	GSd
5065	Meter Expense	cu	$14,137,661	$2,170,502	$308,323	$78,008	$4,278,036	$1,505,649	$235,550
5070	Customer Premises - Operation Labour	cu	$26,252,103	$4,571,095	$362,430	$34,935	$9,009,581	$1,769,873	$105,490
5075	Customer Premises - Materials and Expenses	cu	$3,360,287	$585,103	$46,391	$4,472	$1,153,233	$226,545	$13,503
5310	Meter Reading Expense	cu	$5,046,045	$27,674	$68,552	$156,981	$194,712	$655,153	$603,704
5315	Customer Billing	cu	$24,603,908	$4,094,841	$649,338	$219,069	$8,070,889	$3,170,947	$661,494
5320	Collecting	cu	$5,016,934	$834,971	$132,405	$44,670	$1,645,719	$646,581	$134,884
5335	Bad Debt Expense	cu	$21,835,117	$3,102,925	$520,763	$297,643	$7,612,575	$2,248,388	$1,543,290
5340	Miscellaneous Customer Accounts Expenses	cu	$4,255,666	$708,273	$112,314	$37,892	$1,395,998	$548,469	$114,417
5410	Community Relations - Sundry	ad	$609,399	$45,356	$9,094	$9,377	$134,104	$65,741	$46,146
5420	Community Safety Program	ad	$303,426	$14,885	$4,609	$7,224	$54,947	$35,428	$37,283
5605	Executive Salaries and Expenses	ad	$9,804,593	$729,733	$146,316	$150,872	$2,157,589	$1,057,709	$742,437
5610	Management Salaries and Expenses	ad	$32,849,459	$2,444,909	$490,220	$505,483	$7,228,820	$3,543,764	$2,487,473
5615	General Administrative Salaries and Expenses	ad	$46,437,125	$3,456,207	$692,993	$714,568	$10,218,909	$5,009,586	$3,516,378
5625	Administrative Expense Transferred Credit	ad	($76,323,252)	($5,680,562)	($1,138,991)	($1,174,452)	($16,795,621)	($8,233,669)	($5,779,458)
5630	Outside Services Employed	ad	$16,607,065	$1,236,025	$247,831	$255,547	$3,654,535	$1,791,552	$1,257,544
5635	Property Insurance	ad	$4,172,723	$204,701	$63,383	$99,351	$755,627	$487,205	$512,718
5655	Regulatory Expenses	ad	$11,894,496	$885,280	$177,504	$183,031	$2,617,491	$1,283,165	$900,692
5665	Miscellaneous General Expenses	ad	$16,863,651	$1,255,122	$251,660	$259,496	$3,710,999	$1,819,232	$1,276,973
5670	Rent	ad	$9,173,049	$682,729	$136,892	$141,154	$2,018,612	$989,579	$694,615
5675	Maintenance of General Plant	ad	$73,362,373	$5,460,190	$1,094,805	$1,128,891	$16,144,053	$7,914,253	$5,555,250
6105	Taxes Other Than Income Taxes	ad	$4,523,302	$221,710	$70,829	$108,162	$813,067	$541,079	$559,165
6205	Donations	ad	$4,038,000	$300,539	$60,260	$62,136	$888,598	$435,615	$305,771
	Total		**$258,823,131**	**$27,352,208**	**$4,507,924**	**$3,324,509**	**$66,962,473**	**$27,511,845**	**$15,525,319**

SEC INTERROGATORY # 39

Reference:
[A/5/1, p. 8, 10, 11]

Interrogatory:
Please describe in detail the principles Hydro One proposes to apply in determining the revenue to cost ratios of the rate classes to which former PDI customers would be allocated, including any changes to those principles over time (for example, five years after harmonization, ten years after harmonization, etc.).

Response:
Hydro One proposes to follow the same process both at the time of rate harmonization and in all subsequent rebasing applications (e.g. five years after harmonizations, ten years after, etc.). At the cost allocation stage, Hydro One will follow the Board's normal process implicit within the CAM to determine the R/C ratio for all rate classes, including PDI rate classes, by comparing the "Total Revenue at Status Quo Rates" against the revenue requirement (i.e. costs) allocated to each rate class. At the rate design stage Hydro One will adjust the R/C ratios for each class if necessary to bring them within the Board's approved R/C ratio range.

This is the approach that has been followed in the response to interrogatories at Exhibit I, Tab 1, Schedules 48 and 49, the results for which are summarized below.

Class	R/C Ratio Resulting from CAM	R/C ratio Resulting from Rate Design Process
Acquired Residential	0.74	0.85
Acquired GS <50	0.67	0.80
Acquired GS >50	0.69	0.80

SEC INTERROGATORY # 40

Reference:
[A/5/1, p. 9]

Interrogatory:
SEC is seeking to understand the purpose and import of the Navigant evaluation. Please explain the expertise that Navigant purported to apply in its evaluation that is not already the expertise of the Board itself.

Response:
Navigant has considerable experience developing and implementing cost allocation methods and models in general, and more specifically for utilities that operate in service territories that span multiple regulatory jurisdictions (see Exhibit I, Tab 3, Schedule 25). The principles used in those instances are relevant to Hydro One's proposal to establish separate classes for the customers of the acquired utility. Navigant was asked to focus on Hydro One's proposed method of cost allocation and rate design after the 10-year rate stabilization period, given that there appeared to be some concerns about Hydro One's proposal with respect to its previous Acquired Utilities (as highlighted in the OEB's decision and order regarding Hydro One's 2018 to 2022 distribution rate application, OEB proceeding EB-2017-0049). The scope of Navigant's review is noted in response to Exhibit I, Tab 3, Schedule 23. Hydro One believes an independent third-party analysis of its cost allocation and rate design proposal would be of assistance to the Board and to the participants in the proceeding.

SEC INTERROGATORY # 41

Reference:
[A/5/1, p. 10]

Interrogatory:
Please explain how costs will be allocated at any time if the "Post-Consolidation Cost to Serve" PDI customers is greater than the status quo revenue requirement for those customers. Please calculate at what percentage allocation of Shared Costs to PDI customers will result in total cost to serve being greater than status quo.

Response:
No special treatment is required if the "Post-Consolidation Cost to Serve" PDI customers is greater than the status quo revenue requirement provided that the costs proposed to be collected in rates from the acquired classes, based on the revenue to cost ratios established by the cost allocation and rate design process, do not exceed the status quo revenue requirement.

However, as shown in Exhibit I, Tab 1, Schedule 48, this is not expected to be an issue for PDI given that both the "Post-Consolidation Cost to Serve" and the costs to be collected from the acquired classes based on the revenue to cost ratios established by the rate design process are below the status quo revenue requirement.

Given the year 11 status quo cost (including LV charges) is $26.3M and the residual cost is $15.6M, an allocation of more than $10.7M of Shared Costs being borne by the PDI acquired classes will result in costs that exceeds the status quo. $10.7M of shared costs represents 69% of residual costs, or 41% of status quo.

SEC INTERROGATORY # 42

Reference:
[A/5/1, App. A]

Interrogatory:
SEC is seeking to better understand the report of Navigant. In its EB-2017-0049 Decision with Reasons, at p. 161-2, the Board said:

> *"The OEB denies Hydro One's rates proposals with respect to the Acquired Utilities for the following reasons.*
>
> *1) Hydro One's proposal contains simplistically derived and questionable estimates of revenue requirement comparisons to demonstrate adherence to the no harm requirement. The OEB accepts VECC's submission that given the wide range of past rate adjustments, the rebasing rate increase for any utility can vary widely from the 6.3% average.*
>
> *2) Hydro One's proposal is based on a cost allocation approach that recognizes the existing assets of the Acquired Utilities as being distinguishable and at a lower cost than its legacy assets by using adjustment factors. It intends to revisit this approach and proposes to recalibrate the adjustment factors over time as assets are renewed in the acquired service areas. The new assets will be included in Hydro One's existing asset pool at a higher cost and result in a lowering of the adjustment factors over time.*
>
> *OEB staff submitted that Hydro One's proposal is reasonable because the adjustment factors are, in effect, performing a direct allocation of assets and depreciation to the Acquired Utilities. OEB staff accepted that where costs associated with specific rate classes are known, direct allocation is appropriate. OEB staff submitted that Hydro One's proposal to use the adjustment factors for capital and the allocation of OM&A costs based on the cost allocation model is a reasonable proxy for reflecting the cost to serve.*

The OEB accepts that Hydro One's proposal adheres to some basic cost allocation principles that may be acceptable in a general sense. However, it is not acceptable to ignore the basis on which the approvals for acquiring the utilities were granted.

As SEC argued, Hydro One's rate proposal is based on a snapshot of the existing asset base in the acquired service area. The OEB agrees and based on Hydro One's failure to demonstrate that its costs are the same or lower in its evidence,[308] finds that the proposal will result in one of the two following negative outcomes.

a) In the absence of recalibration of the adjustment factors, an undue subsidy from Hydro One's legacy customers would be required.

b) In the situation where the calibration of the adjustment factors is commensurate with asset renewal at Hydro One's higher costs, harm in the form of relatively higher rates to the customers of the Acquired Utilities would need to be imposed.

3) Hydro One argued that its proposal adheres to previous OEB determinations with respect to treating the Acquired Utilities as separate rate classes and that its proposal to do so is in response to OEB direction. The OEB does not accept Hydro One's contention. The OEB has provided clear guidance with respect to its expectations that evidence of lower cost structures relied on in acquisition proposals are expected to result in concomitant lower rates. Hydro One would be expected to apply any distinguishable cost causation analysis relied on in an acquisition application to any customers that met the identified cost causation criteria whether they are new or legacy customers. The OEB did not direct Hydro One to isolate the Acquired Utilities in its cost allocation methodology. Hydro One has not demonstrated that its proposal is equitable to all customers.

4) Hydro One's cost allocation evidence indicates that in the absence of adjustment factors, Hydro One's long term costs to serve the Acquired

Utilities are higher than the costs of those previous utilities. This is in direct contradiction to the evidence relied on in its acquisition proposals."

With respect to each of the reasons of the Board set forth above, please provide Navigant's expert opinion explaining how the current Hydro One proposal complies with the Board's conclusions and expectations.

Response:

Navigant was engaged to evaluate whether the cost allocation and rate design approaches described in Hydro One's supplemental evidence in this proceeding are appropriate and consistent with accepted regulatory practices, including, with respect to rate design, whether the adjustment of the revenue-to-cost ratio as described in the evidence is appropriate and consistent with accepted regulatory practices.

With respect to each of the Board's reasons for denying Hydro One's rates proposal as cited in its EB-2017-0049 Decision with Reasons, Navigant responds as follows:

1) Navigant was not asked to review Hydro One's assumption about the rate escalation for the status quo scenario.

2) a) Hydro One's supplemental evidence acknowledges (Exhibit A, Tab 5, Schedule 1, Page 7) the need to update the adjustment factors with each subsequent cost of service application.

   b) Updating the adjustment factors to reflect the continued tracking of gross fixed asset costs to serve the acquired customers does not necessarily mean that the total cost to serve or the rates paid by the acquired utility customers will be higher than what they would have been under the status quo.

   Utilities in general (Hydro One is not unique) have higher asset replacement costs than historical costs. Hydro One's replacement cost may be higher than the acquired utility's replacement costs, but they also may be the same or lower. As stated in Navigant's evidence (Page 8), Hydro One's proposal, to continue to recognise the OEB-approved revenue-to-cost ratio ranges, provides flexibility when setting rates that protects the acquired customers from rates that could exceed the status quo cost of service.

3) Hydro One's proposal to create separate customer classes for the acquired utilities' customers is a mechanism through which the lower cost structure resulting from the acquisition is reflected in the rates for the acquired utility customers' and the legacy Hydro One customers.

   Isolating the acquired utility customers by creating separate rate classes allows Hydro One to identify and directly assign the gross fixed asset costs to serve them, which in turn is used to allocate the majority of the other distribution related costs, such as operating, maintenance, and administrative costs, interest expenses, depreciation costs, and net income. Directly assigning the gross fixed asset costs to the acquired utility customer classes, and allowing the remainder of the costs to flow through the CAM using the standard allocation factors implicitly results in the same cost causation principles being applied to all customers.

   As stated in Navigant's evidence (Page 8), Hydro One's proposal, to continue to recognise the OEB-approved revenue-to-cost ratio ranges, provides flexibility when setting rates through which the benefits of the acquisition can be shared between the acquired and legacy customers.

4) Direct assignment is generally preferred to cost allocation as a way of attributing costs to customer classes. Hydro One's approach acknowledges this and incorporates adjustment factors into the CAM to recognize that the direct assigned costs of gross assets to serve the acquired customers are lower than the allocated gross assets derived using the standard allocation factors in the CAM.

SEC INTERROGATORY # 43

Reference:

[I/1/1, p. 2]

Interrogatory:

Please update the table on this page to reflect the proposals in A/5/1, including the proposed allocation of Shared Costs. If this table remains valid, please explain why. In either case, please provide details of each adjustment factor applied to the Year 11 figures and the dollar impact of those adjustment factors.

Response:

An update to the table provided in Exhibit I, Tab 1, Schedule 1 is provided below.

The Year 11- With Consolidation figures provided in the Table reflect the output of the cost allocation run provided in the response to Exhibit I, Tab 1, Schedule 48, which includes details of the assumptions and allocation process for estimating the PDI acquired classes' rates.

Please refer to Exhibit I, Tab 1, Schedule 48 for details on the calculation of the Year 11 figures.

PDI	Today - 2019		Year10 - With Consolidation[1]		Year10 - Without Consolidation[2]		Year11 - With Consolidation[3]		Year11 - Without Consolidation[2]	
	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[4]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[4]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[4]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[4]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[4]
Residential (750kWh)	$23.37	$107.18	$25.85	$109.78	$36.58	$121.04	$27.16	$111.16	$37.67	$122.19
GS < 50kW (2,000kWh)	$50.96	$270.23	$56.06	$275.58	$79.74	$300.45	$61.55	$281.35	$82.14	$302.97
GS 50 to 4,999 kW (250kW)	$925.31	$28,315.37	$1,068.03	$28,476.64	$1,468.19	$28,928.82	$1,027.66	$28,431.02	$1,508.51	$28,974.38

[1] Indicative distribution rates for year 10 (with consolidation) have been calculated by applying -1% to PDI's exsting rates then holding them constant for 2020-2024 and then applying IRM increase of 1.55% for 2025-2029.

[2] Indicative distribution rates for year 10 and year 11 (without consolidation) have been calculated using the percentage increase in rates revenue requirement compared to 2019 (refer to Exhibit I, Tab 2, Schedule 44).

[3] Indicative distribution rates for year 11 (with consolidation) per Exhibit I, Tab 1,Schedule 49, Attachement 2.

[4] Commodity, Smart Metering Entity Charge, RTSR and Regulaotry charges have been held constant, at values currently in effect, throughout the analysis period.

Hydro One	Today - 2019		Year10 - With Consolidation[1]		Year10 - Without Consolidation[1]		Year11 - With Consolidation[2]		Year11 - Without Consolidation[1]	
	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[3]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[3]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[3]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[3]	Base Monthly Distribution Charges ($)	Monthly Total Bill ($)[3]
Residential (UR 750kWh)	$34.26	$121.77	$43.72	$131.71	$43.72	$131.71	$41.44	$129.32	$44.87	$132.92
GS < 50kW (UGe 2,000kWh)	$81.60	$306.91	$105.88	$332.41	$105.88	$332.41	$102.26	$328.61	$108.84	$335.52
GS > 50 kW (UGd 250kW)	$2,559.27	$30,087.07	$3,347.54	$30,977.82	$3,347.54	$30,977.82	$3,238.09	$30,854.14	$3,440.78	$31,083.18

[1] Indicative distribution rates for year 10 (with and without consolidation) and year 11 (without consolidation) have been calculated using the compound annual growth rate between 2018 and 2022 and then applying it to 2022 rates.

[2] Indicative distribution rates for year 11 (with consolidation) per Exhibit I, Tab 1,Schedule 49, Attachement 2.

[3] Commodity, Smart Metering Entity Charge, RTSR and Regulaotry charges have been held constant, at values currently in effect, throughout the analysis period.

SEC INTERROGATORY # 44

Reference:

[I/1/3, p. 2,3]

Interrogatory:

Please update the tables on these pages to reflect the proposals in A/5/1, including the proposed allocation of Shared Costs. If these tables remain valid, please explain why. In either case, please provide details of each adjustment factor applied to the Year 11 figures and the dollar impact of those adjustment factors.

Response:

Below is an update to the tables provided in Exhibit I, Tab 1, Schedule 3 to reflect the assumptions and output from the cost allocation and rate design completed in the response to Exhibits 1, Tab 1, Schedules 48 and 49:

PDI	Today (2019)[1,2,3]	Year 10 (2029) with consolidation[2,3,4]	Year 10 (2029) without consolidation[2,3,5]	Year 11 (2030) with consolidation[6]	Year 11 (2030) without consolidation[2,3,7]
Revenue Collected					
Residential	$9,972,113	$10,778,546	$14,864,540	$11,995,089	$15,259,604
GS < 50kW	$2,654,781	$2,882,231	$3,988,616	$3,262,266	$4,096,265
GS 50-4,999 kW	$3,551,950	$3,904,773	$5,308,166	$3,844,882	$5,449,494
Other	$990,062	$1,078,764	$1,479,201	$1,447,995	$1,518,637
Total	**$17,168,906**	**$18,644,315**	**$25,640,523**	**$20,550,232**	**$26,324,000**
Revenue Collected per Customer					
Residential	$300	$308	$424	$341	$433
GS < 50kW	$749	$741	$1,026	$831	$1,044
GS 50-4,999 kW	$9,567	$9,763	$13,272	$9,543	$13,525
Other	$107	$109	$150	$145	$153
Total	**$370**	**$379**	**$521**	**$415**	**$532**

[1] Total revenue collected from rates is derived by applying approved IRM increases between 2013 and 2019 to the approved revenue collected from rates in 2013.

[2] External revenues are held constant at 2013 approved values.

[3] Estimated values for revenues related to LV charges have been added to the total distribution revenue collected as described in Exhibit A-4-1, pg 3.

[4] Total revenue collected from rates for Year 10 (with consolidation) is derived by holding 2019 rates revenue requirement constant for 2020-2024 and then applying IRM factor of 1.55% for 2025-2029.

[5] Total revenue collected (including external revenues) per Exhibit I, Tab 1, Schedule 10, part (d).

[6] Total revenue collected (including external revenues) from the acquired rate classes per Exhibit I, Tab 1, Schedule 49, Attachment 2 (plus $1.5M in estimated revenue collected from the "combined classes").

[7] Total revenue collected (including external revenues) per Table 2, Exhibit A, Tab 4, Schedule 1, pg 4.

Hydro One	Today (2019)[1]	Year 10 (2029) with consolidation[2,3]	Year 10 (2029) without consolidation[2,3]	Year 11 (2030) with consolidation[4]	Year 11 (2030) without consolidation[2,3]
Revenue Collected					
Residential (UR)	$97,456,815	$121,420,723	$121,420,723	$134,691,875	$135,017,893
GS<50kW (UGe)	$23,037,678	$28,770,504	$28,770,504	$28,030,967	$28,101,853
GS>50kW (UGd)	$28,548,646	$35,752,868	$35,752,868	$31,931,011	$32,017,420
Other	$1,348,816,751	$1,685,459,484	$1,685,459,484	$1,710,108,678	$1,714,555,596
Total	**$1,497,859,890**	**$1,871,403,579**	**$1,871,403,579**	**$1,904,762,530**	**$1,909,692,763**
Revenue Collected per Customer					
Residential (UR)	$424	$469	$469	$515	$517
GS<50kW (UGe)	$1,276	$1,520	$1,520	$1,472	$1,475
GS>50kW (UGd)	$16,413	$19,665	$19,665	$17,458	$17,506
Other	$1,275	$1,504	$1,504	$1,519	$1,523
Total	**$1,146**	**$1,337**	**$1,337**	**$1,353**	**$1,356**

[1] Total revenue collected per Hydro One's Draft Rate Order in EB-2017-0049, Exhibit 1.0, filed April 5, 2019.

[2] Total revenue collected is derived using the compound annual growth in total revenue requirement between 2017 and 2022.

[3] External revenues are held constant at 2022 values per Hydro One's Draft Rate Order in EB-2017-0049, Exhibit 1.0, filed April 5, 2019.

[4] Total revenue collected for Hydro One legacy rate classes per Exhibit I, Tab 1, Schedule 49, Attachment 2 (minus $1.5M in estimated revenue collected from the "combined classes").

Please refer to Exhibit I, Tab 1, Schedule 48 (b) for details on the adjustment factors applied in calculating the Year 11 figures.

SEC INTERROGATORY # 45

Reference:
[I/1/7, p. 2,3]

Interrogatory:
Please confirm that, under the Board's current ten year deferred rebasing policy, Hydro One's legacy customers will subsidize the rates of PDI customers during that period with respect to 100% of the Shared Costs properly attributable to the PDI customers, and after the end of the deferred rebasing period under the current Hydro One proposal Hydro One's legacy customers will continue to subsidize the rates of PDI customers with respect to part of the Shared Costs properly attributable to the PDI customers.

Response:
Not confirmed, Hydro One's legacy customers will not subsidize PDI customers during or after the deferred rebasing period. During the deferred rebasing period, PDI customers will continue to the be charged PDI's OEB-approved base distribution rates, with a 1% reduction in Years 1 to 5 followed by price cap adjustments in years 6 – 10. Hydro One's legacy customers are not "subsidizing" PDI customers over that period. Hydro One legacy customers will continue to pay rates over the deferral period that they would have if the transaction did not occur – they are not paying any additional cost (e.g. "subsidy") than they would have in absence of this transaction.

After the rebasing period, PDI customers will be allocated a portion of Hydro One's shared costs, up to the amount of the goal post as defined in Exhibit A, Tab 4, Schedule 1. Any allocation of costs to PDI customers' rates, benefits legacy customers as those costs will no longer be included in their revenue requirement. Hydro One is forecasting $9.3M of savings that both customer groups will benefit from.

SEC INTERROGATORY # 46

Reference:
[I/1/12 (d) and I/2/22]

Interrogatory:
Please explain why the PDI rebasings are assumed to be four years apart, while the Hydro One rebasings are assumed to be five years apart. If this is an error, please recalculate Status Quo on page 2 of I/2/22 based on five year rebasings.

Response:
The migration from 4 year rebasing to 5 years was not codified until sometime in 2014. PDI's last rate application was made in 2013 before this change was enacted by the OEB. PDI has not submitted any rate applications since 2013, except for IRM in 2017. Therefore the movement to the 5 year schedule has not been adopted by PDI.

The model provided does indicate rebasing on the 4 year timetable, however moving the provided financial data to the 5 year rebasing schedule does not materially change the provided exhibit. With the suggestion of moving to a 5 year rebasing schedule, PDI will still reflect three rate rebasing periods as provided in the document and will not materially affect the end result as stated in 2030.

Hydro One anticipates that it will be on a five-year rate rebasing schedule over the next 10 years.

SEC INTERROGATORY # 47

Reference:
[I/1/15 (a)]

Interrogatory:
Please restate Ex. A/2/1, Table 1 on the basis that overheads are not capitalized by PDI, i.e. on the same basis as the Hydro One comparison.

Response:
This interrogatory appears to be based on the incorrect assumption that overhead costs are not capitalized by Hydro One.

To clarify, the PDI Status Quo and the Hydro One Forecast in Table 1 reflect the capitalization policies of each respective organization, both of which allow for capitalization of overhead costs. In the Hydro One Forecast, overheads were excluded as they were assessed to be non-incremental – not due to capitalization policy differences.

Hydro One does not understand why the requested restatement is of value to SEC. PDI under the Status Quo, will continue to capitalize overheads to follow their current capitalization accounting policy. Therefore, the numbers as presented in Table 1 do reflect an accurate representation of PDI's costs incurred in the absence of this transaction

However in order to provide a response to the question asked, regardless of the merit, PDI has provided an indicative breakout of Status Quo forecast revised as if it did not capitalize overheads.

1

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
OM&A										
Status Quo Forecast	10.1	10.4	10.5	10.7	11.1	11.3	11.6	11.9	12.2	12.5
Hydro One Forecast	8.7	4.5	4.3	3.8	3.9	3.9	4.0	4.1	4.2	4.2
Projected Savings	1.4	5.9	6.2	6.9	7.2	7.4	7.6	7.8	8.0	8.3
Capital										
Status Quo Forecast	5.8	6.0	5.6	5.8	6.0	6.0	6.2	6.4	6.5	6.7
Hydro One Forecast	6.0	7.5	5.4	5.1	5.7	7.1	5.4	5.6	5.7	5.9
Projected Savings	-0.2	-1.6	0.2	0.7	0.3	-1.1	0.8	0.8	0.8	0.8

SEC INTERROGATORY # 48

Reference:
[I/1/16 (c) and I/1/18 (b) and I/2/6]

Interrogatory:
Please provide the amount of the deferred tax asset, including all supporting calculations, and the proposed treatment of the FMV Bump for PDI and Hydro One revenue requirements and rates. Please identify the short and long term tax impacts of this FMV Bump on both PDI customers and Hydro One legacy customers. Please update Ex. A/3/1, Table 2 to reflect the impact of the tax shelter arising out of the FMV Bump.

Response:
On an asset purchase, deferred tax asset generally arises from two sources: (1) the excess of fair market value of net assets over their net tax carrying amount (FV Increment) and (2) the deductible purchase price premium (goodwill). The purchase price allocation is required to determine the fair market value of net assets and the purchase price premium. As the purchase price allocation is not available until the transaction closes, the deferred taxes asset cannot be calculated at this time.

Please note that the deferred tax asset arising from the acquisition of PDI is not included in rates and consequently has no impact to PDI customers and Hydro One customers. Please refer to Exhibit I, Tab 1, Schedule 16 which states “recovery of the FV Increment and the purchase price premium will be through the realization of synergies and other cost savings arising from the transaction and it is not a cost that is recoverable in rates.”

SEC INTERROGATORY # 49

Reference:
[I/1/19 and I/1/27]

Interrogatory:
Please confirm that Hydro One plans to change the depreciation rates for PDI rate base after the acquisition. Please confirm that, to the extent that the depreciation rates are lower than those used by PDI, the difference each year will be credited to account 1576 and refunded to PDI customers on rebasing. If that is not the case, please provide a detailed explanation of the proposed ratemaking treatment of the change in depreciation rates. Please confirm that, on current forecasts, Hydro One proposes to have take $15.6 million less depreciation than would arise at the PDI depreciation rates, resulting in rate base on rebasing that is $15.6 million higher than under a PDI status quo, all other things being equal.

Response:
Confirmed, Hydro One plans to change the depreciation rates for PDI after the acquisition. Accounting standards (including USGAAP) would require that depreciation rates reflect management's best estimate for asset depletion. Post-acquisition, the PDI assets would be under Hydro One's asset management and maintenance policies, and therefore the expected useful lives and resultant depreciation rates would be updated to reflect this.

Hydro One does not confirm that, if its depreciation rates are lower than those used by PDI, the differences would be credited to account 1576 or refunded to PDI customers on rebasing. Account 1576 (Accounting Changes under CGGAP) was established to record the financial differences arising as a result of changes to accounting depreciation or capitalization policies permitted by the Board under Canadian GAAP in 2012 or as mandated by the Board in 2013[1]. It was not established in the context of a MAAD application.

[1] https://www.oeb.ca/oeb/_Documents/Regulatory/Board_Ltr_Acct_Policy_Changes_1575_1576_20130625.pdf

Hydro One regards items such as depreciation as part of the synergy savings of the acquisition, which will ultimately benefit PDI customers through lower rates after the deferral period, as discussed in Exhibit A, Tab 4, Schedule 1.

The forecast depreciation expense that will be recorded by Hydro One on PDI's assets is $2.8M in Year 2020 (the first year post-acquisition), and over the 10-year deferred rebasing period totals $33.8M. These numbers can be found in Hydro One's PDI ESM Model, filed at Exhibit I, Tab 1, Schedule 19, Attachment 1, in Row 50 of the Tab named "ESM Model". The depreciation included in PDI's current rates[2] is $2.7M or $26.7M over the 10-year deferred rebasing period. Because the higher total depreciation expense that will be recorded by Hydro One will not be reflected in rates during the deferred rebasing period, PDI customers will not be charged the additional $7.0M in depreciation expense over the deferral period.

Hydro One believes that items such as changes in depreciation (either increases or decreases) are part of the deferral period synergies associated with the acquisition, which are at the shareholders risk. Therefore, Hydro One will not record an amount in account 1576 relating to depreciation.

Hydro One is not aware of how the $15.6M depreciation number referenced in the question was derived.

[2] EB-2012-0160

SEC INTERROGATORY # 50

Reference:
[I/1/32, Attach. 1, and I/4/13]

Interrogatory:
Please provide a detailed estimate of the charges to PDI customers in each of the deferred rebasing years using a) the current PDI specific service charges, and b) the proposed Hydro One specific service charges.

Response:
The PDI estimate of the charges to PDI customers in each of the deferred rebasing years is provided as Attachment 1. Given that the charges for the services anticipated in the PDI estimate do not materially differ between the PDI and Hydro One, only one estimate is provided to illustrate the anticipated charges to PDI customers in the deferred rebasing period.

PDI Customer Charges

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Pole rentals	490	495	500	505	510	515	520	525	530	535	540
Change of occupancy charges	167	169	171	173	175	177	179	181	183	185	187
Late payment charges	233	235	237	239	241	243	245	247	249	251	254
Other - Administrative charges	392	396	400	404	408	412	416	420	424	428	432
	1,282	1,295	1,308	1,321	1,334	1,347	1,360	1,373	1,386	1,399	1,413

Source	Rate - 2019	
Joint use poles	43.63	per pole
Customer Administration charges	30.00	
Non-payment of Account charges	1.50%	per month
Customer Administration charges	15.00 - 30.00	per item

PDI - Other Revenue

Other Revenue	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Building rental	15	15	15	15	15	15	15	15	15	15	15	15	15
Pole rentals	480	485	490	495	500	505	510	515	520	525	530	535	540
Change of occupancy charges	163	165	167	169	171	173	175	177	179	181	183	185	187
Late payment charges	229	231	233	235	237	239	241	243	245	247	249	251	254
Other - Administrative charges	384	388	392	396	400	404	408	412	416	420	424	428	432
Contributed capital revenue recognize	470	475	480	485	490	495	500	505	510	515	520	525	530
Miscellaneous	67	68	69	69	69	69	70	71	71	72	74	75	76
	1,808	1,827	1,846	1,864	1,882	1,900	1,919	1,938	1,956	1,975	1,995	2,014	2,034

Source	Rate - 2019	
Interco - Lakefield building		
Joint use poles	43.63	per pole
Customer Administration charges	30.00	
Non-payment of Account charges	1.50%	per month
Customer Administration charges	15.00 - 30.00	per item

SEC INTERROGATORY # 51

Reference:
[I/1/44 (a)]

Interrogatory:
Please explain how 1937680 Ontario Inc. will comply with section 11(2) of the Ontario Business Corporations Act.

Response:
There is no concern regarding s.11(2) of the Business Corporations Act, because during the transitional integration period where 1937680 Ontario Inc. will own and operate the distribution assets (a period that may be to 18 months) all public-facing business interactions are intended to utilize the branding “Peterborough Distribution” and will not use the words “Limited”, “Incorporated” or “Corporation” or any abbreviation thereof in any such branding.

SEC INTERROGATORY # 52

Reference:
[I/2/1 through I/2/5]

Interrogatory:
SEC is seeking to better understand the refusal of the Applicant to file the requested documents, which as the Applicants are aware were provided freely to SEC in 2018 by PDI to assist SEC's counsel in reporting to our client. As we have seen the documents, we are aware of the many statements in the documents that estimate the costs and benefits of the proposed transaction to the customers of PDI, and the many other items in the documents relating to whether customers will be better off after the transaction takes place. We have in fact asked a number of questions related to those issues. Therefore, please provide a further and more detailed explanation as to the refusal to provide the documents and answer questions related to the documents or, in the alternative, provide full and complete responses to these five previous interrogatories.

Response:
This interrogatory refers back to SEC Interrogatories filed as Exhibit I, Tab 2, Schedules 1 through 5 filed on February 27, 2019.

PDI will address each of these interrogatories individually:

- *Exhibit I, Tab 2, Schedule 1*

PDI notes that SEC posed no questions for this interrogatory but instead identified a series of documents. In response to Energy Probe IR 1 (Exhibit I, Tab 3, Schedule 1) filed on February 27, 2019, PDI provided approximately 175 pages of information including Peterborough CAO reports and Navigant Studies relating to the sale of PDI, even though this type of information is out of scope in terms of the Board's application of the No Harm test. PDI has no record of providing any documents to SEC in 2018, as referenced in this question.

- *Exhibit I, Tab 2, Schedule 2*

Parts a), b), c), e) and f) are not relevant to the Board's application of the No Harm test.

d) The reduced Transfer Tax rate of 22%, as provided by the Provincial Government to motivate consolidation, results in an approximate tax reduction of 11% (33% reduced to 22%) on proposed proceeds of $105,000 or approximately $11.5 million.

- *Exhibit I, Tab 2, Schedule 3*

The report was verbally provided at City Council in a discussion format with City Council on April 30, 2018. There were no written reports. The video of that discussion can be found on the City of Peterborough website.

- *Exhibit I, Tab 2, Schedule 4*

a) The City/COPHI interprets that Page 5 of the Navigant Report outlines by general comparison only, the possible savings and synergies that could occur to explain in general terms the basis for why Hydro One is able to make an offer. There has been no specific need to compare to Orillia rates or their cost structures or savings, as their rates, cost structures and asset conditions are unique to that utility. We also note that the proposed PDI transaction is an asset purchase, and not a share purchase.

b) Page 11 of the Navigant report illustrates the approximate net proceeds that will be available to the City upon completion of the proposed transaction. As the net transaction proceeds are not relevant to the No Harm Test, the update will not be provided.

c) Page 15 of the Navigant report, for illustration purposes, outlines the current arms-length market rate for low-risk corporate A-rated bonds. The investment opportunity outlined in the Bignell letter of October 26, 2016, is to finance through COPHI the unregulated renewable generation business which, as an industry, is riskier and as a result not A-rated. The rate of return available to the City in the COPHI business would reflect that risk profile.

- *Exhibit I, Tab 2, Schedule 5*

a) PDI can confirm that at that time the presentation was made, Hydro One was no longer tax-exempt and the analysis on Page 14 reflects that state.

b) Please refer to page 20 of the Navigant Report of November 24, 2016.

SEC INTERROGATORY # 53

Reference:
[I/2/11]

Interrogatory:
Please provide an updated response to this interrogatory consistent with the Updated Evidence and with the Board's Decision with Reasons in EB-2017-0049 (including the Board's statements quoted in SEC-33 above).

Response:
No update is required to parts a, b, d, or e of the response in Exhibit I, Tab 2, Schedule11. The Hydro One urban classes' rates shown in the Table provided in part c) of the question could be updated to reflect the rates proposed in the draft rate order submitted by Hydro One in response to the Board's Decision in EB-2017-0049. The updated table is provided below, however note that these rates are still subject to final approval by the Board.

As Hydro One wrote in the referenced interrogatory response, the below table is not an appropriate or fair comparison since it is not Hydro One's proposal to move PDI customers to Hydro One's existing urban density classes in Year 11.

Comparison of 2018 Monthly Distribution Bills

Customer	H1 Urban			PDI			Difference	
	Fixed	Variable	Total	Fixed	Variable	Total	Amount	%
Residential 700 kwhr.	$25.20	$7.63	$33.83	$18.98	$3.29	$22.27	$11.56	51.91%
UGe/GS<50 2000 kwhr.	$23.95	$55.20	$79.15	$31.36	$17.80	$49.16	$29.99	61.00%
UGd/GS>50 150 kW	$96.08	$1,427.99	$1,524.07	$160.31	$409.85	$570.16	$953.91	167.31%

SEC INTERROGATORY # 54

Reference:
[I/3/19 (a)]

Interrogatory:
Please provide a full and complete answer to this question, or provide a more detailed explanation as to why the level of Shared Costs that would otherwise be applicable to PDI customers is not relevant.

Response:
The response provided in Exhibit I, Tab 3, Schedule 19 (a) is complete. In 2020, there will be no allocation of Shared Costs to PDI. If the transaction is approved in 2019/20, PDI will be in the first year of its deferral period and will continue to be charged its OEB-approved rates as approved by the OEB on March 28, 2019 under docket EB-2018-0067, including the requested rate rider to reflect the 1% discount in base distribution rates, if approved. To allocate Hydro One's Shared Cost, which are already being fully recovered from legacy customers, to PDI customers in addition to their current rates is unfair to those customers, and would benefit Hydro One's shareholder.

SEC INTERROGATORY # 55

Reference:
[I/3/20]

Interrogatory:
Please describe the "standard Hydro One processes for tracking and reporting costs (OM&A and Capital)…", and describe how those standard processes are currently applied to other geographically distinct parts of the Hydro One franchise area.

Response:
Please see Exhibit I, Tab 1, Schedule 46. With the exception of tracking costs for the previous Acquired Utilities - Norfolk, Haldimand and Woodstock – Hydro One does not track costs geographically. Hydro One's postage stamp rate structure does not create a need to have geographically distinct cost structures.

SEC INTERROGATORY # 56

Reference:
[I/4/8 (a)]

Interrogatory:
Please explain in detail how the Hydro One forecast was arrived at if not through a bottom up forecast.

Response:
Please refer to Exhibit I, Tab 1, Schedule 17 part a).

SEC INTERROGATORY # 57

Reference:
[I/4/20 (c)(i)]

Interrogatory:
Please restate the table in this response on a per customer basis.

Response:
The table below provides the requested information.

Rate Class	Total OM&A per Customer	"Direct" OM&A per Customer	"Shared" OM&A per Customer
UR	$192	$65	$127
UGe	$475	$215	$260
UGd	$5,452	$3,035	$2,416
AUR	$188	$73	$115
AUGe	$383	$163	$221
AUGd	$4,831	$1,198	$3,633

SEC INTERROGATORY # 58

Reference:
[I/7/13]

Interrogatory:
Please provide a full and complete response to this interrogatory, but with the documentation provided limited to those documents that include references to the impacts of the proposed transaction on PDI or Hydro One legacy customers.

Response:
Hydro One declines to provide the requested information, for the original reasons set out in Exhibit I, Tab 7, Schedule 13. The attempt to narrow the original CCC request to documents related to "impacts of the proposed transaction on PDI or Hydro One legacy customers" does not change the reasons provided. The evidence of Hydro One on the impact of the proposed transaction on PDI and legacy customers is fully set out in the record of this proceeding.

ENERGY PROBE INTERROGATORY # 21

Reference:
Exhibit A, Tab 5, Schedule 1, Page 2

Interrogatory:
Please explain the mechanism that Hydro One will use to track capital costs and incremental OM&A costs to serve PDI customers after the rebasing period. Please provide a numerical example with illustrative numbers.

Response:
For clarification, Hydro One has only committed to tracking capital costs for the former PDI service territory after the rebasing period, as per Exhibit A, Tab 5, Schedule 1, pages 2 and 3. As described in that exhibit, the cost allocation model used to determine rates for customer classes uses fixed assets as the primary allocator to distribute OM&A costs amongst rate classes. Therefore, the tracking of OM&A beyond the deferral period is not required.

Hydro One will utilize its financial management and reporting system, the same system it uses for all Hydro One's financial business activities, to track PDI's capital costs. Hydro One's financial system will enable the reporting of future PDI capital costs in perpetuity by setting up a specific PDI service territory cost centre. Any specific capital cost expenditures made in service territory going forward will be recorded and tracked in the PDI Cost Centre.

A numerical example of how Hydro One tracks cost is provided below.

$000s	**QX 20XX Actual**
Capital Costs	
Number of Labour Hours	48
Labour Rate	$77
Labour Cost Total	**$3,707**
Fleet costs	$1,059
Total Cost	**$4,766**

ENERGY PROBE INTERROGATORY # 22

Reference:
Exhibit A, Tab 5, Schedule 1, Pages 6 and 7

Interrogatory:
Please provide more information on Hydro One's proposed adjustment factors by providing the following information.

a) Please list the proposed adjustment factors.

b) Please explain how each adjustment factor will be calculated.

c) Please provide a numerical example of each adjustment factor.

Response:
a) to c) Please see the response to Exhibit I, Tab 1, Schedule 48, part a).

ENERGY PROBE INTERROGATORY # 23

Reference:

Exhibit A, Tab 5, Schedule 1, Page 9

Interrogatory:

a) Why did Hydro One find it necessary to engage Navigant Consulting to evaluate its cost allocation approach?

b) Did Hydro One issue an RFP for this work? If the answer is yes, please provide the RFP. If the answer is no, please explain why not.

c) Please file the statement of work or any similar document that Hydro One used to communicate to Navigant the consulting assignment.

Response:

a) Hydro One in its Distribution Rates Proceeding set out its cost allocation and rate design approach for the previously Acquired Utilities. Hydro One had concerns as to the Board's understanding and interpretation of this approach and as such, Hydro One sought an independent expert review of the cost allocation and rate design evidence based on industry experience. Please see Exhibit I, Tab 2, Schedules 40 and 42.

b) No, Hydro One did not issue an RFP for this work. Navigant Consulting is a noted expert in the area of cost allocation and rate design. Hydro One and PDI wished to file the supplement evidence as soon as possible. To go through an RFP process would have added considerable time and delay to the applications.

c) Please see below.

3. **Scope of Services and Work Product**

The Consultant will:

(a) evaluate whether the cost allocation and rate design approaches described in the Supplemental Evidence are appropriate and consistent with accepted regulatory practices, including, with respect to rate design in particular, whether the adjustment of the revenue-to-cost ratio as described in the Supplemental Evidence is appropriate and consistent with accepted regulatory practices (the "Study");

(b) if requested by Counsel, produce a report detailing the Study's methodology, analysis performed and the Consultant's findings and recommendations (the "Report"), which may be filed with the Board in the applicable Proceeding; and

(c) if requested by Counsel, provide support during the hearing of the applicable Proceeding and testify before the Board in that Proceeding, in connection with the scope of the services provided hereunder ("Application Support" and, together with the Study and the Report, the "Services").

1

ENERGY PROBE INTERROGATORY # 24

Reference:
Exhibit A, Appendix A, Navigant Report, Page 1

Interrogatory:
Are the documents listed on Page 1 a complete list of all documents that were provided to Navigant by Hydro One? If the answer is no, please list the documents that were provided by Hydro One to Navigant but are not listed on Page 1.

Response:
Hydro One provided Navigant the following list of documents that were not explicitly identified on Page 1 of Navigant's Report.

From its Distribution Rates Application (EB-2017-0049):

- G1-02-01: Pre-filed evidence that includes discussion/rationale for new acquired rate classes
- G1-03-01: Pre-filed evidence that discusses cost allocation, including for new acquired classes (use of adjustment factors)
- Q-01-01: Updated evidence filed in Dec. 2017 that discusses (starting at page 15) changes made to the allocation of costs to acquired classes (basically included local distribution stations as part of the fixed asset costs subject to the adjustment factors) and also discusses changes made to R/C ratios in order to align with OEB approved ranges.
- Acquired Fixed Assets Summary XLS: The detailed calculations that derive the adjustment factors used in the cost allocation model
- Rate Design 2021 XLS: Calculation of the rates for all classes in 2021
- I-46-VECC-090: An interrogatory response that in part d) describes what is provided in each of the tabs of the "Acquired Fixed Assets" spreadsheet [Should refer to this when looking at that spreadsheet]
- JT3.26-3: A technical conference response where part c) of the response discusses our approach to changing the adjustment factors over time.

All of these documents are available on the OEB's website.

ENERGY PROBE INTERROGATORY # 25

Reference:

Exhibit A, Appendix A, Navigant Report, Page 6

Interrogatory:

a) Please discuss Navigant's experience with adjustment factors in other jurisdictions.

b) Did Hydro One provide Navigant with any adjustment factor alternatives? If the answer is yes, please list and explain the alternatives. If the answer is no, please explain how Navigant was able to reach its conclusions in absence of alternatives.

Response:

a) Navigant has considerable experience developing and implementing cost allocation methods and models in general, and more specifically for utilities that operate in service territories that span multiple regulatory jurisdictions. Navigant's expert, Benjamin Grunfeld, has filed evidence on matters related to Hydro One's cost allocation and rate design (e.g., in Ontario proceedings EB-2012-0136 and EB-2013-0416). Furthermore, the Navigant team involved in the review Hydro One's proposal and the development of the evidence in this proceeding, consisted of individuals who filed evidence and, in some instances, testified in cases involving PacifiCorp's multi-jurisdictional cost allocation as it related to revenue requirement determinations (e.g., Wyoming docket 20000-405-ER-11, Utah docket 10-035-89, Idaho docket PAC-E-08-07) or power supply cost modelling and adjustment mechanisms (Oregon docket UE 307, Wyoming docket 20000-469-ER-15, Utah docket 15-035-03, Idaho docket PAC-E-14-01), Enbridge's multi-jurisdictional corporate cost allocation methodology (Ontario proceeding EB-2012-0459), Enmax's inter-affiliate cost review as part of the company's distribution tariff application (Alberta proceeding 1609784), Gazifere's corporate shared service cost model (Quebec proceeding R-3924-2015), and Nova Scotia Power's cost-of-service and allocation approaches (Nova Scotia M05473), among others.

Direct assignment of costs to customer groups (e.g. jurisdictions or classes) is a common element of such methods and models. OEB staff recognized and the OEB appeared to accept (in its EB-2017-0049 Decision with Reasons, at p. 161-2) that the

adjustment factors are a mechanism to represent a direct assignment of assets and depreciation within the OEB's standard Cost Allocation Model (CAM).

b) No, Hydro One did not provide Navigant with alternatives to the use of adjustment factors. However, Navigant did internally consider alternatives such as:

- direct assignment of costs associated with specific USofA accounts within a single CAM that covers both the acquired and legacy customer classes; and
- separate CAMs for both the acquired and legacy customer classes.

Navigant believes that the level of effort and added complexity associated with these alternatives would be more onerous and the result would not be materially different.

VECC INTERROGATORY # 23

Reference:
Exhibit A/T5/S1, page 1

Preamble:
The Supplemental Evidence states:

"On October 12, 2018 Hydro One filed a MAAD application to purchase PDI and on February 27, 2019 Hydro One updated Exhibit A, Tab 4, Schedule 1 and Attachment 18. Interrogatory responses on the original evidence were filed on February 27, 2019. Included in that Application was an exhibit, "Future Cost Structures" (Exhibit A, Tab 4, Schedule 1), to assist the Board in understanding Hydro One's rate plans for PDI's customers after the deferred rebasing period. The purpose of this Supplemental Evidence is to explain in detail Hydro One's proposed cost allocation and rate design for PDI customers at the end of the rebasing deferral period".

Interrogatory:
a) Do any of the interrogatory responses provided to date require updating/revision as result of the Supplemental Evidence?

b) If yes, please identify the relevant interrogatory responses and provide the necessary revisions/updates.

Response:
a) No, the responses to interrogatory questions filed February 27, 2019 included the information provided in the Blue Page Update. The information filed in Exhibit A, Tab 5, Schedule 1 will not impact the responses previously provided.

b) N/A.

VECC INTERROGATORY # 24

Reference:
April 26, 2019 Cover Letter to the Supplemental Evidence
OEB Decision and Order, EB-2017-0049, pages 161-165

Preamble: The Cover Letter states:

"This exhibit is being provided to address some of the conclusions reached by the OEB in its Decision and Order on Hydro One's distribution rate application EB-2017-0049".

Interrogatory:

a) Are the proposals set out in the Supplemental Evidence with the respect to the cost allocation and rate design for acquired utilities at the time of rebasing different from those proposed by Hydro One Networks in EB-2017-0049?

b) If yes, please provide a schedule that: i) specifically indicates those areas where the cost allocation and rate design proposals in the Supplemental Evidence differ from those in EB-2017-0049; and ii) documents the change(s) that have been made.

c) Is it Hydro One Networks' view that the proposals set out in the Supplemental Evidence address the concerns and conclusions of Board regarding its EB-2017-0049 cost allocation and rate design proposals for acquired utilities? If yes, please explain how the Supplemental Evidence specifically addresses the Board's various concerns and conclusions.

Response:

a) Yes.

b) Hydro One has made two changes to the methodology proposed in EB-2017-0049:
   - The determination of upstream distribution assets required to serve the acquired classes will take into consideration the extent to which the acquired utility's load was previously embedded within Hydro One versus being directly supplied from the transmission system. This will ensure that the PDI classes are only assigned upstream distribution costs consistent with the extent to which upstream distribution facilities are used to supply the PDI service territory.

- Hydro One will continue to track the capital in-service additions for the acquired utilities after the rebasing period (i.e. Year 11 onwards) in order to inform the calculation of the adjustment factors in future cost of service applications.

c) The concerns of the Board regarding Hydro One's EB-2017-0049 cost allocation and rate design proposals for acquired utilities were discussed on p. 161-2 of the Board's Decision. Below is Hydro One's response to those cost allocation and rate design concerns raised.

1. *The Board was concerned that Hydro One's proposed adjustment factors were based on a "snapshot" of the existing asset base in the acquired service area and that not recalibrating the adjustment factors would result in an undue subsidy from legacy customers.* This has been addressed by Hydro One's proposal to continue tracking the capital in-service additions for the acquired utilities after the rebasing period (i.e. Year 11 onwards) which will allow a recalibration of the adjustment factors in future cost of service applications.

2. *The Board was concerned that re-calibration of the adjustment factors commensurate with asset renewal "at Hydro One's higher costs" would harm the acquired utilities.* Hydro One disagrees with the view that Hydro One's asset renewal costs will be higher. Any asset that is replaced after its useful life has expired, often 30 plus years, will be replaced at a higher cost than it was constructed at – regardless of which distributor replaces the asset. It is not possible to know what the replacement costs for Hydro One or PDI will be beyond the deferred rebasing period (i.e. after 2030). See Exhibit I, Tab 2, Schedule 32.

3. *The Board noted that it did not direct Hydro One to isolate the Acquired Utilities in separate rate classes.* While Hydro One agrees that the Board did not direct Hydro One to create separate rate classes, it did state that it expected that future rates for acquired customers would be reflective of the costs to serve them. Hydro One's proposal to create separate acquired rate classes for residential and general service customers will allow Hydro One to more accurately identify the specific costs of serving the PDI customers by virtue of being apply to "directly allocate" the local fixed assets associated with serving the PDI acquired classes, which in turn drives the bulk of all other costs.

4. *The Board indicated that Hydro One would be expected to apply any distinguishable cost causation analysis relied on for the acquired classes to all of Hydro One's customers.* Hydro One agrees, and by creating acquired classes within the OEB's cost allocation model, Hydro One is in fact using the same cost causation principles implicit within the model to allocate costs across all rate classes. The only difference is that the acquired classes represent a defined service territory for which certain cost drivers are known (i.e. local fixed assets used to serve that service territory). As such, Hydro One is able to directly allocate (via the adjustment factors) the fixed assets to those acquired classes in order to allocate costs that most accurately reflect their cost-to-serve. Hydro One's legacy rate classes include customers from across Hydro One's entire service territory and as such it is not possible to specifically assign costs for serving those customers. It is also not possible, or practical, to apply the approach used for the acquired classes to specific regions of Hydro One's service territory (e.g. specific communities) where we have historically provided service given that we do not have information on the amount of fixed assets specifically associated with serving those regions.

5. *The Board stated that Hydro One did not demonstrate that its proposals for harmonizing the Acquired Utilities was equitable to all customers.* Hydro One's proposal to use the Board's cost allocation model for allocating costs across all rate classes, both legacy and acquired classes, ensures the equitable treatment of all customers consistent with acceptable regulatory principles for allocating costs and setting rates (i.e, setting rates within the Board's approved revenue to cost ranges). Hydro One has further demonstrated that its commitment to establish rates for the PDI acquired classes that will collect revenues between the Residual Cost for serving PDI customers and the Status Quo costs that PDI customers would have paid had they not been acquired, will ensure that both legacy and PDI customers share in the cost reductions resulting from the acquisition.

6. *The Board indicated their concern that in the absence of adjustment factors, Hydro One's long term costs to serve the Acquired Utilities are higher than the costs of those previous utilities.* Hydro One's use of adjustment factors ensure that the costs allocated to the acquired classes accurately reflect their cost to serve by directly assigning the local fixed assets used to serve the acquired classes. The Navigant report indicates that direct assignment, where possible, is generally preferred to

cost allocation as a way of attributing costs to customer classes. Hydro One's use of adjustment factors within the cost allocation model recognizes that the allocation of fixed assets based on the standard allocation factors in the cost allocation model would significantly over-allocate the fixed assets know to be required to serve the acquired customers, resulting in an artificially high cost to serve .

VECC INTERROGATORY # 25

Reference:
Exhibit A/T5/S1, page 2 (lines 10-14)

Preamble: The Supplemental Evidence states:

"In Exhibit A, Tab 2, Schedule 1, Table 1 of this MAAD application, Hydro One has provided the forecast incremental OM&A and capital cost to serve the customers of PDI, and commits to tracking the actual incremental OM&A and capital costs to serve PDI customers until the end of the ten year deferral period. This tracking will allow the Board to compare the actual incremental costs to serve PDI customers with that forecast in this application."

Interrogatory:

a) In order to allow for such a comparison, please provide a schedule that breaks down the Hydro One Forecast OM&A (per Exhibit A, Tab 2, Schedule 1, Table 1) by USOA account – at the same level of detail as used in Hydro One's cost allocation model (Tab I3).

b) In order to allow for such a comparison, please provide a schedule that breaks down the Hydro One Forecast Capital Expenditures (per Exhibit A, Tab 2, Schedule 1, Table 1) by USOA account – at the same level of detail as used in Hydro One's cost allocation model (Tab I3).

Response:

a) The Hydro One Forecast of OM&A and Capital cost was not based on identifying work at a USofA account level. An allocation of the PDI incremental OM&A and Capital costs to the requested USofA account level used in Tab I3 of the allocation model would not accurately reflect the work captured in the forecast amounts.

   In Attachment 1 to this response, Hydro One has provided further breakdown of the three largest Hydro One Forecast line items in Exhibit A, Tab 1, Schedule 17 Attachment 1 (Operations, Customer Care and Capital line items).

b) See part a) above.

Attachment 1

Hydro One Forecast Select Line Items	2020 **Year 1**	2021 **Year 2**	2022 **Year 3**	2023 **Year 4**	2024 **Year 5**	2025 **Year 6**	2026 **Year 7**	2027 **Year 8**	2028 **Year 9**	2029 **Year 10**
OM&A Expenditures										
Existing Customers[1]	143	352	361	371	380	390	400	410	421	431
Lines Infastructure	375	924	948	972	997	1,023	1,049	1,076	1,103	1,132
Stations	617	365	345	324	333	341	350	359	368	378
Operations	1,135	1,641	1,654	1,667	1,710	1,754	1,799	1,845	1,892	1,941
Collections	102	251	258	252	255	257	260	263	266	268
Billing	260	603	603	633	639	645	652	658	665	671
Call Center	377	919	931	940	950	960	970	981	991	1,002
Bad Debt	109	260	261	257	259	262	265	268	270	273
Customer Care	848	2,033	2,053	2,082	2,103	2,125	2,147	2,170	2,192	2,215
Capital Expenditures										
Existing Customers[1]	373	713	644	661	678	624	640	657	673	691
Lines Infastructure	621	1,530	1,569	1,609	1,651	1,693	1,737	1,781	1,827	1,874
Stations	986	3,696	1,617	1,259	1,791	3,124	1,358	1,393	1,429	1,465
Growth	616	1,513	1,549	1,585	1,623	1,662	1,701	1,742	1,784	1,826
Capital	2,596	7,452	5,379	5,115	5,744	7,103	5,437	5,573	5,713	5,856

Note:

[1] The bulk of the costs in “Existing Customers” relates to metering sustainment activities.

VECC INTERROGATORY # 26

Reference:

Exhibit A/T5/S1, page 3 (lines 6-20) and page 7 (lines 23-24)
EB-2017-0049, Exhibit C1/Tab 1/Schedule 1, page 2, Table 1

Preamble:

The Supplemental Evidence states: "The OEB's cost allocation model uses fixed assets as the primary allocator for the costs of operating and maintaining distribution assets and since Hydro One proposes to use the principles embedded within the cost allocation model to allocate all other OM&A costs (e.g., customer, and administration and general costs), Hydro One will only track PDI's incremental OM&A costs until the time that PDI is harmonized into Hydro One's rate structure."

It also states: "Hydro One cannot track, on an actual basis, either during the deferral period or after, the costs associated with certain Hydro One resources that PDI customers will enjoy the benefit of (i.e., those resources that are also required by and paid for by legacy customers). These costs, referred to as Shared Costs in Exhibit A, Tab 4, Schedule 1 (page 6 of 12) of this Application, include 17 costs that cannot be directly associated with serving a specific group of customers."

The Supplemental Evidence further states: "Included in Shared Costs are the costs associated with upstream distribution facilities used by former PDI customers (i.e. costs formerly captured under LV charges").

In EB-2017-0049, Hydro One broke its OM&A expenditures down into five major categories: i) Sustainment, ii) Development, iii) Operations, iv) Customer Care, v) Common Corporate and vi) Property Taxes and Rights Payments.

Interrogatory:

a) Other than the inclusion of "the costs associated with upstream distribution facilities", are the "Shared Costs" referred to in the Supplemental Evidence synonymous with the "Common Corporate Costs" as defined in EB-2017-0049?

b) If not, specifically what are the differences and, in particular, do Shared Costs include costs other than those considered to be Common Corporate Costs per EB-2017-0049?

c) It is noted that, in Hydro One's cost allocation model, Customer Care costs are not allocated based on fixed assets. Do the incremental costs that Hydro One has identified as being associated with PDI include any Customer Care costs (e.g. LEAP, incremental meter reading and billing costs, etc.) or are Customer Care costs all considered to be a Shared Cost?

d) If all Customer Care costs are not considered to be Shared Costs, please separately identify: i) the incremental Customer Care costs included in the PDI's Year 11 Residual Cost to Serve and what activities the costs are associated with and ii) the Customer Care activities (if any) that are considered to be part of Shared Costs.

e) Do the incremental costs that Hydro One has identified as being associated with PDI include Property Taxes and Rights Payments attributable to PDI's service area?

Response:

a) No. The two types of costs are not synonymous.

Common Corporate Costs as defined in Exhibit C1, Tab 1, Schedule 1, page 4 in EB-2017-0049 includes costs associated with common corporate functions and services (including corporate management, finance, people and culture, corporate relations, general counsel and corporate secretariat, regulatory affairs, security management, internal audit, and real estate and facilities), planning, information technology and cost of external revenues.

In Exhibit A, Tab 4, Schedule 1, page 6 of this application, Hydro One has defined Shared Costs to include: (i) shared facilities used to provide operations and maintenance services (e.g. service centres and maintenance yards), billing and IT systems, and other miscellaneous general plant; (ii) OM&A costs associated with shared services, such as planning, finance, regulatory, human resources, information technology, customer service and corporate communications; and (iii) asset and related OM&A costs associated with upstream distribution facilities used by former PDI customers (e.g. costs formerly captured under LV charges).

b) Item (ii) in the paragraph above most closely aligns with Common Corporate Costs as defined in EB-2017-0049. Parts (i) and (iii) are additional costs beyond what is included in the Distribution Rates application definition of Common Corporate Costs.

c) and d)

The incremental Customer Care costs associated with serving PDI customers include activities such as LEAP, meter reading, billing costs, collections, bad debt and any call centre operating costs forecast as needed to serve PDI customers.

The incremental Customer Care costs included in PDI's residual cost to serve for years 1 through 10 was provided at page 3 of Exhibit I, Tab 1, Schedule 17 Attachment 2. In Year 10, Hydro One Forecast customer care OM&A is approximately $2.2 million. The year 11 costs included in the Residual Cost to Serve can be derived by inflating the Year 10 forecast by 2%, resulting in approximately $2.3 million.

All Hydro One's Customer Care costs are considered Shared Costs for the purpose of cost allocation and include the cost of all customer care services.

e) Yes

VECC INTERROGATORY # 27

Reference:

Exhibit A/T5/S1, page 4 (lines 3-9)
EB-2017-0049, Exhibit G1/Tab 2/Schedule 1, pages 3-4

Preamble:

The Supplemental Evidence states: "Hydro One believes that the best way to ensure that PDI customers are charged only their costs to serve is to introduce new rate classes for them".

In EB-2017-0049 Hydro One proposed: "For a small number of customers (i.e., USL, Street Lights, Sentinel Lights and Large Users), Hydro One proposes that they be merged into existing Hydro One rate classes".

Interrogatory:

a) Is Hydro One now proposing that there would be new separate rate classes for all of PDI's existing customer classes, including its current USL, Street Lights, Sentinel Lights and Large Use classes?

Response:

a) No. Hydro One proposes that customers in the PDI Street Light, Sentinel Light and USL classes be merged with Hydro One's equivalent classes, and that PDI customers in the Large User class would be merged into Hydro One's ST class. See Exhibit I, Tab 1, Schedule 47 for a description of the new rate classes being proposed for the remaining PDI customers.

VECC INTERROGATORY # 28

Reference:
Exhibit A/T5/S1, page 5 (lines 12-14)
EB-2017-0049, VECC's Final Submissions

Preamble:
The Supplemental Evidence states: "Hydro One fully anticipates that the cost allocation process described above, and detailed in the following sections, will result in a fair and reasonable allocation of costs to the PDI rate classes that will be less than what the cost-to-serve the PDI customers would be if PDI is not acquired." (emphasis added)

Interrogatory:
a) In Hydro One's view, is there any possibility that the cost allocation methodology used at the time of rebasing will result in an allocation of cost to customers that is more than what the cost-to-serve the PDI customers would be if PDI is not acquired"?

b) If Hydro One is of the view that there is no possibility of such a result, please explain why?

c) If Hydro One is of the view there is no possibility of such a result, please reconcile this view with the cost allocation results for acquired utilities in EB-2017-0049 where the allocated costs were higher (per VECC's Final Submissions, page 76) that the stand-alone costs to serve the acquired utilities.

Response:
a) Yes, there is always that possibility. However, given the amount of savings expected from the transaction and Hydro One's proposal for cost allocation and rate design in this application, Hydro One is confident that the customers of PDI will benefit from this acquisition both in the short and long term. An estimate of the costs that would be allocated to the PDI classes is provided in Exhibit I, Tab 1, Schedule 48, and shows that the estimated Year 11 costs allocated to PDI customers would be $24.5M, which is less than the status quo cost to serve of $26.3M.

b) Not applicable.

c) See part a) above.

VECC INTERROGATORY # 29

Reference:
Exhibit A/T5/S1, page 6 (lines 14-17)

Preamble:
The Supplemental Evidence states: "This is effectively a direct allocation of locally-used fixed assets to PDI customers. In other words, the adjustment factor ensures a more accurate reflection of the fixed assets, and associated costs, required to serve PDI customers."

Interrogatory:
a) Does Hydro One accept that the OM&A costs attributed to the local assets used to serve PDI customers using the cost allocation model will differ from the incremental OM&A costs related to the same assets as tracked by Hydro One?

b) Based on the cost allocation proposed for the acquired utilities in EB-2017-0049, what were i) the incremental OM&A costs included in the Residual Cost and ii) the equivalent OM&A costs allocated to the fixed local assets attributed to the acquired utilities via Hydro One cost allocation model for the same rate year?

Response:
a) Yes.

b) i) The incremental OM&A costs included in the Residual Cost for the three acquired utilities were $10.7M[1].

ii) The Table below provides the allocated OM&A costs attributed to the three acquired utilities, consistent with the values provided in EB-2017-0049, Exhibit Q, Tab 1, Schedule 1, Attachment 3 (O1 Sheet of the Cost Allocation Model (CAM)).

[1] EB-2017-0049, Exhibit A, Tab 3, Schedule 1, Page 7 – Table 2.

Rate Class	"Direct" OM&A Costs	"Shared" OM&A Costs	Total Allocated OM&A Costs
AUR	$1.1	$1.8	$2.9
AUGe	$0.2	$0.3	$0.5
AUGd	$0.2	$0.7	$0.9
AR	$3.9	$4.9	$8.8
AGSe	$0.9	$1.0	$1.8
AGSd	$0.8	$0.7	$1.4
Combined Classes (i.e. St Lgt, Sent Lgt, USL and Woostock's GS>1,000kW)*	$0.3	$0.3	$0.6
Total	$7.4	$9.6	$17.0

** Per Response to I-56-SEC-90, part (e), EB-2017-0049*

The "Direct" OM&A shown in the Table are the amounts identified as "Distribution (di)" costs in the 'O1' sheet of the CAM. These values include the allocated OM&A costs associated with distribution fixed assets, which includes the cost of local fixed assets, as well as certain Shared Costs (e.g. OM&A associated with upstream and shared distribution facilities). The "Shared" OM&A costs shown in the table above are the amounts identified as "Customer Related Costs (cu)" and "General and Administration (ad)"in the 'O1' sheet of the CAM, and include some costs that are also part of the Residual Cost.

VECC INTERROGATORY # 30

Reference:

Exhibit A/T5/S1, pages 7-8
Exhibit I/Tab 1/Schedule 7 d)

Interrogatory:

a) Based on EB-2017-0049, what were: i) the total cost allocated to the acquired utilities customers via Hydro One's cost allocation model and ii) the Residual costs attributed to the acquired utilities customers. Please include the relevant EB-2017-0049 references for the values provided.

b) Based on the ratio of these values please estimate the total allocated costs for PDI customers in year 11 based on PDI's forecast Residual Cost to Serve.

Response:

a) i) The total cost allocated to the Acquired Utilities' customers via Hydro One's cost allocation model was $42.7M, as referenced in EB-2017-0049, Exhibit I, Tab 56, Schedule SEC 96 part e) iii). This amount includes $41.2M for the six acquired rate classes plus an estimated $1.5M for the combined rate classes (i.e. St Lgt, Sen Lgt, USL and Large Use).
ii) The Residual costs attributed to the acquired utilities customers were $25.6M as referenced in Exhibit I, Tab 56, Schedule SEC 96 part e) ii).

b) In Exhibit I, Tab 1, Schedule 48, Hydro One has produced a Cost Allocation Model (CAM) for year 11 (i.e. harmonization year). Based on the results of the CAM, the total allocated costs for PDI in year 11 are $24.5M (refer to Exhibit I, Tab 1, Schedule 48, part (b)).

Given that a CAM run has been completed specific to PDI, Hydro One does not believe the requested calculation using the ratio of the values from part a) is relevant. However, if calculated per the requested approach, the estimated total costs for PDI would be $26.0M:

PDI year 11 residual costs = $15.6M

Ratio of Allocated costs/Residual Costs for the three acquired utilities (EB-2017-0049) = 42.7/25.6 = 1.67

PDI's year 11 allocated costs = $15.6*1.67 = $26.0M

VECC INTERROGATORY # 31

Reference:
Exhibit A/T5/S1, page 8 (lines 18-22)
Exhibit I/T1/S 8
Exhibit A/T1/S1/Appendix A, page 8

Preamble:
The Supplemental Evidence states: Hydro One fully anticipates that it will be possible to set rates for the PDI rate classes that result in an R/C ratio that both falls within the Board's approved ranges and results in an allocation of savings to both legacy and PDI customers. As discussed in Exhibit A, Tab 4, Schedule 1, Hydro One is committing to charge PDI customers no more than the higher goal post amount of $26.3M 21 and no less than their residual cost to serve of $17.0M." (emphasis added)

Interrogatory:
a) In Hydro One's view, is there any possibility that it will not be able to set rates for the PDI rate classes that result in an R/C ratio that both falls within the Board's approved ranges and results in an allocation of savings to both legacy and PDI customers? If not, please explain why.

b) Please confirm that, in accordance with the response to Staff IR #8 and lines 20-22, if achieving both objectives is not possible then Hydro One would set the rates for PDI customers such that the cost to be borne would not exceed $26.3 M (the forecast standalone cost to serve) – even if the R/C ratio results fell outside the Board's approved revenue to cost ranges. If not confirmed, how would Hydro One set the rates for PDI customers in such circumstances?

c) Navigant's review and endorsement of Hydro One's rate design proposals appears to be predicated on Hydro One recognizing and adhering to the Board's approved revenue to cost ranges. Please reconcile this premise with the response to part (b).

Response:
a) While theoretically possible, the results of the cost allocation and rate design for the PDI acquired classes provided in Exhibit I, Tab 1, Schedule 48, as well as Hydro One's experience with the proposed cost allocation and rate design of the Acquired

Utilities in Hydro One's recent Distribution Application, indicate that this is a highly unlikely scenario.

b) Confirmed, however, Hydro One's proposal would be subject to OEB approval.

c) As indicated in the response to part a), the scenario is theoretically possible, but highly unlikely.

Navigant's review was premised on both criteria being satisfied – i.e., Hydro One's rate design process resulting in rates that: (i) fall within the Board's approved revenue-to-cost (R/C) ratio range (in existence at the time); and (ii) are able to recover revenues from PDI customers that will be between the goal posts described in Exhibit A, Tab 4, Schedule 1. Navigant was not asked to assess the highly unlikely scenario posited in VECC's question.

Hydro One believes that, in the highly unlikely case posited by VECC, the rate design objective of ensuring that neither Hydro One legacy or PDI customers are harmed as a result of integrating PDI into Hydro One's rate structure would justify a temporary departure from the Board's approved R/C ratio range. As noted in Exhibit I, Tab 1, Schedule 8, Hydro One believes that this would ensure that: (i) Hydro One legacy customers do not get *more* than the total savings available as a result of the PDI acquisition; and (ii) PDI customers' rates do not collect more than the revenue that would have been collected from them had they not been acquired.

The emphasis of Navigant's evidence is not that the specific OEB R/C ratio range is the only appropriate range, but rather that: (i) allowing a utility flexibility to deviate from a R/C of 1 is an appropriate response to the imprecisions of the cost allocation process and to balance competing rate design objectives; and (b) the Board has acknowledged this, and has altered its R/C ranges over time, based on the circumstances.

VECC INTERROGATORY # 32

Reference:

Exhibit A/T5/S1, pages 8-9
Exhibit I/T4/S21 b)

Interrogatory:

a) Please confirm that the rate design proposals set out on pages 8-9 (in particular the commitment to charge PDI customers no more than the standalone cost to serve) only apply to the rebasing that will occur at the end of the 10-year deferral period and not to any subsequent rebasing applications. If not confirmed, please reconcile with the response to VECC 21 b).

b) If confirmed, what assurance does the Board and PDI customers have that the no-harm test (per PDI customers) will continue to be met in future rebasing applications?

Response:

a) In pages 8-9 of Exhibit A, Tab 5, Schedule 1, Hydro One describes its rate design proposal for the acquired customer classes. The first paragraph is Hydro One's standard process in determining rates for any of its customer classes, therefore if there is no change to OEB policies and procedures in rate design, Hydro One would expect that the principles articulated in this paragraph would be ongoing for subsequent rebasing applications.

   In the second paragraph, Hydro One confirms that the treatment with respect to the goal posts refers to the setting of rates at the time of the first rebasing.

b) The no-harm test applies at the time of the evaluation of the acquisition and it is premised upon the status quo. It is not realistic to continue to apply the no-harm test as a rate-setting feature 15-20 years into the future. There is also no basis for reliably establishing what the PDI status quo costs would have been 16 years into the future and beyond. See Exhibit I, Tab 2, Schedule 30.

VECC INTERROGATORY # 33

Reference:
Exhibit A/T5/S1, pages 10-11

Preamble:
The Supplemental Evidence states: "In the Table 2 illustration, the cost allocation model has allocated $45M to the acquired utility ($30M in residual costs to serve plus $15M in Shared Costs)".

Interrogatory:

a) In the illustrative example set out in Table 2, for those activities captured under Residual Costs, the cost allocation model is assumed to allocate costs equivalent to the Residual Costs (i.e., $30 M). Please confirm that this is simply an assumption made for purposes of the illustrative example and that, for those activities captured by the Residual Costs, the dollars allocated to the Acquired Utility by the cost allocation model could be more or less than the calculated Residual Costs. If not confirmed please explain why.

b) If confirmed, would it be reasonable to also include in the third row of Table 2 the impact of the cost allocation model treatment of Residual Costs and re-label the row – "Impact of Cost Allocation Model Treatment of Shared Costs and Residual Costs"?

c) Please confirm that the fourth row in Table 2 (Post-Consolidation Cost Allocation) is meant to reflect the cost allocation model results when applied to the consolidated utility. If not confirmed, please explain why.

d) Please confirm that the sixth row in Table 2 (Post-Consolidation Rates Revenue Requirement) is meant to reflect the results after the Status Quo Revenue Requirements for the Hydro One Legacy customers (collectively) and the Acquired Utility have been adjusted such that the R/C ratios for each class fall within the Board approved ranges. If not confirmed, please explain why.

e) Please confirm that the adjustment referred to part (d) is not an adjustment to the allocated costs as suggested by rows 4-6 in Table 2. Rather row 5 is really just the

difference between the allocated costs and the revenue requirement after the adjustment referred in part (d) has been made. If not confirmed please explain why.

Response:

a) Confirmed, for illustrative purposes, the $30M cost assumption shown as Post-Consolidation Cost to Serve assumes that the Acquired Utility's residual cost to serve is equal to the dollars allocated in the cost allocation model. The dollars allocated to the Acquired Utility by the cost allocation model could be more or less than the $30M shown.

b) Confirmed, the third row does capture the combined impact of the cost allocation model treatment on Shared Costs and Residual Costs.

c) Confirmed.

d) Confirmed.

e) Confirmed. The adjustment referred to in row 5 is associated with setting the revenue to cost ratios for the rate classes and would impact the rates revenue requirement to be collected from customers.

VECC INTERROGATORY # 34

Reference:

Exhibit A/T5/S1, pages 9-12

Preamble:

Assume the following cost allocation results at the time of rebasing:

Illustrative Cost Allocation Exercise ($M)			
	Hydro One Legacy	Acquired Utility	Combined
Status Quo Revenue Requirement to be Collected from Customers	$1,000	$40	$1,040
Post Consolidation Cost to Serve	$1,000	$30	$1,030
Impact of Cost Allocation Model Treatment of Shared Costs	($15)	$15	-
Post-Consolidation Cost Allocation	$985	$45	$1,030
Impact of Setting R/C Ratio Within Board Approved Range on Rates Revenue Requirement	$3	($3)	-
Post-Consolidation Rates Revenue Requirement based on Board Approved Ranges	$988	$42	$1,030
Adjustment to Ensure No-Harm to Acquired Utility/Legacy Customers	$2	($2)	-
Post Consolidation Rates Revenue Requirement	$990	$40	$1,030
Consolidation Benefits	($10)	-	($10)

Interrogatory:

a) Hydro One Legacy is made up of a number of customer classes. Please explain how the initial adjustment to address the Impact of Setting R/C Ratio Within Board Approved Range on Rates Revenue Requirement would be allocated amongst Hydro One's Legacy customer classes (e.g., would it be allocated to just those Legacy customer classes with R./C ratios of less than 100%?).

b) How would Hydro One assign the subsequent adjustment required to Ensure No-Harm to Acquired Utility/Legacy Customers would be allocated amongst Hydro One's Legacy customer classes (i.e., would it be assigned to all Legacy customer classes or just to those with R/C ratios of less than 100%)?

c) If the response to part (b) is just those classes with R/C ratios below 100%, how can Hydro One ensure that all Legacy classes are actually benefitting from the acquisition?

d) If the response to part (b) is all customer classes, how can Hydro One ensure that the final R/C ratios will continue to all be within the Board's approved ranges?

Response:

a) Consistent with the approach previously approved by the Board for Hydro One when R/C ratio adjustments were required, Hydro One would propose that any R/C ratio adjustments would either shift costs to those rate classes whose R/C ratios are furthest below 100% or shift costs away from those classes whose R/C ratios are furthest above 100%.

b) See a).

c) Hydro One proposes to adjust R/C ratios as described in a), but is open to making any required R/C ratio adjustments in a manner that the Board deems most appropriate. Given that PDI's rates harmonization will happen concurrent with the rebasing of all Hydro One rate classes, the resulting R/C ratios for all classes reflect both the allocation of Hydro One legacy costs plus the PDI residual costs. As such, Hydro One believes that adjusting R/C ratios as described in part a) will minimize the cross subsidization between rate classes that is implicit in having a range of approved R/C ratios. The benefit to all Hydro One legacy classes is derived from the allocation of a portion of shared costs to the PDI acquired rate classes a part of the cost allocation model.

d) As described in part a), to the extent that R/C ratios adjustments are required, none of the adjustments to legacy class R/C ratios will result in R/C ratios outside the Board approved range. Given the relatively small amount of revenues collected from PDI

acquired classes versus legacy classes, any adjustments required to the legacy R/C ratios to accommodate a shift in PDI acquired class revenues would be small.

CCC INTERROGATORY # 14

Reference:
Ex. A/T5/S1/p. 2

Interrogatory:
Please fully explain how the $9.3 million of "Savings Resulting From Hydro One's Acquisition of PDI" was derived. Is Hydro One prepared, at this time, to commit to setting rates for the PDI zone customers based on the "Total Residual Cost to Serve" upon rebasing? How will the $9.3 million of savings flow through to customers?

Response:
For a summary explaining the derivation of how the savings from the PDI acquisition were derived please refer to Exhibit I, Tab 2, Schedule 29.

As Hydro One indicated in Exhibit A, Tab 5, Schedule 1, page 11, Hydro One believes that the savings from consolidation should benefit both legacy and acquired customers. If Hydro One was to set rates for PDI customers based on the "Total Residual Cost to Serve" then Hydro One's legacy customers would not see any of the benefits of consolidation. Hydro One is not proposing this outcome; however, if the Board did decide that PDI customers should only be charged their residual cost to serve, Hydro One's legacy customers would not be harmed (i.e., 100% of the benefits of the transaction would accrue to PDI customers), as they would not incur any additional costs as a result of the transaction.

When Hydro One sets rates for customers (both legacy and PDI) after the deferral period, those rates will be determined on the *Total Residual Cost to Serve* reduced revenue requirement ($9.3M savings). The methodology for how savings can be expected to flow through to customers is provided at Exhibit A, Tab 5, Schedule 1 sections 4.0 and 5.0.

CCC INTERROGATORY # 15

Reference:
Ex. A/T5/S1/p. 2

Interrogatory:
Please describe, in detail, how Hydro One will track and report on the actual incremental, OM&A and capital costs to service PDI customers until the end of the ten-year deferral period. Please specifically define what is meant by "incremental" OM&A and capital costs? Please describe, in detail, the format in which these costs will be reported to the OEB.

Response:
Please see Exhibit I, Tab 1, Schedule 46a) for how Hydro One will track actual incremental OM&A and capital costs to serve PDI during the deferral period.

Please see Exhibit I, Tab 1, Schedule 46 for a definition of "incremental" costs.

Hydro One plans to report the actual incremental OM&A and capital costs to serve PDI by work program at the time of the next rebasing. This would be similar to that provided in EB-2017-0049 Exhibit I, Tab 53, Schedule CCC-70.

CCC INTERROGATORY # 16

Reference:
Ex. A/T5/S1/p. 3

Interrogatory:
When does Hydro One propose that PDI is harmonized into Hydro One's rate structure?

Response:
Hydro One is proposing to harmonize PDI into Hydro One's rate structure at the end of the deferral period, Year 11, which is expected to be 2030. Please refer to Exhibit I, Tab 1, Schedule 47.

CCC INTERROGATORY # 17

Reference:
Ex. A/T5/S1/p. 4

Interrogatory:
Is it Hydro One's current proposal that all acquired utilities' customers will have their own rate classes? Does this mean that they will never be harmonized with the other Hydro One rate classes?

Response:
Hydro One anticipates including PDI customers in the following new rate classes:

- Acquired Residential, which will include all customers currently in the PDI residential class
- Acquired General Service < 50, which will include all customers currently in the PDI GS <50 kW class.
- Acquired General Service >50, which will include all customers currently in the PDI GS 50 to 4,999 kW class.

Customers in the PDI Streetlight, Sentinel Light, USL and Large User classes would be merged with the respective Hydro One rate classes.

The new rate classes would come into effect when the deferred rebasing period ends (i.e. for year 11), subject to Board approval, and are anticipated to be ongoing. Hydro One believes that creating new rate classes for the PDI service territory is necessary to ensure that the rates charged to PDI residential and general service customers will appropriately reflect their cost-to-serve.

CCC INTERROGATORY # 18

Reference:

Ex. A/T5/S1/pp. 1 and 7

Interrogatory:

The evidence states that Hydro One proposes to allocate shared costs to PDI's rate classes by apply the same cost allocation principles and allocators normally used in the OEB's cost allocation model to allocate such costs. When shared costs are allocated to PDI's customers upon rebasing, how will Hydro One ensure that it will, "result in rates that collect costs from PDI customers that are less than what those customers would have paid in the absence of the proposed transaction."? How will Hydro One demonstrate this to the OEB?

Response:

Hydro One's proposal for cost allocation and rate design, as described in Exhibit A, Tab 5, Schedule 1, will ensure that costs to be collected from PDI customers are less than what those customers would have paid in the absence of the proposed transaction. This will be demonstrated by comparing the revenue to be collected from PDI customers at proposed year 11 rates, versus PDI's year 11 status quo revenue requirement. Exhibit I, Tab 2, Schedule 43 illustrates how this could translate into PDI customers' total bills.

CCC INTERROGATORY # 19

Reference:

Ex. A/T5

Interrogatory:

If significant capital requirements for the PDI service territory during the deferred rebasing period, how will those be funded?

Response:

If capital expenditure requirements incurred during the deferral period qualified under the OEB's Incremental Capital Module rate-setting mechanism, then Hydro One would apply for an ICM as discussed in the *Handbook to Electricity Distributor and Transmitter Consolidations*, page 17. PDI customers would be responsible for paying the ICM rate rider.

If the expenditures did not quality for an ICM, then those capital requirements would be funded by Hydro One's shareholder up to the time of rebasing of rates and approval of the expenditures in rate base.

CCC INTERROGATORY # 20

Reference:
Ex. A/T5/S1p. 11

Interrogatory:
The evidence discusses savings and consolidation benefits. If those savings do not materialize how will PDI's customers be better off following the deferred rebasing period?

Response:
Hydro One has no reason to believe that the savings and consolidation benefits outlined in the Application will not materialize. However, if the savings are not achieved at the level indicated in the application, Hydro One would still ensure that PDI's customers' rates revenue requirement would fall below the Status Quo goal post as shown in Table 4 of Exhibit A, Tab 4, Schedule 1. This would mean that the benefits from consolidation received by legacy customers would be less than it otherwise would have been, however legacy customers would still not be harmed.

Further, as per Exhibit I, Tab 1, Schedule 18 page 2, Hydro One is guaranteeing an ESM payment to customers of $1.8M for results expected to occur between years 6 to 10 of the deferred rebasing period. Hydro One is absorbing all of the risk of attaining the savings as provided in Exhibit A, Tab 3, Schedule 1. As a result Hydro One is highly incented to maximize these synergy savings which ultimately will form the cost levels at which PDI's service territory future rates will be set on.

Additionally, PDI customers will have other Hydro One customer centric benefits such as: extended call centre hours; Hydro One initiatives to help customers manage their bills; multi-channel outage notifications and related outage information; service guarantees; and website tools and information including e-billing and MyAccount web portal access to assist customers with bill management. For further elaboration on these benefits to PDI customers please refer to Exhibit A, Tab 1, Schedule 2.

Hydro One Networks Inc.
7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5393
Fax: (416) 345-6833
Joanne.Richardson@HydroOne.com

Joanne Richardson
Director – Major Projects and Partnerships
Regulatory Affairs

BY COURIER

October 18, 2019

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

EB-2018-0242 - Hydro One Networks Inc., 1937680 Ontario Inc., Peterborough Distribution Inc. and Peterborough Utilities Services Inc., MAAD s. 86 asset purchase application – Updated Interrogatory Response

Please find attached an updated response to Exhibit I, Tab 4, Schedule 19 part c).

The table in part c) includes revisions to the "Distribution Plant" and "Other Assets (excluding Fleet)" categories within the PDI Depreciation Rates. The rates have been revised to regroup the presentation of specific PDI asset types previously reported as "Other Assets" to the "Distribution Plant" classification, better aligning with the Hydro One classifications, as well as correcting an arithmetic error within the "Other Assets" grouping.

Sincerely,

ORIGINAL SIGNED BY JOANNE RICHARDSON

Joanne Richardson

VECC INTERROGATORY # 19

Reference:

Exhibit A/T3/S1, pages 5-8

Interrogatory:

a) Table 1 indicates that revenues will be based on "forecast load and customer profiles". Please provide the actual forecast used, by customer class, and fully explain how the forecast was derived.

b) Was the forecast rate base adjusted to remove the cost of the current PDI operations and administration centre on Ashburnham Drive? If not, why not?

c) Table 1 indicates that the annual depreciation is calculated using HONI's OEB-approved depreciation rates. Do these depreciation rates differ from those approved for PDI? If yes, what are the differences?

d) What is the impact of the 20% risk factor which has been applied to OM&A costs on the overall calculation of $1.8 M of earnings sharing?

Response:

a) Hydro One has provided the ESM Customer and Load Forecast assumptions for the ten year deferral period (2020 to 2029) and Year 11 (2030) as Attachment 1 and Attachment 2 to this exhibit.

The forecast for Customer numbers and load were developed by examining available economic / demographic and local information including The Official Plan of the City of Peterborough, dated December 31, 2017 ("the Plan"), as detailed below.

The Plan calls for 20.0% growth in population between the years 2001 and 2031 and 13.5% growth in employment during the same period. This translates into an average annual growth rate of 0.63% for population and 0.45% for employment. These two factors impact household information and suggest that the number of households would grow at a rate between 0.45% and 0.63%. The Plan also states that, going forward, intensification (e.g. multi-residential buildings) will be particularly

encouraged, which will result in the number of residential electricity customers growing less rapidly than the number of households. As such, the number of residential customers was forecast to grow at an average rate of 0.5% per year.

Based on the OEB Yearbook of Electricity Distributors, the number of GS <50kW (GSe) customers has been declining at an average rate of 0.6% per year since 2007. However, more recently, significantly higher levels of GS<50 sales have been experienced. This is consistent with the Plan, which states that Peterborough's growth will be generally driven by immigration; as this tends to increase the number of businesses/self-employed. Accordingly, the forecast assumes an average growth rate of 0.93% per year in the number of GS<50 customers.

Similarly, the number of GS >50kW (GSd) customers has been declining at the rate of 2% per year since 2007, while more recently GS>50 sales experienced a significant growth. Accordingly, the forecast assumes an average growth of 0.74% per year in the number of GS>50 customers.

The forecast for the number of "Other" rate class (e.g. unmetered scattered load and street lighting) was derived in relation to the growth of residential, GSe and GSd, taking into account synergies due to the intensification policy noted above, which reduces the growth rate. The forecast growth rate of "Other" is 0.67%.

Energy sales were forecast using an econometric model that linked energy usage, gross of Conservation and Demand Management (CDM), to personal disposable income in constant dollars, cooling and heating degree days, and accounting for cyclical and trend components in the non-systematic part of data (through moving average and autoregressive terms). The model was used to forecast the gross load and, thereby, total sales net of CDM. The total sales forecast was then allocated to different rate classes based on the historical relationship between them.

The peak forecast for GSe and GSd classes was derived from the sales forecast for those classes, taking into account the historical relationship between sales and peak.

b) The operations and administration centre on Ashburnham Drive is 100% owned by Peterborough Utilities Service Inc. (PUSI) and is therefore not included in any PDI rate base. This is true for both prior and future period.

c) The table below provides a comparison of the depreciation rates, as approved by the Board for each utility.

Table 1 – Asset Category Depreciation Rate Comparison

Depreciation Rate (%)	Hydro One Rate	PDI Rate
Land	0.00%	0.00%
Buildings	1.82%	1.96%
Distribution Plant	2.30%	2.39%
Other Assets (excluding Fleet)	8.73%	6.24%
Fleet	25.00%	22.73%

d) Refer to Exhibit I, Tab 1, Schedule 18 part d) for the impact of the 20% OM&A risk factor on the ESM.