



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

**Application for Service Area Amendment  
Erie Thames Powerlines Corporation  
Board File Number EB-2011-0085**

June 20, 2011

## **1. INTRODUCTION**

On March 21, 2011, Erie Thames Powerlines Corporation (“Erie Thames”) 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**

Erie Thames filed an application with the Board under section 74 of the Act for an order of the Board to amend Erie Thames licensed service area in Schedule 1 of its electricity distribution licence ED-2002-0516. The proposed SAA, if granted will expand Erie Thames’ service area to include the lands owned by Sifton Properties Ltd. located in the Town of Ingersoll that are designated for residential development. Sifton Properties Ltd. has been granted approval by the Town of Ingersoll to develop the lands to accommodate residential housing and commercial development and it intends to develop these lands in phases. Phase I will consist of 54 single family homes and one multi-family residential block. Future phases will include additional single and multi-family homes and commercial development. Erie Thames is applying to amend its service area to include Phase I and future Phase II of the residential development. The lands are currently vacant and located within Hydro One Networks Inc.’s (“Hydro One”) licensed service area.

A letter from the developer, Sifton Properties Ltd. filed with the application indicates that the developer supports Erie Thames SAA application. A letter from the Town of Ingersoll supporting Erie Thames application was also filed with the application.

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

## **3. 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.

#### **4. BOARD STAFF’S SUBMISSION**

##### **4.1 ERIE THAMES REQUEST TO SERVE BOTH PHASES OF THE PROPOSED RESIDENTIAL DEVELOPMENT**

The proposed amendment area is vacant land proposed to be developed as a residential subdivision and commercial development in phases. The complete residential development will include a total of approximately 155 homes. Phase I of the development has 54 single family homes and one multi-family residential block and is scheduled to proceed in June of 2011. There is no information provided in the application with regard to the development of Phase II apart from the assumptions that requirements to connect both phases are similar and therefore in Erie Thames’ view it is better positioned to serve Phase II as compared to Hydro One. However, in its reply to Board staff interrogatory # 5 Erie Thames states that “...the parties are awaiting site plan approval from the Town of Ingersoll. Until the final site plan is received, Erie Thames has refrained from preparing detailed costing for Phase II.”

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 Erie Thames’ SAA request to serve both phases of the proposed residential development is not consistent with the RP-2003-0044 Decision. As Erie Thames’ evidence does not provide detailed proposals beyond Phase I of the development Board staff submits that the Board should limit the scope of this proceeding to Phase I of the development.

##### **4.2 SUPPLY TO PHASE I OF THE DEVELOPMENT**

###### **System Planning**

Currently there are no assets from any distributor on the proposed subdivision site with the exception of one pole owned by Hydro One at the site’s entrance. However both Erie Thames and Hydro One have well developed distribution facilities adjacent to the proposed amendment area. Hydro One can connect the development from a feed off

an existing pole and does not require any system expansion. Erie Thames will require to extend its distribution system one pole span south to enter the property. Although Erie Thames requires some system expansion, it would enter the subject area underground using municipal infrastructure. Board staff therefore submits that both distributors are in a relatively equal position to serve Phase I of the proposed development from a system planning perspective.

### **Connection Cost**

With respect to connection costs, Erie Thames in its application provided the cost information on Phase I for both distributors where it shows Hydro One with significantly higher cost to connect the development based on the total of contestable and non-contestable costs less connection rebates. However, Hydro One in its evidence raised concerns that Erie Thames is not using comparable information for its cost analysis and that only the non-contestable costs should be compared. Board staff agrees with Hydro One's approach and therefore only non-contestable costs estimates for connecting Phase I of this development are included in Table 1 below.

Table 1

Phase I of Harris View Development		
	Erie Thames	Hydro One
Engineering and Design	\$5,576	\$4,189
Primary and Secondary Distribution (transformers, junctions, terminations, primary DIP)	\$52,091	\$87,706
Expansion (Pole, Framing, OH Lines)	\$15,409	Not required
Civil works	Supplied by developer	Supplied by developer
Total Non-contestable Work	\$73, 076	\$91,895

Erie Thames' cost estimate is lower than Hydro One's estimate. However, the total non-contestable cost does not represent the total capital contribution required from the customer as it does not include the connection rebates. Board staff notes that there is a significant discrepancy in Erie Thames' connection rebate estimates provided by Erie Thames in its application as compared to the rebate amount provided by Hydro One in its evidence, specifically \$95,162.58 as per Erie Thames' and \$68,283.22 as per Hydro One's calculations.

In Board staff's view Erie Thames should confirm which rebate amount is correct and provide a detailed breakdown for its calculation for the Board to consider the connection cost comparison in assessing the merits of this application.

### **Reliability and Quality of Service**

Erie Thames evidence indicates that although both distributors will supply the development from the same Ingersoll TS M50 feeder, Hydro One would connect the development through a retail point of supply, adding more customers to the retail point. Erie Thames expressed concerns that adding additional customers to the retail point of supply may cause future reliability issues downstream of the retail point of supply and may adversely affect Erie Thames' existing upstream customers and Erie Thames' distribution system future growth. Erie Thames also states that it has the ability to supply the development from two different feeders, creating a parallel feed to enable smart grid technology and providing an alternative source of supply and a backup system for outage situations, while Hydro One's radial feed could not offer such supply security. Hydro One states that the reliability impacts will be the same regardless of which utility makes the connection as both utilities would serve the development using the same feeder.

It is Board staff's position that Erie Thames can be expected to provide more reliable distribution service as it can connect the subject area without the use of a retail point of supply and has the ability to supply the area from two different feeders providing a back up system for outage situations.

Board staff notes that both Erie Thames and Hydro One have a local presence in the area with service centres being 3 kms and 10 kms respectively from the proposed development and either distributor would provide a similar level of quality of service. However, Erie Thames designates the subject area as urban which requires 60 min emergency response time while Hydro One designates the subject area as rural with 120 min emergency response time which could potentially cause longer power interruptions during emergency situations if Hydro One supplies the development.

### **Customer Preference**

A letter from the developer, Sifton Properties Ltd., filed with the application indicates that the developer prefers Erie Thames as the distributor to supply the subject residential 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."

Based on the evidence, Board staff's view is that Erie Thames' ability to serve Phase I of the development is at least comparable to Hydro One's having regard to economic efficiency, system planning, safety and reliability. Therefore, Board staff submits that considerable weight should be given to the developer's preference in this case.

### **Distribution Rates of Erie Thames and Hydro One**

Erie Thames' evidence indicates that prospective customers will be subject to lower distribution rates if serviced by Erie Thames. According to the rate comparison provided in Erie Thames' application, distribution charges for a 1,000 kWh Erie Thames' residential customer are \$30.68 as compared to \$57.34 for a Hydro One customer. In addition Hydro One described its system in the proposed amendment area as medium density. Board staff notes that, based on information available on the Board's website, the estimated total bill for a 1,000 kWh Erie Thames' residential customer at June 1, 2011 was \$136.85 as compared to a bill of \$162.54 for Hydro One's medium density customer.

In the RP-2003-0044 Decision, the Board stated "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".

Board staff understands that although lower rates should not be a determining factor when assessing the merits of a SAA application, in the circumstances where both distributors are well positioned to supply the development, the rate impact on the prospective customers should be a consideration.

#### **4.3 SUMMARY OF BOARD STAFF'S POSITION**

Board staff submits that the Board should limit the scope of this proceeding to Phase I of the proposed development due to the lack of evidence supporting development beyond Phase I.

Erie Thames' ability to serve Phase I of the development is at least comparable (if not superior) to Hydro One's having regard to economic efficiency, system planning and impact on customers.

- Erie Thames' long term system planning would enhance distribution system reliability and enable smart grid technology.
- Erie Thames will provide quicker response in emergency situations as compared to Hydro One due to the subject area being designated as urban by Erie Thames vs. rural by Hydro One.
- Erie Thames' customers will be subject to lower distribution rates.

Board staff submits that as stated in the RP-2003-0044 Decision, when offers to connect are comparable in terms of economic efficiency, system planning and safety and reliability, customer preference and the rate impact on the prospective customers should be a consideration.

All of which is respectfully submitted