

Hydro Ottawa Limited  
3025 Albion Road North, PO Box 8700  
Ottawa, Ontario K1G 3S4  
Tel.: (613) 738-6400  
Fax: (613) 738-5486  
www.hydroottawa.com

Hydro Ottawa limitée  
3025, chemin Albion Nord, C.P. 8700  
Ottawa (Ontario) K1G 3S4  
Tél. : (613) 738-6400  
Télééc: (613) 738-5486  
www.hydroottawa.com



July 9, 2013

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: **Hydro Ottawa Limited Application seeking an exemption from Section 6.5.4 of the Distribution System Code – EB-2013-0072**

1. Pursuant to the Board's directions set out in paragraph 4 on page 2 of Procedural Order 1 dated May 21, 2013, please find attached Hydro Ottawa Limited (hereinafter "Hydro Ottawa") Reply Argument responding to submissions received from Hydro One Networks Inc. (hereinafter "Hydro One") and Board Staff both of which were dated and received June 24, 2013. In addition to the submissions of Hydro One and Board Staff, Hydro Ottawa further received supporting comments from Rene Dumoulin, one of Hydro Ottawa's 40 LTLT customers.
2. Further to the Board's direction a copy of Hydro Ottawa's Reply Argument is being provided directly to Hydro One.

Respectfully,

A handwritten signature in blue ink, appearing to read "Patrick Hoey" with a stylized flourish at the end.

Patrick Hoey  
Director, Regulatory Affairs  
Hydro Ottawa Limited.

c.c Gona Jaff – Ontario Energy Board  
Andrew Skalski – Hydro One  
Pamela Jones – Hydro Ottawa Limited

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

**AND IN THE MATTER OF** an application  
pursuant to section 74 of the *Ontario Energy Board Act 1998*  
by Hydro Ottawa Limited for an order to amend its electricity  
distribution licence (ED-2002-0556)

## **1.0 Introduction**

1. Pursuant to the Ontario Energy Board (hereinafter “the OEB” or “the Board”)’s directions set out in paragraph 4 on page 2 of Procedural Order 1 dated May 21, 2013, the following reply argument is provided by Hydro Ottawa Limited (hereinafter “Hydro Ottawa”) in response to submissions from Hydro One Networks Inc. (hereinafter “Hydro One”) and Board Staff both of which were dated and received June 24, 2013. In addition to the submissions of Hydro One and Board Staff, Hydro Ottawa further received supporting comments from Rene Dumoulin, one of Hydro Ottawa’s 40 LTLT customers.
2. Hydro Ottawa has reviewed the submissions of Board Staff and Hydro One and provides the following by way of a response. In this reply argument, Hydro Ottawa endeavours to address the main arguments put forward by Board Staff and Hydro One. Where Hydro Ottawa fails to address other assertions, this should not be interpreted as concurrence with such assertions.

## **2.0 General Agreement on Key Arguments**

3. At the outset Hydro Ottawa wishes to highlight where parties to the proceeding agree with Hydro Ottawa on the major arguments and key evidence presented in its application. Notably, both Hydro One and Board Staff acknowledge and agree with Hydro Ottawa that it would be economically imprudent for Hydro Ottawa to incur the \$2.5 million capital cost necessary to connect Hydro Ottawa’s remaining 40 LTLT arrangements and that incurring these costs are neither reasonable nor effective. Board Staff specifically agreed “that it is neither reasonable nor cost effective for Hydro Ottawa to incur these significant capital costs to connect the subject customers.”<sup>1</sup> Similarly, Hydro One observed that “Hydro Ottawa has demonstrated through section 5.0 of its pre-filed evidence that building facilities to connect the remaining LTLT customers that are the subject of this application is not economically prudent.”<sup>2</sup>
4. In addition to Board Staff and Hydro One’s agreement on the economic imprudence of connecting the remaining 40 LTLT customers, both parties further agree that transferring Hydro

---

<sup>1</sup> Page 5 of Board Staff’s submission dated June 24, 2013 in the proceeding under EB-2013-0072

<sup>2</sup> Page 1 of Hydro One’s submission dated June 24, 2013 in the proceeding under EB-2013-0072

Ottawa's 40 LTLT arrangements that are the subject of its application would result in "significant rate increases"<sup>3</sup> for the subject customers and "in unnecessary rate impacts on customers."<sup>4</sup>

5. Hydro Ottawa respectfully submits that the above referenced statements of agreement by Board Staff and Hydro One illustrate a tacit recognition that neither of the options available to Hydro Ottawa under section 6.5.4 of the Distribution System Code (DSC) to eliminate the 40 LTLT customers is viable as neither option represents the least cost nor least disruptive solution to Hydro Ottawa's customers.
6. Hydro Ottawa's reply argument will focus on the arguments presented by Board Staff regarding the projected bill impacts to the affected 40 LTLT customers and the alleged benefits of transferring Hydro Ottawa's customers to Hydro One. Hydro Ottawa will further address arguments presented by both Hydro One and Board Staff regarding a five year deadline extension. Finally, Hydro Ottawa will respond to the Board staff's comment on public interest and reiterate several of the key arguments and evidence raised and relied on by Hydro Ottawa in this proceeding.

### **3.0 Key Facts upon which Hydro Ottawa's Application is based**

7. The key facts that Hydro Ottawa submits should be duly considered by the Board when deciding the merits of granting Hydro Ottawa an exemption from the application of section 6.5.4 of the Distribution System Code (DSC) are as follows:
  - a. Hydro Ottawa has or will shortly have eliminated 249 or 85% of its 293 LTLT arrangements;
  - b. Hydro Ottawa has 40 LTLT arrangements remaining for which it seeks an exemption;
  - c. To connect its remaining 40 LTLT arrangements, Hydro Ottawa would need to invest approximately \$2.5 million;
  - d. If mandated to transfer its LTLT customers, residential customers would experience a \$30 or 26% monthly total bill increase and commercial customers would experience a \$75 or 27.7% monthly total bill increase;
  - e. The average cost per LTLT customer to eliminate the LTLT is \$62,500;
  - f. The annual cost to Hydro Ottawa to maintain the status quo arrangement is approximately \$21K;
  - g. Hydro One unconditionally supports Hydro Ottawa's Application;
  - h. For the 40 affected Hydro Ottawa customers, neither Hydro Ottawa nor Hydro One support mandated customer transfers.

<sup>3</sup> Page 5 of Board Staff's Comments filed June 24, 2013 in the proceeding initiated under EB-2013-0072.

<sup>4</sup> Page 2 of Hydro One's Comments filed June 24, 2013 in the proceeding initiated under EB-2013-0072.

#### 4.0 Reply Argument

##### 4.1 **Hydro One will not accept customer transfers that result in significant rate impacts**

8. On page 4 of its submission, Board Staff indicate that one of the options provided in the DSC potentially leading to the elimination of LTLTs is to negotiate with the physical distributor to assume responsibility for providing the distribution services. Board Staff specifically argue that “another option available to Hydro Ottawa to eliminate the 40 LTLT arrangements is to negotiate to have Hydro One take over responsibility for providing distribution services to the customer directly”.
  
9. In response, Hydro Ottawa submits that the evidence on the record of this proceeding clearly indicates that Hydro One will not accept customer transfers “unless a rate impact solution to reciprocal transfers between Hydro One and neighbouring LDCs is implemented.”<sup>5</sup> In fact, Hydro Ottawa provided two letters from Hydro One to this effect, the first filed in Attachment A to its original application and the second filed as Attachment A to Hydro Ottawa’s response to Interrogatory 1.2. Hydro One’s position is clear and illustrates their preference for a global rather than one-off solution to potential rate impact issues arising from any mandated customer transfers.
  
10. In addition to these two letters, Hydro Ottawa clearly indicated in response to Interrogatory 3.1 that it has had discussions with Hydro One but that these discussions were in relation to previous and ongoing projects to eliminate LTLT arrangements, nothing dealing with the rate impacts that would flow from customer transfers. Hydro Ottawa considers both letters compelling evidence and accordingly respectfully disagrees with the Board Staff’s observation that a negotiation with Hydro One is even a viable option particularly when Hydro One seeks a global solution to the rate impact issue. Hydro Ottawa respectfully requests that the Board give Hydro One’s preference not to acquire the 40 LTLT customers and its unconditional support of Hydro Ottawa’s application the evidentiary weight it deserves.

##### 4.2 **The total bill impact is significant whether measured in percentage or dollars**

11. On page 5 of its submission Board Staff argue that “transferring the customers to Hydro One would eliminate the LTLT arrangement and would avoid duplication of assets and unnecessary expenditures by Hydro Ottawa”, but that it will result in “a significant rate increase” the magnitude of which is something that should be considered when rendering a determination in response to Hydro Ottawa’s application. Board Staff further contend that “the issue of rate impacts resulting from customer transfers is not unique to this case” and that transferring customers can result “in either a benefit or cost to a particular customer.”<sup>6</sup>

---

<sup>5</sup> Page 1 of Hydro One’s June 24, 2013 Submission in the proceeding EB-2013-0072.

<sup>6</sup> Page 5 of the Board Staff’s June 24, 2013 submission in the proceeding EB-2013-0072.

12. In response, Hydro Ottawa respectfully notes that the total bill impact or cost that its 40 LTLT customers would be expected to absorb is significant whether measured in percentage or dollar terms. Hydro Ottawa's evidence is clear that its residential customers would experience an approximate \$30 or 26% monthly total bill increase while its small commercial customers would be forced to absorb approximately \$75 or a 27.7% monthly total bill increase. It is clear that in both cases the magnitude of the expected bill increases well exceeds the 10% threshold established by the Board in Chapter 13 of the 2006 EDR Handbook and recently upheld in the Board's Renewed Regulatory Framework for Electricity.
13. It is further useful to consider that Hydro Ottawa was conservative when estimating total bill impact that its residential customers would experience were the Board to mandate they be transferred. Hydro Ottawa conservatively estimated that all 27 affected residential customers fell within Hydro One's medium density rate class when in fact it is highly feasible that some may be classified as low density and be subject to an even higher differential.
14. Both Hydro Ottawa and Hydro One are agreed that if mandated by the Board to transfer the subject 40 LTLT customers, both companies would experience customer and political opposition, neither of which would be conducive to the smooth operations of either company. In this regard, Hydro Ottawa concurs with Board Staff's recommendation to the Board to duly consider the magnitude of the increase when rendering its determination with respect to Hydro Ottawa's application.
15. As a final observation, Hydro Ottawa notes that on page 4 of its submission, Board Staff points to the failure on the part of Hydro Ottawa to provide the evidence speaking to the impact to the distribution portion of the bill as it had been directed to in Board Staff interrogatory #2. Board Staff, nevertheless acknowledge that having this information would have little probative value insofar as it would only provide one-quarter to one-third of the total bill and that the percentage increase on the distribution portion of customer bills would be "considerably higher" than the percentage increase for the total bill.
16. In response Hydro Ottawa notes that, as recognized by Board Staff, evidence as to the distribution rates or the distribution portion of the total bill would not provide an accurate picture of impact to its customers in the event that the Board directs Hydro Ottawa to transfer them to Hydro One and in fact such evidence of the distribution portion of the bill would serve to potentially overstate if not confuse the actual impact that could be expected by customers. Second, Hydro Ottawa notes that the Board's rate mitigation policy applies to the total bill impact and not to the distribution portion of the bill.
17. In summary, Hydro Ottawa has demonstrated both in its evidence and interrogatory response that the monthly bill impact whether expressed in percentage or monetary terms is significant and well exceeds the 10% rate mitigation threshold policy as established by the Board in Chapter

13 of the 2006 EDR Handbook and recently upheld in the Board's Renewed Regulatory Framework for Electricity. The reasonableness of Hydro Ottawa's rate impact calculations are affirmed by Board Staff where on page 5 of its submission, Board Staff acknowledges that the evidence indicates that if transferred to Hydro One, that Hydro Ottawa's 40 LTLT customers "will experience a significant rate increase, which in Board Staff's view is an important factor to be considered."<sup>7</sup>

#### 4.3 Mandated customer transfers provide no incremental benefit to the status quo

18. On 5 of its submission, Board Staff submit that "transferring the customer to Hydro One would eliminate the LTLT arrangement and would avoid duplication of assets and unnecessary expenditure by Hydro Ottawa." While Hydro Ottawa has already established that Board Staff ultimately conclude that the evidence illustrates such transfers would result in significant bill impacts, it is nevertheless useful to examine what incremental benefits can be reasonable expected from mandated customer transfers that maintaining the status quo arrangements would not otherwise provide.
19. Board staff cites three distinct benefits associated with mandated customer transfers, namely a) eliminating the LTLT arrangement, b) avoiding duplication of network assets and c) avoiding unnecessary expenditures by Hydro Ottawa. In response, Hydro Ottawa notes that if eliminating LTLT arrangements were indeed the objective then section 6.5.5 of the DSC which permits new LTLT arrangements would not exist and the elimination deadline would not have been allowed to be extended several times already. This to say that there is a tacit recognition of the ongoing utility of such arrangements. With respect to avoiding duplication of network assets, Hydro Ottawa notes that this can equally be achieved by allowing the status quo arrangement to continue and, as noted by Hydro One "ensures the optimal use of existing infrastructure."<sup>8</sup> Finally, Hydro Ottawa is unaware of what "unnecessary expenditures by Hydro Ottawa" that Board Staff is referring to and will not speculate as to which expenditures Board Staff believe are unnecessary.
20. It is equally useful to look at the drawbacks of mandated customer transfers beyond the significant bill impacts discussed above. In particular, customer preference seldom receives the weight it should when determining whether a customer should be forced to relinquish the service arrangement they currently have with their electricity service provider. In the current case, Hydro Ottawa is confident that its 40 LTLT customers will want to remain with Hydro Ottawa. Choice of service provider, however, is an important characteristic of a competitive market.

---

<sup>7</sup> Page 5 of Board Staff's June 24, 2013 submission in the proceeding EB-2013-0072

<sup>8</sup> Page 1 of Hydro One's June 24, 2013 submission in the proceeding EB-2013-0072

21. As established above there are no substantial benefits that Hydro Ottawa or its 40 LTLT customers could expect to derive from a mandated customer transfer that could not otherwise be realized through the Board granting the relief sought by Hydro Ottawa. Conversely, there are however, significant drawbacks to proceeding to mandate that these customers be transferred to Hydro One, drawbacks are not limited to the significant bill increase but extend to the customer relationship as well as any political impact resulting from the forced transfer.

#### 4.4 Granting another temporary exemption merely delays achieving regulatory efficiency

22. On page 5 of its submission Board Staff suggest that granting a five-year temporary exemption would be a reasonable approach that the Board should consider. In support of this recommendation, Board Staff point to “the circumstances of this case” as well as “the potential for future consolidations in the electricity distribution sector.”
23. In response, Hydro Ottawa notes that its evidence at page 12 and 13 show that the entire 40 remaining LTLT arrangements are in areas that Hydro Ottawa has deemed “dependent on future growth” or “uneconomic”. The locations of these arrangements are in areas typically referred to as rural. While there is always the potential for organic growth in these areas, there is no guarantee that growth or development will in fact materialize. Consolidation occasioned by mergers or acquisitions is a potential but given these would be with Hydro One, Hydro Ottawa submits that Hydro Ottawa does not foresee this possibility at this time. What is clear is that there is no guarantee that in five years industry consolidation or new construction or housing developments will resolve any or all of the subject 40 LTLT arrangements.
24. As noted by Hydro Ottawa in paragraph 14 of its March 18, 2013 application, as amended, the first deadline extension granted on January 31, 2007 was given to recognize an expected acceleration of the pace of voluntary consolidation resulting from two government initiatives. These initiatives, namely the transfer tax exemption and the lifting of a moratorium on the purchase and sale of electricity distribution assets by HONI, were expected to create market consolidation. While some consolidation may have occurred, it did not produce the level of consolidation sufficient enough to eliminate many LTLT arrangements. The first deadline was extended to January 31, 2009 (EB-2007-0005). The date had been originally October 17, 2008 but in rendering the final code amendment the Board further extended the deadline beyond what was then the deadline for the transfer tax exemption “to allow distributors enough time to obtain Board approval of the acquisitions or amalgamations.”
25. On June 10, 2009 the Board amended the DSC once again to extend the deadline for compliance with the LTLT elimination policy. This time the deadline was extended to June 30, 2014 to recognize the potential passing of the Green Energy and Green Economy Acts requiring connection of renewable energy projects and the development and implementation of smart grid. The rationale provided by the Board for the extension was expressed as follows:

A distributor's approach to its load transfer arrangements may evolve over time as the distributor engages in planning for smart grid development or for accommodating renewable energy projects. The Board therefore believes that it is desirable to defer the date by which geographic distributors must eliminate load transfer arrangements and the date to which physical distributors will be obligated to continue to serve existing load transfer customers. This will provide a timeframe for the elimination of load transfers in the context of the anticipated future uses of the distribution system.<sup>9</sup>

26. Hydro Ottawa submits that the evidence shows that Hydro Ottawa has or will eliminate up to 85% of the original LTLT arrangements. The evidence also shows that Hydro Ottawa seeks to connect the remaining 40 LTLT customers to its network when and where to do so is economically efficient such as warranted by organic growth or consolidations. Simply put, the application of a compliance time limit to a market outcome that may never come to fruition is inefficient.
27. Hydro Ottawa further submits that Board Staff's recommendation to the Board to extend the deadline for complete compliance with the provisions set out in section 6.5.4 of the Distribution System Code by another five years is provided with no reason or justification. In fact Board Staff failed to provide any tangible evidence illustrating the benefits of extending the provisions of section 6.5.4 of the Distribution System Code another five years. Similarly Board Staff has failed to provide any evidence of harm to either Hydro One, Hydro Ottawa or their customers from granting the relief sought by Hydro Ottawa. Board Staff has similarly not established whether extending the deadline for elimination another five years is in the public interest. Indeed very little analysis is provided by Board Staff on the merits of the requested exemption beyond the options of denying or deferring the request. Board Staff does not provide any evidence on what Hydro Ottawa is to do if nothing were to change with the 40 LTLT arrangements for the next five years. Does Hydro Ottawa seek the relief it sought in this case or seek another extension of the deadline? Does this proposal of Board Staff just lead to perpetual requests for extension of the deadline? In addition, Board Staff's suggestion of extending the deadline for compliance a fourth time<sup>10</sup> should, in and of itself, cause some reflection as to the feasibility of compliance and hence the continuing utility of the regulation itself.
28. Hydro Ottawa encourages the Board to consider LTLT arrangements as providing the test ground for a new paradigm of service arrangements wherein the geographic distributor offers a retail level service and is customer facing while the physical distributor focuses on supplying network connectivity and reliability. Without questioning the unfettered discretion of the Board,

<sup>9</sup> Page 2 of the Board's decision in the proceeding EB 2009-0095 available at [http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/112384/view/nop\\_%20to%20amend%20DSC\\_20090327.PDF](http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/112384/view/nop_%20to%20amend%20DSC_20090327.PDF)

<sup>10</sup> The original elimination date was May 1, 2007 as extended to January 31, 2009 and further extended to June 30, 2014.



Hydro Ottawa notes that where these new types of service arrangements can be established between two LDCs on mutually agreeable terms as dictated by the market that result in a net benefit to these LDCs and their customers, then the desired outcome of all parties should prevail.

29. In summary, Hydro Ottawa respectfully submits that there is no evidence or reasonable rationale upon which the Board should consider Board Staff's suggestion to grant yet another extension to the compliance deadline. Instead, Hydro Ottawa respectfully requests that the Board grant an amendment to its license exempting Hydro Ottawa from the application of section 6.5.4 of the DSC.

#### 4.5 Public interest favours an economically efficient and minimally intrusive solution

30. Hydro Ottawa and Hydro One agree with maintaining the status quo treatment of the 40 LTLT customers that are the subject of the current application and agree that maintaining continued collaboration on the efficient and effective provision of service to the subject LTLT customers could and should supplant the continued application of section 6.5.4 of the DSC for these 40 LTLT customers. Moreover, Hydro Ottawa and Hydro One agree that the continued application of section 6.5.4 of the DSC, at least at it relates to Hydro Ottawa's 40 LTLT customers, is neither efficient nor minimally intrusive. In the words of Hydro One:

... a forced program of LTLT eliminations subject to an arbitrary timeline is neither rational nor an economically efficient solution.<sup>11</sup>

31. Regulation must be efficient and proportional to its purpose. Compelling compliance with a regulatory measure whose original purpose has largely been served, will only introduce economic inefficiencies, the cost of which will be borne by consumers.
32. In this regard, Hydro Ottawa notes Board staff's description of the historical context into which LTLT arrangements were formed. In describing the history of the LTLT elimination policy, Board Staff correctly indicate that the policy was established, in part, to reflect the discontinuation of the use of municipal boundaries as demarcation identifiers of distribution service areas. Board Staff, however, go on to assert the following:

Presently, the electricity distribution licence of an electricity distributor specifies the area in which the electricity distributor is authorized to distribute electricity. In addition, the licensed electricity distributor cannot claim any right of exclusivity in their service area. The service area of an electricity distributor can be amended by the Board if the Board finds it to be in the public interest. This regime provides for flexibility in the management of

---

<sup>11</sup> Page 2 of Hydro One's June 24, 2013 submission – EB-2013-0072

distribution service areas that was not previously available and was often managed by LTLTs (emphasis added).

33. In response, Hydro Ottawa notes that it does not dispute the discretion of the Board to amend service areas where to do so is reasonable and found to be in the public interest. Hydro Ottawa however, is alarmed by Board Staff's assertion that "this regime (of amending distribution service areas) provides for flexibility in the management of distribution service areas that was not previously available and often managed by LTLTs." Hydro Ottawa respectfully submits that LTLTs preceded regulation and were the product of industry collaboration and efficient regional planning. They were, and continue to be, gentlemen's agreements, the objective of which is to be economically efficient for stakeholders and minimally intrusive to customers and ratepayers.
34. Regulation should never supplant the option of LDCs to enter into LTLT arrangements where to do so is found to be in the public interest and can be achieved pursuant to mutually agreeable terms. Indeed the pursuit of regional planning and increased industry collaboration should support and not detract stakeholders from creating new industry accepted practices. Board's staff's suggestion that regulation should displace efficient and mutually beneficial arrangements is without merit and should be disregarded.
35. Hydro Ottawa respectfully submits that the evidence provided in its application filed March 18, 2013, as amended May 3, 2013 and the evidence provided in its interrogatory responses clearly demonstrate the public interest weighs in favour of granting the requested exemption. Hydro Ottawa has demonstrated that the exemption solution proposed is economically efficient with minimal impact on both distributors and next to no impact on the affected customers or Hydro Ottawa's other customers. In addition, we know that at least one customer has expressly indicated their preference to remain with Hydro Ottawa.

#### **4.6 Hydro One's request to expand the scope of relief sought**

36. At page 3 of its submission Hydro One notes that if the Board were to grant Hydro Ottawa its requested relief that, as a matter of practical and regulatory necessity, the Board should also extend the exemption to Hydro One as it is the "geographic distributor"<sup>12</sup> for the LTLTs that are the subject of the proceeding, and that the Board should amend Hydro One's distribution license accordingly.
37. In fact, Hydro Ottawa notes that for the 40 LTLT customers that are the subject of Hydro Ottawa's application, Hydro One is the "physical distributor" and not the "geographical distributor" as stated. Extending the exemption to Hydro One is not necessary since the obligation to eliminate the LTLT arrangements falls to Hydro Ottawa and not Hydro One. Hydro One's obligations to comply with the LTLT elimination policy relate to the LTLT

---

<sup>12</sup> Page 3 of Hydro One's June 24, 2013 submission in the proceeding EB-2013-0072

customers it provides distribution service to but that are supplied electricity by another distributor such as the 281 LTLT customers residing in Hydro One territory that are supplied their electricity by Hydro Ottawa. It is accordingly, incorrect for Hydro One to assert that a) it is the “geographical distributor” of the subject LTLT customers or that Hydro One requires a distribution license amendment to reflect the grandfathering of Hydro Ottawa’s LTLT customers. To do so would in effect grant a service area amendment to Hydro One to the detriment of Hydro Ottawa.

38. As a secondary relief, Hydro One further requests that when rendering its decision in the current proceeding the Board consider either a) eliminating section 6.5.4 of the DSC in its entirety; b) providing, upon request a permanent LTLT elimination exemption to other LDCs; or c) extending the current LTLT elimination deadline for a further 5 years to give time for organic growth or pending sector consolidation activities to occur.
39. In response, Hydro Ottawa seeks the relief expressly noted in its March 18, 2013 application as amended May 4, 2013, namely that the Board amend its license exempting it from the application of section 6.5.4 of the DSC. Although Hydro Ottawa does not object to relief being similarly granted to other LDCs upon showing cause and illustrating to the Board that they merit the same relief sought by Hydro Ottawa and can justify such request with compelling evidence denoting the uneconomic nature of extending their network and significant rate impacts to their customers of transferring those customers to the physical distributor.

## 5.0 Conclusion

40. In conclusion, Hydro Ottawa respectfully disagrees with the suggestion that the rate increases arising from transferring the 40 affected customers to Hydro One are not unique or could be sufficiently mitigated to the satisfaction of either Hydro One, Hydro Ottawa or its customers or that extending the deadline for compliance out to 2019 will materially change the status of most of the remaining 40 LTLT customers.
41. Conversely, Hydro Ottawa submits that the evidence provided in its application and interrogatory responses illustrate that the relief sought by Hydro Ottawa in the form of an exemption from the policy set out in section 6.5.4 of the DSC for its 40 affected LTLT customers is both warranted and necessary. In addition, the relief sought by Hydro Ottawa is substantially supported by Hydro One, the physical supplier of electricity distribution service.
42. Hydro Ottawa requests that the Board give due consideration to the substantial efforts made to reach 100% compliance with the Board’s policy such that it has (or will shortly) extend its network to 85% of its 293 LTLT customers. Extending its network to the remaining 40 LTLT

customers, however, is uneconomic and it would be financially imprudent for Hydro Ottawa to invest the \$2.5 million to connect these remaining LTLT customers.

43. For all the reasons articulated above, in its application and interrogatory responses, Hydro Ottawa respectfully requests that the Board grant it a licence amendment granting it an exemption from the requirement to comply with the policy set out in section 6.5.4 of the DSC, allowing it to retain the 40 subject LTLT customers.