

ERIE THAMES POWERLINES CORPORATION

REPLY SUBMISSION

A. INTRODUCTION

1. The Applicant (“Erie Thames”) is pleased to file its reply submission (the “Reply Submission”) in connection with its application to amend its licensed service area pursuant to Section 74 of the *Ontario Energy Board Act, 1998* (the “Application”) to include Phase I and Phase II of a proposed residential development located in the Town of Ingersoll and owned by Sifton Properties Ltd.
2. Following the interrogatory phase of the written hearing, Erie Thames received submissions from Board staff and Hydro One Networks Inc. (“Hydro One”). This Reply Submission addresses the following issues which were raised by Board staff and Hydro One in their submissions:
 - Criteria for Assessing Service Area Amendment Applications
 - Request to Serve Both Phases of the Proposed Development
 - Supply to Phase I of the Proposed Development
 - System Planning
 - Connection Cost
 - Capacity, Reliability and Quality of Service
 - Customer Preference
 - Distribution Rates
3. This Reply Submission responds to the issues in accordance with the section headings in the Board staff and Hydro One submissions. Capitalized references herein to a “Paragraph” refer to the numbered paragraphs in this Reply Submission. In Erie Thames’ reply to Board staff below, page references correspond with the pages in Board staff’s submission. In Erie Thames’ response to Hydro One below, line and page references correspond with the line and page references in Hydro One’s submission.

B. EXECUTIVE SUMMARY

4. As set out below, Board staff submits (page 7) that this proceeding be limited to Phase I of the proposed residential development. Board staff also submits (page 7) that 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.” Board staff’s submission (page 7) also establishes that Erie Thames’ offer to connect is supported by customer preference and it is more beneficial in terms of rate impacts. Board staff concludes (page 7) that RP-2003-0044 establishes the principle that “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.” With the exception of an objection regarding the exclusion of contestable costs for comparison purposes, Erie Thames accepts all of Board staff’s submissions in this Reply Submission.

5. Contrarily, Hydro One’s submission raises a multitude of issues to which Erie Thames will respond later in this Reply Submission. In addition to objecting to these specific issues, Erie Thames submits that the sum of Hydro One’s individual arguments is immaterial when determining if Erie Thames is best positioned to supply the proposed residential (pursuant to the principles articulated in RP-2003-0044.) Erie Thames submits that the Board should grant its Application based on the following uncontested issues:
 - (a) Erie Thames’ ability to service the proposed development from the perspective of capacity, quality and reliability of services is at least comparable to Hydro One’s (as acknowledged by Hydro One at line 21, page 6 and line 25, page 10);
 - (b) Both utilities connection costs are comparable (as acknowledged by Hydro One at line 20, page 10);
 - (c) Erie Thames end user rates are lower than Hydro One’s (as per publicly-available information on the Board’s website); and
 - (d) The developer has submitted a support letter indicating that it prefers Erie Thames as the distributor to supply the proposed development (as submitted with the Application.)
6. Based on the above, Erie Thames submits that it is clearly the appropriate distributor to supply the proposed development given that (as submitted by Board staff on page 7) RP-2003-0044 provides that “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.” Erie Thames submits that the above uncontested facts establish that both utilities’ offers to connect are comparable but that customer preference and rate impacts weigh heavily in favour of Erie Thames. Although Erie Thames will argue later in this Reply Submission that its proposal is actually superior in terms of economic efficiency, system planning and impact on

customers, Erie Thames submits that this is somewhat irrelevant given the fact that Erie Thames has already met the threshold in RP-2003-0044 based solely on the uncontested conclusions described above.

C. RESPONSE OF BOARD STAFF

Criteria for Assessing Service Area Amendment Applications

7. All parties agree with Board staff's statement that the Board is guided by the principles articulated in RP-2003-0044 when assessing the merits of this Application.

Request to Service Phase I and II

8. In its submission (page 3), Board staff submitted that the scope of this proceeding should be limited to Phase I of the Proposed Development. Erie Thames does not object to limiting the scope of this proceeding to Phase I of the Proposed Development and submitting a separate application for further phases when final details are available.
9. Accordingly, for the remainder of this Reply Submission, the "Proposed Development" will refer to Phase I of the proposed residential development only.
10. Notwithstanding Paragraphs 8 and 9 above, Erie Thames requests that the Board consider Erie Thames' subsequent applications for future phases of the development on an expedited basis if Erie Thames can establish that the connection of such future phases is not materially different from the Proposed Development.

System Planning

11. Board staff concluded in its submission (pages 3-4) that Erie Thames and Hydro One are in a relatively equal position to serve the Proposed Development from a system planning perspective. Erie Thames does not object to this conclusion by Board staff.

Connection Cost

12. In its submission (page 4), Board staff supported Hydro One's position that only non-contestable cost estimates for connecting the Proposed Development should be used for the purposes of comparing connection costs. Board staff also included the following table in its submission which compares non-contestable costs only.

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

13. Erie Thames submits that Hydro One's position (that only non-contestable costs should be used for the purposes of comparing connection costs) is flawed. Given that connection rebate calculation (which Hydro One has argued are relevant for the purposes of comparing the connection costs between the two distributor) are based on the cost of the entire project (including contestable costs), Hydro One's submission to analyze only the non-contestable portion confuses the comparison that the Board is attempting to undertake. In particular, Hydro One provides rebates on the secondary portion of the project only but then details the remainder of the rebate (calculated using a discounted cash flow model) as total unused support available for contestable work. By creating this delineation, Hydro One is effectively punishing developers who choose to use a contractor other than Hydro One for the contestable portion of the project. Since Erie Thames does not differentiate the connection of the Proposed Development between secondary and primary, there is no way for Erie Thames to stratify its connection rebates between contestable and non-contestable as Hydro One has done. This ensures that the numbers between the two parties remain incomparable. In an effort to illustrate this issue, Erie Thames has expanded on the Board staff's Table 1 below to illustrate the non-contestable costs and the connection rebates applied against them.

Table 13

	Erie Thames	Hydro One
Engineering and Design	\$ 5,576.00	\$ 4,189.00
Primary and Secondary Distribution	\$ 52,091.00	\$ 87,706.00
Expansion	\$ 15,409.00	\$ -
Civil Works	\$ -	\$ -
Total Non-contestable Work	\$ 73,076.00	\$ 91,895.00
Connection Rebates	\$ (73,076.00)	\$ (57,264.94)
Net Payable by Developer	\$ -	\$ 34,630.06
Total Unused Support Available for Contestable Work	\$ (22,086.58)	\$ (40,036.06)
Remaining Credits available to Developer for Contestable	\$ (22,086.58)	\$ (5,406.00)

14. Board staff also noted (pages 4-5) the significant difference in Erie Thames' connection rebate estimates provided by Erie Thames (\$95,162.58) and those provided by Hydro One (\$68,283.22) in its evidence. Accordingly, Board staff requested that Erie Thames confirm the correct rebate amount and provide a detailed breakdown for its calculation. Erie Thames confirms that \$95,162.58 is the correct connection rebate that would be applied for Phase I of the development, and it has broken out the connection rebate in the above table. Erie Thames' submits that Hydro One's calculation of Erie Thames' connection rebate of \$68,283.22 was arrived at by adding in the costs of the new connections in the first year of operation. However, Erie Thames submits Hydro One's calculation ignored the fact that revenues should also be included if the costs are added in order to properly calculate the discounted cash flow that the economic evaluation produces.

Reliability and Quality of Service

15. In its submission (page 5), Board staff concluded that Erie Thames can be expected to provide more reliable distribution service as it can connect the Proposed Development without the use of a retail point of supply ("RPS") and has the ability to supply the area from two different feeders providing a back-up system for outage situations. Erie Thames agrees with this conclusion.
16. In addition, Board staff submitted (page 5) that longer power interruptions could potentially occur during emergency situations if Hydro One supplies the Proposed Development given Hydro One's designation of the subject area as rural (with a 120 minute emergency response time) versus Erie Thames' designation of the subject area as urban (with a 60 minute emergency response time). Erie Thames agrees with this submission.

Customer Preference

17. As reflected in the Application, the developer has indicated that it prefers Erie Thames as the distributor to supply Phase I and Phase II of the development, as described in the developer's letter of support submitted with the Application. Erie Thames submits that the developer supported Erie Thames supplying both Phase I and Phase II given the expected similarities between the connection costs and other elements of both phases.
18. In its submission (page 6), Board staff submitted 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 and, therefore, considerable weight should be given to the developer's preference in this case. Erie Thames agrees with this submission.

Distribution Rates of Erie Thames and Hydro One

19. In its submission (pages 6-7), Board staff noted 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. Board staff continued to conclude that, in circumstances where both distributors are well positioned to supply the development, the rate impact on the prospective customers should be a consideration. Erie Thames agrees with Board staff's submissions regarding the distribution rates.

Summary of Board Staff's Position

20. In conclusion, Board staff submitted (page 7) that 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. Furthermore, Board staff submitted 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. Erie Thames agrees with Board staff's submissions described above.

D. RESPONSE TO HYDRO ONE

Capacity, Reliability and Quality of Service

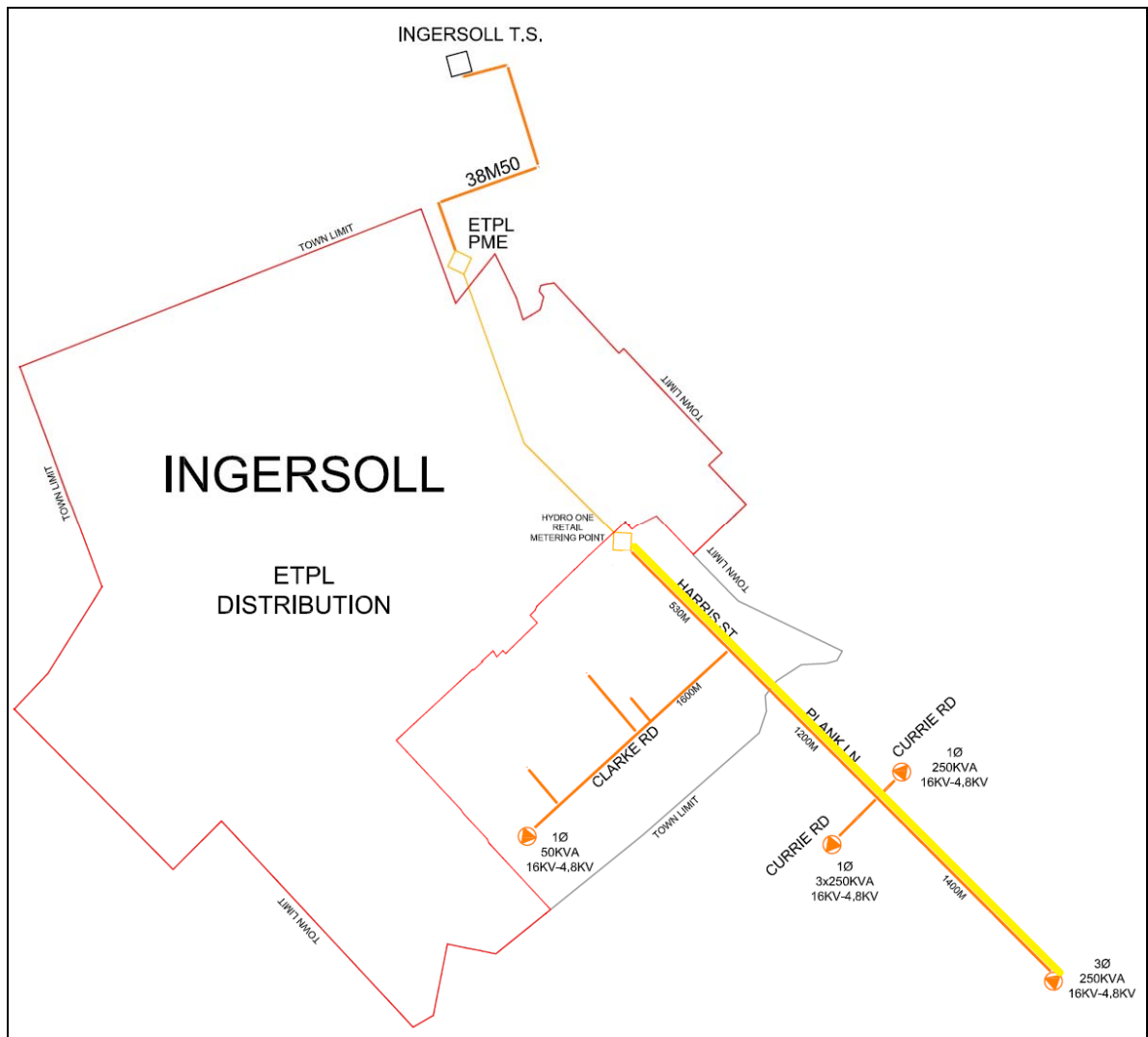
21. In its submission (lines 16-18, page 3), Hydro One claims that it has ample spare capacity on its existing 38M50 feeder that runs alongside the Proposed Development to connect

both the initial and future phases. However, Hydro One also discusses (e.g. lines 16-18, page 4) the need for additional sources of supply in the future. Erie Thames submits that there is contradiction in Hydro One's statements in this regard. Erie Thames also submits that its existing distribution system (via the 38M50 and 38M49 feeder) has sufficient capacity to supply the projected growth in the Proposed Development. Furthermore, Erie Thames submits that the optimal solution for the Proposed Development involves maximizing the existing capacity on Erie Thames' 38M49 and 38M50 feeders to supply future growth in the subject area before Hydro One is required to introduce costly additional feeders or new sources of supply to service the subject area. In other words, Erie Thames submits that maximizing the existing capacity on Erie Thames' existing feeders would defer Hydro One's long term plans further into the future.

22. Hydro One also submitted (lines 20-21, page 3) that recent interruption statistics for the feeder in the subject area (i.e. only 2 interruptions in the last 4 years with an average duration of 40 minutes) establishes that the area adjacent to the Proposed Development has good reliability. However, Erie Thames' has raised future reliability impact concerns if Hydro One connects the Proposed Development (due to the additional exposure that could materialize downstream and impact existing and future customers due to Hydro One's rural response times.) Accordingly, Erie Thames submits that the outage statistics presented by Hydro One are irrelevant.
23. In its submission (lines 9 and 10, page 4), Hydro One submits the Board should ignore Erie Thames' "inflated claims regarding a potential reliability impact should Hydro One make the connection." Erie Thames has raised valid concerns about possible reliability impacts and it strongly objects to Hydro One's allegations that its claims were "inflated". Erie Thames submits that these concerns are validated later in Hydro One's submission when Hydro One concedes that there will indeed be a "marginal" reliability impact (lines 5 and 6, page 4.)
24. Erie Thames submits that Hydro One (in considering Erie Thames' request for a service area amendment) and the Board (in ruling upon this Application) should attempt to avoid any adverse reliability impacts upon the customers of Hydro One or neighbouring utilities, no matter how small or "marginal".
25. In concluding (line 4, page 4) that there will "only" be a marginal reliability impact if Hydro One connects the Proposed Development, Hydro One has relied on the following rationale:

- (a) "...both utilities will use the same feeder (the 38M50) to make the connection to the new development. The only difference being that [Erie Thames'] proposed connection point to the 38M50 feeder will be somewhat further north (most likely no more than a few hundred metres) from Hydro One's proposed connection point." (lines 28-30, page 3 and lines 1 and 2, page 4)
 - (b) "The potential for any difference, which is marginal, arises on the short section of the 38M50 feeder (less than 1 km) running between the existing retail point of supply at the current service area boundary in the north, and Clarke Road in the south, where the feeder can be switched to isolate it from downstream events." (lines 5 to 9, page 4)
26. Erie Thames agrees with Hydro One's admission of reliability impact; however Erie Thames submits that the risk of a reliability impacts may be greater than "marginal". In support of this concern, Erie Thames submits the following:
- (a) Contrary to Hydro One's submission described in Paragraph 25(a) above, Erie Thames plans to connect the Proposed Development approximately 50 metres upstream of the RPS (which is the isolation switch between Erie Thames and Hydro One), as described in its Application, and, accordingly, Erie Thames would be able to isolate the Proposed Development from any downstream event on the Exposed Line.
 - (b) Erie Thames disagrees with Hydro One's claims described in Paragraph 25(b) above that the 38M50 feeder can be isolated from downstream events at Clarke Road in less than 1 km from the RPS. Erie Thames submits that the radial line exposure downstream of the RPS is approximately 5 km (extending out two concessions south of the 401) (the "Exposed Line"), which is represented by the yellow line in Map 26(b) below, and any event occurring on the Exposed Line would disrupt power to the Proposed Development.

Map 26(b)

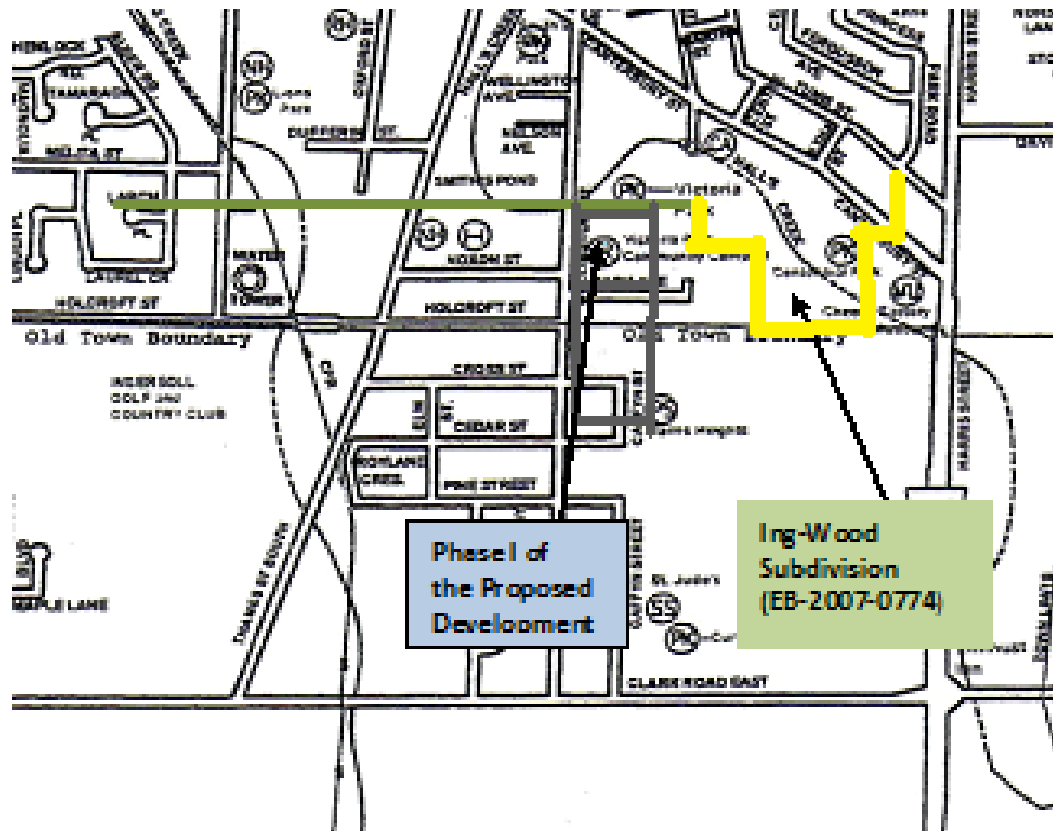


- (c) As admitted by Hydro One in its submission (line 6, page 4), there is no isolation protection equipment installed on Hydro One's system to isolate Erie Thames' system from any Hydro One issues arising from the RPS to Clarke Road.
27. In its submission (lines 14 – 16, page 4), Hydro One submitted that "...neither utility currently has the ability to back-feed the [Proposed Development] using an alternate path and that both require additional facilities in the future to do so" and "Hydro One, when the demand and need warrant, would most likely extend the 38M44 feeder out of the Ingersoll TS to provide additional supply and a means to back-feed the area using an alternate path." Erie Thames has an existing 4kV system located 200 m from the southwest corner of the Proposed Development and Erie Thames' existing 27.6kv conversion plans involve the

conversion this existing 4kV to 27.6kV. Erie Thames submits this is the lowest cost alternate path to back-feed the Proposed Development as Hydro One does not have the existing infrastructure to create an alternate back-feed route without a costly expansion of the 38M44 feeder. Erie Thames estimates that the introduction of the 38M44 circuit into the Proposed Development by Hydro One would require a costly extension of the 38M44 approximately 5 km. Although Hydro One suggests that the additional circuit may be required to handle future load growth, Erie Thames submits that the Board should consider only the load in Phase I of the Proposed Development.

28. In its submission (line 26, page 4), Hydro One stated that Hydro One's customers downstream from the RPS on the 38M50 would also benefit from Erie Thames' ability to provide emergency back-up supply the Proposed Development from the 38M49, regardless of which utility is chosen to serve it. Erie Thames agrees with this statement. In light of this, and the fact that supply will ultimately be delivered by Erie Thames via the RPS in any event, Erie Thames submits that it is in a comparable (or superior) position, in accordance with the terms of RP-2003-0044, to supply the Proposed Development.
29. Hydro One has submitted (line 8, page 5) that Erie Thames' concerns regarding customer confusion in emergency situations should be ignored because Erie Thames did not provide specific evidence of past customer confusion. Although Erie Thames has not submitted evidence of particular incidents, Erie Thames submits that incidents of customer confusion commonly occur in connection with Hydro One's service territory within the Town of Ingersoll. Furthermore, Erie Thames submits that such confusion is clearly understandable given (i) most residents of the Town of Ingersoll are supplied by Erie Thames (which is owned by the Town of Ingersoll), and (ii) the other public utilities (e.g. water, sewage) are delivered via the Town of Ingersoll to all residents.
30. In its submission (line 13, page 5), Hydro One argues that the "peninsula effect" caused by the proposed service area amendment would result in "far greater" confusion among customers and emergency crews if Erie Thames serviced the Proposed Development. However, Erie Thames notes that Hydro One did not raise these customer confusion concerns when it consented to Erie Thames' service area amendment application EB-2007-0774 (pursuant to which Erie Thames began to service the Ing-Wood subdivision directly east of the Proposed Development with similar "peninsula" characteristics; see Ing-Wood subdivision that was subject to EB02007-0774 highlighted in yellow in Map 30 below.)

Map 30



31. Given (i) the close proximity of the entrance to the Proposed Development to Erie Thames' existing service boundary (approximately 45 metres), and (ii) the fact that the Proposed Development is surrounded by backyards, parks, a school, town museum and a water pumping station, Erie Thames submits that the risk of customer confusion if Erie Thames serves the Proposed Development is minimal. Moreover, Erie Thames submits that the customer confusion for residents of the Town of Ingersoll as described in Paragraph 29 above outweighs any confusion stemming from the "peninsula effect".
32. In its submission (line 18, page 5), Hydro One submit that its assets in the area of the Proposed Development are comparable to "or slightly lower" in age than Erie Thames'. Erie Thames objects to the characterization that its assets in the subject area are slightly older than Hydro One's. Hydro One's conclusion is based on two general statements about the age of the surrounding assets. Some of Erie Thames' assets in the subject area are in fact newer than five years. For example, the pole from which the connection to the Proposed Development would be extended is only three years old.

33. In responding to Erie Thames' concerns regarding adding more Hydro One load downstream of the RPS, Hydro One submitted (line 25, page 5) that reliability is not impacted by the type of metering point used. Erie Thames agrees with the submission that reliability is not impacted by the type of metering. However, Erie Thames submits that the reliability concerns regarding the RPS that it has raised do not relate to the type of metering; instead, Erie Thames' position has been that additional line exposure downstream of the RPS (e.g. Hydro One servicing the Proposed Development) may impact Erie Thames' customer over time. In addition, Erie Thames has raised concerns that Hydro One's designation of the service territory downstream of the RPS as rural (with a 120 minute response time) will have a reliability impact for Erie Thames' customers and the Proposed Development if Hydro One services the Proposed Development. At no time has Erie Thames submitted that the type of metering in itself will lead reliability impacts.
34. In its submission (lines 2-4, page 6), Hydro One raised the Board's discouragement in RP-2003-0044 against creating new RPS and alleged that Erie Thames has "suggested that Hydro One's means of connection would do just that." Erie Thames strongly objects to this characterization that it suggested that a new RPS would be required if Hydro One connects the Proposed Development. Contrarily, in its response to Hydro One's interrogatory no. 11(b), Erie Thames clearly stated that "no new RPS are being created in this situation" but instead submitted that the Board's concern in RP-2003-0044 regarding new RPS "can be reasonably extended to apply" to additional load downstream of an existing RPS. For further clarity, Erie Thames has inserted its response to Hydro One's interrogatory 11(b) below:

Erie Thames Response to Hydro One Interrogatory No. 11(b)

"To the best of Erie Thames' knowledge, there is no explicit OEB prohibition on using RPS for new connections. However, in its Decision RP-2003-0044 dated February 27, 2004, the OEB discouraged the creation of new RPS to facilitate the distribution of electricity to new customers by an incumbent distributor when a bordering or contiguous distributor can provide the same distribution service more efficiently. Although no new RPS are being created in this situation, additional load would be added downstream of a RPS if Hydro One connects the proposed development. Erie Thames submits that the OEB's concern stated above can be reasonably extended to apply to adding load downstream of RPS and such a step would be discouraged if a contiguous distributor can provide the same service more efficiently. Erie Thames is a contiguous distributor and it submits that its service area amendment application establishes that it can provide the service in a more efficient manner that is in the best interests of the customer." [emphasis added]

At no time has Erie Thames submitted that a new RPS would be required if Hydro One ultimately supplied the Proposed Development.

35. Furthermore, Erie Thames also objects to Hydro One's resulting conclusion that Hydro One's use of an existing RPS is "fully consistent" with the Board's principles in RP-2003-0044 on the following grounds:

(a) In paragraph 200 of its Decision with Reasons in RP-2003-0044, the Board states that

"the Board expects incumbent distributors to give proper consideration to rational and efficient service area realignment, even where it results in the loss of some territory. Amendments should not be resisted where the proponent is clearly the most efficient service provider for the affected customer. The distributors affected by a proposed amendment should evaluate a proposal in light of the principles in this decision and respond in a reasonable fashion. For example, the Board discourages the creation of new points of supply to facilitate the distribution of electricity to an existing or new customer by an incumbent distributor, when a bordering and contiguous distributor can provide the same distribution service more efficiently. A service area amendment could facilitate the more efficient use of existing infrastructure, and avoid passing on to the customer the metering costs associated with the new retail point of supply." [emphasis added]

In 2007, after the Board discouraged the creation of new RPS in EB-2003-0044, Hydro One requested the creation of the RPS that will supply the Proposed Development under Hydro One's proposal.

(b) In addition, around 2007, Hydro One undertook to (i) upgrade its 8kV system in the subject area to 27.6kV, (ii) abandon its Ingersoll Distribution Station, and (iii) abandon its joint use of Erie Thames' pole line in the subject area (although HONI continues to pay joint use rates.) Erie Thames submits this is not an efficient use of the existing distribution system. Erie Thames submits that the most efficient approach would have involved Hydro One approaching Erie Thames to submit a supported service area amendment for Erie Thames to supply the area in a manner similar to the neighbouring Ing-Wood subdivision (as described in Paragraph 30 above.) Erie Thames submits that this arrangement would have avoided passing on the associated additional costs (e.g. metering, upgraded line expansion, Hydro One's future expansion plans for an additional 27.6 kV supply) to end users.

36. Based on the rational described in Paragraph 35 above, Erie Thames' submits that Hydro One's actions with respect to the subject area, as described in Paragraph 35 above, are not consistent with RP-2003-0044 and the Board's discouragement of new RPS therein.

37. Hydro One has submitted (line 9, page 6) that, given the proximity of its Beachville service center to the Proposed Development and its ability to access crews from neighbouring areas, Hydro One's emergency response time to the Proposed Development would be

approximately 10 minutes and “comparable” to Erie Thames. Hydro One continues to submit (line 15, page 6) that this response time would be “well below Hydro One’s 120 minute service quality standard set out in the Distribution System Code, which is reflective of Hydro One’s predominately rural system.” Erie Thames submits that Hydro One’s emergency times will not be comparable to Erie Thames given the fact that distance of Erie Thames’ Ingersoll service centre from the Proposed Development is less than one-third of the distance that Hydro One’s Beachville service centre is from the Proposed Development. In addition, Erie Thames submits that Hydro One’s suggested response time is only realistic if Hydro Crews are at the Beachville service centre which is not a given in light of the large rural area serviced by Hydro One. Erie Thames also questions whether Hydro One will be able to respond this quickly in emergency situations if Hydro One needed to access Hydro One crews from neighbouring areas that are further away from the Proposed Development. Erie Thames also submits that Hydro One’s reference to the Proposed Development within the Town of Ingersoll as part of its “predominately rural system” further suggests that Erie Thames is better positioned to service the subject area given Erie Thames’ appropriate designation of the subject area as an “urban environment” (and related compliance with the urban standards set out in the Distribution System Code pursuant to which Erie Thames is obligated to respond within 60 minutes.)

38. Hydro One concludes its submission (line 19, page 6) on the capacity, quality and reliability of service with the assertion that the level of service, if Hydro One services the Proposed Development, “will be comparable to, if not better, than that of Erie Thames.” Erie Thames objects to Hydro One’s conclusion and submits that Erie Thames ability to serve the Proposed Development is comparable, if not superior, to Hydro One’s having regard to Erie Thames’ reply submissions herein regarding system planning and reliability impacts.

Economic Efficiency

39. In its submission (lines 19-30, page 7 and lines 1-9, page 8), Hydro One has questioned the assumptions and data used in Erie Thames’ EEM. While some of the points raised by Hydro One are valid, Erie Thames submits the resulting changes to the EEM results are immaterial. Furthermore, Erie Thames submits that the assumptions utilized in the EEM for the subject development are consistent with every development within Erie Thames’ service territory.
40. In its submission (line 1, page 7), Hydro One contends that Erie Thames “has failed to provide a persuasive argument to demonstrate the superior economic efficiency of its proposed service area amendment.” Based on the following points, Erie Thames disagrees

with Hydro One's conclusion that it has failed to provide a persuasive argument that it would be more economically efficient for Erie Thames to service the Proposed Development:

- (a) As acknowledged by Hydro One, Erie Thames has an existing distribution system adjacent to and adequate to supply the Proposed Development, without the use of an RPS.
 - (b) Hydro One has undertaken a number of costly steps in order to be in a position to service the Proposed Development (as referenced in Paragraph 35(b) above) and Hydro One has proposed future costly plans required to service additional load in the subject area (as referenced in Paragraph 26(b) above.)
 - (c) With minimal changes to its system (see Paragraph 27 above), Erie Thames has the ability to feed the Proposed Development from two existing feeders in emergency situations (which also supports the introduction of a smart grid) while Hydro One cannot back-feed the Proposed Development without introducing a costly new source of supply (as discussed in Paragraph 27 above.)
 - (d) As discussed in herein, Erie Thames submits that it offers a lower net connection cost to the developer.
 - (e) As referenced herein, Erie Thames offers lower rates to end users. In addition, given Hydro One's future plans to build feeder lines and new sources to supply the subject area, Erie Thames submits that Hydro One's rates will be even higher in the future if Hydro One supplies the Proposed Development. Contrarily, Erie Thames' existing distribution system is well-designed and adequate to supply customers in the Proposed Development and Erie Thames' existing service territory without the immediate risk of significant rate increases to pay for additional infrastructure.
41. Erie Thames notes that Hydro One has avoided comments throughout this proceeding regarding the price impacts to end users if Hydro One supplies the Proposed Development, beyond arguing that the Board should not approve this Application based solely on rates (lines 29-31, page 1). Given the Board's first objective, as raised by Hydro One in its submission (lines 12-14, page 3), and in light of rising electricity rates and end users struggling to pay their electricity bills, Erie Thames submits that, as long as the distributors ability to service the Proposed Development are relatively equal, the Board should place substantial weight end user rates (despite the fact rates alone are not determinative under RP-2003-0044) when ruling on this Application.

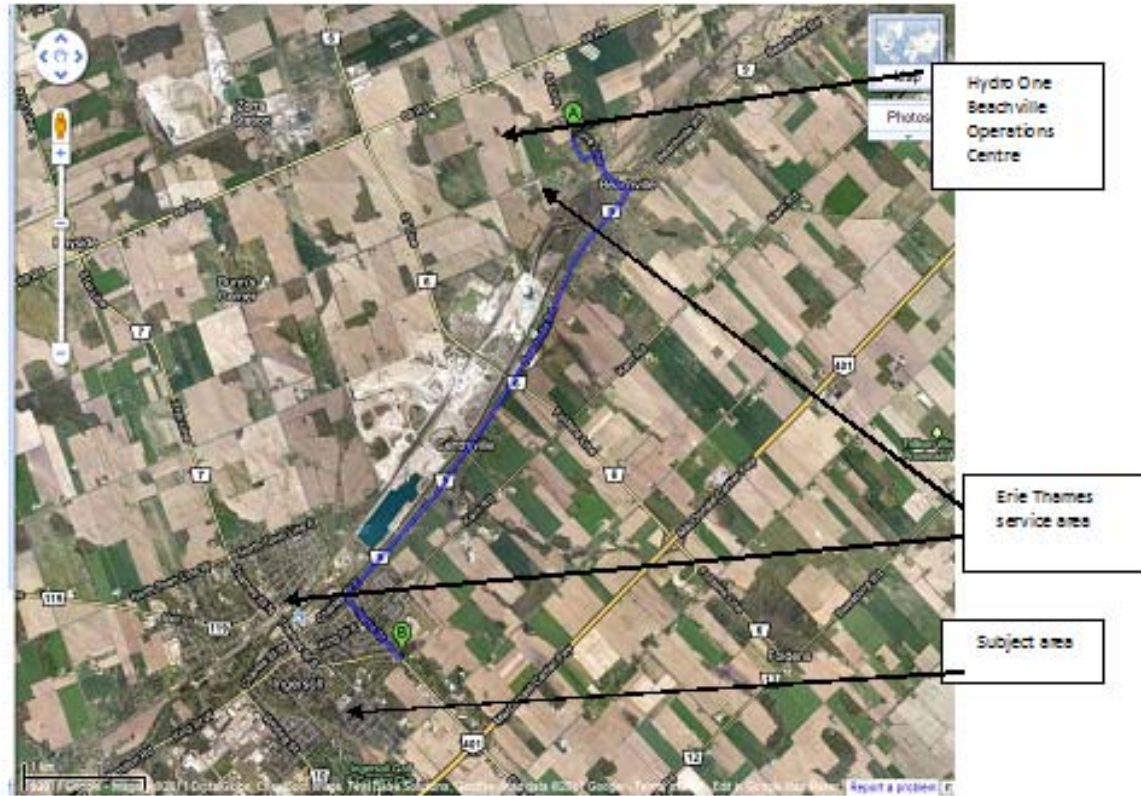
42. In its submission (lines 9-12, page 7), Hydro One submits that Erie Thames' proposal to connect the Proposed Development would result in a duplication of assets. Hydro One's submission above is based on its erroneous conclusion that Erie Thames' proposal involves double circuiting south on Hydro One's existing 38M50 feeder from Erie Thames' existing service area boundary to the access point of the Proposed Development. Erie Thames disagrees with Hydro One's claim that Erie Thames would be duplicating assets. Erie Thames will not parallel Hydro One's existing 38M50 feeder. Hydro One's assets are on the east side of Harris Street while Erie Thames proposes to go underground into the Proposed Development (via a municipal easement) from Erie Thames' pole on the west side of Harris Street. In the event that Hydro One had poles located on the west side of Harris Street and north of the municipal easement, Erie Thames submits that it would have pursued a joint use arrangement with Hydro One. However, Erie Thames submits that this is not the case and there is no duplication of any assets under Erie Thames' proposal to connect the Proposed Development.
43. In its submission (line 19, page 7), Hydro One has expressed the concerns described below regarding the connection costs submitted by Erie Thames. Erie Thames submissions in response to those concerns are also described below.
- (a) Hydro One submitted (line 23, page 7) that connection rebate calculations are inconsistent between the Harris View comparison table (\$95,163) and Erie Thames' Offer to Connect and EEM (\$81,636). Erie Thames submits that the Harris View comparison table assumed all customers were connected in year one (not over time as in the EEM.) Erie Thames submits is not an inconsistency but it was meant to be an illustration of the maximum rebate that the developer could receive if all customers were connected in year one.
 - (b) Hydro One submitted (line 26, page 7) that inspection costs on contestable work and the cost for supply and splicing of secondary cable have been excluded Hydro One and Hydro One unilaterally estimates that "these excluded costs could amount to over \$6,500." Erie Thames submits that it explained Erie Thames' business practice regarding inspection costs and the cost for supplying and splicing of secondary cable in its responses to Hydro One's Interrogatories nos. 3(a) and 4(a) and (b). Erie Thames supports its past practices regarding inspection and secondary splicing costs. Moreover, Erie Thames questions why Hydro One is raising these contestable costs given their position that only non-contestable costs should be considered for the purposes of comparing the two utilities' connection costs for the Proposed Development.

- (c) Hydro One submitted (line 29, page 7) that Incremental Low Voltage (“ILV”) charges related to the new development are excluded in the EEM and the connection rebate calculation. Erie Thames submits that the ILV charges are a pass-through to the end use customer and part of the distributors’ regulatory accounting and, accordingly, that they should not be factored into the EEM for Erie Thames since the offsetting revenue for ILV charges is not incorporated into the EEM either
 - (d) Hydro One submitted (line 1, page 8) that incremental operations and maintenance costs associated with meeting demand (kW) and consumption (kWh) appear to have been excluded in the EEM and the connection rebate calculation. Erie Thames submits that the \$113 per customer charge is intended to capture all costs related to the expansion including increases in kW and kWh. Erie Thames has simply not separated these amounts out and Erie Thames submits that no further costs are required.
 - (e) Hydro One submitted (line 5, page 8) that Erie Thames’ labour costs “appear too low to complete the required work.” Erie Thames submits that its estimating system is updated annually according to Erie Thames’ collective agreement then in force.
 - (f) Hydro One submitted (line 7, page 8) that an easement cost of \$2,000 to enter subdivision is excluded. Erie Thames submits that it responded to this issue in its response to Hydro One’s interrogatory no. 1(b). Erie Thames’ proposal involves entering the Proposed Development underground via a municipal easement. Erie Thames’ submits that there are no costs from Erie Thames to the developer for the use of the easement as it is a joint easement and Erie Thames has the developer’s approval to use the easement.
 - (g) Hydro One submitted (line 8, page 8) that “40 meters of underground cable in front of Harris St. is potentially unaccounted for” in Erie Thames’ Offer to Connect. Erie Thames submits that these costs are accounted for in Schedule 3 of Erie Thames’ Offer to Connect. The 40 meters of underground cable is included as part of the development costs in the non-contestable portion.
44. Hydro One submits (line 11, page 8) that Erie Thames’ cost estimate should not be relied because Hydro One has concluded that there appears to be inconsistencies and apparent omissions in Erie Thames’ cost estimate that would result in a “material change” to Erie Thames’ Offer to Connect. As contended above, Erie Thames rejects Hydro One’s assertion that its cost estimate contained the inconsistencies and omissions described by Hydro One in its submission. Moreover, Erie Thames also submits that the

“inconsistencies and apparent omissions”, even if accurate (which Erie Thames submits that they are not), would have an immaterial impact on Erie Thames Offer to Connect. Erie Thames submits that, in either event, Erie Thames’ connection cost offer for the Proposed Development remains less than Hydro One’s.

45. Based on the rationale described in Paragraph 44 above, Erie Thames also submits that the Board should ignore Hydro One’s submission (line 9, page 9) that the Board should give diminished weight to the developer’s letter of support based on Hydro One’s allegations that Erie Thames’ cost estimate was misstated.
46. In its submission (line 34, page 10 and line 1, page 11), Hydro One submits that Erie Thames “is not proposing to include [existing Hydro One customers to the west and east of the new development] in its SAA application.” Hydro One makes this submission in support of its argument that granting the Application would cause a “peninsula effect.” Erie Thames submits that it is important to note that a joint application was being prepared Erie Thames and Hydro One regarding the transfer of Hydro One’s long-term load transfer (“LTLT”) customers located to the west of the subject area to Erie Thames. However, Erie Thames submits that Hydro One withdrew from these discussions when the eliminate date for LTLT arrangements was extended to 2014. Some of these customers bordering the west side of the Proposed Development continue to be served under LTLT arrangements (with Erie Thames as the host distributor.) Therefore, Erie Thames submits that the Board should ignore Hydro One’s submission above as both irrelevant (given the scope of this Application) and inaccurate (given Hydro One’s deferral of the transfer of the LTLT customers to Erie Thames.)
47. In its submission (line 14, page 11), Hydro One submits that Erie Thames’ proposal to serve the Proposed Development is inefficient given that “Erie Thames’ crews would have to drive through Hydro One’s territory to reach the new subdivision for service calls, while Hydro One crews would have to drive past the subdivision, which it could otherwise have serviced, in order to respond to service calls to existing Hydro One customers to the west, east and south of the new development.” Erie Thames’ submits that Hydro One’s statement above illustrates that Hydro One is unfamiliar with the subject area despite their claims of a “local presence”. Erie Thames submits that, in order for Hydro One to respond to the Proposed Development within 10 minutes (as argued in Hydro One’s submission), Hydro One would drive through two sections of Erie Thames’ service territory (Beachville and Ingersoll; see Map 47 below). Erie Thames submits establishes that there will be some degree of customer confusion service area boundaries in any event.

Map 47



48. In its submission (line 19, page 2), Hydro One submits that it “has a local presence and can provide safe and reliable service to the residents of the new subdivision at a level comparable to Erie Thames.” Erie Thames disagrees with the statement for the following reasons:
- (a) Erie Thames has the ability to back-feed the area, while Hydro One does not.
 - (b) Erie Thames has a reliable, existing distribution system with more than adequate capacity to supply this area without the potential need to build additional feeders, as compared to Hydro One.
 - (c) Erie Thames has correctly designated the urban subject area as an urban area under the Distribution System Code resulting in a shorter response time (as compared to Hydro One which would treat the subject area as rural therefore resulting longer mandated response times in emergency situations.)

E. CONCLUSIONS

49. For the reasons described in this Reply Submission, Erie Thames submits that all areas of relief described in the Application relating to (Phase I only of the) Proposed Development be granted by the Board.

All of which is respectfully submitted.