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October 16, 2012

BY COURIER AND RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor, Box 2329
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Reply of Horizon Utilities Corporation (“Horizon Utilities”) to the
Submission of Hydro One Networks Inc. (“HONI”) to the Motion of Horizon
Utilities;
Service Area Amendment (“SAA”) Application EB-2012-0047**

While Horizon Utilities is reluctant to argue this matter by letter, it feels compelled to correct the record in light of HONI's Submission dated October 15, 2012.

Horizon Utilities at no time withdrew the within Application. The facts are clear from HONI's submission that they proceeded in spite of this Application remaining live.

Horizon Utilities' SAA included a letter of support for its Application from the developer, Multi-Area Developments Inc. (the “Developer”) in its initial filing. Horizon Utilities understood that the Developer remained supportive of the Application until HONI received a signed Offer to Connect (“OTC”) from the Developer during the second week of September 2012. Consistent with this, Horizon Utilities prepared and served on HONI its August 10, 2012 letter update and the August 16, 2012 revised Application.

The suggestion in HONI's Submission that on August 9, 2012 HONI confirmed with Horizon Utilities that HONI would be using the M3 feeder to supply Summit Park Phase 7 (“Phase 7”) is inconsistent with the above chronology of events and Horizon Utilities consistent position that HONI is not entitled to use either the M3 or M4 feeders to supply load to any HONI retail customers.

The fact is that the M3/M4 feeders, sharing one pole line, are “express” feeders wholly within Horizon Utilities' service area. HONI's legacy ownership of a short portion of these lines is simply a function, first, of the historical but no longer relevant pre-amalgamation boundary of Hamilton and Stoney Creek and, second, of the limitations on an LDC, prior to industry restructuring in 1998, to own assets outside its municipality. HONI currently owns these two feeders from the short distance from the Nebo TS to the demarcation point with Horizon Utilities at the boundary of the former Hamilton Hydro and former

Stoney Creek Hydro. It does so for the legacy reason that only Ontario Hydro could provide this sub-transmission function of supplying contracted power to an LDC from outside a municipality. These feeders never existed to supply Ontario Hydro or Hydro One retail customers. They have always and continue to only serve Horizon Utilities and its predecessors customers.

Accordingly, Horizon Utilities denies that it ever knowingly consented to HONI serving Phase 7 and undertaking work to provide service to the area which was the subject of its Application. For the above reasons and given that the feeders have reached their load capacity, in an email dated August 2, 2012, Horizon Utilities asked HONI to confirm that HONI was not intending to use either the Nebo M3 or M4 feeder to service Phase 7. This position has not changed.

Horizon Utilities regularly receives requests from other utilities to undertake work on various shared assets. These requests are granted on a routine basis. HONI did not put Horizon Utilities on written notice of its intent to incur costs to provide service (either temporary or permanent) to Phase 7, work that would be in direct contrast to Horizon Utilities' SAA Application. HONI started the work on Rymal Rd. before it had an OTC and knowing that Horizon Utilities' SAA application was continuing.

Horizon Utilities notes that the Board stated in its Decision with Reasons in the Service Area Amendment Proceeding (RP-2003-0044) that "customer preference is an important but not overriding consideration when assessing the merits of an application for a service area amendment ..." (para. 233).

The Board also stated that "...amendments that involve contiguous distribution companies, but that are opposed by the incumbent distributor, may be in the public interest where the amendment results in the most effective use of existing distribution infrastructure and a lower incremental cost of the connection for the customer or group of customers." (para. 197) The Board went on to state that it "...expects incumbent distributors to give proper consideration to rational and efficient service area realignment, even where it results in a loss of some territory." (para. 200)

HONI is, by its Submission, asking the Board to disregard the above findings and summarily dismiss Horizon Utilities' SAA Application before any evidence is received and before any party has had an opportunity to question whether the costs and revenues used in the HONI OTC are complete and reliable. For example, from HONI's Submission we now know that at least some of the work being undertaken is only temporary, yet there is no indication that these costs have been included in the OTC. It is also clear that HONI will have to undertake an expansion of its distribution system to serve Phase 7, yet its OTC includes zero costs for expansion.

In addition, there is no evidence about where, when and the demand that will arise from the "Alfreda Industrial Park", and it is extremely questionable that the work which HONI is contemplating on Rymal Road, near Phase 7, has anything to do with service to the former Village of Binbrook, which is significantly south and east of the project. At a minimum, a relevant question which arises is whether or not this alleged demand is a

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certainty and a proper basis to allege that the work contemplated along Rymal Road to serve Phase 7 is made economic and appropriate.

HONI's submission underscores the need for a site visit to view the existing and proposed development in the area. For example, HONI alleges a "service area" to the west of Phase 7 but fails to mention that this consists of two legacy single family homes which are fully embedded in Horizon Utilities' service territory and which HONI has asked Horizon Utilities to assume as customers. These legacy issues and others will be included in the forthcoming amendment to the within SAA Application. It is believed that a site visit would assist the Board in its determination of what constitutes a rational expansion of distribution systems in this growing part of Hamilton.

Horizon Utilities does not wish to take up the Board's time with unnecessary motions, but it is not clear from HONI's letter whether it intends to discontinue all work to connect to the M3 and/or M4 feeder and upgrade its system to supply Phase 7 or only the work it planned for Tuesday October 16, 2012 for which it needs the cooperation of Horizon Utilities. It is submitted that in the event that the work continues, the Board should make it clear that such work is at the peril of HONI's shareholder and that such work shall have no bearing upon the ultimate decision of the Board. The fact that HONI has proceeded as it has in the face of a live request for the Board to approve the SAA of Horizon Utilities should not in any way prejudice this Application lest it encourage other incumbent utilities to take similar precipitous actions.

Yours truly,

AIRD & BERLIS LLP

(Original Signed by)

Dennis M. O'Leary

DMO:ct

cc Hydro One Networks Inc.
cc Jay Shepherd, on behalf of School Energy Coalition

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