

# AIRD & BERLIS LLP

Barristers and Solicitors

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January 30, 2013

BY COURIER AND RESS

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Horizon Utilities Corporation  
Service Area Amendment Application  
Board File: EB-2012-0047**

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We are counsel to Horizon Utilities Corporation ("**Horizon Utilities**") in respect of the above noted matter.

It has come to our attention that in the filing of Horizon Utilities Corporation's Interrogatory Responses to Board Staff and Hydro One Networks Inc. ("**Hydro One**") that the response to Hydro One Interrogatory No. 14 was inadvertently transposed into the response to Board Staff Interrogatory No. 14.

We attach Horizon Utilities' Responses to Board Staff Interrogatories, including Horizon Utilities' Updated Response to Board Staff Interrogatory No. 14, which should be substituted for Horizon Utilities' Interrogatory Responses to Board Staff filed January 21, 2013.

We apologize for any inconvenience.

Yours truly,  
AIRD & BERLIS LLP



Dennis M. O'Leary

DMO:ct  
Attachment  
cc Intervenor  
13958700.1

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

**AND IN THE MATTER OF** an Application under section 74  
of the Act by Horizon Utilities Corporation for a license  
amendment.

**INTERROGATORY RESPONSES OF**

**HORIZON UTILITIES CORPORATION**

**TO**

**ONTARIO ENERGY BOARD STAFF**

**JANUARY 21, 2013**  
**(Updated January 30, 2013)**

1 **Question 1**

2 Preamble:

3 **Ref:** Part One Page 9, Section 7.1.4(f)

4

5 The application states that existing Hydro One facilities in the area are not capable of supplying  
6 the customer.

7

8 (a) Please describe these facilities and provide a detailed explanation on why the facilities  
9 are not capable of supplying the customer.

10 (b) Please indicate whether these assets will become redundant in the event that the  
11 proposed amendment is granted and if so, explain how the costs for stranded equipment  
12 will be addressed.

13

14 **Response:**

15 (a) The existing facilities consist of an older rural overhead 8 kV line running along Fletcher  
16 Road and along Rymal Road East. The original intent of the line was to serve rural  
17 customers in a radial line configuration and was not intended to serve a higher density  
18 residential subdivision such as Summit 7.

19 In support of the statement that the existing 8 kV overhead facilities cannot supply the  
20 customer, please consider the note below (provided to Horizon Utilities by Multi-Area  
21 Developments Inc.) from Gordon Messervey of Hydro One dated February 22, 2012,  
22 where Mr. Messervey stated that, based on the information seen on this site, Hydro One  
23 should consider supporting the SAA because of the need to spend approximately  
24 \$400,000 just to get supply to the site. This assessment from Mr. Messervey was likely  
25 correct based on the expansion construction from Hydro One that materialized along  
26 Rymal Road East from Trinity Church Road to Fletcher Road during the Fall of 2012.

27 **From:** MESSERVEY Gordon  
28 **Sent:** Wednesday, February 22, 2012 3:47 PM  
29 **To:** HALL James  
30 **Cc:** YAKIMCHUK Michael  
31 **Subject:** RE: Contact Information for Developer for Summit Phase 7

32 Hi Jim,

33 I have no problems sending the customer a package and this will most likely be sent out to them  
34 tomorrow.

35 Based on the information I have seen on this site would this project not fall into the category or be  
36 considered one that we would support the SAA on? Isn't there approx \$400K of  
37 expansion/enhancement just to get our supply to the site?

38 ***Gordon Messervey***

39 **Supervisor Planning & Design**

40 **Hydro One Networks Inc.**

41 420 Welham Road, BAF

42 Barrie, Ontario, L4N 8Z2

43  (705) 719-5774

44  <mailto:gordon.messervey@HydroOne.com>

45  
46 In Hydro One's letter and submission to the Board dated October 15, 2012, at page 10,  
47 Hydro One admitted that its work on the new approximately 2 km 27.6kV circuit along  
48 Rymal Road was "needed to serve the Project [i.e., Summit Park Phase 7]". Please also  
49 see the Burman Report.

50 As well, at page 13 of 15 of Hydro One's pre-filed evidence, Hydro One admits that "the  
51 current 8kV line is not suitable to service the new customers in the subject area ..."  
52 There is, therefore, no question that Hydro One's existing assets cannot serve Parts I, IV  
53 and V of the SAA Application.

54 (b) Horizon Utilities made a site visit to the area that is the subject of Part I of this SAA  
55 Application on October 4, 2012. During that site visit, Horizon Utilities observed that the  
56 existing 8 kV pole line on Rymal Road East, from the Summit Park 7 development west  
57 to Trinity Church Road had very recently been rebuilt with new cross arms on the  
58 existing poles and with new overhead conductor. New poles were installed west of  
59 Trinity Church Road and framed to accept new overhead conductor.

60

61 Horizon Utilities examined the poles which have been reframed by Hydro One in the  
62 face of this live application, and determined that the existing pole line and associated  
63 equipment appeared to be fully depreciated. Specifically, the poles were a substandard  
64 height compared to current standards and appeared old and weathered. Horizon  
65 Utilities observed date nails on these poles during the aforementioned site visit which  
66 indicated that the poles were of the late 1950's vintage.

67 With regards to the future road widening work on Rymal Road, enclosed are Minutes of  
68 the Utility Co-ordination Meeting (the "Minutes") for Rymal Road Reconstruction on  
69 Dartnell to Fletcher on December 5, 2012, indicating that the City of Hamilton is  
70 requesting new streetlights installed on the north and south sides of Rymal Road East.  
71 The Minutes confirm that the existing substandard height poles utilized by Hydro One  
72 will need to be changed to accommodate new streetlights. Absent the recent work of  
73 Hydro One, the assets along Rymal Road East would have had no stranded asset value.  
74 The Minutes also confirm that the City will be making adjustments to its sidewalk and  
75 boulevards in an effort to eliminate or reduce the need to move the newer Horizon  
76 Utilities' poles on the north side of Rymal Road East.

77 Horizon Utilities submits that subsequent to the October 4th site visit, Hydro One  
78 completed further work along Rymal Road East which included the installation of three  
79 rabbit transformers to convert the primary conductor voltage from 8 kV to 27.6 kV to feed  
80 the Summit Park 7 development that is the subject of Part I of the SAA Application and  
81 the overhead line on Rymal Road East west of Summit Park 7. The addition of two new  
82 transformers was required to feed the legacy customers on Rymal Road due to the  
83 conversion. These new assets which were recently installed by Hydro One in the midst  
84 of a live Service Area Amendment Application will be stranded, but this appears to be a  
85 risk that Hydro One was prepared to accept being fully aware of the contested SAA  
86 Applications.



A. J. Clarke, O.L.S.  
Geoff Aldworth, O.L.S.  
Barry Clarke, O.L.S., C.L.S.

Stephen Fraser, M.C.I.P., R.P.P.

Adi Irani, P.Eng.  
Claudio Giammarco, P.Eng.

## Utility Co-ordination Meeting Rymal Road Reconstruction Dartnell to Fletcher

Date: Wednesday 5 December 2012

Location: Office of A.J. Clarke

### Attendees:

Name	Organization	
George Berenyi	City of Hamilton	<a href="mailto:George.Berenyi@hamilton.ca">George.Berenyi@hamilton.ca</a>
Henry Marfisi	RTG Systems	<a href="mailto:hmarfisi@rtgsystems.com">hmarfisi@rtgsystems.com</a>
Gregg Vandekuy	Horizon Utilities	<a href="mailto:greg.vandekuy@horizonutilities.ca">greg.vandekuy@horizonutilities.ca</a>
Enzo Greco	Union Gas	<a href="mailto:Egreco@uniongas.com">Egreco@uniongas.com</a>
Scott Gemmill	Bell Canada	<a href="mailto:Scottgemmill@bell.net">Scottgemmill@bell.net</a>
Janice Freckleton-Brunet	A.J. Clarke	<a href="mailto:jfreckleton@ajclarke.com">jfreckleton@ajclarke.com</a>

### Discussions:

1. Horizon had a meeting with the City. The City is making a change to the sidewalk on the north side of Rymal (east of Trinity). The City needs to supply drawings. Boulevards will be adjusted. This should help with some of the pole conflicts.
2. AJC will adjust drawings and when pole locations are verified, drawings will be recirculated.
3. Henry is waiting for back up information from Mike Field at the City.
4. Janice to provide new pole locations to Henry for Hydro One area. Try and use as many poles as possible. He will need Horizons too. This will be provided after pole locations are verified on both north and south sides.
5. Henry stated that the poles would be used for lighting on both sides.
6. Henry needs Lumiere sign-off.
7. Horizon is following their existing pole line. Horizon will be going underground and will supply their duct design.
8. At this time Bell is going on the premise that all poles are to be replaced or at the very least relocated. Therefore no use in completing a pole condition survey.
9. Bell stated that Dartnell to Glover (south side) poles to be replaced; Glover to Trinity Church Road (south side) has been replaced; and Trinity to Fletcher (south side) a decision on poles has still to be made. On the north side Dartnell to Glover there are pole conflicts with Horizon which will be removed.
10. George stated that the City was doing a study on the possible cul-de-sac of Upper Mount Albion. No time frame is known.





11. Henry asked if we had an overall drawing for the pole relocates and underground. Janice advised that it was just the traffic markings. Janice to speak to Adi to see if this can be done.
12. Horizon will do duct structure/street lighting in common trench.
13. Horizon to give copy of proposed duct work to Henry.
14. Enzo stated all work had been done at Pritchard on Glover.
15. Enzo has conceptual plans but needs to have acquisitions. City stated it was too early for these. Enzo to attempt a plan without them for now.
16. It is the City's intent to acquire the property but not sure of time frame.
17. Gas wants to be close to the property line.
18. Bell advised of some conflicts at Dakota, this may be altered if road width is adjusted.
19. Horizon will have duct structure under sidewalk and manholes in the boulevards.
20. Existing gas to abandon on north side of Pritchard.
21. Bell stated poles would be replaced and put in straight line to Glover. TV cable will move to new poles.
22. Bell's new poles are sized for street light and Hydro.
23. City's request is for LED lighting.
24. It was agreed a pole survey should be completed between AJC and the City. Need owner of poles to confirm standards. Horizon will clarify what is Horizon and Hydro 1. Some poles will not support Lumieres. Survey to bring up conflicts/adjustments.
25. Henry to send lumiere standard to Scott Gemmill at Bell.
26. Bell to walk poles and get back to Janice.
27. Horizon will confirm their pole condition.
28. Bell design not done. Need new poles, price and weight of lumieres.
29. City needs budget numbers.
30. Hydro 1 has poles between Pritchard and Glover. Janice to email Ted at Hydro 1. Horizon to inform of conflicts.
31. Janice asked if we would have relocates next summer. George stated yes. May be other impacts like Mount Albion Road closure. Utilities seem to be in agreement.
32. City will make change to drawings and get final design out.
33. Need designs for the next meeting.
34. It is intended that all utilities provide estimates to the City before mid Jan 2013.

Minutes prepared by Tracey DiPietro. Please advise of any omissions or discrepancies as soon as possible.

Tracey DiPietro  
A.J. Clarke & Associates

**Next tentative meeting scheduled for January 16, 2013 at 1.30pm – AJC**

<b>Copy:</b> Bob Howard	City of Hamilton	<a href="mailto:Bob.Howard@hamilton.ca">Bob.Howard@hamilton.ca</a>
Ted Sloat	Hydro One	<a href="mailto:Ted.Sloat@hydroone.com">Ted.Sloat@hydroone.com</a>
Julie Gatt	Cogeco	<a href="mailto:Julie.gatt@cogeco.com">Julie.gatt@cogeco.com</a>

1 **Question 2**

2 Preamble:

3 **Ref:** Part One Page 9, Section 7.2.1(a)  
4

5 Horizon states that it has underground lines adjacent to the proposed development that are fed  
6 from underground and overhead 27.6kV distribution feeders surrounding the development.

7 (a) Please confirm that the existing infrastructure allows tie-over capability and if so, please  
8 provide particulars.

9 (b) Please confirm whether there is sufficient capacity on the existing feeders to provide  
10 service to future developments in the surrounding area, in addition to the proposed  
11 development.

12

13 **Response:**

14

15 (a) Horizon Utilities has existing 27.6kV underground and overhead distribution surrounding  
16 the development and the rest of the properties subject to the SAA. There are  
17 underground assets on the West side of Fletcher Road with tie-over (referred to as  
18 interconnection ties in the Application) capabilities with the new Summit Park 7  
19 development. Since this Application was filed, Horizon Utilities has added to these  
20 underground assets on Fletcher Road by installing new duct structures and an additional  
21 tie-over to the main 27.6kV feeder on the North side of Rymal Road East to support a  
22 new 7 lot subdivision expansion by Multi-Area Developments Inc. at that location.  
23 Horizon Utilities also has 27.6kV underground assets south of the Phase 7 development  
24 from the existing Summit Park 6 subdivision which can be expanded to tie-over to  
25 Summit Park 7. On the East side of the properties subject to the SAA, Horizon Utilities  
26 has underground assets supplying commercial properties, and these assets can be  
27 expanded for tie-overs and will interconnect with the service area that is the subject of  
28 Part V of this SAA Application.

29 On the North side of Rymal Road East, Horizon Utilities has its main M3/M4 overhead  
30 feeder where multiple tie-overs can be installed to feed the new developments, when  
31 convenient for developers. Further, interconnection ties can be made from the M3/M4  
32 feeders to adjacent transformer stations ("TS") to provide tie-over capability at the TS  
33 level to further enhance security in the event that Nebo TS is unavailable due to  
34 emergencies or planned maintenance.

35 (b) The M3/M4 existing feeders have sufficient capacity to provide service to the proposed  
36 developments. The capacity constraints are currently at the Nebo TS where capacity  
37 has exceeded the 10-day LTR rating. Horizon Utilities has interconnecting ties to two  
38 other TS's which allow it to off load the M3/M4, temporarily, if required. Hydro One  
39 Transmission does not have the same interconnection capability. Horizon Utilities is



40 also preparing for future load growth in this area by working with Hydro One  
41 Transmission to increase station capacity in 2013 and building an additional feeder in  
42 2014 to redistribute supply to match the loading in this area.

1 **Question 3**

2 Preamble:

3 **Ref:** Part One Page 10, section 7.2.1(a)  
4

5 Horizon states that Hydro One is proposing to build a new expansion consisting of an overhead  
6 distribution system of approximately 1.65 km in length to reach the edge of Summit Park Phase  
7 Please explain the basis on which this statement is being made, i.e. is this based on  
8 discussions or information provided by Hydro One?

9

10 **Response:**  
11

12 Hydro One's construction of the new expansion circuit of approximately 1.65 km in length began  
13 in the Fall of 2012. Horizon Utilities' crews observed this pole line construction, in progress.  
14 Horizon Utilities' understanding of Hydro One's plan is based on discussions that Horizon  
15 Utilities had with Hydro One which began after Hydro One commenced construction of the pole  
16 line assets.

17 Hydro One's initial plan was to connect to the M3 and/or M4 feeders which have always  
18 exclusively served Horizon Utilities. According to Hydro One's pre-filed evidence dated January  
19 14, 2013, page 13 of 15, its plans have now changed such that it proposes to connect a new  
20 feeder (called M5) directly at the Nebo TS. This will necessarily involve a longer circuit, as the  
21 Nebo TS is located south and west of the proposed earlier connection to the M3/M4 feeders.  
22 This new 27.6kV circuit will therefore be materially longer than the 1.65 km estimated earlier.

23 All of the work which Hydro One has undertaken, including the installation of several new poles,  
24 the reframing of legacy weathered poles of various height, and the installation of wires, all of  
25 which will become part of the new 27.6kV circuit along Rymal Road East has been undertaken  
26 subsequent to Hydro One receiving Horizon Utilities' SAA Application in respect of Summit Park  
27 7.

1 **Question 4**

2 Preamble:

3

4 **Ref:** Part One Page 10, section 7.2.1(a)

5

6 Horizon states that Hydro One's proposed connection to the express feeder also has negative  
7 cost implications for Horizon Utilities because the existing metering registration for the M3  
8 feeder will no longer be considered as an "express" feeder and Hydro One does not propose to  
9 install new metering. Please provide information on costs to demonstrate how costs are  
10 expected to increase as a result of Hydro One's proposed connection.

11 **Response:**

12

13 Horizon Utilities' concern, as noted above, relates to the location of metering and the impact that  
14 loss calculations could have on Horizon Utilities and its customers. Currently, the M3 feeder is  
15 metered at Nebo TS which attracts lower loss uplifts than if metering is placed further down the  
16 line. If Hydro One does not install new metering as a result of the proposed connection, then  
17 there would be a requirement for Horizon Utilities to install new metering which would attract a  
18 higher rate of losses.

19 Horizon Utilities identifies that per Hydro One's evidence of January 11, 2013, it is now  
20 proposing to connect to an alternate feeder where this would no longer be a consideration.

1 **Question 5**

2 Preamble:

3 **Ref:** Part One Page 11, section 7.2.1(a)

4 Horizon states that Hydro One is not to use the express feeder competitively as that of another  
5 LDC servicing residential or commercial customer within the heart of an existing LDC service  
6 area. If this is the case, if the application is not approved for parts II, III and IV how is Hydro One  
7 to service its licensed territory therein?

8 **Response:**

9 The concern Horizon Utilities has expressed about Hydro One attaching its proposed new  
10 27.6kV circuit to the M3 and/or M4 express feeders arises out of the current capacity constraints  
11 at the Nebo TS which would be exacerbated by Hydro One taking load from the M3 and/or M4  
12 express feeders.

13 By Hydro One arbitrarily attaching to either or both of these feeders, they would no longer be  
14 considered “express feeders” and would be designated “common feeders”, which would result in  
15 a significant increase in the rates payable by Horizon Utilities for these feeders.

16 Should the Board not approve Parts II and III of Horizon Utilities’ SAA Application, Hydro One  
17 would continue to supply these legacy customers using its existing 8 kV assets; albeit, in  
18 respect of the Fletcher Road legacy customers, Hydro One will be required to remove its poles  
19 and install underground wiring, consistent with the City of Hamilton’s streetscaping  
20 requirements.

21 In respect of Part IV, which involves the Bishop Ryan Catholic Secondary School and the  
22 undeveloped parcel of land, as noted at page 13 of 15 of Hydro One’s pre-filed evidence, Hydro  
23 One’s “*current 8 kV line is not suitable to service the customers in the subject area*”. Hydro One  
24 will have to build a new circuit, whereas Horizon Utilities presently has available capacity and  
25 adjacent available connection points. Please see the Burman Energy Report, filed November  
26 27, 2012, pages 10-11 and Maps filed December 17, 2012, Exhibit KM2.

**Question 6**

Preamble:

Horizon states that if the OEB were to permit Hydro One's use of the express feeder in the described manner, that this would be tantamount to creating a new precedent. Does Horizon have evidence that a Hydro One express feeder was never used in the described manner?

**Response:**

Horizon Utilities confirms that to its knowledge, an express feeder has not been used in the described manner. Horizon Utilities further confirms that in its experience or that of its predecessor companies, these feeders have been for the express use of Horizon Utilities and those predecessor companies. Horizon Utilities submits that it logically follows that Hydro One should not be in a position to arbitrarily attach to a feeder historically dedicated to a customer, the result of which would change the designation of the feeder from "express feeder" to "common feeder", thereby materially increasing the cost to Horizon Utilities of continued use of such feeder.

1 **Question 7**

2 Preamble:

3 **Ref:** Part One Page 14, Section 7.2.1(c)

4  
5 Horizon provided a summary of Hydro One's offer to connect. However, the information  
6 provided does not offer a clear comparison of the costs incurred by each distributor and of the  
7 customer's capital contribution.

8 a) Please provide a table (side by side) which sets out all costs to connect the development  
9 under Options A and B, as set out in each distributor's offer to connect.

10 b) Please provide a detailed explanation of how the capital contribution has been  
11 calculated by each distributor.

12 **Response:**

13  
14 a) In this proceeding, the Developer, Multi-Area Developments Inc. has chosen the  
15 Alternative Bid option whereby it will proceed to construct the necessary civil work on the  
16 Summit Park 7 lands itself with the help of a third party contractor. Horizon Utilities  
17 observes that the cost of this work to be completed by the third party contractor is less  
18 than the estimate of the costs to undertake this work as set out in Horizon Utilities'  
19 original OTC. Accordingly, the most appropriate and factually based comparison is to  
20 use the information about the third party contractor's costs, and include these costs in an  
21 Option B Alternative Bid economic evaluation and compare the results as between the  
22 two utilities. Horizon Utilities has done this as set out in Table 3 below. However, to  
23 provide a full response to the interrogatory as asked, it has also prepared a comparison  
24 with appropriate adjustments and caveats for both the Option A Horizon Utilities  
25 Constructed Subdivision and Option B Alternative Bid using the original Horizon Utilities  
26 cost estimates for the contestable portion of the Summit Park 7 civil work.

27 Table 1 below lists all costs to connect the development under Option A. It is important  
28 to note some fundamental differences between the two distributors' proposal. Under  
29 Option A, Horizon Utilities will provide all engineering, inspection and constructions  
30 services. Under Option A for Hydro One, the developer is responsible for all the civil  
31 work as described in Hydro One's Schedule B which consists of excavating the  
32 trenches, sand padding, road crossings and ground grids. In the absence of this civil  
33 cost, Horizon Utilities estimated this value based on Hydro One's Intervenor Evidence  
34 dated January 14, 2013, page 4 of 15, which is \$538,900.

35 Horizon Utilities identifies that it also collects the Service and Metering costs up front  
36 which are recovered by the Developer from the builders as the sales of completed  
37 homes are closed; such represents another fundamental difference between the two  
38 offers. These costs do not appear in Hydro One's OTC and accordingly they should be  
39 removed from Horizon Utilities' costs for comparison purposes. The removal of these  
40 Service and Metering costs from Horizon Utilities' OTC would result in a decrease of  
41 approximately \$132,000.

42 Horizon Utilities has made two changes to its original Offer to Connect. Horizon Utilities  
43 has removed the Subdivision Connection Costs – Uncontestable of \$50,000 as this work  
44 has now been completed as part of a new development constructed at the South West  
45 corner of Fletcher Road and Rymal Road during the Fall of 2012; Multi-Area  
46 Developments Inc. entered into a new CCRA agreement with Horizon Utilities for this  
47 work within its service area. Therefore, this amount should no longer be included in the  
48 Horizon Utilities' OTC.

49 Further, Horizon Utilities has reduced its cost per unit to reflect the direct burying cable  
50 method of construction as per Hydro One's OTC rather than the duct method which was  
51 used for Horizon Utilities' original OTC. These contestable costs have been reduced by  
52 approximately \$156,000.

53 Even with these adjustments, a direct comparison between the two OTCs is not possible  
54 as the Hydro One OTC is devoid of costs associated with its expansion work. Hydro  
55 One has identified that its legacy 8kV assets cannot serve the new development and  
56 that it must construct an entirely new circuit along Rymal Road East to serve Summit  
57 Park 7. Until these costs are added to Hydro One's OTC, a true "apples to apples"  
58 comparison cannot be undertaken.

59 Horizon Utilities has included its revised Schedule B for Option A Horizon Constructed  
60 Subdivision, below.



<b>Table 1</b>		<b>Development Constructed by LDC: Option A</b>			
Items 1 to 8 are inputs to the DCF model used to determine the capital contribution and securities.					
#	Deliverable	Horizon Utilities	Comments	Hydro One	Comments
1	Cost to Prepare Offer to Connect	\$0		\$14,800	From table 3.2 Part 1 for Option A
2	Engineering and Inspection	\$0	Included in Contestable costs Item 7	\$12,878	From table 3.2 Part 1 for Option A. It is not clear if and how HONI is charging inspection costs.
3	Upstream Electrical Distribution Expansion Costs	\$127,953	From schedule B, Horizon Constructed Subdivision	\$0	from table 3.2 section 3
4	Connection Costs	\$0	Cost to supply and install a connection between closest feeder and demarcation point to the new development.	\$0	from table 3.2 section 3
5	Service & Metering	\$0	Cost to connect from property line to meter base, including the cost of the meter. \$460/lot + HST. This cost is included in the Uncontestable costs	\$0	It is not clear if and how HONI is charging Service & Metering costs.
6	Uncontestable Costs	\$132,020	From schedule B, Horizon Constructed Subdivision. Includes connection work, service and metering.	\$520,719	From table 3.2 Part 1 for Option A. Sections 2.1 and 2.2
7	Contestable Costs	\$1,057,196	From schedule B, Horizon Constructed Subdivision	\$317,068	From table 3.2 Part 1 for Option A. Sections 4.2 and 4.2
8	Other costs	\$0	All construction and administrative costs are included in line items 1 to 7.	\$538,900	Cost for civil construction as set in Schedule "B" by developer. Estimated value using Hydro One Intervenor Evidence page 4 of 15
	Totals	\$1,317,169		\$1,404,365	
Lines 9 to 17 summarizes the financial obligations of the developer based on the calculations from the DCF model using the amounts identified in lines 1 to 8.					
Net present value (NPV) components from the Distributed Cash Flow (DCF) model calculations					
9	Capital Expenditures - Project costs & Upstream Costs	\$1,197,387	From schedule B, Horizon Constructed Subdivision	\$850,665	From Schedule "F": Economic Evaluation Results
10	Incremental Operating, maintenance and administrative costs (OM&A)	\$506,043	From schedule B, Horizon Constructed Subdivision	\$886,980	From Schedule "F": Economic Evaluation Results
11	Distribution Revenue	\$858,021	From schedule B, Horizon Constructed Subdivision	\$1,425,269	From Basic Discounted Cash Flow Calculations.
12	Net present value	<b>\$845,408</b>	From schedule B, Horizon Constructed Subdivision. Line 11-10-9	<b>\$312,376</b>	From Basic Discounted Cash Flow Calculations.
13	HST (13%)	\$109,903	HST on Net Present Value	\$40,609	From Basic Discounted Cash Flow Calculations.
14	Initial Capital Contribution	<b>\$955,311</b>	From schedule B, Horizon Constructed Subdivision. Line 12 & 13	<b>\$352,985</b>	From Basic Discounted Cash Flow Calculations. Includes pre-paid design fees.
15	Expansion Deposit	\$343,808	From schedule B, Horizon Constructed Subdivision	\$1,425,259	From IV. Miscellaneous.
16	Other costs	\$0	Line 8 above	\$538,900	Line 8 above (not included in Hydro One DCF Calculations)
17	Total cost	<b>\$1,299,119</b>	Line 14 & 15 & 16	<b>\$2,317,144</b>	Line 14, 15 & 16



**Horizon Utilities Corporation**

**Capital Cost Recovery Agreement – Horizon Constructed Subdivision**

**Schedule B - Cost and Revenue**

**COST**

Horizon Utilities Corporation's Work Estimate

Horizon Utilities Corporation Work Estimate of total costs:

	Contestable	Uncontestable	Total
i. Material	520,797.20	14,350.00	535,147.20
ii. Labour	241,964.80	114,800.00	356,764.80
iii. Equipment	234,973.20	2,870.00	237,843.20
iv. Engineering & Administration	59,460.80		59,460.80
<b>Work Order Costs</b>	<b>1,057,196.00</b>	<b>132,020.00</b>	<b>1,189,216.00</b>
Upstream Electrical Distribution System Costs		127,953.45	127,953.45
<b>Total Project Costs</b>			<b>\$ 1,317,169.45</b>

**Number of Residential Customers To Be Connected**

**287**

Developer has chosen to have Horizon Utilities construct the project

**Initial Capital Contribution**

NPV Components

Capital Expenditures - Project costs & upstream costs	-\$1,197,386.84
Incremental Operating, Maintenance & Administration Costs	-\$506,042.60
Distribution Revenue	858,021.28
<b>Net Present Value</b>	<b>-\$845,408.17</b>
HST @ 13%	-\$109,903.06
<b>Total Initial Capital Contribution</b>	<b>-\$955,311.23</b>

**Expansion Deposit**

**\$343,807.83**

**Fully Recoverable Work**

Description of Fully Recoverable work and deposit required  
 Street lighting Deposit

\$0.00  
 \$0.00  
 \$0.00  
 \$0.00  
**\$0.00**

**Customer Acknowledges that:**

1.	it has elected to have the Distributor construct the project		
2.	it is responsible for the Capital Contribution, Expansion Deposit, any security or other payment or costs specified herein		
3.	that the final Capital Contribution and Expansion Deposit will be determined at the time of completing the final Economic Evaluation		
4.	they will be responsible for paying the amounts specified below as follows:		
	- Capital Contribution (initial as per Offer to Connect)	\$955,311.23	Execution of Agreement
	- Expansion Deposit	\$343,807.83	Execution of Agreement
	- Fully Recoverable Work	\$0.00	Execution of Agreement

\* A Letter of Credit is acceptable as payment of the Expansion Deposit. Please refer to Schedule C - Form Letter of Credit

63 Table 2 below lists all costs to connect the development under Option B. Horizon  
64 Utilities also includes Schedule B – Option B for Alternative Bid Subdivision, below. It is  
65 important to note some fundamental differences between the two distributors' proposals.  
66 In the absence of a cost breakdown from the Developer for the Contestable costs at the  
67 time of issuance of the Offer to Connect, Horizon Utilities used the same estimate for the  
68 contestable costs as it included in the Option A calculation. Since a Developer will  
69 generally be able to undertake the civil work at a lower cost, Horizon Utilities will  
70 ultimately use the lower costs in running its final economic evaluation. Such will result in  
71 a favourable outcome for the Developer in terms of the transfer price it ultimately  
72 receives. In Table 2 below, contestable costs of \$1.057MM are aligned with those costs  
73 identified in Horizon Utilities' revised OTC per Schedule B – Option A for Horizon  
74 Constructed Subdivision, and as identified in the aforementioned Table 1.

<b>Table 2 Development Constructed by Developer: Option B</b>					
Items 1 to 8 are inputs to the DCF model used to determine the capital contribution and securities.					
1	Cost to Prepare Offer to Connect	\$0		\$14,800	From table 3.3 Part 1 for Option B
2	Engineering and Inspection	\$57,860	From schedule B, Alternative Bid Subdivision	\$38,254	From table 3.3 Part 4 for Option B
3	Upstream Electrical Distribution Expansion Costs	\$127,953	From schedule B, Alternative Bid Subdivision	\$0	From table 3.3 Part 3 for Option B
4	Connection Costs	\$0	From schedule B, Alternative Bid Subdivision	\$0	From table 3.3 Part 3 for Option B
5	Service & Metering	\$0	From schedule B, Alternative Bid Subdivision. This amount is included in the Uncontestable costs	\$0	It is not clear if and how HONI is charging service and metering costs.
6	Uncontestable Costs	\$132,020	From schedule B, Alternative Bid Subdivision.	\$520,719	From table 3.3 for Option B. section 2.1 & 2.2
7	Contestable Costs	\$1,057,196	From schedule B, Alternative Bid Subdivision. For Horizon, this amount is the same as Option A for the initial DCF. The same figure of \$538,900 used by HONI would be inserted at the end of the project when running the final DCF.	\$538,900	Cost for civil construction as set in Schedule "B" by developer. Estimated value using Hydro One Intervenor Evidence page 4 of 15 dated January 14, 2013.
8	Other costs	\$0		\$0	
	<b>Totals</b>	<b>\$1,375,029</b>		<b>\$1,112,673</b>	
Lines 9 to 17 summarizes the financial obligations of the developer based on the calculations from the DCF model using the amounts identified in lines 1 to 8.					
Net present value (NPV) components from the Distributed Cash Flow (DCF) model calculations					
9	Capital Expenditures - Project costs & Upstream Costs	\$1,197,387	From schedule B, Horizon Constructed Subdivision	\$571,850	From Schedule "F": Economic Evaluation Results. This amount does not appear to contain any civil work as per Horizon Utilities estimates. This amount contains inspection per line 2 above.
10	Incremental Operating, maintenance and administrative costs (OM&A)	\$506,043	From schedule B, Horizon Constructed Subdivision	\$886,980	From Schedule "F": Economic Evaluation Results
11	Distribution Revenue	\$858,021	From schedule B, Horizon Constructed Subdivision	\$1,425,269	From Basic Discounted Cash Flow Calculations.
12	Net present value	<b>\$845,408</b>	Line 11-10-9	<b>\$33,561</b>	Table 3.3 Part 3 Totals
13	HST (13%)	\$109,903	HST on Net Present Value	\$4,363	From Basic Discounted Cash Flow Calculations.
14	Initial Capital Contribution	<b>\$955,311</b>	Lines 12 & 13	<b>\$37,924</b>	Table 3.3 Part 3 Totals
15	Expansion Deposit	\$105,720	From schedule B, Alternative Bid Subdivision.	\$1,425,269	From IV. Miscellaneous.
16	Other costs			\$553,700	Line 1 plus Line 7. Line 7 is not included in HONI's initial DCF.
17	Total costs	<b>\$1,061,031</b>	Line 14 & 15 & 16	<b>\$2,016,893</b>	Line 14, 15 & 16
18	Transfer Price	-\$260,000	Established at Final DCF. The predicted Contestable Costs are HONI line 7 above at \$538.9K + \$258K from page 33 of Burman Report. The difference with Horizon Utilities line 7 above is \$1,057K-\$538.9K-\$258K = \$260K, which is refunded to Developer.	\$0	No further revenue support available.
19	Total cost after Final DCF	<b>\$801,031</b>	Line 17 + 18	<b>\$2,016,893</b>	Line 17 + 18



**Horizon Utilities Corporation**  
**Capital Cost Recovery Agreement – Alternative Bid Subdivision**

**Schedule B - Cost and Revenue**

**COST**

Horizon Utilities Corporation's Work Estimate

Horizon Utilities Corporation Work Estimate of total costs:

	Contestable	Uncontestable	Total
i. <b>Material</b>	520,797.20	14,350.00	535,147.20
ii. <b>Labour</b>	241,964.80	114,800.00	356,764.80
iii. <b>Equipment</b>	234,973.20	2,870.00	237,843.20
iv. <b>Engineering &amp; Administration</b>	59,460.80		59,460.80
<b>Work Order Costs</b>	<b>1,057,196.00</b>	<b>132,020.00</b>	<b>1,189,216.00</b>
<b>Upstream Electrical Distribution System Costs</b>		127,953.45	<b>127,953.45</b>
<b>Total Project Costs</b>			<b>\$ 1,317,169.45</b>

**Number of Residential Customers To Be Connected**

287

**Developer has Elected To Use The Alternative Bid Option**

No Capital Contribution currently, this will be determined once final Transfer Price is known.

**\$0.00**

**Prepayments Required:**

**Estimated Final Connection Costs**

\$0.00

**Inspection & Engineering Administration:**

First \$50,000 @ 15%

\$7,500.00

Balance @ 5%

\$50,359.80

\$57,859.80

**\$57,859.80**

HST @ 13%

\$7,521.77

**Prepayments Required**

**\$65,381.57**

**Expansion Deposit**

**\$1,057,196.00**

**Transfer Price (estimated - not including HST)**

To be finalized at the time of final economic evaluation

**\$401,667.63**

**Fully Recoverable Work**

Description of Fully Recoverable work and deposit required

\$0.00

\$0.00

\$0.00

**\$0.00**

**Customer Acknowledges that:**

1.	it has elected to use the Alternative Bid Option		
2.	it is responsible for the Capital Contribution, Expansion Deposit, any security or other payment, fee or costs specified herein		
3.	that the final Capital Contribution, Transfer Price, Expansion Deposit will be determined at the time of completing the final Economic Evaluation		
4.	they will be responsible for paying the amounts specified below as follows:		
	(i) Capital Contribution (initial as per Offer to Connect)	\$0.00	Execution of Agreement
	(ii) Fees and Costs	\$65,381.57	Execution of Agreement
	(iii) Fully Recoverable Work	\$0.00	Execution of Agreement
	(iv) Estimated Expansion Deposit (to be finalized prior to energization)		
	- 10% of Contestable Work for 2 year Maintenance	\$105,719.60	Prior to Energization
	- Portion to complete, repair or bring up to standard the facilities		
	(v) Service and Metering Costs @ \$460 per Residential Customer	\$149,182.60	Prior to Energization
5.	for the Transfer Price they have requested (An option must be selected):		
	<input type="checkbox"/>	Distributor apply the Transfer Price against the required Expansion Deposit and the Services and Metering Costs (if any)	
	<input type="checkbox"/>	Distributor not apply the Transfer Price against the required Expansion Deposit and the Services and Metering Costs	

\* A Letter of Credit is acceptable as payment of the Expansion Deposit. Please refer to Schedule C - Form Letter of Credit

78 Horizon Utilities identifies that some of the contestable work has now been undertaken  
79 by a third party contractor. At page 4 of 15 of Hydro One's evidence, it appears that the  
80 cost of this work is approximately \$538,900. To make a factually accurate comparison,  
81 this figure has been used in Table 3, below.

82 Horizon Utilities further identifies that it allows developers to purchase transformers,  
83 switches, elbows and to install these components; as noted in Table 3 below, this is a  
84 cost of \$258,828. Hydro One considers this work Uncontestable and provides all these  
85 materials and the labour to install; per Table 3 this cost is \$520,719.

86 As noted earlier in this response, the comparison in Table 3 below also includes the  
87 adjustment to the Service & Metering costs. Since Hydro One does not collect these  
88 costs up front from the developer, these costs have been removed for the purposes of  
89 this comparison. Further, the Subdivision Connection Costs – Uncontestable of \$50,000  
90 that was originally part of Horizon Utilities' OTC has been removed in the comparison  
91 below since, as noted, that work has already been completed and is the subject of a  
92 separate agreement with Multi Area Developments Inc.

93 It should be noted that Horizon Utilities and Multi-Area Developments Inc. have agreed  
94 that if Horizon Utilities is successful in the SAA Application, Horizon Utilities will accept  
95 and assume operation and control over the direct bury distribution system being  
96 constructed by the third party contractor and that the standard maintenance fee held for  
97 2 years will be negotiated. Horizon Utilities has not altered this number on the revised  
98 OTC as these discussions have not taken place (Refer to Customer Acknowledge  
99 section 4 (iv)).

100



<b>Table 3</b>		<b>Development Constructed by Developer: Option B Using HONI's Estimates</b>			
Items 1 to 8 are inputs to the DCF model used to determine the capital contribution and securities.					
1	Cost to Prepare Offer to Connect	\$0		\$14,800	From table 3.3 Part 1 for Option B
2	Engineering and Inspection	\$31,945	Based on reduced Contestable Costs	\$38,254	From table 3.3 Part 4 for Option B
3	Upstream Electrical Distribution Expansion Costs	\$127,953	From schedule B, Alternative Bid Subdivision	\$0	From table 3.3 Part 3 for Option B
4	Connection Costs	\$0	From schedule B, Alternative Bid Subdivision	\$0	From table 3.3 Part 3 for Option B
5	Service & Metering	\$0	This amount is excluded from this analysis, since HONI does not charge Service & Metering at OTC stage. For Horizon Utilities, Developer recovers these costs from builders at house closure.	\$0	It is not clear if and how HONI is charging service and metering costs.
6	Uncontestable Costs	\$258,828	From Burman Report, page 33. Contains transformers, switches, elbows and labour to install.	\$520,719	From table 3.3 for Option B. section 2.1 & 2.2
7	Contestable Costs	\$538,900	From schedule B, Alternative Bid Subdivision. For Horizon, this amount is the same as Option A for the initial DCF. The same figure of \$538,900 used by HONI would be inserted at the end of the project when running the final DCF.	\$538,900	Cost for civil construction as set in Schedule "B" by developer. Estimated value using Hydro One Intervenor Evidence page 4 of 15 dated January 14, 2013.
8	Other costs	\$0		\$0	
	<b>Totals</b>	<b>\$957,626</b>		<b>\$1,112,673</b>	
Lines 9 to 17 summarizes the financial obligations of the developer based on the calculations from the DCF model using the amounts identified in lines 1 to 8.					
Net present value (NPV) components from the Distributed Cash Flow (DCF) model calculations					
9	Capital Expenditures - Project costs & Upstream Costs	\$957,626	Estimate that total costs above are sufficiently close to NPV for this analysis.	\$571,850	From Schedule "F": Economic Evaluation Results. This amount does not appear to contain any civil work as per Horizon Utilities estimates. This amount contains inspection per line 2 above.
10	Incremental Operating, maintenance and administrative costs (OM&A)	\$506,043	From schedule B, Horizon Constructed Subdivision	\$886,980	From Schedule "F": Economic Evaluation Results
11	Distribution Revenue	\$858,021	From schedule B, Horizon Constructed Subdivision	\$1,425,269	From Basic Discounted Cash Flow Calculations.
12	Net present value	<b>\$605,648</b>	Line 11-10-9	<b>\$33,561</b>	Table 3.3 Part 3 Totals
13	HST (13%)	\$78,734	HST on Net Present Value	\$4,363	From Basic Discounted Cash Flow Calculations.
14	Initial Capital Contribution	<b>\$684,382</b>	Lines 12 & 13	<b>\$37,924</b>	Table 3.3 Part 3 Totals
15	Expansion Deposit	\$53,890	Calculated as 10% of Contestable costs	\$1,425,269	From IV. Miscellaneous.
16	Other costs	\$0		\$553,700	Line 1 plus Line 7. Line 7 is not included in HONI's initial DCF.
17	Total costs	<b>\$738,272</b>	Line 14 & 15 & 16	<b>\$2,016,893</b>	Line 14, 15 & 16
18	Transfer Price	\$0	No further revenue support available	\$0	No further revenue support available.
19	Total cost after Final DCF	<b>\$738,272</b>	Line 17 + 18	<b>\$2,016,893</b>	Line 17 + 18



102 As noted previously, even with the adjustments made to complete a comparison of the  
103 two OTCs and as detailed in Table 3, a direct comparison of Horizon Utilities' OTC to  
104 that of Hydro is not possible as the Hydro One OTC is devoid of costs associated with its  
105 expansion work (see Table 3 – Upstream Electrical Distribution Expansion Costs, Hydro  
106 One = \$0). That said, Horizon Utilities identifies that Table 3 clearly demonstrates that  
107 the capital expenditures to the Developer are less with Horizon Utilities.

108 b) In calculating the capital contribution requirements for both Option A and Option B,  
109 Horizon Utilities will add the contestable costs, the uncontestable costs, the upstream  
110 costs less the NPV of revenues net of OM&A and taxes. Under Option A, Horizon  
111 Utilities would charge a capital contribution of \$845,408 plus HST for a total of \$955,311;  
112 for Option B, Horizon Utilities would pay an estimated capital contribution to the  
113 Developer of \$260,000 (please refer to Horizon Utilities response to Board staff IR 7a)  
114 Table 2, line 18). Under Option B, the Developer undertakes and pays for the Summit  
115 Park 7-related civil work, which will ultimately be assumed by Horizon Utilities. Such  
116 gives rise to a transfer price which will be paid to the Developer.

117 In calculating the capital contribution requirements for both Option A and Option B,  
118 Hydro One adds the contestable costs, the uncontestable costs less the NPV of  
119 revenues net of OM&A and taxes. As noted in Horizon Utilities' evidence dated August  
120 16, 2012, at section 7.2.1 (c) page 14 of 33, Horizon Utilities has calculated the capital  
121 contribution payable by the Developer to Hydro One under both Options A and B of its  
122 OTC. Hydro One has not provided sufficient information in order for Horizon Utilities to  
123 be able to provide a detailed explanation of how Hydro One's capital contribution has  
124 been calculated. Horizon Utilities submits that a direct comparison of Horizon Utilities'  
125 OTC to that of Hydro One is not possible as the Hydro One OTC is devoid of costs  
126 associated with its upstream expansion work.

1 **Question 8**

2 **Ref:** Part One Page 21, Section 7.3.10

3 Preamble:

4 Horizon attached a letter to the application (Attachment 7) from Multi-Area Developments dated  
5 July 24, 2012 outlining the urgency in having its construction site energized to begin building by  
6 mid-September of that year. On September 12, 2012 the developer filed a letter with the Board  
7 stating that it had accepted Hydro One's offer to connect and therefore no longer wished to  
8 pursue a connection to Horizon.

9 (a) Given Horizon's awareness of the developer's urgency, please explain why Horizon did  
10 not respond to the September 12<sup>th</sup> letter until one month later, on October 10, 2012?

11 Attachment 3 is a letter from the developer which confirms Multi-Area Developments' request  
12 that Horizon supply electricity to the development. The letter states that the developer's  
13 anticipated date of development is April 2, 2012.

14 (b) Please explain why Horizon's Offer to Connect, Attachment 4, was not provided to the  
15 developer until June 5, 2012?

16 **Response:**

17 (a) Horizon Utilities has enjoyed a long term relationship with Multi-Area Developments Inc.  
18 (the "Developer") and there were continued conversations between September 12, 2012  
19 and October 10, 2012 between the two organizations in an attempt to meet the  
20 Developer's needs. Horizon Utilities has ample supply of electricity surrounding this  
21 development and tie-ins are readily available such that the Developer's needs were  
22 never at risk. During this time frame, Horizon Utilities worked with the Developer to  
23 finalize a Capital Cost Recovery Agreement ("CCRA") for a 7 lot expansion immediately  
24 West of the Summit Park 7 lands. Horizon Utilities also worked with the Developer,  
25 making plans for the transfer of 3 customers along Fletcher Road from Hydro One to  
26 Horizon Utilities, as requested, by the Developer and Hydro One. Please see the email  
27 below that confirms Hydro One's request for Horizon Utilities to take the Fletcher Road  
28 customers (please also see Horizon Utilities' October 24, 2012 Evidence Part II page 26  
29 where a copy of this email was included in pre-filed evidence). Horizon Utilities worked  
30 expeditiously following these email exchanges and discussions to file the necessary  
31 materials with the Board for the further service area amendments.

32 **From:** [rob.davidson@HydroOne.com](mailto:rob.davidson@HydroOne.com) [<mailto:rob.davidson@HydroOne.com>]  
33 **Sent:** September 26, 2012 12:11 PM  
34 **To:** Bassindale, Richard  
35 **Cc:** Tammy.O'Sullivan@HydroOne.com  
36 **Subject:** Summit Park Phase 7: transfer of 3 Customers

37  
38 Richard:

39  
40 We would like to move forward ASAP with Horizon regarding the taking over of the 3 customers on  
41 Fletcher Road which Horizon has previously agreed to do.

42  
43 Ideally once a project gets going the speediest way forward is for the field people to talk directly  
44 and keep us cc'd on any correspondence.

45  
46 Can you provide the name of the contact Tammy should talk to at Horizon (possibly Jaime  
47 Gribbon ) to get this process started or should we continue to correspond through you ?

48  
49 **Robert Davidson**  
50 **Account Executive**  
51 **Customer Business Relations**  
52 **Burlington T.S. N03**  
53 **Office (905) 681-4281**  
54 **Mobile (905) 517-8638**  
55

56 (b) Horizon Utilities worked closely with Multi-Area Developments Inc. starting in January,  
57 2012 to process the SAA Application. Through multiple conversations and exchanges  
58 with the Developer and Hydro One, it appeared that the application would proceed  
59 uncontested. Since Horizon Utilities has adjacent supply and interconnection ties, the  
60 Developer was never at risk of not getting power.

1 **Question 9**

2 **Ref:** Part Two Page 12, Section 7.1.4(f)

3 Preamble:

4 The application states that the three customers are currently supplied by Hydro One through an  
5 overhead service and that the developer will cover the costs to convert the service of the three  
6 customers from overhead to underground.

7 a) Please confirm whether there will be any costs to the customer arising from this  
8 proposed change. If so, please provide details of these costs.

9

10 **Response:**

11

12 There will be no cost to the customer arising from this proposed change. Multi-Area  
13 Developments Inc. will cover the costs of the conversion from overhead to underground. The  
14 affected customers have been informed in writing of the fact that the change will come at no  
15 cost to them; please see Part II, Attachment 5, pages 27 – 29 of Horizon Utilities' October 24,  
16 2012 pre-filed evidence. In addition, in accordance with the Notice of Application and Notice of  
17 Motions and Procedural Order No. 1, ("Notice"), Horizon Utilities sent by courier and regular  
18 mail a copy of the Notice, an explanatory covering letter and a further copy of the information  
19 circular forwarded earlier as noted above. Please refer to Part II, Attachments, and the two  
20 affidavits filed December 17, 2012.

21 Please refer to Horizon Utilities' October 24, 2012 Evidence Part II pages 25 and 26 which  
22 provides the email from Hydro One to Horizon Utilities regarding the transfer of the three legacy  
23 residential customers on Fletcher Road and the Minutes of a Meeting between Horizon Utilities  
24 and Multi-Area Developments Inc. (the "Developer") in which it indicated that the Developer  
25 would be covering the related costs for the streetscaping work.

1 **Question 10**

2 **Ref:** Part Two Page 14, Section 7.2.1(e)

3

4 Preamble:

5 Horizon states that there are 8 poles and 2 transformers belonging to Hydro One that will need  
6 to be removed to meet the streetscaping requirements by the City.

7

8 a) Please provide a detailed explanation setting out who will be responsible for the costs of  
9 these stranded assets and whether there will be any costs to the customer as a result of this  
10 proposed change. If so, please provide details of these costs.

11

12 **Response:**

13 The cost of removing these stranded assets should fall under the Multi-Area Development Inc.'s  
14 responsibilities as it is mandated by the City of Hamilton to remove the overhead assets to align  
15 with streetscaping requirements. No costs will be incurred by the customers as a result of the  
16 proposed change. Please refer to Horizon Utilities' October 24, 2012 Evidence Part II page 25  
17 which provides the Minutes of a Meeting between Horizon Utilities and Multi-Area  
18 Developments Inc. where Multi-Area Developments Inc. confirmed that it would bear these  
19 costs. Please also see Horizon Utilities' response to Board Staff IR 9. That being said, Horizon  
20 Utilities observes that the 8 poles appear very weathered and are likely fully depreciated in any  
21 event.

1 **Question 11**

2 Preamble:

3 **Ref:** Part Two Page 20, Section 7.5.1

4

5 The application indicates that as of September 26, 2012, Hydro One provided a written request  
6 to transfer the three customers. However, the application also indicates that on October 22,  
7 2012, Hydro One verbally advised that it no longer supports the transfer of these customers.

8 (a) Please provide written evidence indicating Hydro One's position regarding the transfer of  
9 the customers.

10 (b) Please confirm if there has been any additional discussion between Horizon and Hydro  
11 One regarding the transfer of these customers since the application was filed on October  
12 24<sup>th</sup>. If not, please explain why Horizon has not continued bilateral discussions for the  
13 transfer of these customers.

14 (c) Please provide written responses from the affected customers consenting to the  
15 application.

16 **Response:**

17

18 (a) Hydro One's written response came in the form of its Motion to the Board, dated October  
19 30, 2012, seeking an Order from the Board "*striking out and dismissing Part II*" of the  
20 SAA Application. Hydro One's pre-filed evidence at pages 5 and 6 confirm that Hydro  
21 One remains opposed to this Part of the SAA Application. However, please also refer to  
22 Horizon Utilities' Evidence dated October 24, 2012, Part II, page 26 in which Hydro One  
23 indicated that it wished to move forward immediately ("ASAP") with the transfer of these  
24 customers.

25 (b) Horizon Utilities was and continues to be prepared to discuss appropriate terms for the  
26 transfer of these customers. Horizon Utilities did not discontinue the bilateral  
27 discussions with Hydro One.

28 (c) Horizon Utilities issued letters to each of the affected customers advising them of the  
29 proceedings, as well as of the potential impacts to them. A copy of the letters is found at  
30 Part II, Attachment 5, of Horizon Utilities' October 24, 2012 pre-filed evidence. In  
31 addition, in accordance with the Notice of Application and Notice of Motions and  
32 Procedural Order No. 1, ("Notice"), Horizon Utilities sent by courier and regular mail a  
33 copy of the Notice, an explanatory covering letter and a further copy of the information  
34 circular forwarded earlier as noted above. Please refer to Part II, Attachments, and the  
35 two affidavits filed December 17, 2012. Horizon Utilities has not received any negative  
36 responses to the Application but has received verbal responses from two of the three  
37 affected customers, as noted below:

38 (i) The customer at 80 Fletcher Road advised Horizon Utilities on December  
39 3, 2012 of their support for Horizon Utilities' application;

40                   (ii)    The customer at 134 Fletcher Road advised Horizon Utilities on  
41                                   November 26, 2012 of their support for Horizon Utilities' Application and  
42                                   of their preference for Horizon Utilities' rate structure.

43                   The above responses have been attested to by the above noted two Affidavits filed as  
44                                   part of Horizon Utilities' pre-filed evidence. If Horizon Utilities receives further  
45                                   responses, it will forthwith provide them to the Board immediately. Please refer to  
46                                   Horizon Utilities' December 17, 2012 evidence, Part II, Attachment 6.



1 **Question 12**

2 Preamble:

3 **Ref:** Part Three Page 13, Section 7.2.1(e)

4

5 The application states there are existing Hydro One assets currently providing service to the  
6 customers that are proposed to be transferred.

7 a) Please provide a detailed explanation setting out who will be responsible for the costs of  
8 these stranded assets and whether there will be any costs to the customer as a result of this  
9 proposed change. If so, please provide details of these costs.

10 **Response:**

11

12 The poles located along Rymal Road, are owned by Bell Canada; Horizon Utilities and Bell  
13 Canada already have a Joint Use Agreement in place. Horizon Utilities may utilize some of the  
14 Bell Canada poles on the south side of Rymal Road East for crossing poles to service the  
15 customers that are proposed to be transferred. These Bell Canada poles are currently subject  
16 to a City of Hamilton Road Widening project and may need to be relocated regardless of this  
17 Application. The only stranded assets would be the Hydro One wires, insulators and  
18 transformers, all of which appear to be at their end of life and have likely been fully depreciated,  
19 with the exception of the 3 rabbits, 2 new crossarms and conductor installed along Rymal Road  
20 East from Summit Park 7 and continuing west to Trinity Church Road, in the face of this live  
21 Application. There would be no costs to the customers and each customer has been advised by  
22 Horizon Utilities of this by two letters. The first letter was sent in October 2012. In addition, in  
23 accordance with the Notice of Application and Notice of Motions and Procedural Order No. 1,  
24 ("Notice"), Horizon Utilities sent by courier and regular mail a copy of the Notice, an explanatory  
25 covering letter and a further copy of the information circular forwarded earlier as noted above.  
26 Please refer to Part III, Attachment 3 and the two Affidavits filed December 17, 2012 under Part  
27 II, Attachments 6 and 7.

1 **Question 13**

2 Preamble:

3 **Ref:** Part Three Page 17, Section 7.3.11

4  
5 The application indicates that Hydro One has not consented to the application.

- 6 (a) Please provide evidence indicating that Hydro One was informed about Horizon's  
7 proposed service area amendment request to transfer the customers listed in Part Three  
8 of the application prior to the application being filed with the Board.
- 9 (b) Please provide written evidence indicating Hydro One's position regarding the transfer of  
10 the customers.
- 11 (c) Please confirm if there has been any discussion between Horizon and Hydro One  
12 regarding the transfer of these customers either prior to or since the application was filed  
13 on October 24, 2012. If not, please explain why Horizon has not entered into bilateral  
14 discussions for the transfer of these customers.
- 15 (d) Please provide written responses from the affected customers consenting to the  
16 application.

17 Please provide written responses from the affected customers consenting to the application

18 **Response:**

- 19
- 20 (a) Horizon Utilities' dealings with Hydro One in respect of the entirety of the Multi-Area  
21 Developments lands and the legacy homes which are the subject of Part III in this SAA  
22 proceeding have occurred over a number of years beginning with its 2004 SAA  
23 Application (EB-2004-0536). As noted in Horizon Utilities' pre-filed evidence, Hydro One  
24 originally requested that Horizon Utilities assume the transfer of the customers on  
25 Fletcher Road. Horizon Utilities naturally assumed that the same logic would apply in  
26 respect of the legacy customers along Rymal Road East and believed that an SAA  
27 Application would ultimately proceed on consent. With Hydro One's verbal rescission of  
28 its request in respect of the Fletcher Road homes, it was evident that the Application in  
29 respect of the legacy homes along Rymal Road would similarly be the subject of a  
30 contested application.

31 Horizon Utilities identified in its application under 7.5.1, Part Three, Page 18 that this  
32 request to transfer customers would be economical and efficient given the City of  
33 Hamilton's future expansion plans for Rymal Road East. The affected customers along  
34 Rymal Road East have now received letters from Horizon Utilities indicating both its  
35 intention to proceed with Part III of the SAA Application and its implications, including  
36 that the transfer would involve no cost to the customer. Horizon Utilities further provided  
37 each of the affected customers with a copy of the Notice of Application and Notice of  
38 Motion and Procedural Order No. 1, as required by the Board. Copies of these letters  
39 have been filed in evidence; please refer to Horizon Utilities' Evidence dated October 24,

40 2012, Part III, Attachment 3. To date, none of the legacy customers along Rymal Road  
41 East have expressed any concern about the proposed transfer. This has been  
42 confirmed in the two Affidavits filed as part of Horizon Utilities' pre-filed evidence; please  
43 refer to Horizon Utilities' Evidence dated December 17, 2012, Part II, Attachments 6 and  
44 7. If any response is received from any of the affected customers, Horizon Utilities will  
45 forthwith file a copy with the Board.

46 Horizon Utilities believes that this customer transfer is in the public interest and  
47 consistent with the Board's guiding principles in RP-2003-0044; please refer to the  
48 Board's Decision RP-2003-0044, section 4, issue 4.1 number 3.

49 (b) Hydro One's written position in response to Part III of Horizon Utilities' SAA Application  
50 came in the form of a Notice of Motion dated October 30, 2012, seeking to strike and  
51 dismiss Part III of Horizon Utilities' SAA Application. Hydro One's pre-filed evidence is  
52 consistent with this position.

53 (c) Horizon Utilities has and remains willing to discuss with Hydro One appropriate terms for  
54 the transfer of these customers. Horizon Utilities has not refused to undertake bilateral  
55 discussions.

56 (d) Please see (a) above.

1 **Question 14**

2 **Ref:** Part Four, Page 18, Section 7.5.2

3 Preamble:

4 Please confirm that the owner of the undeveloped parcel of land has been notified of the  
5 proposed service area amendment and provide evidence of support by the owner of the  
6 proposed amendment.

7 **Response:**

8 Multi-Area Developments Inc. ("Multi-Area") is the owner of the undeveloped parcel of land  
9 which exists at the southeast corner of Trinity Church and Rymal Road East. It has received a  
10 complete copy of Horizon Utilities' SAA Application and is an intervenor to this proceeding.  
11 Multi-Area historically supported a SAA by Horizon Utilities' predecessor, Hamilton Hydro Inc.,  
12 in EB-2004-0536, which included this parcel of land.

1 **Question 15**

2 Preamble:

3 **Ref:** Page 18, Section 7.5.3

4

5 Please provide evidence confirming the date on which an offer to connect was requested from  
6 Hydro One by the Hamilton Wentworth School Board.

7

8 **Response:**

9

10 Horizon Utilities has confirmed that the request for an Offer to Connect (“OTC”) for the Bishop  
11 Ryan Catholic Secondary School was originally sent to Hydro One on September 27, 2012 and  
12 revised on September 30, 2012. The request was sent from the Hamilton-Wentworth Catholic  
13 District School Board’s consultant Mr. Steve Swing. A copy of the confirming emails from Mr.  
14 Steven Swing is copied below. Please note the Hydro One NCCI is the “New Customer  
15 Information Form”. The OTC was provided by Hydro One to the Hamilton-Wentworth Catholic  
16 District School Board on November 29, 2012.

17

18 **From:** Steven Swing [<mailto:steven@nrgconsultants.ca>]  
19 **Sent:** October 31, 2012 4:07 PM  
20 **To:** Patterson, Jim  
21 **Cc:** Patel, Ketan  
22 **Subject:** FW: HWCDSB New Bishop Ryan - NCCI Form Rev1

23 [Jim / Ketan:](#)

24 [Attached please find a copy of the revised NCCI Form and backup](#)  
25 [documentation which I submitted to Hydro One on Sep 30<sup>th</sup>.](#)

26 [I originally contacted Hydro One on Sep 21<sup>st</sup> and met with them](#)  
27 [on-site on Sep 28<sup>th</sup> to discuss our service requirements and request](#)  
28 [from them an offer to connect. I submitted the NCCI Form originally](#)  
29 [on Sep 27<sup>th</sup> prior to the site meeting.](#)

30

31 [To date I have not received an official response from Hydro One which](#)  
32 [is causing concern and immanent delay with our construction project.](#)

33

34 Thanks.

35  
36 Cheers Steve

37 

---

38 **From:** Steven Swing [<mailto:steven@nrgconsultants.ca>]  
39 **Sent:** Sunday, September 30, 2012 8:16 PM  
40 **To:** 'dave.denoble@hydroone.com'  
41 **Subject:** HWCDSB New Bishop Ryan - NCCI Form Rev1

42 Dave:

43 Attached please find NCCI Form Rev1 including supplemental motor data.

44 Thanks.

45  
46 Cheers Steve

47

48 The logo for NRG Consultants Inc. features the letters 'NRG' in a stylized, blue, sans-serif font. The 'N' and 'R' are connected, and the 'G' is separate. To the right of 'NRG', the words 'Consultants Inc.' are written in a smaller, blue, sans-serif font.

49 **Steven C. Swing, PEng**

50 Office 905 304-0294

51 Fax 905 304-0275

1 **Question 16**

2 Preamble:

3 **Ref:** Page 18, Section 7.5.4

4  
5 Part Four of the application as updated on December 17, 2012 includes an attachment  
6 (Attachment 6) containing Hydro One's service contract with the customer. On December 19,  
7 2012, Hydro One filed a revised service contract. The information provided does not offer a  
8 clear comparison of the customer's capital contribution.

9 a Please provide Hydro One's economic evaluation based on methodology and inputs  
10 described in Appendix B of the Distribution System code. Please provide a detailed description  
11 of all capital costs included in the economic evaluation. Please provide the capital contribution  
12 amount resulting from the economic evaluation, which will be required from the customer.

13  
14 b) Please provide a table (side by side) with a breakdown of all the costs for both  
15 distributors to connect the development under the two options: Option 1 which includes  
16 contestable and non-contestable costs and Option 2, wherein the customer is responsible for  
17 the contestable costs.

18  
19 **Response:**

20  
21 a) The Hamilton-Wentworth Catholic District School Board (the "School Board") requested  
22 an Offer to Connect ("OTC") compliant with the *Distribution System Code*. Hydro One's  
23 response is found in its pre-filed evidence at Appendix C. Neither Horizon Utilities nor, to its  
24 knowledge, the School Board, has been provided with Hydro One's economic evaluation.

25 b) There are important distinctions which must be understood for the purposes of doing an  
26 "apples to apples" comparison between the two OTCs.

27 First, Horizon Utilities included an upstream charge amount of \$115,911 in its OTC, pursuant to  
28 its Upstream Expansion Pooled Cost practice. This figure is determined formulaically and is not  
29 an indication of upstream work required solely in respect of this project. Horizon Utilities'  
30 connection assets are immediately adjacent to the Bishop Ryan Catholic Secondary School,  
31 and Horizon Utilities has available capacity. In comparison, as noted in Horizon Utilities'  
32 responses to Board Staff 1a) and 5, Hydro One does not have sufficient legacy assets in place  
33 which could serve the Bishop Ryan Catholic Secondary School (the "School"). Hydro One is  
34 proposing to install a new 27.6kV circuit along Rymal Road East, all of which is necessary to  
35 serve the School. Hydro One initially proposed that this new circuit would be connected to the  
36 M3/M4, express feeders (please see Hydro One's evidence of January 11, 2013, page 3), but is  
37 now proposing to take the circuit even further west and south connecting it directly at the Nebo  
38 TS (please refer to Hydro One's evidence of January 11, 2013, page 8). Despite all of this  
39 expansion work and required upgrades at the Nebo TS, Hydro One has not included any  
40 upstream costs in its OTC to the Hamilton-Wentworth Catholic District School Board.



41 Accordingly, to make the OTCs comparable, Horizon Utilities submits that the upstream  
 42 component of its OTC in the amount of \$115,911 should be removed; please see the table  
 43 below in which this item has been removed.

44 Second, the Hydro One OTC does not contemplate Hydro One providing, installing and  
 45 maintaining transformation equipment and high voltage cables. In a letter dated December 18,  
 46 2012, from the Hamilton-Wentworth Catholic District School Board to Hydro One, the School  
 47 Board confirmed that it had undertaken a financial analysis of the implications to it of Hydro One  
 48 not providing this equipment and future maintenance. The School Board determined that the  
 49 cost to provide and install the transformation equipment and high voltage cables totalled  
 50 \$129,821. This is a cost to provide service which must be added to the Comparison Table.  
 51 This adjustment is also reflected in the table below.

52 The net result is that on an “apples to apples” basis, the connection cost of Horizon Utilities  
 53 providing service is \$63,738; whereas the connection cost for Hydro One to do the same would  
 54 be \$134,441. The net cost to the customer if it is connected by Horizon Utilities is \$0, whereas  
 55 if it is connected by Hydro One, that cost is \$134,441.

<b>Bishop Ryan Secondary - Connection Cost Comparison Option 1 (Includes Contestable and Uncontestable work)</b>			
	<b>Horizon Utilities</b>	<b>Hydro One</b>	<b>Comments</b>
1. Material	\$41,189	\$4,620	HONI amount Includes Material, Labour and equipment
2. Labour	\$13,917	Detail not provided	
3. Equipment	\$932	Detail not provided	
4. Permits	\$7,700	Detail not provided	
5. Upstream	Excluded for Comparison	Excluded for Comparison	No upstream cost provided by Hydro One despite extensive upstream expansion work
6. Transformer and HV cables	Costs included above in Lines 1, 2 and 3	\$129,821	Cost based on letter from Hamilton-Wentworth Catholic District School Board to Hydro One dated Dec 18, 2012. Customer would be required to own under Hydro One's OTC.
7. Capital contribution required	\$0	\$ 4,620	
<b>Total (Addition of Lines 1 to 6)</b>	<b>\$63,738</b>	<b>\$134,441</b>	
Less Net Present Value of Revenues	<b>-\$71,243</b>	\$0	
<b>Total Cost to Customer</b>	<b>\$0</b>	<b>\$134,441</b>	

1 **Question 17**

2 Preamble:

3 **Ref:** Part Five Page 8, Section 7.1.3

4

5 The service area amendment application is to incorporate undeveloped lands. Please confirm if  
6 there are any specific connection proposals at this time for the area being sought.

7

8 **Response:**

9

10 Horizon Utilities is not aware of any connection proposals at the time of this filing but the lands  
11 are owned by Multi-Area Developments Inc., the same developer as the first 7 phases of  
12 Summit Park and are designated for urban residential and commercial development. Under the  
13 circumstances of the prior SAA applications to the east, all proceeding with the consent of  
14 Hydro One or without Hydro One contesting same, and given Hydro One's need to undertake  
15 expansion work, Horizon Utilities submits that it is economic and rational for this SAA to be  
16 granted. Please refer to the Board's Decision RP-2003-0044, section 4, issue 4.1 numbers 3  
17 and 5.

1 **Question 18**

2 Preamble:

3 **Ref:** Part Five Page 17, Section 7.3.11

4

5 Please confirm if there has been any discussion between Horizon and Hydro One regarding this  
6 service area amendment request either prior to or since the application was filed on October 24,  
7 2012.

8

9 **Response:**

10

11 Part V, which is the most easterly remaining undeveloped portion of the Summit Park  
12 development, was the subject of an uncontested SAA Application (EB-2004-0536). Horizon  
13 Utilities and its predecessor companies have had discussions with Hydro One in respect of the  
14 six prior phases of the Summit Park development which proceeded on either an uncontested or  
15 consent basis. There have also been two commercial developments on the south side of Rymal  
16 Road East, immediately north and contiguous to the Part V SAA lands. The two commercial  
17 developments have been the subject of SAA Application which also proceeded with the consent  
18 of Hydro One. Horizon Utilities' reasonably held expectation was that the balance of the  
19 Summit Park lands would also be the subject of consent applications. Subsequent to the filing  
20 of Part V of the SAA Application, given Hydro One's opposition to the Application, there have  
21 been no discussions.

1 **Question 19**

2 Preamble:

3 **Ref:** Part Five Page 16, Section 7.3.10

4

5 Please confirm that the owner of the undeveloped lands has been notified of the proposed  
6 service area amendment and provide evidence of support by the owner of the proposed  
7 amendment.

8

9 **Response:**

10

11 Multi-Area Developments Inc. (the “Developer”) is the owner of the undeveloped lands that are  
12 the subject of Part V of the Application. It has received a complete copy of Horizon Utilities’  
13 SAA Application and is an intervenor to this proceeding. The Developer had historically  
14 supported a SAA Application by Horizon Utilities Corporation’s predecessor, Hamilton Hydro, in  
15 EB-2004-0536, which included these lands.