

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

**AND IN THE MATTER OF an Application by Powerstream Inc. and Barrie Hydro Distribution Inc. under section 86(1)© of the Act for leave to amalgamate and related matters**

**INTERROGATORIES  
OF THE  
SCHOOL ENERGY COALITION**

1. [Proforma financials filed November 14, 2008 – no exhibit number] We have attached an Excel spreadsheet entitled “Comparative Pro Forma Financials”. With respect to the above exhibits, and the attached spreadsheet:
  - (a) Please confirm that the figures in columns (c) and (d) of the spreadsheet correctly aggregate the figures from the “no merger” pro forma financials provided by the Applicants.
  - (b) Please confirm that, except for the impacts of the merger, the aggregated figures and the consolidated figures on each line of the attached spreadsheets, for each year, should be the same.
  - (c) Please confirm that, except for lines 1, 6, 14, 33-36, 41, 44, 57-59, 67, 68, 70, 72, 73, 75, 77-79, and 82, any differences between the consolidated numbers and the aggregated numbers, on each line and for each year, are solely the result of rounding adjustments.
  - (d) Please confirm that, for the 22 lines listed in (c) above that do have non-rounding differences, each and every one of those differences is the direct result of the differences in OM&A forecast on line 67.
  - (e) Please advise where the impact of the \$850,000 per annum reduction in capital spending, and related impacts on depreciation, cost of capital, and PILs, is represented.
  - (f) Please confirm that the pro forma financials filed assume that the merger will have no impact on the rate of interest payable by the merging entities on new or renewed debt, notwithstanding the statement on page 4 of the Application that the merger will result in a “lower cost of capital”.

- (g) Please advise why a \$5 million per year reduction in OM&A has no impact on the figure for employee future benefits on line 27.
  - (h) Please confirm that the merged company would adopt a new dividend policy, and explain why the dividends on lines 52 and 80 show no dividend difference between the merger and no-merger scenarios (compared to combined 2007 dividends of \$6,352,000, less than half the amount forecast for 2009).
  - (i) Please advise where in the pro forma consolidated financials the special dividends set out in the Merger Participation Agreement are reflected.
  - (j) Please confirm that the pro forma consolidated financials have not attempted to reflect the financial statement impacts of harmonization of corporate policies, such as policies on customer deposits and collections, procurement, asset management, depreciation, capitalization of in-house costs, etc.
  - (k) Please explain why lines 15 and 16 have not changed in the merger scenario when the OM&A and the tax bills, which drive those lines, have changed.
  - (l) Please explain why the merger case assumes the same requirement for new debt as the no-merger case, despite an expectation of decreased operating and capital costs.
  - (m) Please confirm that, based on the pro forma financial statements, the Applicants expect to earn 8.6% on their actual equity in 2009, after deducting all costs of the merger, and 10.2% on their actual equity in 2010, in both cases with an equity ratio in excess of the Board-approved equity ratio.
  - (n) Please confirm that the pro forma financial statements, whether in the merger or the no-merger scenario, assume that the net income for the Powerstream franchise area in 2009 will be less than each of 2006 and 2007, and 2010 will be the same as 2007.
2. [Tab 1, Schedule 1 – Application, p. 1] Please confirm that the Applicants are seeking a rate order for the merged company, on the same terms as the existing Barrie Hydro Distribution Inc. rate order, to take effect after the cancellation of the Barrie Hydro Distribution Inc. electricity distribution licence, and to apply only to the current Barrie Hydro franchise area.
  3. [1/1, p. 6] Please advise whether the Applicants intend to proceed with the merger in the event that the Board does not allow Powerstream to rebase in 2009 as if the merger had not taken place, and then defer rebasing for five years as proposed in the Application.
  4. [1/1, p. 6] Please confirm that the Powerstream 2009 rate application is filed on the assumption that the merger has not taken place prior to the end of the 2009 Test Year.
  5. [1/1, p. 7] Please advise how Powerstream plans to harmonize rates prior to its next rebasing after 2009, while remaining consistent with the Board’s statement on page 7 of its policy report “Rate-making Associated with Distributor Consolidation”, where the Board said “the issue of

rate harmonization in the context of a consolidation transaction is better examined at the time of rebasing”.

6. [1.2.4] Please confirm that, subsequent to the proposed transaction, the Affiliate Relationships Code would no longer apply to transactions between the amalgamated entity and The City of Barrie, Barrie Hydro Holdings Inc., Barrie Hydro Energy Services Inc., the City of Vaughan, Vaughan Holdings Inc., the Town of Markham, Markham Enterprises Corporation, or Markham District Energy Inc. Please advise which of those entities will, after the proposed transaction, either supply goods or services to, receive goods or services from, or share services, with the merged entity.
7. [1.4.4] Please confirm that the Applicants expect combined distribution revenues to increase from \$145.7 million in 2007 to \$151.3 million in 2009, an increase of 3.8%, but to \$161.9 million in 2010, an increase of a further 7.0%. Please disaggregate these increases between (a) growth in throughput and customer numbers, b) the effect of the Barrie Hydro rate order in 2008, c) the effect of the Powerstream rate application for 2009, d) other expected rate increases.
8. [1.5.1/3 – Barrie 2007 Annual Report, p. 1] Please file the Strategic Plan, Strategic Map, and Balanced Scorecard referred to.
9. [1.5.1/3, p. 3] Please provide details of any material Barrie Hydro initiatives commenced in 2007 or 2008 that will not be continued, or will be reversed or replaced, by the merged entity.
10. [1.5.1/3, p.7] Please advise the number of full-time equivalents of each of Barrie Hydro and Powerstream as of October 31, 2008. Please advise the projected number of full-time equivalents for the merged entity as of December 31 in each of 2009, 2010, and 2011.
11. [1.5.1/3, p. 31] Please advise whether any employee future benefits or liabilities are expected to be revalued as a result of harmonization of policies, and the impact on the balance sheet and/or the income statement of any such revaluation.
12. [1.5.1/3, p. 34] Please file a copy of the dividend policy referred to in note 15, as well as any amendments or updates to that policy to date. Please file any similar pre-closing dividend policies of Powerstream from 2008, as well as any in effect for 2007 if different.
13. [1.5.1/4, p. 9 and 54] Please advise how many employees of the Applicants are expected to have the new Powerstream head office facility as their principal place of work a) if the merger does not proceed, and b) if the merger proceeds. Please provide all studies, reports or analyses, that discuss the size of the head office facility in relation to Powerstream’s M&A strategy or intentions. Please confirm that approximately \$25 million was added to rate base in 2008 to reflect bringing this building into service. Please confirm that the annual revenue requirement impact of that new building (depreciation, cost of debt, ROE, and PILs), net of cost savings, is about \$4 million per year.

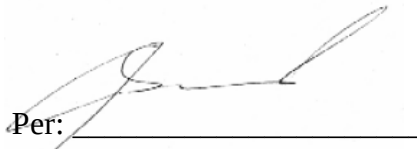
14. [1.5.1/4, p. 26] Please show how the impact of the “one-time additional administrative and bad debt writeoffs” in 2007 are reflected in the forecast expenses in 2009 and 2010 in the Powerstream pro forma financial statements.
15. [1.5.1/4, p.28 and 57] Please advise if the \$125 million TD line of credit remains in effect, or if not, a replacement line of credit is in effect. Please advise the interest rate and term of the line, and whether the Applicants plan to utilize it for new debt post amalgamation. Please confirm that the \$50 million, 5.08% credit facility initiated in January 2008 is not part of that \$125 million TD facility.
16. [1.5.2 – Merger Participation Agreement, pp. 2-16] Please provide a copy of each of the following documents referred to in the recitals or the definitions:
  - (a) The Letter of Intent.
  - (b) The Barrie Hydro 2008 Budget.
  - (c) The PowerStream 2008 Budget.
  - (d) The PowerStream Shareholder Agreement.
  - (e) The Valuation.
17. [1.5.2, p. 18, and various Schedules] Please provide a chart showing all expected pre-closing and post-closing payments to and from shareholders, affiliates of shareholders, affiliates of the Applicants, and affiliates of the merged entity (if any), required by the terms of the Merger Participation Agreement or any other closing documents for the proposed transactions, with a cross-reference to the provisions requiring such payments. Please exclude payments to or from any entity that in aggregate for that entity are less than \$1 million.
18. [1.5.2, p. 21] Please provide a copy of the initial Strategic Plan referred to in section 2.5, whether or not approved by all of the parties that will be required to approve it.
19. [1.5.2, pp. 26-36 and Schedules A-C] Please provide the due diligence binders, reports, or similar documents relating to disclosure and/or compliance with conditions, representations and warranties, including any due diligence reports from the lawyers or accountants of either Powerstream or Barrie Hydro.
20. [1.5.2, p. 28 and 29] Please provide any report, analysis, study, or other document dealing with sections 5.1 (4) and/or 5.2 (4), compliance with those provisions, or any circumstances that materially affect compliance with those provisions.
21. [1.5.2, p. 30] If the Competition Act application contains any documents that are not included in or expressly referred to in this Application, please provide copies of those documents.

22. [1.5.2, p. 36] Please advise whether failure of the Board to allow a 5 year deferral of rebasing would constitute a Material Adverse Affect for the purposes of section 6.5 (1)(c).
23. [1.5.2, p. 47] Please confirm that:
- (a) No fees as described in Section 9.4 were disclosed in writing by either party to the other, or , in the alternative, provide a copy of that disclosure document;
  - (b) No expenses referred to in Section 9.5 have been, or will be, included in the regulatory financial reporting, rate applications, or or other accounts maintained for regulatory purposes by Powerstream, Barrie Hydro, or the amalgamated entity.
24. [1.5.2, Appendix B, p. 20] Please provide a copy of the Asset Management Plan and Line Loss Report referred to, or provide an update on the status of that document.
25. [1.5.2, Appendix C, p. 1] Please provide a status report on the income and capital tax audit of the predecessor companies, including a copy of the preliminary assessment on Markham Hydro and Vaughan Hydro, and a copy of any assessment received prior to the hearing date of December 15, 2008, or a statement that no assessment was made prior to the statute barred date of December 8, 2008. If any such document shows a net tax impact on the relevant taxpayer of less than \$1 million, it is not necessary to provide it.
26. [1.5.2, Appendix C, p. 4] Please provide a summary of the terms (limited to those terms that could have a material impact on the ratepayers, rates, or revenue requirement, immediately or in the future) of the agreements with PWU and IBEW for “transitional matters relating to the merger”. For greater certainty, and without limiting the generality of the foregoing, any provision that guarantees a certain number of unionized positions, and any provision that provides for harmonization of any aspect of compensation at the higher level of the two existing union contracts, should be considered to be material.
27. [1.5.2, Appendix C, p. 4-5] Please provide a copy of the MOU dated February 6, 2008 with the Town of Markham, and a summary of the terms of the lease dated November 15, 2007 relating to the operating facility in Markham.
28. [1.5.2, Appendix C, p. 8, and Schedule C to the Shareholders Agreement] Please provide the two draft shared services agreements, together with any amendments thereto since being drafted, and confirm
- (a) That they are being performed, as if executed documents, prior to closing; and
  - (b) Subsequent to closing, they will continue to be followed according to their existing terms except as disclosed in the Application.
29. [1.5.2, Schedule 1.1 – Shareholders Agreement, p. 14] Please confirm that, under Section 2.07 (1) (b), the amalgamated entity is obligated to maximize its rate of return on equity unless the Board limits such return.

30. [1.5.2, Schedule 1.1, p. 14] Please provide a copy of the current draft of all proposals for the recapitalization of the amalgamated entity as described in Section 2.07 (1) (c).
31. [1.5.2, Schedule 2.2, p. 1] Please provide a copy of the draft business case referred to in the document.
32. [1.5.2, Schedule 5.2 (1)] Please provide the rationale for the \$25.7 million dividend to the parent company of Barrie Hydro.
33. [City of Vaughan Minute 209, p. 5] Please provide the original calculation of the rate impacts of harmonization as set forth on this page, showing how the figures were arrived at.
34. [1.5.2, Schedule 5.2 (6)] Please confirm that this note is being converted from one year renewable to a term exceeding fifteen years. Please advise the fair market value interest rate for A rated debt as of the date hereof with a fifteen year term. Please advise why the interest rate on the note is not being set at the market interest rate. Please confirm that, from and after the date of closing, the interest rate that will be recoverable from ratepayers will be the fair market value interest rate for a similar amount and term for an A rated debt.

Respectfully submitted on behalf of the School Energy Coalition this 22<sup>nd</sup> day of November, 2008

**SHIBLEY RIGHTON LLP**

  
Per: \_\_\_\_\_  
Jay Shepherd