








PRESENTATION NOTES
Ontario Energy Board Issues Day Proceeding
EB-2009-0149
July 7, 2009

Stanley TS, located in Niagara Falls three km from our boundary, was the original supply to Niagara-on-the-Lake dating back to at least to the 1940's. The supply was delivered via 4 X 5 mVA 13.8 kV to 27.6 kV 'step up' units (Exhibits 1, 2, 3)

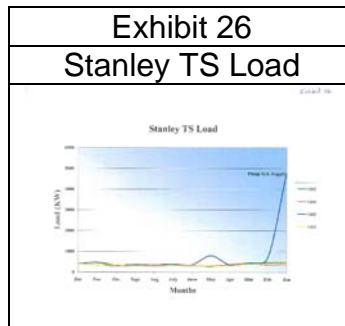
Exhibit 1	Exhibit 2	Exhibit 3
Step-up Unit	Pole Line	Feeder Route
		

and along a twin wood pole line (Feeders M19 and M20). Upon reaching the NOTL boundary, the twin pole lines sliced north through a rock quarry and down an inaccessible stretch of the Niagara Escarpment (Exhibits 4A, 4B, 5, 6).

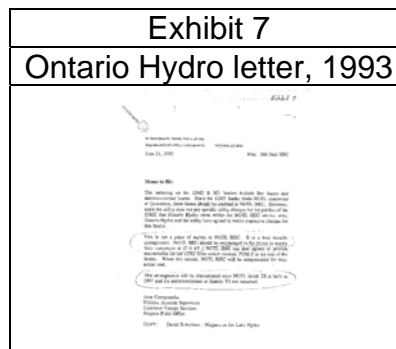
Exhibit 4A	Exhibit 4B	Exhibit 5	Exhibit 6
Rock Quarry	Down to Inaccessible Area	Inaccessible Area	Overview of Route
			

On January 1983, the Niagara-on-the-Lake Hydro Electric Commission purchased the entire municipal operating area from Ontario Hydro. Three years later, Ontario Hydro commissioned a new 2 X 15/25 mVA transformer station in the geographic centre of our operating area to address load growth. Almost

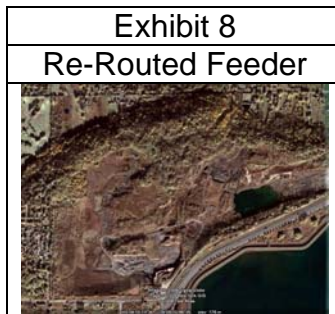
immediately, Stanley load was transferred to the new station, with the exception of approximately 400 kW that supplied the Queenston-Lewiston international bridge area. The Stanley TS auto transformers were relegated to a back-up role for the next 13 years. (Exhibit 26)



Approximately 10 years later, the operators of the rock quarry approached us with a request to remove/relocate the twin pole line (M19/M20) to accommodate their expansion. The poles were generally in poor condition and inaccessibly located through the quarry and down the escarpment. A letter from our Ontario Hydro Customer Representative in 1993 stated “This arrangement (Stanley supply) will be discontinued once NOTL South is built in 1997 and the autotransformer at Stanley TS are removed.” (Exhibit 7)



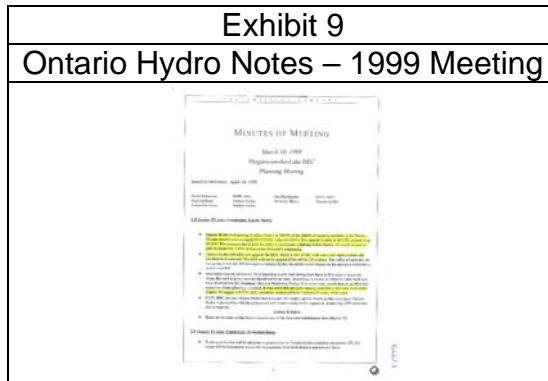
Based on this information and the fact that Ontario Hydro had now purchased property in south NOTL to construct a new station, we replaced the aging twin feeders (2 X 600 amp) with a single local feeder (300 amp) rerouted along road allowance and through the hamlet of St. Davids. (Exhibit 8)



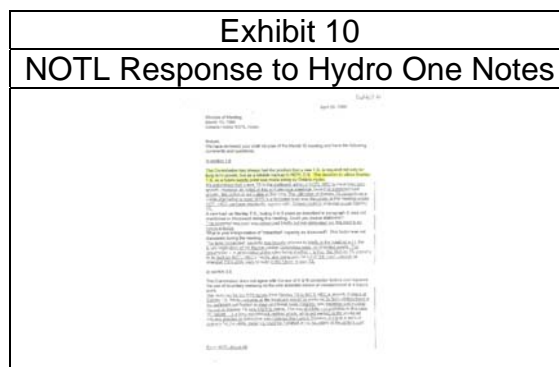
In March of 1999, with the completion of the Glendale commercial/industrial area (Exhibit 8B)



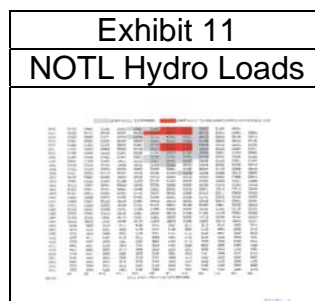
electrical servicing and several new load projects under construction or recently completed including the new Niagara College campus, we met with Ontario Hydro representatives. Ontario Hydro was in the midst of reorganizing into Hydro One and had been actively involved with the IESO in the development of the new 'market rules'. Up to this point in time, Ontario Hydro had generally constructed all new transformer stations for local Commissions with no financial obligations. During this meeting, we were informed that our load growth did not warrant a new station. The meeting minutes prepared by Ontario Hydro stated "Ontario Hydro is proposing to utilize 5-10 mW of the 20 mW of capacity available at the Stanley TS autotransformers to supply NOTLHEC when the NOTL DS capacity is close to 33 or 34 mW." The notes claimed "NOTL HEC advised Ontario Hydro that it accepts this supply option." (Exhibit 9)



Upon receiving these minutes, we immediately responded on April 29, “The Commission has always had the position that a new TS is required not only for long term growth, but as a reliable backup to NOTL DS. The decision to utilize Stanley TS as a future supply point was made solely by Ontario Hydro.” (Exhibit 10)



Records will indicate that just two years after this unilateral decision, the peak summer load of NOTL Hydro (45.1 mVA) exceeded the combined rating of NOTL DS and the assigned Stanley supply of 41.6 mVA by 8%. Our peak load in 2002 reached 50 mVA, a full 20% over the combined capacity rating. (Exhibit 11)

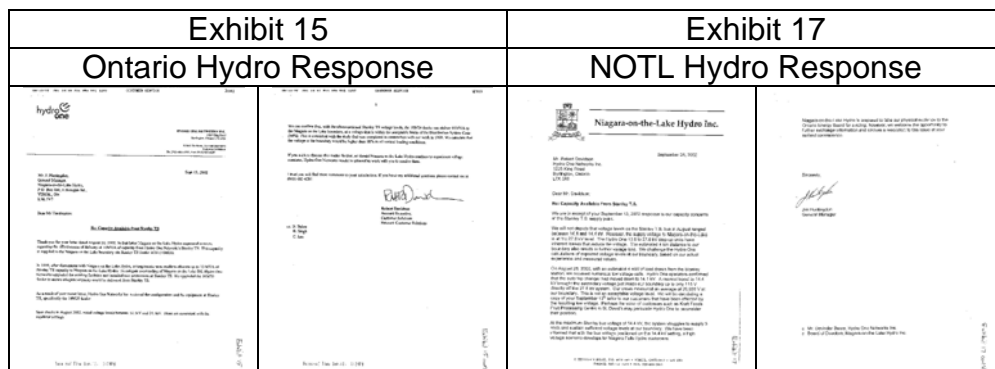


In 2001, one of the first priorities of the Board of Directors of the newly created Niagara-on-the-Lake Hydro Inc. was to commence plans for the construction of a new transformer station in NOTL south. The new market rules, released just months after our 1999 meeting with Ontario Hydro, now placed the financial burden of the new Transformer Station squarely on our new company. Further, the 10 mW Stanley load assignment would be 'embedded' under the market rules, effectively handcuffing our new company from financing the new station based on transformed load beyond the Hydro One prescribed level. The Stanley load assignment guaranteed Hydro One close to \$110,000 per year in transformation revenue from our customers regardless of whether NOTL Hydro could effectively utilize that load. NOTL Hydro did attempt, out of necessity, to utilize the Stanley load before the new TS could be built.

Pre-1980, NOTL Hydro load consisted primarily of 27.6 kV to 4.16 kV substations that were seasonally 'tapped' up or down to level the voltage outputs. Few customers were supplied 'directly' at the 27.6 kV level and this was considered a 'subtransmission' voltage level. During the next two decades, technological advancements promoted the supply of customers at the 27.6 kV level, lowering line losses and eliminating the need for 4 kV substations. The single pole line M20 route constructed in the mid-90's through St. Davids was also not designed to deliver 10 mW of power. The Stanley autotransformers possess manual tap changers and therefore, any short term automatic voltage control had to be adjusted on the 13.8 kV bus that also directly supplied Niagara Falls Hydro customers. During the very warm summer of 2002, we would receive low voltage calls from our customers supplied from Stanley and would in turn contact the Hydro One operators to tap up the voltage. Shortly after, Niagara Falls Hydro customers would experience high voltage and the operators would lower the voltage. One of our largest customers, Kraft Canada became so frustrated by the voltage swings that they were compelled to write the attached letter of complaint (Exhibit 14).


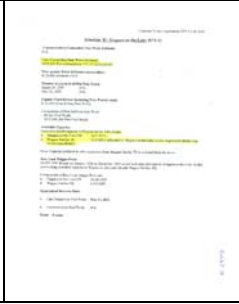
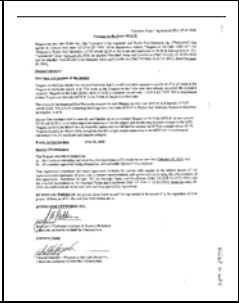


Hydro One responded with a simple ‘too bad – so sad’ attitude and they quoted the CSA minimum supply voltage limits (Exhibits 15, 17).

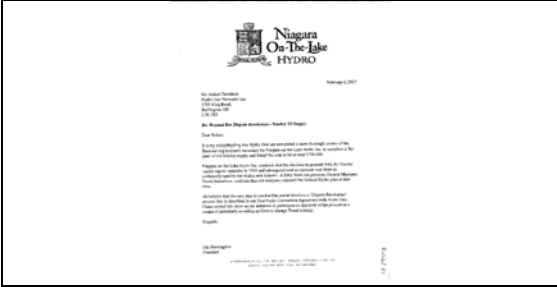
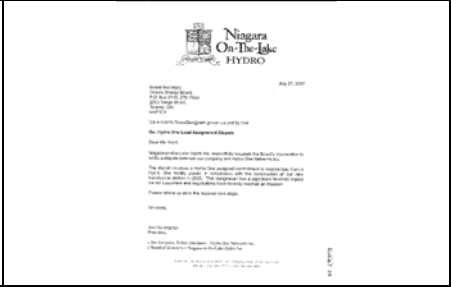


We were advised that it would be our responsibility to install expensive voltage regulation equipment on the Stanley supply. Just 10 months later, the need for the Stanley supply had become redundant as the new NOTL Hydro Transformer Station was commissioned.


To ensure that Hydro One connected our new transformer station prior to the peak summer season in 2003, we were forced to sign a CCRA agreement effectively embedding the Stanley load assignment (Exhibits 20, 21, 22).

Exhibit 20	Exhibit 21	Exhibit 22
MTS#1 Connection Request	MTS#1 Connection Agreement	Amendment
		

We made it clear that the document was signed under protest. Fruitless negotiations have continued for 10 years. The O.E.B was requested to settle our dispute in 2007 (Exhibits 27, 28).

Exhibit 27	Exhibit 28
Request to H1 for Dispute Resolution	Request for OEB Intervention
	

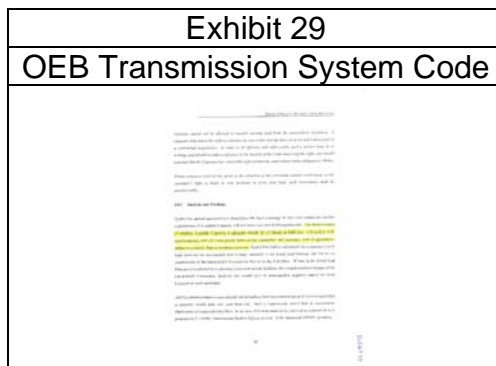
NOTL Hydro recognized that Hydro One did replace approximately 35 wood poles (M20) from the autotransformers to our boundary in 1999 and we have offered in good faith to ‘buyout’ this asset but Hydro One’s most recent requirement approaches \$900,000 to waive what they refer to as a bypass (Exhibit 25).

Exhibit 25
Requested By-Pass Compensation


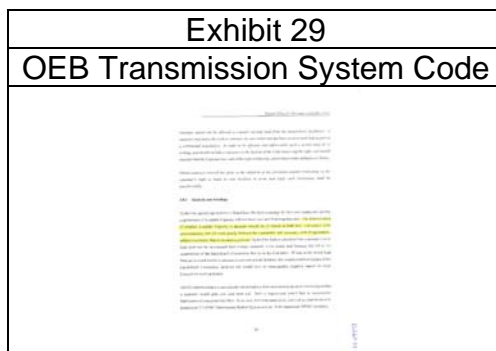
Considerations

We believe that the Ontario Energy Board should consider the Hydro One load assignment invalid for the following reasons:

1. The decision to prepare and deliver the Stanley load in 1999 was made solely by Ontario Hydro. NOTL Hydro clearly demonstrated our opposition. The Ontario Energy Board Transmission System Code (Phase 1 Policy Decision With Decisions 4.8.1) states that this decision must be "...made jointly between the transmitter and customer, with agreements subject to a timely dispute resolution process." (Exhibit 29)

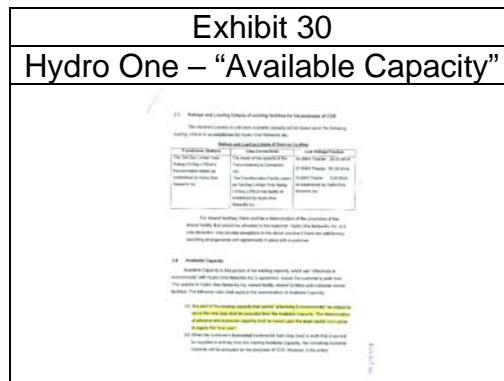


2. The Ontario Energy Board Transmission System Code (Phase 1 Policy Decision With Decisions 4.8.1) states "The determination of whether available capacity is adequate should be based on both local and system wide considerations..." (Exhibit 29).



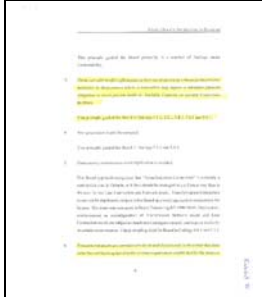
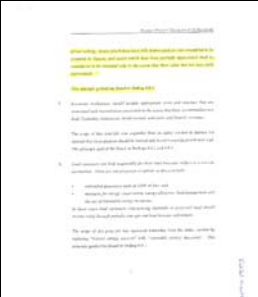
NOTL contends that Ontario Hydro did not consider the fact that the autotransformers could no longer efficiently supply the mainly direct 27.6 kV NOTL customers and that the re-routed M20 single pole line through St Davids was now inadequate to deliver the prescribed 10 mW.

3. An early Hydro One CCRA planning document describes “Available Capacity” as “...that portion of the existing capacity, which can ‘effectively and economically’ with Hydro One’s agreement, supply the customer’s peak load. This applies to Hydro One Networks Inc. owned facilities, shared facilities and customer-owned facilities.” (Exhibit 30).




NOTL Hydro constructed a new 42 mVA Transformer Station for \$74,000/mW. Using Hydro One’s latest buyout figure of approximately \$900,000 for the Stanley supply, this equates to \$90,000/mW. To our knowledge, a financial evaluation of this sort, was never carried out or shared with NOTL Hydro. Therefore, Ontario Hydro did not choose the most economical solution as per the attached policy but simply their lowest cost solution.

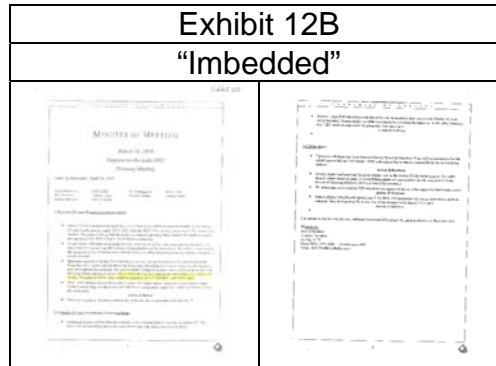
4. The Ontario Energy Board Transmission System Code (Phase 1 Policy Decision With Decisions p.6, point 3, principles states “Parties are able to affect efficiencies in their use of electricity without facing punitive measures or disincentives where a transmitter may impose a minimum payment obligation.” (Exhibit 31).

Exhibit 31	
OEB Transmission System Code	
	

- NOTL contends that the Stanley M20 supply involves stepping down the voltage from the transmission system to 13.8 kV and then stepping the voltage back up to 27.6 kV before pushing the power close to 4 km to the NOTL boundary. Approximately 11,000 kWh of additional energy is consumed monthly in the Stanley step-up units without considering the additional distribution line losses. This is an inefficient supply considering modern facilities exist adjacent to the load centres in NOTL.
5. NOTL Hydro contends that in March 1999, Ontario Hydro was actively involved in the development of the new ‘market rules’ and utilized this knowledge for financial gain. Ontario Hydro was fully aware of the potential load impact of the Glendale area Park and unilaterally decided to provide an extremely short term ‘band aid’ solution instead of proceeding with a new TS in NOTL South. We attach a 2001 planning document which would have a number of the same projects presented to Hydro One in 1999 (Exhibit 12).

Exhibit 12	
2001 Planning Document	
	

Ontario Hydro minutes from the March meeting stated “It was noted that any new capacity installed at this time, such as the Stanley TS supply to NOTL HEC, would be considered ‘imbedded’ under MDC rules.” (Exhibit 12B)



We questioned the term ‘imbedded’ used in the minutes as this was the first time that we were exposed to that term.

6. NOTL Hydro suggests that the guaranteed transmission revenues of approximately \$110,000/year from the ‘imbedded’ Stanley TS supply may not have been included in the incorporating revenues of Hydro One in 1999. The Stanley facility had not delivered any significant revenue from NOTL Hydro for over 13 years. Based on this, there would be no negative impact on the ‘pool’ and certainly no ‘bypass’ implications as claimed by Hydro One.
7. In 2007, the Ontario Energy Board Compliance Office reviewed our dispute with Hydro One and verbally indicated that this unilaterally assigned load would not have been allowed under provisions of the July 2005 Transmission Code. Section 6.2.1 Available Capacity states “**A transmitter shall not assign available capacity on network facilities.** A transmitter shall not assign available capacity on its connection facilities for back-up purposes. Section 3.0.6 of the 2005 TSC indicates “Subject to sections 3.0.5 and 3.0.9, a transmitter shall not:

(a) enforce any provision of any agreement that is contrary to or inconsistent with this Code;

(b) apply any provision of any agreement in a manner that is contrary to or inconsistent with this Code; or

(c) require any person to enter into an agreement that contains a provision that is contrary to or inconsistent with this Code or to otherwise agree to terms and conditions that are contrary to or inconsistent with this Code.

The TSC is very specific that Hydro One may not assign capacity on network facilities. The TSC also states that this section 3.0.6 applies to an agreement regardless of whether the agreement was entered into before the Code revision date.

Our Current RTR Application

As indicated in the Draft Issues List¹, there are three issues involved in the Application; these issues correspond to the three components of the Application filed on May 13, 2009²:

1. ***Are the levels proposed for the Retail Transmission Service (RTS) Rate – Connection appropriate?***

The Hydro One charges resulting from this load assignment have caused a financial impact to our customers, paid through the “Retail Transmission Rate - Line and Transformation Connection Service Rate”, (RTR) in excess of \$100,000 annually. Since early 2007, NOTL Hydro has not utilized this supply point and as of January 2009, we are no longer accruing for the Hydro One charges. Accordingly, we wish to apply for an RTR connection rate reduction, effective as soon as possible, to pass on the benefit of the removal of these charges to our customers.

¹ see Notice of Hearing, Appendix A

² see Introduction section of Application, Page 2 of 3

NOTL Hydro believes the proposed levels are appropriate based on the calculations in Section 1 of the Application.

2. Is the proposed settlement payment to Hydro One appropriate?

Recognizing that in 1999, Hydro One did rebuild approximately 3 km of pole line to 'ready' the supply point, this application proposes to pay Hydro One \$200,000, equivalent to the estimated current depreciated value of that asset, as a final settlement of the liability for Hydro One charges accrued since the assignment of the supply point. This payment is approximately equal to the amount of the liability as of July 2008.

NOTL Hydro believes the proposed settlement is appropriate. Details of the accruals, payments and liability balances each month from July 2002 to present, are provided in Section 2 of the Application.

3. Are the amounts proposed for repayment of excess RTS revenue to customers appropriate?

For the period from the settlement date of July 2008 discussed above, until such time as the above RTS reduction is in effect, NOTL Hydro customers' RTS payments include a component for the Hydro One charges. NOTL Hydro is requesting an RTS rate rider to repay these excess revenues to customers. The amount of the rate rider depends on the duration of the OEB hearing and thus the effective date of the RTR reduction (Item 1 above).

NOTL Hydro believes the proposed amounts are appropriate based on the calculations in Section 3 of the Application. In Section 3, two possible effective dates are presented: A) October 1, 2009, and B) January 1, 2010. The amounts can readily be recalculated in the event of an alternative effective date.

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