

ORANGEVILLE HYDRO LIMITED
FINAL ARGUMENT

A. INTRODUCTION

1. Orangeville Hydro Limited (“OHL”) filed an application with the Ontario Energy Board (the “Board”) under section 74 of the *Ontario Energy Board Act, 1998* for an order of the Board to amend OHL’s licensed service area in Schedule 1 of its electricity distribution licence ED-2002-0500.
2. The Board issued the following procedural orders and decisions in this matter:
 - (a) A Notice of Written Hearing and Procedural Order No. 1 was issued on May 16, 2012.
 - (b) After OHL filed its interrogatory responses on June 25th, HONI filed a Notice of Motion for an order of the Board requiring OHL to provide additional economic evaluations. The Board issued Procedural Order No. 2 on July 6th indicating that it would hear the motion.
 - (c) The Board subsequently issued a Decision on Motion and Procedural Order No. 3 denying HONI’s motion on all counts and set out the remaining hearing schedule.
 - (d) One day after its response to interrogatories were due, HONI filed a request with the Board asking for an extension to respond to Board staff’s interrogatories. On September 12th, the Board issued Procedural Order No. 4 requiring HONI to submit complete responses to Board staff interrogatories by September 13th. On that date, HONI provided responses to Board staff’s interrogatories but indicated that it would not be submitting the revised economic evaluation requested by Board staff until September 19th. HONI subsequently filed high level summaries of its economic evaluation but failed to provide the detailed economic evaluation requested by Board staff. OHL submits that HONI still has not provided a complete response to Board staff’s interrogatories.
3. Following the interrogatory phase, OHL received submissions from Board staff and HONI on September 20, 2012. This submission sets out OHL’s final argument in this hearing and addresses the material issues raised by Board staff and HONI in their submissions. In this submission, references to page numbers relate to HONI’s and Board staff’s submissions on September 20th.

B. DESCRIPTION OF APPLICATION

4. The proposed service area amendment (“SAA”), if granted will expand OHL’s service area to include certain lands owned by Thomasfield Homes Ltd. (the “developer”). The subject lands are located in the former Village of Grand Valley and currently vacant farmland but designated for residential development. OHL wishes to supply and provide electricity distribution services

to a proposed residential development, known as Mayberry Hills Subdivision (the “development”), which is expected to have 154 lots. On August 24, 2012, in accordance with Procedural Order No. 3, OHL filed amended evidence (including a revised offer to connect and economic evaluation) based on a revised request from the developer to connect 114 lots.

5. In its submission (pages 1-2), HONI devotes considerable time to discussing previous OHL SAA applications that that predated Procedural Order No. 1. OHL submits that any application submitted before the issuance of the first procedural order in this matter is not relevant to the decision before the Board.

C. REASONS FOR AMENDMENT

6. **Criteria for Assessing SAA Applications** – All parties agree that the Board is guided by the principles articulated in the Board’s Decision with Reasons in RP-2003-0044 (the “RP-2003-0044 Decision”) when assessing the merits of SAA applications.
7. **OHL’s Connection Proposal is in the Public Interest** – OHL submits that all areas of relief described in its Service Area Amendment Application relating to Phase I of the proposed development be granted by the Board. In particular, OHL submits that its proposal to connect the development is in the public interest and satisfies the guiding principles set out in the RP-2003-0044 decision for the following reasons:
 - (a) **System Planning** – As evidenced in paragraphs 8-11 below, both distributors are in a relatively equal position to serve the development from the perspective of system planning;
 - (b) **Safety, Reliability and Quality of Service** – As evidenced in paragraphs 12-17 below, both distributors are in a relatively equal position to serve the development from the perspective of safety, reliability and quality of service;
 - (c) Since both distributors are in a relatively equal position to serve the development from the perspective of system planning and reliability and quality of service, considerable weight should be given to (i) the costs of the assets necessary to effect the connection and the capital contribution the customer must pay, (ii) the relative density of the systems in proximity to the proposed development, and (iii) customer preference and the rate impact on the prospective customers;
 - (d) **Economic Efficiency and Connection Cost** – As evidenced in paragraphs 18-26 below, OHL has been able to demonstrate that it can provide connection of the development at a cost to the customer which is approximately 20% lower than HONI’s cost;

- (e) **Relative Density of Distribution Systems** – As evidenced in paragraph 27 below, OHL’s distribution system adjacent to the proposed amendment area is “significantly denser” than that of HONI’s; and
- (f) **Customer Preference and Rate Levels** – As evidenced in paragraphs 28-31 below, the developer customer prefers OHL’ proposal and the rate impact on the prospective customers is less under OHL’ proposal as end user rates are approximately 50% lower than HONI’s.

D. SYSTEM PLANNING

- 8. The land that is the subject of this service area amendment is vacant farmland that is located in and adjacent to OHL’s service area in the former Village of Grand Valley. Both OHL and HONI have well developed distribution facilities adjacent to the proposed amendment area. OHL has an existing 7.2kV distribution line that is adequate to supply the development and future growth in the area. HONI also has an existing overhead 7.2kV line that crosses over the development property. HONI can connect the development from a feed off an existing pole and does not require any system expansion. OHL will need to install a single switching cubicle and extend its existing underground distribution system 100 meters along Melody Lane in Grand Valley. Both OHL’s and HONI’s distribution lines run from Grand Valley Distribution Station, which, as stated by HONI in its response to Board staff IR # 4a, can provide sufficient capacity to supply the new load and accommodate future load growth.
- 9. Board staff concluded in its submission (pages 4, 8) that OHL and HONI are in a relatively equal position to serve the development from a system planning perspective. OHL agrees with this conclusion by Board staff.
- 10. In its submission (page 2), HONI states that it has a well-developed distribution network in the area and service by HONI will optimize utilization of assets and investments made in HONI’s service territory as part of the long-term planning for the service area. OHL submits that the same statements also apply to OHL.
- 11. OHL submits that paragraphs 8-10 above confirm Board staff’s conclusion that OHL and HONI are in a relatively equal position to serve the development from a system planning perspective.

E. SAFETY, RELIABILITY AND QUALITY OF SERVICE

- 12. Board staff submitted (page 7 and 8) that both distributors would provide a similar level of reliability and quality of service. Board staff continued to submit position that service by

OHL can be expected to contribute in a positive way to the quality of service due to close proximity of the proposed amendment area to the dense urban area of Grand Valley that is in OHL's service territory. OHL agrees with these submissions by Board staff.

13. HONI submits (page 3) that the reliability of both distributors will be similar given that the development (and OHL's service territory in Grand Valley) is embedded within HONI's distribution system and will be supplied by HONI's Grand Valley distribution station. Accordingly, OHL submits that the approval of the proposed SAA will not have an adverse effect on reliability in the subject or adjacent areas. OHL submits that this supports Board staff's conclusion that either distributor would provide a similar level of reliability and quality of service.
14. The evidence indicates that both OHL and HONI would respond to the emergencies from their respective operation centers, both of which are located in the Town of Orangeville. Therefore the response time would be comparable and either distributor would likely provide a similar level of quality of service. However, OHL submits that it designates the subject area as urban which requires 60 minute emergency response time while HONI designates the subject area as rural, which allows a maximum of 120 minute emergency response time, and therefore could potentially cause longer power interruptions during emergency situations if HONI supplies the development.
15. HONI submits (page 3) that its design increases reliability because it includes a loop feed which will provide greater flexibility in managing faults and outages within the development, whereas OHL's design has no loop feed. OHL submits that this statement is inaccurate as OHL's final plans include a loop feed and costs related to the loop feed are included in the cost comparison table in paragraph 19 below (and in cost comparison tables submitted by HONI). More specifically, OHL's design allows for the installation of the electrical infrastructure in progressive stages as the developer constructs homes from the southern end to the north of the development. OHL's design will become a complete loop feed once the developer constructs the majority of the 114 homes. Therefore, once the installation is complete, OHL submits that its connection proposal is comparable to HONIs.
16. OHL submits that it will be installing its underground primary cable in duct (versus HONI which will install its cable in sand bedding) which, in the event for of a fault, will allow for a faster replacement. In this aspect, OHL submits that its connection proposal is more reliable than HONI's.

17. OHL submits that paragraphs 12-16 above confirm Board staff's conclusion that OHL and HONI are in a relatively equal position to serve the development from a reliability and quality of service perspective.

F. ECONOMIC EFFICIENCY AND CONNECTION COSTS

18. Board staff submits (page 8) that, since both distributors are in a relatively equal position to serve the proposed residential development from a system planning perspective and from a reliability and quality of service perspective (as discussed below), "considerable weight should be given to the costs necessary to effect the connection, the capital contribution the customer must pay and the relative density of the systems in proximity to the proposed development." OHL agrees with this submission by Board staff.
19. OHL agrees with Board staff's conclusion (pages 6, 8) that OHL has demonstrated that it can provide connection of the development at a cost to the customer which is lower than HONI's costs. However, OHL submits that Board staff mistakenly included a credit \$109,331 as the capital contribution amount instead of the correct debit amount of \$341,742. Set out below is a cost comparison table based on information submitted by both distributors. This cost comparison table demonstrates that OHL can provide connection of the development at a cost to the customer which is approximately 20% lower than HONI's cost.

	OHL - 700 kWh	HONI - 700 kWh
Customer Contribution	\$341,741	\$87,855
Contestable Work	Included in Offer to Connect	\$187,681
Secondary Splices (114 Lots)	\$8,680	\$28,500
Civil Works	Included in Offer to Connect	\$122,464
Internal Loop	\$12,500	Included in Offer to Connect
Total Cost to Customer	\$362,921	\$426,500

The above table illustrates costing for both distributors based on an average consumption of 700 kWh which is the proper estimate of consumption for proposed housing in the development, as described in paragraph 20 below. Also, the above table does not include the cost for relocation of an existing line given the Board has already ruled that these costs should not be included in OHL's connection costs, as described in paragraph 21 below. OHL also submits that the secondary splice and internal loop costs in the table above reflect OHL's actual costs for these items and OHL has replaced HONI's unsubstantiated estimates for OHL's costs for these items.

20. OHL based its economic evaluation on an average monthly consumption of 700 kWh per customer which is in line with OHL statistics presented in the 2011 Yearbook for Distributors. OHL noted in Schedule A of its offer to connect that average consumption was based on the agreed upon estimated usage per residential unit. HONI estimated an average monthly consumption to be more than 50% higher than that of OHL, i.e. 1,069 kWh per customer, stating in its response to Board staff IR #3b that the houses in the development are expected to be equipped with electric heating, electrical water heating and air conditioning. OHL submits that HONI's statement regarding electric heating and electrical water heating is false. As evidenced by the letter submitted to the Board by the developer, the houses in the development will be using gas furnaces and water heaters. Therefore, OHL submits that an average consumption of 700kWh is accurate, while HONI's estimate of 1,069 kWh per customer has no basis in reality in respect of the planned housing for the development.
21. In its Decision on Motion and Procedural Order No. 3, the Board stated that the cost for relocation of an existing line should not be included in the connection costs comparison. Notwithstanding the Board's decision on this issue, HONI continues to argue in its submission (page 5) that these line relocation costs should be included in the connection cost comparison. OHL submits that the Board has already ruled on this issue and these line relocation costs should be excluded in accordance with the Decision on Motion and Procedural Order No. 3.
22. HONI has submitted that its costs to connect the development are lower than OHL's. However, the OHL costs put forth by HONI include line relocation costs (which the Board has previously ruled should be excluded) and inflated estimates of secondary splices and loop feed costs. In terms of HONI's costing, it is not clear where HONI derived its costing numbers because they have not submitted the detailed economic evaluation that was requested by Board staff (as discussed in paragraph 2(d) above). OHL submits that HONI would have submitted their complete economic evaluation, as required under Procedural Order No. 4, if they were confident in the accuracy and robustness of their costs and calculations.
23. OHL submits that there are costs in HONI's offer to connect which are not included in their economic evaluation. For example, pad mount transfer incremental (non-contestable) costs of \$12,362.32 do not appear to be included in HONI's economic evaluation. Also, work site inspection costs of \$21,606.20 have been included in the economic evaluation for Option A but not for Option B in HONI's offer to connect (which is the option being compared in paragraph 19 above).
24. HONI submitted (page 6) that OHL has failed to provide an economic evaluation based on a compliant methodology. OHL submits that its economic evaluation complies with Appendix B of the Distribution System Code (DSC). OHL also submits that it has used its best and good

faith efforts in preparing and presenting its economic evaluation in an open, transparent and accurate manner. OHL' submits that its detailed 30 page economic evaluation is supported by substantive details and the assumptions supporting the costs and financial projections therein. Contrarily, OHL submits that HONI has not submitted the form of economic evaluation requested by Board (as submitted in paragraphs 2(d) and 22 above) and its high-level summary of its economic evaluation contains minimal detail and limited assumptions to support HONI's numbers.

25. In its Decision on Motion and Procedural Order No. 3, the Board found that LV charges should not be included in OHL's economic evaluation as they are not associated with upgrading or expansion of OHL's distribution system. Nonetheless, HONI continues to argue in its submission (page 5) that these LV charges should be included. OHL submits that the Board has already ruled on this issue and these LV charges should be excluded.
26. In its submission (page 6), HONI questions OHL's inclusion of \$0 for capacity enhancement costs to OHL's own system. OHL submits that there have been no system expansions in Grand Valley within the past five years and, accordingly, there have been no costs "incurred in system expansions" (which is the test set out in paragraph (d) of Appendix B, B.1 Common Elements of the Discounted Cash Flow, Capital Costs). Therefore, OHL submits that the inclusion of \$0 for capacity enhancement costs to OHL's own system is accurate.

G. RELATIVE DENSITY OF DISTRIBUTION SYSTEMS

27. In the RP-2003-0044 Decision, the Board stated that in addressing economic efficiency, among other things, the applicants should demonstrate that the proposed amendment does not reduce economies of contiguity, density and scale, and preferably enhances these economies. Board staff has submitted (page 4) that "OHL's distribution system adjacent to the development is significantly denser than HONI's distribution system and the characteristics of customers served by OHL in the neighbouring area are similar to the characteristics of the future residential customers in the proposed development." OHL agrees with this submission by Board staff. Based on the foregoing, OHL submits that the proposed SAA enhances economies of density and provides additional support for the conclusion that it is in the public interest for OHL to service the development.

H. CUSTOMER PREFERENCE AND RATE LEVELS

28. With respect to the weight to be given to customer preference when assessing SAA applications, in the RP-2003-0044 Decision, the Board stated "... the Board finds that customer preference is an important, but not overriding consideration when assessing the

merits of an application for a service area amendment. Customer choice may become a determining factor where competing offers to the customer(s) are comparable in terms of economic efficiency, system planning and safety and reliability, demonstrably neutral in terms of price impacts on customers of the incumbent and applicant distributor, and where stranding issues are addressed.”

29. Board staff submitted that OHL’s ability to serve the development is more economically efficient and comparable to HONI’s with respect to system planning, safety and reliability, and, therefore, Board staff submits that the rate impact on the prospective customers and the developer’s preference should be a consideration. OHL agrees with this submission.
30. A letter from the developer, filed with the application, indicates that the developer prefers OHL as the distributor to supply the subject residential development. The developer stated that future customers will benefit from having one bill for electricity, water and sewer, which are managed by OHL, and that customer confusion will be avoided if OHL services the development. A letter from the Corporation of the Township of East Luther Grand Valley supporting OHL’s application was also filed with the application.
31. OHL’s submits that prospective customers will be subject to lower distribution rates if serviced by OHL. According to the rate comparison provided on Page 13 of OHL’s application, distribution charges for a 600 kWh OHL residential customer are \$53.47 as compared to \$81.15 for a HONI customer.

J. MISCELLANEOUS

32. HONI submitted (page 7) that information placed by OHL before the Board is incomplete because OHL has not provided the Board an updated Offer to Connect reflecting 114 lots as requested in Procedural Order No. 3. OHL submits that this is false. OHL submitted the revised Offer to Connect and a detailed economic evaluation on August 24, 2012. Board staff has reviewed this revised Offer to Connect and referenced it extensively in its submission on September 20, 2012.

K. CONCLUSION

33. OHL submits that its proposal to connect the development is in the public interest and satisfies the guiding principles set out in the RP-2003-0044 Decision given that that:
 - (a) Both distributors are in a relatively equal position to serve the development from the perspective of system planning and reliability and quality of service;

- (b) Since both distributors are in a relatively equal position to serve the development from the perspective of system planning and reliability and quality of service, considerable weight should be given to (i) the costs of the assets necessary to effect the connection and the capital contribution the customer must pay, (ii) the relative density of the systems in proximity to the proposed development, and (iii) customer preference and the rate impact on the prospective customers;
- (c) OHL has been able to demonstrate that it can provide connection of the development at a cost to the customer which approximately 20% lower than HONI's cost;
- (d) The evidence also indicates that of the two existing distribution systems adjacent to the proposed amendment area, OHL's distribution system is denser than that of HONI's;
- (e) The rate impact on the prospective customers is less under OHL' proposal as end user rates are approximately 50% lower than HONI's; and
- (f) The developer customer prefers OHL' proposal.

For the reasons described above, OHL submits that all areas of relief described in its SAA application be granted by the Board.

All of which is respectfully submitted.