

Hydro One Networks Inc.

8th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5707
Fax: (416) 345-5866
Andrew.skalski@HydroOne.com

Andrew Skalski

Director – Major Projects and Partnerships
Regulatory Affairs



BY COURIER

July 16, 2012

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli

**EB-2012-0181 – Orangeville Hydro Limited – Application for Service Area Amendment –
Hydro One Networks Submission**

In accordance with Procedural Order 2, I am attaching two (2) paper copies of the Hydro One Networks' submission in the above-mentioned proceeding.

An electronic copy of the complete application, including the attached updates has been filed using the Board's Regulatory Electronic Submission System.

Sincerely,

ORIGINAL SIGNED BY ANDREW SKALSKI

Andrew Skalski

c – Intervenors (Electronic Only)

1 **IN THE MATTER OF** the *Ontario Energy Board Act*,
2 1998, S.O. 1998, c. 15, (Schedule B);

3
4 **AND IN THE MATTER OF** an application under
5 section 74 of the *Ontario Energy Board Act, 1998* for a
6 licence amendment

7 **SUBMISSIONS OF HYDRO ONE NETWORKS INC.**
8 **REGARDING ITS NOTICE OF MOTION**
9 **DATED JUNE 27, 2012**

10 Pursuant to item #1 of Procedural Order No. 2, dated July 6, 2012, the Board stated that
11 the Moving Party, Hydro One Networks Inc. (“Hydro One”), shall, by July 16, 2012, file
12 any additional written submissions on its motion.

13
14 Hydro One therefore makes the following submissions.

15
16 **Hydro One’s Interrogatory #4 To OHL**

17
18 In its Notice of Motion, Hydro One requested an order requiring the Applicant,
19 Orangeville Hydro Limited (“OHL”), to provide an answer to Hydro One’s Interrogatory
20 #4 dated June 11, 2012, wherein Hydro One asked the Applicant what the impact on its
21 Application would be if the OEB determined that relocation and removal costs to relocate
22 the existing Hydro One assets on the subject property should be included in the total costs
23 to service the subdivision. OHL has not provided a detailed analysis of the impacts to its
24 Application if relocation and removal costs are included. Instead, it simply asserted that
25 its costs would remain less than Hydro One’s.

26
27 Hydro One respectfully submits that the information requested from OHL is relevant,
28 necessary, and clearly within the scope of this proceeding because, pursuant to the
29 Board’s Decision and Order in RP-2003-0044, a decision on a service area amendment
30 will be made only after the Board has had an opportunity to compare the total costs of

1 connecting a proposed new development to an applicant distributor to the total costs of
2 connecting the said development to the incumbent distributor.

3
4 Relocation and removal costs are part and parcel of the total cost of connecting a
5 proposed new development if, in fact, relocation and removal are involved. It is clear
6 that in the matter before the Board, connection to a new distributor, namely OHL, will
7 require relocation and removal of Hydro One's existing assets, yet OHL did not reveal
8 the dollar impact in its response to Interrogatory #4 because OHL has not included those
9 costs in determining the total costs of connection.

10
11 Connection of the proposed development to the incumbent distributor, Hydro One, will
12 also require relocation and removal of Hydro One's assets. Hydro One therefore submits
13 that in order to do an apples-to-apples comparison of the total cost of connection to each
14 of the two competing LDCs, the Board needs to know the amount of the relocation and
15 removal costs involved in connecting the new subdivision to both the OHL and Hydro
16 One system, and the resulting impacts on their respective economic evaluations.

17
18 If, on the other hand, the Board determines that relocation and removal costs do not form
19 part of the total cost of connection, Hydro One submits that result will mean that the
20 Board does not have before it two total costs of connection that are based on the same
21 components.

22
23 **Hydro One's Interrogatory #8 To OHL**

24
25 In its Notice of Motion, Hydro One requested an order requiring the Applicant,
26 Orangeville Hydro Limited ("OHL"), to provide an answer to Hydro One's Interrogatory
27 #8 dated June 11, 2012, wherein Hydro One asked the Applicant to provide an updated
28 Economic Evaluation for 154 lots and a revised Schedule K (adjusted for 115 lots),
29 including an Upstream Cost Calculation based on the considerations and charges set out

1 in that Interrogatory. OHL has refused to provide the requested information in its answer
2 to the said Interrogatory #8.

3
4 Again, Hydro One respectfully submits that the information requested from OHL is
5 relevant, necessary, and clearly within the scope of this proceeding because, pursuant to
6 the Board's Decision and Order in RP-2003-0044, a decision on a service area
7 amendment will be made only after the Board has had an opportunity to compare the total
8 costs of connecting a proposed new development to an applicant distributor to the total
9 costs of connecting the said development to the incumbent distributor.

10
11 It is clear that in this proceeding, OHL has not included any incremental upstream costs
12 in preparing its economic evaluation. In contrast, Hydro One's calculations include all of
13 the incremental annualized costs associated with reinforcing and maintaining the
14 upstream distribution system to accommodate the new load arising from the proposed
15 development.

16
17 Given that OHL is an embedded distributor within Hydro One's distribution system, the
18 additional load related to the new development will create additional upstream costs on
19 Hydro One's system, regardless of which LDC services the development. OHL's
20 Application states that OHL will supply the load from the F2 feeder out of Grand Valley
21 DS. Therefore, OHL will be required to pay the following additional Hydro One charges
22 if OHL services the development:

- 23
24 a. OHL will be charged \$0.0668 per kW per month, which is Hydro One's Facility
25 Charge for connection to Common ST lines; and
26
27 b. OHL will be charged \$1.944 per KW per month, which is Hydro One's Facility
28 Charge for connection to a Low Voltage Distribution Station.

1 These charges will amount to \$9,364 per year when all 154 lots have been connected, and
 2 Hydro One submits that the Board's analysis of connection to each LDC should be based
 3 on two apples-to-apples economic evaluations. In that regard, Hydro One states that all
 4 costs must be treated by each distributor in the same manner, namely either included in,
 5 or excluded from, the economic evaluation. If these costs were to be included in OHL's
 6 economic evaluation, the present value of these additional costs over the 25-year revenue
 7 horizon would equal \$103,338.70, using OHL's discount rate.

8
 9 If OHL passes these additional charges through to all of its customers, as it states in the
 10 response to HONI IR # 8 it will do, it will result in an incremental charge of \$1 per year
 11 for each customer served by OHL. However, OHL's treatment of these upstream costs as
 12 a pass-through results in these costs going unrecognized in OHL's economic evaluation
 13 and causes the additional embedded supply provided by HONI to be considered as "free"
 14 to the developer. Hydro One therefore submits not only that inclusion of these upstream
 15 costs will have a material difference on OHL's Economic Evaluation but also that these
 16 costs should be included to enable the Board to do a fair, apples-to-apples comparison
 17 between the two LDCs. Furthermore, it would not be fair for a much larger group of
 18 OHL's customers to bear these upstream costs, because, pursuant to the Board's Decision
 19 and Order in RP-2003-0044, the protection of the interests of the larger group of
 20 consumers affected by any service area amendment application must take precedence
 21 over the preference of any individual consumer, and the more general interest of
 22 consumers is to be protected through the rational optimization of existing distribution
 23 systems.

24
 25 **Hydro One's Submissions Applicable To Both Interrogatories (#4 And #8) To OHL**

26
 27 In addition to its above submissions regarding each of the two unanswered
 28 interrogatories, Hydro One also submits that s. 1(1)2 of the electricity objectives section
 29 of the *Ontario Energy Board Act, 1998*, states that the Board, in carrying out its
 30 responsibilities, shall be guided by a number of objectives, including, but not limited to,

1 promoting economic efficiency and cost effectiveness in the distribution of electricity. In
2 Hydro One's respectful submission, economic efficiency and cost effectiveness cannot be
3 promoted without the Board's consideration and evaluation of all costs that result from
4 connection to each of two competing LDCs: promotion of economic efficiency, cost
5 effectiveness, and fairness require nothing less.

6
7 Hydro One also respectfully submits that if the Board wishes to reserve its decisions on
8 the scope of the hearing, relevance of matters, and interpretation of the Decision and
9 Order in RP-2003-0044 until after the parties have made their final submissions in this
10 proceeding, the Board should require the Applicant to fully answer Interrogatories #4 and
11 #8 so that the facts and dollar amounts will be available to be referred to in the parties'
12 final submissions.

13 ALL OF WHICH IS RESPECTFULLY SUBMITTED.

14 July 16, 2012

ORIGINAL SIGNED BY MICHAEL ENGELBERG

15 Michael Engelberg
16 Counsel to the Moving Party, Hydro One Networks Inc.