



T.J. Moore Law
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September 28, 2012

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

Dear Ms. Walli:

Re:

**Orangeville Hydro Limited – Application for Service Area Amendment
Board File Number EB-2012-0181**

As described in our letter filed on September 27, 2012, please find enclosed the revised final argument of Orangeville Hydro Limited (“OHL”) in the above-referenced proceeding.

OHL originally submitted its final argument on September 25, 2012 in accordance with Procedural Order No. 4. However, OHL has had to revise its final argument to reflect a letter filed by Board staff on September 26, 2012 (the “September 26 Letter”) wherein Board staff recognized an error in their submission filed on September 20, 2012 and requested that entire sections of the submission be withdrawn. The final argument submitted by OHL on September 25, 2012 included numerous references to the withdrawn sections which has required amendments to remove those references.

In the September 26 Letter, Board staff asserted that OHL’s final argument stated that the correct customer contribution amount “should have been included by staff in [the table of costs included on page 6 of Board staff’s submission].” The September 26 Letter continues to state that OHL “agrees that this is the amount that should have been included in Board staff’s table.” In response, OHL respectfully submits that:

- In its original final argument filed on September 25, 2012, OHL submitted that Board staff “mistakenly included a credit \$109,331 as the capital contribution amount instead of the correct debit amount of \$341,742.” However, OHL made no references to the table of costs included on page 6 of Board staff’s submission (the “Board Cost Table”).

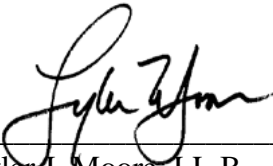
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- OHL is concerned that the September 26 Letter leaves the impression that, with the correct capital contribution amount included, OHL agrees with the Board Cost Table. On the contrary, OHL strongly disagrees with the Board Cost Table for the reasons described below.
- In the Board Cost Table, Board staff included the cost for relocation of an existing line despite the fact that the Board previously ruled (in the Decision on Motion and Procedural Order No. 3) that these costs should not be included in OHL's costs and economic evaluation. In including these costs in the Board Cost Table, Board staff's stated intention was to "demonstrate that even if [the line relocation costs]...are taken in consideration, OHL's total connection costs are significantly lower than HONI's." As described in paragraph 21 of OHL's final argument, OHL submits that these line relocation costs should not be included given that the Board has already issued a decision clearly excluding these costs from OHL's cost comparison and economic evaluation.
- The Board Cost Table included HONI's inflated and unsubstantiated estimates of OHL's secondary splice and internal loop costs. In paragraph 19 of its final argument, OHL provided a table of costs that included OHL's actual costs for these items.

OHL respectfully submits that the table of costs included in paragraph 19 of its final argument is an accurate and comprehensive comparison of both distributors' costs to connect the proposed development.

Yours very truly,

T.J. MOORE LAW PROFESSIONAL CORPORATION

By: 
Tyler J. Moore, LL.B.

cc: Orangeville Hydro Limited (by email)
Intervenors (by email)

ORANGEVILLE HYDRO LIMITED
FINAL ARGUMENT (Revised)

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. Board staff subsequently filed a letter on September 26th withdrawing certain sections of its submission. 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's proposal and the rate impact on the prospective customers is less under OHL's 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) 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) 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. 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 submitted in paragraphs 8-17 above), considerable weight should be given to the costs necessary to effect the connection and the capital contribution the customer must pay.
19. OHL submits that it has demonstrated that it can provide connection of the development at a cost to the customer which is lower than HONI's costs. 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 OHL's costs and economic evaluation for the purposes of a 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 OHL's costs for the purposes of a 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. 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 submitted in paragraphs 8-17 above), considerable weight should be given to the relative density of the systems in proximity to the proposed development. 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. OHL submits that since OHL's ability to serve the development is more economically efficient than HONI's (as described in paragraphs 18-27) and comparable to HONI's with respect to system planning, safety and reliability (as submitted in paragraphs 8-17 above), the rate impact on the prospective customers and the developer's preference should be a consideration.
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.