HYDRO ONE NETWORKS INC. INTERVENOR EVIDENCE

PURPOSE OF THE EVIDENCE

The incumbent distributor, the intervenor Hydro One Networks Inc. ("HONI"), submits the following evidence for the purpose of contesting the Revised Service Area Amendment application ("SAA") filed by Orangeville Hydro Ltd. ("OHL") on May 10, 2012.

Reasons for contesting OHL's SAA application

HONI is contesting the Application on the following grounds:

- The economics are clear that HONI's costs to connect the proposed new development ("the development") are significantly lower than OHL's, which should be the deciding factor in this proceeding. The total costs for HONI to service the development are $589,089**,** while HONI's estimate of the total costs for OHL to serve is $720,520**.**

- The development is within HONI's licensed service area, and HONI has existing distribution assets running through the subdivision that will be incorporated into the design to provide service in a manner that results in effective utilization of existing distribution assets. The result will optimize utilization of assets and investments made in HONI's service territory as part of the long-term planning for the service area.

- HONI provides reliable service in the Orangeville area, and its local system reliability is comparable to the Applicant's, as are its after-hours response times.

- Consistent with the principles established in RP-2003-0044, the Board should undertake a comparison of total overall costs to connect the new development to the distribution system as the primary consideration for assessing this SAA. HONI submits that the said comparison shows that HONI has lower overall costs when it comes to meeting the economic test set out by the Board. Other factors beyond the costs to connect should be considered only if it is proven that HONI's costs to connect the new development are not lower than OHL's. HONI notes that it has doubts and concerns about some aspects of OHL's costs presented in the Application.

- The development will be serviced by HONI's Grand Valley Distribution Station regardless of which distributor connects and services it.

- OHL's subdivision design does not include a loop feed design, thereby making OHL's design technically inferior to HONI's.

HONI therefore submits that HONI's continuation as the LDC for the development is in the public interest and meets the principles set out by the Board in RP-2003-0044.

Description of the boundary between HONI and OHL's service territory in the area affected by the Application

Map 6 (copied below) from Schedule G in the Application shows the boundary between HONI's and OHL's service areas. The blue-striped area belongs to OHL; and the surrounding area, including the proposed new development, is in HONI's service territory. As per OHL's response to Board IR #1 and HONI IR #1, the small partial lot showing in green within OHL's service area (known as lot 8, block 6) does not have houses or electrical service, which in HONI's view means that OHL is clearly not an incumbent distributor. The entrance to the subdivision and the subdivision itself are entirely within HONI's service territory making HONI the sole incumbent distributor for this development.

Map 6

Overhead View of Proposed Subdivision Relative to Orangeville Hydro Limited Service Area and Hydro One's Assets within Development

Orangeville Hydro Limited Customers in light blue area

Hydro One Networks Inc. Customers at red points

Hydro One Networks Inc. Assets within development shown by red line

HONI's existing facilities and connection plans for the development

HONI has an existing, reliable, overhead 7.2kv line that crosses over the development property. At the developer's request, HONI will be installing underground primary cable that will enter the development from an existing pole location on the common property line of lot 3 on the west side of Leeson Street and the development. HONI owns lot 3 on Leeson Street, so no third party approvals will be required. The 7.2kv underground line will exit the development at the corner of Amaranth Street and H Street, as identified in the HONI design. This existing overhead line identified as the F3 feeder out of Grand Valley DS has adequate capacity to supply this development and any future development.

In addition to the proposed supply, in an emergency situation HONI can also supply the development from two other local distribution stations, East Luther DS (F1 or F3) and Green Park DS (F1).

In addition, HONI's F3 feeder crosses over the development lands now, which means that no expansion is necessary if HONI remains the distributor.

In contrast to the above-noted summary of HONI's existing assets, HONI has witnessed, since the commencement of this proceeding, construction taking place by contractors for OHL in preparation for servicing this development, as if the Board had already determined to grant OHL's Application. To that point, HONI notes that it appears that this work being performed by contractors for OHL is for the internal loop feed referred to in OHL's response to Board Staff's interrogatory #2(a), where OHL responded that carrying out the work would be contingent on an amendment to OHL's licence to award the area to OHL. Furthermore, based on the extent of construction underway, it is possible that the service point into the development may have been changed from Mill Street (as shown in OHL's application) to a service point from Melody Lane, a change which would affect the costs included in OHL's application. The onsite supervisor performing the work has confirmed to HONI that OHL is the owner of the new ducts being installed and is the company responsible for paying for the construction. HONI questions whether the assets will be stranded and needless costs will be incurred by OHL's ratepayers if OHL's Application is unsuccessful.

Furthermore, although the developer's lawyer's letter to the Board dated August 28, 2012, refers to the placement of electrical wires inside ducts, HONI has seen no evidence that its practice of direct burying of wires, which is approved by Ontario's Electrical Safety Authority, is unacceptable, and HONI submits that the Town's 'policy' dated August 14, 2012, should not be taken into consideration by the Board because it is the Electrical Safety Authority that has jurisdiction in this regard.

Reliability of HONI's assets in the Grand Valley area

HONI's assets in this area provide reliable service to existing customers. If HONI connects the new subdivision, existing customers as well as customers in the new development will continue to have safe and reliable service.

Although HONI as a whole has OEB reliability and response measures for a rural LDC, the actual measure for both vary widely across the Province in line with the nature of the distribution system and customers. In urban areas, such as the development, HONI's reliability and response time will be significantly better than Provincial averages and will be basically the same as other LDCs in the same situation. This is demonstrated by the fact that 90% of HONI interruptions in this area had an average response time of 63 minutes.

HONI's design and cost to connect includes an internal loop feed. As per OHL's response to Board Staff IR 2a, OHL's design and OHL's cost to connect do not include an internal loop feed. Including a loop feed would add $40,000 to OHL's cost to connect. OHL has stated that an internal loop feed would be undertaken by OHL as a capital investment in the future and be treated as a capacity enhancement cost chargeable to all ratepayers, rather than as a direct cost of servicing the development. Such treatment is inappropriate, and it also leads to an inconsistency in the Offers to Connect between the two LDCs, which must be taken into consideration in determining the total costs.

HONI's existing F3 line interconnects with two other distributions stations. The development is less than 300 meters from Grand Valley DS, which is the same distance as OHL's F2 line. This development would be the first set of customers connected to HONI's F3 line outside the Station, so reliability will not be an issue.

In the case of widespread outages, HONI would have backfeed capability to this development from three different feeders from two other distribution stations: East Luther DS and Green Park DS. HONI's feeder ties already exist with the Grand Valley DS F3. In comparison, OHL has only one other feeder tie option, which is the Grand Valley F3 (owned by HONI) which is the feeder to which HONI will connect this development. However, if OHL were to acquire the development, HONI would not be able to guarantee that a request to backfeed all of the OHL load on the Grand Valley F2 would be possible. In addition, it would be necessary for HONI to restore any outage on the sub-transmission feeder Orangeville M6 that feeds Grand Valley DS.

With the exception of the underground assets within the subdivision itself, HONI owns, operates and supplies all distribution assets that are required to supply the subdivision regardless of which LDC services it. Therefore, there is an advantage to having HONI remain the incumbent distributor, as it will result in only one response team instead of two for any interruptions, which would be the case if OHL were to serve the development.

OHL's submission states that HONI's F3 line goes through municipal right-of-way. This section of line includes one pole and two spans of wire that was rebuilt in 2011. However, the fact is that there is more tree exposure on the line owned by OHL.

HONI's long-term plans in the area

HONI intends to supply any future phases of the development in the Grand Valley area within HONI's service territory. Retaining this initial phase of the development allows HONI to be in a position to economically supply future phases of the development and utilize assets and investments made as part of long-term planning for this service area.

HONI reviews all of its feeders on a regular cycle, taking into account any incidental load growth. Any feeders with notable load growth are reviewed as the growth occurs. All

feeders into Orangeville, including the Grand Valley F3, are owned by HONI, with system planning and system development done by HONI's system planners.

Location of HONI Service centre and emergency response times

Both HONI's and OHL's service centres are located near each other on 'C' line in the town of Orangeville, in close proximity to the development, but HONI's service centre is closer to the highway and to the development.

The subject area, served by HONI, has very good reliability performance, with only nine interruptions in 2011, with 90% of the interruptions having an average response time of 63 minutes.

HONI's Network Management System (NMS) monitors and controls the Orangeville M6 that feeds Grand Valley DS, enhancing service quality. In addition, HONI has a Geographic Information System (GIS) that provides information on all assets, including poles, transformers and services. These systems enable HONI to monitor and respond to situations in a prompt, cost-efficient and effective manner.

If HONI services the new connection, the border between OHL and HONI will remain smooth and well-defined. This is clearly indicated in Map 6 above, at Schedule G in OHL's Application.

Comparison of connection costs between HONI and OHL

Each utility has included different cost items in its contestable and non-contestable offers to connect, as is standard for their respective conditions of service. HONI submits that the only way to provide a true economic comparison is for the Board to take into consideration all costs to connect the new development to the distribution system, regardless of who is paying those costs.

On August 22, 2012, the Board issued its Decision on HONI's Motion. In the decision, the Board concluded that the relocation costs did not meet the definitions contained in the Distribution System Code for both contestable and non-contestable work. Although HONI does not disagree with that conclusion, HONI submits that the relocation costs must be included when assessing the overall economic efficiency of the connection alternatives. As a result, the table below includes relocation costs for both LDCs, and adjusts OHL's costs by including relocation costs of $175,853.80, which amount was recognized by OHL in its Motion Submission, paragraph 9.

(The table below is for comparison purposes only and is not intended to replace the Multi-Service Connection Cost Agreement that HONI has already provided to the developer.)

LDC	**HONI**	**OHL**
Number of Connections	**114**	**114**
Cost Estimates		
Non-contestable work	$214,855 + $35,589 = $250,444	$ 41,723
Contestable work	$124,436* + $63,245 = $187,681	$220,430
** Secondary Conductor from lot line to meter base – 1500m 3/0 @ $8.50/m	Included in HONI's OTC	$12,750
**Secondary Splices for 114 lots @ $250/lot	$28,500	$28,500
Civil Work	$122,464*	$201,263
Costs for relocation of existing line	($98,834 Included in estimates above)	$175,854
Total Capital Costs	**$589,089**	**$680,520**
Costs associated with loop feed	Included in HONI's design and estimate	$40,000 (not included in OHL's design or estimate)
Total Capital Costs including like-for-like design components	$**589,089**	**$720,520**

* The contestable and civil costs have been adjusted to reflect the unit prices OHL submitted on August 24 in the response to the Board's Decision on Motion and Procedural Order No. 3, given OHL's stated assumption that the developer will do the contestable and civil portion of the work, e.g. contestable and civil work, is as per HONI's definition in its Connection Cost Agreement.

** HONI cannot locate pricing in OHL's OTC for labour and material to supply and install the secondary from the lot line to the meter base. The breakdown of the contestable costs that were included in the Response to the Board's Decision on Motion and Procedural Order No. 3 on August 24 clearly states that all of the secondaries stop at the lot line and OHL's non-contestable costs state that they complete inspection and connections; therefore the secondary conductor and splices should be included in the costs. HONI's OTC includes 1500 additional meters of 3/0 conductor; therefore an adjustment has been made to add an equivalent cost to OHL's contestable work estimate above based on the unit prices in the contestable cost table noted above. The secondary splices for 114 lots must be added to both OHL and HONI's contestable costs since the developer did not include it in the contestable cost table. It has been included in the table above accordingly.

Developer Capital Contribution

It should be noted that there are additional costs included in HONI's assessment of the developer's capital contribution that are not included in OHL's. These OM&A costs for upstream system reinforcement are incurred by HONI ratepayers regardless of which LDC services the subdivision, given that both utilities will utilize HONI's existing distribution station in the area to supply the new development. These costs amount to $244,273 . OHL has ignored upstream reinforcement costs on HONI's system in its Offer, as it treats these costs (or what their equivalent would be when passed through to them in LV rates) as LV charges to be recovered from all OHL ratepayers. HONI states that in order to make for a fair comparison of the costs of providing the upstream facilities on HONI's host system that will enable the new development to be connected by either utility, an adjustment of some sort needs to be made to the costs, either by adding an amount for such upstream reinforcement costs or charges to OHL's and to the developer's costs, or by removing them from HONI's costs.

In its August 22, 2012, Decision on Motion and Procedural Order No. 3, the Board found that LV Charges should not be included in OHL's economic evaluation. HONI states that ignoring the LV charges results as noted above in an inconsistency between the two Offers in relation to the treatment of upstream reinforcement costs on HONI's system that will be incurred regardless of which distributor services the development. (Please reference HONI's Motion Reply Submission, dated August 7, 2012, page 8, paragraph 13 for further details.)

The Decision did not address whether capacity enhancement costs on OHL's own system should be included in OHL's economic evaluation. HONI submits that OHL should have included an amount greater than $0 in its economic evaluation consistent with the requirements of Appendix B of the Distribution System Code unless it can provide evidence that its five-year rolling average costs are $0,. HONI states that it is inappropriate for OHL's economic evaluation to include $0 for capacity enhancement costs. (Please reference HONI's Motion Reply Submission, dated August 7, 2012, page 9, paragraph 14 for further details.)

Rate impacts on existing HONI customers

The proposed phase and all future phases of the development are in HONI's service territory, the full culmination of which would result in a new urban cluster within HONI's territory, thereby lowering the rates for existing HONI customers in this area.

If, however, OHL were granted the SAA being sought, existing HONI customers would continue to be held responsible for $224k in upstream reinforcement costs associated with this phase of the development, without benefit of offsetting future customer revenue or developer contribution. This would negatively impact the rates of existing HONI customers and would also eliminate the opportunity to reclassify customers near the development as HONI urban customers.

Additional Evidence and Summary

HONI's evidence and submissions are consistent with the principles established in RP-2003-0044, whose main principle was that total costs to connect the new development should be the primary factor in SAA proceedings. HONI has demonstrated through this evidence that it has the lowest total cost to connect the new development.

HONI has addressed the other items raised by OHL but maintains that they should not be used as a deciding factor, given that HONI's total costs to connect are substantially lower than OHL's. If for some reason the total costs principle is not the deciding factor, HONI submits that HONI's other criteria are equal to or better than OHL's on the whole and that there is no justification to grant the SAA Application.

HONI disagrees that there is any risk of customer confusion regarding whom to call for service if HONI remains the distributor for this development. Customers will receive a HONI bill containing all necessary contact information; and HONI has local presence with the Orangeville Operations Centre located in close proximity to the customers. Additionally, HONI provides underground locates via Ontario One Call service.

OHL alleges that by billing water on a separate bill from electricity, there would be confusion as to whom to call for outages or locates. OHL does not bill water for any of its other customers outside of Grand Valley, yet there is no evidence whatever that OHL's other customers are confused as to whom to call for outages and locates. Furthermore, given that s. 71(1) of the *OEB Act, 1998* prohibits a distributor from carrying on business activity other than distribution of electricity except through an affiliated corporation, customers across the Province receive their electricity and water bill from different organizations and do not experience confusion.

Allowing HONI to remain the distributor for this development retains the smooth boundary that currently exists, therefore eliminating any confusion by emergency response personnel regarding who is servicing which areas. Although OHL has already admitted to the Board and to HONI that it has entered into an Offer to Connect with the developer despite the fact that HONI is the licensed distributor for the development, HONI's view is that the Board should not recognize the efforts of OHL and the developer to create facts-on-the-ground during the course of this proceeding. HONI's position in that regard is the same as for the evidence on page 1 of this Evidence document, where HONI identified the pre-building work being performed on OHL's behalf, which work would seem to be stranded if OHL's Application is unsuccessful.

The developer's lawyer, in his letter to the Board dated August 28, 2012, complains that HONI refuses to release the southerly part of an easement within the development. However as HONI has already informed the developer and developer's consultant, HONI is not in a position to release the southerly part of the easement at this time because the staging of the development, what will be built, and who will service the development have not yet been determined.

HONI disagrees that OHL has provided an apples-to-apples cost comparison. The same contestable costs cannot be used for both LDC's because there are components included in HONI's non-contestable costs that overlap with the items included in the contestable costs that OHL is using. This results in duplicated costs on the HONI calculation.

HONI has a technically superior design, which includes an internal loop feed. HONI's design will provide a higher level of reliability than OHL's.

Finally, HONI notes that the *OEB Act, 1998,* states the following in section 1(1):

> *The Board, in carrying out its responsibilities under this or any other Act in relation to electricity, shall be guided by the following objectives:*
>
> 1. *To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.*
> 2. *To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.*

Consistent with those statutory objectives of the Board, HONI has made the following submissions above, in the preceding sections of this Evidence of HONI:

(a) HONI has existing distribution assets running through the development that will be incorporated into the design to provide service resulting in effective use of existing assets, thereby optimizing use of assets and investments made in HONI's service territory as part of long-term planning for the area;

(b) HONI's F3 feeder crosses over the development lands now, which means that no expansion will be necessary if HONI remains the distributor;

(c) as there will be future phases of the development, HONI's retention of the initial phase allows HONI to economically supply future phases and utilize assets and investments made as part of long-term planning for this area;

(d) an adjustment must be made to account for the upstream costs on HONI's system that will be incurred regardless of which distributor services the development, either by including an amount in OHL's economic evaluation for low-voltage charges, or by removing the PV of system reinforcement costs that HONI has included in its economic evaluation;

(e) the culmination of serving this phase and future phases of the development will result in a new urban cluster within HONI's service territory, thereby lowering the rates for existing HONI customers in the area; and

(f) HONI's costs to connect the development are significantly lower than OHL's.