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BY E-MAIL

September 21, 2011

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Board Staff Submission
Electricity Distribution Licence Amendment Application EB-2011-0085
Erie Thames Powerlines Corporation**

Please find enclosed Board Staff submission with respect to Erie Thames Service Area Amendment Application.

Please forward the submission along with this cover letter to the applicant and all intervenors in this proceeding.

Yours truly,

Original signed by

Irina Kuznetsova
Case Manager

Attachment



ONTARIO ENERGY BOARD

STAFF SUBMISSION

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

September 21, 2011

On March 21, 2011, Erie Thames Powerlines Corporation (“Erie Thames”) filed an application with the Ontario Energy Board (the “Board”) under section 74 of the *Ontario Energy Board Act, 1998* 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 Service Area Amendment, 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. The lands are currently vacant and located within Hydro One Networks Inc.’s (“Hydro One”) licensed service area.

The Board issued its Notice of Written Hearing and Procedural Order No. 1 on March 28, 2011. Procedural Order No. 1 made provisions for interrogatories on Erie Thames’ evidence, the filing of evidence from intervenors and interrogatories on that evidence, and written submissions. The record closed in this proceeding with Erie Thames’s reply submission.

In order to assess the relative economic efficiency of each distributor’s proposal the Board issued Procedural Order #2 re-opening the record to allow time for interrogatories limited to the Board’s consideration of economic efficiency, interrogatory responses, written submissions, and reply submissions.

The purpose of this document is to provide the Board with the submissions of Board staff after its review of the economic evaluation information and interrogatories filed in this proceeding.

BOARD STAFF’S SUBMISSION

As it has been already stated in Board staff’s earlier submission, in assessing service area amendment 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”). In the RP-2003-0044 Decision, the Board stated “...*Economic efficiency is a primary consideration in assessing a service area amendment application... Where new assets must be developed to effect the connection, a comparison of the costs associated with such development will inform the assessment of economic efficiency.* “

In its earlier submission Board staff concluded that both distributors are in a relatively equal position to serve Phase 1 of the proposed residential development from a system planning perspective and from a reliability and quality of service perspective, however Board staff was unable to assess the relative economic efficiency of each distributor's proposal due to incomparable costs submitted by the distributors.

Pursuant to Procedural Order #2, both Erie Thames and Hydro One filed revised economic evaluations. Board staff submits that the respective economic evaluations filed by Erie Thames and Hydro One were prepared using the same assumptions, i.e. 750 kW average monthly consumption and a staggered connection horizon, and provide comparable information which can be considered by the Board in assessing the merits of this application after one adjustment is made. In its economic evaluation Erie Thames has included all civil work costs associated with the construction of the distribution system for the proposed residential development while Hydro One has not. In its response to Erie Thames interrogatory #1, filed on September 14, 2011, Hydro One stated that *"...civil work is a cost associated with the connection which should be either included or excluded by both parties in order to arrive at a common economic assessment. Given that Erie Thames has included the cost of civil work in its evaluation, Hydro One accepts Erie Thames' cost estimate as a reasonable amount to use for that cost."* In Board staff's view, in order to make the cost estimates comparable the amount of \$103,420, which represents the cost of civil work in Erie Thames capital cost estimate (Tab 8 of Erie Thames' application), should be added to Hydro One's total costs. For comparison purposes Board staff summarized the connection costs, including an adjustment to Hydro One's cost to represent the civil work, and determined the total price to be paid by the customer in Table 1 below:

Table 1

Phase I of Harris View Development		
	Erie Thames	Hydro One
Non-Contestable Work	\$73,075	\$89,832
Contestable Work	\$46,320	\$108,921
Service Installation	\$19,440	
Civil Work Costs	\$103,420	\$103,420
Total Capital Costs	\$242,255	\$302,173
Total Customer Costs	\$144,372	\$194,262

Board staff notes that since the present value of civil work cost is not calculated in Hydro One's case it can produce insignificant difference to the total costs to be paid by the customer. However, Hydro One is welcome to submit the full amount the customer would be required to pay, including civil work costs, to make both estimates fully comparable.

Based on the evidence, Board staff's view is that Erie Thames was able to demonstrate that it can provide connection of the development at a cost to the customer which is significantly lower than Hydro One's costs.

In conclusion, Board staff submits that since both distributors are in a relatively equal position to serve Phase 1 of the proposed residential development from a system planning perspective and from a reliability and quality of service perspective, considerable weight should be given to the costs of the assets necessary to effect the connection and the capital contribution the customer must pay.

All of which is respectfully submitted