

January 6, 2017

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: EB-2016-0276 – Hydro One Inc./Hydro One Networks Inc. and Orillia Power Distribution Corporation – Share Purchase and Other Approvals Application

Please find, attached, interrogatories for Hydro One Inc., Hydro One Networks Inc. and Orillia Power Distribution Corporation on behalf of the Consumers Council of Canada pursuant to the above-referenced proceeding.

Please feel free to contact me if you have questions.

Yours truly,

Julie E. Girvan

Julie E. Girvan

CC: All Parties

**INTERROGATORIES FROM THE CONSUMERS COUNCIL OF CANADA
FOR ORILLIA POWER DISTRIBUTION CORPORATION AND HYDRO ONE
NETWORKS INC.**

SHARE PURCHASE APPLICATION AND OTHER APPROVALS

EB-2016-0276

CCC-1

Re: Ex. A/T1/S1

What is the primary objective of the acquisition for HON and HOI? What is the primary objective of the sale of the OPDC for Orillia Power Corporation and the Corporation of the City of Orillia?

CCC-2

Re: Ex. A/T1/S1

Please provide copies of all materials provided to HON's Board of Directors and Senior Management when seeking approval of this transaction.

CCC-3

Re: Ex. A/T1/S1

Please provide copies of all materials provided to the City of Orillia Board of Directors when seeking approval of this transaction. Please include any consultants' reports.

CCC-4

Ex. A/T1/S1/p. 5

HON is seeking approval at this time for a deferred rebasing period of 10 years for OPDC. HON also plans on filing a five-year Custom Incentive Regulation application for rates effective from 2018-2022 for its existing customer base. Please explain how this is consistent with the Board's Handbook. Please explain why HON's 2018-2022 Distribution application is not considered "rebasing".

CCC-5

Ex. A/T2/S1/p. 2

Please explain, in detail, how the "Projected Cost Savings" in Table 1 were derived. Please include all assumptions.

CCC-6

Re: Ex. A/T2/S1/p. 3

Please explain the rationale for the 1% rate reduction for the first five years following the closing of the transaction. Is HON guaranteeing OPDC's customers that their rates will not exceed current rates with the 1% during the first 5 years of the 10-year deferred rebasing period? What is HON guaranteeing OPDC's customers with respect to bill impacts during the term of the plan? Under what circumstances would HON seek to rebase the rates of the OPDC rate zone prior to 2028?

CCC-7

Ex. A/T2/S1/p. 3

Does Table 2: Bill Impacts for OPDC Customer set out the annual rate adjustment and bill impact for residential consumers for the first five years? What annual volume level has been assumed? Please set out the rate adjustment and bill impacts for customers at the 500, 750, 1000 and 1500 consumption levels.

CCC-8

Ex. A/T2/S1/p. 3

Please provide one schedule setting out HON's current residential distribution rates (all rate classes) and OPDC's current residential rates.

CCC-9

Ex. A/T2/S1/p. 4

Please set out a schedule which compares OPDC's Specific Service Charges and those approved for HON in the EB-2015-0079 rate order.

CCC-10

Ex. A/T2/S1/p. 7

Please explain, specifically, how OPDC customers will benefit from operational efficiencies by having the OPDC assets integrated into HON's larger distribution system. When are these operational efficiencies expected?

CCC-11

Ex. A/T2/S1/p. 15

Please provide a detailed breakdown of HON incremental transaction costs of \$3 million. Please include all assumptions. What are OPDC's transaction costs? Please provide a detailed breakdown of these costs. How will these costs to be recovered? If these costs are to be funded though efficiencies and cost reductions specific to the OPDC business, how long will this take under the current forecasts?

CCC-11

Ex. A/T2/S1/p. 15

Please explain how the estimate of between \$5 million and \$6 million of incremental up-front costs was derived. Please include all assumptions.

CCC-12

Ex. A/T2/S1/p. 17

The evidence states that the Incremental Capital Module (“ICM”) will be made available for the Orillia business segment should the need arise.

- a) Does HON expect to keep separate books for the Orillia rate zone? If so, for how long?
- b) If separate books are not created, how would HON calculate the ICM materiality threshold?
- c) Please explain how the ICM would work during the term of the plan?
- d) Does HON expect it will apply for ICM relief during the plan term?
- e) If ICM relief is granted during the plan term how can HON guarantee OPDC customers that rates in years 6-10 will not exceed inflation?

CCC-13

Ex. A/T2/S1/p. 19

Please explain how HON will guarantee that the current customers of OPDC will be not be harmed under the proposed merger scenario. If rate levels upon rebasing are above what they would otherwise have been assuming the current OPDC cost structure how are these customers not harmed under the proposal?

CCC-14

Did HON or the City of Orillia undertake any consumer engagement regarding the proposed transaction? If not, why not? If so, please provide copies of all materials relating to that consumer engagement.

CCC-15

Re: Ex. A/T3/S1

Would HON be supportive of earnings sharing mechanism (“ESM”) prior to year 6? If not, why not? Would HON be supportive of an ESM that flowed 100% of the savings to customers? If not, why not? Why should OPDC customers have to wait 10 years to benefit from the proposed efficiencies?

CCC-16

Re: Ex. A/T3/S1/p. 7/Table 6

Please provide a detailed explanation setting out how the forecast cost savings and benefits set out in Table 6 – Earning Sharing Mechanism – Years 6-10 were derived.

CCC-17

Re: Ex. A/T3/S1/p. 8

Please provide a forecast of the projected amount including interest that will accrue in the deferral account proposed for the “guaranteed refund” in year 10.

CCC-18

Re: Ex. A/T2/S1/p. 3

The evidence states that 90% of OPDC’s customers are residential. Please provide a current customer count for residential customers. Please indicate which of HON’s rate classes these customers would qualify for.