



T.J. Moore Law  
Professional Corporation

*Copy via Email*  
*Original via Courier*

July 30, 2012

Ms. Kristen Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700  
2300 Yonge Street  
Toronto, ON M4P 1E4

Dear Ms. Walli

**RE: Ontario Energy Board File No. EB-2012-0181 - Application for Service Area Amendment -  
Response to the Notice of Motion by Hydro One Networks Inc.**

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Please find enclosed Orangeville Hydro Limited's Response to the Notice of Motion by Hydro One Network Inc. in connection with the above-referenced proceeding.

In addition to this electronic copy of the revised application, two (2) paper copies will be delivered via courier.

Yours very truly,

**T.J. MOORE LAW PROFESSIONAL CORPORATION**

By: \_\_\_\_\_

  
Tyler J. Moore, LL.B.

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**TJMLAW**

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

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

**RESPONSE SUBMISSION OF ORANGEVILLE HYDRO LIMITED  
REGARDING A NOTICE OF MOTION BY  
HYRDO ONE NETWORKS INC. DATED JUNE 24, 2012**

Pursuant to item #3 of Procedural Order No. 2, dated July 6, 2012, the Board stated that the Responding Party, Orangeville Hydro Limited (“OHL”), shall, by July 30, 2012, file any written submissions on the Notice of Motion submitted by the Moving Party, Hydro One Networks Inc. (“Hydro One”).

OHL therefore makes the following submissions.

**General Submissions**

1. In its Notice of Motion, Hydro One has requested an order requiring OHL to provide additional information regarding the impact of the following:
  - a) Relocation and removal costs to relocate an existing Hydro One pole line on the subject property (the “Line Relocation Cost”); and
  - b) The inclusion of the appropriate upstream costs associated with the proposed development (the “Upstream Costs”).
2. OHL submits that Hydro One has based its Notice of Motion described in paragraph 1 above on the following rationale:
  - a) All costs associated with servicing the development should be captured and considered by the parties when determining the Application to allow the Board to make an apples-to-apples comparison of both distributors’ connection costs;
  - b) The Line Relocation Cost is a cost associated with servicing the subject area and this costs should be included in OHL’s economic evaluation of the connection of the proposed development; and
  - c) The appropriate Upstream Costs were not included in OHL’s economic evaluation of the connection of the proposed development.

3. OHL strongly agrees with Hydro One's submission described in paragraph 2a) above that all costs should be reflected and considered by the Board when determining this Application. However, OHL strongly disagrees with Hydro One's submission that all of the costs associated with OHL servicing the proposed subdivision have not been included and accurately reflected in the information presented by OHL. OHL submits that all relevant costs are fully and completely reflected in, as applicable, its offer to connect, economic evaluation model, and Application before the Board.
4. OHL disagrees with Hydro One's submission described in paragraph 2b) above. For the reasons described in paragraphs 7 to 9 below, OHL submits that the Line Relocation Cost is an easement cost borne directly by the developer and it is not a cost associated with servicing the subject area and, accordingly, should not be included in the economic evaluation model.
5. OHL disagrees with Hydro One's submission described in paragraph 2c) above. For the reasons described in paragraphs 11 and 12 below, OHL submits that the "Upstream Cost Calculation" included in OHL's economic evaluation accurately reflects an amount of \$0. In addition, OHL submits that all incremental annualized costs associated with the new load represented by the proposed development will be captured by increases to the low voltage costs paid by OHL to Hydro One. OHL submits that the above discrepancies are based on Hydro One's incorrect interpretation of the economic model used by OHL.

#### **Interrogatory #4 – Line Relocation Costs**

6. Hydro One has submitted that:
  - a) the Line Relocation Cost is a cost associated with servicing to the subject area;
  - b) the Line Relocation Cost should be included in OHL's economic evaluation model; and
  - c) the "Board needs to know the amount of the [Line Removal Cost] involved in connecting the new subdivision to both the OHL and Hydro One system".
7. In response to paragraph 6a) above, OHL submits that:
  - a) The Line Relocation Cost is not a cost associated with servicing the subject area. OHL would be able to service the subject area indefinitely with the Hydro One pole line left in its current location.
  - b) The Line Relocation Cost is a cost to the developer associated with registering the plan of subdivision. In particular, the developer wants the Hydro One pole line relocated so that a Hydro One easement can be eliminated when registering the plan of subdivision. Accordingly, the Line Relocation Cost should be considered an easement cost rather

than a contestable or non-contestable cost of servicing the subject area. For reference purposes, a sketch illustrating this easement issue is attached to this submission as Schedule A.

- c) The developer has recently submitted a revised request for connection for 114 lots which excludes the 40 lots affected by the Hydro One easement referenced in paragraph 7b). Accordingly, the line relocation and related Line Relocation Costs are not required at this time. OHL will provide additional information regarding the developer's revised request for connection when the normal proceeding resumes (or earlier if requested by the Board).
8. In response to paragraph 6b) above, OHL submits that:
- a) The Line Relocation Cost is not a contestable or non-contestable cost associated with servicing the subdivision. OHL will not own the relocated line when the proposed subdivision is completed. The developer is responsible for this work and OHL has no role in reviewing or approving these costs. Like civil work costs, the Line Relocation Cost is a direct cost to the developer. Accordingly, as with civil work costs, the Line Relocation Cost should not be included in OHL's economic evaluation model for the proposed development.
  - b) In the event that the Line Relocation Cost was included in OHL's economic model as requested by Hydro One, the developer would essentially resolve its above-described easement issue for "free" as the entire OHL customer base would share in paying for the Line Relocation Cost. OHL never includes a developer's cost for addressing any easement issues (e.g. cable, telecommunications) in its economic evaluation for a new subdivision as it would be improper to expect OHL's rate base to pay for these easement related costs.
9. In response to paragraph 6c) above, OHL submits that:
- a) The cost impact associated with the line relocation if OHL services the development is clear. As indicated in Interrogatory #4, the Line Relocation Cost is \$175,853.80. As set out in an email from the developer to Hydro One dated April 25, 2012 and included as Schedule H to OHL's Application, the developer is aware of this amount and its requirement to pay the Line Relocation Cost, and the developer continues to prefer OHL as the distributor of the subject property. Furthermore, the developer has recently signed an offer to connect with OHL reflecting the revised request for connection for 114 lots described in paragraph 7c) above.
  - b) In the event that the Board determines that the Line Relocation Cost constitutes part of the total cost of connection, the Line Relocation Cost simply needs to be added to the

Developer's total costs (Total Customer Costs) in the following summary table set out in OHL's response to Board Staff Interrogatory #4:

<u>Costs</u>	<u>OHL</u>	<u>Hydro One</u>
Non-contestable	\$23,237.00	\$231,341.62
Contestable	\$158,898.00	\$236,750.26
Civil	n/a	n/a
<b>Total Capital Costs</b>	\$182,135.00	\$468,091.88
Total Customer Costs	\$11,865.00	\$160,966.14

However, as described in paragraph 8 above, OHL submits that the Line Relocation Cost should not be included in OHL's economic evaluation model for the proposed development and, accordingly, no additional changes to the above summary table are required. Therefore, as explained in paragraphs 9a) and b), the cost impact associated with the line relocation in the event that OHL services the proposed development is clear.

- c) Contrarily, OHL submits that these costs are not clear in Hydro One's offer to connect. In particular, it is not evident whether line relocation costs were included in both options A and B in Hydro One's offer to connect and, if so, the amount of such costs. OHL submits that it would have been helpful if Hydro One clearly identified the line relocation costs in both options A and B of its offer to connect.

#### **Interrogatory #8 – Upstream Costs**

10. Hydro One has submitted that:

- a) OHL should file a revised economic evaluation to reflect Hydro One's Common ST Lines and Low Voltage Distribution Station facility charges under the "Upstream Cost Calculation" portion of OHL's economic evaluation model; and
- b) OHL's treatment (i.e. as a LV pass through cost of power in the same manner as transmission service costs) of incremental annualized costs associated with additional load represented by the proposed subdivision will result in these costs being considered as "free" to the developer.

11. In response to paragraph 10a) above, OHL submits that:

- a) Hydro One has incorrectly interpreted the meaning of "Upstream Cost Calculation" as it is used in OHL's economic evaluation model. The definition of "Upstream Cost Calculation" is specific to the economic evaluation model in which it is used. The economic evaluation model used by OHL has been created by the Cornerstone Hydro-Electric Group (CHEC) for use by its members. In the CHEC economic evaluation model,

“Upstream Cost Calculation” captures System Capacity Enhancement Costs (e.g. feeder or substation enhancements.) required to connect a new development. This definition is supported by the description of Upstream Costs in the Index page of OHL’s economic evaluation (page 4) and the instructions attached as Schedule B which has been reviewed by Board staff.

- b) In light of the definition described in paragraph 11a) above, OHL correctly shows \$0 for Upstream Cost Calculation in its economic model because no System Capacity Enhancements to are required to service the proposed development.
12. In response to paragraph 10b) above, OHL submits that:
- a) Hydro One has low voltage costs confused with upstream costs. This is a matter of rates to the end use customers and OHL’s rates are significantly lower than Hydro One’s. As stated in its response to Interrogatory #8, OHL maintains that the any incremental annualized costs associated with additional OHL load supplied by the Grand Valley DS are addressed by increases to the low voltage (“LV”) costs paid to Hydro One by OHL. These costs, which are reflected on pages 1 and 2 of OHL’s Hydro One statement of account attached to this submission as Schedule C, will increase in accordance with the new load represented by the proposed development.
- b) In preparing the economic evaluation for the subject property, OHL has treated the proposed development like any other new subdivision in OHL’s service territory. OHL’s practice is to include incremental costs associated with new load in its LV charges and, accordingly, such costs are spread over the entire rate base whereby any differences in the rate charged by Hydro One versus the rate charged to OHL’s customers is tracked in a variance account. Therefore, if there is a new development in Orangeville, OHL’s customers in Grand Valley will share in the cost of this incremental load via LV charges. The Board has not expressed issues with this approach in the past.

### **Concluding Submissions**


13. In summary, OHL submits that:
- a) All of the costs associated with OHL servicing the proposed subdivision are fully and completely reflected in the information presented by OH with its Application for a service area amendment.
- b) The Line Relocation Cost is not a cost associated with servicing the subject area. Instead, the Line Relocation Cost is a cost to the developer associated with registering the plan of subdivision and, like civil work costs, this cost should not be included in OHL’s economic evaluation.

- c) In the event that the Board determines that the Line Relocation Cost constitutes part of the total cost of connection, the Line Relocation Cost simply needs to be added to the Developer's total costs and no changes to OHL's economic evaluation are required.
  - d) The developer is aware of the Line Relocation Cost and its obligation to pay for such costs if OHL services the proposed subdivision. Regardless, the developer has indicated that OHL remains its preferred distributor to the subject area.
  - e) The "Upstream Cost Calculation" included in OHL's economic evaluation accurately reflects an amount of \$0. Accordingly, no changes to OHL's economic evaluation are required.
  - f) All incremental annualized costs associated with the new load represented by the proposed development will be captured by increases to the low voltage costs paid by OHL to Hydro One.
  - g) OHL treatment of the costs described in paragraphs 13e) and f) above are consistent with its past practice for connecting new subdivisions in its service territory.
  - h) Given the evidence presented herein, the Board is in a position to make an apples-to-apples comparison of each distributor's connection costs based on the information presented by OHL in its Application and responses to interrogatories.
14. Based on the information presented in this response submission, OHL submits that Hydro One's Notice of Motion should be denied.

ALL OF WHICH IS RESPECTIVELY SUBMITTED.

July 30, 2012

T.J. MOORE LAW PROFESSIONAL CORPORATION

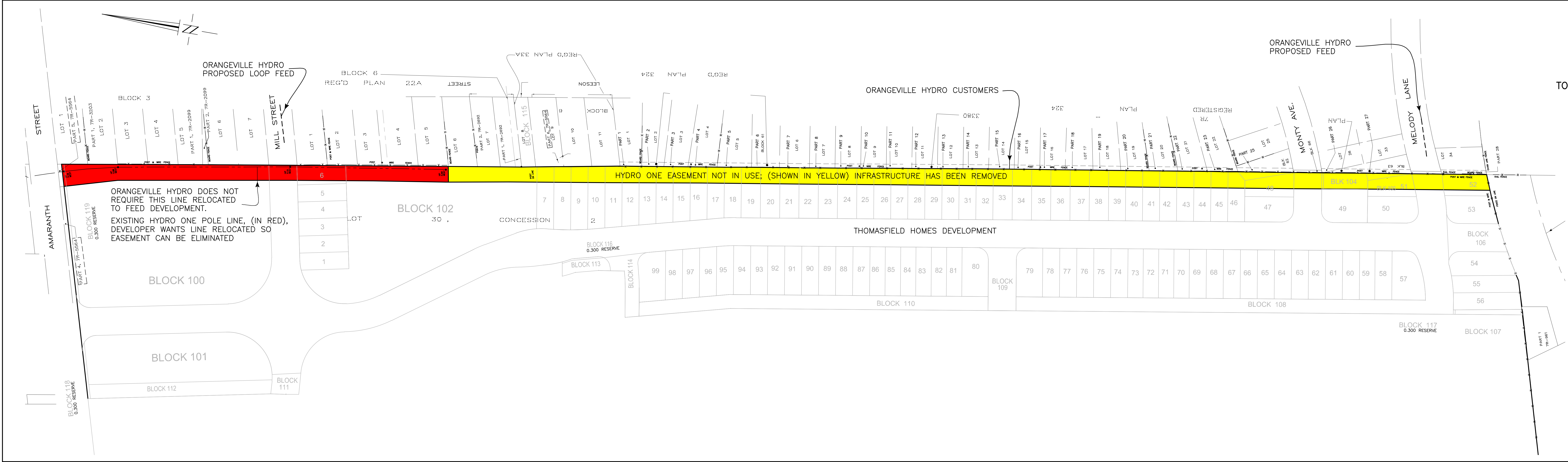
By:   
Tyler J. Moore, LL.B.

Counsel of the Responding Party, Orangeville Hydro Limited

## **SCHEDULE A**

Attached hereto.





SKETCH OF  
 OF PART OF  
**LOT 30, CONCESSION 2**  
 (GEOGRAPHIC TOWNSHIP OF EAST LUTHER)  
**TOWNSHIP OF EAST LUTHER GRAND VALLEY**  
 COUNTY OF DUFFERIN

EASEMENT: INST. No. EL9130  
 DATED: JULY 27, 2012

**METRIC:**  
 DISTANCES SHOWN ON THIS PLAN ARE IN METRES AND  
 CAN BE CONVERTED TO FEET BY DIVIDING BY 0.3048.



423 WOOLWICH STREET  
 GUELPH - ONTARIO, N1H 3X3  
 PHONE: (519) 821 - 2763  
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 ORANGEVILLE - ONTARIO, L9W 5G5  
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 FAX: 519 - 940 - 4113  
 www.vanharten.com

DRAWN BY: EEL    CHECKED BY: AJM    PROJECT No. 16408-05

Jul 27, 2012 - 3:22pm  
 L:\East Luther\Con2\acad\VRP\Lot30(Taylor) HYDRO SKETCH JULY 27 2012.dwg

## **SCHEDULE B**

Attached hereto.

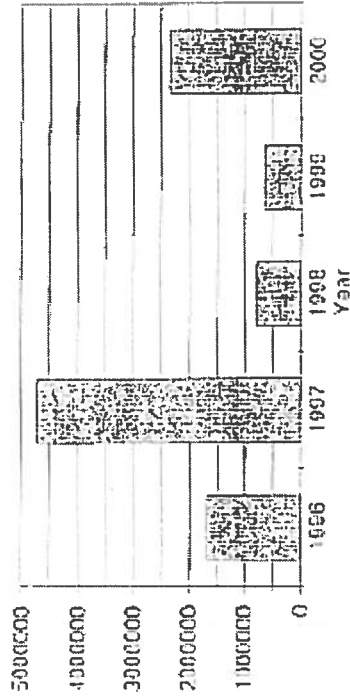
Proposal for Including Up-Stream Capital Costs in Financial Evaluations of Expansions

	1996	1997	1998	1999	2000
System Capacity Enhancement \$	1680000	4722000	787000	632000	2361000
kW of New Customer Load	15000	22500	17500	12400	23000
\$ / kW	\$112.00	\$209.87	\$44.97	\$50.97	\$102.65

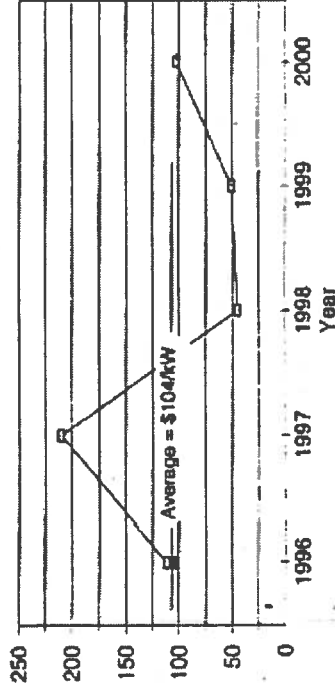
Average \$/kW = \$104.09

Board Staff Proposal  
For Discussion Only

System Capacity Enhancement \$



Per Unit Capacity Enhancement \$/kW



Due to the typical "lumpiness" associated with the timing of system capacity enhancement expenditures, there is a risk of over or under allocating these costs to specific expansion projects. To avoid this problem, it is recommended that these cost estimates be based on an appropriate allocation of a rolling average of the distributor's annual system capacity enhancement costs. This could be accomplished by determining, for each of the past five years, the ratio of (capacity enhancement dollars) to (kW of new customer load). The five-year average capacity enhancement \$/kW would then be used to determine the appropriate amount of up-stream capital to include in the financial evaluation based on the size (kW) of the new load proposed for the expansion.

In the example shown, the average system capacity enhancement cost equals \$104/kW. This per-unit value would be used for all expansion projects in 2001. The amount of up-stream capital included in the financial evaluation would be dependent on the amount of load involved in the expansion.

In 2002, the average system capacity enhancement cost would change to a new value based on system capacity expenditures from 1997 - 2001.

## **SCHEDULE C**

Attached hereto.



Orangeville Hydro L-Summary  
P.O. Box 400  
400 "C" Line

Current Invoice Month: Jun 2012  
Billing Start Date: 05-Jun-12  
Billing End Date: 05-Jul-12  
Report Date: 23-Jul-12

Orangeville On L9W 2Z7

Attention: Jan Howard

Contact Business Customer Centre:  
1-866-922-2466 e-mail:  
business.customer.centre@hydroone.com

OEB License Number:

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**DETAIL STATEMENT FOR JUN 2012**

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**Account Number:** 3522363009

**Type:** Aggregate

Orangeville TS

**Information we used to calculate your bill**

Total KWH 21,859,316.00  
Total KWH w Losses 22,164,669.00

*All meter quantities have been adjusted by authorized losses where applicable.*

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<b>Charge</b>	<b>Peak Demand Date Time</b>	<b>Rate</b>	<b>Prorate Factor</b>	<b>Units</b>	<b>Total</b>
<b>Delivery</b>					
Common ST Lines		\$0.6680		46,741.00 KW non-adj	\$31,222.99
Tx Connection Charge Transf	2012-07-04 16:00 EST	\$1.5000		47,405.00 KW adj	\$71,107.50
Transmission Network Charge	2012-07-04 17:00 Local	\$2.6500		47,405.00 KW adj	\$125,623.25
Sub-Total					\$227,953.74
<b>Total of all charges for this account</b>					<span style="border: 1px solid black; padding: 2px;"><b>\$227,953.74</b></span>

Account Number: 0785274017

Type: Subordinate

Grand Valley PME 1

**Information we used to calculate your bill**

Total KWH	633,819.00
Total KWH w Losses	661,923.00

*All meter quantities have been adjusted by authorized losses where applicable.*

<b>Charge</b>	<b>Peak Demand Date Time</b>	<b>Rate</b>	<b>Prorate Factor</b>	<b>Units</b>	<b>Total</b>
<b>Delivery</b>					
Monthly Service Charges				-	\$292.56
LVDS		\$1.9440		1,343.00 KW non-adj	\$2,610.79
Sub-Total					\$2,903.35
<b>Total of all charges for this account</b>					<b>\$2,903.35</b>

Account Number: 1565358000

Type: Subordinate

Orangeville TS 27.6 KV 22M26

**Information we used to calculate your bill**

Total KWH	6,915,859.00
Total KWH w Losses	6,962,920.00

*All meter quantities have been adjusted by authorized losses where applicable.*

<b>Charge</b>	<b>Peak Demand Date Time</b>	<b>Rate</b>	<b>Prorate Factor</b>	<b>Units</b>	<b>Total</b>
<b>Delivery</b>					
Monthly Service Charges				-	\$292.56
Sub-Total					\$292.56
<b>Total of all charges for this account</b>					<b>\$292.56</b>

Account Number: 2207623007

Type: Subordinate

Orangeville TS 44 KV 22M5

**Information we used to calculate your bill**

Total KWH	8,434,516.00
Total KWH w Losses	<input type="text" value="8,464,950.00"/>

*All meter quantities have been adjusted by authorized losses where applicable.*

<b>Charge</b>	<b>Peak Demand Date Time</b>	<b>Rate</b>	<b>Prorate Factor</b>	<b>Units</b>	<b>Total</b>
<b>Delivery</b>					
Monthly Service Charges				-	\$292.56
Sub-Total					\$292.56
<b>Total of all charges for this account</b>					<input type="text" value="\$292.56"/>



Account Number: 6075233006

Type: Subordinate

B Line PME

Information we used to calculate your bill

Total KWH	5,875,122.00
Total KWH w Losses	6,074,876.00

*All meter quantities have been adjusted by authorized losses where applicable.*

Charge	Peak Demand Date Time	Rate	Prorate Factor	Units	Total
<b>Delivery</b>					
Monthly Service Charges				-	\$292.56
Sub-Total					\$292.56
<b>Total of all charges for this account</b>					<b>\$292.56</b>

\*\*\*\*\* THIS IS NOT AN INVOICE - PLEASE DO NOT PAY \*\*\*\*\*