

Hydro One Networks Inc.

8th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5707
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Andrew.skalski@HydroOne.com

Andrew Skalski

Director – Applications
Regulatory Affairs



BY COURIER

April 17, 2009

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

Dear Ms. Walli:

EB-2009-0097 - Hydro One Networks' Request for Leave to Sell Distribution Assets to Hydro Ottawa Limited – Update of the Application

I am attaching two (2) copies of the updated application for Hydro One Networks' (Hydro One) request to sell distribution assets to Hydro Ottawa Limited (Hydro Ottawa) that was filed on March 27, 2009.

The update is to make a minor correction to the description of the facilities being sold, contained in section 2.1 of the Application. As well, Hydro Ottawa has withdrawn its request, contained in the letter included as Attachment 2, to have the assets being sold deemed as distribution assets, as the subject assets are already treated as distribution assets by Hydro One.

An electronic copy of the complete report has been filed using the Board's Regulatory Electronic Submission System (RESS) and the proof of successful submission is attached.

Sincerely,

ORIGINAL SIGNED BY ANDREW SKALSKI

Andrew Skalski

Attachment

cc: Mr. Norm Fraser – Hydro Ottawa Limited

Ontario Energy Board

Preliminary Filing Requirements for Applications Under Section 86(1)(b) of the *Ontario Energy Board Act, 1998*

INSTRUCTIONS:

The Ontario Energy Board (the "Board") has established this form under section 13 of the *Ontario Energy Board Act, 1998* (the "Act") and requires that a proceeding under section 86(1)(b) of the Act be commenced by filing this form. Please note that the Board may require information that is additional or supplementary to the information filed in this form and that the filing of the form does not preclude the applicant from filing additional or supplementary information.

All applicants must complete and file the information requested in this form.

For applications involving leasing arrangements, the "Preliminary Filing Requirements for Applications Under Section 86 of the *Ontario Energy Board Act, 1998*", form is required. For transactions involving a non-licensed entity, please contact Market Operations at market.operations@oeb.gov.on.ca for further guidance.

PART I: IDENTIFICATION OF THE PARTIES

1.1 Applicant

Name of Applicant Hydro One Networks Inc.	File No: (Board Use Only)	
Address of Head Office 483 Bay Street South Towner, 8th Floor Toronto, ON M5G 2P5	Telephone Number 416-345-5228	
	Facsimile Number 416-345-5866	
	E-mail Address Yoon.Kim@HydroOne.com	
Name of Individual to Contact Yoon Kim Applications Analyst	Telephone Number Same as above	
	Facsimile Number Same as above	
	E-mail Address Same as above	

1.2 Other Parties to the Transaction

If more than one attach list

Name of Other Party Hydro Ottawa Ltd.	File No: (Board Use Only)	
Address of Head Office 3025 Albion Road P.O. Box 8700 Ottawa, Ontario K1G 3S4	Telephone Number 613-738-5478	
	Facsimile Number 613-738-5473	

Name of Individual to Contact Norm Fraser Chief Operating Officer	Telephone Number	
	Same as above	
	Facsimile Number	
	Same as above	
	E-mail Address	
	normfraser@hydroottawa.com	
1.2.1	If the proposed recipient is not a licensed distributor or transmitter, is it a distributor or transmitter that is exempted from the requirement to hold a distribution or transmission licence?	

PART II: DESCRIPTION OF THE ASSETS TO BE TRANSFERRED

2.1	<p>Please attach a description of the assets that are the subject of the proposed transaction.</p> <ul style="list-style-type: none"> Fallowfield DS is a Hydro One-owned facility with a single 115/27.6 kV transformer supplied from circuit S7M. There are high voltage and low voltage structures, with two 27.6 kV feeders coming out of the station. While Hydro One owns the structures and the associated reclosers, Hydro Ottawa owns the 27.6 kV feeders. The station also includes Mobile Unit Substation (MUS) facilities, protections, station fencing and 2.92 acres of land. The proposed sale to Hydro Ottawa includes all assets (including those noted above) located on the transformer side of the live-line openers FAL-LC. Hydro One retains ownership of FAL-LC on the incoming 115 kV supply line Richmond DS is a Hydro One-owned facility with a single 115/8.3 kV transformer supplied from circuit S7M. There are high voltage and low voltage structures, with three 8 kV feeders coming out of the station. While Hydro One owns the structures and the associated reclosers, Hydro Ottawa owns the 8 kV egress cables. The station also includes MUS facilities, protections, station fencing and 1.77 acres of land. After the proposed sale, Hydro One will retain ownership of the incoming 115 kV supply line up to, and including the mid-span opener, T1-MSO, and the line drops to the MUS facilities. The proposed sale includes all assets (including those noted above) located past these points. 	
2.2	<p>Please indicate where the assets are located – whether in the applicant’s service territory or in the proposed recipient’s service territory (if applicable). Please include a map of the location.</p> <ul style="list-style-type: none"> Fallowfield DS is located on Moodie Drive, approximately 0.5 km north of Fallowfield Road, in the City of Ottawa (formerly the City of Nepean) (Please see map as attached – Attachment 3). Richmond DS is located on Garvin Road, approximately 0.4 km west of Shea Road, in the City of Ottawa (formerly Township of Goulbourn) (Please see map attached – Attachment 3). 	
2.3	<p>Are the assets surplus to the applicant’s needs? If yes, please indicate why, and since when.</p> <ul style="list-style-type: none"> The assets currently serve only Hydro Ottawa customers due to municipal rationalization (see below). It is Hydro One policy to sell assets that exclusively serve an LDC. This is in-line with current conditions of service for new supplies to LDCs. 	

Are the assets useful to the proposed recipient or any other party in serving the public? If yes, please indicate why.

- **Currently, both Fallowfield DS and Richmond DS exclusively serve, and will continue to serve, only Hydro Ottawa's customers.**
- **Located in the former City of Nepean, Fallowfield DS was constructed by Ontario Hydro in 1993 with the intent to supply both Nepean Hydro and Kanata Hydro. As such, it was deemed a shared station and it was therefore necessary for Ontario Hydro to build and own the facility. The municipal rationalization in the Ottawa area in 2000 combined the municipal utilities of Ottawa, Nepean, Kanata, Gloucester and Goulbourn into a single entity – Hydro Ottawa. As a result of this amalgamation, Fallowfield DS only serves Hydro Ottawa customers. Currently this station supplies about 10,000 Hydro Ottawa customers in the south central part of Ottawa.**
- **In the case of Richmond DS, prior to 1998 it supplied both Ontario Hydro rural customers as well as customers of Goulbourn Hydro in the Town of Richmond. However, in 1998, Goulbourn Hydro expanded its township boundaries and acquired all Ontario Hydro customers within that area. At that point, Richmond DS served only Goulbourn Hydro customers. As Goulbourn is now a part of Hydro Ottawa, this facility serves only Hydro Ottawa customers.**
- **Taking ownership of these two stations will enable Hydro Ottawa to be in a much better position to deal with outages on the feeders supplied by these facilities. By installing SCADA equipment that will communicate with Hydro Ottawa's System Control center, they will be able to directly monitor and control the major equipment in the station. Hydro Ottawa also has 24/7 staff that is located in closer proximity and can get to these facilities more quickly than Hydro One personnel, to assess any equipment failures and perform on-site switching.**
- **In the event that the single power transformer were to fail, the current contingency plan for Hydro One is to bring in a mobile transformer. This equipment may often be located a considerable distance from Ottawa. The mobile substation can take as much as 12 hours to install. If Hydro Ottawa has ownership of these stations, then it intends to put in place contingency plans to provide restoration of load within 4-6 hours.**
- **Load transfers between stations would also be completed more quickly as Hydro Ottawa would not have to coordinate switching procedures with the Hydro One Control Centre in Barrie.**
- **A new Embedded Generator (total capacity ~5 MW) was connected to one of the feeders from Fallowfield DS in 2007, and a second embedded generation connection is planned. Hydro Ottawa's customers on this feeder could be adversely affected if these Generators suffer forced outages. Since Hydro Ottawa will be monitoring the output from these generators, the ability for the utility to also monitor the feeder supply at the Fallowfield station is important for assessing the overall feeder status. Integration of these generators into the Hydro Ottawa system will also be eased if there are only two parties involved in the design, construction and**

2.4

	<p>commissioning.</p> <ul style="list-style-type: none"> • Please see the attached letter from Hydro Ottawa for additional information – Attachment 2 – Letter B, and note that the request in the letter to deem the purchased assets as distribution assets has been withdrawn, given that the assets are already classified as distribution assets. 	
2.5	<p>Please indicate which utility's customers are currently served by the assets.</p> <ul style="list-style-type: none"> • Only Hydro Ottawa's customers are currently supplied from these assets. 	
2.6	<p>Please indicate which utility's customers will be served by the assets after the transaction and into the foreseeable future.</p> <ul style="list-style-type: none"> • Only Hydro Ottawa's customers will be supplied from these assets following the transaction. 	

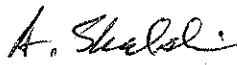

PART III: DESCRIPTION OF THE PROPOSED TRANSACTION

3.1	<p>Please indicate if the proposed transaction will be a sale, lease or other (please specify).</p> <ul style="list-style-type: none"> • The plant will be sold to Hydro Ottawa. 	
3.2	<p>Please attach the details of the consideration (e.g. cash, assets, shares) to be given and received by each of the parties to the proposed transaction.</p> <ul style="list-style-type: none"> • This is a cash sale. The total sale price of \$2,830,000 plus GST represents a commercial value for both Fallowfield DS (\$1,960,000) and Richmond DS (\$870,000). . • These assets will be sold on "as is, where is" basis. 	
3.3	<p>Would the proposed transfer impact any other parties (e.g. joint users of poles) including any agreements with third parties? If yes, please specify how.</p> <ul style="list-style-type: none"> • No impact on other parties. There will be no joint use. 	
3.4	<p>Would the proposed transfer impact distribution or transmission rates of the applicant? If yes, please specify how.</p> <ul style="list-style-type: none"> • The sale price of \$2.83 million represents the negotiated commercial value of the stations. This value is above book value and includes future revenue. This sale price ensures that the applicant's ratepayers are kept whole. Therefore there is no impact to the applicant's rates. 	
3.5	<p>Will the transaction adversely affect the safety, reliability, quality of service, operational flexibility or economic efficiency of the applicant or the proposed recipient? If yes, please specify how.</p> <ul style="list-style-type: none"> • As both of these facilities exclusively serve Hydro Ottawa customers, there will be no adverse affects to either utility's customers. • Operational flexibility and quality of service can be improved as noted previously for Hydro Ottawa's customers through the potential for improved outage response times. • Reliability and safety will not be adversely affected by the sale. 	

PART IV: WRITTEN CONSENT/JOINT AGREEMENT

4.1	<p>Please provide the proposed recipient's written consent to the transfer of the assets by attaching either</p> <p>(a) a letter from the proposed recipient consenting to the transfer of the assets OR</p> <p>(b) a letter or proposed sale agreement jointly signed by the applicant and the proposed recipient agreeing to the transfer of the assets OR</p> <p>(c) the proposed recipient's signature on the application.</p> <p>Please see attached letter (Attachment 1 – Letter A).</p>
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PART V: REQUEST FOR NO HEARING

5.1	<p>Does the applicant request that the application be determined by the Board without a hearing? If yes, please provide</p> <p>(a) an explanation as to how no person, other than the applicant and the proposed recipient, will be adversely affected in a material way by the outcome of the proceeding AND</p> <p>(b) the proposed recipient's written consent to the disposal of the application without a hearing.</p> <p>Given that the proposed assets are located entirely within the purchaser's service territory and have no material effect on any other party other than the purchaser and seller, we ask that the Board dispose of this proceeding without a hearing under Section 21(4)(b) of the Act.</p> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p> <hr/> Andrew Skalski Director – Applications Hydro One Networks Inc.</p> <p>Dated: <u>Apr. 16/09.</u></p> </div> <div style="width: 45%;"> <p> <hr/> Norm Fraser Chief Operating Officer Hydro Ottawa Ltd.</p> <p>Dated: <u>April 15, 2009</u></p> </div> </div>
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PART VI: OTHER INFORMATION

It is the sole responsibility of the Applicant to provide all information that is relevant and that would assist the Board in making a determination in this matter. Failure to provide key information may result in a delay in the processing of the application or in the denial of the application.

There are no easements to be transferred to Hydro Ottawa as part of this sale. Hydro One will require an easement from Hydro Ottawa at both the Fallowfield DS and Richmond DS sites in order to ensure access to the 115 kV transmission line which supplies the stations. Hydro Ottawa does not foresee any issues in granting the requested easements.

There are no known environmental issues associated with either Fallowfield DS or Richmond DS.

How to Contact the Ontario Energy Board:

The Ontario Energy Board is located at:

P.O. Box 2319
 2300 Yonge Street, Suite 2701
 Toronto, ON
 M4P 1E4

Telephone:
 Toll Free Number:
 Fax:
 Website:
 Board Secretary's email:

416-481-1967
 1-888-632-6273
 416-440-7656
<http://www.oeb.gov.on.ca>
boardsec@oeb.gov.on.ca

ATTACHMENT 1 – Letter A

Hydro Ottawa
3025 Albion Rd. N / ch. Albion nord
PO Box 8700 / CP 8700
Ottawa, ON K1G 3S4

Tel. / Tél.: (613) 738-6400
Fax / Téléc.: (613) 738-6403
hydro-ottawa.com



January 16, 2009

Hydro One Networks Inc.
31 Woodfield Drive
Nepean, Ontario
K2G 3Y4

Attention: Mr. M.D. (Michael) Ritchie

Re: Purchase of Fallowfield DS and Richmond DS

Dear Mike:

As follow-up to discussions on this subject, Hydro Ottawa Limited would like to formally notify Hydro One Networks Inc. of our intent to proceed with the purchase of Hydro One's Fallowfield DS and Richmond DS, at a total cost of \$2,830,000 + GST.

Yours truly,

A handwritten signature in blue ink, appearing to be "Norm Fraser", with a long horizontal line extending to the right.

Norm Fraser
Chief Operating Officer
Hydro Ottawa Limited

ATTACHMENT 2 – Letter B

Hydro Ottawa Limited
3025 Albion Road North, PO Box 8700
Ottawa, Ontario K1G 3S4
Tel.: (613) 738-6400
Fax: (613) 738-6403
www.hydroottawa.com

Hydro Ottawa limitée
3025, chemin Albion Nord, C.P. 8700
Ottawa (Ontario) K1G 3S4
Tél. : (613) 738-6400
Télééc. : (613) 738-6403
www.hydroottawa.com



February 20, 2009

Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4
Attention: Kirsten Walli, Board Secretary

RE: Purchase by Hydro Ottawa of Richmond DS and Fallowfield DS from Hydro One

Hydro One Networks Inc. (“Hydro One”) is applying to the Ontario Energy Board (the “Board”) for approval to sell Richmond DS and Fallowfield DS to Hydro Ottawa Limited (“Hydro Ottawa”) for \$2,830,000. These two stations exclusively serve, and will continue to serve, only Hydro Ottawa’s customers. Hydro Ottawa is fully supportive of this application and requests that the Board deem these assets to be distribution assets, once the sale is approved.

The acquisition of these assets by Hydro Ottawa will greatly improve operational efficiency and reliability for customers supplied from these two stations. The rationale for Hydro Ottawa to own Fallowfield DS is to have direct control of a medium sized station that supplies a significant group of customers in south Nepean. In the event of a major failure at Fallowfield DS, Hydro Ottawa personnel would be on-site much more quickly to assess the situation and decide upon restoration options. The rationale for Hydro Ottawa to own the Richmond station is to be able to perform regular and emergency switching much more quickly than Hydro One. When it has been acquired by Hydro Ottawa, SCADA equipment will be installed to permit monitoring and routine switching from the System Office. This has been done already at Richmond North and Munster DSs and has proven to be very effective.

Hydro Ottawa anticipates an overall decrease to the delivery charges for Hydro Ottawa’s customers as a result of this purchase. The low voltage charge currently paid to Hydro One for these stations exceeds the forecasted revenue requirement which will result from these stations being included in rate base upon rebasing. In 2008, Hydro Ottawa paid \$642,577 to Hydro One in low voltage charges for these two stations.

If further information is required, please contact the undersigned at 613-738-5499 ext 527 or lynneanderson@hydroottawa.com.

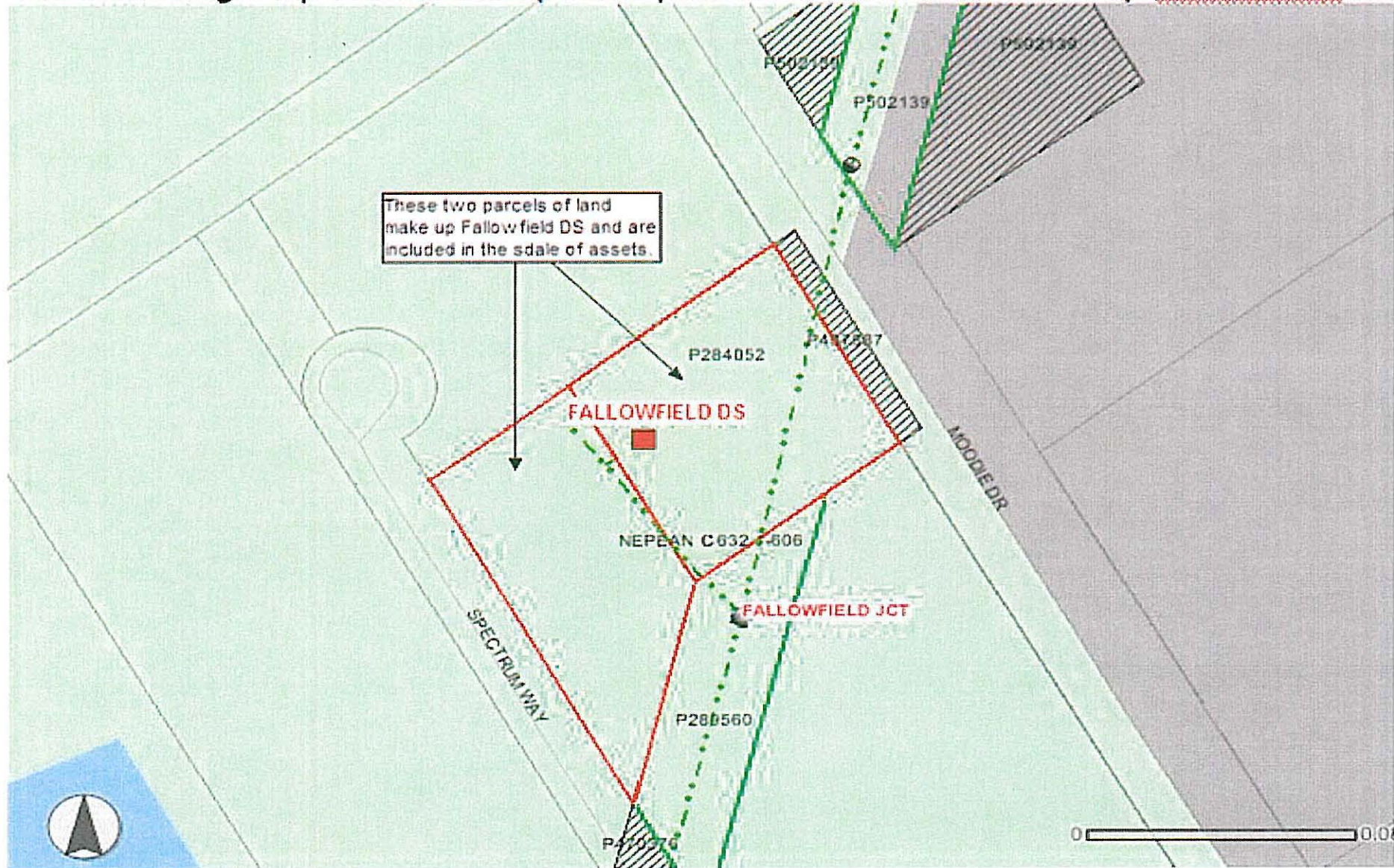
Yours truly,

Original signed by

Lynne Anderson
Chief Regulatory Affairs and Government Relations Officer
Hydro Ottawa

ATTACHMENT 3 – Maps

The following map shows the specific parcels of land that make up Fallowfield DS



The following map shows the specific parcels of land that make up Richmond DS:

