

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

AND IN THE MATTER OF an application by PowerStream Inc. for
an order approving just and reasonable rates and other charges for
electricity distribution to be effective May 1, 2009.

SUBMISSION BOOKLET

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KEY POWERSTREAM DATES

June 2004	amalgamation of Hydro Vaughan, Markham Hydro, and Richmond Hill Hydro to create PowerStream Inc.
October 2005	PowerStream files 2006 EDR application (based on 2004 historic year)
November 2005	PowerStream acquires Aurora Hydro
November 2006	PowerStream self-selects to rebase in 2009
February 2007	PowerStream files its application for 2007 (2 nd GIRM); includes four separate rate zones
March 2007	PowerStream files its geographic Rate Harmonization Application
April 2007	Enersource merger negotiations commence
September 2007	Barrie Hydro files 2008 Rates Applications (cost-of-service)
November 2007	PowerStream files 2008 Rates Application (2 nd GIRM)
January 2008	PowerStream begins preparation of 2009 Rates Application (cost-of-service)
February 2008	Enersource merger negotiations end; Barrie Hydro merger negotiations resume
October 2, 2008	Barrie Council approves merger of Barrie Hydro and PowerStream
October 10, 2008	PowerStream files 2009 Rates Application (cost-of-service)
December 31, 2008	Barrie/PowerStream amalgamation transaction closes
January, 2009 to present	PowerStream and Barrie Hydro work in accordance with previously-approved budgets (i.e., business "as usual", for the most part); transition activities start.

Excerpts from EB-2008-0335 Proceeding

1. OEB Decision (Transcript p. 198)

The Board is concerned that the Report did not contemplate the situation we find ourselves in. We are of the view that the Board in this Report assumed, rightly or wrongly, that consolidated entities, electing an extended deferral period of up to five years would be under some form of incentive regulation, either second generation or third generation.

Notwithstanding our concern, the Board is prepared to approve the rate rebasing proposal advanced by the applicants in this case, provided it is understood that in the cost of service hearing, parties will be free to introduce evidence that the costs as filed may not be the real costs and may not reflect actual costs. Parties may, in fact, take advantage of certain evidence introduced in this proceeding, regarding cost reductions not revealed in the application as originally filed.

We reject Mr. Vegh's notion that there is an implicit carve-out in this costs of service application, such that cost savings from mergers cannot be taken into account.

Mr. Vegh referred to the OPG case, but as he is aware, in that case the carve-outs were as a result of legislative directive and regulations. And the Board followed those regulations.

There is no explicit or implicit carve-out for cost of service proceedings mentioned in the Report. There is not mention of cost of service proceedings at all. But we are prepared to approve, Mr. Vegh and Ms. Long, the rate rebasing proposal you have filed, subject to that caveat.

2. Mr. Kaiser's Responses to Questions

(a) Transcript pp. 200-01

MR. VEGH: Sorry, just one questions of clarification. With respect to the 2009 rates application, there is a question that I am not sure of, which is: What is in scope for that proceeding just following from your decision?

I appreciate the Panel is going to be addressing the issues in that case, but is it the Board's expectation that the costs and benefits faced by PowerStream for the 2009 test year will include those costs and benefits for that year relating to the merger?

MR. KAISER: We said that the parties are free to advance those issues and those facts. In other words, we don't accept your position that there is a carve out and that those matters are not in scope.

Whether they do is another matter.

(b) Transcript, p. 201

MR. KAISER: In short, once you elected to go on a cost-of-service application, we are not creating a special cost-of-service application and will apply the usual rules that apply to cost-of-service applications, nothing different about this one.

MR. VEGH: We will deal with that in that application, but we are just talking about just PowerStream, right, the PowerStream rate zone in terms of what we have been – the term that we have been using as opposed to the consolidated areas?

MR. KAISER: Yes. It may be – I mean, I don't know – it is a second issue that will be argued and dealt with in that case as to what the consequences are, if any, for the PowerStream rate zone, as you now call it, the PowerStream territory.

(c) Transcript, p. 201-02

MR. SHEPHERD: Mr. Chairman, can I ask a question of clarification? Is it the intention of this Board Panel to determine in this decision that the Board Panel in that case, in the PowerStream rate case, can't look at the overall enterprise costs?

MR. KAISER: Well, it will be this Panel, that is number one, and we will deal with that when we get to that case.

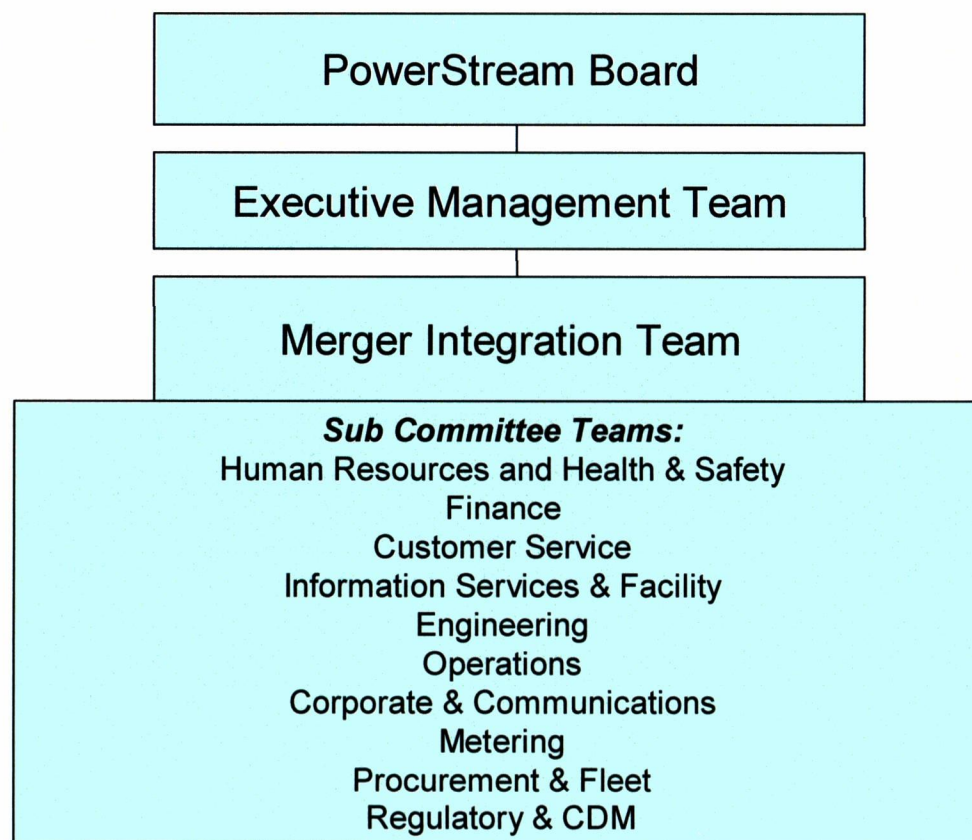
(d) Transcript, p. 202

MR. VEGH: Maybe just another. I just took it from the rest of the decision that the approach of Barrie Hydro with respect to its 2009 IRM adjustment is a go. Your concern was more with the cost-of-service component, which relates to PowerStream only?

MR. KAISER: Yes, exactly.



Merger Integration Structure



PowerStream requests that the Board acknowledge and/or confirm as follows:

1. that merger-related costs and savings, which may be attributable to Barrie Hydro, are not within the scope of this proceeding;
2. that Barrie rates and the quantum of the individual components of Barrie Hydro's OM&A and capital budgets, that underpin 2008 approved rates, are not within the scope of this proceeding;
3. that PowerStream merger-related costs and savings that will be incurred or realized in years beyond 2009 are not within the scope of this proceeding;
4. that the only estimates of merger-related costs and savings, that are available in this proceeding, were developed for business case purposes and not for rate-making purposes;
5. that MergeCo has not developed a robust cost allocation methodology or model and that costs and savings will be attributed to the PowerStream division and to the 2009 rate year using reasonable, high-level assumptions; and
6. that in responding to questions regarding 2009 merger-related costs and savings, PowerStream is, in no way, agreeing that these should be taken into account in setting its 2009 revenue requirements; PowerStream reserves its right to argue that they should not.