EB-2026-0145

ONTARIO ENERGY BOARD

ERTH Corporation acquisition of
Tillsonburg Hydro Inc.

POLLUTION PROBE INTERROGATORIES
(Related to THI specific questions)

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THI-PP-1

References: "… the first phase of a two-phase transaction whereby ERTH is purchasing all of the issued and outstanding shares in Tillsonburg Hydro Inc. from The Corporation of the Town of Tillsonburg.".

a) Was a merger instead of an outright purchase of shares considered and/or evaluated? If no, why not. If yes, please provide a copy of the materials used for consideration or in making the decision.

b) Was there any public consultation conducted to engage the community and ratepayers during this process? If not, why not. If yes, please provide copies of the materials used and copies of the feedback collected.

THI-PP-2

Please provide responses (if any) to all community and ratepayer input/comments, including (but not limited to) those filed with the OEB.

THI-PP-3

Please provide a copy of any business case, presentations or similar documents provided to the THI and/or EPC Board of Directors and/or their direct or indirect shareholders with respect to the approval transaction (either preliminary or final approval).

THI-PP-4

a) Please describe how local planning and delivery (including municipal energy and emissions planning and support aligned with the Distribution System Plan) will be impacted if the acquisition is approved. If incremental benefits will result to enhance energy and emissions planning, alignment and activities in the municipality, please provide details.

b) Please describe what utility activities (including eDSM promotion and delivery) the acquisition will maintain or enhance to support ratepayer programs and regulated energy and emissions reporting and reductions requirements under Ontario requirements for municipalities and all broader public sector buildings served.

THI-PP-5

a) Please confirm that the THI rebasing deadline will move from 2027 to 2035 if the OEB approves the Applicant's request for a deferred rebasing period of nine (9) years for THI following the Phase 1 transaction. If not correct, please clarify.

b) If the OEB were to approve the requested 9 year rebasing deferral for THI, does that impact THI from merging with EPC until the rebasing term is over (e.g. 2035)? If not, please explain how costs and benefits related to THI would be tracked and filed at the end of the deferred rebasing term.

c) How does the proposed deferred rebasing period noted in part a align (or not) with a rebasing application of the consolidated utility following the EPC (2029) rebasing application?

d) Please explain the treatment of and timing of THI deferred rates and synergies over the deferred rates period starting prior to the Phase 2 (2029) rebasing application for EPC compared to following Phase 2. For examples, what ratepayer benefits and synergies are forecasted to occur before/after the EPC 2029 rebasing application and how will those be accounted for separately from those expected from the EPC deferred rates period (9 years per EB-2018-0082).

e) Is it correct that only Phase 1 impacts the proposed THI deferred rates period and Phase 2 does not. If not correct, please explain.

THI-PP-6

Reference: The Applicant intends to maintain a local physical presence very similar to what THI's customers experience today. Following closing of the Phase 1 transaction, the Applicant has committed to maintaining THI's existing customer service centre in the Town of Tillsonburg and assuming THI's existing lease commitment for its operation centre located at 43 John Pound Road, Tillsonburg. [Page 25]

a) Please explain any expected decrease in functions at the THI office in Tillsonburg following Phase 1 and/or Phase 2 transactions. Please explain where those functions will move to and the expected decrease in THI office space requirements. If annual savings estimates are available, please also provide them.

b) Please provide the most recent three years of (OM&A and Capital) costs related to the THI office in Tillsonburg.

c) Does THI or ERTH have an estimate of costs and benefits (OM&A and Capital) if the THI office is downsized or closed. If yes, please provide them.

THI-PP-7

References: These modest cost savings are possible related to the elimination of certain management roles and a reduction in various redundant expenses (e.g. board remuneration, industry associations, etc.), which will be largely offset by cost of the shared corporate services provided by ERTH. [Page 20] and Table 5: Forecasted Revenue Requirements – Status Quo vs. Post Transaction [Page 23]

a) Please provide a list of the management roles and the various redundant expenses expected to be reduced.

b) Please provide a table including details for each position and expense forecasted to be reduced. In the table, please provide the annual THI fully costs for the past 3 years, the expected cost and reduction following Phase 1, and the expected cost and reduction following Phase 2.

c) Please provide the details of the annual synergies in Table 5 - Forecasted Revenue Requirements – Status Quo vs. Post Transaction.

d) Please explain the impact of the OEB approving Phase 1, but rejecting Phase 2. If there is an impact to proposed synergies, please provide an update to Table 5 based on only approval of Phase 1.

THI-PP-8

Reference: For purposes of this Application, it is critical to note that THI's existing cost structures have recently been approved by the OEB as necessary to maintain ongoing financial and operational viability. It can reasonably be assumed that maintaining THI's existing expenditure levels is sustainable from an operational and financial perspective over the rebasing period proposed in this Application. [Page 24]

a) Please provide a table of the OEB approved rate term budgets by major category (2024-2028) and add columns to extrapolate those out to the end of the 9 year rates deferral term requested.

b) Please provide a copy of the table requested in part a, removing the proposed synergies, by year.

c) Please provide the total OM&A and Capital funding difference between the responses for part a and b, above.

THI-PP-9

Reference: Accordingly, the proposed transaction is forecasted to positively impact the customers of THI with respect to adequacy, reliability, and quality of electricity service due to the efficiencies expected to be generated from the transaction. [Page 26]

a) Please provide the estimated improvements expected with respect to THI adequacy, reliability, and quality of electricity service due to the efficiencies expected to be generated from the transaction. Please also explain how these will be tracked and reported to the OEB in comparison to historical results in Table 8.

b) THI Reliability Indicators (Excluding MED's & Loss of Supply Events) are significantly lower than EPC and WCI. Please explain how merging with EPC and WCI would help lower THI's results.

c) Would a single set of results for the merged utility be reported following Phase 2? If yes, please explain how that will enable comparison to the historical THI results.

THI-PP-10

Reference: There will be a large benefit to THI customers through all future phases of the transaction in the form of technology enhancements in the THI service territory that would otherwise not be economical or practical to implement. In the proposed transaction incorporates the benefits to be realized through voluntary consolidation; it will deliver cost synergies and economy of scale benefits and will promote the Board's objectives. [Page 26-27, including list of examples]

a) Please provide annual OM&A and Capital savings expected from the cost synergies and economy of scale benefits noted above.

b) Please indicate how these cost synergies and economy of scale benefits will be tracked for THI over the deferred rates period and reported to the OEB at the time of rebasing.

c) Please explain any incremental distribution energy resource or non-wire solutions opportunities that the enhanced technology and capacity would enable.

d) What specific incremental results and benefits are expected for THI as a result of access to ERTH's enhanced environmental, social and governance (ESG) functions.

THI-PP-11

Reference: THI will have access to ERTH's customer service practices which recently resulted in an increase in its OEB regulated Customer Satisfaction Survey results from 76% in 2023 to 94% in 2025. [Page 27]

Please update Table 9 including 2025 results for all THI and EPC Customer Focus Statistics.

THI-PP-12

Reference: The integration costs will be financed through the anticipated productivity savings expected from the transaction during the period after the Phase 2 transaction. As always, there will be timing differences between expense outlays and their recovery. [Page 30]

a) Please identify the integration costs from Phase 1, but before Phase 2.

b) How will Phase 1 productivity costs be funded?

c) Please explain how the relevance of Phase 2 anticipated productivity savings for OEB consideration in this Phase 1 application?

d) How would this be treated if Phase 2 is not approved.

THI-PP-13

Please explain if there are any issues should the OEB approve a THI deferred rates period of up to 9 years approved on an interim basis and subject to the Phase 2 application review within 5 years. If the Phase 2 application is not filed within 5 years, then deferred rates period becomes 5 years for THI. If this impacts the business case or benefits flowing to ratepayers, please identify what would specifically change.

THI-PP-14

Reference: Rate harmonization may be addressed as part of the Phase 2 Transaction. [Page 33]

a) Please explain what factors would lead to rate harmonization not being included as part of the Phase 2 application.

b) Could the Phase 2 rate deferral period be a term different than the residual of the 9 year rate deferral period from the THI Phase 1 proceeding? If yes, please explain how this would align with the Phase 1 decision requested.

THI-PP-15

Reference: Accordingly, the Applicants propose the THI ESM to be effective years six to nine of the rebasing deferral period proposed in this Application with the following structure: [Page 32]

- The ESM will apply to actual achieved return on equity (ROE) of THI relative to the OEB-approved ROE for THI for the applicable rate year.
- The ESM will be triggered when THI's achieved ROE exceeds the OEB-approved ROE by more than 300 basis points.
- For earnings in excess of this threshold, the Applicants propose a 50/50 sharing between customers and shareholders of THI, consistent with the OEB's standard ESM design for consolidated utilities.
- The ESM will apply annually and will be calculated and reported as part of THI's annual RRR filings and any subsequent OEB review processes.

a) Please explain how the THI actual results can be used for ESM in years six through nine, if THI no longer exists as a separate regulated utility following Phase 2 (e.g. prior to year six).

b) Please explain how ESM would be calculated for the merged utility.