



ONTARIO ENERGY BOARD

STAFF SUBMISSION

**Application for Service Area Amendment
Ottawa River Power Corporation
Board File Number EB-2009-0019**

May 21, 2009

1. INTRODUCTION

On January 16, 2009, Ottawa River Power Corporation (“ORPC”) filed an application with the Ontario Energy Board (the “Board”) for a service area amendment (“SAA”) under section 74 of the *Ontario Energy Board Act, 1998*.

The purpose of this document is to provide the Board with the submissions of Board staff after its review of the evidence filed in this proceeding.

2. THE APPLICATION

ORPC filed an application with the Board under section 74 of the Act for an order of the Board to amend ORPC’s licensed service area in Schedule 1 of its electricity distribution licence ED-2003-0033. The proposed SAA, if granted will expand ORPC’s service area to include a residential subdivision proposed to be developed in several phases over approximately 10 years. The land is currently vacant and located within Hydro One Networks Inc.’s (“Hydro One”) licensed service area. The land is located in the Almonte Ward within the Town of Mississippi Mills.

A letter from the developer, 2000396 Ontario Inc. filed with the application indicates that the developer supports ORPC’s SAA application. A letter from the Mayor of the Town of Mississippi Mills on behalf of the Town Council supporting ORPC’s application was also filed with the application.

ORPC informed the Board as part of its SAA application that the incumbent distributor, Hydro One does not support the application.

3. HISTORY OF SERVICE

The history of service in the Almonte Ward, within which the proposed amendment area is located, can be summarized as follows.

In 1998, the Town of Mississippi Mills was formed by amalgamating the former Town of Almonte (serviced by ORPC) and the Townships of Ramsay and Pakenham (serviced by Hydro One). As a result of this municipal amalgamation, the former Town of Almonte became Almonte Ward within the new Town of Mississippi Mills. The Almonte Ward was later expanded. According to the letter from the Mayor of the Town of Mississippi Mills

filed with the application, 200 acres of land was incorporated into the boundaries of the Almonte Ward from the Ramsay Ward (the “Added Lands”). While the former Town of Almonte was within ORPC’s licensed service area, the added lands were within Hydro One’s licensed service area.

On May 27, 2008, the Board approved an SAA application by ORPC with the consent of Hydro One to transfer a part of the Added Lands to ORPC’s service area from Hydro One’s service area to allow ORPC to serve a residential development.

The proposed amendment area is another part of the Added Lands proposed to be developed as a residential subdivision.

4. CRITERIA FOR ASSESSING SERVICE AREA AMENDMENT APPLICATIONS

Board staff understands that in assessing service area amendment (“SAA”) applications, the Board is guided by the principles articulated in the Board’s decision with reasons in RP-2003-0044 combined service area amendments (the “RP-2003-0044 Decision”) and reflected in the Board’s Filing Requirements for SAAs.

5. BOARD STAFF’S SUBMISSION

5.1 ORPC’S GROUNDS FOR THE SAA

ORPC’s evidence indicates that its service area should be aligned with the Almonte Ward boundary. ORPC argues that water and sewer services will be expanded from the existing village as should the hydro service. It further states that service by two distributors in the same urban area is a source of confusion for customers.

In the RP-2003-0044 Decision, the Board made clear that the alignment of a distributor’s service area with any particular municipality has no bearing on whether a distributor should be granted service rights. Board staff submits that this aspect of ORPC’s rationale for the SAA application is not consistent with the RP-2003-0044 Decision.

5.2 ORPC's SAA REQUEST TO SERVE ALL PHASES OF THE PROPOSED DEVELOPMENT

The proposed amendment area is vacant land proposed to be developed as a residential subdivision in several phases. The complete development will include a total of approximately 440 to 496 units and has draft municipal approval phase 1 of the development has 81 units of single, semi-detached and townhouses and is scheduled to proceed in the spring of 2009. The balance of the development is expected to be completed over several years dependent on the market and currently limited availability of water and sewer services.

In the RP-2003-0044 Decision, the Board stated that applications for amendment which involve broad swathes of geography, without detailed proposals respecting specific customers should be avoided. Board staff submits that ORPC's SAA request at this time to serve all phases of the proposed development is not consistent with the RP-2003-0044 Decision. ORPC's evidence does not provide detailed proposals or specific timelines beyond phase 1 of the development. It is not clear when water and sewage capacity will be upgraded to accommodate the balance of the development. Board staff therefore submits that the Board should limit the scope of this proceeding to phase 1 of the development.

5.3 SUPPLY TO PHASE 1 OF THE DEVELOPMENT

5.3.1 System Planning

Staff notes that both ORPC and Hydro One have distribution facilities adjacent to the proposed amendment area and that both distributors can supply phase 1 of the development without any system reinforcement. Board staff therefore submits that both distributors are well positioned to serve phase 1 of the proposed development from a system planning perspective.

5.3.2 Connection Cost

With respect to connection costs, both ORPC and Hydro One developed cost estimates for connecting phase 1 of this development which are shown in Table 1 below. ORPC's cost estimate is considerably lower than Hydro One's estimate. However, it should be noted that Hydro One's estimate is preliminary as complete information was not available from the developer.

Table 1

| Phase 1 of Sadler Estates Development (81 units) | | |
|---|-----------------------|-----------------------|
| | ORPC | Hydro One |
| Electrical Works (cable, transformers, meters) | \$128,000 | \$199,000 |
| Upstream System Reinforcement | Not required | Not required |
| Civil works | Supplied by developer | Supplied by developer |
| Capital Contribution from Developer | \$60,200 | \$87,000 |

Board staff submits that ORPC has not fully met the Board's Filing Requirements for an SAA as those Filing Requirements relate to contested applications. Specifically, ORPC's application is not accompanied by the economic evaluation (based on offers to connect) required by the Filing Requirements. However, Board staff recognizes that no offers to connect have been made to the developer to date.

5.3.3 Reliability and Quality of Service

ORPC's evidence indicates that customer service in Almonte is available at a storefront office on the main street where a live person is available during normal office hours. Also, service calls are answered, 24 hours a day, 7 days a week by a line crew living in Mississippi Mills. Hydro One states that it provides a level of service typical to the quality and reliability of a former municipal electric utility. The outage statistics of ORPC and Hydro One are not significantly different.

Board staff submits that either distributor would provide a similar level of reliability and quality of service. However, it is Board staff's position that service by ORPC can be expected to contribute in a positive way to the quality of service due to close proximity of the proposed amendment area to the dense Ward of Almonte.

5.3.4 Distribution Rates of ORPC and Hydro One

ORPC's evidence indicates that prospective customers will be subject to lower distribution rates if serviced by ORPC due to the rate structure that reflects the higher density of the ORPC service area. According to the application, based on an OEB 2006 rate comparison, a 1000 kWh customer bill for an ORPC customer is \$110.53 as compared to a bill of \$137.13 for a Hydro One high density customer. Hydro One described its system in the proposed amendment area as medium density. Although

2008 rate information not provided by the parties during the course of this proceeding, Board staff notes that, based on information available on the Board's website, a 1000 kWh estimated customer bill for an ORPC customer at May 1, 2008 was \$105.63 as compared to a bill of \$134.77 for a Hydro One medium density customer.

In the RP-2003-0044 Decision, the Board states "The Board does not believe that significant weight should be put on differences in current distribution rates even though current rates may be a significant factor in determining customer preference". The Board further states, "In its consideration of the economic efficiency of any given amendment proposal, an important factor will be the extent to which a proposal builds upon existing, well-developed electricity distribution assets from high or medium density systems."

Board staff understands that economic efficiency should be a primary principle in assessing the merits of a SAA application. However, Board staff submits that in the circumstances of this application (i.e. where both distributors are well positioned to supply the development), the rate impact on the prospective customers should be a consideration.

5.3.5 Customer Preference

A letter from the developer, 2000396 Ontario Inc., filed with the application indicates that the developer supports ORPC as the distributor to supply the subject development.

With respect to the weight to be given to customer preference when assessing SAA applications, in the RP-2003-0044 Decision, the Board stated "... the Board finds that customer preference is an important, but not overriding consideration when assessing the merits of an application for a service area amendment. Customer choice may become a determining factor where competing offers to the customer(s) are comparable in terms of economic efficiency, system planning and safety and reliability, demonstrably neutral in terms of price impacts on customers of the incumbent and applicant distributor, and where stranding issues are addressed."

Although no competing offers are available for comparison, based on the evidence, it is Board staff's position that ORPC's ability to serve phase 1 of the development is at least comparable to Hydro One's in respect to the factors identified by the Board. Therefore,

Board staff submits that considerable weight should be given to the developer's preference in this case.

5.4 SUMMARY OF BOARD STAFF'S POSITION

Board staff's submission can be summarized as follows:

- The Board should limit the scope of this proceeding to phase 1 of the proposed development.
- ORPC's ability to serve phase 1 of the development is at least comparable (if not superior) to Hydro One's in respect to economic efficiency, system planning and impact on customers.
 - service by ORPC can be expected to contribute in a positive way to the quality of service due to close proximity of the proposed amendment area to the dense Ward of Almonte; and
 - the prospective customers will be subject to lower distribution rates.
- Economic efficiency and protection of consumer interests through rational optimization of existing distribution systems should be a primary principle in assessing the merits of a SAA application. However, in the circumstances of this application (i.e. where both distributors are well positioned to supply the development), customer preference, the rate impact on the prospective customers as well as the alignment of service areas with the municipal boundaries should be a consideration.

All of which is respectfully submitted