



**EB-2012-0181**

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

**AND IN THE MATTER OF** an application pursuant to  
section 74 of the *Ontario Energy Board Act, 1998* by  
Orangeville Hydro Limited to amend its Electricity  
Distribution Licence ED-2002-0500.

**By delegation, before:** Viive Sawler

**DECISION AND ORDER**

**October 17, 2012**

**THE APPLICATION**

Orangeville Hydro Limited (“OHL”) filed an application with the Ontario Energy Board on March 30, 2012, under section 74 of the *Ontario Energy Board Act, 1998*, to amend its service area as described in Schedule 1 of its electricity distribution licence (ED-2002-0500). To complete its application OHL filed supplementary information on May 10, 2012. The service area amendment is sought by OHL in order to expand its distribution service area to include lands designated for development in the former Village of Grand Valley, described as Part of Lot 30, Concession 2, Geographic Township of East Luther. These development lands are owned by Thomasfield Homes Ltd. (the “developer”). OHL wishes to provide electricity supply and distribution services to a residential development known as Mayberry Hills Subdivision that the developer is proposing to build on the development lands.

The development lands are currently within Hydro One Networks Inc.’s (“HONI”) licensed service area. By letter filed with the Board on June 5, 2012, HONI advised that it would be contesting the application, and intervened in the application.

The Board issued a Notice of Written Hearing and Procedural Order No.1 on May 16, 2012. Procedural Order No. 1 made provisions for interrogatories on OHL's evidence, the filing of evidence from intervenors and interrogatories on that evidence, and written submissions.

In accordance with the timelines set out in the Board's Procedural Order No. 1, Board staff and HONI filed their respective interrogatories on June 11, 2012, and OHL filed its interrogatory responses on June 25, 2012.

On June 27, 2012, following receipt of OHL's interrogatory responses, HONI filed a Notice of Motion asking the Board to require OHL to provide further and better responses to two of HONI's interrogatories.

The Board issued a Decision on Motion and Procedural Order No. 3 on August 22, 2012 in which the Board dismissed HONI's motion, finding that the information sought by HONI was not relevant to the comparison of costs associated with connecting and servicing the development. During the hearing of the motion OHL introduced new evidence stating that the developer had revised its request for connection. Instead of the 154 lots expected to be developed, the number of lots was revised to 114. Pursuant to Procedural Order No.3, OHL filed updated evidence on August 24, 2012.

## **FINDINGS**

The application is approved. I find that it is in the public interest to amend OHL's licensed service area in Schedule 1 of its electricity distribution licence (ED-2002-0500) to include the Mayberry Hills Subdivision located on Part of Lot 30, Concession 2, Geographic Township of East Luther. I note that no amendment is needed to Hydro One's licence, given the manner in which Schedule 1 of that licence is worded.

In reaching a decision, I was guided by the principles articulated in the Board's Decision with Reasons in RP-2003-0044 (Combined Service Area Amendment proceeding).

The reasons for my decision are set out below.

## **REASONS**

The typical tests applied in a contested service area amendment application are related

to system planning, safety and reliability, and economic efficiency. In reviewing the evidence I find that the impacts on each factor flowing from each of the distributors' proposals were either comparable or in the favour of OHL. There are two main reasons for transferring part of HONI's service area to OHL: the relative density of the systems in proximity to the proposed development; and lower incremental connection costs. In making a decision I have also taken into account the customer's preference, although that preference was given less weight than the other two factors.

In the RP-2003-0044 Decision, the Board stated that economic efficiency should be a primary principle in assessing the merits of a service area amendment application. The Board further 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. The Board said:

"The Board finds that [service area] 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 connection for the customer or group of customers".  
(paragraph 197).

### **System Planning and Density of Distribution Systems**

Mayberry Hills Subdivision consists of 114 single family homes and townhouse units. The evidence demonstrates that both OHL and HONI have well-developed distribution facilities that are adjacent to the proposed amendment area. OHL has an existing 7.2kV distribution line adequate to supply the development as well as future growth in the area and HONI also has an existing overhead 7.2kV line that crosses the development lands. HONI can connect the development from a feed off an existing pole while OHL will need to install a switching cubicle and extend its existing underground distribution system by 100 meters. Both distributors' lines run from Grand Valley distribution station, which can provide sufficient capacity to supply a new load and accommodate future growth. I find that both distributors have the infrastructure to serve the proposed development.

The evidence indicates that OHL's distribution system adjacent to the proposed amendment area serves a denser customer base than HONI's distribution system.

HONI describes its distribution system as currently lightly loaded and indicates that the future customers will be classified as “medium density”. The density of customers served by OHL in the neighbouring area is similar to the density of the future residential customers in the proposed development. The service area amendment will maintain a consistent density from the OHL’s existing system into the new area, which should enhance the utilization of the system as a whole.

### **Safety and Service Reliability**

In its application, OHL has argued it can provide more reliable service. OHL considers the proposed distribution facilities to be located in an urban setting, and according to the Board’s service reliability requirements must respond to emergencies within 60 minutes. OHL argued that HONI would consider the distribution facilities to be in a rural setting and therefore would be required to respond to emergency calls within 120 minutes. In its August 28<sup>th</sup> submission HONI indicated that in urban areas, such as the development, HONI’s reliability and response time will be the same as OHL’s and supported this statement by the fact that 90% of HONI interruptions in this area had an average response time of 63 minutes.

HONI has argued that there is an advantage to having HONI service the development since all distribution assets that are required to supply the subdivision, with the exception of the underground assets within the subdivision itself, are owned and operated by HONI. I disagree that HONI’s status as a host distributor should be interpreted as necessarily providing an advantage over the embedded distributor in terms of reliability and quality of service. In accordance with section 6.3.3 of the Distribution System Code (the “DSC”), the reliability of supply from a host distributor’s distribution system to an embedded distributor’s distribution system shall be as good as or better than what is provided to the host distributor’s other distribution customers.

HONI also argued that it can provide more reliable connection due to the inclusion of the internal loop feed in its design for the development. In its September 28<sup>th</sup> reply submission, OHL stated that its final design includes an internal loop feed and therefore makes its connection proposal comparable to HONI’s.

Overall, there was insufficient evidence filed in this proceeding to demonstrate that safety, reliability and quality of customer service of one distributor would be inferior to that of the other.

## Economic Efficiency

In the RP-2003-0044 Decision, the Board stated "...Economic efficiency is a primary consideration in assessing a service area amendment application... Where new assets must be developed to effect the connection, a comparison of the costs associated with such development will inform the assessment of economic efficiency. "

OHL and HONI have both developed cost estimates for connecting the development. It is expected that both distributors would file their respective economic evaluations prepared in accordance with Appendix B of the DSC and provide sufficient details for the Board to evaluate competing proposals. While OHL submitted its economic evaluation with substantive details and assumptions supporting its capital and maintenance costs and incremental revenue projections, HONI has provided only a high level summary of its costs. In its September 28<sup>th</sup> reply submission OHL summarized the connection costs filed by both distributors and the price the developer would pay in the table below:

	<b>OHL (700kW)</b>	<b>HONI (700kW)</b>
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
<b>Total Cost to Customer</b>	<b>\$362,921</b>	<b>\$426,500</b>

Although HONI argued that its connection proposal is lower than OHL's if the costs to relocate HONI's existing line are added to OHL's costs, it has been already determined in the Decision on HONI's motion that line relocation cost should not be included in the OHL's connection costs.

Reaching a conclusion with respect to relative economic efficiency was challenging. The applicant for a service area amendment bears the burden of demonstrating that the amendment is in the public interest, and must provide consistent, detailed evidence to meet that standard. At the same time, the incumbent distributor, if it opposes the application, must provide a reasonable amount of persuasive evidence of its own plans and costs, at a level of detail to enable a comparison between the two service

proposals. In this case, the economic evaluation provided by HONI was insufficiently detailed to be persuasive.

I find that OHL was able to demonstrate that its estimated cost to connect the proposed development is lower than HONI's cost estimate. The economic evaluations developed by OHL and HONI show that OHL's cost estimate for connecting the development is approximately 17% lower than HONI's.

### **Customer Preference and Rate Levels**

With respect to the consideration of customer preference in the assessment of service area amendment applications, in the RP-2003-0044 Decision, the Board stated:

“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.” (paragraph 233).

In this case the developer provided a letter, filed with the application, which indicates a clear preference for service from OHL. As for the reasons for its preference, Thomasfield Homes Ltd. 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.

OHL in its evidence also emphasised that prospective customers will be subject to lower distribution rates if serviced by OHL. The RP-2003-0044 Decision noted that with regard to rates:

“The Board does not believe that significant weight should be put on differences in current distribution rates even though current rates may be a significant factor in determining customer preference. In fact current rates, insofar as they are not a predictor of future rates, may misinform customer preference.” (paragraph 86).

While I have considered customer preference, it was not a significant factor in granting this service area amendment.

**IT IS THEREFORE ORDERED THAT:**

Orangeville Hydro Limited's electricity distribution licence (ED-2002-0500), specifically Schedule 1 of the licence, is amended to include the lands described as:

Part of Lot 30, Concession 2, Geographic Township of East Luther.

**DATED** at Toronto, October 17, 2012

ONTARIO ENERGY BOARD

*Original signed by*

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Viive Sawler  
Manager, Conservation and Reporting