



ONTARIO ENERGY BOARD

FILE NO.: EB-2012-0047

VOLUME: 2

DATE: February 15, 2013

BEFORE: Paula Conboy Presiding Member
Cathy Spoel Member
Emad Elsayed Member

THE ONTARIO ENERGY BOARD

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 licence amendment;

AND IN THE MATTER OF a motion by Horizon Utilities Corporation;

AND IN THE MATTER OF a motion by Hydro One Networks Inc.

Hearing held at 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Friday, February 15th, 2013,
commencing at 9:10 a.m.

VOLUME 2

BEFORE:

PAULA CONBOY Presiding Member

CATHY SPOEL Member

EMAD ELSAYED Member

A P P E A R A N C E S

RICHARD LANNI MAUREEN HELT	Board Counsel
JUDITH FERNANDEZ	Board Staff
DENNIS O'LEARY	Horizon Utilities Corporation
MICHAEL ENGELBERG JIM MALENFANT	Hydro One Networks Inc.
SCOTT STOLL	Brant County Power, Essex Powerlines, EnWin Utilities Ltd.
ROBERT MALCOLMSON	Multi-Area Developments
RICHARD STEPHENSON	Power Workers' Union (PWU)
JAY SHEPHERD	School Energy Coalition (SEC)

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1 Friday, February 15, 2013

2 --- On commencing at 9:10 a.m.

3 **PRELIMINARY MATTERS**

4 MS. CONBOY: Good morning, everyone. Please be
5 seated.

6 The Board is sitting for this second day today to
7 continue its hearing on application filed and subsequently
8 amended by Horizon Utilities Corporation for an order of
9 the Board to amend Horizon's licence service area. The
10 Board file number of course is EB-2012-0047.

11 Specifically, we're here today to hear Hydro One
12 Networks' testimony and, if time permits, we will endeavour
13 to start the argument phase of this proceeding, as well.

14 Thank you all for arriving a bit early this morning.
15 The panel would like to remind parties that cross-
16 examination on each part should be limited to the facts in
17 issue and should not concern principles or policy, which
18 are properly the subject matter of argument.

19 The Panel also asks parties to avoid duplication in
20 questioning and to avoid, as much as possible, reiteration
21 of evidence that is already on the record through prefiled
22 evidence or in answer to interrogatories.

23 Before I ask whether everybody has preliminary
24 matters, I will note a couple of my own. I see that we
25 have received from Multi-Area a surveyor's sketch depicting
26 the legal ownership of the various parcels of land in
27 Summit Park development area. This was in response to
28 undertaking J1.1.

1 We note that there are -- does everybody have that,
2 J1.1? We note that there are two land owners that were not
3 -- that we weren't originally aware of in part V. The
4 Panel has discussed this and will continue with hearing the
5 evidence today. To the extent that parties feel that the
6 Board should take this into account when rendering its
7 decision on part V, they should include that in their final
8 submissions.

9 We also have undertaking J1.2. We have got it up here
10 on the dais. Do we have any other preliminary matters?

11 MR. O'LEARY: Well, Madam Chair, if I could just speak
12 to the undertaking response of Multi-Area, and I don't seem
13 to have a copy in front of me, for some reason, of that,
14 but I did look at it and it appeared to me, just to refresh
15 everyone's memory, that the two new property owners that
16 you're referring to, one is the City of Hamilton, which is
17 I believe indicated on the document, which is the
18 shareholder of course of Horizon -- or one of the
19 shareholders of Horizon, and, secondly, the other is a
20 numbered company, which I thought we had cleared up the
21 other day is in fact owned by the brother of one of the
22 principals of Multi-Area and that there was no issue of
23 that -- of whether they knew about this application or not.
24 In fact, they're here today.

25 MS. CONBOY: I understand that, Mr. O'Leary.

26 The map that I looked at -- now, the one I have
27 printed out is chopped off, but, if memory serves, one of
28 them also has -- so I have the numbered company, and we've

1 got in evidence that they are a related company to Multi-
2 Area.

3 We see the City of Hamilton. There appears to be
4 another one. There appears to be -- is it RioCan?

5 MS. HELT: RioCan Holdings (Hamilton) Inc.

6 MR. O'LEARY: Which would be part -- that is the owner
7 of the commercial property at that location.

8 MS. CONBOY: Okay, thank you.

9 MR. O'LEARY: All right.

10 MS. CONBOY: Are there any other preliminary matters?

11 MR. STEPHENSON: Madam Chair, this is more of an
12 observation than a preliminary matter.

13 MS. CONBOY: Okay.

14 MR. STEPHENSON: Just on that last point -- and I am
15 not about to get into -- I don't think we have any evidence
16 about notice to this numbered company, period, just to be
17 clear. I mean, I don't know who is related to whom. I
18 don't know who is the shareholder, who is on the board of
19 directors. I don't think there is any evidence.

20 MS. CONBOY: Thank you, Mr. Stephenson.

21 MR. STEPHENSON: Just so --

22 MS. CONBOY: We are aware of that. Thank you very
23 much. And it was a topic of discussion last week. We have
24 discussed it. The Panel has discussed this and we're not
25 going to hold up the proceeding at this point for those
26 three areas.

27 If those are observations or comments that have
28 subsequent impact on our decision on part V, then please

1 feel free to put them in your final argument.

2 Are there any -- Mr. Shepherd?

3 MR. SHEPHERD: Madam Chair, I just wanted to introduce
4 David Morrissey of the Hamilton-Wentworth District School
5 Board -- sorry, the Catholic District School Board, who is
6 here with me today.

7 MS. CONBOY: Thank you very much. Thank you for
8 joining us, Mr. Morrissey.

9 Mr. Engelberg, are we ready to start with Hydro One?

10 MR. ENGELBERG: Yes.

11 MR. O'LEARY: There are a couple of preliminary
12 matters.

13 MS. CONBOY: Sorry, I thought you --

14 MR. O'LEARY: Just a couple. First of all, there is a
15 minor transcript reference that requires correction from
16 the first day.

17 At page 54, in a question being responded to by Ms.
18 Lerette, the transcript refers to -- at lines 14, 15 and
19 16, she is referring to orange lines within this area to
20 indicate secondary services or the -- and the transcript
21 reads 122/40, and it should be 120/240. So it is just to
22 indicate the correct voltage there.

23 On a very minor point, we noticed that Elfrida has
24 been referred to with an "A", and it should have an "E".
25 It is E-L-F-R-I-D-A, and that would be throughout the
26 transcript in the several times it shows up.

27 There are a couple of smaller typos here. I won't
28 raise those, but that was the one correction.

1 MS. CONBOY: Thank you, Mr. O'Leary.

2 MR. O'LEARY: We do have a couple of documents we
3 would ask be marked as exhibits, and I think Mr. Engelberg
4 has one, as well.

5 The first, Madam Chair, is, at the request of Board
6 Staff last week, we have prepared, call it, a compendium,
7 but the title of it is "Horizon Utilities Connection Offers
8 and Related Materials, February 15th, 2013".

9 This contains all of the different offers to connect,
10 connection proposals and the various different changes that
11 have happened over the course since the beginning of this
12 application.

13 We were asked to consolidate that, and hopefully that
14 would be helpful to you when you deliberate in this matter.

15 MS. CONBOY: Thank you. So that compendium is
16 everything already in evidence and it has been cross-
17 referenced to evidence, so nobody should have any issue.

18 MR. O'LEARY: There is absolutely nothing new in it,
19 Madam Chair.

20 MS. CONBOY: Thank you. Would you like to enter that,
21 please?

22 MS. HELT: Certainly. Mr. O'Leary, do you have copies
23 of that? Oh, we have copies of it. I'm sorry. Does the
24 Panel have copies of it?

25 MR. O'LEARY: They're all there.

26 MS. HELT: Ms. Fernandez will provide the Panel with
27 copies. We will mark as Exhibit K2.1 Horizon Utilities
28 Corporation connection offers and related materials, a

1 document February 15th, 2013.

2 **EXHIBIT NO. K2.1: HORIZON UTILITIES CONNECTION OFFERS**
3 **AND RELATED MATERIALS, FEBRUARY 15TH, 2013.**

4 MS. CONBOY: Thank you.

5 MR. O'LEARY: Madam Chair, the second document is
6 really in response to your request last week that we try
7 and save some time to avoid having to send you into the
8 actual evidence that has been prefiled. We prepared a
9 compendium which I will use for the purposes of my cross-
10 examination today.

11 And I have provided five copies to Board Staff, as
12 well.

13 MS. CONBOY: Thank you.

14 MS. HELT: Thank you. So, Mr. O'Leary, just to
15 clarify, this is a second compendium of documents, Horizon
16 Utilities Corporation compendium of documents to facilitate
17 examinations.

18 MR. O'LEARY: Yes.

19 MS. HELT: February 15th, 2003 (sic). That will be
20 marked as Exhibit K2. We will just provide a copy to the
21 Panel members.

22 **EXHIBIT NO. K2.2: HORIZON UTILITIES CORPORATION**
23 **COMPENDIUM OF DOCUMENTS TO FACILITATE EXAMINATIONS.**

24 MR. O'LEARY: I think it is 2013, but...

25 MS. HELT: Oh, what did I say?

26 MR. O'LEARY: 2003.

27 MS. HELT: 2013. My apologies. I wish I was younger.

28 MS. CONBOY: It hasn't been that long.

1 MR. O'LEARY: The case hasn't been around that long.

2 And just for the record, Madam Chair, there is nothing
3 new in this, as well. It is all taken out of the evidence.
4 I think Mr. Engelberg also has a compendium he wants to
5 have marked.

6 MS. CONBOY: Thank you very much. Mr. Engelberg.

7 MR. ENGELBERG: Correct, Madam Chair. Hydro One was
8 asked to file a compendium of documents that Hydro One will
9 be referring to, and I believe the Panel has been provided
10 with copies of a loose-leaf binder called "Hydro One
11 Networks Inc. Compendium of Evidence, February 14th, 2013".

12 MS. CONBOY: Thank you very much.

13 MS. HELT: That will be marked as K2.3.

14 **EXHIBIT NO. K2.3: HYDRO ONE NETWORKS INC. COMPENDIUM**
15 **OF EVIDENCE, FEBRUARY 14TH, 2013.**

16 MS. CONBOY: I know it was some extra work on the
17 parties' behalf, but that certainly does assist us up here.

18 Thank you. Have you any preliminary matters, Mr.
19 Engelberg?

20 MR. ENGELBERG: I do not.

21 MS. CONBOY: Okay. So are we ready to have your
22 witnesses sworn in?

23 **HYDRO ONE NETWORKS INC. - PANEL 1**

24 **Jeffrey Smith, Sworn**

25 **Tammy O'Sullivan, Sworn**

26 **Richard Stevens, Sworn**

27 **Joseph Zerdin, Sworn**

28 MS. CONBOY: Thank you, Mr. Engelberg. Please

1 proceed.

2 **EXAMINATION-IN-CHIEF BY MR. ENGELBERG:**

3 MR. ENGELBERG: I would like to introduce my panel,
4 starting from the witness closest to the dais. I will go
5 through them all together and let them each tell you a
6 little bit about how long they have been with the company
7 and what their areas of responsibility are.

8 First, closest to the dais is Jeff Smith, director of
9 regulatory finance. To his right is Tammy O'Sullivan,
10 manager of program integration. To her right is Rick
11 Stevens, vice-president, customer service. And to his
12 right is Joe Zerdin, manager, distribution planning.

13 If we could start with Mr. Smith.

14 MR. SMITH: Thank you. I have been with Hydro One and
15 its predecessor companies since 2000, approximately 13
16 years; worked primarily within the finance divisions of the
17 company. My current posting is regulatory finance, where I
18 am responsible for the numbers that are ultimately put into
19 our proceedings, both on the rate cases and on the other
20 proceedings such as this.

21 MR. ENGELBERG: Thank you.

22 MS. O'SULLIVAN: Good morning. I have been in the
23 utility industry for 17 years and with Hydro One for over
24 five-and-a-half years. And for the last four years my
25 accountabilities have been service area amendments as one
26 of the areas.

27 MR. ENGELBERG: Thank you.

28 MR. STEVENS: I am Rick Stevens. I have been with

1 Hydro One and Ontario Hydro before that for 29 years. As
2 Michael mentioned, I am currently the vice-president of
3 customer service. Before that I was the vice-president of
4 asset management for a period of about three years and have
5 been in the field head office, finance, regulatory. You
6 name it, I think I have done it.

7 MR. ENGELBERG: Thank you, Mr. Stevens.

8 MR. ZERDIN: I am Joe Zerdin. I have been with Hydro
9 One for five years. As mentioned, I am the manager of
10 distribution planning, which is focused more on the
11 operational planning aspects, and I have also been in the
12 industry for 25 years in all different facets of
13 distribution, and I am also a registered professional
14 engineer in Ontario.

15 MR. ENGELBERG: Thank you, panel.

16 May I go ahead and start?

17 MS. CONBOY: Yes, please.

18 MR. ENGELBERG: Mr. Stevens, we have heard evidence
19 about Hydro One's facilities to serve the customers and
20 properties encompassed by the application. So maybe it
21 would be helpful if there were a bit of context.

22 How long has Hydro One and its predecessor, Ontario
23 Hydro, served the area that we're talking about in this
24 service area amendment application?

25 MR. STEVENS: Electrically, since inception, which
26 would be, you know, many, many years, decades, I would say.

27 MR. ENGELBERG: What words would you use to describe
28 Hydro One as a utility in this area?

1 MR. STEVENS: Well, we're very well-developed in the
2 area. We understand the customers, we understand its
3 growth patterns, and we provide reliable service.

4 MR. ENGELBERG: How would you describe the future of
5 Hydro One's service territory in this area? Is it
6 stagnant, is it developing, is it residential, commercial,
7 industrial?

8 MR. STEVENS: It has been very high growth. In our
9 evidence you will see that the Binbrook area in particular
10 over the last five years has grown roughly about 50
11 percent, and in the area in general, various, but it has
12 been a high-growth area.

13 MR. ENGELBERG: And what kind of properties are there
14 in the area? Are they all residential, all commercial, all
15 industrial? What is there?

16 MR. STEVENS: All of the above. So there is a large
17 number of residential coming into the area. There are
18 commercial properties and some industrial as well.

19 MR. ENGELBERG: We have heard evidence about the
20 planning involved to serve licence service territory. Can
21 you tell us what is involved in planning by an LDC to serve
22 its territory?

23 MR. STEVENS: Sure. I can tell you about our
24 planning.

25 So we roughly plan on any given year somewhere around
26 \$3-billion worth of investments. When we do that, we spend
27 a lot of time looking at or parsing out the investments
28 into sustainment, looking at things like asset age and

1 condition. We look at growth to plan our enhancements.

2 We also look at new connections. Over the last
3 several years we have actually had a new category of
4 investment, and we have been focused quite heavily, as you
5 might understand, on distributed generation. So that has
6 been occupying a fair amount of our time.

7 On the T&D side we plan in both areas. When it comes
8 down to specific plans like an area like this, typically
9 the transmission-side planning is done first. So they do
10 regional planning in the area. They look at a number of
11 different options. They understand the growth in this
12 area.

13 If you look back many years, I think we were planning
14 on building a new TS in the area, an Ancaster TS. More
15 recently we landed on an upgrade to the Nebo TS. Once that
16 is completed, then the distribution side of the business,
17 understanding where the connection points are can actually
18 move into their planning cycle and start looking at their
19 immediate planning in that area.

20 In that area we're currently planning to invest
21 somewhere around \$17 million. About half of that is either
22 committed or already spent.

23 MR. ENGELBERG: When you said "\$17 million", which
24 area are you referring to?

25 MR. STEVENS: So that would be the area down into
26 Binbrook. So coming out of Nebo, down into Binbrook area.
27 So the commitments we have to make to the transmitter as
28 well as our own LDC spend.

1 MR. ENGELBERG: We've seen on the maps also the
2 Ancaster and Glanbrook areas. How are they involved in
3 this planning? Or are they?

4 MR. STEVENS: Well, it is a much broader area, so as a
5 transmitter they would look at, you know, a much larger
6 area, as would we as the distributor when we are starting
7 to do our scenario analysis.

8 MR. ENGELBERG: With all that planning that you do,
9 how does Hydro One determine priorities?

10 MR. STEVENS: It's basically a risk mitigation
11 approach that we use. So the company itself sets a number
12 of corporate objectives around things like reliability,
13 customer satisfaction, commitments to shareholder through
14 dividends, and when we look at our investments, whether it
15 be a sustainment investment, a development, or new
16 connection type investment, or an enhancement type
17 investment, we look at how much risk we can actually offset
18 by making a specific investment.

19 MR. ENGELBERG: You mentioned a couple of minutes ago
20 an almost 50 percent growth in the Binbrook area. Can you
21 tell me about the planning for the Binbrook area and when
22 it began?

23 MR. STEVENS: Actually, it probably began back in the
24 '70s. You will see in some of our evidence that we
25 actually planned to have 27.6 kV in a lot of that area, so
26 a lot of the poles and insulation on those poles was
27 actually built to that standard.

28 More recently, you know, we have been planning for

1 several years. Plans have been firmed up as the
2 investments for transmission have been more understood, and
3 then, like I mentioned, we can then start planning more
4 specifically on the distribution side.

5 MR. ENGELBERG: And what was the plan that Hydro One
6 landed upon for ensuring an adequate supply of power to the
7 Binbrook area and its growth?

8 MR. STEVENS: So the plan there is to -- well, first
9 of all, we're doing a station upgrade at Nebo. So by the
10 end of this year we'll have a very good reliable supply
11 into the area throughout -- through that upgrade. And then
12 we're planning on upgrading -- or making a significant
13 enhancement into the area, building 27,6 along Rymal Road
14 then down Highway 56 to serve that significantly growing
15 area known as Binbrook.

16 MR. ENGELBERG: Thank you.

17 The planning that you told us about, all the planning
18 that Hydro One does, is this an activity that Hydro One
19 does only in the area encompassed by the service area
20 amendment application?

21 MR. STEVENS: No. We plan provincially. And, you
22 know, because we're broke up into a number of zones and
23 operating centres we actually plan locally, but we plan to
24 serve our entire service area.

25 If you look at Distribution System Code, if you look
26 at the area specifically, the definition around
27 enhancement, it specifically references that an LDC shall
28 plan for enhancement in its area.

1 MR. ENGELBERG: You mentioned that some of this
2 planning goes back to the '70s and some of it is within the
3 last few years, particularly with service to Binbrook.

4 Can you tell us what future time frame Hydro One
5 generally uses in planning to serve its licensed service
6 territory? Does it have to be done well in advance? Is it
7 done at the last minute? How is it done?

8 MR. STEVENS: So we do planning, and it is really
9 iterations of detail. We have a long-term plan that
10 actually looks out about 20 years. We do an annual five-
11 year business planning cycle. We do a three-year release
12 of work that really gets our field forces an idea of what
13 kind of resource requirements they're going to need.

14 Then we do annual budgeting, so within one year, and
15 then when we get close to actually releasing a program or a
16 project of this nature, we would be doing planning right up
17 to the day of. So it is a very long-term time frame and,
18 as you move closer, the amount of detail that is understood
19 increases to the point where we're ready to construct.

20 MR. ENGELBERG: The plan that Hydro One has and is now
21 building to Binbrook, what is the voltage of the upgrade to
22 that line, Mr. Stevens?

23 MR. STEVENS: It is 27.6. So 27,600 volts.

24 MR. ENGELBERG: Thank you. Mr. Zerdin, Mr. Stevens
25 told us about that line. When was the upgrade of the line
26 to 27.6 kV to Binbrook first discussed?

27 MR. ZERDIN: As referenced, in 1976 along Highway 56
28 that line was built at 27.6 kV standards. Then in the

1 '90s, that strategy was reaffirmed when we changed out all
2 of the insulation from a porcelain to a more upgraded
3 insulator type and maintained it at 27.6 kV insulation
4 type.

5 Then back in early 2010, our operational groups
6 brought forth to us operational concerns for not having a
7 loop feed into an area such as Binbrook that was growing
8 and where any type of outages would have significant
9 impact.

10 MR. ENGELBERG: I understand that the work is underway
11 already; is that correct?

12 MR. ZERDIN: That is correct.

13 MR. ENGELBERG: And it will be completed within the
14 next few months?

15 MR. ZERDIN: That's correct.

16 MR. ENGELBERG: Once the line is completed, will it
17 benefit only the present and future Hydro One customers in
18 Binbrook?

19 MR. ZERDIN: No. All customers will benefit that lie
20 along this loop feed with a more robust and reliable
21 system.

22 MR. ENGELBERG: And with respect to this service area
23 amendment application, what, if any, are the areas within
24 the service area amendment that will benefit from the loop
25 feed to Binbrook?

26 MR. ZERDIN: All areas.

27 MR. ENGELBERG: Thank you. So then specifically with
28 respect to this application, can you tell us what

1 facilities Hydro One will be using to serve the entire SAA
2 area, including phase 7? And if you would like to, you can
3 point to the map.

4 MS. CONBOY: Is this one of the maps that we saw the
5 other day? We don't have to -- sorry, should we be putting
6 this into -- as an exhibit?

7 MS. HELT: Apparently it's in the compendium of
8 documents of Hydro One.

9 MR. ENGELBERG: That's correct.

10 MS. CONBOY: Okay, thank you.

11 MR. ZERDIN: Okay, so --

12 MR. O'LEARY: Madam Chair, I think it was marked as an
13 exhibit last week. If you go to the transcript, I think it
14 is there.

15 MS. CONBOY: Thank you very much. Please proceed, Mr.
16 Zerdin.

17 MR. ZERDIN: So the permanent feed will emanate from
18 the Nebo TS, and initially we are going to connect via the
19 M5 in April along Glover Road. Then we will extend along
20 this right of way to go along Rymal Road, and then come all
21 the way down Highway 56 where we will create an open point
22 and tie in with the M5 which is existing.

23 MS. SPOEL: Sorry, where is that?

24 MR. ZERDIN: The M5 is the existing tower line.

25 MS. SPOEL: That is where there is a dotted line
26 across --

27 MR. ZERDIN: Yes. The dotted line and the pink line,
28 and will establish an open point there to get the double

1 supply. So that is along Highway 56, Rymal Road.

2 So this will be the first part of the connection, and
3 then in June this green line here that comes to Glover Road
4 will split to reduce exposure to both sides.

5 Then the final connection will be the new M11, which
6 will be the final feeder configuration, again running along
7 the right of way coming up here to Rymal Road. So this
8 will be a 27.6.

9 This will be completed in 2013. Then the remainder of
10 the loop will be completed in early 2014.

11 MS. CONBOY: Stay there, Mr. Zerdin, sorry. I am just
12 trying to reconcile the map that you have shown us here
13 with some of the ones we have had before.

14 So the new Catholic school is up -- that is the Bishop
15 Ryan Catholic School?

16 MR. ZERDIN: That's right here, the corner of Trinity
17 Church road and Rymal Road.

18 MS. CONBOY: Right down to Highway -- okay, thank you
19 very much.

20 MR. ZERDIN: Okay.

21 MR. ENGELBERG: Mr. Zerdin, when I asked you my
22 question, I asked you whether the line would be serving
23 phase 7.

24 Will the 27.6 kV feeder tie be used to serve any of
25 the other four parts of the territory for which Horizon is
26 applying?

27 MR. ZERDIN: Yes, it will.

28 MR. ENGELBERG: Which ones? All of them? One of

1 them? Two of them?

2 MR. ZERDIN: All of them.

3 MR. ENGELBERG: Thank you. What kind of reliability
4 will there be when the line is in service later this year?

5 MR. ZERDIN: It will have a loop feed so it has double
6 supply capability, so increased reliability.

7 MR. ENGELBERG: Thank you.

8 I would like to come back to you, Mr. Stevens. I
9 understood Mr. Freeman to say last week that there was no
10 growth potential east of the Elfrida Industrial Park
11 because it is all concerned green belt. Do you agree with
12 that statement?

13 MR. STEVENS: I do not. And in the compendium under
14 tab 4 --

15 MR. ENGELBERG: You're referring to the Hydro One
16 compendium filed today?

17 MR. STEVENS: Yes, thank you.

18 MR. ENGELBERG: Yes.

19 MR. STEVENS: So that map at tab 4 is from the
20 Province of Ontario outlining different types of land,
21 including protected countryside. And the red area is the
22 area under question right now under service area amendment.

23 As you can see, there is a lot of land all around the
24 area that is available for growth.

25 MR. ENGELBERG: You're referring to the white areas?

26 MR. STEVENS: Yes, I'm referring to the white area on
27 the map that surrounds the service area amendment we're
28 discussing today, which is -- I'm saying it is red. I'm

1 colour-blind, but I believe that is red.

2 MR. ENGELBERG: So the white areas are not green belt;
3 is that correct? They're capable of being developed?

4 MR. STEVENS: Correct.

5 MR. ENGELBERG: They're within the Hydro One service
6 territory?

7 MR. STEVENS: The areas to the south and west
8 certainly are.

9 MR. ENGELBERG: Thank you. You also heard, Mr.
10 Stevens, that Mr. Burman didn't agree with building a loop
11 feed to Binbrook or the route on which that enhancement is
12 taking place.

13 Can you tell us why Hydro One chose the route that it
14 did to do the loop feed to Binbrook? Why did it choose the
15 route along Rymal Road and Highway 56 for the enhancement?

16 MR. STEVENS: Actually, there were a number of reasons
17 we chose that route. We did consider a number of
18 alternatives. Good utility practice would suggest you do
19 so.

20 However, when we finally landed, it was based on a
21 number of criteria. One, as Mr. Zerdin just mentioned, it
22 does provide separation, so we actually do get a fully
23 redundant supply point.

24 There are a number of environmentally-sensitive areas
25 on some of the alternate routes, so we're able to avoid
26 that by going down the route we're taking. And because we
27 have an existing right of way that is cleared down through
28 that route, we also reduce the amount of forestry work that

1 is required.

2 Mr. Zerdin also mentioned, and I mentioned as well,
3 that a significant component of the assets already along
4 that route, Highway 56, are already at a 27.6 standard. So
5 they're already capable of taking the feeder that we're
6 proposing there.

7 And the other thing I would just mention is, you know,
8 we're aware there is significant growth in the area. We're
9 aware that some of these developments lie along -- so it
10 really does make sense to do it that way.

11 MR. ENGELBERG: Is it costlier to go along the route
12 that Hydro One chose or cheaper?

13 MR. STEVENS: It is actually about the same price. I
14 mean, the distance is actually a fair bit -- not a fair bit
15 longer. The distance is a little bit longer, but the price
16 is actually a little bit less going this route because of
17 the assets we already have in place there.

18 MR. ENGELBERG: Thank you.

19 Now, we've referred to and Hydro One's evidence refers
20 to the project as an enhancement. Can you explain why
21 Hydro One says that the project is an enhancement?

22 MR. STEVENS: Yes. If you -- I believe in the
23 compendium we put in the references to the Distribution
24 System Code, but I will just read a couple of them so you
25 get a sense of how enhancement is defined.

26 MR. ENGELBERG: That's at tab 5 of the Hydro One
27 compendium.

28 MR. STEVENS: Thank you. Specifically section 3.3.1

1 discusses again that a distributor shall plan for
2 improvements to the operating characteristics of its area.
3 It should address system capability and constraints. It
4 should maintain reliability and power quality.

5 As our evidence outlines, the growth in the area over
6 the last five years has been about 50 percent. So to
7 maintain power quality and reliability to that area and
8 ensure that we have adequate supply on a going-forward
9 basis, we're doing this enhancement in the area.

10 MR. ENGELBERG: I would like to ask you if you're
11 already -- if you turn to the beginning document in the
12 definition sections of the Distribution System Code, did
13 Hydro One rely on the definition of enhancement in section
14 1.2?

15 MR. STEVENS: We did. And I quoted many of the
16 factors in there. And quite simply, if you said "Binbrook"
17 and said here is what "enhancement" means, they would be
18 the same.

19 MR. ENGELBERG: Thank you.

20 In Hydro One's pre-filed evidence there was an
21 Appendix A, which was a study on Ancaster and Glanbrook
22 areas. Can you -- without going through the document in
23 detail, can you tell us what that document showed?

24 MR. STEVENS: The document -- and I will just
25 summarize -- again showed that in that larger area there
26 also is significant growth. Going by memory, I seem to
27 think the Glanbrook area was actually up around 85 percent
28 over the last ten years, so again, a significantly high-

1 growth area.

2 And when we started looking at both station feeder and
3 rural feeder, we soon realized that we were at capacity in
4 a lot of areas, so we needed to enhance that area to ensure
5 we had capacity going forward, were able to maintain
6 reliability and power quality for our customers, both
7 existing and new.

8 MR. ENGELBERG: You talked about a growth of almost 50
9 percent. Last week Mr. Freeman gave some evidence about
10 growth of 1.8 percent. I don't know if it was for the same
11 area, but can you tell me how you reconcile those two
12 numbers, or were they talking about different things?

13 MR. STEVENS: They're talking about different things.
14 So if you look at the broader area over a long period of
15 time, you know, 1.8 percent growth might be an adequate
16 planning assumption.

17 However, if you look at the area we're discussing now
18 -- and, you know, as you have heard in everybody's
19 evidence, it is a high-growth area. I mean, we're on
20 Summit, phase 7. And I've already mentioned in our
21 evidence that Binbrook area has grown roughly 50 percent in
22 the last five years, and there is no expectation that that
23 is going to curtail.

24 MR. ENGELBERG: Thank you, Mr. Stevens.

25 Back to you, Mr. Zerdin. The Burman report presented
26 by Horizon doesn't seem to agree with Hydro One's appraisal
27 as to what is needed to serve the Hydro One customers in
28 the Binbrook area and the growth there.

1 What does Hydro One have to say regarding the Burman
2 report?

3 MR. ZERDIN: We don't agree with the assessment of
4 Hydro One's situation. It was assessed to what I would
5 classify what we had yesterday, or as mentioned previously
6 by Mr. Burman, what was in the ground.

7 And in terms of some accuracies, the reliability
8 indices used in the Burman report were of a provincial
9 nature, not of a regional nature. That would be the same
10 for our low-density. Again, it was quoted at a provincial
11 level versus a regional level.

12 And then there was also a comment that we did not
13 build portions of that line to our standards, and that is
14 also a wrong assumption.

15 MR. ENGELBERG: Thank you.

16 Horizon also says that Hydro One doesn't have load
17 transfer capabilities as it relates to the Nebo TS loading
18 and its LTR. And you heard Mr. Burman state what a ten-day
19 LTR is. Can you tell us what LTR is?

20 MR. ZERDIN: It is a limited time rating, which is a
21 planning limit, not an operational limit. The load remains
22 to that level and not higher when you have one of two
23 transformers removed from a station.

24 MR. ENGELBERG: From an operational point of view, how
25 is LTR managed?

26 MR. ZERDIN: It is not a hard, fast operational limit.
27 In matter of fact, over the last two summers we have ran
28 over the LTR at Nebo TS without endangering any equipment

1 or system.

2 MR. ENGELBERG: Does Hydro One have the ability to
3 transfer load from Nebo TS to other stations?

4 MR. ZERDIN: Yes, we do. We have the capability of
5 transferring ten megawatts to two adjoining stations at
6 Dundas and Caledonia.

7 MR. ENGELBERG: And does the load from the area
8 encompassed by the SAA application present a concern for
9 2013 or the future?

10 MR. ZERDIN: No, because in 2013 we forecast that load
11 to be approximately 1 megawatt during the summer season,
12 which, with our transferability and also the
13 transferability mentioned by Horizon last session, plus
14 Hydro One transmission has also done some reinforcement for
15 2013 and beyond with the project, and have also indicated
16 to all the distribution businesses there are no load
17 restrictions for this coming year.

18 MR. ENGELBERG: Thank you.

19 Mr. Burman also said that he doesn't think Hydro One
20 should be building a 27.6 kV loop feed. How do you reply
21 to that?

22 MR. ZERDIN: I disagree. As Mr. Stevens has
23 indicated, in the Binbrook/Glanbrook area we have an
24 increase of 46.8 percent in terms of dwellings. So
25 operationally the impact, that type of growth, your
26 reliability statistics could not be sustained without a
27 loop feed, and considering that we would use a loop feed in
28 a smaller area like Summit, phase 7, which also Horizon is

1 planning to do, as they have indicated, it makes absolutely
2 no sense from our point of view that we would not provide a
3 loop feed to Binbrook.

4 MR. ENGELBERG: Thank you.

5 There are references in Horizon's materials and in
6 Hydro One's materials to the M3 feeder. Can you show us on
7 the map where the M3 is?

8 MR. ZERDIN: The M3 is in this general vicinity,
9 Glover Road and the Rymal Road area.

10 MR. ENGELBERG: Where was Hydro One planning to
11 connect?

12 MR. ZERDIN: Right at this conversion of the blue,
13 red, and yellow. And I would like to reiterate, this was
14 going to be a temporary connection.

15 MR. ENGELBERG: Now, I understand that some time ago
16 Hydro One now said that it won't be using the M3. Where is
17 Hydro One now planning to connect?

18 MR. ZERDIN: I will give you a little bit of history
19 why we changed it. In this area here, in order to
20 facilitate this connection in the M3, we required an outage
21 from Horizon, and we worked with Horizon to get that
22 outage, to a point, I think it was six customers. And upon
23 trying to execute that outage, they rescinded that
24 capability to provide us with that outage.

25 And because of the fact that we had no confidence that
26 this would be resolved in the immediate matter, we had to
27 come to an alternate feed to meet our customer commitments.

28 So we stepped up via a step-up transformer, what

1 people have referred to as a rabbit, to facilitate our
2 customers' commitment. And so because of that, we are
3 capable of feeding for our customer until the April/May
4 time point.

5 And with our planning of having this portion along
6 Glover Road finished by May, we are -- we decided to
7 abandon the temporary connection to M3 and establish a
8 quasi-temporary M5 until the permanent connection in M11 in
9 -- later in 2013.

10 MR. ENGELBERG: Well, in summary, is it fair to say
11 that the M3 idea is now out of the picture? It has become
12 irrelevant?

13 MR. ZERDIN: Yes.

14 MR. ENGELBERG: Thank you.

15 Mr. Zerdin, you heard Ms. Lerette last week when she
16 said at page 50 of the transcript that Hydro One has some
17 35-foot poles with 27.6 kV lines, and she said that the
18 practice was substandard.

19 Now, she later clarified that she was referring to
20 Horizon's standards, and she acknowledged that Horizon also
21 has 35-foot poles in some areas. What is Hydro One's
22 statement as to its 35-foot poles? Are they substandard?

23 MR. ZERDIN: No, they're not substandard.

24 MR. ENGELBERG: Thank you.

25 Mr. Stevens, Horizon's application is divided into a
26 number of parts, and they deal with a number of different
27 kinds of properties and customers.

28 So I would like to start with the proposed development

1 owned by Multi-Area Developments, which has been referred
2 to as Summit Park phase 7. Are you familiar with that
3 development?

4 MR. STEVENS: Yes, I am.

5 MR. ENGELBERG: In which utility's licensed service
6 area is phase 7 located?

7 MR. STEVENS: It is in Hydro One's service territory.

8 MR. ENGELBERG: Is it entirely within Hydro One's
9 service area?

10 MR. STEVENS: Yes, entirely.

11 MR. ENGELBERG: Did Multi-Area seek an offer to
12 connect from both Hydro One, as well as from the adjacent
13 LDC, Horizon?

14 MR. STEVENS: They did.

15 MR. ENGELBERG: What did Multi-Area decide to do?

16 MR. STEVENS: Multi-Area chose our offer to connect
17 and signed a binding contract with us to do so.

18 MR. ENGELBERG: Can you tell us when Multi-Area and
19 Hydro One signed the contract?

20 MR. STEVENS: Multi-Area signed September 7th and we
21 signed on September 10th.

22 MR. ENGELBERG: Thank you. Did Multi-Area notify the
23 Board of its decision?

24 MR. STEVENS: They notified the Board on September
25 11th, according to the fax sheet that is in the evidence.

26 MR. ENGELBERG: Thank you. I believe the Board has a
27 copy of that letter.

28 MS. CONBOY: Yes, we followed the chronology.

1 MR. ENGELBERG: Mr. Stevens, to your knowledge, does
2 Multi-Area want to breach its contract with Hydro One?

3 MR. STEVENS: Not to my knowledge.

4 MR. ENGELBERG: And I assume that Hydro One calculated
5 that its offer to connect is cheaper than Horizon's; is
6 that correct?

7 MR. STEVENS: Yes, we did do that and we provided our
8 evidence to an interrogatory of the OEB Staff, and it is
9 Board Staff 3.

10 If you go there, we split out the details and you will
11 see that our offer to connect is about \$183,000 cheaper
12 than Horizon's offer.

13 MR. ENGELBERG: Thank you. It is my understanding
14 that Horizon alleges that Hydro One didn't calculate the
15 connection costs properly. What is your response to that,
16 and what is Hydro One's estimated costs to the developer?

17 MR. STEVENS: Our estimated cost to the developer is
18 1.13 million. It has been, it always will be, and that is
19 what we signed the contract on. And we believe it is
20 Distribution System Code compliant.

21 MR. ENGELBERG: You've -- let me address this to Mr.
22 Smith, probably. You have seen the new table filed by
23 Horizon the night before last week's hearing at tab 1 in
24 the document brief marked as Exhibit K1.2; is that correct,
25 Mr. Smith?

26 MR. SMITH: Yes. I am aware of the table you are
27 referring to, yes.

28 MR. ENGELBERG: And you have seen the table at tab 15

1 of that document brief?

2 MR. SMITH: Yes.

3 MR. ENGELBERG: What is your evidence as to the
4 accuracy of those two tables?

5 MR. SMITH: Well, in order to help, we've put together
6 -- in our compendium under tab 9, we have attempted to put
7 together a summary of the various capital costs that have
8 been placed into evidence.

9 If I can start with the Hydro One estimate on the far
10 right, as Mr. Stevens alluded, this has consistently been
11 our estimate, whether it be our January 11th evidence, our
12 January 31 IR responses and reaffirmed today, that that is
13 our estimate.

14 How we derived that was on the basis of what the cost
15 to the developer would be. The non-contestable costs are
16 approximately \$570,000, and that is equal to the amount
17 that was in our offer to connect middle of last year.

18 For the contestable portion, which is about \$560,000,
19 we used information provided by Multi-Area with respect to
20 their contractor cost, had made that estimate based on the
21 remaining work, as I say, in order to try and come up with
22 a total cost to the developer.

23 Now, on the Horizon numbers, if we start on the left,
24 the December 17th number, which is -- that is the number
25 that was in their offer to connect. Now, to be fair, that
26 was prior to the contractor costs. So we would expect that
27 this wouldn't be necessarily comparable.

28 What we, taking from the evidence, thought was

1 comparable was their January 21st IR response. Now, there
2 are a few modifications. I won't go through it in great
3 detail, but our understanding was, first off, the 50,000
4 you can see in row 4, we learned on January 21st that a
5 deal was done last fall wherein an alternative loop of some
6 sort was done for a seven-home development. That negated
7 the need for that \$50,000 in their estimate, and so on
8 January 21st they removed that. So that's one part.

9 The other part, our understanding was that they had
10 made some changes in order to adapt to the contractor
11 costs. I mean, frankly, contractors are often lower than
12 the utility. And that brought their contestable costs down
13 from, again, approximately 1.2 to about 1.05. You will see
14 rows 9, 10, 11 sum those up.

15 Now, on the February 6th estimate, what we received,
16 there was a couple of changes there. They added a
17 contestable cost adjustment. We have tried to break it
18 out. I cannot obviously provide evidence as to the costs
19 of Horizon themselves, but they line up very closely, as
20 you can see, with our subdivision secondary costs.

21 You can also see that their original transformer
22 connections are very close to our primary costs. And what
23 I understand from evidence with respect to the contestable
24 portion is they simply used our estimate as theirs.

25 So at the bottom, as you can see on the February 6th
26 estimate, both of us are approximately 1.1 million. There
27 is very little difference now in the estimates since they
28 used our cost. That is what you would expect.

1 MR. ENGELBERG: Thank you very much. Is there
2 anything you want to add to that?

3 MR. SMITH: Um..., no.

4 MR. ENGELBERG: Now, Mr. Stevens, Horizon says Hydro
5 One in some cases in the past consented to, and in some
6 cases did not oppose, giving Summit Park phases 1 through 6
7 to Horizon, and that Horizon, therefore, assumed that Hydro
8 One would be willing to do the same with phase 7.

9 Are those two statements correct, and can you tell me
10 about those statements?

11 MR. STEVENS: First, I would say, no, they're not
12 correct, and then I would reference that I think the last
13 service area amendment was approximately four years ago, if
14 memory serves me correctly. So it has been a bit of time.

15 Our practice is, if we are not the best LDC to serve,
16 then we will not contest. If we are the best LDC to serve,
17 then we certainly will contest, and that is why we're here
18 in this case.

19 Over the last four years, plans have evolved up to the
20 point, you know, we are now building. So we have made our
21 contribution to the transmitter to upgrade Nebo, and we're
22 building in the area to get a high-quality feed, redundant
23 feed down into Binbrook area.

24 As a result of that, we believe we're the best LDC to
25 serve these new customers.

26 MR. ENGELBERG: To your knowledge, did Hydro One ever
27 give Horizon any reason to assume that Hydro One would not
28 be the service provider to Summit Park phase 7?

1 MR. STEVENS: Not to my knowledge.

2 MR. ENGELBERG: In Horizon's evidence last week, you
3 heard it said that their service area is closer to the SAA
4 area than Hydro One's is.

5 What do you have to say about that? What is Hydro
6 One's service like?

7 MR. STEVENS: Our service is very good in the area,
8 and my recollection was that Mr. Freeman at that time was
9 actually talking about where the operating centres were
10 located, referencing the fact that our operating centre was
11 down in the Dundas area.

12 And the practical side of this really is, where are
13 the workers when an outage occurs? And the workers are not
14 necessarily at the operating centre. The workers are out
15 where the assets are.

16 So we would have -- during daytime hours, normal
17 business hours, we would have workers in the area, and as a
18 practice we -- also, for off-shift hours or nighttime hours
19 or weekend hours, we allow our workers to take the trouble
20 trucks with them. So we have workers that do live in the
21 area, and they would have the trouble crews there.

22 So the relevance of the operating centre location is
23 not as meaningful when it comes to meeting the needs of
24 customers from a reliability or outage perspective.

25 MR. ENGELBERG: Thank you. Ms. O'Sullivan, I haven't
26 forgotten about you. The rest of Horizon's application
27 beyond Summit Park phase 7 deals with other types of
28 properties that I want to ask you about.

1 So I will put them into categories, the first one
2 being, existing Hydro One customers inside Hydro One's
3 service territory. The second one will be vacant land
4 inside Hydro One's service territory, and the third one
5 will be a new school being built inside Hydro One's service
6 territory. Is that an accurate summary of the different
7 kinds of properties?

8 MS. O'SULLIVAN: Yes, that's correct.

9 MR. ENGELBERG: Okay, then let's start with the
10 existing Hydro One customers in the area being sought.

11 How many of them is the application applying for?

12 MS. O'SULLIVAN: There are 13 existing customers in
13 the area.

14 MR. ENGELBERG: How many are residential and how many
15 are commercial?

16 MS. O'SULLIVAN: There are ten residential and three
17 commercial existing customers, in parts II and III of this
18 application.

19 MR. ENGELBERG: Has Hydro One ever faced a contested
20 service area amendment application brought by another LDC
21 for Hydro One's existing customers?

22 MS. O'SULLIVAN: No. Not to my knowledge. This is a
23 precedent-setting service area amendment. And given that
24 all LDCs border other LDCs, Hydro One is quite concerned
25 about the outcome of this, as it could incent other LDCs to
26 start filing applications for existing customers or vacant
27 lands, which would make it very hard to predict what the
28 future would hold in those applications, and would inundate

1 both the Board and Hydro One with that type of proceeding.

2 MR. ENGELBERG: Well, with the specific existing Hydro
3 One customers encompassed by this application, is Hydro One
4 aware of the viewpoint of all of those customers about the
5 application? Are they supporting it?

6 MS. O'SULLIVAN: Hydro One hasn't heard directly from
7 those customers. While Horizon did give evidence that they
8 have spoken to two of those customers, we have not spoken
9 to any of them directly.

10 MR. ENGELBERG: Is that two out of the 13?

11 MS. O'SULLIVAN: That's correct.

12 MR. ENGELBERG: Have any of the customers complained
13 to Hydro One about reliability or anything else?

14 MS. O'SULLIVAN: No, not to my knowledge.

15 MR. ENGELBERG: We heard from Horizon last week that
16 the two customers you referred to who were solicited by the
17 Horizon letters are supporting the application.

18 Is Hydro One aware of any other Hydro One customers
19 who were solicited by the Horizon letters?

20 MS. O'SULLIVAN: As per Horizon's evidence, they did
21 solicit all 13 customers via letters prior to filing the
22 October service area amendment application.

23 MR. ENGELBERG: Has Hydro One ever been involved in a
24 service area amendment application in which an outside LDC
25 has approached Hydro One's existing customers to try to
26 persuade them to leave their licensed service provider?

27 MS. O'SULLIVAN: No, we have not. Generally speaking,
28 knocking on doors is a retailer practice, not a licensed

1 distribution company, where we have regulated service
2 territories. So it is not a usual practice.

3 MR. ENGELBERG: Thank you.

4 I would like to move on to the next type of property
5 covered by the application, which is vacant land inside
6 Hydro One's service territory. Can you tell me about the
7 vacant land covered by the various parts of the service
8 area amendment application?

9 MS. O'SULLIVAN: All of the parts except for part II
10 include varying types of vacant land. There are a vast
11 vacant land in part V, which encompasses hundreds, possibly
12 up to 2,000 residential properties, as well as several
13 schools, and small commercial properties are expected to go
14 there.

15 There's also small commercial properties expected in
16 part IV in the area of the school, as per the evidence last
17 week. As well, there are vacant lands as part of part III
18 of this application, and there are two schools expected as
19 part of part I of the Summit Park, phase 7, as well as
20 another small parcel of land in part I.

21 MR. ENGELBERG: Does Hydro One have plans to serve all
22 of these vacant lands in all four parts of the application
23 that have vacant land?

24 MS. O'SULLIVAN: Absolutely. As per Mr. Stevens'
25 evidence, we have included our entire service territory in
26 our planning practices. So the load forecast from this
27 area was included when we were doing our forecasting for
28 the Nebo TS upgrade, for example, and our other planning on

1 the distribution side. So absolutely.

2 MR. ENGELBERG: Does Hydro One have any kind of idea
3 as to what could be built on the vacant lands in the four
4 parts that have vacant lands? And when I say "what could
5 be built", I am talking about residential, commercial,
6 industrial. What things are possible and what aren't?

7 MS. O'SULLIVAN: Yes. I believe, you know, pretty
8 much anything is possible, but as per our knowledge, it
9 would be schools, commercial properties, and residences.

10 MR. ENGELBERG: You spoke a minute ago about the
11 school, which is part IV, a new school being built inside
12 Hydro One's service territory. And also you mentioned some
13 vacant land in that part as well.

14 Have Hydro One and Horizon both made offers to connect
15 the school?

16 MS. O'SULLIVAN: Yes, we have.

17 MR. ENGELBERG: And did the school board reject Hydro
18 One's offer?

19 MS. O'SULLIVAN: It is our understanding that the
20 school board would prefer Horizon to service them.

21 MR. ENGELBERG: Can you tell me what kind of customer
22 the school would be classified as according to Hydro One's
23 conditions of service?

24 MS. O'SULLIVAN: Hydro One's conditions of service
25 would classify the school as a sub-transmission customer,
26 due to the load expectancy of the school.

27 MR. ENGELBERG: And what does that entail, to be a
28 sub-transmission customer?

1 MS. O'SULLIVAN: So as part of the way the rates are
2 built for the ST rate class, the school is required to own
3 their own transformation facilities.

4 And so our understanding is that's the main reason the
5 school does not want to have Hydro One service them. They
6 are not looking to own the transformer, whereas Horizon
7 will provide the transformer under their conditions of
8 service. On the Hydro One side the school would be
9 required to provide their own.

10 MR. ENGELBERG: Mr. Smith, back to you about bills.
11 Which utility's delivery charge to the school is lower, and
12 what does that mean to the monthly bill?

13 MR. SMITH: There are a number of components of a bill
14 for a large customer like that. If you look at the
15 delivery portion of the bill, that is what the distribution
16 utility actually charges. Ours is significantly lower, as
17 one would expect, because they're on a sub-transmission
18 rate under our conditions of service, which is for very
19 large customers, whereas our understanding, they would be a
20 general service customer under Horizon.

21 However, the delivery portion on very large customers
22 like that is less than 5 percent of the bill. Therefore,
23 when all the other factors are taken in, at the end of the
24 day the bills are actually quite similar, frankly.

25 MR. ENGELBERG: Do you need to refer us to the schools
26 cost comparison chart?

27 MR. SMITH: I would like to do that. I believe it is
28 tab 12.

1 MR. ENGELBERG: Tab 12 in which compendium?

2 MR. SMITH: In the Hydro One compendium, sorry. Okay?

3 If we just turn over the first page, this is the
4 letter that was provided by the school board, and on page,
5 it would be 3 and 4 of that letter, you will see a number
6 of comparisons that we understand were done by the school
7 board's consultant, NRG Consultants.

8 We do have a couple of concerns with the comparison
9 that we would like to point out. The primary one is the
10 load that was used. My understanding is that these loads
11 were for the St. Matthew elementary school in Binbrook.
12 St. Matthew's elementary is about 440 students, whereas the
13 Bishop Ryan high school is much larger than that.

14 And the load forecast that we receive via IR on the
15 24th, I believe, was -- from the school confirmed that the
16 loads forecast for the Bishop Ryan school are significantly
17 larger than the loads that are used here.

18 The relevancy of that is with a sub-transmission rate,
19 a large customer rate, of course, the overall rates are
20 going to be cheaper the larger the load. So we did
21 undertake to do a fulsome load comparison, especially the
22 extra week we had, allowed us.

23 And as I mentioned earlier in testimony, at the end of
24 the day the bottom-line bills are very similar. There were
25 a couple of questions that were asked last Thursday that we
26 just wanted to clarify. One was about the transmission
27 rates being included. Absolutely. The transmission
28 portion is in here.

1 The other -- there was a question about the increase
2 from 2012 to 2013. The increase in the Hydro One overall
3 bill is approximately 1 percent, whereas the Horizon
4 increase is about 2.2, using the actual -- well, the
5 forecast loads from the school board.

6 And so with that -- yes. To answer your question, the
7 delivery portion of the bill with Hydro One is
8 significantly lower, about 35 percent lower, but that is to
9 be expected, given the difference in rates.

10 MR. ENGELBERG: A minute ago you referred to a chart
11 that you could do as a result of having an extra week. Are
12 you referring to tab 13 of the Hydro One compendium?

13 MR. SMITH: Yes. Thank you. And tab 13, the first
14 page is the typical hydro bill, Hydro One bill, for 2012.
15 And flipping over the page, on 2, is for '13, using our
16 most recently approved rates from late last year.

17 The load we use is actually an average of the first
18 full year of operation of the school. We thought that was
19 the most fair load to use. And then we use that load in
20 applying the current load factors against the '12 and the
21 '13 rates to come up with those.

22 MR. ENGELBERG: Has Hydro One seen the school board's
23 estimate of the cost of a transformer?

24 MR. SMITH: Yes.

25 MR. ENGELBERG: Is Hydro One in agreement with it?

26 MR. SMITH: Well, frankly, no.

27 On the letter, and, again, I will just turn you back
28 to tab 12, the first page, they estimated the cost of the

1 transformer at almost \$130,000.

2 We did some looking on our ERP system, which includes
3 the price we pay for transformers, and on our system it
4 listed a suitable transformer for the school at somewhere
5 around \$15,000, depending on the model and what have you.

6 And in terms of the installation costs, again, I went
7 to our engineering department and they estimated that, all-
8 in, with the cost of the transformer, it would be somewhere
9 between 40 and 50,000, so significantly less.

10 Now, as, I will call it, a gut check on that number,
11 if we look at Horizon's cost for the installation, their
12 total cost is \$63,000. So if you remove permitting of
13 about 8,000 and allow, say, 5,000 for the overall
14 connection, that gets you back to \$50,000.

15 So, in our opinion, \$50,000 would be a fairer estimate
16 of the overall cost of the transformer.

17 MR. ENGELBERG: Thank you. I would like to go back to
18 you, Mr. Stevens. Is there a cost to an incumbent LDC and,
19 let's say, Hydro One in this circumstance, if it loses a
20 portion or portions of its licensed service territory?

21 MR. STEVENS: Yes, there would be.

22 MR. ENGELBERG: What kinds of categories of loss are
23 encompassed by that?

24 MR. STEVENS: Well, if we use this as a specific
25 example, the first item would be around the transformer
26 upgrade itself. We heard last week from Mrs. Lerette or
27 Ms. Lerette that they have also planned for load to support
28 the upgrade of the transformer station. So it appears that

1 we have both done that.

2 So somebody, I would argue, would be out of some money
3 if that load doesn't materialize.

4 Further, as a result of the enhancement - we are
5 enhancing to a 27.6 standard looking ahead - you know, we
6 will build capacity into that feeder as part of that
7 enhancement. So any customers that lie along that, it
8 actually provides us an opportunity for additional revenue
9 along that feeder and make or leverage that asset going
10 forward.

11 So loss on the other hand would be, you know,
12 potential loss of revenue to support that investment.

13 We also -- you know, we're a large utility. We scale
14 all of our back office systems to serve the 1.3 million
15 customers. It is a smaller amount per customer, but,
16 nevertheless, our systems are designed for increased
17 numbers of customers. And to lose them would have an
18 impact.

19 And in this immediate area, we're very, very close to
20 actually being able to allow those customers to have a
21 lower rate class as density increases. So we were planning
22 on introducing the urban rate class for these customers.
23 We expect them to cross a threshold of 3,000, which is part
24 of our tariff conditions, 3,000 contiguous. We expect that
25 to happen almost imminently.

26 So there is a potential to lose that opportunity for
27 our customers, as well.

28 MR. ENGELBERG: How much load would be lost if this

1 territory were awarded to another utility?

2 MR. STEVENS: I believe our estimate was around 6
3 megawatts.

4 MR. ENGELBERG: Does Hydro One Distribution do
5 planning and incur expenses and build facilities so that it
6 will be able to serve the distribution areas, distribution
7 customers of adjacent LDCs?

8 MR. STEVENS: We don't develop plans to serve
9 customers in other's service territories, no.

10 MR. ENGELBERG: Why not?

11 MR. STEVENS: Well, first of all, it is not part of
12 our mandate to do so.

13 And, you know, if you introduce that type of, I will
14 say, chaos with really nobody accountable or everybody
15 accountable, it is just not an efficient way to do things.

16 MR. ENGELBERG: Hydro One's filed evidence at page 1
17 of 15 shows that in the Board's generic decision in 2004,
18 the Board stated that service area amendments shouldn't
19 result in the Board-mandated transfer of customers from one
20 distributor to another, and that transfers should be the
21 subject of bilateral arrangements so that compensation can
22 be addressed.

23 So I would like to ask you whether any bilateral
24 negotiations took place between Hydro One and Horizon in
25 this case.

26 MR. STEVENS: We were not involved in any negotiations
27 of any commercial nature.

28 MR. ENGELBERG: In 2012, did Horizon ask for

1 negotiations for Hydro One to negotiate transfer of
2 territory and customers?

3 MR. STEVENS: Again, I am not aware of any commercial
4 negotiations. No formal negotiations occurred, nothing
5 that came to my level, and I would be the decision maker in
6 something like this.

7 MR. ENGELBERG: And Ms. O'Sullivan mentioned that part
8 V of the application consists entirely of vacant land; is
9 that correct?

10 MR. STEVENS: Yes, that is my understanding, as well.

11 MR. ENGELBERG: Has Hydro One done an economic
12 analysis of the costs to serve, part V?

13 MR. STEVENS: Well, there is no customers there right
14 now, so we have not done any form of detailed calculation
15 that you would do, say, in the form of an offer to connect.

16 So the economic analysis has not yet been done.

17 MR. ENGELBERG: I take it you were here last week when
18 I asked Horizon the same question, and they said they
19 hadn't done an economic analysis either?

20 MR. STEVENS: Yes. We were both here in the snowstorm
21 of last Thursday, and I believe that is the case.

22 MR. ENGELBERG: Well, from a practical point of view,
23 with no economic or cost analysis from either of the two
24 LDCs, how would the Board determine that it would be
25 efficient to the ratepayers to give away the territory?

26 MR. STEVENS: I would argue it is premature at this
27 point. If there is no economic analysis and the criteria
28 for evaluation is efficiency, I am not sure how you get

1 there at this point.

2 MR. ENGELBERG: Thank you. I have no further
3 questions.

4 MS. CONBOY: Thank you very much.

5 Mr. Stephenson, we thought that you would probably be
6 going first, and I am wondering if I look through the -- if
7 you could give us an estimate of time for your cross, just
8 so we can see when the best time for a morning break is.

9 MR. STEPHENSON: Good morning. Zero minutes.

10 MS. CONBOY: Okay, then, that is efficient.

11 [Laughter]

12 MS. CONBOY: Well, we're not ready to take the morning
13 break yet, so I am wondering who might be best suited to go
14 next. Mr. Stoll?

15 MR. STOLL: Well, I had thought that Horizon would be
16 going next, and then most of their questions may eliminate
17 my need for cross-examination.

18 MS. CONBOY: Well, I will put it to Horizon. I was
19 assuming they would be going last, but I am quite happy to
20 -- I see Mr. Shepherd nodding his head, as well.

21 MR. SHEPHERD: Madam Chair, I prepared my cross on the
22 assumption all of the heavy lifting would be done by Mr.
23 O'Leary.

24 MS. CONBOY: All right. I will refrain on any
25 specific comments, but...

26 [Laughter]

27 MS. CONBOY: Mr. O'Leary, I suspect you will be, you
28 know, longer than a little bit. Anyway, how long will --

1 MR. O'LEARY: We will go past the break, that I
2 guarantee.

3 MS. CONBOY: So I am wondering if it would be suitable
4 to have a break now, or is there a good -- okay. I see Ms.
5 Butany-DeSouza pleading yes to take a break now.

6 So on her request, we will break now for 20 minutes.
7 It is 20 after 10:00, so let's come back at 20 to. Thank
8 you.

9 --- Recess taken at 10:19 a.m.

10 --- On resuming at 10:40 a.m.

11 MS. CONBOY: Thank you. Please be seated.

12 MR. ENGELBERG: Madam Chair?

13 MS. CONBOY: Yes, Mr. Engelberg.

14 MR. ENGELBERG: It came to my attention a minute ago
15 that Mr. Stevens misspoke on one of the answers with south
16 and west and south and east. Could I permit him to correct
17 that now?

18 MS. CONBOY: Thank you.

19 MR. STEVENS: Yes. Thank you. I guess I learned I am
20 not only colour-blind, but I am also directionally
21 challenged, so my reference to the developable land, I
22 believe I said south and west, and I should have said south
23 and east.

24 MS. CONBOY: Thank you very much.

25 MR. STEVENS: In reference to that map.

26 MS. HELT: Just for the purpose of the record, Mr.
27 Engelberg, can you indicate which tab that was in the
28 compendium so we are certain which map we were looking at?

1 MR. STEVENS: I believe that was four. Sorry?

2 MR. ENGELBERG: It is tab 4.

3 MS. HELT: Thank you.

4 MS. CONBOY: Mr. O'Leary, it is time for your heavy
5 lifting.

6 MR. O'LEARY: Thank you, Madam Chair. But before I
7 start, there was a discussion that was held during the
8 break with Board counsel, Ms. Helt. And she brought to our
9 attention a map that Hydro One had prepared, which, in
10 fairness, there is no one here to speak to today. But the
11 question was, it raised another question about precisely
12 who owns some of the lands identified in J1.1.

13 And we have been able to sort it out, and I just
14 thought it would be advisable to put on the record. So in
15 relation to J1.1, in fact, the area identified as Multi-
16 Area Developments Inc. is owned by a numbered company,
17 which is 100 percent owned by Multi-Area Development, so it
18 is completely within their control.

19 The question had been raised by Hydro One, is it a
20 related company or not? The answer is it is definitely a
21 related company.

22 The area identified as RioCan Holdings, that little
23 rectangle at the far right-hand side, is in fact a storm-
24 water management pond, and it serves the commercial
25 developments across the top, which are all owned by RioCan.
26 We have been advised of this by Mr. Spicer, who is the
27 developer, and we did have discussions with Mr. Engelberg.

28 And then the portion which is City of Hamilton, that

1 is designated as a park.

2 MS. CONBOY: Thank you.

3 MR. O'LEARY: So other than that then, the numbered
4 company, and then of course we went through last time is
5 also the Multi-Area.

6 MS. CONBOY: We did indeed. Thank you very much.

7 Sorry, before we get started, one of those maps that
8 we had discussed last week, the Panel felt would be helpful
9 just to have up as a point of reference while we're going
10 through the cross-examination, and that is the one that I
11 am not sure -- I don't recall the number of it, but the one
12 that separated out the different parts, parts I to V.

13 MR. O'LEARY: Yes. It is the one you prepared, and we
14 have a copy here somewhere.

15 MS. HELT: I believe it was marked as K1.1.

16 MS. CONBOY: Thank you.

17 MR. O'LEARY: Yes. And so unfortunately we don't have
18 this -- I guess I could put -- well, I was going to start
19 with Hydro One's map.

20 MS. CONBOY: Okay. That's fine.

21 MR. O'LEARY: I just thought for the record, Madam
22 Chair, I would just start by trying to identify the exhibit
23 number on the map that I am going to take the panel to.

24 MS. CONBOY: Thank you.

25 MR. O'LEARY: And I believe it is Exhibit K1.4.
26 Sorry, it is K1.5, satellite Google Earth map provided by
27 Hydro One.

28 **CROSS-EXAMINATION BY MR. O'LEARY:**

1 MR. O'LEARY: Good morning, panel.

2 MR. STEVENS: Good morning.

3 MR. O'LEARY: So let's start with the map so that I
4 understand exactly what it is that you are planning on
5 doing, and let me first try and put it in the context of
6 where the different service areas are.

7 So up here I am pointing to Summit Park, and there is
8 a yellow perimeter around it. Is that Summit Park? Yes.
9 You have to --

10 MS. O'SULLIVAN: Yes.

11 MR. O'LEARY: Thank you. And we have the new Catholic
12 high school, which is at the northwest end of the Summit
13 Park development; right?

14 MS. O'SULLIVAN: Yes.

15 MR. O'LEARY: Right. So the red line we have here,
16 which is from the proposed interconnection with the M11,
17 right over to Summit Park, can you tell me how far that is?

18 MS. O'SULLIVAN: Can you see the distance on there?

19 MR. ZERDIN: I am going to say approximately -- it's
20 1.5 from the corner of Fletcher road to the top point.

21 MR. O'LEARY: So from the connection with phase 7
22 along Rymal Road to the point where it turns south is 1.5
23 kilometres?

24 MR. ZERDIN: That's correct.

25 MR. O'LEARY: All right. And then I understand that
26 you are proposing to run that particular feeder down Glover
27 Road to a point. Is that where it meets, the orange and
28 yellow lines there? Right here? Sorry.

1 MR. ZERDIN: Yes, that's correct.

2 MR. O'LEARY: And how far is that?

3 MR. ZERDIN: I am going to approximate about
4 4 kilometres.

5 MR. O'LEARY: Okay. And so the total distance then
6 between this point and the phase 7, if we add the two
7 together, is about five-and-a-half kilometres?

8 MR. ZERDIN: That would be a good guess.

9 MR. O'LEARY: All right. And the Horizon service area
10 begins approximately this dotted line here that we see?

11 MR. ZERDIN: Yes.

12 MR. O'LEARY: All right. And along Glover Road, can
13 you tell me, from your proposed inter-connection with the
14 M5, up to the Horizon service territory, how many customers
15 are currently being served on that line?

16 [Witness panel confers]

17 MR. ZERDIN: It's part of the Red Hill Industrial
18 Business Park, but I don't have a specific count on how
19 many customers are connected there.

20 MR. O'LEARY: Any estimation of the number of
21 customers?

22 MR. ZERDIN: I wouldn't estimate.

23 MR. O'LEARY: Well, on a per-kilometre basis, could
24 you tell us, in that five kilometres, how many customers do
25 you have?

26 MR. ZERDIN: I don't know.

27 MR. O'LEARY: You don't know.

28 MR. ZERDIN: I don't know.

1 MR. O'LEARY: All right.

2 MR. ZERDIN: Specifically.

3 MR. O'LEARY: And so just so I am understanding, the
4 temporary connection to the M5, which is the connection
5 between the orange and the yellow, that is going to
6 continue until you build out the M11?

7 MR. ZERDIN: No, because we got the intermediate line
8 there that separates the north and the south.

9 MR. O'LEARY: All right. So just so I understand, is
10 there a connection currently or is there one planned
11 between the M5 here and the yellow circuit above that?

12 MR. ZERDIN: It is part of the Red Hill Business Park
13 improvements in our area study.

14 MR. O'LEARY: Right. So the temporary connection then
15 is where? Is it at the green line or is it at the yellow
16 and orange lines?

17 MR. ZERDIN: The temporary connection for what part?

18 MR. O'LEARY: For the new circuit you are going to run
19 along Rymal Road.

20 MR. ZERDIN: So the temporary initial connection will
21 be where that orange and yellow come together there.

22 MR. O'LEARY: Yes.

23 MR. ZERDIN: And that is to be completed here in
24 April.

25 MR. O'LEARY: Right. So we are pointing up here.

26 MR. ZERDIN: That's correct.

27 MR. O'LEARY: All right. And so am I correct in
28 understanding that what you are proposing, at least on a

1 temporary basis, is to provide your power, it will come
2 down Nebo Road along the M5 east, and then north on Glover
3 Road?

4 MR. ZERDIN: That's correct.

5 MR. O'LEARY: All right. And the total distance we're
6 talking about is five-and-a-half kilometres. How much new
7 circuit are you building on Glover Road for this temporary
8 connection? That would be south of the green line.

9 MR. ZERDIN: It's not being built for the temporary
10 connection. This is a permit reconfiguration as part of
11 the Red Hill Business Park.

12 MR. O'LEARY: All right. But you are making a
13 temporary connection here.

14 MR. ZERDIN: The temporary connection is -- to here is
15 really being made up here once this is completed.

16 MR. O'LEARY: So at least at some point, for the
17 purposes of serving the school and Summit Park, some of the
18 Glover Road work you are doing now will be used?

19 MR. ZERDIN: Yes.

20 MR. O'LEARY: All right. And I take it at some point
21 this year there will be a connection with this green line.
22 Is that a new circuit?

23 MR. ZERDIN: Yes.

24 MR. O'LEARY: How long is that?

25 MR. ZERDIN: I don't know the exact distance, but it
26 will be completed in June.

27 MR. O'LEARY: All right. But it is two, three
28 kilometres?

1 MR. ZERDIN: When you approximate it looks like about
2 a kilometre and a half, similar to up top.

3 MR. O'LEARY: All right. And it is necessary to build
4 that circuit to be able to ultimately supply power to the
5 school and Summit Park 7?

6 MR. ZERDIN: Not ultimately. Ultimate is the M11
7 connection on the top.

8 MR. O'LEARY: Fair enough, but in the short-term, you
9 have to do that?

10 MR. ZERDIN: Short term it aids in helping the Red
11 Hill Business Park and the top portion.

12 MR. O'LEARY: So you are going to do a temporary
13 connection here at the south end of Glover Road, another
14 temporary connection at the middle --

15 MR. ZERDIN: It is a permanent connection on the south
16 end of the road.

17 MR. O'LEARY: At least to supply here, it is a
18 temporary connection; is that what you're saying?

19 MR. ZERDIN: That is the personal connection in terms
20 of the feeder reconfiguration for the business hill -- the
21 Red Hill Business Park.

22 MR. O'LEARY: Right. Just while we're on the subject,
23 did you have any restrictions, from an environmental
24 perspective, building your poles down Glover Road?

25 MR. ZERDIN: Not to my knowledge.

26 MR. O'LEARY: All right. And the temporary connection
27 on Glover Road, will that also then be permanent?

28 MR. ZERDIN: As part of an ultimate configuration

1 there, but not permanent for the supply for the service
2 area amendments.

3 MR. O'LEARY: So you have to make a change, and then
4 do another connection up at the M11?

5 MR. ZERDIN: No changes will have to be made there.
6 It will be a change at the top part the M11 will create an
7 open point.

8 MR. O'LEARY: Let me just now understand where you are
9 going with this.

10 The Binbrook loop is to supply a hamlet of Binbrook?

11 MR. ZERDIN: It is to provide a loop feed to Binbrook
12 and all lies along of that proposed feeder route.

13 MR. O'LEARY: Is this a fair depiction of the Binbrook
14 community?

15 MR. ZERDIN: No.

16 MR. O'LEARY: No? Why not?

17 MR. ZERDIN: It is much more developed.

18 MR. O'LEARY: Well, we've heard a bit about that, but
19 this is your evidence. You have produced a satellite map
20 indicating that there is some development down in Binbrook.
21 I am suggesting to you this map doesn't show there is much
22 residential development down there at all.

23 MR. ZERDIN: I believe this map is around -- Google,
24 would be around 2010, which doesn't actively show the
25 development.

26 MR. O'LEARY: All right. Well, but Binbrook and Rymal
27 Road, we've got the pink line. How far are we talking
28 about between the two?

1 MR. ZERDIN: From where to where, again?

2 MR. O'LEARY: From -- well, you've got Cemetery Road.

3 MR. ZERDIN: We have 2 kilometres here and we have 3-
4 1/4 kilometres from Rymal Road to the tower line existing,
5 2 kilometres from the tower line existing to Cemetery Road.

6 MR. O'LEARY: We have --

7 MR. ZERDIN: Five-and-a-quarter.

8 MR. O'LEARY: Five-and-a-quarter. Then another
9 2 kilometres along Cemetery Road; correct?

10 MR. ZERDIN: That's correct.

11 MR. O'LEARY: And another kilometre to meet what I
12 understand is the interconnection to provide the loop feed
13 to Binbrook?

14 MR. ZERDIN: That would be another connection for a
15 loop feed, yes.

16 MR. O'LEARY: No, but that is --

17 MR. ZERDIN: The ultimate one, yes.

18 MR. O'LEARY: That is going to provide the loop feed?

19 MR. ZERDIN: Yes. Actually, we will have loop feeds
20 and sectionalizing of different components, but...

21 MR. O'LEARY: Does this map fairly depict the nature
22 of the use of the lands between Binbrook and the service
23 area amendment lands?

24 MR. ZERDIN: Between Cemetery Road and the Summit
25 phase 7 you are asking?

26 MR. O'LEARY: Yes.

27 MR. ZERDIN: From what I understand, yes.

28 MR. O'LEARY: So would you agree with me that it all

1 appears rural?

2 MR. ZERDIN: Yes.

3 MR. O'LEARY: All right. Are there any signs in your
4 map of residential development south of the Hydro One
5 transmission corridor line, which is the south end of the
6 service area amendment lands?

7 MR. ZERDIN: We do know it is developable lands.

8 MR. O'LEARY: We are going to come to that, but my
9 point is: Is there any evidence from your exhibit that
10 there is residential development that is going to take
11 place, in any imminent time, along the area south of the
12 corridor?

13 MR. ZERDIN: Not in this exhibit.

14 MR. O'LEARY: All right. And the number of residences
15 that exist between Binbrook and Rymal Road, the number of
16 farms or customers, whatever you like to describe them, can
17 you give me an still of the number along that 5-1/2
18 kilometres?

19 MR. ZERDIN: I don't have a specific count.

20 MR. O'LEARY: Would it be less than 20 per kilometre
21 as a reasonable estimate?

22 MR. ZERDIN: Just for that segment of line, it could
23 be in approximately 20 to 25 per kilometre.

24 MR. O'LEARY: Thank you. Now, let me just try and
25 understand a little bit more about the assets you had in
26 place, which you are now replacing.

27 I understand that you had an 8.32 kV line that ran
28 from the east, which is Swayze Road and Rymal, over to

1 Trinity Church; correct?

2 MR. ZERDIN: That's correct.

3 MR. O'LEARY: So that was a line that was relying on
4 -- some of the poles, I understand, are more than 50 years
5 old?

6 MR. ZERDIN: That's correct.

7 MR. O'LEARY: All right. And it dead-ended at Trinity
8 Church?

9 MR. ZERDIN: To my knowledge, yes.

10 MR. O'LEARY: All right. Well --

11 MR. ZERDIN: Yes.

12 MR. O'LEARY: You are here as the person who is
13 supposed to know. Did it or did it not dead-end?

14 MR. ZERDIN: Yes.

15 MR. O'LEARY: That meant that there was no connection
16 between here and Nebo station directly; right?

17 MR. ZERDIN: Yes, 8 kV is not connected directly to
18 the Nebo TS.

19 MR. O'LEARY: In fact, it was quite a circuitous route
20 that it follows to ultimately get up to the Dickenson Road
21 feeder, and then back to the Nebo TS; right?

22 MR. ZERDIN: That's correct.

23 MR. O'LEARY: So what we have is your proposal, just
24 so we understand it correctly, is temporarily to come along
25 the green line and permanently to come along the blue line,
26 and even though you are saying it is to provide a loop feed
27 to Binbrook -- which is quite a bit south; right?

28 MR. ZERDIN: I don't understand the relevancy of the

1 distance, but go ahead.

2 MR. O'LEARY: Well, it's north, south.

3 MR. ZERDIN: It is south of it.

4 MR. O'LEARY: Certainly. Well, if you were going to
5 go directly to Binbrook and save the taxpayer some money,
6 would you go north or would you go south?

7 MR. ZERDIN: No, because it is not the direct feed
8 into the Binbrook. It is loop feed. Separation is
9 required to have separate, you know, exposure to both
10 feeders to provide.

11 MR. O'LEARY: All right.

12 MR. ZERDIN: If I run them beside each other, it
13 brings no advantage for my loop feed.

14 MR. O'LEARY: Instead of turning south, what you are
15 doing is turning north?

16 MR. ZERDIN: That's correct.

17 MR. O'LEARY: Let's just use this map as alternative.

18 You told me that to provide the loop feed here down at
19 the Binbrook level -- which is your ultimate goal; correct?

20 MR. ZERDIN: That's correct.

21 MR. O'LEARY: Are there any other routes that could be
22 used to get to that point which are shorter than the one
23 you've actually proposed?

24 MR. ZERDIN: We evaluated other routes, but this was
25 the most efficient route that we chose.

26 MR. O'LEARY: Are there any other routes which are
27 shorter to provide the loop feed to Binbrook?

28 MR. ZERDIN: We have no present routes that are

1 shorter.

2 MR. O'LEARY: Of course not, but my question is: Are
3 there other routes you could have considered and used which
4 would provide a loop feed to Binbrook?

5 MR. ZERDIN: Other routes could have been evaluated,
6 which they were.

7 MR. O'LEARY: Well, we're going to come to that,
8 because your planning evidence doesn't show that, but let's
9 look at these other routes.

10 All right. Could you -- the M5, is that a Hydro One
11 transmission corridor line?

12 MR. ZERDIN: That's correct.

13 MR. O'LEARY: All right. Would it have been possible
14 to put another circuit down that line?

15 MR. ZERDIN: That would -- again, as we said, it's
16 good practice to have, in your alternate, some separation,
17 because if it was on that same tower, you had a tower, you
18 would lose both feeds.

19 MR. O'LEARY: But I understand you are putting two
20 circuits on the towers along --

21 MR. ZERDIN: No. They will be on other side of the
22 roads of each other.

23 MR. O'LEARY: There is another whole set of poles
24 going in down Highway 56?

25 MR. ZERDIN: Not the entire route.

26 MR. O'LEARY: But some of it?

27 MR. ZERDIN: Portions of it, yes.

28 MR. O'LEARY: All right. But you could technically

1 put a circuit down the M5 corridor?

2 MR. ZERDIN: Technically, yes. Efficiently, no.

3 MR. O'LEARY: All right. You could run down Nebo Road
4 down to one of the crossroads and work your way over to the
5 connection point, as well. Is that another route that
6 could have been followed?

7 MR. ZERDIN: That route could have been evaluated.

8 MR. O'LEARY: Yes. But it wasn't; right?

9 MR. ZERDIN: I am not sure if that specific route was
10 being evaluated.

11 MR. O'LEARY: Is it in your evidence anywhere?

12 MR. ZERDIN: We had different routes evaluated, and
13 it's in various forms of documentation, but it is not
14 specified in the Binbrook loop feed.

15 MR. O'LEARY: In terms of the planning and evaluation
16 for this route, is it anywhere in your documentation?

17 MR. ZERDIN: No, not to my knowledge.

18 MR. O'LEARY: All right. You could have gone over to
19 Glover Road with the M11, gone down Glover, done a little
20 jog right over here. You could have looked at that as
21 another route; correct?

22 MR. ZERDIN: We could have looked at that as another
23 route; that's correct.

24 MR. O'LEARY: Would you agree with me that both of
25 those routes would have been shorter than the one you are
26 proposing?

27 MR. ZERDIN: They could have been shorter.

28 MR. O'LEARY: All right. Well, they were.

1 MR. ZERDIN: They are shorter, yes.

2 MR. O'LEARY: They are shorter, right.

3 Does the cost to build a new feeder have, in any way,
4 any relationship with the length of the circuit?

5 MR. ZERDIN: The cost does, but, in this case, we
6 already have infrastructure for a large portion of that
7 other route. And as Mr. Stevens specified, it was cost-
8 effective.

9 MR. O'LEARY: Do you have poles running down Glover
10 Road, Trinity Church road, Fletcher Road?

11 MR. ZERDIN: We have poles at a lower voltage class in
12 various locations in that area.

13 MR. O'LEARY: Yes. But 35-foot poles; right?

14 MR. ZERDIN: I'm not sure of the pole heights on all
15 of those locations.

16 MR. O'LEARY: But like the ones on Rymal Road, you
17 could as easily put a 27.6 on those poles as you have on
18 Rymal Road, could you not?

19 MR. ZERDIN: If they met our standard.

20 MR. O'LEARY: Well, we have heard about your
21 standards. But my point is you already have poles running
22 down each of these rural routes; right?

23 MR. ZERDIN: That's correct.

24 MR. O'LEARY: You have to, because that is where your
25 customers are. You are supplying them by overhead lines
26 using the poles.

27 MR. ZERDIN: That's correct.

28 MR. O'LEARY: All right. So those were options that

1 were available to you, to provide a loop feed to Binbrook;
2 right?

3 MR. ZERDIN: They were not pre-framed at 27.6 like our
4 Rymal Road is --

5 MR. O'LEARY: Well --

6 MR. ZERDIN: I mean, sorry, not Rymal Road, Highway
7 56.

8 MR. O'LEARY: All right. So 56 is pre-framed. All
9 right.

10 Now, let me just ask in terms of the loop feed. Ms.
11 Lerette in her evidence last week indicated that Horizon
12 Utilities already provides loop feed and is -- can, once it
13 actually builds into the new subdivision, will provide a
14 loop feed.

15 Were you suggesting that the Horizon Utilities could
16 not do that?

17 MR. ZERDIN: No.

18 MR. O'LEARY: No. Okay. So maybe I misunderstood
19 you. So Horizon Utilities already has the ability to
20 provide loop feed; right?

21 MR. ZERDIN: If that is what they say, yes.

22 MR. O'LEARY: Do you have any reason to suspect that
23 that is wrong?

24 MR. ZERDIN: No.

25 MR. O'LEARY: No, because they've got all of these
26 assets that are built out right on the door of the phase 7;
27 right?

28 MR. ZERDIN: Yes.

1 MR. O'LEARY: All right. And if we just look at your
2 proposed connection, the M11 volume, following the red line
3 over to Summit Park, which is what you've got and what you
4 are proposing to build in construction now, and it stopped
5 there, that is a radial line; right?

6 MR. ZERDIN: Initially it is a radial line, but
7 ultimately, by -- in 2013 this will be part of a loop feed.

8 MR. O'LEARY: Okay. So at some point you are
9 proposing loop feeds. So to provide that additional degree
10 of reliability to the service area amendment lands, you are
11 not only talking about building out your four-and-a-half
12 kilometres to here, you are now talking about actually
13 bringing the loop feed from the M5 connection north three-
14 and-a-quarter kilometres and another two kilometres this
15 way, so you've got another five-some-odd kilometres to
16 provide the loop-feed reliability protection to the new
17 subdivision. Is that fair to say?

18 MR. ZERDIN: It's not just for the new subdivision.
19 It is also for the Binbrook, as we said. More so for the
20 Binbrook, and then the Summit is benefiting from the
21 Binbrook's loop feed.

22 MR. O'LEARY: Well, Binbrook may benefit. We accept
23 that. But you know what? Binbrook is not part of this
24 service area amendment application, these lands are, all
25 right? So are you providing loop-feed protection of these
26 lands or not? What is your proposal?

27 MR. ZERDIN: They will benefit from the Binbrook loop-
28 feed feeder that we are doing.

1 MR. O'LEARY: Of course. And unless you do this
2 additional work, unless you build the new 27.6 line along
3 Rymal and Highway 56 --

4 MR. ZERDIN: Highway -- sorry.

5 MR. O'LEARY: This is Highway 56.

6 MR. ZERDIN: Yes.

7 MR. O'LEARY: That is Rymal. Thank you. If you don't
8 build that, there would not be a loop-feed protection for
9 phase 7; right?

10 MR. ZERDIN: If we do not build it, they would not
11 have a loop feed in Summit, phase 7.

12 MR. O'LEARY: So they -- phase 7 and the school board
13 will both benefit from you building the additional five
14 kilometres of the 27.6 circuit.

15 MR. ZERDIN: All customers that lie along that portion
16 of that circuit will benefit.

17 MR. O'LEARY: All right. I thought I heard in your
18 evidence -- maybe I was wrong -- right at the beginning you
19 said you are already providing reliable service to the
20 customers in this area. Did you say that? Or is that
21 wrong?

22 MR. STEVENS: No. That is accurate. We are providing
23 reliable services, but there has been an explosion of
24 growth in the area, and to continue to maintain that
25 reliable service, especially down into the Binbrook area,
26 because now with that kind of customer base that is down
27 there, my recollection is -- not my recollection. We know
28 there is about 2,300 customers down there.

1 If we have an outage it now affects our SAIDI indices,
2 our system average index for duration. And it is at this
3 point in time that, you know, good utility practice would
4 suggest building a loop feed, not unlike what Horizon plans
5 to do up in their area. It is a very like-for-like
6 scenario.

7 And I think what Mr. Zerdin is telling you is we are
8 building this line regardless of the service area amendment
9 because we need to get down in Binbrook.

10 MR. O'LEARY: Well, Binbrook is all yours. We are not
11 here to ask for a service area amendment about Binbrook.
12 My question simply was, you indicated that your service is
13 reliable. I thought I also heard you say that you had not
14 received any customer complaints about service, at least in
15 the areas that we're talking about here. Is that correct?

16 MR. STEVENS: Yes. That's correct. And, you know, we
17 plan, like I also mentioned, on a 20-year basis a five-year
18 business plan, three-year release, and so on and so forth.
19 So we always do look ahead.

20 MR. O'LEARY: So the loop feed is not to provide
21 service to these particular customers that are already in
22 existence. It is to provide an additional level of
23 reliability; right?

24 MR. STEVENS: It is to maintain the level of
25 reliability, given the growth in the area.

26 MR. O'LEARY: And to match the service offering of
27 Horizon Utilities; right?

28 MR. STEVENS: As I mentioned a moment ago, we would do

1 Binbrook regardless.

2 MR. O'LEARY: Well, we're going to come to that.

3 So while we have this map out, let me ask you just a
4 little bit about densities. We know that the area to the
5 north is Horizon's service territory. I am not sure who I
6 should be asking this.

7 MR. STEVENS: We will wait for the question.

8 MR. O'LEARY: All right. Well, would you agree with
9 me this is a dense urban, developed area?

10 MR. STEVENS: It looks like it.

11 MR. O'LEARY: All right. And we have to the south,
12 you've told me earlier, rural; correct?

13 MR. STEVENS: It is rural today. I can't comment on
14 what it will be tomorrow. As you know, it is developable
15 land, as we provided in evidence.

16 MR. O'LEARY: We will come to that in a second.

17 MR. STEVENS: All right.

18 MR. O'LEARY: If we go further to the west -- and I
19 will pull up -- this is a map that... I think we will
20 leave that there for now. When you said "heavy lifting", I
21 didn't mean literally. This is going to be hard for you to
22 see.

23 [Laughter]

24 MR. O'LEARY: But would you agree with me that looking
25 at this map, which was marked as K1 at the motion, and it
26 is now marked as...

27 MS. HELT: K1, I believe, was marked as K1.6.

28 MR. O'LEARY: Yes. I wonder if there is a better way

1 to do this. We're looking at -- these are the service area
2 amendment lands in question; correct? With the green
3 perimeter around it?

4 MR. STEVENS: Colour-blind.

5 MR. O'LEARY: Sorry.

6 MR. STEVENS: I will take your word for it.

7 MR. O'LEARY: Thank you. Well, it wasn't a tricky
8 question.

9 MR. STEVENS: Thank you.

10 MR. O'LEARY: If we look to the west of that, the line
11 that is there -- which is red, trust me on that one as well
12 -- is the boundary between Horizon and Hydro One.

13 Would you agree with me that all of the development to
14 the north of that line looks like it is dense urban
15 residential and commercial?

16 MR. STEVENS: It looks that way.

17 MR. O'LEARY: All right. And if we look at what is
18 depicted both in this map and in the one you produced,
19 which relates to the Summit Park development, would it be a
20 fair statement to say that the scale of the development, as
21 it moves eastward and southward into phase 7, is similar?

22 MR. STEVENS: I don't understand what you mean.

23 MR. O'LEARY: By scale we're talking about the same
24 sort of development. It's residential, commercial.

25 MR. STEVENS: Similar to what we're having in
26 Binbrook. I would agree with that.

27 MR. O'LEARY: Well, okay. We keep going to Binbrook.
28 But that is not what we're asking about. We are asking

1 about the service area; I mean, whether the scale of the
2 development in the service area is similar as we go further
3 east in the development.

4 MR. STEVENS: So if I am looking at your map and I
5 look directly north, I see a bunch of green area, which
6 looks very much like what we have down to the south. So I
7 am not sure what the point is you are trying to make.

8 MR. O'LEARY: And I will refer you to the EramosaKarst
9 conservation area. You may recall Mr. Freeman spoke about
10 there being a conservation area immediately north.

11 MR. STEVENS: Okay.

12 MR. O'LEARY: Which is not developable, period.

13 MR. STEVENS: That's a tough word.

14 MR. O'LEARY: Yes. Do you agree with me that
15 generally speaking you are not allowed to develop
16 conservation areas?

17 MR. STEVENS: That would make sense.

18 MR. O'LEARY: All right. So that really has nothing
19 to do with our question here. The developable lands, which
20 we know are the Summit Park lands -- I am simply asking is
21 whether or not the scale of the development that you know
22 is proposed to be built is similar to what has already been
23 built there.

24 MR. STEVENS: I am not sure what you are getting at.
25 Again, I would just say that it doesn't look like the land
26 above to the north. I mean, that natural reserve area
27 looks very much like a good break between what is above and
28 what is below.

1 MR. O'LEARY: Are they building a residential
2 subdivision at phase 7?

3 MR. STEVENS: Yes.

4 MR. O'LEARY: Did the earlier six phases include
5 residential subdivisions?

6 MR. STEVENS: As far as I know.

7 MR. O'LEARY: Thank you.

8 This is Exhibit K1.3, and this is a drawing that --
9 this is a map that Ms. Lerette took us to during her
10 evidence, and it indicates the in-ground assets that
11 Horizon Utilities had at the earlier phases of Summit Park
12 development, and this is the west end. There is actually
13 another part to the map, which is the east end.

14 And on this map, would you agree with me that Horizon
15 Utilities has assets in place that are literally on the
16 doorstep of phase 7 ready to serve it?

17 MR. STEVENS: I can't comment on the ready-to-serve,
18 but they are adjacent.

19 MR. O'LEARY: Immediately adjacent?

20 MR. STEVENS: Adjacent. I don't think there is any
21 other kind.

22 MR. O'LEARY: Is there any evidence that they have to
23 build out or expand their plant to supply either a
24 connection to phase 7 or the school?

25 MR. STEVENS: I can't comment on that.

26 MR. O'LEARY: All right. But are you aware of any
27 evidence of it?

28 MR. STEVENS: No.

1 MR. O'LEARY: No. And, by comparison, you are going
2 to build a 5-odd-kilometre radial feed and add another 5
3 kilometres to provide a loop feed; right?

4 MR. STEVENS: No, that is not correct.

5 MR. O'LEARY: Well you are calling it an enhancement,
6 but could you serve phase 7 using the 8.32 kV circuit like
7 a C circuit that is there?

8 MR. ZERDIN: No.

9 MR. O'LEARY: All right. So you have to build a line
10 along Rymal Road to serve phase 7; right?

11 MR. ZERDIN: We have to build a 27.kV line in order to
12 serve Rymal Road in the immediate areas.

13 MR. O'LEARY: All right. And you are actually
14 installing a larger conductor than was there before;
15 correct?

16 MR. ZERDIN: The conductor has been changed to three-
17 thirty-six.

18 MR. O'LEARY: But it's gone from 8.32 to 27.6?

19 MR. ZERDIN: Plus the voltage difference.

20 MR. O'LEARY: All right. But it is a different
21 conductor, is it not?

22 MR. ZERDIN: The conductor could potentially be the
23 same. It is not related to the voltage.

24 MR. O'LEARY: Are you running a new line down the
25 poles?

26 MR. ZERDIN: We're using the existing conductors in
27 certain portions and we are re-conductoring in other
28 portions.

1 MR. O'LEARY: All right. But when this project is
2 fully completed and you put the new line, including the
3 permanent connection, will it not be a new circuit all the
4 way there?

5 MR. ZERDIN: It will be a new circuit designation,
6 yes, the M11.

7 MR. O'LEARY: So you are relying on some of the
8 existing, but you are putting in -- you are building some
9 new circuit?

10 MR. ZERDIN: Some portions of there is having new
11 circuit put in, yes.

12 MR. O'LEARY: My friend took you to a couple of
13 questions about historically what has occurred. I don't
14 want to certainly spend any time on that, but I just wanted
15 to determine if some of the things that Hydro One has said
16 to parties are factually correct.

17 Let's begin, briefly, in 2004 and the first
18 application, EB-2004-0536, which was for the entirety of
19 the Summit Park lands. The statement that Hydro One made
20 that Hamilton Hydro's connection offer is the lowest-cost
21 proposal and requires the lowest capital contribution of
22 the customer, was that factually correct?

23 MS. O'SULLIVAN: Can you tell us where you are reading
24 from, please?

25 MR. O'LEARY: I can take you to... If you go to
26 Exhibit K1.2 at tab 5?

27 MR. SMITH: Is that your compendium from today, tab 5?

28 MR. O'LEARY: No. This is the one from last week.

1 MR. SMITH: The hearing brief?

2 MR. O'LEARY: It is entitled "Horizon Utilities
3 Hearing Document Brief, February 7, 8".

4 MR. SMITH: And 0536, is that the number?

5 MR. O'LEARY: Yes, at tab 5, page 2, third paragraph.

6 MR. SMITH: Thank you. It starts, "In response to
7 enquiries"?

8 MR. O'LEARY: Yes, "by Board Staff." It says:

9 "Hydro One also stated that Hamilton Hydro's
10 connection offer is the lowest cost proposal and
11 requires the lowest capital contribution of the
12 customer."

13 Was that factually correct?

14 MS. O'SULLIVAN: Based on the fact that this is in
15 evidence as an OEB document, I have to assume it is, but it
16 was referring only to the connection of phase 1 of Summit
17 Park, not to the entire SAA as it was submitted.

18 MR. O'LEARY: Well, it doesn't say that, Ms.
19 O'Sullivan.

20 In fact, this application, which was ultimately turned
21 down because it was premature because there were customers
22 that weren't known at the time, related to all of the
23 Summit Park lands, and that was the reason why it was
24 turned down.

25 So that statement, in fact, relates to the entirety of
26 the Summit Park lands, does it not?

27 MS. O'SULLIVAN: No, I don't believe it does.

28 MR. O'LEARY: All right. Where in the statement does

1 it limit it to only phase 1?

2 MS. O'SULLIVAN: Well, the fact that there was not a
3 connection agreement given for the entire Summit Park
4 lands, that would lead us to that conclusion.

5 As well, in that letter Hydro One also filed that it
6 disagreed with the vacant lands, given there were no
7 customers there on which -- that is what the OEB used as
8 their decision to deny this service area amendment in this
9 case.

10 MR. O'LEARY: All right. So then what the Board has
11 reported is wrong?

12 MS. O'SULLIVAN: I just believe that it didn't add the
13 detail that it was only referring to a connection
14 agreement, but if you looked at all of the evidence of that
15 service area amendment, you would see what exactly was
16 covered in the connection agreement, and I believe you
17 would have to do that in order to prove your point that you
18 are making.

19 MR. O'LEARY: Well, it says that Hydro One did not
20 contest it, and it related to the entirety of the Summit
21 Park lands. Now you are telling me you didn't really mean
22 the entire Summit Park lands, just one little segment?

23 MS. O'SULLIVAN: Actually, the decision of the OEB in
24 that case said that although Hydro One did not contest it
25 outright, that the letter that they filed was not a consent
26 application. And the Board, if I could also read from
27 that:

28 "Despite its words to the contrary, Hydro One

1 has, in fact, contested the applicant's
2 proposal."

3 It is further down on that decision.

4 MR. O'LEARY: And that is what the Board interpreted
5 for the purposes of the proceeding.

6 I am asking you: Is it correct you did not contest
7 the application for the entirety of Summit Park; correct?

8 MS. O'SULLIVAN: It is correct we did not contest it,
9 but we did not consent to it.

10 MR. O'LEARY: All right. And then in another
11 proceeding - and this is the EB-2006-0011 proceeding, which
12 related to phase 4 - is this statement by Hydro One
13 factually correct --

14 MR. SMITH: Sorry, where are you taking us to?

15 MR. O'LEARY: Well, you go to tab 9.

16 MR. SMITH: Tab 9?

17 MR. O'LEARY: We'll go to page 2. So I can take it
18 right out of that. If we go down under "Background", the
19 third paragraph:

20 "Hydro One supported the service area amendment
21 application. In its letter of support..."

22 So you went out of your way to support it:

23 "... Hydro One stated that Horizon has an
24 existing distribution system already constructed
25 in Summit Park phases 1, 2 and 3 which is
26 contiguous with phase 4."

27 Stop there. That's the same as this case today, isn't
28 it? You have just admitted to me that it's contiguous to

1 phase 7; right?

2 MR. STEVENS: It is not the same as today, but I will
3 grant you that that statement is accurate.

4 MR. O'LEARY: Continuing along:

5 "...whereas Hydro One would need to extend its
6 27.6 kV circuit approximately two kilometres in
7 order to serve phase 4."

8 So stop there. Hydro One realized back at that time -
9 so we're talking January 5th, 2007 - that it would have to
10 build a new circuit. It would have to spend money. It
11 would have to expand its distribution plant to be able to
12 serve phase 4; right?

13 MR. STEVENS: Actually, if you go to my earlier
14 testimony, I think you will see that when we don't believe
15 we're the best LDC to serve, we don't contest. I mean,
16 that is a principle that we held then, and we still hold it
17 today.

18 MR. O'LEARY: And that is an honourable principle, but
19 all I am trying to understand is whether or not you
20 acknowledge, as a factual matter, that you had to build a
21 new circuit. You had to build an expansion to serve
22 phase 4.

23 MR. STEVENS: Four-plus years ago.

24 MR. O'LEARY: In the next -- which is phase 5 -- the
25 very next tab, second paragraph, under "reasons", is this
26 factually correct:

27 "Hydro One supports the proposed service area
28 amendment and confirms that its distribution

1 facilities in the subject area are not sufficient
2 to supply the load for the development without
3 additional investment."

4 So same question. Aren't you admitting by that that
5 Hydro One did not have the assets in place at the time to
6 supply phase 5 without undertaking an expansion?

7 [Witness panel confers]

8 MR. STEVENS: In 2007 that would have been accurate,
9 yes.

10 MR. O'LEARY: And I don't want to go through it, but
11 it says something similar in each of the service area
12 amendment decisions.

13 So you will agree with me that up to and including the
14 most recent, you have told the Board that you did not have
15 the assets in place and that it was more economically
16 efficient for Horizon Utilities to serve all of the eight
17 prior service area amendment applications; right?

18 MR. STEVENS: So as, again, per my earlier testimony,
19 I said that was accurate, and that was about four-and-a-
20 half years ago.

21 MR. O'LEARY: Now, let's just talk a little bit about
22 -- and Madam Chair, I apologize, but I am going to have to
23 take you to the actual evidence.

24 MS. CONBOY: We can deal with it.

25 MR. O'LEARY: These are maps, so I didn't want to try
26 and redo those again, because we are at wit's end.

27 MS. CONBOY: Thank you.

28 MR. O'LEARY: If I could take you to -- it was

1 referred to last week, but it is the Urban Hamilton
2 Official Plan. It is a small one in your materials that
3 looks like this.

4 And Ms. Spoel, I think you asked a question about the
5 other secondary plan. I put this up on --

6 MS. CONBOY: I think that is one of the ones that Mr.
7 Freeman took us through. Is that right?

8 MR. O'LEARY: Yes, yes. There, it is up on the
9 screen.

10 MS. HELT: Mr. O'Leary, before you refer to it, do you
11 know where it is in the evidence, just for the purpose of
12 the transcript?

13 MR. O'LEARY: It is under -- it is in the Horizon
14 Utilities pre-filed evidence under the tab "maps".

15 MS. HELT: Thank you.

16 MR. O'LEARY: I will describe it in the event that it
17 hasn't been marked, but it is now up on the screen. This
18 is the Urban Hamilton Official Plan, Rymal Road secondary
19 plan, land use map, map B.5, 2-1, if my eyes are correct.
20 And it indicates that it was approved March 16th, 2011.

21 Just to put it into context, I believe, Ms. Spoel, you
22 asked a question last time about this particular plan,
23 which was marked as KM2, and it's the Rymal Road secondary
24 plan. And it is the entirety of the Summit Park lands.
25 And the question was whether or not there had been any
26 actual official approvals of that plan. And in fact, I
27 took the panel last week to the document I am taking you
28 to.

1 And my question to this panel simply is, in respect of
2 the Urban Hamilton Official Plan, do you accept that this
3 is, in fact, the secondary plan that has been approved for
4 the Summit Park lands? Or do you have any evidence to the
5 contrary?

6 MR. SMITH: As presented, we have no evidence that
7 this isn't.

8 MR. O'LEARY: All right. So it is your understanding
9 that the development of Summit Park, which is its own
10 designation as a secondary plan, is not something that's
11 hypothetical. It has been happening and is continuing to
12 happen; right?

13 MR. SMITH: Sure.

14 MR. O'LEARY: Sure. And in fact, we know who the
15 customer is for virtually all of the lands that are in
16 question here; right?

17 MR. SMITH: Yes. Notwithstanding the evidence, yes,
18 virtually all of it is Multi-Area.

19 MR. O'LEARY: Well, we understand there is the several
20 legacy customers, and we understand that there is the
21 school. But the majority of the land, subject to the
22 lagoon or the storm water management pond and the park, is
23 all Multi-Area; right?

24 MR. SMITH: Agreed, yes.

25 MR. O'LEARY: Same customer that has done the
26 development from the beginning. So there is nothing
27 speculative about the development of this project; right?

28 MR. SMITH: There is no evidence that it will be

1 anything other than residential, ultimately.

2 MR. O'LEARY: All right. And is it fair to say that
3 Hydro One knew from the beginning, in 2004, that the
4 project was going to have perhaps upwards of 3,200 houses?

5 MS. O'SULLIVAN: Sorry, can you rephrase?

6 MR. O'LEARY: Is it fair -- correct me if I am wrong,
7 but is it fair to say that Hydro One knew, beginning as
8 early as 2004, that the Summit Park project, this one here,
9 would involve perhaps upwards of 3,200 homes and schools
10 and commercial properties?

11 MS. O'SULLIVAN: That is stated in the previous
12 service area amendments, yes.

13 MR. O'LEARY: Yes. So you knew when you consented and
14 did not contest that the whole of the development would
15 ultimately involve 3,200 houses and these other commercial
16 developments; right?

17 MS. O'SULLIVAN: Yes.

18 MR. O'LEARY: Okay. If I could now, Madam Chair, take
19 you to the very next map in the pre-filed evidence, and it
20 is marked "Urban Hamilton Official Plan". And it's --

21 MS. CONBOY: Thank you. We have it up on the screen.

22 MR. O'LEARY: Thank you. And I would also -- well,
23 let's start with this one. All right. Is it fair to say
24 that development in and around a city is undertaken in
25 accordance with the official plan that has ultimately been
26 approved?

27 MR. STEVENS: That's not my area of expertise, I'm
28 sorry.

1 MR. O'LEARY: Well, you were giving evidence about the
2 ability to develop in areas south of the corridor, and you
3 produced a greenbelt map. I am going to ask you some
4 questions about that very subject.

5 MR. STEVENS: Okay.

6 MR. O'LEARY: So who is qualified to speak about
7 whether you can or cannot develop lands that are lands
8 zoned rural? No one here can speak to that?

9 MR. STEVENS: I will try.

10 MR. O'LEARY: All right. So have you got that map
11 before you?

12 MR. STEVENS: I don't. I can see it on the screen.

13 MR. O'LEARY: All right. So there has been a circle.
14 I won't call it red, for your sake.

15 MR. STEVENS: Thank you.

16 MR. O'LEARY: Around the lands which include the
17 Summit Park development lands. Do you see that?

18 MR. STEVENS: Yes, I see the circle.

19 MR. O'LEARY: All right. And that was intended just
20 to help identify the Summit Park lands. So do you see the
21 black dotted line, and above it is in yellow, and I am not
22 sure if that is of any assistance to you, but perhaps your
23 neighbour, Mr. Zerdin, can help.

24 The yellow refers to neighbourhood. So that is
25 residential development; correct?

26 MR. STEVENS: I'm sorry, where are you referring?

27 MR. O'LEARY: We're in that red circle. In the
28 circle, above the black dotted line.

1 MR. STEVENS: Oh, yes.

2 MR. O'LEARY: You see where the Summit Park lands are?

3 MR. STEVENS: I do.

4 MR. O'LEARY: All right. So just so we're clear,
5 Madam Chair, at the upper right-hand corner there is -- it
6 is either orange or red, but it's a different colour than
7 the rest.

8 MR. STEVENS: I see it.

9 MR. O'LEARY: Those are the commercial developments;
10 correct?

11 MR. STEVENS: Yes.

12 MR. O'LEARY: All right. And then the rest of it is
13 marked yellow; correct?

14 MR. STEVENS: Yes.

15 MR. O'LEARY: Well...

16 MR. STEVENS: Yes. I see the yellow.

17 MR. O'LEARY: Okay. You can see that.

18 MR. STEVENS: Red/green I have a problem with.

19 MR. O'LEARY: All right. And that is designated as
20 neighbourhood.

21 MR. STEVENS: Okay.

22 MR. O'LEARY: So that is zoned for residential
23 development; right?

24 MR. STEVENS: Okay.

25 MR. O'LEARY: Immediately south of that, immediately
26 south of the dotted line -- and would you accept that the
27 dotted line represents the Hydro One transmission corridor?

28 MR. STEVENS: That looks about right, yes.

1 MR. O'LEARY: All right. Immediately south of that
2 is, we will call it grey, and --

3 MR. STEVENS: Yes.

4 MR. O'LEARY: Okay. According to the official plan,
5 it is designated as rural; correct?

6 MR. STEVENS: Okay.

7 MR. O'LEARY: Do you accept that?

8 MR. STEVENS: I read it, yes.

9 MR. O'LEARY: All right. And can you identify where
10 Highway 56 meets Rymal? Do you see just to the east of the
11 Summit Park development where the road does that little jog
12 to the east?

13 MR. STEVENS: Yes. Swayze comes into 56, yes.

14 MR. O'LEARY: Would you confirm for me all of the
15 lands to the east of that are also zoned rural?

16 [Witness panel confers]

17 MR. ZERDIN: Can you rephrase your question, please?

18 MR. O'LEARY: Well, again, just for the record,
19 Highway 56 goes up to and it meets the dotted line there,
20 and then it jogs to the east, and then it meets up at an
21 intersection with Rymal Road.

22 I am asking, the lands to the east of Highway 56, are
23 they not all zoned rural?

24 MR. STEVENS: So I may have the map wrong, so bear
25 with me for a moment. There is a little area there where
26 Swayze Road comes down, and then Highway 56 comes into it,
27 which I believe is also the same colour as you are
28 referring to, where the Elfrida Park is, which I don't

1 believe is rural.

2 So I think the map may have some errors in it, but I
3 don't really know.

4 MR. O'LEARY: Do you have any other evidence of
5 planning and zoning in the area, other than this map?

6 MR. STEVENS: Yes, but what I am referring to is we
7 actually do have development in that area already and the
8 map isn't displaying that.

9 MR. O'LEARY: Fair enough.

10 MR. STEVENS: So...

11 MR. O'LEARY: But I am asking you: Do you agree with
12 me this map does show to the east of it it is rural?

13 MR. STEVENS: I see what is on the map, yes.

14 MR. O'LEARY: What you're talking about is this little
15 spot right here; correct?

16 MR. STEVENS: That's correct.

17 MR. O'LEARY: All right. That is Elfrida; correct?

18 MR. STEVENS: Correct.

19 MR. O'LEARY: And it is built out?

20 MR. STEVENS: Yes, which this map would suggest
21 shouldn't happen.

22 MR. O'LEARY: But the point is it is built out. There
23 is no real growth potential there, is there?

24 MR. STEVENS: I don't know why you couldn't have
25 growth across the road.

26 MR. O'LEARY: Well, do you have any evidence of growth
27 across the road?

28 MR. STEVENS: Not today.

1 MR. O'LEARY: No. Exactly.

2 So we know that at least according to this map all of
3 these lands to the east are designated rural; right?

4 MR. STEVENS: As well as Elfrida.

5 MR. O'LEARY: Yes. Well, it obviously is now built.
6 And Elfrida is currently being served on a reliable basis
7 by Hydro One?

8 MR. STEVENS: Today, as far as we know, it is, yes.

9 MR. O'LEARY: Thank you. And you don't have any
10 evidence here whatsoever of any requests or any even
11 applications for an amendment to the zoning in respect to
12 the lands to the east of Highway 56; right?

13 MR. STEVENS: I wouldn't have that, no. That is not
14 something I would look at in my job.

15 MR. O'LEARY: Well, these questions aren't just for
16 you, Mr. Stevens. These questions are for Hydro One.
17 You're here as the representatives of the company. If
18 there is an area I ask you about, please tell us that you
19 don't know.

20 But at the end of the day, you are here to justify
21 building a multi-million-dollar line to Binbrook and you
22 are using that as an excuse to supply service area
23 amendment lands in question.

24 So if you are lacking in evidence in particular areas,
25 please confirm that. And one is: You don't have any
26 evidence of the fact that there is any growth that is
27 planned at all for the lands to the east of Rymal Road?

28 MR. STEVENS: The evidence that we put in our

1 compendium might suggest otherwise, but based on the map
2 you were showing me, I do not have any evidence regarding
3 that.

4 MR. O'LEARY: We will come to that, believe me.

5 MS. CONBOY: Mr. O'Leary, while you have that map in
6 your hand, I can't see from my copy. On the legend up in
7 the top right-hand corner, where we see more clearly the
8 designation between rural and urban -- well, I shouldn't
9 say more clearly, but we see the designation between the
10 two.

11 Can you, please, read me what the note says? I can't
12 make that out.

13 MR. O'LEARY: Just below the key map on the right?

14 MS. CONBOY: Correct.

15 MR. O'LEARY: I read it as: For rural land use
16 designations, refer to schedule C of the rural Hamilton
17 Official Plan.

18 MS. CONBOY: Okay, thank you.

19 MR. O'LEARY: It reminds me of one question I should
20 ask while we are on this.

21 MS. CONBOY: Schedule D? Yes, okay.

22 MR. O'LEARY: Can you point out for me, Mr. Zerdin or
23 Mr. Stevens, where Binbrook is on this map?

24 MR. ZERDIN: Right in this area here.

25 MR. O'LEARY: Yes. So it is an entirely separate area
26 that is not contiguous with any of the urban area of
27 Hamilton right?

28 MR. ZERDIN: From what that map indicates, yes.

1 MR. O'LEARY: Well, factually, are we wrong? Is there
2 an urban connection between the two?

3 MR. ZERDIN: No.

4 MR. O'LEARY: I'm now going to turn my questions,
5 panel, to some of the documents which appear at tab 1 of
6 what is now Exhibit K2.2. This is the compendium of
7 documents to facilitate examinations, and it's...

8 MR. ELSAYED: Which tab is it?

9 MR. O'LEARY: Tab 1. Sorry, did I say the wrong one?

10 MR. ELSAYED: No. I didn't hear it.

11 MR. O'LEARY: K2.2.

12 MR. ELSAYED: Yes.

13 MR. O'LEARY: Sorry. And the very first is -- this is
14 a reproduction of, just for the record, a series of e-mails
15 that were filed in evidence by Horizon. The very first
16 refers to an e-mail from a Mr. Roberge, who was a witness
17 here last week with Horizon Utilities, to a David Robert --
18 sorry, Robert Davidson.

19 Is that a Hydro One person?

20 MS. O'SULLIVAN: He's Hydro One's account executive
21 for Horizon.

22 MR. O'LEARY: All right. You can see that all that is
23 -- he's providing -- Mr. Roberge is providing the contacts
24 for Mr. Spicer at Multi-Area. So we know that as of
25 February 22nd there is an initial contact with Hydro One
26 about phase 7; is that fair?

27 MS. O'SULLIVAN: That's correct.

28 MR. O'LEARY: Yes. If you go to the next page, you

1 will actually see internally some e-mails between various
2 people at Hydro One asking for the connection package to be
3 sent out to Multi-Area; right?

4 MS. O'SULLIVAN: Correct.

5 MR. O'LEARY: If we go to the third page, this is an
6 e-mail from Gordon Messervey, and he was actually copied on
7 the e-mail on the previous page, and it is all about, you
8 know, Should we send a package out to the developer?

9 I guess he was tagged with the responsibility to send
10 out the package, but in his e-mail to James Hall -- is that
11 someone that is with Hydro One?

12 MS. O'SULLIVAN: Yes, he is.

13 MR. O'LEARY: All right. And Michael Yakimchuk?

14 MS. O'SULLIVAN: Michael is no longer there, but he
15 was at the time.

16 MR. O'LEARY: All right. And Gordon Messervey, what
17 was his title and role at the time?

18 MR. ZERDIN: The supervisor of planning and design.

19 MR. O'LEARY: Right. Did he report to someone?

20 MR. ZERDIN: He reported to me.

21 MR. O'LEARY: Right. So you were his boss?

22 MR. ZERDIN: Yes.

23 MR. O'LEARY: All right. So I would take it you had a
24 good rapport with Mr. Messervey?

25 MR. ZERDIN: Yes.

26 MR. O'LEARY: You didn't hold anything back or no
27 secrets, I presume?

28 MR. ZERDIN: I wouldn't hold back secrets, no.

1 MR. O'LEARY: You worked together; right?

2 MR. ZERDIN: Yes.

3 MR. O'LEARY: All right. So on February 22nd, in
4 response to internal inquiries, this is Mr. Messervey,
5 supervisor planning and design states:

6 "I have no problems sending the customer a
7 package and this will most likely be sent out
8 tomorrow."

9 Then he goes on to state, February 22nd, 2012:

10 "Based on the information I have seen on this
11 site would this project not fall into the
12 category or be considered one that we would
13 support the [service area amendment application]
14 on? Isn't there approximately \$400,000 of
15 expansion/enhancement just to get our supply to
16 the site?"

17 Do you see that?

18 MR. ZERDIN: Yes.

19 MR. O'LEARY: All right. And Mr. Messervey was
20 somebody you had confidence in?

21 MR. ZERDIN: He was a competent employee.

22 MR. O'LEARY: Right. Why isn't he here as a witness?

23 MR. ZERDIN: Because I can amply represent the issues.

24 MR. O'LEARY: Did Mr. Messervey complete the offer to
25 connect to Multi-Area?

26 MR. ZERDIN: Yes, he did.

27 MR. O'LEARY: All right. Is he still with your
28 department?

1 MR. ZERDIN: He is not in my department anymore. He
2 has taken a lateral position.

3 MR. O'LEARY: When was he moved?

4 MR. ZERDIN: He moved voluntarily. He applied for
5 another position. We did not move him, and that was
6 approximately two months ago.

7 MR. O'LEARY: And how do you explain the fact that Mr.
8 Messervey was unaware of this long-standing plan to run a
9 loop along Rymal Road down to Binbrook?

10 MR. ZERDIN: It's not part of his job. His job was to
11 supervise people who do subdivision designs.

12 MR. O'LEARY: Sorry. You don't let the people that
13 are involved in subdivision designs know the fact that --
14 by your evidence, you have been planning since 2010 to run
15 a line down Rymal Road and you didn't bother to tell Mr.
16 Messervey?

17 MR. ZERDIN: He obviously knew that there was a
18 requirement for it, but he did not know where the
19 investment was coming from.

20 MR. O'LEARY: Well, he knew there was a requirement.
21 He says \$400,000. He's pretty good at estimating the
22 costs, isn't he?

23 MR. ZERDIN: It was a rule of thumb of \$200,000 per
24 kilometre he would have used.

25 MR. O'LEARY: So \$200,000 a kilometre, if we go times
26 five kilometres, which you told me it is, to run the radial
27 line, in fact the cost to provide this -- you call it an
28 enhancement. We call it an expansion. But the fact is

1 it's going to cost a million dollars to build a line out to
2 phase 7; right?

3 MR. ZERDIN: I am not sure where you're getting
4 the million dollars for phase 7.

5 MR. O'LEARY: You just said 200,000 a kilometre, and
6 we calculated out earlier that it is over five kilometres,
7 from the connection to phase 7.

8 MR. ZERDIN: The Glover Road cost is not part of the
9 five kilometres of the permanent feed.

10 MR. O'LEARY: Okay.

11 MR. ZERDIN: Or the permanent loop feed.

12 MR. O'LEARY: Which number would you like, four
13 kilometres? Which should we multiply by 200,000? What is
14 the right distance?

15 MR. ZERDIN: It was the two kilometres.

16 MR. O'LEARY: Two kilometres. Now we are down to two.
17 All right. And what about the loop-feed component of it?
18 Is the five-some-odd kilometres to provide the loop feed,
19 is that also 200,000 a kilometre?

20 MR. ZERDIN: The total cost is all provided in the
21 area planning study for the entire Binbrook loop feed.

22 MR. O'LEARY: Yes. I know where you want to park it.
23 My question is simply -- and I think the Board wants to
24 know -- how much is it going to cost Hydro One to build
25 this loop feed to provide loop-feed service to the Multi-
26 Area phase 7?

27 MR. STEVENS: The answer would be zero, because we are
28 building an enhancement project down to Binbrook. And now

1 that subdivision, lucky for them, will lie along.

2 MR. O'LEARY: Well, we're going to come to that. But
3 again, I am simply -- your Mr. Messervey says it is going
4 to cost \$400,000 just to supply the site, and you're saying
5 zero. So Mr. Messervey is wrong?

6 MR. STEVENS: I haven't talked to Gordon, but I would
7 suspect that he wasn't aware of our enhancement project
8 down to Binbrook, if he estimated it that way, because that
9 would be an incorrect estimate.

10 MR. O'LEARY: All right. So Mr. Zerdin, did you at
11 any time then correct Mr. Messervey?

12 MR. ZERDIN: No.

13 MR. O'LEARY: Why wouldn't you? Wouldn't you have
14 ultimately gotten news that he thinks that it's going to
15 cost money to serve Summit Park 7, and he was unaware,
16 apparently, of this long-standing plan to provide a loop
17 feed along Rymal Road? Nobody corrected him?

18 MR. ZERDIN: As submitted in our evidence, in terms of
19 our response to your IRR HU28.

20 MR. O'LEARY: Yes.

21 MR. ZERDIN: Okay. When he was looking at this in
22 February, he was unaware of the enhancement work that was
23 already planned on Rymal Road.

24 MR. O'LEARY: And my question to you was, at some
25 point somebody must have said, Oh, Mr. Messervey, even
26 though you're the supervisor of planning and design, you
27 don't know about this big project we have along Rymal Road.
28 He'd been with your company how long?

1 MR. ZERDIN: Approximately eight years.

2 MR. O'LEARY: All right. So is it surprising that he
3 wouldn't know about it?

4 MR. ZERDIN: No. It's not surprising, because the
5 title doesn't reflect exactly what he's doing, in terms of
6 investment planning. He is not associated with -- he's
7 just the design of the subdivision group. He provides
8 designs in response to other parts of the organization.

9 MR. O'LEARY: Right. Could you flip to the next page
10 of the compendium that I provided, K2.2. You have already
11 referred to this response. Horizon Utilities asked in
12 Interrogatory No. 28, and we specifically quoted Mr.
13 Messervey, and we asked you to ask Mr. Messervey to provide
14 a list of all of the information relying on in his e-mail
15 and to produce copies of it.

16 We asked where and how he determined the cost to
17 supply at \$400,000, and please produce copies of what he
18 would have used. And your response is back, you referred
19 us to Appendix A and B in your evidence, and that he was
20 basing his internal questions on the assets in the area as
21 of February 22nd, 2012.

22 So that means that he knew that as of February 22nd,
23 2012 you didn't have the capability to supply phase 7;
24 right?

25 MR. ZERDIN: He would not have seen in the GIS system
26 facilities there to provide a 27.6 kV feed at that time.

27 MR. O'LEARY: All right. And his estimate, based upon
28 his experience and judgment at Hydro One, was going to be

1 at least \$400,000 to serve phase 7, with the radial
2 circuit; right?

3 MR. ZERDIN: That would be his assessment.

4 MR. O'LEARY: Okay. Well, so far that seems to be the
5 best number we have from Hydro One, in terms of the cost;
6 right? You haven't -- you keep saying zero, but he says
7 \$400,000. So is it fair to say that is your best evidence
8 at this point?

9 MR. STEVENS: I believe our best evidence is in the
10 Binbrook loop-feed document.

11 MR. O'LEARY: I go back to my questions earlier. Mr.
12 Messervey is clearly wrong, because you say in your answer
13 he was unaware of the enhancement work. And one would have
14 thought that at some point he would have been alerted to
15 it, and we requested at Interrogatory 28(c) the internal e-
16 mail chain that responded to and from that.

17 Somebody surely responded to Mr. Messervey and said,
18 No, you got it wrong. You know, we're going to have an
19 enhancement project. We asked for that and you didn't
20 respond. You didn't produce the e-mail chain. Why is
21 that?

22 MS. O'SULLIVAN: There were follow-up conversations to
23 Mr. Messervey's internal e-mail. However, that was very
24 early on in the process and preliminary. So there was no
25 further e-mail chain to forward to you.

26 MR. O'LEARY: That is not what your answer says. You
27 said this e-mail chain was inadvertently sent to Mr. Spicer
28 at Multi-Area. So what it suggests to me is that you are

1 frankly embarrassed that it ended up in the developer's
2 hands.

3 So are you saying under oath that there was no
4 response to Mr. Messervey?

5 MS. O'SULLIVAN: This e-mail chain that you included
6 in your evidence is what I was referring to that was
7 inadvertently -- of course, when we send out a package to
8 the developer, normally it would be an e-mail with a
9 package to the developer. So this e-mail chain
10 absolutely --

11 MR. O'LEARY: So my question again simply is, is there
12 no response to Mr. Messervey saying, You missed something.
13 You didn't know about the enhancement project. Your costs
14 are wrong. Is there an e-mail to that effect?

15 MS. O'SULLIVAN: Not to my knowledge.

16 MR. O'LEARY: All right. So what were the oral
17 discussions then?

18 MS. O'SULLIVAN: The oral discussions were around the
19 fact that there was a project planning for this feeder, and
20 that we had to look at both offers to connect and the work
21 that was already pre-planned before we could make any
22 determination on the feed for Summit Park.

23 MR. O'LEARY: And when was that?

24 MS. O'SULLIVAN: I don't have an exact date on those.

25 MR. O'LEARY: Well, we asked for the details of
26 discussions and -- because you do understand the
27 credibility of your claim of this enhancement project is
28 the subject -- it is a live issue in this proceeding;

1 right? You have known that from the outset. This is
2 nothing new today.

3 We have asked for a number of things, and one of them
4 was the e-mail chain, and we asked for the oral
5 discussions, a description of the oral discussions. You
6 didn't respond to that either.

7 MR. STEVENS: Yes. What we provided was a reference
8 back to our evidence that says we have been planning for
9 quite a period of time the Binbrook loop-feed document as
10 an example that we're going to be doing an enhancement in
11 the area.

12 MR. O'LEARY: We are asking questions to specifically
13 test the credibility of your claim that this was an
14 enhancement project that was well in the works, and you
15 refused to provide the e-mails, and you refused to provide
16 a summary of the oral discussions specifically asked for:
17 Please produce any response to this e-mail and summarize
18 any oral discussions, and you didn't.

19 MR. STEVENS: We pointed right back to the Binbrook
20 loop-feed document --

21 MR. O'LEARY: No, you didn't.

22 MR. STEVENS: -- which was the summary of the
23 discussions and all the planning that had taken place over
24 a number of years.

25 MR. O'LEARY: No. These are your answers.

26 If I could, then, continue along, still under tab 1,
27 on February 24th there is an e-mail from Multi-Area to a
28 number of people at Hydro One, including Mr. Messervey, the

1 supervisor of planning and design, and it is the third page
2 past the e-mail that we just looked at. I will just
3 quickly state what Mr. Spicer said to Hydro One:

4 "We really don't want to go through this process.
5 It is a time consuming and expensive process for
6 us. We went through it for the first phase of
7 Summit Park about 7 years ago."

8 So he's referring to the big one, right, the first
9 request for an approval for the entire of the Summit Park
10 lands; is that fair to say?

11 MS. O'SULLIVAN: No, I wouldn't agree with that. It
12 says the first phase of Summit Park. That wouldn't imply
13 all of the lands.

14 MR. O'LEARY: All right.

15 "Since then all 6 plans of subdivision and 2
16 plans of condominium have been serviced by
17 Horizon. It doesn't make sense to us to change
18 service providers part way through our
19 development. We have requested that Horizon
20 apply to [the Board] for a service area amendment
21 (letter attached)."

22 Then they attach the January 24th letter.

23 "We ask that you please consider not opposing the
24 application."

25 You did receive that?

26 MS. O'SULLIVAN: Yes. It's gone to our subdivision
27 group.

28 MR. O'LEARY: What steps did you take to consider Mr.

1 Spicer's requests?

2 MS. O'SULLIVAN: We explained to Mr. Spicer what the
3 process is, and the process is that customers must go to
4 their incumbent LDC for an offer to connect, and, if they
5 request an offer to connect from a neighbouring LDC, those
6 two offers will be compared and the incumbent LDC will look
7 at both offers together to determine what makes sense from
8 a territory.

9 But customers cannot just choose which LDC they
10 receive service from. That is not how it works.

11 MR. O'LEARY: Okay. Then flip two pages forward.
12 We're into March, and there is an e-mail chain involving
13 Mr. Spicer and Mr. Roberge at Horizon Utilities. And the
14 question from Mr. Roberge to Mr. Spicer on March 19th is,
15 in the middle:

16 "Do you feel that Hydro One could potentially
17 reply with a position where they will not
18 contest?"

19 The answer of Mr. Spicer March 19th:

20 "Yes, I believe that there is a good chance that
21 they will decide not to contest."

22 So a month after his request to you, frankly, he's
23 begging you to not oppose. He's apparently still under the
24 belief that you are not going to contest.

25 You haven't told him anything in that month to suggest
26 that you are going to oppose it or contest it -- or, sorry.

27 In that month, you certainly haven't told him you are
28 going to oppose it, because he still thinks you are going

1 to support it; right?

2 MS. O'SULLIVAN: I am not sure what your question --
3 if you're asking me to summarize what conversations he had,
4 I am not in a position to do that.

5 MR. O'LEARY: A month went by and, according to Mr.
6 Spicer, he still believes you are going to consent to the
7 application.

8 So there is nothing that you had done to change his
9 mind in that month; right?

10 MS. O'SULLIVAN: I can't attest to what Mr. Spicer did
11 believe or did not believe.

12 MR. O'LEARY: All right. But it's a simple question.
13 Did you in that month tell Mr. Spicer that, Oh, we've got
14 an enhancement project. We're running a new line down
15 Rymal Road East. You should be aware of these things.
16 It's a relevant question to your request to our consent.

17 MS. O'SULLIVAN: As I explained, we advised Mr. Spicer
18 what the process was. We sent him the package and asked
19 him to reply to our package.

20 MR. O'LEARY: Is that because your department didn't
21 know about the enhancement project, as well?

22 MS. O'SULLIVAN: That's because that's the process for
23 a new customer getting an offer to connect from an LDC.

24 MR. O'LEARY: But if you knew that you were putting a
25 new line down Rymal Road in February and March, you would
26 surely have told the developer, Oh, we're not going to
27 consent to this, because we're building this long-planned
28 enhancement project. Right?

1 MS. O'SULLIVAN: I advised the developer that we need
2 the offer to connect. We need his information so we could
3 assess what the costs were to connect his development.

4 MR. O'LEARY: So I take it the answer is you didn't
5 refer to the enhancement project; is that right?

6 MS. O'SULLIVAN: I don't recall when we spoke about
7 that.

8 MR. O'LEARY: Flip over two more pages. April 16th,
9 Mr. Roberge is writing to the developer, Mr. Spicer: "Any
10 updates from Hydro One?" So, clearly, Horizon has not
11 received any updates and we're now a month later, April
12 16th.

13 Is it also true that up until April 16th Hydro One had
14 not informed the developer of this new enhancement project?
15 There is no evidence that you did; right?

16 MS. O'SULLIVAN: Hydro One was still waiting for the
17 package from the developer on April 16th.

18 MR. O'LEARY: All right. Well, let's flip the page
19 over to the next one, which is an e-mail from Mr. Spicer to
20 Dan Roberge. And, actually, what he has done is he has
21 copied and pasted the planning level estimate from Mr.
22 Messervey.

23 So let me start there. You must have been provided
24 with some information, because Mr. Messervey is at least
25 providing some figures; right?

26 MS. O'SULLIVAN: We still did not have the proper
27 information, but in order to try to assist, we went
28 forward, based on whatever few assumptions that we had, and

1 provided this high-level estimate.

2 MR. O'LEARY: Okay. So let me just ask you a couple
3 of questions about this estimate.

4 If you look under "connection assumptions", the first
5 line reads, "Rate class R1". Is that an urban rate class?

6 MR. SMITH: That is a rural rate class.

7 MR. O'LEARY: Yes. All right. Mr. Messervey knew
8 what he was doing at the time, did he not?

9 MR. SMITH: At that time, the customers in that area
10 are rural.

11 MR. O'LEARY: And just generally, without going into
12 the specifics of it, are the R1 rate class rates higher
13 than the urban rate class rates that have been approved by
14 the Board?

15 MR. SMITH: Of course, yes.

16 MR. O'LEARY: Yes. No doubt about it.

17 All right. Just for comparison purposes, can you tell
18 me, in the offer to connect that you gave to Multi-Area,
19 what was the capital contribution that you asked Mr. Spicer
20 to pay?

21 MR. SMITH: Under option A or option B.

22 MR. O'LEARY: Option B, which is what happened here.
23 Option B; right?

24 MR. SMITH: Correct.

25 MR. O'LEARY: There is no doubt about it; right?
26 Let's just clear that up right now.

27 You said in evidence that most developers build it out
28 themselves and they do it because it is more economical for

1 them to build out the subdivision themselves; right?

2 MR. SMITH: Often, yes.

3 MR. O'LEARY: Yes. So neither Hydro One nor Horizon
4 usually expect to do that, because that's what a developer
5 does in a subdivision; right?

6 MR. SMITH: I couldn't speak to what a developer does,
7 but commonly, yes, they choose to do the contestable work
8 themselves.

9 MR. O'LEARY: So they have gone and built that out
10 themselves, and we know -- and we will come to the numbers
11 specifically, but you know better than we do. You know
12 what that number is, because it is what the contractor to
13 the developer has done to build out the subdivision; right?

14 MR. SMITH: I'm sorry, I am not sure of your question
15 there.

16 MR. O'LEARY: It may have been too much.

17 But ultimately it is an actual cost. The developer
18 will be given a bill by the third party contractor, and
19 that is what it costs to build the subdivision; right?

20 MR. SMITH: Sure.

21 MR. O'LEARY: Yes. And really building the
22 subdivision is a distinct function from providing service
23 to the subdivision. Do you agree with that?

24 MR. SMITH: I'm sorry, I'm not sure of the -- I guess
25 there are different parts of providing service to a
26 customer.

27 MR. O'LEARY: Sure. But Hydro One's job is to make
28 sure the power gets down the street to the connection point

1 with the development; right?

2 MR. SMITH: The nature of non-contestable costs are
3 those which only the utility can provide in its estimation
4 and policy.

5 MR. O'LEARY: Yes. And the developer is going to look
6 to you or to Horizon to ensure that the circuits are built
7 and the transformers are there to get it to the connection
8 point with the developer?

9 MR. SMITH: We mandate we do the non-contestable
10 costs.

11 MR. O'LEARY: So the question that really this Board
12 is being asked is: Who is going to provide the more
13 efficient service, i.e., the non-contestable costs, to the
14 various developments; right?

15 MR. SMITH: As I believe the principle that they're
16 primarily trying to do is with the most efficient provider
17 of the service. There is a number of principles. I don't
18 disagree what you've said is one part of it, but it is
19 certainly not fair to say that is all the Board has to
20 consider.

21 MR. O'LEARY: Except there is other criteria.

22 But one of the criteria is who is going to provide the
23 most economically efficient and cost-effective service,
24 which really are the non-contestable components in an offer
25 to connect; right?

26 MR. SMITH: One of the principles is the most
27 efficient service, yes.

28 MR. O'LEARY: Because if a developer went out there

1 and retained a contractor that charged ten times as much as
2 it really should have been and they were dumb enough to
3 enter into that contract, we don't care, do we?

4 MR. SMITH: God bless them.

5 MR. O'LEARY: Yes, and that has got nothing to do with
6 this proceeding, because that is between the contractor and
7 the developer; right? Fair enough.

8 MR. SMITH: Yes.

9 MR. O'LEARY: Okay. So the issue here is, how much is
10 it going to cost to get the service to the connection
11 point. So let's just go back then to what we're looking at
12 here.

13 I asked you, what was the capital cost that you have
14 asked Mr. Spicer to pay or Multi-Area to pay in your offer
15 to connect.

16 MR. SMITH: I'm sorry, did you say the capital cost?

17 MR. O'LEARY: The capital contribution.

18 MR. SMITH: I would have to look up the exact number.
19 One moment, please.

20 [Witness panel confers]

21 MR. SMITH: To save time, it is right around 20,000,
22 to save getting a precise number.

23 MR. O'LEARY: All right. In fairness, 20,000 is what
24 they paid on top of what they paid before. It is about
25 33,000. Do you accept that?

26 MR. SMITH: Well, the capital contribution --

27 MR. O'LEARY: Yes.

28 MR. SMITH: -- is \$20,000. And they had paid

1 engineering design costs of about 15, roughly.

2 MR. O'LEARY: Okay. All right. Fine. That's fair.

3 So can you tell me, going at this planning-area
4 estimate, how much is Mr. Messervey's calculation of the
5 capital contribution?

6 MR. SMITH: Umm, about 298, I think it says there.

7 MR. O'LEARY: Yes, so that is about 300,000.

8 MR. SMITH: Right. But that is under option A. That
9 is why I asked you -- the 852 is the capital costs under
10 option A.

11 MR. O'LEARY: Well, I mean, you've included -- Mr.
12 Messervey has included a rate class R1. So we know that
13 the revenues under his assumption here are going to be
14 quite a bit higher than under an urban class; right?

15 MR. SMITH: They're about 20 percent higher, but the
16 costs are about 20 percent higher. So the margin that's
17 used in order to offset the capital contribution is
18 actually right about the same.

19 MR. O'LEARY: All right. And we know that in your
20 offer to connect to Mr. Spicer you have used the urban
21 rates; right?

22 MR. SMITH: Yes, because there is an urban cluster.

23 MR. O'LEARY: Well, we are going to come to that,
24 because --

25 MR. SMITH: Okay.

26 MR. O'LEARY: -- that is an issue. But my suggestion
27 to you is that if -- if in fact Mr. Messervey had used the
28 urban rate in his high-level assessment, then the capital

1 contribution would have been that much higher; right?

2 MR. SMITH: No, that is not correct, actually.

3 MR. O'LEARY: Well, it would have, because the revenue
4 has gone down.

5 MR. SMITH: But as I mentioned earlier, the costs go
6 down for an urban as well. These offers to connect, as Mr.
7 Roberge commented on last Thursday, are based on rules of
8 thumb and based upon formulas.

9 The formulaic cost for an R1 is actually a fair bit
10 higher than a UR. Therefore, when you do the calculation
11 of the DCF, there is actually more contribution towards
12 capital, to offset the capital contribution from a UR, than
13 there is from an R1. So actually, ironically, it is the
14 reverse.

15 MR. O'LEARY: Well, I am going to suggest to you that
16 -- well, first my question is, why did Mr. Messervey use
17 the R1 class if, in fact, it should have been an urban
18 class?

19 MR. SMITH: Because the customers in that area
20 currently are R1.

21 MR. O'LEARY: All right. And just while we're on
22 that, the Fletcher Road customers are R1?

23 MS. O'SULLIVAN: Yes, presently they are.

24 MR. O'LEARY: All right. And the Rymal Road
25 customers?

26 MS. O'SULLIVAN: Yes.

27 MR. O'LEARY: Are the non-commercial residential R1?

28 MS. O'SULLIVAN: Right.

1 MR. O'LEARY: And how about Highway 56 down to
2 Binbrook?

3 MS. O'SULLIVAN: I honestly haven't looked at those
4 customers. I believe they are R1, though.

5 MR. O'LEARY: Right. And is it fair to say that is
6 because these customers are not part of a contiguous urban
7 area?

8 MS. O'SULLIVAN: Today these customers are not part of
9 an urban cluster. That has been defined.

10 MR. O'LEARY: All right. And they are not served on a
11 line that has more than 60 customers per kilometre; right?

12 MS. O'SULLIVAN: They will be in the future.

13 MR. O'LEARY: Well, we're going to come to that. But
14 they're currently not on --

15 MS. O'SULLIVAN: Well, they will be.

16 MR. O'LEARY: Yes.

17 MS. O'SULLIVAN: Currently they're billing R1, but
18 they will be part of an urban cluster in the future.

19 MR. O'LEARY: And I come back to my suggestion -- and
20 our submission is that Mr. Messervey, who is using higher
21 rates and therefore more revenues, comes up with a \$300,000
22 capital contribution. In fact, that number we say should
23 have gone up if the urban rates had been used.

24 It appears to us that Mr. Messervey is including some
25 costs for the Rymal Road expansion in his high-level
26 planning estimate. Isn't that a fair assessment?

27 MR. SMITH: No, that is inaccurate, sir. If you look
28 at our offer to connect, the capital cost was, I believe,

1 853, subject to check, which, he used 852, so his plain
2 estimate was awfully good, and that didn't include any
3 enhancement -- any kind of costs for the Binbrook loop.

4 MR. O'LEARY: Go to the next page, April 25th. Mr.
5 Roberge actually writing Hydro One, Mr. Alex Urbanowicz,
6 asking:

7 "[We] would like to know Hydro One's position on
8 this.... Mr. Spicer needs to enter into an
9 agreement soon... to support his construction
10 dates. My understanding is that Hydro One does
11 not have the assets in place to support this
12 development."

13 Do you see that? So Hydro One would have received
14 this? Well, go to the next page. It confirms he did.

15 Do you see the next page, Mr. Urbanowicz responds to
16 Mr. Roberge. Do you see anything in that e-mail about the
17 Rymal Road enhancement project?

18 MS. O'SULLIVAN: Mr. Urbanowicz has no need to mention
19 that in his response to Mr. Roberge.

20 MR. O'LEARY: Sorry, Ms. O'Sullivan, he was asked:

21 "My understanding is that Hydro One does not have
22 the assets in place to support this development."

23 I would have thought he would want to jump up right
24 there as soon as you got it and say, Yes, we have got this
25 enhancement plan that has been, you know, lingering in our
26 back alleys for the last two years, and we're all set to
27 go. Nothing. Right?

28 [Witness panel confers]

1 MS. O'SULLIVAN: I can't comment on what Mr. -- sorry.
2 I cannot comment on what Mr. Urbanowicz was saying. He was
3 actually filling in for the regular account executive at
4 that time, so -- but I can't comment on why he did or did
5 not mention that.

6 MR. O'LEARY: Not a lot of people at Hydro One seem to
7 know a lot about this enhancement project.

8 Can I ask you about this: The second sentence:

9 "Jamie Gribbon has been advised that Hydro One
10 doesn't have any details regarding Horizon's
11 offer to connect and that we need this
12 information as part of our due diligence."

13 Are you saying that you are entitled to ask the other
14 utility for their offer to connect?

15 MS. O'SULLIVAN: Generally, when the utilities are
16 working together to determine what the best course of
17 action is for servicing a customer, they do share their
18 offers to connect so they can do a comparison of that.

19 So that is our practice to look at both offers. They
20 may get it from the customer, or they may get it from the
21 LDC directly, but there's usually not a hesitation from the
22 other LDC to share that information.

23 MR. O'LEARY: What information, Ms. O'Sullivan, would
24 be of assistance to Hydro One that exists in Horizon
25 Utilities' offer to connect?

26 MS. O'SULLIVAN: If Horizon is saying that they're
27 most efficient and that they can service the subdivision
28 much more cheaply, then Hydro One would look at that, but

1 that wasn't the case here.

2 MR. O'LEARY: Horizon Utilities includes their costs
3 in their offer to connect. And they're done pursuant to
4 their methodology. Isn't it fair to say that really what
5 you wanted to do, Ms. O'Sullivan, was to see how much they
6 were going to charge the developer and use that as a means
7 to undercut their offer?

8 MS. O'SULLIVAN: Absolutely not. That's quite a large
9 accusation to our integrity, and that is absolutely not
10 what we would do.

11 MR. O'LEARY: Well, there is no obligation under the
12 filing requirements that utilities provide, in this case,
13 the one that -- that has been requested by the developer to
14 provide service. There is no filing requirement that the
15 offer to connect be shared.

16 And I do not see any indication in the offer to
17 connect -- any information in the Horizon offer to connect
18 which would be of any assistance to Hydro One for you to
19 calculate your costs to serve the subdivision, because
20 that's what your offer to connect is. It is your cost, not
21 Horizon's; right?

22 MS. O'SULLIVAN: As I stated, it had nothing to do
23 with us calculating our costs. And generally speaking, I
24 didn't say it was a mandate. I said that when we're
25 cooperating with LDCs, that it's a general practice.

26 MR. ENGELBERG: Madam Chair --

27 MS. CONBOY: Yes, sir.

28 MR. ENGELBERG: -- if my friend is about to move on to

1 a new area, would this be a good time for a few-minute
2 break?

3 MS. CONBOY: I was just wondering that myself, and --

4 MR. O'LEARY: That would be fine.

5 MS. CONBOY: You're doing that? Okay.

6 MR. O'LEARY: Yes.

7 MS. CONBOY: So we will take a break for an hour. It
8 is 12:15 now, and we will break until quarter after one.
9 Thank you.

10 --- Luncheon recess taken at 12:15 p.m.

11 --- On resuming at 1:18 p.m.

12 MS. CONBOY: Thank you. Please be seated. Mr.
13 O'Leary.

14 MR. O'LEARY: Thank you, Madam Chair.

15 Panel, if I could ask you to turn to your response to
16 Horizon Utilities' Interrogatory No. 11? And this one,
17 Madam Chair, is the one that had a number of maps, as well,
18 so it is not included in our compendium.

19 MS. CONBOY: Okay.

20 MR. O'LEARY: Have you got that?

21 MS. O'SULLIVAN: Yes.

22 MR. O'LEARY: All right. There are actually three,
23 three I will call them plans, and a map which are attached
24 there. So let's go to the first one, attachment number 1.

25 I am taking you here because it is a little easier to
26 try and understand exactly what you are doing as opposed to
27 the large exhibit. This is at a more detailed scale.

28 So correct me if I'm wrong, but I understand that what

1 you're attempting to do in attachment number 1 is to depict
2 the temporary connection point that Hydro One was proposing
3 initially, which was to the Horizon Utilities' M3?

4 MR. ZERDIN: Everything is correct, but that it is
5 Hydro One's M3.

6 MR. O'LEARY: Fair enough. I thought you might say
7 that, but it does -- there is no question it exclusively
8 serves Horizon Utilities; right?

9 MR. ZERDIN: Yes.

10 MR. O'LEARY: All right. And so just so I understand,
11 what you originally were proposing to do was to connect to
12 the M3, and that would have been the end of or the limit at
13 that time that was necessary in terms of the new circuit
14 that you are building?

15 MR. ZERDIN: This was a temporary connection to
16 facilitate our customer commitment and time lines for the
17 Summit phase 7.

18 MS. CONBOY: Mr. O'Leary, sorry. Where does this fit
19 on the larger map, just so I can do some scaling from one
20 to another?

21 MR. O'LEARY: I will make some room.

22 All right. So could you, please, Mr. Zerdin, if you
23 are the right person, tell us where on the larger-scale
24 map, the Hydro One exhibit, this particular attachment
25 refers to?

26 MR. ZERDIN: It would be in this area right here.

27 MS. CONBOY: Thank you.

28 MR. O'LEARY: So it's the area identified where the

1 M11 -- which has not been built; right?

2 MR. ZERDIN: That's correct.

3 MR. O'LEARY: All right. And I take it what you're
4 showing on this is the M3, which comes along parallel to
5 about the M11?

6 MR. ZERDIN: Yes.

7 MR. O'LEARY: And that it turns north?

8 MR. ZERDIN: That's correct.

9 MR. O'LEARY: Up into Horizon's service territory?

10 MR. ZERDIN: That's correct.

11 MR. O'LEARY: All right. So this red line that we see
12 on the larger map is actually depicted on attachment 1 as
13 the line with the red dots?

14 MR. ZERDIN: That's correct.

15 MR. O'LEARY: And those are intended to represent new
16 poles that are being installed?

17 MR. ZERDIN: Yes.

18 MR. O'LEARY: All right. Now, according to your
19 response, this document was created September 24th, 2012.

20 MR. ZERDIN: Okay.

21 MR. O'LEARY: Is that correct?

22 MR. ZERDIN: To my knowledge.

23 MR. O'LEARY: Okay. And would you agree with me that
24 that is the earliest plan that we have from Hydro One that
25 sets out, in a more detailed capacity, where this
26 enhancement project is intending to go?

27 MR. ZERDIN: This is a design from a plan that was
28 outlined in the Binbrook loop feed document. So this is a

1 specific design to a planned route.

2 MR. O'LEARY: Well, in fact, what it says is it's a
3 preliminary design, only; right?

4 MR. ZERDIN: Yes.

5 MR. O'LEARY: Right. I am just asking you on the
6 record: Is there anything in your evidence which predates
7 this September 24th preliminary design that depicts the
8 enhancement project?

9 MR. ZERDIN: The preferred route is outlined in our
10 Binbrook loop feed document as a plan.

11 MR. O'LEARY: We are going to come to that, but while
12 you say that, your interrogatory response, both Board Staff
13 and Horizon Utilities asked for the date that that document
14 was created, and your response was that it was created in
15 December 2012 for the purposes of this proceeding; correct?

16 [Witness panel confers]

17 MS. O'SULLIVAN: Yes. Those documents were a
18 culmination of information and planning that had been
19 occurring, but for the purpose of the Board, for an
20 explanation, the document was put together in December.

21 MR. O'LEARY: We've heard a lot about planning. My
22 question was simple. Where are the plans for this
23 enhancement project which predate this preliminary plan
24 which was created in September? There is nothing that you
25 produced; right?

26 MR. ZERDIN: That's a preliminary design, which is
27 different than a preliminary plan.

28 MR. O'LEARY: Okay. But the answer is that you have

1 not produced anything which would confirm that there was
2 any sort of formal planning done for this enhancement
3 project; right?

4 MR. STEVENS: No. The documents that we produced,
5 appendix A and B, were a culmination of a couple of years'
6 worth of work, as the evidence depicts.

7 And it is not unusual for us to examine a number of
8 different routes and options, scenarios. In fact, we've
9 got some that predate that. But the relevance is we
10 determine: What's the transmitter going to do? We nail
11 that down. Then we can set in motion what the distributor
12 is going to do.

13 There are all kinds of discussions that happen during
14 those, that time period. We get to the point where we're
15 ready to release the work, and then we develop our detailed
16 plans for build.

17 MR. O'LEARY: All right. Mr. Stevens, do you admit
18 that you were asked to produce the planning documents which
19 relate to this Rymal Road circuit and that you did not
20 produce them?

21 MR. STEVENS: What we gave you was what was already in
22 evidence.

23 MR. O'LEARY: So we're limited to the document that
24 was created in December 2012 and this preliminary design?

25 MR. STEVENS: That's correct.

26 MR. O'LEARY: Right? Just so we're clear.

27 So just so I understand on this document, then, where
28 before there was the proposed connection to M3, now what

1 Hydro One is proposing is to take the temporary connection
2 further north along Glover Road -- sorry, south. I
3 apologize.

4 South along Glover Road; correct?

5 MR. ZERDIN: On a temporary basis.

6 MR. O'LEARY: Okay. Well, can we go to the next one?
7 So this is attachment 2, and your answer here indicates
8 that this document was created January 25th, 2013, and it
9 is also a preliminary design. It appears to me you are
10 kind of just pulling these things up on the rush, aren't
11 you, Mr. Stevens or Mr. Zerdin?

12 MR. STEVENS: As I said, that is not unusual. I mean,
13 the detailed designs get done as you are about to build the
14 project.

15 MR. O'LEARY: This isn't even that. It is a
16 preliminary design.

17 MR. STEVENS: Fair enough.

18 MR. O'LEARY: So you decided not to produce them in
19 evidence. That is obvious; right?

20 MR. STEVENS: So, I mean, as we're ready to build,
21 that is when the design would be finalized, and then we
22 would go and start construction. It just comes in advance
23 of construction.

24 MR. O'LEARY: Just so I understand, then, on
25 attachment 2, what you are doing is -- are you adding a new
26 circuit along Glover Road?

27 MR. ZERDIN: Those are part of the Red Hill Business
28 Park, and that is a new circuit, yes.

1 MR. O'LEARY: All right. And you are doing that to
2 facilitate on a temporary basis service to the school and
3 phase 7; right?

4 MR. ZERDIN: No. It is being done ultimately for
5 support in the Red Hill Business Park. We're using that
6 because of the timing to help us feed the areas and
7 judgment until our permanent feed on the M11 is completed
8 by the end of the year.

9 MR. O'LEARY: Just so we know where we're talking
10 about here, we're going from the connection point up here
11 where the red meets the yellow?

12 MR. ZERDIN: That's correct.

13 MR. O'LEARY: Down south? Do we see the connection
14 with the green line on this attachment?

15 MR. ZERDIN: No, it does not show the connection on 20
16 line road right now, because that has still not been
17 designed. It is in preliminary.

18 MR. O'LEARY: Everything is preliminary.

19 MR. ZERDIN: Well, as Mr. Stevens said, the closer we
20 get to construction then we put our design packages
21 together.

22 MR. O'LEARY: Could we go to the third attachment,
23 which according to the response says was also created on
24 January 25th. And as I understand it, this is the portion
25 that extends down from where attachment 2 was to the
26 temporary connection with the M5? That's 440 Glover. Is
27 that correct?

28 MR. ZERDIN: Yes.

1 MR. O'LEARY: All right. So what we've just looked at
2 are the three attachments which go from here to Rymal Road;
3 right?

4 MR. ZERDIN: Yes.

5 MR. O'LEARY: All right. And just so we're clear, are
6 there any new poles or circuits or transformers or
7 conductor that is being installed on that attachment, or
8 that are depicted on that attachment?

9 MR. ZERDIN: Those are new poles.

10 MR. O'LEARY: All right. And the wires, are they new?

11 MR. ZERDIN: Yes.

12 MR. O'LEARY: All right. And again, to provide the
13 temporary connection and power to phase 7 -- I understand
14 you're going to do it permanently, but on a temporary basis
15 that power is going to be supplied along this route to
16 phase 7?

17 MR. ZERDIN: It's not the reason why it is being
18 built, but we're utilizing that asset to facilitate that.

19 MR. O'LEARY: Okay. So then if I could take you to
20 the last attachment, which is a -- somewhat similar to your
21 overhead Google map diagram. You see that there are the,
22 we will say four rectangles. You've got Glover Road, Stage
23 1 as the bottom. Glover Road, Stage 2 is the one
24 immediately above it. You've got Rymal Road reinforcement,
25 refer to attachment 1. So that is the first attachment we
26 looked at; correct?

27 MR. ZERDIN: Correct.

28 MR. O'LEARY: All right. And then the rectangle to

1 the right is the work that's being completed on Rymal Road.
2 All right. So we know that the line all from the permanent
3 connection point to Rymal Road is all brand-new and new
4 poles; right?

5 MR. ZERDIN: Can you outline on the map where you are
6 asking, please?

7 MR. O'LEARY: Yes, I'm looking, what you've referred
8 to as attachment 1. I already asked you that. You said
9 that is all new.

10 MR. ZERDIN: Okay. Yes.

11 MR. O'LEARY: All right. So you've told me before
12 there was no circuit between the high school and that point
13 on Rymal Road before, so presumably that is all new; right?

14 MR. ZERDIN: That's correct.

15 MR. O'LEARY: All right. And then you've -- and I
16 wasn't quite clear in your response to my questions before,
17 but have you installed any new wires along Rymal Road
18 between Trinity Church and Fletcher Road?

19 MR. ZERDIN: To my knowledge, we've enhanced the
20 conductor capability.

21 MR. O'LEARY: Okay. And you have reframed the poles?

22 MR. ZERDIN: Reframed them, yes.

23 MR. O'LEARY: Right. And have you replaced any poles?

24 MR. ZERDIN: We might have replaced a few. I don't
25 know off the record.

26 MR. O'LEARY: And the extent of the work that has been
27 completed to date, is it fair to say that it has only gone
28 to just past -- just east of Fletcher Road?

1 MR. ZERDIN: We have gone from east of Fletcher Road
2 up to the point of the school, because we couldn't get the
3 outage from Horizon to complete the other portion to the
4 apex.

5 MR. O'LEARY: Okay. So my question is simply, have
6 you pretty much worked -- the work that you have undertaken
7 to date, does it end at or around Fletcher Road?

8 MR. ZERDIN: That's correct.

9 MR. O'LEARY: Okay. Your counsel was kind enough to
10 produce a copy of the Distribution System Code under tab 5.
11 I wonder if you would be kind enough to turn to page 6 of
12 that.

13 If we look at the definition of "expansion" -- and I
14 assume these questions are for you, Mr. Zerdin, because
15 you're the manager of distribution planning.

16 Let's look at the definition, shall we. "Expansion"
17 means "a modification or addition to the main distribution
18 system in response to one or more requests for one or more
19 additional customer connections". So let's just stop
20 there.

21 You have a request from Multi-Area for service; right?

22 MR. STEVENS: We have an offer to connect.

23 MR. O'LEARY: Yes. But -- yes. A request for
24 service.

25 MR. STEVENS: Correct.

26 MR. O'LEARY: And you would like to have a request for
27 service from the high school; correct?

28 MR. STEVENS: Yes.

1 MR. O'LEARY: So there is no question that there are
2 one or more customers requesting connections. At least you
3 would like to have one or more; right?

4 MR. STEVENS: We would like to have as many as we can.

5 MR. O'LEARY: Fair enough. And you have already
6 admitted that the current 832 kV system, the line you had
7 along Rymal Road, is not capable of serving those two
8 customers; right?

9 MR. STEVENS: Correct.

10 MR. O'LEARY: All right. So we continue, where it
11 says:

12 "In response to one or more requests for one or
13 more additional customer connections that
14 otherwise could not be made."

15 Well, that's the situation. You couldn't make it
16 unless you did something; right?

17 MR. STEVENS: If you turn the order around and go back
18 to the definition of "enhancement", and my earlier
19 testimony, you would know that we're building this line to
20 get down to Binbrook.

21 MR. O'LEARY: Yes.

22 MR. STEVENS: It is an enhancement to get down to
23 Binbrook. Binbrook is where we've had the 50 per cent
24 growth over five years. Binbrook is the area where we're
25 exposed for potential future operating system and power
26 quality issues. And as a result, through good utility
27 practices, we're building this feeder.

28 MR. O'LEARY: There are no offers to connect to anyone

1 in Binbrook that are the subject of this proceeding, are
2 there, Mr. Stevens?

3 MR. STEVENS: No.

4 MR. O'LEARY: All right. There are offers to connect
5 in the service area amendment lands; right?

6 MR. STEVENS: I understand.

7 MR. O'LEARY: Could you have serviced those with the
8 8.32 kV system?

9 MR. STEVENS: I already said no.

10 MR. O'LEARY: No. So are you, therefore, undertaking
11 work to provide service to part VII and the school?

12 MR. STEVENS: I'm saying that the work that we're
13 undertaking, the purpose for it is to provide an
14 enhancement in that area, specifically all the way down to
15 Binbrook.

16 MR. O'LEARY: Well, let's look a little further.
17 Definition, it uses an example, "by increasing the length
18 of the main distribution system". Well, you have just told
19 us, Mr. Zerdin, you are adding a new section which runs
20 right from the connection point that we saw in attachment 1
21 right around to the school. That is all brand-new; right?
22 It is, by definition, "an addition to the main distribution
23 system". You have increased the length of it; right?

24 MR. STEVENS: What I said again in my direct evidence
25 was we selected this route because of a number of factors,
26 not limited to the fact that it provides redundancy,
27 separation. From an environmental perspective, it is less
28 intrusive, it is less tree cutting, and the cost is less,

1 and we've got that section down 56 from 1976 pre-frame to a
2 27.6 kV standard.

3 MR. O'LEARY: So you were not doing anything to expand
4 your system. Is that what you're telling me?

5 MR. STEVENS: That is what I'm telling you.

6 MR. O'LEARY: All right. Do you agree that the
7 definition also includes those -- it reads "includes the
8 modifications or additions to the main distribution system
9 identified in section 3.2.30".

10 Could you go to that, please? It is at page 23 of the
11 Distribution System Code.

12 MR. STEVENS: I'm sorry, which page?

13 MR. O'LEARY: 23.

14 MR. STEVENS: Thank you. I'm there.

15 MR. O'LEARY: "An expansion of the main distribution
16 system includes...", so you understand that doesn't mean
17 this is an exhaustive list. This is some. This is
18 examples, "... building a new line to serve the connecting
19 customer."

20 Well, you're building a new line; right? Yes?

21 MR. STEVENS: Yes.

22 MR. O'LEARY: And it's going to serve one and, if you
23 have your way, two customers; right?

24 MR. STEVENS: Correct.

25 MR. O'LEARY: All right. So 3.2.30 says that is an
26 expansion. Am I wrong?

27 MR. STEVENS: You're not wrong, but 3.1.3, which is
28 the reason we're doing this, because a distributor shall

1 plan - it uses the word "shall" - to ensure there is no
2 system capacity issues, there is no operating constraints,
3 there is no impacts to reliability and power quality on a
4 going-forward basis, and it says the distributor shall not
5 charge customers for that.

6 So we're pretty clear in terms of our build to
7 Binbrook is an enhancement project.

8 MR. O'LEARY: 3.2.30 at (c) includes rebuilding an
9 existing line with a larger size conductor. And, in part,
10 you are doing that. You're re-framing poles. You are
11 putting in a larger conductor; isn't that correct?

12 MR. STEVENS: We'll be leveraging the build to
13 Binbrook to serve these customers; that's correct.

14 MR. O'LEARY: And the customers which are the subject
15 of this proceeding will be served by the very work I just
16 referred to, the rebuilding the existing line and the
17 larger size conductor; right?

18 MR. STEVENS: You're correct. The enhancement project
19 will do that.

20 MR. O'LEARY: I hear you calling it that. Obviously,
21 you are going to try to stay with it as much as you can,
22 but you will agree with me that I have just had you accept
23 that what you're doing to the word meets the definition of
24 expansion under the Distribution System Code; right?

25 MR. ENGELBERG: Madam Chair, that is not what I heard
26 the witness say at all. I don't think it is fair to try to
27 put words in his mouth after he has already answered the
28 question.

1 MS. CONBOY: Thank you, Mr. Engelberg. Perhaps the
2 witness can try answering that one more time, then.

3 MR. STEVENS: Thank you. What I said is we were
4 conducting a Binbrook enhancement project. That's what our
5 evidence said. In my direct evidence, I provided testimony
6 as to why we selected the route we did: Cheaper, less
7 environmental impacts, forestry, existing 27.6 framed
8 corridor, less cost. All of those fall within the
9 definition of enhancement.

10 That is the reason we're doing this, and it just so
11 happens that we're able -- through good utility practice
12 planning, able to serve these customers along the route.

13 MS. CONBOY: Thank you.

14 MR. O'LEARY: I am going to ask you, panel, to advise
15 me whether you accept the following proposition.

16 The incumbent distributor, if it opposes a service
17 area amendment application, must provide a reasonable
18 amount of persuasive evidence of its plans and costs at a
19 level of detail to enable a comparison between the two
20 service proposals.

21 Do you accept that as an appropriate proposition for
22 this proceeding?

23 MR. SMITH: We accept that's a fair proposal, yes.

24 MR. O'LEARY: Yes. And that is because it, in fact,
25 was referring to you in the Orangeville Hydro proceeding,
26 EB-2012-0181, where the Board had difficulty reaching and
27 undertaking the comparison because of the lack of detail
28 you provided about your costs; isn't that fair?

1 MR. SMITH: In the Orangeville proceeding?

2 MR. O'LEARY: Yes.

3 MR. SMITH: I didn't know we were here to talk about
4 the Orangeville --

5 MR. O'LEARY: Ms. O'Sullivan, is that a matter that
6 you might be familiar with, since you're the service area
7 amendment person?

8 MS. O'SULLIVAN: I would not say that is fair. The
9 onus is on the LDC that is bringing forth the service area
10 amendment, not the incumbent LDC. So absolutely not.

11 MR. O'LEARY: So what I read you is incorrect, then.
12 The Board did not say that the incumbent distributor, if it
13 opposes the service area amendment application, must
14 provide a reasonable amount of persuasive evidence of its
15 plans and costs at a level of detail to enable a
16 comparison?

17 MS. O'SULLIVAN: That wasn't your question to me.

18 You asked me if I agreed with the statement that the
19 Board did not rule in our favour because we did not provide
20 a clear comparison, and I disagree with that.

21 MR. O'LEARY: "Reaching a conclusion with respect to
22 relative economic efficiency was challenging.
23 The applicant for a service area amendment bears
24 the burden ... At the same time the incumbent
25 distributor"

26 -- so it went on to repeat that.

27 And I am suggesting to you that the conduct of Hydro
28 One in that proceeding is quite similar to this one, in

1 that it has not been as forthcoming as we suggest it should
2 have been in terms of its release of cost information.

3 MS. O'SULLIVAN: I completely disagree with that.

4 Hydro One disclosed all costs, and the bottom line was
5 that the Board did not agree that the costs for the
6 relocation should be included in there, and that made the
7 difference between the cost comparison. But Hydro One
8 disclosed everything very clearly.

9 It is similar to this, in that we have a difference of
10 agreement of what the comparison should be and that's the
11 bottom line.

12 MR. O'LEARY: I will come back to an argument that --
13 that is certainly not the way I read the decision, but let
14 me read you paragraph 236 and ask you if you accept that
15 this is something that was required in this proceeding.

16 MS. O'SULLIVAN: I'm sorry, can I stop you? I have no
17 idea where you are reading from or if we have a copy of
18 that to follow you.

19 MR. O'LEARY: I'm going to the combined proceeding,
20 and it is one sentence and it really goes to the heart of
21 this matter.

22 MS. O'SULLIVAN: Okay.

23 MR. O'LEARY: It relates to -- it's under the heading
24 4.3, "Economic Efficiency".

25 At paragraph 236, the Board states, "In all instances" --

26 MR. STEVENS: Sorry, can you hold on for a second?

27 MS. CONBOY: It may just be one sentence, but I think
28 it is fair for her to have it in front of her.

1 MS. O'SULLIVAN: I happen to have a copy with me;
2 otherwise, I wouldn't be able to do that, but...

3 MR. O'LEARY: Let's start right at the first sentence
4 under 235, then. Section 4.3, heading "Economic
5 Efficiency". Are you there, Ms. O'Sullivan?

6 MS. O'SULLIVAN: Yes.

7 MR. O'LEARY: All right.

8 "The Board considers that economic efficiency
9 comprises the concept of the most effective use
10 of existing distribution resources. It is a
11 concept that involves an objective assessment of
12 the efficiencies attendant upon the connection of
13 a customer by a distribution utility."

14 Then it goes down. I am just trying to save some time
15 here. In 236, the first sentence reads:

16 "In all instances the costs associated with the
17 connection should be the fully loaded costs,
18 which capture all of the relevant indirect and
19 direct costs reasonably associated with the
20 project at issue, not merely the price of
21 connection quoted to the prospective connection
22 customer."

23 And my question to you is: Do you agree that that is,
24 in fact, a criteria that is important and applies in this
25 proceeding?

26 MS. O'SULLIVAN: Yes, I do agree with that. But as
27 per Mr. Stevens' direct evidence, we have delivered a
28 compliant offer to connect and we have included all fully-

1 loaded costs that we feel are applicable for this
2 development.

3 MR. O'LEARY: Well, before we even get to the offer to
4 connect, because that isn't where I was going, the question
5 is: Have you produced all reasonable information about
6 costs that relate to the construction of the new line along
7 Rymal Road?

8 MR. STEVENS: Yes, I believe we have.

9 MR. O'LEARY: You have?

10 MR. STEVENS: In our Binbrook loop feed document.

11 MR. O'LEARY: Well, let's just go to some of the
12 various IRs, because I'm going to suggest to you, Mr.
13 Stevens, that you have not.

14 MS. CONBOY: While you are doing that, Mr. O'Leary,
15 the interrogatories were posed to Hydro One. Hydro One
16 answered their interrogatories. If those interrogatories
17 were unsatisfactory to you in terms of the amount of detail
18 that they were giving, you did have an opportunity to file
19 a motion to seek better answers or more detailed answers;
20 correct?

21 MR. O'LEARY: Well, there was a timing issue, Madam
22 Chair, and we didn't want to delay this matter any more
23 than is necessary.

24 But at the end of the day, the questions, we submit,
25 are relevant. Board Staff asked a similar question, which
26 is for the costs of the expansion. And, in fact, we -- and
27 I will try and shorten it, but it was asked in a number of
28 cases for the information about the costs of this work. It

1 is our submission that certainly under the combined
2 proceeding that is information that you might want to
3 consider as being relevant.

4 And for a company to respond and say, We call it
5 something else, we're not going to give you those costs, is
6 a matter we believe should be brought to your attention.

7 And we didn't draft the answers and it would have
8 delayed, without question, if we had to bring a motion, and
9 it would have meant they would have had to go back and
10 provide the answers, if you'd agreed to that, and we would
11 be another couple of weeks down the road.

12 MS. CONBOY: And we may get there, too, depending on
13 where we go with these questions and the possibility of
14 asking for undertakings for more detailed analysis.

15 So if you could just bear that in mind, as well, and
16 we will let you go on with your cross-examination.

17 MR. O'LEARY: Thank you. Let's start with -- go to
18 the compendium. If you would start at tab 6. This is an
19 interrogatory by Board Staff. There are really four parts
20 to the question. They have been labelled A, B, A, B. The
21 latter two questions are actually C and D. I am just going
22 to refer to C and D.

23 "Board Staff, if there are existing assets in the
24 area that are capable of supplying the customer,
25 please provide a detailed description of the
26 assets and the date on which these assets were
27 constructed."

28 Your answer is:

1 "The development is already connected to Hydro
2 One's 8.32 circuit... The circuit will be
3 converted... under the planned enhancement
4 project."

5 The next question is:

6 "If there are no existing assets in the area,
7 please explain why Hydro One believes it will not
8 incur any expansion costs..."

9 Let me stop there. You knew what the Board was asking
10 for. Board Staff were asking for the costs of the work you
11 are building out to phase 7; correct?

12 MR. STEVENS: I would say, as we have consistently
13 testified here, we are not doing any expansion.

14 MR. O'LEARY: But the fact that you've called it an
15 "enhancement", does that mean that you have the unilateral
16 right to not respond to question from Board Staff about the
17 costs involved in the work that you are undertaking?

18 MR. STEVENS: No. Of course we'd answer the Board's
19 question. We answered it in the Binbrook loop-feed study
20 where the costs to the enhancement was actually outlined.

21 MR. O'LEARY: Well, what we have is D. You simply
22 refer to the loop feed, and go to Appendix B. And we will
23 come to that, but that is the loop-feed document.

24 But would you agree with me, before we spend time
25 going there -- and that will come later -- there is no
26 detailed breakdown of costs in that? Surely you must know
27 that without having to go to the document.

28 MR. SMITH: There is a listing of costs in there.

1 MR. O'LEARY: There is a listing of costs for other
2 projects. There is one cost for the Binbrook loop; right?

3 MR. SMITH: Well, that's what we're talking about, the
4 Binbrook loop. The cost is in there, yes.

5 MR. O'LEARY: Yes. And how much is that?

6 MR. ZERDIN: In our area study in the Ancaster thing,
7 it is \$2.8 million.

8 MR. O'LEARY: Right. And is there a breakdown of
9 those costs?

10 MR. STEVENS: There is not a breakdown here, no.

11 MR. O'LEARY: No. So \$2.8 million is to provide a
12 loop feed to Binbrook, and you are being asked about the
13 work that is being required to provide service to the
14 service area amendment applicants, and you referred Board
15 Staff back to this document; right?

16 MR. STEVENS: Which is the breakdown of the
17 enhancement project down to Binbrook.

18 MR. O'LEARY: But it doesn't tell us anything about
19 the costs you're incurring along Rymal Road.

20 MR. ENGELBERG: Madam Chair, I am somewhat confused.
21 Are we referring to the answer to question number (b) in
22 Interrogatory No. 3, list 1?

23 MR. O'LEARY: My question, Madam Chair, was -- and I
24 asked as a reference to this, is did they understand that
25 this question was relating, and what Board Staff was asking
26 are, what are the costs you're incurring in respect to the
27 circle along Rymal Road. There was certainly no objection
28 to it. They understand that that is what is being asked

1 here.

2 And it has been asked specifically in other IRs, which
3 I will walk everyone through if need be, but I thought we
4 could get to the nut here by getting this panel to at least
5 address the question: Did they understand that Board Staff
6 and Horizon Utilities were looking for the costs associated
7 with the work you have undertaken and planned to complete
8 in respect of the areas we have gone over which will supply
9 the service area amendment lands?

10 MR. ENGELBERG: That doesn't answer my question. I am
11 asking if we're talking about an answer to question --
12 second question (b) on Interrogatory No. 3, list 1 from
13 Board Staff.

14 MS. CONBOY: Okay. So we are going to tab 6. Board
15 Staff's Interrogatory No. 3, list 1. Are you referring to
16 item (b)?

17 MR. O'LEARY: May I read the question, just to -- I
18 was trying to shorten things up. My apologies. I should
19 do it at a normal pace.

20 The question that was asked includes, if there are no
21 existing assets in the area capable of serving the
22 development -- so we have been told that there aren't --
23 please explain why Hydro One believes it will not incur any
24 expansion costs to serve this new development. If there
25 are expansion costs, please explain who would be
26 responsible for those costs.

27 So the response is on the next page:

28 "The new feeder... is a planned enhancement. The

1 feeder route was selected based upon the...
2 existing -- can be easily converted... and the
3 route requires relatively no forestry... Please
4 see Appendix B of Hydro One's evidence."

5 And we go to Appendix B, and that is the loop feed to
6 Binbrook that does not have a cost breakdown other than the
7 one number of \$2.8 million.

8 So my question to the panel was simply, did you
9 understand that Board Staff was looking for the costs that
10 you are incurring and will incur in respect of the work
11 you're undertaking along Rymal Road.

12 MR. ENGELBERG: In fairness, I think that the question
13 that the panel is dealing with is question number (b),
14 which I now think is the one that my friend is referring
15 to, and the question was:

16 "Explain why Hydro One believes it will not incur
17 any expansion costs to serve this new
18 development."

19 And Hydro One said it wouldn't. And then it goes on
20 to say:

21 "If there are expansion costs, please explain."

22 Et cetera, and Hydro One stated that there aren't
23 expansion costs.

24 So I just want to be sure that it is clear what
25 question the panel is answering.

26 MS. CONBOY: I think we had established before that
27 those should be (c) and (d).

28 MR. O'LEARY: Yes.

1 MS. CONBOY: Correct? And then if we go to the next
2 page, if I understand, there is a referral to Appendix B of
3 Hydro One's evidence.

4 MR. ENGELBERG: Yes.

5 MS. CONBOY: Dated January --

6 MR. ENGELBERG: Right.

7 MS. CONBOY: If I understand correctly, Mr. O'Leary is
8 asking the panel for their understanding of what was being
9 asked for in this interrogatory.

10 MR. ENGELBERG: Yes.

11 MS. CONBOY: That's...

12 MR. O'LEARY: That was it. And I thought that they
13 had agreed with me, that they understood that what Board
14 Staff was asking for is the costs of the work along Rymal
15 Road; right?

16 MR. STEVENS: No. My understanding of the question
17 is, they were looking for the cost of expansion, if it was
18 required, which it was not. So our answer to (d) basically
19 said, we don't believe it is expansion. It is enhancement.
20 And go to (b) for our justification for that.

21 MR. O'LEARY: All right.

22 MR. STEVENS: The cost of the enhancement, I went
23 further, is in our area of study.

24 MR. O'LEARY: All right. Flip the page to the next
25 tab, tab 7, Board Staff Interrogatory 5. They essentially
26 ask you the same question about part IV, which is the
27 school. And at (c) -- (a), (b), (c):

28 "If there are no existing assets..., please explain

1 why Hydro One believes they will not incur any
2 expansion cost."

3 And your answer is essentially the same; right?

4 MR. STEVENS: Correct.

5 MR. O'LEARY: All right. So you are not providing
6 Board Staff with any breakdown of the costs of the work
7 along Rymal Road in response.

8 MR. STEVENS: I believe we're answering the question
9 that we're not doing an expansion, we are doing an
10 enhancement.

11 MR. O'LEARY: All right. Go to the next page then.
12 This is a question from Horizon, Interrogatory No. 5.

13 MR. STEVENS: Next tab or next page? Sorry.

14 MR. O'LEARY: I think it is both, but to go tab 8.
15 The preamble indicates that we now understand that you're
16 connecting to the M5 rather than the M3. Great. The
17 second paragraph, the preamble says:

18 "Please provide a detailed breakdown of all of
19 the fully loaded costs associated with the 27.6
20 Rymal Road East Circuit, including without
21 limitation (whether incurred or forecast): the
22 costs of the connection to the M5 feeder; Hydro
23 One's responsibility for the costs to replace,
24 refurbish or repair Bell Canada poles; the cost
25 to reframe or refurbish poles; the cost to
26 replace any Hydro One poles; the cost to install
27 all wires, supports, conductors (including
28 labour, equipment and materials); the cost to

1 install the several 'Rabbits'...

2 Which I understand are temporary.

3 "(g) any other labour and materials associated
4 with the design, acquisition, and construction of
5 this proposed circuit; and the costs of the
6 planned upgrades at Nebo to provide additional
7 load to the M5 feeder (or the 27.6 Rymal Road
8 East Circuit)."

9 And then we simply asked, in the event that we're
10 wrong and it is the M3 feeder, same questions.

11 Was there any -- is there any uncertainty in the
12 question that is being asked here, Mr. Stevens?

13 MR. STEVENS: You'll have to bear with me for a
14 moment.

15 [Witness panel confers]

16 MR. STEVENS: Nothing like being consistent. I would
17 say that our assumption here was that the question was
18 related to expansion, once again, and we were saying this
19 wasn't an expansion. It was an enhancement.

20 MR. O'LEARY: That wasn't the question, though. The
21 question was: What are the fully loaded costs of the work
22 you're doing along Rymal Road?

23 MR. STEVENS: Our area study has that, but we
24 interpreted this as a question, once again, about
25 expansion.

26 MR. O'LEARY: Let's go to your response on the next
27 page. In the second sentence, you say:

28 "The cost of this feeder is not in the scope of

1 this proceeding as it is an enhancement
2 project..."

3 Blah, blah.

4 MR. STEVENS: Correct.

5 MR. O'LEARY: So, again, I am asking you: Do you have
6 the right to unilaterally dictate what information you do
7 or do not have to produce for the purposes of this
8 proceeding?

9 MR. STEVENS: I don't believe we're dictating. I just
10 believe we're using our knowledge of what expansion means
11 versus what enhancement means in terms of answering the
12 question correctly.

13 MR. O'LEARY: So we could have brought the motion, but
14 I will go one further.

15 If you would turn to tab 15, there are two
16 interrogatories, tab 49 and 62. They're identical. They
17 both -- well, one relates to phase 7, which is part I; the
18 other to school. The question is:

19 "Hydro One has not included any costs for
20 upstream expansion work in its OTC to Multi-12
21 Area. Horizon Utilities takes the position that
22 the proposed 27.6 kV Rymal Road East 13 Circuit
23 which Hydro One must necessarily construct to
24 provide service to the Summit 14 Park 7
25 development and to the Bishop Ryan SS constitutes
26 upstream expansion work."

27 Stop there. Any uncertainty about what is being asked
28 here or what is being characterized here?

1 MR. STEVENS: We understand the question.

2 MR. O'LEARY: Good. Next part:

3 "Should the Board conclude that the proposed 27.6
4 kV Rymal Road East Circuit is upstream expansion
5 work, what amount would Hydro One have included
6 in its OTC to Multi-Area? Please provide a
7 breakdown of this figure and a detailed
8 explanation as to how it has been calculated."

9 And your answer, you send us back to your response to
10 Board Staff 3, which is the one that Mr. Engelberg
11 interrupted us on.

12 MR. STEVENS: Correct.

13 MR. O'LEARY: You didn't answer the question, did you?

14 MR. STEVENS: Well, it is not expansion work, and we
15 wouldn't charge any additional costs, because we have a
16 binding contract with the customer.

17 MR. O'LEARY: The question is: Should the Board
18 conclude? Would you agree that the Board has the
19 jurisdiction to determine that you are wrong and it is
20 expansion work?

21 MR. STEVENS: Yes.

22 MR. O'LEARY: Right. So how does it know what amount
23 should be considered for the purposes of the service area
24 amendment application if you won't reveal the costs?

25 MR. STEVENS: I'm just saying we wouldn't change our
26 cost to the customer, because we have a binding contract
27 with them.

28 MS. SPOEL: Mr. Stevens, that is not very helpful for

1 us, given that this application is dealing with more than
2 one customer. You've got School, you've got -- there's
3 five different parts we're dealing with here. You may have
4 a contract -- you do have a contract, I guess, with one of
5 those customers on one parcel, one of those five parts.
6 But as far as I know, you don't with the other four parts.

7 And it seems to me that this was a pretty clear
8 question: Should the Board decide it was an expansion, what
9 would the costs be?

10 We may agree with you that it is an enhancement and
11 not an expansion, but it would be nice for us to know the
12 information.

13 MR. STEVENS: Fair enough. And I apologize for the
14 misinterpretation. We were dealing with 170
15 interrogatories in a very short period of time.

16 MR. O'LEARY: So do you have an answer, then, to the
17 question from the Panel?

18 MR. STEVENS: Just as I answered.

19 MR. O'LEARY: Which is you're going to --

20 MR. STEVENS: I suspect we misinterpreted the
21 question. Our fault. We were dealing with 170
22 interrogatories and we must have missed one.

23 MR. O'LEARY: I understand we've all been busy, but
24 are you able to answer the question now?

25 MR. STEVENS: I don't have that information with me.

26 MR. O'LEARY: Madam Chair, I should point out that
27 when we received these responses, we wrote to Hydro One -
28 my friend can confirm this - and suggested to them their

1 answers were either incomplete or not answered at all, and
2 asked them to respond.

3 The letter we got back from my friend was that they
4 had completely and fully responded to all of these
5 questions. So --

6 MS. CONBOY: We recall the letters.

7 MR. O'LEARY: My question is -- we're in your hands in
8 this regard. We've been trying to get the information. On
9 the next page, you will see our Interrogatory No. 62 asks
10 the same question and we got the same answer back.

11 Indeed, they say none of the costs are attributable to
12 Summit Park or the school. So we tried to play by the
13 rules and this is where we are.

14 MR. ENGELBERG: Madam Chair, we all realize I think
15 that the time limits were very short for hundreds of
16 interrogatories. That is what Hydro One wrote back when it
17 got a request for more information a few days before the
18 hearing began, and that is very similar to the answer that
19 we got back from Horizon's counsel when Hydro One said that
20 there were questions that had not been answered.

21 MR. O'LEARY: That is not true.

22 MR. ENGELBERG: So I guess both parties are suffering
23 under the limitations of time deadlines.

24 MR. O'LEARY: We responded.

25 MS. CONBOY: Pardon me?

26 MR. O'LEARY: I received a letter from my friend
27 asking for basically supplementary interrogatories, and we
28 responded to that. In one request, they reiterated they

1 wanted us to create a map. We said we couldn't. And we
2 did provide additional information in response to his
3 request.

4 So I don't know where my friend is coming from in
5 suggesting that we didn't respond.

6 MS. CONBOY: Okay. We can certainly -- we've got
7 everything on the record. We've read the record, so we do
8 understand what letters have gone back and forth.

9 We're at a point now where there are some breakdown of
10 costs that are being sought by Horizon in order to make its
11 case, as well. We've got Hydro One who has said that they
12 have misunderstood the nature of that question and a few
13 other questions.

14 So now we are at a point about, as Mr. O'Leary
15 suggests, what do we do now? What do you propose, Mr.
16 O'Leary?

17 MR. O'LEARY: Well, there are a number of areas I can
18 certainly deal with in cross, but, at the end of the day,
19 normally what you would expect is to receive a response
20 from the interrogatory and have an opportunity to review
21 it, and then I would test the panel with it to determine
22 whether they have included all of the fully-loaded costs,
23 what they have perhaps inadvertently left out. And that
24 obviously, if he came up with a number right now, wouldn't
25 allow us to do that.

26 So, you know, I dare say it, but it almost means we're
27 going to have to come back.

28 [Board Panel confers]

1 MR. O'LEARY: Madam Chair, I might also add while
2 we're on the subject, just to move ahead, a number of
3 questions were also asked about the upgrades at Nebo, and
4 it is our position that there's at least an element of
5 those costs which should also be included in the expansion.
6 Again, we were met with a wall of silence.

7 And we would similarly be looking for the amount that
8 should be allocated in terms of the supply of the
9 additional capacity at Nebo to these particular -- these
10 two particular projects -- well, the entire project
11 includes part V.

12 MS. CONBOY: Okay. So I understand that we've got --
13 I think one of the questions -- I am trying to get a sense
14 of -- we've got a sense of some of the breakdowns that you
15 have asked for, and I am just trying to flip back to figure
16 out where that list, where you actually...

17 MR. O'LEARY: It was at --

18 MS. CONBOY: You gave a list.

19 MR. O'LEARY: Tab 8.

20 MS. CONBOY: I thought it was 15, but it's not.

21 MR. O'LEARY: IR 5, tab 8.

22 MS. CONBOY: Okay. So we've got IR 5, tab 8, where
23 there's this breakdown. Mr. Stevens now understands better
24 the question that you were asking. As Ms. Spoel has
25 articulated, whether it is an expansion or whether it is an
26 enhancement, that is yet to be -- that is yet to be
27 determined, and I am sure people will be putting that in
28 their final arguments.

1 Before -- well, for this component of costs, now that
2 you understand what is being asked, are you able to give us
3 an estimate of time in terms of how difficult or how easy
4 would that be to compile these costs for us to have a look
5 at?

6 MR. STEVENS: I have had an opportunity to have a
7 discussion with Mr. Zerdin, and we know what the total cost
8 of -- I think this is roughly 14 kilometres of build in our
9 enhancement project. If we want to take a section of that
10 enhancement project as -- you know, in the Board's
11 determination, should they decide we have misinterpreted it
12 and it actually is expansion, we could use a dollar-per-
13 kilometre figure and give you a fairly accurate estimate,
14 if that is helpful.

15 MS. CONBOY: And when you are talking about a
16 "figure", is that singular, or is that to the breakdown
17 that has been requested in this interrogatory?

18 MR. STEVENS: Well, what we could do is just look at
19 what the distances are, estimate the distances, and apply
20 the benchmark number we have of about \$200,000 a kilometre.

21 MR. O'LEARY: In fairness, Madam Chair --

22 MS. CONBOY: That's just --

23 MR. O'LEARY: -- there is a number of questions we've
24 asked that relate to issues in this proceeding as arose in
25 the Orangeville Hydro proceeding, when Hydro One took the
26 position that the relocation of poles should be a cost
27 included and considered by the panel in its determination
28 in that case.

1 Well, the evidence from Ms. Lerette was that there are
2 a number of older poles along the south side. There's the
3 pre-filed evidence of Horizon Utilities that there's going
4 to be a road-widening. There is a good possibility some of
5 these poles are going to have to be relocated and perhaps
6 proper size poles installed.

7 So there is going to be costs associated with those
8 removals as well. That is why there's such a detailed
9 breakdown here. It is not just a per-kilometre charge. It
10 is all the additional costs that are associated with what
11 they're doing, including the temporary connection work.

12 MS. CONBOY: No, I understand that, and that is why I
13 was asking Mr. Stevens if he was talking about one number
14 or a breakdown of what you've got here in Interrogatory
15 No. 5 and possibly more.

16 So that is what I was trying to get at, in terms of
17 calculation. I am not sure whether the one figure, per
18 kilometre, is going to be of much use. Bear with me for a
19 minute, please.

20 Okay. Let's -- I think we are at a point now where
21 best efforts would be -- would be useful, understanding
22 that it is going to be somewhere in between the two, with
23 respect to, you know, a figure per kilometre that we're
24 going to have to draw our own inferences from, and
25 certainly people will put in argument, versus the complete
26 breakdown that was being sought.

27 Perhaps we could press on and put this one -- I will
28 note this one for -- we can deal with after the break. Mr.

1 O'Leary, if you want to show -- take us through some of the
2 other spots where you need further breakdown of costs, then
3 we can take it from there, and Hydro One will have a better
4 sense now that they understand the questions, a better
5 sense of what costs you are after and how long that will
6 take.

7 MR. O'LEARY: All right. Madam Chair, just -- so to
8 provide a list for the record, we did ask for the costs of
9 the planned upgrades at Nebo to provide the additional
10 load, and the evidence is -- from Hydro One that there's
11 going to be 64 MAV added there. Obviously that doesn't all
12 apply to the service area amendment lands. We were looking
13 for the costs allocatable to the service area lands from
14 the Nebo upgrades.

15 And we asked at Interrogatory No. 8 for -- and I won't
16 walk you through it. It's a --

17 MS. CONBOY: Well, just point them out. So you've got
18 Interrogatory No. 8. We've got Interrogatory No. 5.

19 MR. O'LEARY: Yes. There were a number of questions
20 asked about the history of this enhancement project and for
21 the production of any documentation in support, but my
22 friend and his client have felt, I guess, it wasn't
23 necessary to produce that evidence. I believe that the
24 record should perhaps stand on that alone, but it is --

25 MR. ENGELBERG: Madam Chair, it isn't helpful for my
26 friend to continue to characterize these adjectives to
27 describe Hydro One's responses.

28 MS. CONBOY: Okay. So let's just stick to the facts,

1 in terms of, point out to us, please, the interrogatories
2 where you are seeking a further cost breakdown, now that
3 it's clear that Hydro One understands what it is that you
4 were after.

5 MR. O'LEARY: Thank you.

6 MS. CONBOY: And what we will do at that point, after
7 you have pointed those out, we will take a break. The
8 panel can look at the cost breakdown that you've pointed us
9 to and see what they can provide in a reasonable amount of
10 time. And then you can also then figure out how we can --
11 if and how we can move on with cross-examination.

12 MR. O'LEARY: All right. Perhaps it is an appropriate
13 time for a break, and then I could check my notes to see
14 what other cost-related interrogatories that we would draw
15 to your attention.

16 MS. CONBOY: Okay. So how about you have a look at
17 that, after the break provide us with a list, or depending
18 on how long it takes, you can provide the Panel with a list
19 while we are on break, and then when we get back we can get
20 those read into the record, in terms of the
21 interrogatories. And then we can see if we can press on
22 this afternoon with cross-examination.

23 MR. O'LEARY: Okay.

24 MR. SHEPHERD: Excuse me, Madam Chair, I'm sorry to
25 interrupt, but --

26 MS. CONBOY: No, go ahead, Mr. Shepherd.

27 MR. SHEPHERD: -- I have been sort of waiting
28 patiently while this -- as you know, we're very concerned

1 about timing here, School is. And I wonder if I can just
2 ask, it would occur to me that there is a detailed budget
3 of this entire expansion which is the subject matter of
4 this study in existence sitting on somebody's desk right
5 now. I am assuming that is the case, because they're
6 building it.

7 I wonder if we could ask them to simply get somebody
8 to go to the office or somebody in the office to fax it to
9 us now so we can at least start with that, the full budget,
10 and then we can talk about breaking it down. But I am
11 looking for a way to finish today.

12 MS. CONBOY: Okay. I appreciate that. And we are
13 certainly aware of the time constraints that everybody is
14 facing, and we have been trying to move this along as
15 quickly as we can. So your clients and Mr. Malcolmson's
16 clients can push forward with their development plans. So
17 we understand that.

18 Mr. Shepherd, you've put out a proposal that might
19 meet us part-way or meet us all the way. You can have a
20 think about that while we are on break.

21 It is 20 after 2:00 now. How about we break for -- do
22 you want to break for half an hour? I was going to break
23 for 20 minutes, but if that -- if we should break for a
24 little bit longer, or less? 20 minutes then.

25 MR. O'LEARY: 20, yes, should be fine.

26 MS. CONBOY: Okay. We will be back at 20 to. Thank
27 you.

28 --- Recess taken at 2:20 p.m.

1 --- On resuming at 3:03 p.m.

2 MS. CONBOY: Thank you. Please be seated.

3 I see some numbers in front of us.

4 MR. ENGELBERG: Yes, Madam Chair. During the break
5 Hydro One was able to come up with this three-page document
6 that has been -- Mr. Lanni kindly photocopied for everyone.
7 I believe everyone has copies.

8 MS. CONBOY: Thank you. So we will mark that as an
9 exhibit.

10 MS. HELT: That will be Exhibit K2.4, the internal
11 request cost output sheet produced by Hydro One.

12 **EXHIBIT NO. K2.4: INTERNAL REQUEST COST OUTPUT SHEET**
13 **PRODUCED BY HYDRO ONE.**

14 MS. CONBOY: Now, I am sure you have had a chance to
15 discuss these three sheets, to a certain degree. So how
16 would you like to proceed? Mr. O'Leary, are you prepared
17 to cross-examine on some of these sheets?

18 MR. O'LEARY: I am not in a position to cross-examine.
19 I would certainly like an opportunity to -- certainly look
20 at it a little further, because we had some discussions
21 about whether it fully satisfied our request for
22 information.

23 I can advise you, to try to shorten matters, I think
24 with a couple of questions we might be able to live with,
25 if they are responsive, questions about the Nebo upgrades
26 and to do an analysis on the basis of that and the evidence
27 that has been filed.

28 But what we had been asking for was an indication of

1 the approval at a higher level than this estimate, and the
2 proper release documents that would have permitted this
3 project to proceed, when Hydro One had indicated that it
4 had been approved. So we were looking for the release
5 level -- I am not sure if my nomenclature is exactly right.

6 MS. CONBOY: I get what you mean.

7 MR. O'LEARY: Yes. Somebody had to sign off at a
8 higher level than someone at my level, for example.

9 MS. CONBOY: Okay.

10 Well, why don't you ask your questions on that? I
11 mean, we are where we are right now. To the extent that
12 costs are relevant to our decision, we will have to put the
13 appropriate weight to it at that point.

14 MR. O'LEARY: All right. I understand that Hydro One
15 is in a position to provide what we're requesting. I
16 believe it was Ms. Frank said it might take some time.

17 I don't understand why. Either there has or has not
18 been an approval and a budget that has been approved, and
19 release level estimates, and I would have thought a phone
20 call back to headquarters and it could be here in 20
21 minutes, frankly.

22 I will ask several questions about this document just
23 to confirm to what it relates, but unless I am wrong, isn't
24 that something that could be done, Mr. Engelberg?

25 MR. ENGELBERG: We have looked into that and I thought
26 we had advised my friend during the break that is not
27 something we can come up with. That document is not there
28 sitting on somebody's desk, and that is not the practice at

1 Hydro One to do a large release; that the releases are done
2 segment by segment. That is my understanding.

3 But the witnesses can be asked that and put that into
4 evidence.

5 MR. O'LEARY: I am happy to continue, but our request
6 for the release level document, the approval, would still
7 stand even if it comes in after today.

8 MS. CONBOY: Let's continue. We will have to deal
9 with what comes in after today in terms of the time that we
10 have allotted.

11 We are not going to come back for further cross-
12 examination. Any information that we get, depending on
13 where it is in terms of the timing of argument, we're just
14 going to have to address that in argument. And, to the
15 extent, as I said, this factors into our decision, then we
16 will have to decide how much weight and what inferences we
17 draw from that.

18 MR. O'LEARY: Okay.

19 MR. ENGELBERG: Madam Chair, perhaps I could add one
20 thing.

21 You mentioned before the break something of the nature
22 of some compromise or reaching a happy medium between the
23 two sides.

24 I would point out that Horizon has not produced a
25 detailed breakdown of their costs, either. So to the
26 extent that there is any more that is being requested,
27 other than the release document, it would seem fair to me
28 that if apples to apples are being compared, that they

1 would want to file a breakdown, too, similar to what
2 they're asking Hydro One.

3 MS. CONBOY: Horizon has filed their evidence. There
4 have been interrogatories posed on it. I am not sure about
5 whether they were to everybody's satisfaction, but they
6 were -- you know, whatever was brought up in cross-
7 examination was brought up in cross-examination.

8 So I think we're going to let that one -- you know,
9 that ship has sailed, for lack of a better way of putting
10 it, and we will just proceed with where we are now.

11 MR. O'LEARY: In two seconds, Madam Chair. There is
12 no breakdown. We don't have any real upstream work that
13 has to be undertaken, so there is no breakdown.

14 The upstream costs are a methodological amount that is
15 included in the offer to connect to represent what, over
16 time, everyone should be contributing to.

17 So the 127,000, there is no breakdown.

18 MS. CONBOY: Okay. We understand that, and Hydro One
19 is making a similar type of argument. So let's just press
20 on and you can make further arguments at a later date.

21 MR. O'LEARY: So I said I could ask a couple of
22 questions about Nebo, panel. I thought I heard you earlier
23 indicate that your forecast load for the balance of Summit
24 Park, the undeveloped portion, including phase 7 and the
25 school, and the balance of the lands, is about 6 megawatts?

26 MR. STEVENS: That's correct.

27 MR. O'LEARY: All right. And my understanding from
28 your planning documents, schedules A and B, is that your

1 upgrades at Nebo, you are forecasting or proposing to add
2 an additional 64 MVA?

3 MR. STEVENS: Correct.

4 MR. O'LEARY: All right. For a non-technical person,
5 is it just easy for me to say that of that 64, 6 megawatts
6 is about the amount that would be used to ultimately
7 provide load to Summit Park?

8 MR. STEVENS: Sorry, I missed the...

9 MR. O'LEARY: Would six --

10 MR. STEVENS: Six over 64?

11 MR. O'LEARY: Yes.

12 MR. STEVENS: That's what I would do.

13 MR. O'LEARY: Roughly.

14 MR. STEVENS: Yes.

15 MR. O'LEARY: That would be a fair allocation to
16 Summit Park?

17 MR. STEVENS: Yes, I believe it is.

18 MR. O'LEARY: Okay, thank you. That helps get through
19 there.

20 Then on Exhibit 2.4, as I understand matters - and
21 correct me if I'm wrong, Mr. Stevens - this is an estimate
22 of the costs related to the work which would only involve
23 the portions that I'm going to take you to, and that would
24 be from the connection with the M11?

25 MR. STEVENS: Yes.

26 MR. O'LEARY: Is that right?

27 MR. STEVENS: Yes.

28 MR. O'LEARY: Up to Rymal Road and over to phase 7, so

1 just to the east side of Fletcher and Rymal Road?

2 MR. STEVENS: Yes.

3 MR. O'LEARY: Yes. Do you have your mic on?

4 MR. STEVENS: Yes, I do. I probably had the paper
5 over it.

6 MR. O'LEARY: And so if I go to page 2 of this
7 document, there is a heading: Contract and miscellaneous
8 costs, anticipated Bell costs for road relocate and
9 anticipated Bell costs for Hydro-required replacement
10 poles.

11 Do you know what that relates to?

12 MR. STEVENS: I believe it is as described.

13 MR. O'LEARY: But where are they? Are you able to
14 give us any more detail what that --

15 MR. ZERDIN: They will be along Rymal Road.

16 MR. O'LEARY: All right. Are those figures included
17 in the total at the end?

18 MR. ZERDIN: Yes.

19 MR. O'LEARY: And the easement, 1562 Rymal Road.
20 Where is 1562 Rymal Road?

21 [Witness panel confers]

22 MR. ZERDIN: That is this portion over here.

23 MR. O'LEARY: I see.

24 MR. ZERDIN: Trinity Church, with the Trinity Church.

25 MR. O'LEARY: That is the diagonal line running from
26 the connection with the M11 up to Rymal Road?

27 MR. ZERDIN: Yes.

28 MR. O'LEARY: And who is the recipient of the \$19,000

1 costs there?

2 MR. ZERDIN: The church.

3 MR. O'LEARY: Oh, it's the church. And has that been
4 negotiated and paid?

5 MR. ZERDIN: I don't have knowledge of that at this
6 time.

7 MR. O'LEARY: Would you be able to go out and find --

8 MR. ZERDIN: We can find out, as an undertaking.

9 MR. O'LEARY: Thank you.

10 MS. O'SULLIVAN: Sorry, it is still under negotiation.
11 It is still under negotiation.

12 MR. ENGELBERG: I was going to say we don't need to
13 give an undertaking on that.

14 MR. ZERDIN: My apologies.

15 MR. O'LEARY: By under negotiation, it means that you
16 haven't agreed? You have no obligation to the church?

17 MS. O'SULLIVAN: It's under negotiation with the
18 church. It is not a signed --

19 MR. O'LEARY: I am trying to determine whether you
20 were going to call it a stranded cost. If you paid it, you
21 may allege that Horizon should pay you, but I take it you
22 have not paid?

23 MS. O'SULLIVAN: We have not paid it yet.

24 MR. O'LEARY: You have no obligation to pay it today?

25 MS. O'SULLIVAN: That's correct, today.

26 MR. O'LEARY: So if I go the third page here under
27 total cost, I won't take you through the lines, but it
28 appears that the total cost is about \$400,000 for this

1 segment of the work?

2 MR. STEVENS: That's correct.

3 MR. O'LEARY: All right, thank you. If I could turn
4 you now to the Multi-Area offer to connect, I believe that
5 was in your materials, as well. It is tab 6 of my friend's
6 compendium.

7 My first question is, would you agree with me that
8 this offer to connect is not identical with the one that
9 was included in Horizon Utilities' evidence, the unexecuted
10 one?

11 MS. O'SULLIVAN: Sorry, can you just confirm the date
12 that you are asking us to compare offers for?

13 MR. O'LEARY: Well, let's just move ahead. If you go
14 to the first page, not the cover page, but the first page,
15 if you scroll down to the bottom, there is a paragraph that
16 has been highlighted there.

17 Would you agree that that did not appear in your
18 original offer to connect to Multi-Area?

19 MS. O'SULLIVAN: Honestly, I would need to look at the
20 original one to answer that question.

21 MR. O'LEARY: I am happy to do that. Let's go.

22 If you would go to the evidence at -- this would be in
23 relation to part I. And in the filing of August 10th there
24 is a copy of the July 27th offer to connect.

25 Sorry. It is the -- what you have on the screen is
26 the October 24th. I don't believe it was re-filed again at
27 that time. It is the August 10th letter. It might also be
28 in the August 16th. Yes, it should be there. Scroll down,

1 please. Thank you. That should be it. All right.

2 So just under the heading "project summary", if you
3 could go down to the bottom of the page, please. You see
4 that that paragraph is missing?

5 MS. O'SULLIVAN: Yes, it's not there.

6 MR. O'LEARY: All right. So it means it was added
7 between the time you issued the offer to connect to Multi-
8 Area and the time that it was executed.

9 Let's read. It says:

10 "Hydro One hereby commits to honouring all of the
11 prices stated hereunder in the agreement, even if
12 it becomes necessary for any reason for Hydro One
13 to supply the said subdivision by means of a
14 feeder or feeders other than the feeder or
15 feeders stated hereunder in the agreement."

16 Can you tell me, what is the purpose of that
17 paragraph?

18 MS. O'SULLIVAN: So although our offers to connect are
19 firm offers, there is no true-up or reconciliation done at
20 the end, as we found last week.

21 The developer wanted further guarantees that it was a
22 firm offer under the circumstances. And so that paragraph
23 was added.

24 MR. O'LEARY: So if the Board was to determine that in
25 fact some of these enhancement costs are expansion costs
26 and should have been included in your offer to connect, are
27 you saying that you've agreed with the developer that you
28 will not amend your offer to connect to include those

1 costs?

2 MS. O'SULLIVAN: But there are other clauses in our
3 offer to connect as a general practice that say the same
4 thing. So it would have always been the case that it's a
5 firm offer.

6 MR. O'LEARY: All right. Well, let me ask you. Do
7 you know your terms and conditions of your offers to
8 connect fairly well? Let me ask you. Do you know section
9 2.4 of your terms and conditions? You provided them to us
10 in a response to an interrogatory.

11 MS. O'SULLIVAN: Sorry, can you take us to the number?

12 MR. O'LEARY: Well, let me just save time here. Do
13 you accept that your terms and conditions say that if there
14 is an inconsistency between the offer to connect and the
15 terms of the Distribution System Code, the terms of the
16 Distribution System Code will prevail?

17 MR. SMITH: Yes, it says that at 2.4.

18 MR. O'LEARY: All right. So that means that if your
19 offer to connect is not compliant, in fact you do have an
20 obligation to amend it to make it compliant with the code;
21 right?

22 MR. SMITH: I'm not sure it necessarily says we have
23 to amend our offer to connect. Our offer to connect is
24 always done on a firm basis, which we mentioned before, and
25 as was already provided, we gave the developer additional
26 assurance that there wouldn't be any further charges.

27 This says where there is consistency -- the code will
28 prevail. It doesn't say that the offer to connect has to

1 be redone.

2 MR. O'LEARY: Well, the reason I am asking this is, to
3 jump ahead a bit, is at the end of the day, if you had
4 included some additional costs in the document and the
5 developer was required to pay it, and the Panel determines
6 ultimately that your offer to connect is deficient and the
7 developer has not paid that -- in other words, they haven't
8 contributed to the expansion costs -- then who is going to
9 pay those costs? Is it the other Hydro One ratepayers? Or
10 is the shareholder volunteering?

11 MR. SMITH: I can't speak for the shareholder. I
12 mean, what I can say in evidence is that our offer is firm,
13 and that's backed up by our terms and conditions.

14 MR. O'LEARY: I understand.

15 MR. SMITH: We have signed an agreement that we will
16 not charge the developer more money regardless of -- well,
17 you read the paragraph.

18 MR. O'LEARY: So would it be fair to say that if the
19 Board concludes that your offer to connect was not in
20 compliance with the Distribution System Code, and the
21 \$400,000, which is the costs to do the work along Rymal
22 Road, should have been included in the offer to connect,
23 that that is an amount that the shareholder should be
24 required to pay, because it wouldn't be fair to ask your
25 ratepayers to pay the 400,000; right?

26 MR. ENGELBERG: Madam Chair, it appears to me that
27 we're getting into a legal argument, and these witnesses
28 are not qualified to say what would be the legal

1 consequences of what would happen, if something happens.

2 MR. O'LEARY: Well, let's just see if it is a legal
3 argument, Mr. Engelberg.

4 If I could take you to -- let's just go -- if you
5 would flip to the next page of the offer to connect. Oh,
6 it's back. It is just page 2. It is the spot where the
7 developer has signed option B. That's to indicate that
8 they want to undertake all of the work on the subdivision
9 lands themselves; right?

10 MR. SMITH: I'm waiting for it. I'll accept your
11 premise. Yes, go ahead.

12 MR. O'LEARY: Yes. We know that. We don't have to
13 worry about option A, because it is option B. So they're
14 going to spend the money themselves to develop the lands.

15 MR. SMITH: To do the contestable portion.

16 MR. O'LEARY: Yes. And if you -- we then flip ahead
17 to the heading 3.3, which is the top of the page a number
18 of pages down. This is your calculations for the offer to
19 connect?

20 MR. SMITH: That was option B, sorry?

21 MR. O'LEARY: Yes. Option B. So I am in the right
22 spot; right?

23 MR. SMITH: 3.3, option B.

24 MR. O'LEARY: Yes.

25 MR. SMITH: Yes.

26 MR. O'LEARY: All right. Well --

27 MR. SMITH: Well, you're telling me the spot.

28 MR. O'LEARY: No, okay. But --

1 MR. SMITH: I'm clarifying, am I in the right spot.

2 MR. O'LEARY: But this is what -- we are dealing with
3 reality here. This is the section that applies; right?

4 MR. SMITH: Yes.

5 MR. O'LEARY: Okay. So let me just look at section
6 2.1 and 2.2. So that's the non-contestable secondary and
7 primary costs. So this is the work that Hydro One must
8 perform; right?

9 MR. SMITH: Correct.

10 MR. O'LEARY: All right. And the totals are 380,000
11 and 139,000. Subject to check, would you accept that that
12 total comes to \$520,719?

13 MR. SMITH: Without subject to check, it is 520.

14 MR. O'LEARY: Okay. Good. Indeed, if I could ask you
15 to pull up also, just to try and deal with two things at
16 once, was the chart, the capital estimate comparisons that
17 your counsel prepared for today. It is also in your
18 compendium.

19 MR. SMITH: Yes. Do you have a tab number, by any...
20 Is that tab 9? Is that what you're referring to?

21 MR. O'LEARY: Yes. Tab 9. Thank you. And I am just
22 trying to relate your offer to connect with the table here.

23 MR. SMITH: Sorry, do you have a page number there?
24 They're all numbered.

25 MR. O'LEARY: It is page 1. I only have one page for
26 that. Yes. It is page 1.

27 So the right-hand -- that's it. There is four
28 columns. The first three relate to Horizon and the last

1 one relates to Hydro One.

2 MR. SMITH: Yes.

3 MR. O'LEARY: So there is a breakdown.

4 Just to quickly go through it, we have 12,878
5 engineering costs; below that, work site inspection costs.
6 That is taken right out of your offer to connect; right?
7 Yes? You have to say yes for the --

8 MR. SMITH: Sorry. Yes.

9 MR. O'LEARY: Then we see upstream expansion. There
10 is nothing there, and that is consistent with your view
11 that you've told us about.

12 MR. SMITH: Yes.

13 MR. O'LEARY: That is the debate that is before the
14 Panel here; right? We say there should be a number, and
15 you say there shouldn't?

16 MR. SMITH: Right.

17 MR. O'LEARY: All right. Come down. I see there are
18 three figures, 116, 264,000 and 139.

19 And would you agree with me that if you add those
20 three up, you get the total of your non-contestable costs,
21 subject to check? I have done the math.

22 MR. SMITH: Okay. Subject to check, I will take your
23 word for it.

24 MR. O'LEARY: Five-hundred-and-twenty-seven-nineteen.
25 So those are the numbers that are taken out of page 3.3,
26 section 3.3 of the offer to connect.

27 MR. SMITH: Right. In fact, I think I offered in
28 direct that up to -- up to line -- including line 9, that

1 matches -- notwithstanding the work site inspection costs,
2 that does match our offer to connect. So I think that is
3 where you're going; correct?

4 MR. O'LEARY: Just while we've got that on the screen,
5 the last two numbers, the 281,582 and the 283,089, those
6 are the third-party contractor's costs?

7 MR. SMITH: Correct.

8 MR. O'LEARY: They add up to 561,971?

9 MR. SMITH: Subject to -- yes.

10 MR. O'LEARY: By comparison, you have used in the
11 Horizon February 6th column the figure 538,900.

12 MR. SMITH: Yes.

13 MR. O'LEARY: You understand that that number was
14 actually taken out of your prefiled evidence as an
15 indication at that time of what the contractor's costs are?

16 MR. SMITH: Right. There was actually a typo in our
17 evidence. It was corrected in our IR response, Board Staff
18 3, I believe, but the total, the 1.133, our total amount,
19 was consistent all the way through. That one line --

20 MR. O'LEARY: I understand.

21 MR. SMITH: So in fairness to you guys, it looked like
22 538.9. It is actually 561 and change.

23 MR. O'LEARY: I would volunteer that to make the
24 comparison fair, the 538,900 should be changed to 561,971?

25 MR. SMITH: It's not an enormous sum, no.

26 MR. O'LEARY: I know. But what we're talking about
27 are the contractor's costs. They are what they are.

28 MR. SMITH: Yes.

1 MR. O'LEARY: They're the same. Whether you build it
2 or Horizon builds the non-contestable, it is Canelco's
3 work; right?

4 MR. SMITH: I can't agree with that, no, because I
5 don't know the details of what is included. Your
6 contestable costs -- sorry, non-contestable costs are
7 significantly different, and Mr. Roberge said last week
8 that there are fundamental differences in our offers.

9 So I cannot acknowledge or agree with the idea that
10 our -- the portion of contractor costs which are attributed
11 to the contestable portion are necessarily exactly the
12 same. I think that is the point I tried to make in direct,
13 is that, you know, arbitrarily using our costs as yours,
14 Horizon's, for the contestable portion is not appropriate.

15 MR. O'LEARY: I appreciate you can't verify things.
16 But what Mr. Roberge did say -- and I will come to that in
17 a second.

18 I just wanted to confirm that the contestable portion
19 is not an issue. It is what it is; right?

20 MR. SMITH: No. I am not acknowledging that at all,
21 because I don't know what is included in -- I cannot verify
22 what is included in your non-contestable portion; and the
23 contestable plus non-contestable, that should amount to the
24 same amount of work, and I don't know what your non-
25 contestable is, so I can't verify.

26 MR. O'LEARY: Let's come to that in a minute.

27 My point is, in terms of the contractor's costs, we
28 know they're \$561,000; right?

1 MR. SMITH: For what we determine are contestable
2 costs, but not necessarily what Horizon would determine.

3 MR. O'LEARY: What Mr. Roberge did, and his evidence
4 was, if we go up the line in the Horizon Utilities, he
5 confirmed that there were non-contestable work which is
6 included in yours, which Horizon Utilities considers
7 contestable.

8 So they added \$258,000 to the total for a comparison
9 to make it fair. Do you remember him saying that evidence?

10 MR. SMITH: I remember him saying that. But as Mr.
11 Engelberg pointed out, we have no detail whatsoever, so I
12 am not going to acknowledge that that is a fair
13 attribution. So we can ask all day, but I am not going to
14 acknowledge that.

15 MR. O'LEARY: The point was is the attempt was made to
16 include that to make it a --

17 MR. SMITH: I am not going to acknowledge that they're
18 comparable. You have arbitrarily used our costs and with
19 no kind of backup for what the rest of the costs should be.

20 I mean, the point that I also tried to make in direct
21 evidence is that in the span of about a month, the cost for
22 Horizon's changed by 50 percent from one-and-a-half to
23 a million. Ours has been consistent at 1.333 for -- since
24 our original prefiled evidence.

25 MR. O'LEARY: Let me ask you some questions.

26 Line 10, customer connections, 1.76.

27 MR. SMITH: Yes.

28 MR. O'LEARY: That is the option A figure taken out of

1 Horizon's --

2 MR. SMITH: That's right.

3 MR. O'LEARY: That's right. So that is if Horizon
4 built the subdivision?

5 MR. SMITH: Yes. And as I acknowledged in direct
6 evidence, that wouldn't be a fair comparison, because that
7 is the original offer to connect with all of the utility
8 connections.

9 MR. O'LEARY: So the first column --

10 MR. SMITH: Utility costs.

11 MR. O'LEARY: Don't pay any attention to the first
12 column, because that is not fair to include 1.76 million in
13 there; right?

14 MR. SMITH: Right. That wouldn't be the most
15 applicable.

16 MR. O'LEARY: So that one is out. The second column,
17 you have 1.57 million. That is also the option A costs, is
18 it not?

19 MR. SMITH: No. What we interpreted the IR to say,
20 that included that number was that an adjustment was made
21 to attempt to, you know, make an adjustment for the
22 contractor costs.

23 We all acknowledge the contractor costs are probably
24 lower than the utility's costs, and we interpreted that
25 that was the adjustment made.

26 The total contestable costs for Horizon are, subject
27 to check, about 1.2 million. That is the 136 and the
28 1,076. That is the total contestable; correct?

1 MR. O'LEARY: If you --

2 MR. SMITH: From rows 9 and 10 on December 17th.
3 That's about 1.2.

4 MR. O'LEARY: We are at line 11, the 1.57 million.

5 MR. SMITH: Yes. I am just saying it was 1.2 in the
6 offer to connect in December 17th, and it was lowered to
7 about 1,050 on January 21, which that's a reasonable change
8 in order to allow for contractor costs.

9 MR. O'LEARY: All right. So option A was originally
10 a million-two for the contestable work; correct?

11 MR. SMITH: Yes.

12 MR. O'LEARY: Right. And then Mr. Roberge's evidence
13 was they removed about \$150,000 to represent the difference
14 in price between a direct bury, which is what Horizon does,
15 which is a more expensive means of installing, versus your
16 -- I've got it wrong -- duct -- Horizon does it through the
17 duct method, which is a more expensive method, and you,
18 Hydro One, do it through the direct bury; correct? That is
19 the less expensive method of installing in a subdivision?

20 MR. SMITH: Yes.

21 MR. O'LEARY: All right. So what Mr. Roberge said -
22 if you recall differently, tell me - was that they made an
23 adjustment to try and make an apples-to-apples comparison
24 using option A. So that is the amount that Horizon would
25 have included in their offer to connect if they did all of
26 the work, including the subdivision work; right?

27 MR. SMITH: That's not how I interpreted that IR.

28 MR. O'LEARY: Did you not -- were you not here when

1 Mr. Roberge gave that evidence last week?

2 MR. SMITH: I don't remember 100 -- I don't remember,
3 no. I was here, but I don't remember that evidence, no.

4 MR. O'LEARY: You don't recall him saying, We made an
5 adjustment for the difference in price between duct and
6 direct bury of about \$155,000?

7 MR. SMITH: Honestly, I don't remember that. It was a
8 long day.

9 MR. O'LEARY: I am going to put to you, and perhaps
10 you can come back in writing say, but that number is the
11 option A where, if Horizon was to do all of the work,
12 including all of the work in the subdivision, it would be
13 1.57 million.

14 And you're saying that is not your understanding, but
15 you don't know now; is that fair to say?

16 MR. SMITH: No. First off, the direct burial method
17 is about 80,000 difference. It is not 150.

18 And as Mr. Engelberg said, I don't have details of
19 what's in the contestable portion in order to verify what
20 the non-contestable is. You're asking me about a total
21 bevy of work, and I don't know how much this is, so I can't
22 tell you how much this is supposed to be.

23 MR. O'LEARY: Well, can you tell me where you came up
24 with the 1.57 million? Would you point --

25 MR. SMITH: That is out of your IR, table 1, Board
26 Staff, I believe it is 7.

27 MR. O'LEARY: Sorry. Let's go there.

28 So if we could go to the second page, two of ten,

1 starting at the top:

2 "Horizon Utilities has made two changes to its
3 original offer to connect. Horizon Utilities has
4 removed the subdivision connection costs,
5 uncontestable, of \$50,000. This work has now
6 been completed."

7 You understand what has happened here?

8 MR. SMITH: Sorry, that is with the 50,000 connection
9 costs? Yes, that is to do with the six or seven --

10 MR. O'LEARY: So they have done the work along the
11 west side of Fletcher. So they actually have more plant in
12 the ground now to supply phase 7 than they did when they
13 did the offer to connect; right?

14 MR. SMITH: And I understand it was arbitrarily
15 removed from the costing.

16 MR. O'LEARY: And it is appropriate to remove the
17 50,000; right? You can't charge the developer twice. He
18 has already now paid for it.

19 MR. SMITH: Yes, but the same way that you're arguing
20 that same costs for another project -- you're strenuously
21 trying to argue that the costs of the enhancement project
22 belongs there. Why wouldn't the cost of this loop, which
23 was in your original offer to connect, why wouldn't that be
24 part of this offer to connect too?

25 Notwithstanding what gets charged to the developer,
26 why would it be appropriate for us to include something
27 that really isn't directly related to this when you've done
28 a different deal and only told us about it on January 21st,

1 even though the deal was done in the fall? Why would it
2 be, arbitrarily remove 50,000 from that?

3 MR. O'LEARY: Because, Mr. Smith, there are now
4 \$50,000 more of assets on the west side of Fletcher Road,
5 which makes Horizon the better candidate to serve phase 7.
6 That is why we told you about it.

7 MR. SMITH: By the end of 2013 there will be a 27.6
8 line along Rymal Road that can serve the entire --

9 MR. O'LEARY: Well, that is the point of this whole
10 proceeding is whether or not you are in a better economic
11 position to serve or not, and we are going to get to that,
12 obviously, but the next paragraph says:

13 "Further, Horizon Utilities has reduced its cost
14 per unit to reflect the direct-burying-cable
15 method of construction, as per Hydro One's OTC,
16 rather than the duct method, which was used for
17 Horizon Utilities' original OTC. These
18 contestable costs have been reduced by
19 approximately 156,000."

20 And if you go to the next table, please.

21 MR. SMITH: That is table 1?

22 MR. O'LEARY: Yes. Table 1 is development constructed
23 by LDC, option A. And that means the entirety of it. So
24 do you now accept that the one million-57 that you have
25 included in there is under option A, not option B?

26 MR. SMITH: What I know is it was in your IR of
27 January 21st. As I say --

28 MR. O'LEARY: But we're looking at it.

1 MR. SMITH: -- there wasn't sufficient detail in any
2 of this stuff to necessarily say this is contestable. Our
3 contestable costs are, what did we say, 530, approximately?
4 And your non-contestable -- and your non-contestable costs
5 are about 130, versus 530, so I can't -- yes, I acknowledge
6 the paragraph with respect to the 156 for the direct burial
7 versus ducts that you just read off, but we've countered
8 that cost is about 80,000.

9 So, I mean, so to remove the higher amount seems
10 convenient, but --

11 MR. O'LEARY: Mr. Smith, let's just take out the
12 80,000. Let's increase this by 75,000. My point is not
13 the math. It is the fact that you have made the wrong
14 comparison. You've used option A in your second column of
15 a million-57, which is not reality. That is not the cost.

16 The costs we should be comparing are the third column,
17 where you actually have the costs of the contractor are
18 known, but I just want to come back.

19 MR. SMITH: And --

20 MR. O'LEARY: You are either right or wrong that
21 the million-57 is an option A or it's not or you don't
22 know.

23 MR. SMITH: You have read off -- it says option A. I
24 will reiterate that I cannot confirm in evidence whether it
25 is option A or option B, but as I said in direct evidence,
26 the February 6th estimate, if that is correct, and we both
27 agree that it needs a \$23,000 adjustment, so it's
28 approximately 1.12 after that adjustment versus 1.13.

1 So at the end of the day, the costs are the same,
2 which, since Horizon arbitrarily used our cost for the
3 contestable portion, which is about half of it, then you
4 would expect them to be basically the same. There's
5 nothing -- I'm not sure what the confusion is. After you
6 adjust to make them the same as our costs, well, they're
7 both within a couple of bucks. They're both the same.

8 MR. O'LEARY: I am going to move along. But you
9 agreed that it would be inappropriate to use the first
10 column as a comparison, because it would be unfair --

11 MR. SMITH: Absolutely. Yes.

12 MR. O'LEARY: -- because that includes the costs of
13 option A.

14 MR. SMITH: Absolutely.

15 MR. O'LEARY: And I've just demonstrated to you that
16 the evidence indicates that the million-57 is also option
17 A, and I'm going to submit to you that that means that that
18 number should also not be used, because it wouldn't be a
19 fair comparison.

20 MR. SMITH: And I am not necessarily disputing that.

21 MR. O'LEARY: Okay.

22 MR. SMITH: I offer these three. Like, I don't know
23 what the confusion is.

24 MR. O'LEARY: Okay.

25 MR. SMITH: The third column, February 6th, if that is
26 the correct one, but part of the problem is, within the
27 span of a month, roughly, there is a \$500,000 difference in
28 the estimates, plus there was two more that we didn't

1 include as well, so -- and there is no detail supporting
2 any of it. So you are asking me to verify Horizon
3 evidence.

4 MR. O'LEARY: Can I now take you back to the offer to
5 connect? If we can go back, it was --

6 MR. SMITH: The one in our compendium?

7 MR. O'LEARY: Section 3.3. This is the executed
8 version.

9 MR. SMITH: I'm sorry? What section, sir?

10 MR. O'LEARY: 3.3, but it is the next page, starting
11 with the line "expansion costs". I believe it is the next
12 page, please. There we go.

13 So Section 3.0 is the section entitled "non-
14 contestable costs of line expansion". 3.1, there is a
15 number of areas where you could enter for material, labour,
16 equipment, et cetera. And they're all blanks. That tells
17 me that Hydro One has deliberately not included any costs
18 in its offer to connect for line expansion; right?

19 MR. SMITH: Because there is no line expansion.

20 MR. O'LEARY: Zero. So you are not asking Multi-Area
21 to contribute anything towards the line across Rymal Road.
22 Is that correct?

23 MR. SMITH: Because it is an enhancement project that
24 will be built by the end of the year to service all of the
25 customers along Rymal Road and Highway 56 --

26 MR. O'LEARY: All right. And just --

27 MR. SMITH: -- and provide a loop feed down into
28 Binbrook.

1 MR. O'LEARY: I've heard it before.

2 MR. SMITH: Okay. You've asked again.

3 MR. O'LEARY: And then go to the total of 152,000.

4 That is a carry-over from another page?

5 MR. SMITH: Yes.

6 MR. O'LEARY: And then the 157,000 is the remainder of
7 the net present value, future revenues?

8 MR. SMITH: I believe that's correct, yes.

9 MR. O'LEARY: All right. So that actually generates a
10 credit of about 4,700 in favour of the developer?

11 MR. SMITH: Correct, correct.

12 MR. O'LEARY: Correct. If you could scroll down a
13 little more, please. Then we see your work-site inspection
14 cost, which you need to incur because you want to make sure
15 that Canelco has built it correctly; right?

16 MR. SMITH: Correct.

17 MR. O'LEARY: So if you apply the credit to the
18 38,000, you get to the amount owed by the developer, which
19 I said earlier is 33,000. Is that fair?

20 MR. SMITH: Yes, yes.

21 MR. O'LEARY: So what -- so we know by 33,000 you have
22 used up all of the revenue support for the project;
23 correct? MR. SMITH: Yes.

24 MR. O'LEARY: So if you add any more costs to it, it
25 will increase the amount that is payable by the developer
26 equal to 100 percent of those additional costs; right?

27 MR. SMITH: Yes.

28 MR. O'LEARY: So if the Board concludes that \$400,000

1 is the amount that should be included for expansion costs,
2 because that's the amount the developer should pay rather
3 than the Hydro One ratepayers, it will mean that Mr. Spicer
4 and his company should be paying 433,000, rather than
5 33,000. Is that fair?

6 MR. SMITH: Well, I don't agree with your
7 characterization. That is a hypothetical.

8 MR. O'LEARY: But that is what would happen if the
9 Board says there should be some expansion costs added to
10 this.

11 MR. SMITH: If in our offer to connect we had included
12 \$400,000 extra for whatever reason, then, yes, Mr. Spicer
13 would have been paid that, because your earlier line was
14 correct that essentially, within 30 grand, that the revenue
15 support covers the cost.

16 MR. O'LEARY: Right. And if the Board was to conclude
17 that phase 7 was also going to benefit from the loop feed,
18 because the 400,000, as I understand in this estimate, is
19 only to provide a radial line out to phase 7 -- that
20 doesn't include any of the costs for the balance of the
21 line, the other five-and-a-half kilometres.

22 If there is an amount that is to be added for that,
23 that would also, 100 percent of it, if the Board viewed it
24 as expansion costs, be added to the amounts payable by the
25 developer?

26 MR. SMITH: No, because that would be an enhancement
27 of the necessary service. So, no, I wouldn't agree with
28 that. It is not necessary to provide that, so it would be

1 unfair to -- so that wouldn't be a cost that would be
2 attributable to the customer. The customer only requires
3 enough service to take electricity. He doesn't require a
4 loop feed. So our decision to do a loop feed in that case
5 for the extra five kilometres would definitely be an
6 enhancement.

7 MR. O'LEARY: So does Binbrook require a loop feed?

8 MR. SMITH: Yes.

9 MR. O'LEARY: Oh, it does, but phase 7 doesn't?

10 MR. SMITH: No, you didn't -- you didn't ask that.
11 You said, would it be included in the offer to connect --

12 MR. O'LEARY: No, I didn't -- you said it. You just
13 said that they didn't need a loop feed, and that's why you
14 wouldn't include those costs.

15 MR. SMITH: Binbrook gets service now on a radial
16 feed.

17 MR. O'LEARY: Yes, and the cost to provide a radial
18 feed to phase 7 is \$400,000.

19 MR. SMITH: Because of the significant growth in the
20 Binbrook area, it is now prudent for us to provide a loop
21 feed to provide better service. Most likely -- and I am
22 not an engineer so I won't testify to this, but most likely
23 we would find that phase 7 also requires a loop feed in
24 order to maintain reliable service, and we would likely
25 perform an enhancement in order to provide that.

26 But if we were doing an offer to connect on a
27 financial evaluation basis, no, absolutely not, we would
28 not include the cost of a loop feed in an offer to connect.

1 MR. O'LEARY: I am going to -- I think your answer is
2 self-evident.

3 I am going to ask a couple of questions about rates.
4 You have already advised me that the customers on Rymal and
5 Fletcher are R1, so it is a rural rate.

6 Let me understand what is the threshold to become an
7 urban rate. My understanding is - correct me if I'm
8 wrong - that you are required to have 3,000 customers, and
9 60 customers per kilometre; correct?

10 MS. O'SULLIVAN: That's correct.

11 MR. O'LEARY: All right. And have you adduced any
12 evidence in this proceeding which would allow you to apply
13 an urban rate to phase 7?

14 MS. O'SULLIVAN: As per our response - and I am trying
15 to find the IR - we have stated that there will be a new
16 urban cluster created. Sorry, I am just going to try to
17 find my reference there.

18 So it's the School Energy Coalition No. 11 and
19 attachment 1, page 1. Sorry, are you there?

20 MR. O'LEARY: Yes, I am.

21 MS. O'SULLIVAN: Okay. So basically there will be a
22 new urban cluster created from Fletcher to Highway 56, down
23 Highway 56 to Binbrook. That meets our conditions of
24 service for the urban rate class.

25 MR. O'LEARY: And is there any other evidence that
26 supports the change to an urban rate for the ratepayers?

27 MS. O'SULLIVAN: That was the only IR that we
28 responded to in that regard.

1 MR. O'LEARY: All right. In fact, Board Staff had
2 asked you for some information about density and you didn't
3 provide any detailed density studies or any other evidence
4 to indicate that you met the threshold of 3,000 customers
5 or 60 per kilometre, did you?

6 MS. O'SULLIVAN: Can you take me to that IR so I can
7 read the wording of that question, please?

8 MR. O'LEARY: Yes. Board Staff 6(c), and it is at tab
9 17 of the compendium that I provided this morning. I will
10 read the question:

11 "Please describe the density of Hydro One's
12 distribution system in the areas adjacent to all
13 the proposed amendment areas listed in the
14 Application and provide a comparison to the
15 density of Horizon's ..."

16 The response on the next page is:

17 "Hydro One does not have access or knowledge of
18 any density studies undertaken in Horizon Service
19 area, so comparison is difficult; however, as the
20 density in the area increases with the addition
21 of subdivisions ... Hydro One plans to introduce
22 a new urban cluster ..."

23 And it is talking about going down Rymal Road. Again,
24 you haven't produced any evidence. You said your intention
25 is to create an urban cluster. You have a map that doesn't
26 have any distances on it, doesn't state how many customers
27 per kilometre.

28 You haven't introduced any evidence to say you are

1 over the 3,000 threshold. So on what basis does the Board
2 have to accept that you are entitled to apply the urban
3 rate to the phase 7 customers?

4 MS. O'SULLIVAN: So the evidence that they have is
5 taking us for our word that we have done the density study
6 and that it qualifies for an urban rate class. I really
7 didn't take these questions to mean that they were looking
8 for anything more descriptive or anything more to prove
9 that.

10 If they're going to not believe our word, that's a
11 different situation, but we haven't heard that from the
12 Board. So I expected that our response was adequate.

13 MS. SPOEL: Ms. O'Sullivan, before you move on, I just
14 want to clarify. You said that the cluster would be from
15 Fletcher Road down Highway 56. When I look at the map,
16 Fletcher Road appears to be parallel to Highway 56. Did
17 you mean to say along Rymal Road from Fletcher Road to
18 Highway 56, and then down Highway 56 to Binbrook?

19 MS. O'SULLIVAN: Sorry, yes, I did mean to say that,
20 and that is the wording in the IR.

21 MS. SPOEL: I just wanted to clarify, because it
22 didn't quite make sense when I looked at the map.

23 MS. O'SULLIVAN: Sorry about that.

24 MR. O'LEARY: You may not have understood that that
25 was an issue in the proceeding, but I would appreciate an
26 undertaking. I would like you to advise of the specific
27 number of customers that exist on Highway 56 from Rymal
28 Road down to the boundary of Binbrook and the exact

1 distance. Could I get that as an undertaking, please?

2 MR. ENGELBERG: We will provide that undertaking.

3 MR. O'LEARY: Because, Ms. O'Sullivan, if you turn to
4 the next page --

5 MS. HELT: Just a moment, Mr. Engelberg. We will mark
6 that or note that as undertaking J2.1.

7 **UNDERTAKING NO. J2.1: TO ADVISE OF SPECIFIC NUMBER OF**
8 **CUSTOMERS THAT EXIST ON HIGHWAY 56 FROM RYMAL ROAD**
9 **DOWN TO BOUNDARY OF BINBROOK AND THE EXACT DISTANCE.**

10 MS. O'SULLIVAN: I'm sorry, can you repeat the details
11 you were looking for? I guess they will be in the
12 transcript.

13 MR. O'LEARY: The number of customers that are served
14 off of Highway 56 between its intersection with Rymal Road
15 and the boundary of Binbrook, and the distance, the precise
16 distance, over which you are counting those customers.

17 MS. O'SULLIVAN: And I have closed my book, so if you
18 are referring to another one, if you would please remind me
19 where you are?

20 MR. O'LEARY: I am going to go very quickly to tab 18,
21 a question about the rates for parts I, II and III. On the
22 very next page is another question about rates.

23 And your response was, in the second sentence at
24 Interrogatory No. 3:

25 "The residential customers in the affected area
26 are generally expected to be billed as UR
27 customers."

28 The next interrogatory, you say Hydro One assumed -

1 this is for the purposes of your offer to connect - that
2 the 286 residential customers would be UR customers.

3 Do you agree with me that that is quite equivocal
4 language? You are not saying they will be. You're saying
5 maybe they will be?

6 MR. SMITH: No, assumed in respect to a financial
7 analysis is one of the assumptions that was used in the
8 spreadsheet. It's not to mean an equivocal assume. It was
9 an assumption used in the sheet.

10 MR. O'LEARY: So those homeowners that buy a house in
11 2013 will be -- if you are successful in opposing the
12 service area amendment application, will be applied which
13 rate? The same rate as the Fletcher Road customers or the
14 urban rate?

15 MR. SMITH: They will be UR.

16 MR. O'LEARY: Even though their neighbours are R1?

17 MS. O'SULLIVAN: Sorry. Yes, that is the circumstance
18 all over the province where we have differing rate classes.

19 MR. O'LEARY: All right. Perhaps in your undertaking
20 response you could also advise me how you get over the
21 3,000 customer threshold, as well. Can you add that to the
22 undertaking?

23 And if it is by adding Binbrook to the service area
24 amendment lands, please confirm that is the case.

25 MS. O'SULLIVAN: Yes.

26 MR. O'LEARY: All right. Am I correct in my
27 understanding that when it comes to determining urban
28 rates, that Hydro One as a matter of policy generally looks

1 at only areas that are contiguous to determine whether or
2 not they're part of an urban cluster? Hasn't that been
3 Hydro One's policy?

4 MR. SMITH: Contiguous from a utility perspective, not
5 from a municipal perspective, necessarily.

6 MR. O'LEARY: So what does that mean? You could
7 have --

8 MR. SMITH: Well, that municipal boundaries aren't the
9 guiding -- you know, that doesn't direct us in terms of how
10 we create rates.

11 MR. O'LEARY: So if you have a small community ten
12 miles away from another, you add the two of them together,
13 and they're entitled to urban rates even though they're on
14 the same circuit?

15 MR. SMITH: It's a hypothetical, potentially, yes.

16 MR. O'LEARY: All right. If I could then turn you to
17 the several offers to connect that you have done to -- or
18 connection proposals to the high school which were filed in
19 evidence?

20 They're in your prefiled evidence. Let's to the
21 Horizon one first. It is under part IV.

22 MS. CONBOY: Are these also in what you provided us
23 this morning, Mr. O'Leary?

24 MR. O'LEARY: Unfortunately, I didn't get those. My
25 apologies.

26 MS. CONBOY: That's fine. I just didn't want to spend
27 time looking for it.

28 MR. O'LEARY: It's under the tab attachments, part IV.

1 MS. O'SULLIVAN: Sorry, can you refresh what version
2 of your SAA application or amendments thereof you're
3 looking at?

4 MR. O'LEARY: It's the October filing, and it included
5 the evidence, including, at that time, the November 25th,
6 2012 connection proposal.

7 MR. SMITH: August 10th, you said, sorry?

8 MR. O'LEARY: Sorry, did I say August? I meant to say
9 November 25th. The filing was October. It is the October
10 24th.

11 MR. SMITH: Is it on the screen?

12 MR. O'LEARY: It's not on the screen. It is one of
13 those.

14 MR. SMITH: Oh, the school?

15 MR. O'LEARY: Yes.

16 MS. CONBOY: Could you hold it up for me too, please,
17 Mr. O'Leary? Thank you.

18 MR. SMITH: Found it.

19 MR. O'LEARY: Great. So we've got the connection
20 proposal of November 25th, 2012. The reason why I am
21 calling it that, in fairness, is because you haven't done
22 an economic evaluation; correct?

23 MR. SMITH: On the school?

24 MR. O'LEARY: Yes.

25 MR. SMITH: Correct.

26 MR. O'LEARY: You did not.

27 MR. SMITH: We didn't do, like, an Appendix B offer to
28 connect, right.

1 MR. O'LEARY: Yes. What we have and the one you did
2 in December, that's it. So there is no economic evaluation
3 that's done under the Distribution System Code.

4 MR. SMITH: Correct. The cost is about \$5,000, yes.

5 MR. O'LEARY: All right. So I am looking at this.
6 The title, it says "NCON 347/600". And under that it says
7 "rate class UGD". Which rate class is that one?

8 MR. SMITH: Sorry, I thought I had the sheet.
9 Which... Oh, okay. Oh, the big title. UGD, that would be
10 urban general service demand.

11 MR. O'LEARY: All right. And is that a different rate
12 than the --

13 MR. SMITH: That was an error.

14 MR. O'LEARY: That was an error.

15 MR. SMITH: That's why we resubmitted the December 1
16 with the correct rate in it.

17 MR. O'LEARY: Oh, I see. The December 1 has the sub-
18 transmission rate.

19 MR. SMITH: Right.

20 MR. O'LEARY: You are not saying that, in fact, this
21 was something that could have been used by the school to
22 rely upon and accept as a UGD, urban general service
23 customer?

24 MR. SMITH: We filed the corrected version in
25 December.

26 MR. O'LEARY: All right. And back to my questions
27 about the evidence of your entitlement to use the urban
28 rate here. In fact, if the Board should determine that

1 there isn't evidence that supports using an urban rate, you
2 would actually have to use the rural general service rate
3 for this offering, would you not?

4 MR. SMITH: The school -- we said before and we've
5 said in IR response, our threshold before becoming a sub-
6 transmission customer is 500 kilowatts. The school would
7 be significantly over that. In fact, the average will be
8 approximately 1,100. It is not even close. They are a
9 sub-transmission customer. We apologize for the error that
10 was posted in the early offer to connect, but we corrected
11 that error. So I am not sure what else to tell you.

12 MR. O'LEARY: All right. Moving quickly to stranded
13 assets, just to hopefully deal with it in one question. As
14 I interpret matters, you are not providing service
15 currently to part I, to part IV, or to part V, so there
16 would be no stranded assets; right? Part I is phase 7. It
17 is not built yet. So there wouldn't have been any stranded
18 assets.

19 MS. O'SULLIVAN: The stranded assets that we put in
20 our IR was clearly stated, that they were in regards to
21 part III of the application, if that is where you're going.

22 MR. O'LEARY: Yes. So that's right. So -- and I can
23 limit it right here. You said there is no stranded assets
24 for part II. The only stranded assets are part III, and
25 they total about \$15,000; right?

26 MR. SMITH: Subject to check, I believe, yes, that
27 matches what the IR said.

28 MR. O'LEARY: Great. Let me move on to part II, the

1 Fletcher Road properties, and ask you to -- and I doubt
2 that you knew this was coming -- go to tab 20 of the
3 compendium. This is an e-mail from Hydro One to Richard
4 Bassindale at Horizon Utilities dated September 26th, 2012,
5 and it states:

6 "Richard, we would like to move forward as soon
7 as possible with Horizon regarding the taking
8 over of the three customers on Fletcher Road
9 which Horizon has previously agreed to do.
10 Ideally, once a project gets going, the speediest
11 way forward is for the field people to talk
12 directly and keep us cc'd on any correspondence.
13 Can you provide the name of the contact Tammy
14 should talk to at Horizon, possibly Jamie
15 Gribbon, to get this process started, or should
16 we continue to correspond through you?"

17 And I see, Ms. O'Sullivan, you were copied on this;
18 correct?

19 MS. O'SULLIVAN: Yes, I was.

20 MR. O'LEARY: And did Mr. Davidson do something he
21 shouldn't have?

22 MS. O'SULLIVAN: In regards to...

23 MR. O'LEARY: Well, did he step out of his
24 authorization to request that Horizon take over the three
25 customers?

26 MS. O'SULLIVAN: If you are asking if he should have
27 sent this e-mail, no, he did not step out of his bounds.

28 MR. O'LEARY: No, he was doing it because he felt it

1 was an appropriate thing to do. There are three customers
2 that are embedded in Horizon's service territory, and you
3 had to remove the poles or the developer had to remove the
4 poles along Fletcher Road. Horizon's already there. It
5 made sense to connect these three customers; right?

6 MS. O'SULLIVAN: We wished to engage Horizon in
7 discussions regarding these three customers, yes.

8 MR. O'LEARY: And so did you get a response back?

9 MS. O'SULLIVAN: On or about October 22nd was the
10 first time I actually spoke with Jamie Gribbon of Horizon,
11 whereby he informed me that Horizon was continuing with the
12 service area amendment for Summit Park, would be adding
13 these three customers in, in addition to the school, in
14 addition to some other unknown scope that he was not
15 willing to share with me at the time.

16 So given that it was a very unknown circumstance that
17 they were going forward with, and they were not willing to
18 sit down and discuss the three customers separately, I
19 wasn't able to continue with those approvals of the three
20 customers outside of this larger unknown service area
21 amendment to us, and he wasn't willing to discuss it
22 without applying the service area amendments already.

23 MR. O'LEARY: I'm sorry, Ms. O'Sullivan. You have
24 been contacted and you have been informed that they're
25 actually going to do what Mr. Davidson has asked Horizon
26 Utilities to do, which is to transfer these customers.
27 They have told you that they're going to include it in a
28 service area amendment application. Why wouldn't you say

1 that's great? We can fight about all the rest, but why
2 wouldn't you at least say, Let's deal with those and put
3 them aside?

4 MS. O'SULLIVAN: I asked him to let's deal with those,
5 and he wasn't willing to sit down and talk to those, nor
6 share with me the scope of the larger service area
7 amendment. And in the realm of the service area amendment,
8 it may no longer make sense to dispose of those three
9 customers separately. So I wasn't able to move forward
10 with any valid negotiations under those circumstances.

11 MR. O'LEARY: So you rescinded your request that
12 Horizon transfer; is that right?

13 MS. O'SULLIVAN: I advised that I would have to wait
14 and see, obviously, what the service area amendment would
15 bring, and that we would have to deal with it all together
16 under these circumstances, yes.

17 MR. O'LEARY: All right. Well, then I have to ask
18 you. What is it about the balance of the service area
19 amendment applications which would now suggest that you
20 should continue to serve these three customers?

21 MS. O'SULLIVAN: Without prejudice to this hearing,
22 Hydro One has always been willing to sit down and discuss
23 the three customers, but I am not able to answer that
24 question.

25 MR. O'LEARY: Well, we're here today, and the Board
26 would like to know, frankly, why you didn't continue to
27 consent; and secondly, if you are not prepared to consent
28 today, how you are proposing to serve these customers. Are

1 you going to build underground lines across Fletcher Road
2 to these three customers?

3 MR. STEVENS: Maybe I would just divide that question
4 into two. The first question was, would we would be
5 willing to have a discussion. Absolutely. I mentioned in
6 my evidence that we'd had no commercial discussion
7 whatsoever.

8 From my point of view, this is a divestiture of
9 customers. And you normally do that on commercial terms,
10 not through a service area amendment, and we just never got
11 to that conversation whatsoever. I think that is what Mr.
12 Davidson was encouraging, was to get that conversation
13 going.

14 MR. O'LEARY: So, Mr. Stevens, you're saying that if
15 commercial terms are acceptable to you, you would consent
16 to the transfer of these three customers; correct?

17 MR. STEVENS: Under proper commercial terms, we would
18 look at it, sure.

19 MR. O'LEARY: What are the commercial terms you are
20 suggesting are appropriate?

21 MR. STEVENS: We would need to look at the price and
22 value of the customers.

23 MR. O'LEARY: You want to be paid out for the lost
24 revenues; right?

25 MR. STEVENS: The lost revenues and any assets that
26 were stranded, that type of thing.

27 MR. O'LEARY: Anything else?

28 MR. STEVENS: I haven't done the calculations.

1 MR. O'LEARY: We know there are no stranded assets,
2 because your evidence says there are none. So it is only
3 the amount you want for the future revenue stream for these
4 three customers?

5 MR. STEVENS: I wouldn't agree that our evidence
6 doesn't say there is any.

7 When I gave my evidence earlier in direct, I said
8 stranded includes many things. Maybe locally, but, you
9 know, we have them on a customer information system. We
10 have them in our management system. We have these
11 customers as part of our load forecast supporting an
12 investment in Nebo TS, et cetera, et cetera.

13 So I wouldn't say it would be zero.

14 MR. O'LEARY: How much?

15 MR. STEVENS: As I said, we didn't get into those
16 types of commercial discussions, so we have never
17 calculated a price.

18 MR. O'LEARY: Obviously we're not seeing eye to eye
19 here. Perhaps it is appropriate to put on the table: What
20 is the amount that Hydro One is looking for from Horizon to
21 take over these three customers?

22 MR. STEVENS: I don't know.

23 MR. O'LEARY: Let's get it in an undertaking.

24 MR. ENGELBERG: Can we move on here?

25 MS. CONBOY: Yes, let's move on, Mr. O'Leary.

26 MR. O'LEARY: If I could ask you now, then, to turn to
27 tab 22 on the compendium of Horizon Utilities?

28 This is part of your prefiled evidence at page 10.

1 Under allegation (a), it refers to part III, so we are
2 dealing with the Rymal Road houses now. The first sentence
3 states:

4 "The cost for HONI to retain the existing
5 customers is \$0 ..."

6 That's not true, is it? You are actually connecting
7 them to this new 27.6 line you're building through, and
8 there is a cost to that, isn't there?

9 [Witness panel confers]

10 MR. STEVENS: As I understand, the cost is actually
11 20,000.

12 MR. O'LEARY: So it was just a mistake in your
13 evidence?

14 MR. STEVENS: Fair enough.

15 MR. O'LEARY: All right.

16 And if we could go to the very next page -- sorry, the
17 page after that is an interrogatory, 53. Your answer at
18 line (b) indicates the number that I think you just gave
19 us, all right?

20 It was the evidence of Kathy Lerette last week that in
21 her view that could not be the fully loaded cost to serve
22 the ten or so customers along Rymal Road.

23 Is that the fully loaded cost to include labour,
24 material, wires, conductor, insulators, everything else
25 that is required to connect these customers to the new 27.6
26 line?

27 MR. ZERDIN: Yes, those are our fully loaded costs.

28 MR. O'LEARY: It is? Can I ask you, then -- in

1 response to (c), where you say, Please refer to Hydro One
2 IR 62, and if you go to the next page, that is 62.

3 You have referred us there for some reason, and it is
4 a question about upstream expansion. Your answer is,
5 again, as an "Enhancement project", and this is the last
6 sentence of your response: "None of the costs are
7 attributable to Summit Park... or the new school."

8 That suggests to me that in fact you are including in
9 your enhancement costs some of the costs to connect these
10 houses. Isn't that why you referred us to 62?

11 MR. ZERDIN: Yes. That is part of the enhancement
12 project cost.

13 MR. O'LEARY: So there are some costs in the
14 enhancement project which include costs to connect the
15 houses?

16 MR. ZERDIN: That's part of the voltage conversion, so
17 it is part of the enhancement project.

18 MR. O'LEARY: So how much more than \$20,000 is the
19 cost to connect these houses, if we included all of those
20 costs?

21 MR. ZERDIN: It is \$20,000 is what is the cost to
22 connect these customers as part of the Binbrook project.

23 MR. O'LEARY: Well, we have trouble with that.

24 Quickly dealing with the school again, my
25 understanding is that you have not done an economic
26 evaluation under the Distribution System Code, because the
27 school is treated as a building that "lies along"; correct?

28 MR. SMITH: Yes, that's correct.

1 MR. O'LEARY: Now, would you accept that the term
2 "lies along" does not actually appear anywhere in the
3 Distribution System Code?

4 MR. SMITH: Yes.

5 MR. O'LEARY: All right. In fact --

6 MR. SMITH: It appears in Hydro One policy.

7 MR. O'LEARY: Okay. Well, let's go one better than
8 that, shall we? Let's go to the Electricity Act, section
9 28, very short, and that is the obligation to serve
10 section. It states that:

11 "A distributor shall connect a building to a
12 distribution system if (a) the building lies
13 along any of the lines of the distributor's
14 distribution system."

15 So stop there. You had an 8.3 kV out front; right?

16 MR. SMITH: Yes.

17 MR. O'LEARY: So that's why you say it lies along your
18 line?

19 MR. SMITH: No.

20 MR. O'LEARY: No. Well, that is part of the answer,
21 isn't it?

22 MR. SMITH: No. It lies along the 27.6 line that will
23 be built by the end of this year.

24 MR. O'LEARY: Right now there is an 8.32 out front?

25 MR. SMITH: Correct.

26 MR. O'LEARY: And Horizon Utilities also has a line
27 along Rymal Road. Is it not fair to say that same building
28 lies along its line?

1 MR. SMITH: That would be my understanding, yes.

2 MR. O'LEARY: It's factually correct. So it is there.

3 MR. SMITH: Yes.

4 MR. O'LEARY: The section also says, and it is an
5 "and". So a distributor shall connect the building.

6 First of all, it is not a building yet. It is not
7 built yet. It is a high school. It is not habitable yet;
8 correct? It is not an existing habitable building?

9 MR. SMITH: The building is under construction, yes.

10 MR. O'LEARY: All right. The Electricity Act, section
11 28, states:

12 "A distributor shall connect the building if the
13 building lies along... and the owner of the
14 building requests the connection in writing."

15 Not only have you not been asked to connect. You have
16 been told that, in fact, the school board doesn't want you
17 to connect. So under the act, would you agree with me that
18 it is not a building that lies along?

19 MR. ENGELBERG: Madam Chair, I would suggest that the
20 witness is being asked for a legal interpretation.

21 In Hydro One's submission, service territory
22 boundaries, according to the licences, means something, and
23 the Electricity Act refers to a distributor in whose
24 licensed service territory the customer lies along.

25 So Mr. O'Leary and I can debate that in final
26 argument, but that is not for the witnesses to comment on.

27 MR. O'LEARY: Have you been asked to provide a
28 connection to the high school?

1 MR. SMITH: We were asked for an offer to connect.

2 MR. O'LEARY: Yes, a competing offer to connect. But
3 has the high school at any time indicated and asked you in
4 writing for a connection, a physical connection, and
5 service?

6 MR. SMITH: Well, in fact they erroneously asked
7 Horizon for a connection, which Horizon provided, but
8 Horizon admitted later they shouldn't have provided it.

9 I believe it was Ms. Lerette actually asked if we
10 could allow the temporary connection to remain while
11 construction was underway, and, yes, we agreed to allow
12 that temporary connection.

13 So they asked Horizon for a connection, but that was
14 an error, and Horizon acknowledges that was an error.
15 Subsequently they asked both parties, yes, for an offer to
16 connect.

17 MR. O'LEARY: Yes. But have they asked Hydro One for
18 a physical connection?

19 MR. SMITH: They have asked us both for an offer to
20 connect.

21 MR. O'LEARY: But they haven't asked you for
22 connection? Is it a difficult question?

23 MR. SMITH: I'm sorry, it is a legal --

24 MR. O'LEARY: It's not a legal. It's a question.
25 Have they in fact told you they don't want a connection?

26 MR. SMITH: I answered your question. They both asked
27 -- they asked us both for an offer to connect.

28 MR. O'LEARY: And have they asked for a physical

1 connection from Hydro One and service from Hydro One?

2 MR. SMITH: I mean, subject to reading the act, asking
3 for an offer to connect suggests an intention, potentially,
4 depending on the terms of the offer to connect submitted,
5 that they would be at least have some interest in asking
6 for -- subsequently for a physical connection.

7 MR. O'LEARY: It is a simple question, but obviously
8 you don't intend to answer it. Let me ask you this --

9 MR. SMITH: I'm sorry.

10 MS. CONBOY: I think to be fair, the witness is trying
11 to answer your question and he's tried to answer it a
12 number of different ways. It might not pass the legal test
13 of what you are looking for, and that can be argued. That
14 can be put forward in argument.

15 But from where I sit, he's trying to answer the
16 question, and let's move on, please.

17 MR. O'LEARY: All right. It has been -- the school
18 requested service from Horizon Utilities because it
19 believed it was its service area; correct?

20 MR. SMITH: Correct. The school was under the
21 impression, yes.

22 MR. O'LEARY: Yes. And the evidence last week was
23 that Horizon Utilities thought it was their service area;
24 correct?

25 MR. SMITH: It was an honest error, sure.

26 MR. O'LEARY: So you would agree with me that that is
27 a factual example of customer confusion.

28 MR. SMITH: Sure. Propagated by the utility, yes,

1 that agreed to connect them. I mean, it was the utility
2 that made the connection. They probably should have looked
3 before they did the connection.

4 But that's fine. We didn't interfere with that
5 connection. We worked -- we tried to work cooperatively
6 with the utility, and in order to allow the school board to
7 maintain their construction deadlines, so I think that was
8 an example of trying to work cooperatively.

9 MR. O'LEARY: That wasn't my question, but you
10 answered the confusion question.

11 Just getting back to the lies along, you've used the
12 lies along position as a reason why you didn't do an
13 economic evaluation for the connection to the school. And
14 I am going to suggest to you that lies along doesn't
15 determine whether or not you are required to do an economic
16 evaluation.

17 The test is whether or not you need to construct new
18 facilities. If you are required under the expansion
19 provisions of the Distribution System Code, you are
20 required to do an economic evaluation. Do you agree with
21 that?

22 MR. SMITH: The Distribution System Code, as I
23 understand, is the governing document that would determine
24 whether you need to include expansion costs.

25 MR. O'LEARY: So --

26 MR. SMITH: In 3.2 that section is what talks about
27 expansions.

28 MR. O'LEARY: So you will agree with me whether the

1 building was lying along or not is irrelevant. It is a
2 question of whether or not an expansion was required for
3 the school. And if it is determined that one is, you
4 should have done an economic evaluation; right?

5 MR. SMITH: Well, lying along, colloquially or
6 otherwise, indicates that no -- no expansion of
7 distribution plant is required. That is what a "lie along"
8 means, at least in our parlance.

9 MR. O'LEARY: Mr. Smith, if there was a 50-storey
10 residential condominium that was being built there and it
11 was going to be four megs, is that a "lie along" building?

12 MR. SMITH: It's a hypothetical, potentially, yes. If
13 that line had been built ten years ago, should we be
14 charging the school expansion costs for a line that was
15 built ten years ago?

16 MR. O'LEARY: And if it is a new "manufacturing
17 facility" that's ten megs, is that also a "lie along"?

18 MR. SMITH: Again, now you're getting into
19 hypotheticals that are well beyond the scope of the -- this
20 is a 1.1-meg facility. We have determined that it is a
21 "lie along" customer, that we don't need to expand our
22 distribution plant in order to serve it. Therefore, the
23 costs that we have included in our offer to connect are
24 those which are the primary and secondary connections with
25 respect to that specific line.

26 MR. O'LEARY: You didn't undertake the economic
27 evaluation because you are still calling it an enhancement;
28 right?

1 MR. SMITH: Because we're calling that customer a "lie
2 along".

3 MR. O'LEARY: But because the work and the connection
4 you are saying is an enhancement, whereas if it is an
5 expansion, you should have done an economic evaluation;
6 right?

7 MR. SMITH: Umm...

8 MR. O'LEARY: You just explained that is how you
9 interpreted the Distribution System Code.

10 MR. SMITH: It was a "lie along" because the 27.6 line
11 is there. It will be by the end of the year. Actually, it
12 will be in time to service the customer, hopefully, if we
13 can get through the hearing.

14 MR. O'LEARY: I may just have a couple more questions.
15 We are trying to move it forward.

16 MS. CONBOY: Thank you.

17 MR. O'LEARY: I want you, if you can, think
18 hypothetically. And it should be a straightforward
19 hypothetical question. But let's assume in this
20 hypothetical world that all of these lands are in the
21 service area of one utility, okay? So let's pretend it is
22 all Hydro One. And so Hydro One has built out all of the
23 lands above to the north of Rymal Road. It has all of the
24 assets in place that we've heard from Horizon Utilities
25 which are capable of serving these lands, which are the
26 service area amendment lands, so it's got the 27.6 running
27 along the north side of Rymal Road. It has the capability
28 to provide a connection from properties immediately

1 contiguous to phase 7 and right to the school. It has a
2 loop-feed capacity already there already. And it's all one
3 utility.

4 Would you agree with me that good planning principles,
5 you would not then -- since you have control over all of
6 this, you would not then run another circuit down the south
7 side of Rymal Road?

8 MR. STEVENS: That's a heck of a hypothetical, and
9 it's not relevant, because we have already built existing
10 facilities along Rymal and down 56 to a 27.6 kV standard.
11 So in all likelihood we would probably still do that.

12 MR. O'LEARY: You're saying that even though this area
13 could all be served by those assets, that you're going to
14 go 14 kilometres when you could have gone six to provide
15 the loop feed to Binbrook? And that's good utility
16 planning?

17 MR. STEVENS: So good utility planning would say that
18 I would need to understand all the facts, and I don't. I
19 don't know what growth is going on to the north -- let me
20 see if I get my directions correct this time -- to the
21 north in my other hypothetical area. So I have no way to
22 sit here today without having all the facts to determine
23 what I would do.

24 All I'm saying is the facts are, years ago, decades
25 ago, we had the forethought to put in facilities to a 27.6
26 kV standard, knowing full well at that time that at some
27 point we would need to serve down into that area. That is
28 the fact.

1 MR. O'LEARY: I asked you --

2 MR. ENGELBERG: Madam Chair, this is a really
3 unhelpful hypothetical, in my submission. If this were all
4 one service territory, if we didn't have 88 LDCs in
5 Ontario...

6 MS. CONBOY: Let's stick with what Hydro One has done,
7 in terms of looking at their options, which ended up
8 leading to what they are proposing to construct, and move
9 forward from there, please. We can debate their practices
10 or comment on what their practices are in argument.

11 MR. O'LEARY: If I could turn you to tab 24 in the
12 compendium.

13 MS. O'SULLIVAN: We don't have a 24, but...

14 MR. O'LEARY: 23, sorry. You know, I have 24 in my
15 notes, and we have changed --

16 MS. CONBOY: I was going to say, you're really done
17 when you're hitting 24, Mr. O'Leary.

18 [Laughter]

19 MS. O'SULLIVAN: I was hopeful.

20 MR. O'LEARY: The question was:

21 "In the event that parts I and IV of the service
22 area amendment application are granted by the
23 Board, does Hydro One accept that it would make
24 no practical sense to build the proposed 27.6
25 Rymal Road circuit to serve the lands included in
26 part V?"

27 And we said:

28 "If you disagree, please provide a detailed

1 explanation."

2 Your answer was:

3 "Hydro One does not agree with the assertions
4 above as stated in numerous interrogatories and
5 the Appendixes A and B, which is the planning
6 documents. The construction of the Binbrook loop
7 will occur along the proposed route regardless of
8 the outcome of this application."

9 So can I stop you there? Does that mean that if the
10 Board grants all five parts to the application Hydro One
11 will build this line down Rymal Road east through Horizon's
12 service territory, no matter what?

13 MR. STEVENS: We are going to -- as per our evidence,
14 we will build that line, because it is required down to
15 Binbrook to provide a loop feed.

16 MR. O'LEARY: All right. And if the Board grants all
17 five parts to the application, that means that you will not
18 have any customers between its connection between the M11
19 and Swayze Road; is that right?

20 MR. STEVENS: Well, we have Elfrida.

21 MR. O'LEARY: That's Swayze Road.

22 MR. STEVENS: Yes.

23 MR. O'LEARY: So --

24 MR. STEVENS: So we have those customers. We also
25 have the Red Hill customers. That is all part of this
26 larger project.

27 MR. O'LEARY: Red Hill is over here; right?

28 MR. STEVENS: Right.

1 MR. O'LEARY: All right. So what you're telling me is
2 that if the Board grants all five --

3 MR. STEVENS: And M11 is right there.

4 MR. O'LEARY: -- you're going to build it out right
5 over to Swayze Road, three-and-a-half kilometres, and you
6 won't have one customer along it?

7 MR. STEVENS: That's correct.

8 MR. O'LEARY: All right.

9 MR. STEVENS: And in my evidence I stated the reason
10 for that. It is the lowest cost, less economic -- sorry,
11 lowest cost, less environmentally impact of -- less
12 forestry. We have 27.6 kV standards on Highway 56. We
13 provided the same answer many times.

14 MS. CONBOY: Thank you, Mr. Stevens. We've got that.

15 MR. O'LEARY: Those are our questions, Madam Chair.
16 Sorry for taking so long.

17 MS. CONBOY: Thank you very much, Mr. O'Leary.

18 Mr. Shepherd?

19 **CROSS-EXAMINATION BY MR. SHEPHERD:**

20 MR. SHEPHERD: My microphone is ready to go home. It
21 doesn't want to come on.

22 Madam Chair, I have about 30 minutes. Do we need to
23 have a short break for the court reporter, or should I
24 press on?

25 MS. CONBOY: I think the court reporter is not the
26 only one that needs a short break, so we will break, but
27 let's try and just break for 15 minutes. And it is 25
28 after 4:00, so we will come in at 20 to.

1 --- Recess taken at 4:25 p.m.

2 --- On resuming at 4:43 p.m.

3 MS. CONBOY: Please be seated.

4 Mr. Shepherd.

5 **CROSS-EXAMINATION BY MR. SHEPHERD:**

6 MR. SHEPHERD: Thank you, Madam Chair. I have taken
7 all of my trick questions out of my cross so that I can
8 speed it up.

9 MS. CONBOY: I am sure the panel will be disappointed.

10 [Laughter]

11 MR. O'LEARY: So am I.

12 [Laughter]

13 MR. SHEPHERD: I want to start with a sort of --
14 understand the context from the customer point of view.

15 When new customers are being connected, there is two
16 categories of costs; right? There is upfront costs, some
17 of which are paid to you or paid by you or paid to you as a
18 contribution, and some of which are paid by the customer
19 and some of which are contestable and can be paid by
20 either.

21 Then there is ongoing costs, the rates they have to
22 pay to you, and they're ongoing costs associated with the
23 service itself, right, their internal costs? There is
24 those categories; correct?

25 MR. STEVENS: Yes. So I think what you're
26 categorizing is an upfront contributed capital based on
27 some shortfall of future revenue and costs, and then the
28 other group is just the ongoing tariff schedule that would

1 be applicable.

2 MR. SHEPHERD: Well, and they also have their internal
3 costs on both sides. So, for example, in your case, with
4 an ST customer, they have a transformer to buy, right, that
5 sort of thing?

6 MR. STEVENS: Is it customer would -- yeah, I would
7 say, that's -- okay, fair enough.

8 MR. SHEPHERD: Okay. So in a case like this, when you
9 are dealing with a developer, they pay those first costs,
10 the upfront costs, right, but they don't actually pay the
11 ongoing costs, because they sell the properties to somebody
12 else who pays the ongoing costs; right?

13 MR. STEVENS: The future customers pay based on the
14 applicable tariff.

15 MR. SHEPHERD: I guess the point is the comparison,
16 from the developer's point of view, is different than the
17 comparisons from the end use customer's point of view?

18 MR. STEVENS: I believe I'm agreeing with you.

19 MR. SHEPHERD: Okay, good. So in this particular
20 case, we've talked a little bit about one school, but I
21 wonder if you could turn up this urban Hamilton Official
22 Plan, Rymal Road secondary plan, which you talked about
23 first thing this morning.

24 MR. STEVENS: Can you help me with the reference?

25 MR. SHEPHERD: Well, I didn't actually get a reference
26 this morning, but that's what it looks like.

27 MR. STEVENS: I made the mistake of not actually
28 pulling it out.

1 MR. SHEPHERD: It was referred to earlier. It is in
2 the updated evidence, I think, in the maps section.

3 MR. STEVENS: We have it.

4 MR. SHEPHERD: You have it? Does the Panel have it?

5 MS. CONBOY: We're hoping that Ms. Zhang will be able
6 to get it up on the screen for us.

7 MR. STEVENS: We have it. We have a black and white
8 version that we will...

9 MR. SHEPHERD: I won't refer to any colours, then.

10 MR. STEVENS: Thank you.

11 MS. CONBOY: We looked this morning and we couldn't
12 find it in our binders, which is why I am dependent on
13 having it coming up on the screen.

14 MR. SHEPHERD: It's that one. That's it.

15 MS. CONBOY: Sure. That would be great, Mr. O'Leary.
16 Thank you.

17 [Mr. O'Leary passes to Panel members]

18 MS. SPOEL: It is on the screen now. Great.

19 MS. CONBOY: I am still happy to have it, though, if
20 you don't mind.

21 MR. O'LEARY: Not at all.

22 MS. CONBOY: Thank you.

23 MR. SHEPHERD: Excellent.

24 So this area outlined is the area we're sort of
25 talking about here; right? Some of it has already been
26 dealt with in prior applications, but all of the lands
27 we're talking about right today are within this flat
28 bounded area; right?

1 MR. STEVENS: That's correct.

2 MR. SHEPHERD: Okay. And so we have -- on the top
3 left, we have Bishop Ryan School; right? That is part V --
4 part -- I'm lost. Part IV of this application?

5 MS. O'SULLIVAN: Yes, that's correct.

6 MR. SHEPHERD: And then we have -- you see in the
7 middle you see PES and SES. Those are elementary schools;
8 right?

9 MS. O'SULLIVAN: As part of Summit Park phase 7?

10 MR. SHEPHERD: That's right.

11 MS. O'SULLIVAN: That's correct.

12 MR. SHEPHERD: So my question was going to be: Those
13 two schools, if they're ever built -- and they're not built
14 yet; right?

15 MS. O'SULLIVAN: Not to my knowledge.

16 MR. SHEPHERD: They're just included in the official
17 plan as an assumption that schools will be needed?

18 MS. O'SULLIVAN: That's my understanding.

19 MR. SHEPHERD: Okay. And they will be surrounded by
20 Summit Park 7?

21 MS. O'SULLIVAN: That's my understanding, yes.

22 MR. SHEPHERD: So you would agree that whoever serves
23 Summit Park 7 should probably serve those schools?

24 MS. O'SULLIVAN: It likely follows, yes.

25 MR. SHEPHERD: Okay. By the way, Bishop Ryan up in
26 the far left, that's surrounded currently by Hydro One's
27 service territories; right?

28 MR. SMITH: By which, sorry?

1 MR. SHEPHERD: By Horizon's service territories.

2 MR. SMITH: I was about to agree with you. Yes,
3 notwithstanding the vacant land in the very corner.

4 MR. SHEPHERD: Understood.

5 MR. SMITH: Yes.

6 MR. SHEPHERD: The vacant land is actually your
7 service territory right now?

8 MR. SMITH: Correct.

9 MR. SHEPHERD: But the part IV, which includes vacant
10 land, is surrounded entirely by --

11 MR. SMITH: Yes, yes.

12 MR. SHEPHERD: -- Horizon; right? Then if you go over
13 to the right, you will see near Second Road, if you go to
14 the east of that, you will see another PES. That is an
15 elementary school; right?

16 MR. SMITH: On the plan, yes, yes.

17 MR. SHEPHERD: Yes. And a PS, that is a secondary
18 school, right, public secondary school?

19 MR. SMITH: I believe so, yes.

20 MR. SHEPHERD: These are in part V; right?

21 MR. SMITH: Yes.

22 MR. SHEPHERD: Which is the vacant lands?

23 MR. SMITH: That's correct.

24 MR. SHEPHERD: So I take it you will agree that
25 whoever serves the customers, the eventual customers in the
26 vacant lands, should probably serve those schools, too?

27 MR. SMITH: Most likely, yes.

28 MR. SHEPHERD: Okay. It is true, isn't it, that the -

1 MR. STEVENS: Excuse me just for a second. I think
2 the answer is a little premature. Again, we would have to
3 do the economic evaluation prior to conceding that.

4 MR. SHEPHERD: On the vacant land?

5 MR. STEVENS: Yes.

6 MR. SHEPHERD: You still agree that Summit part 7
7 (sic), if it ends up being Horizon, it wouldn't make much
8 sense for you to serve the two schools in that area?

9 MR. STEVENS: Is that part of Summit 7? I can't tell.

10 MR. SHEPHERD: It is part of the area.

11 MR. STEVENS: So it is all one in the same application
12 we're dealing with here, so that by determination of the
13 Board that would go one way or the other.

14 MR. SHEPHERD: That's not the question I am asking.

15 I am asking, from an operating point of view, from a
16 good planning point of view, if those two schools are
17 surrounded by Horizon customers, residential customers, it
18 makes sense that those two schools would be served by
19 Horizon, right, and similarly, if it's Hydro One?

20 MR. STEVENS: Until we did an economic evaluation, I
21 wouldn't want to conclude that prematurely, only because we
22 have assets in the area. We will have a 27.6 feeder in the
23 area, so I just can't conclude that right now.

24 MR. SHEPHERD: These five schools I have identified
25 here, they're -- only one of them is being built; right?
26 The other four are potentially being built; right?

27 MS. O'SULLIVAN: That's correct.

28 MR. SHEPHERD: To the best of your knowledge, none of

1 them have been announced or started?

2 MS. O'SULLIVAN: We have no knowledge of them being
3 started, no.

4 MR. SHEPHERD: Okay. Then can you go to the other
5 official plan map? It is the multi-coloured one. That's
6 the one. See?

7 And the area we're talking about is circled here. Do
8 you see that?

9 MS. O'SULLIVAN: Yes, that's correct.

10 MR. SHEPHERD: I'm right, am I not, that the area that
11 is currently under dispute is at the edge of the urban
12 growth of the City of Hamilton, and if you look at it from
13 the point of view of Hydro One, is actually adjacent to a
14 rural area; is that correct?

15 MR. STEVENS: I have the same issue as you have with
16 the mic.

17 Based on this map that was presented, I would agree,
18 but, you know, as you are well aware, we presented some
19 other maps that were of a provincial nature that had a bit
20 of a difference of opinion as to what was developable and
21 what was not.

22 MR. SHEPHERD: But there is nothing developed right
23 now south of these lands; right?

24 MR. STEVENS: Until you get down -- until you get down
25 into Binbrook and -- yeah.

26 MR. SHEPHERD: Yes, okay.

27 So then you've issued an offer to connect to the
28 Hamilton-Wentworth Catholic District School Board with

1 respect to Bishop Ryan; right?

2 MS. O'SULLIVAN: Yes, we have given an offer to
3 connect.

4 MR. SHEPHERD: And by the way, Bishop Ryan school, is
5 it built yet, or what is the status right now? How far
6 along is it?

7 MS. O'SULLIVAN: I couldn't state how far along it is
8 under construction, but I am -- my understanding is they
9 need energization in April of this year and it is opening
10 in September.

11 But I couldn't analyze how far along the construction
12 is.

13 MR. SHEPHERD: Has anybody on the panel actually seen
14 this school?

15 MS. O'SULLIVAN: I have driven past the school, but it
16 was last year.

17 MR. SHEPHERD: Okay. So does anybody know where it is
18 right now?

19 MR. SMITH: About a month ago I went by -- likewise, I
20 couldn't say the percentage of completion. The super-
21 structure certainly is built.

22 MR. SHEPHERD: Okay. So you were asked on September
23 27th for an offer to connect; right?

24 MS. O'SULLIVAN: That's correct.

25 MR. SHEPHERD: And about 62 days later you delivered
26 your first offer to connect on November 28th; is that
27 right?

28 MS. O'SULLIVAN: I'm sorry. I have to check the exact

1 dates, but subject to check, yes.

2 MR. SHEPHERD: Okay. And in that offer to connect you
3 assumed a UG rate?

4 MS. O'SULLIVAN: The UG rate class was used in that
5 offer, yes.

6 MR. SHEPHERD: Okay. And the basis for that was?

7 MS. O'SULLIVAN: I believe the ADET used the UG in
8 error. He should have used the ST.

9 MR. SHEPHERD: Okay. But it was never going to be UG;
10 right? It could be GS, or it could be GSD, or it could be
11 ST, but it couldn't be UG, could it?

12 MS. O'SULLIVAN: As per my previous evidence, we do
13 plan to create an urban cluster along that area, so it
14 would have been, but as per Mr. Smith's evidence, the
15 school will never be general service at all. It is a sub-
16 transmission customer.

17 MR. SHEPHERD: Okay. So then on December 14th you
18 filed a new -- provided a new offer to connect, assuming
19 the ST rate; right?

20 MS. O'SULLIVAN: That's correct.

21 MR. SHEPHERD: And that doesn't actually affect the
22 dollars on your offer to connect, does it?

23 MS. O'SULLIVAN: It does not.

24 MR. SHEPHERD: Because you didn't do an economic
25 evaluation, so the rate wouldn't matter; right?

26 MR. SMITH: Yes. The cost of connection is unaffected
27 by the rates tariff assumed.

28 MR. SHEPHERD: And so then the Hamilton-Wentworth

1 Catholic District School Board declined that offer; right?

2 MS. O'SULLIVAN: They did not sign the offer; that's
3 correct.

4 MR. SHEPHERD: Well, they've actually declined it;
5 right?

6 MS. O'SULLIVAN: They did send a letter saying they
7 did not want to sign the offer, yes.

8 MR. SHEPHERD: Okay. Let's go to the letter. This is
9 in -- this Exhibit K2.1 is the compendium of connection
10 offers and related materials. If you go to tab 5. Sorry,
11 B-5, B-5. My apologies.

12 MR. SMITH: I'm sorry, tab number again, sorry?

13 MR. SHEPHERD: B-5.

14 MR. SMITH: B-5?

15 MR. SHEPHERD: B-5. You have that?

16 MS. O'SULLIVAN: Sorry, whose compendium is that?

17 MR. SHEPHERD: This is Exhibit K2.1, Horizon Utilities
18 Corporation connection offers and related materials.

19 MS. O'SULLIVAN: Okay. Thank you.

20 MR. SMITH: B-5.

21 MR. SHEPHERD: Do you have that?

22 MR. SMITH: Yes.

23 MR. SHEPHERD: All right. And so on the second page
24 here, I am reading you:

25 "The board respectfully declines the Hydro One
26 offer."

27 Is that right?

28 MS. O'SULLIVAN: Yes, that's correct. That's what it

1 says.

2 MR. SHEPHERD: Okay. So you made an offer. The
3 school board said no; right?

4 MS. O'SULLIVAN: Correct.

5 MR. SHEPHERD: So it isn't that they weren't willing
6 to sign it. They said no. So there is actually no current
7 offer; right? Because they said, no, it is done.

8 MS. O'SULLIVAN: They've said no to the offer, yes.

9 MR. SHEPHERD: Okay. And I understand that what
10 you've said is -- in your evidence is, well, they don't
11 actually have their numbers right. They've got the wrong
12 number for a transformer. They haven't calculated their
13 expected rates correctly, et cetera; is that right?

14 MR. SMITH: Yes.

15 MR. SHEPHERD: So --

16 MR. SMITH: Well, by our estimation anyway, yes.

17 MR. SHEPHERD: And you've said, for example, that when
18 they're calculating the rates, they use the rates for St.
19 Matthew's elementary?

20 MR. SMITH: That's my understanding. I stand to be
21 corrected, but clearly the loads that were used in their --
22 in the NRG estimate of rates are much lower than those that
23 were provided to us by the school board for Bishop Ryan.

24 MR. SHEPHERD: And you think this is an elementary
25 school?

26 MR. SMITH: No, Bishop Ryan is a high school.

27 MR. SHEPHERD: St. Matthew's is an elementary school;
28 right?

1 MR. SMITH: In Binbrook, yes.

2 MR. SHEPHERD: Yes, and you think that the loads on
3 that table are from an elementary school.

4 MR. SMITH: That's what I was told.

5 MR. SHEPHERD: Okay. So I am going to put it to you
6 that --

7 MR. SMITH: I could be corrected. Like, I'm not
8 saying that -- my point is that those loads were much, much
9 lower. Anecdotally, I understood there was St. Matthew's.
10 If it's another school, then I'm prepared to -- am fully
11 prepared to be -- stand corrected.

12 MR. SHEPHERD: Well, no, I am asking a higher-level
13 question.

14 MR. SMITH: Okay.

15 MR. SHEPHERD: You see, elementary schools are a lot
16 lower than -- a lot smaller than high schools, and --

17 MR. SMITH: Correct. St. Matthew's is 440 students,
18 yes.

19 MR. SHEPHERD: It is actually 600, but we don't need
20 to quibble. But Hydro One has provided to the School
21 Energy Coalition a couple of years ago a list of all Hydro
22 One schools. It is like 1,000 of them or something.

23 And you know that there is no elementary schools over
24 250 kilowatts? Does that sound about right to you?

25 MR. SMITH: I couldn't confirm or deny it, but I will
26 take your word for it.

27 MR. SHEPHERD: And so these numbers of 500, 600
28 kilowatts, that couldn't be an elementary school, could it?

1 MR. SMITH: Then I stand corrected.

2 MR. SHEPHERD: All right. So they didn't get that
3 wrong, did they?

4 MR. SMITH: My point once again was the loads that
5 were used in the NRG rate estimate are significantly lower
6 than those that were provided to us by the school board for
7 Bishop Ryan.

8 MR. SHEPHERD: All right.

9 MR. SMITH: That was my point. Anecdotally, I
10 understood it was St. Matthews. If it wasn't, then I
11 apologize for any confusion, and I stand corrected.

12 MR. SHEPHERD: And you've -- you've said that -- your
13 assumption, I assume, is that they're not -- they're not
14 able to make an appropriate -- a proper assessment of which
15 is the best offer for them. Is that your evidence?
16 They're not competent to do that?

17 MR. SMITH: No, no, no. I said nothing as to their
18 competency on whether they are able to make an offer that
19 is most beneficial to them. All I wanted to point out was
20 that some of the assumptions that went into the
21 consultant's estimate of the rates were clearly
22 significantly different from the information that was
23 provided to us by the school board.

24 MR. SHEPHERD: Well --

25 MR. SMITH: That was my only point. I wasn't, you
26 know, challenging the competency of the school board.

27 MR. SHEPHERD: Well, all right. So Mr. Morrissey, who
28 is in the room, wrote this letter.

1 MR. SMITH: Yes.

2 MR. SHEPHERD: And if you go to page 2, he says that:

3 "If they dip below 500 kilowatts, it will cost
4 almost \$2 million more for the school to be
5 connected to Hydro One."

6 Do you think that that number is wrong?

7 MR. SMITH: Honestly, I haven't made those
8 calculations over a 30-year life. I couldn't confirm or
9 deny that \$2 million figure.

10 MR. SHEPHERD: So you have no evidence that that
11 number is incorrect?

12 MR. SMITH: Yes, likewise. Correct or incorrect, no.
13 I haven't done that calculation.

14 MR. SHEPHERD: The letter also complains about the
15 problem of security if they own their own transformer.
16 Can you explain what that problem is? They're not the
17 first people to have this problem; right?

18 MR. SMITH: I'm sorry, which paragraph are you
19 referring to?

20 MR. SHEPHERD: "Note: The board will own the 1,500 kV
21 transformer", et cetera, et cetera.

22 MR. SMITH: Is that on the same page?

23 MR. SHEPHERD: It's on the first page.

24 MR. SMITH: Oh, on the first page. Sorry.

25 MR. SHEPHERD: So this is a normal problem when you
26 own your own transformer; right? It is not news.

27 MR. SMITH: If they chose to purchase the transformer
28 themselves. My understanding is there are services that

1 one could avail themselves of to buy turnkey transformers
2 and maintenance.

3 I couldn't testify as to the costs or anything else of
4 those, but, if the school board chose to unilaterally buy
5 their own transformer, then, yes, they would have the
6 potential for down time if they chose not to buy a spare.

7 MR. SHEPHERD: It's -- so when you said that they had
8 their number wrong, you didn't assume that they were going
9 to buy a spare; right?

10 MR. SMITH: Right. The number that we provided was
11 based on the installed cost of the transformer, again,
12 approximately 50,000, which, as we discussed, is very
13 similar to the Horizon offer from a cost perspective. And,
14 no, that doesn't anticipate an additional spare.

15 MR. SHEPHERD: And that's a utility cost by the way;
16 right?

17 MR. SMITH: Right. And admittedly, we probably have
18 better buying power than them, so you could probably -- if
19 they went by themselves you would probably add something,
20 but it wouldn't be 129,000.

21 MR. SHEPHERD: And you said if they chose to buy their
22 transformer, but you've made this offer on the assumption
23 that they're going to get the sub-transmission rate. And
24 tell me whether this is right. They don't have a choice.
25 They have to buy their own transformer; right?

26 MR. SMITH: They have to provide transformation
27 facilities.

28 MR. SHEPHERD: And there is another way of doing it?

1 MR. SMITH: There are services available that you can
2 approach -- there's numerous electrical contractors that
3 can provide turnkey service with installed transformer and
4 maintenance. I'm not an expert to testify as to the cost
5 or validity of those, but there are options.

6 MR. SHEPHERD: They have to find a way to have a
7 transformer there that -- you don't know; right?

8 MR. SMITH: Thank you, yes, they have to provide a
9 transformer.

10 MR. SHEPHERD: All right. They also talk about
11 service quality on the second page. I understand that you
12 don't agree that there's power quality issues associated
13 with your schools in the Hydro One area?

14 MR. ZERDIN: Are you talking about the immediate area
15 in the Binbrook?

16 MR. SHEPHERD: Hamilton-Wentworth Catholic District
17 School Board has concerns over the lack of timely response
18 on this issue, and ongoing problems regarding power quality
19 in a nearby board elementary facility serviced by Hydro
20 One.

21 MR. ZERDIN: And as we submitted in to your
22 Interrogatory No. 7, we've only had one recorded incident
23 of a location at St. Matthew Catholic School, and this
24 cause of the outage was caused by a third party who severed
25 a primary underground cable.

26 MR. SHEPHERD: Okay. So when he's saying he has power
27 quality issues, he is wrong?

28 MR. ZERDIN: If he has power quality issues, he would

1 have to bring it to our attention for us to evaluate.

2 MR. SHEPHERD: So are you saying he's wrong, or are
3 you saying he might be right, but he hasn't told you about
4 it?

5 MR. ZERDIN: He might be right and he has to tell us
6 about it. We can do a proper evaluation.

7 MR. SHEPHERD: All right. So you're telling this
8 customer that the applicable rate is the sub-transmission
9 rate.

10 The sub-transmission criteria are that -- well, why
11 don't you tell me what the sub-transmission criteria are?

12 MR. SMITH: Over a 500-kilowatt demand average over
13 the course of a year.

14 MR. SHEPHERD: Over the course of a year?

15 So I heard something about some sort of five-month
16 criteria. What is that?

17 MS. O'SULLIVAN: So over a five-month span, they take
18 the average to determine that it will meet the 500,
19 recognizing that potentially for the two months in the
20 summer it might dip lower, but -- so they're not going to
21 change the rate class for those two months. But, generally
22 speaking, as long as the year is over 500, the school would
23 remain at --

24 MR. SHEPHERD: So the average for the year has to be
25 over 500; right?

26 MS. O'SULLIVAN: Yeah, average for a five-month
27 period.

28 MR. SHEPHERD: Will you accept, subject to check, that

1 Hydro One has more than 1,000 schools in its franchise area
2 -- in its distribution area?

3 MS. O'SULLIVAN: Subject to check, sure.

4 MR. SHEPHERD: And will you accept, subject to check,
5 that as of 2008 four of them were served on sub-
6 transmission?

7 MS. O'SULLIVAN: I have no idea, so subject to check I
8 would have to look at that.

9 MR. SHEPHERD: Will you accept, subject to check, that
10 none of them are as large as you have assumed for Bishop
11 Ryan?

12 MR. SMITH: Well, our assumption as to the size, when
13 preparing the rate estimate, was based upon the load
14 information that we were provided by the board.

15 So if that is an error, I mean -- well, you responded
16 to the IR with the correct load figures.

17 MR. SHEPHERD: Well, I didn't.

18 MR. SMITH: School Energy Coalition did, sorry. Your
19 client did.

20 MR. SHEPHERD: Believe me, I didn't even understand
21 it.

22 All right. It is true, isn't it, that if Bishop Ryan
23 drops below the 500-kilowatt average, for example, if it
24 does CDM programs or things like that, then it would be in
25 the GS demand, GSD class; right?

26 MR. SMITH: Subject to the averaging which I think we
27 discussed a minute ago. It can't dip for one month and go
28 back up.

1 MR. SHEPHERD: No. If the average for a year drops
2 below 500, it goes into GSD; right?

3 MR. SMITH: We'd have to evaluate that, but under our
4 conditions of service, yes.

5 MR. SHEPHERD: It wouldn't be UGD? It wouldn't be
6 urban general demand?

7 MR. SMITH: Well, I think we've said a few times that
8 this will be an urban cluster, so it would be an urban
9 general demand.

10 MR. SHEPHERD: Well, so I was confused when you talked
11 about that, so maybe you can help me.

12 Go back to that first map, the very colourful one.

13 MR. SMITH: Hmm-hmm. I've got it memorized at this
14 point.

15 MR. SHEPHERD: I'm sure. And my understanding is that
16 you said that you're going to create an urban cluster.

17 What I wrote down was from Rymal Road south and from
18 Fletcher Road to Highway 56, and you were going to take it
19 all the way down to Binbrook; right?

20 MS. O'SULLIVAN: Sorry, Rymal Road East south on 56 to
21 Binbrook; correct.

22 MR. SHEPHERD: Yes. And from Fletcher Road; right?

23 MS. O'SULLIVAN: From Fletcher Road to 56.

24 MR. SHEPHERD: Okay. So then Bishop Ryan isn't in
25 that area, is it?

26 MS. O'SULLIVAN: Yes, that's correct.

27 MR. SHEPHERD: And the reason it isn't is because all
28 of those customers to the west of Fletcher Road, those

1 customers are Horizon customers?

2 MS. O'SULLIVAN: We have several customers along Rymal
3 Road; but if you're referring to the previous Summit Park
4 phases, correct.

5 MR. SHEPHERD: The density there is Horizon customers,
6 and you can't count those when you calculate your urban
7 density, can you?

8 MS. O'SULLIVAN: That's correct.

9 MR. SHEPHERD: So if you added -- if you went all the
10 way over to Trinity Church Road, you in fact wouldn't meet
11 the density requirement, would you? It wouldn't be an
12 urban density area anymore, would it?

13 MS. O'SULLIVAN: Subject to check, I would agree, yes.

14 MR. SHEPHERD: And so if Bishop Ryan drops below 500,
15 it's not going to go into urban general service. It's
16 going to go into general service demand; right?

17 MR. SMITH: The load information we were provided was
18 for the next five years, and it is significantly over five.
19 The average -- and it is actually increasing over the five
20 years. The load forecast we were provided was 1,075 in the
21 first year, increasing every year after that.

22 So in the next five years I can't say whether that
23 would necessarily not be an urban cluster that far.

24 Like, the hypothetical nature of if they were to drop
25 by -- what's that -- about 70 percent of their load or 60
26 percent, whatever the number is, in order to qualify as a
27 general service customer, that is -- according to the
28 information provided by the Board isn't going to happen for

1 at least five years, and would have to drop enormously
2 after, immediately after.

3 So we're talking ten, 20 years from now, and who knows
4 what the urban landscape exactly will be then.

5 We think it will be part of an urban cluster including
6 part V, which will have thousands of homes in it.

7 MR. SHEPHERD: Well, no. It wouldn't be including
8 part V now, would it?

9 MR. SMITH: It --

10 MR. SHEPHERD: To the west of Fletcher Road is still
11 Horizon.

12 MR. SMITH: Right. But like part V of this SAA,
13 presuming that we retain that area, would have thousands of
14 homes probably by the time Bishop Ryan might hypothetically
15 do CDM sufficient to drop 70 percent of their load.

16 MR. SHEPHERD: You can't include a non-contiguous area
17 in an urban density zone, can you? It must be contiguous,
18 geographically contiguous.

19 MR. SMITH: Again, ten years from now, I'm not sure
20 what you're trying to get at.

21 MR. SHEPHERD: The rules could change.

22 MR. SMITH: Sure, they could.

23 And I'm not suggesting that is going to happen. I'm
24 suggesting that you're talking about a hypothetical that
25 probably won't happen for years and years, and within that
26 time frame it is impossible to say exactly what the
27 constituent of the density will be.

28 MR. SHEPHERD: So I want you to go back to tab 5 again

1 for a second of this K2.1.

2 MR. SMITH: That's B5 again?

3 MR. SHEPHERD: B5, that's right.

4 And you see the attachments. These are the
5 attachments where they've calculated their costs, their
6 annual costs. Do you have that?

7 MR. SMITH: Yes.

8 MR. SHEPHERD: And you see there's a line demand and a
9 line, kW and a line demand kVA; right?

10 MR. SMITH: Yes.

11 MR. SHEPHERD: Is it kW that is your test? Is it 500
12 kW or kVA? Will you accept, subject to check, that it is
13 kW?

14 MR. SMITH: I believe so. Great question. I am
15 pretty sure it is kW, yes.

16 MR. SHEPHERD: I only try to ask great questions.

17 MR. SMITH: But no trick ones, you promised.

18 MR. SHEPHERD: The reason I asked that is if you look
19 at the average in their own forecast of what they're
20 actually going to use, their average is 630. See that?

21 MR. SMITH: Subject to that averaging them out, I will
22 accept it. Eyeballing it, it looks 600ish, yes.

23 MR. SHEPHERD: So then it is not a 70 percent
24 reduction. It is about a 15 percent reduction, right, or
25 20 percent, let's say?

26 MR. SMITH: But I'm sorry. We asked an IR. We got a
27 load forecast which we provided in one of our IR responses,
28 and the average load in the information provided in that IR

1 response was well over 1,000. So if these are the correct
2 loads, then we can go back and recalculate.

3 But the information we were provided by that response
4 was well over 1,000 per year on average.

5 MR. SHEPHERD: You will agree that if these numbers
6 that they put in their own economic evaluation are correct,
7 if those are a reasonable forecast, then -- and it's not
8 going to change your forecast, right, because, as you said,
9 you didn't do an evaluation; right?

10 MR. SMITH: Sorry, not an economic evaluation for --

11 MR. SHEPHERD: It's not going to change what you say.

12 MR. SMITH: It's not going to change the connection
13 costs, no.

14 MR. SHEPHERD: But you would agree if the average is
15 actually 630, then they are at risk for losing their sub-
16 transmission status, aren't they?

17 MR. SMITH: But, I'm sorry, again, the load forecast
18 we were provided by the Board via IRR response provided an
19 average kilowatt demand, average, of 1,075 up to 1,300 --

20 MS. SPOEL: Mr. Smith, I think Mr. Shepherd is asking
21 you -- the question he is asking you, and I would like to
22 hear the response, is not what is the calculation based on
23 the data provided by the Board.

24 He says: If it was actually 600 and something, would
25 they be at risk of dropping below 500? He said "if". He's
26 not saying you are making up the number. He is asking you
27 a specific question, and if you could answer that question,
28 maybe we can move on to the next question.

1 MR. SMITH: Are they in danger of -- could they drop
2 20 percent via CDM and whatever? Sure.

3 MR. SHEPHERD: And it's correct, isn't it, that you
4 have already accepted that in those circumstances the costs
5 of the school board -- the net present value of the cost of
6 the school board is \$2 million. You've said you have no
7 reason to disagree with that number.

8 MR. SMITH: Right. No reason to agree or disagree. I
9 haven't done that calculation.

10 MR. SHEPHERD: All right. And by the way, urban
11 general demand, that's still higher than ST; right? The
12 monthly bill is still higher than ST.

13 MR. SMITH: The delivery portion, yes.

14 MR. SHEPHERD: Yes, okay. And then my last question
15 is -- or couple of questions, I guess, relates to the
16 Binbrook loop feed. And I am just trying to understand --
17 and understand, I am new to service area amendments, so you
18 are teaching me a little bit. I apologize, this late in
19 the day.

20 This line, this 27 kV line that you are building sort
21 of up and around to add loop feed, it's to serve new
22 demand; right?

23 MR. STEVENS: It's a combination of historical demand
24 growth over the preceding five or so years, which I've
25 already confirmed was about 50 percent.

26 MR. SHEPHERD: Sure.

27 MR. STEVENS: And as we look to address what's already
28 there, we would also look towards the future as well.

1 MR. SHEPHERD: And when you build to serve new demand,
2 I would have thought that the customers that are coming on,
3 that that new demand, they have to pay a contribution,
4 don't they? Somebody's got to pay for it. Isn't it
5 normally the new customers that are coming on?

6 MR. STEVENS: If they're a "lie along" customer, no.

7 MR. SHEPHERD: Okay. Well, let me ask about that.
8 You said that Bishop Ryan is a "lie along" customer.
9 They're not now; right? They're somebody that is going to
10 be a "lie along" customer; right?

11 MR. STEVENS: I think the way I would answer that is,
12 when they're ready to connect as a customer they will be a
13 "lie along" customer.

14 MR. SHEPHERD: Today they're not.

15 MR. STEVENS: Correct.

16 MR. SHEPHERD: And they are a "lie along" customer for
17 Horizon; correct? Today.

18 [Witness panel confers]

19 MR. SMITH: No, that's not -- they're in our service
20 territory, so they're not a "lie along" customer of
21 Horizon.

22 MR. SHEPHERD: Well, on the street that they front,
23 which is in the Horizon service territory, Horizon has a 27
24 kV line; right?

25 MR. SMITH: Horizon has facilities immediately
26 adjacent, yes.

27 MR. SHEPHERD: Okay. So in a practical sense, they're
28 a "lie along" customer. In a practical sense. They're

1 right there.

2 MR. SMITH: They have a facilities immediately
3 adjacent, yes. They are a customer.

4 MR. SHEPHERD: Thank you. I have no further
5 questions.

6 MS. CONBOY: Thank you very much, Mr. Shepherd.

7 Mr. Lanni. Oh, I'm sorry, Mr. Stoll, I thought you
8 said earlier you didn't have any questions. I may be
9 wrong.

10 MR. SHEPHERD: That was Mr. Stephenson.

11 MR. STOLL: No, I didn't say that. I said hopefully
12 Mr. O'Leary would do the heavy lifting and --

13 MS. CONBOY: Oh, that's what it was. Well, my
14 apologies to you, Mr. Stoll. Please go ahead.

15 MR. STOLL: I will try and be very brief.

16 **CROSS-EXAMINATION BY MR. STOLL:**

17 MR. STOLL: And I am just going to try and follow up.

18 My understanding is, for the "lie along" customer
19 there's basically a question the utility asks. It is
20 either a basic connection or it is not a basic connection.

21 MR. SMITH: That's correct.

22 MR. STOLL: So if it's not a basic connection, then it
23 is an expansion.

24 MR. SMITH: If we're -- in order to serve that
25 connecting customer, if we're required to expand our
26 distribution plant, then that would be an expansion.

27 MR. STOLL: Okay.

28 MR. SMITH: I don't mean to split hairs, but it relies

1 upon having a connecting customer. It relies upon having
2 to build more plant in order to serve them.

3 MR. STOLL: So -- but your conditions of service only
4 talk about a basic connection and an expansion.

5 MR. SMITH: Well, I mean, technically, "basic
6 connection" is actually a residential term. You're allowed
7 up to, is it 30 metres, I think, in a basic connection.

8 MR. STOLL: So there is no basic connection for any
9 customer that is not a residential? Within Hydro One's...

10 MR. SMITH: It wouldn't formally be termed as a basic
11 connection. Effectively, it would be a "lie along"
12 customer, which this is the case here, would be equivalent.

13 MR. STOLL: All right. We will deal with it in
14 argument, because I think it is on the record and in the
15 Distribution System Code.

16 You talked about your planning process. And I guess,
17 would you agree that the duplication of assets is less
18 efficient, and it should be avoided as part of good utility
19 planning?

20 MR. STEVENS: I would agree with that.

21 MR. STOLL: Okay. And would you agree that
22 underutilized capacity is also to be avoided in good
23 utility planning?

24 MR. STEVENS: That's what we strive to do, yes.

25 MR. STOLL: Okay. And as part of that planning
26 process, does Hydro One consider any of the assets of its
27 adjacent LDCs?

28 MR. STEVENS: We have done that in the past, yes.

1 MR. STOLL: Okay. Did you do that here?

2 MR. STEVENS: As I mentioned earlier, we did it in the
3 earlier Summit phases. In this one, because we have an
4 enhancement project that is going to put us in a good place
5 to serve this customer, we looked at our assets only.

6 MR. STOLL: But you realize there was a 27.6 line that
7 Horizon had on the other side of the road, so --

8 MR. STEVENS: But I am unaware of what the capacity
9 availability is on that line.

10 MR. STOLL: But you never asked.

11 MR. STEVENS: Correct.

12 MR. STOLL: Okay. And you had said, when you get into
13 these situations, there's a review done to determine
14 whether Hydro One should consent or not as part of the
15 process that Hydro One goes through.

16 MR. STEVENS: That's what we've demonstrated in the
17 past, yes.

18 MR. STOLL: Okay. And is this a formalized process?

19 MR. STEVENS: When you say "formalized" --

20 MR. STOLL: Is there an internal report that Hydro One
21 does so that management can make a decision?

22 MR. STEVENS: There wouldn't normally be a report.

23 MR. STOLL: Okay. So it's just an informal
24 evaluation?

25 MS. O'SULLIVAN: It's not documented in a report
26 format. There are meetings, discussions, et cetera.

27 MR. STOLL: Okay. And you did that review here. I am
28 just wondering, in your review, did any of the items from

1 the service area amendment analysis, the principles from
2 the generic process, favour Horizon?

3 MS. O'SULLIVAN: Horizon didn't come to the table
4 before they submitted their service area amendment. So as
5 I stated, the similar kind of joint effort that would go
6 into such an evaluation was not done here.

7 MR. STOLL: But -- so you didn't, in analyzing the
8 application, go back and say, does any of it make sense to
9 consent to?

10 MS. O'SULLIVAN: We looked at the application as a
11 whole and compared it to the principles, and we're here
12 today.

13 MR. STOLL: Okay. So -- and one of those principles
14 is confusion; right? Customer confusion, or even, in this
15 case, utility confusion.

16 MR. STEVENS: I believe that is one of the principles,
17 one of many.

18 MR. STOLL: Right. And given what we've seen, we have
19 had an instance where there has been some confusion.

20 MR. STEVENS: I understood that Horizon was confused.
21 They thought it was their service territory, and it wasn't.

22 MR. STOLL: Right. Horizon was, and the customer was.
23 So we'll move on.

24 Would you agree that it is financially better for
25 Hydro One to have this project as an enhancement rather
26 than have any portion of the Binbrook loop paid through an
27 aid to construct?

28 MR. SMITH: From a financial perspective, generally

1 the utility's actually better off, like, on a present-value
2 basis collecting a contribution upfront rather than hoping
3 that the revenue is coming later. I mean, to answer your
4 question directly, actually, we would be better off if we
5 charged a capital contribution.

6 MR. STOLL: So you would be better off? I didn't
7 think you would earn a return on a capital contribution.
8 You're going to earn a return on this enhancement project;
9 correct? From the revenue, from all the --

10 MR. SMITH: From rate base, yes.

11 MR. STOLL: Right. If it is part of an aid to
12 construct or a capital contribution, there is no return on
13 that.

14 MR. SMITH: Well, sure, there is a return on the rates
15 that are charged thereafter.

16 MR. STOLL: But it's --

17 MR. SMITH: Capital contribution is meant to collect
18 the shortfall between the margin generated by the rates
19 versus the upfront cost of the capital itself.

20 MR. STOLL: Right. So the total upfront costs of --

21 MR. SMITH: It is merely a factor. We would rather
22 have the money now than wait for revenues to come in later.
23 It is more of a risk thing rather than necessarily return.
24 Sometimes we're better off; sometimes we're worse. But is
25 it more of a risk mitigation if we get the money upfront,
26 actually, actually.

27 Remember, our capital contribution embodies a forecast
28 on rates kind of not forever more, but for the next 25

1 years. If we can collect that upfront, actually the
2 utility is better off.

3 MR. STOLL: Right. For residential subdivisions,
4 there is pretty low risk that you won't receive a long
5 horizon of rates?

6 MR. SMITH: That is why they garner the highest time
7 frame; that is, 25 years under the system code. Most
8 industries are 15. Actually, the school was 20.

9 MR. STOLL: Right. So you're saying, if I understand
10 your last answer, that capital contribution, basically, you
11 will earn more money? Like, I'm having a hard time
12 understanding how you earn money if you receive the capital
13 contribution, because it should be just a recognition of
14 the money paid by the developer and not a future earning on
15 rate base.

16 MR. SMITH: It's a reception of the future value of
17 rates, effectively.

18 MS. CONBOY: I think Mr. Stoll's question is that if
19 there was, for argument's sake, \$20,000 of capital
20 contribution, that that \$20,000 that came in as a customer
21 capital contribution would not form part of Hydro One's
22 rate base. So it would be the total cost of capital - and
23 I mean it in terms of the capital costs, rather - minus the
24 amount that you had given, that you would be receiving a
25 return on.

26 MR. SMITH: For example, if the capital was \$100 and
27 the capital contribution was 20, we would put 80 into rate
28 base, the rate of return on that.

1 MR. STOLL: Thank you, Madam Chair. It has been a
2 long day.

3 I guess you would agree that some of the developers,
4 for the timetable a development, doesn't always coincide
5 with what the utility has for its plans as far as system
6 reinforcements?

7 MR. SMITH: That's probably the case, yes.

8 MR. STOLL: Okay. And in this case, we saw Multi-Area
9 eventually sign the offer to connect with Hydro One?

10 MR. SMITH: Yes. On September 10th, I believe it was.

11 MR. STOLL: Would you agree with the statement that
12 delaying -- or the later in the process that the offer to
13 connect favours the incumbent?

14 MR. SMITH: Sorry, you'll have to help me.

15 MR. STOLL: Okay. During the development cycle, if
16 the offer to connect comes later in the process, that that
17 will necessarily favour the incumbent distributor?

18 MR. SMITH: Sorry. I'm sorry, I'm not sure why --
19 like, help me understand why that would be. I really can't
20 -- I don't know why that would be. Sorry, I'm not trying
21 to be obstinate. I just really don't understand why that
22 would be.

23 MR. STOLL: Well, if there is no offer to connect from
24 the incumbent, how does the prospective distributor or the
25 adjacent distributor complete the service area amendment
26 process in a timely manner for the developer?

27 What I'm suggesting is that the developer has a time
28 crunch, and the certainty of receiving any service -- and

1 Mr. Shepherd indicated that the developer of a residential
2 subdivision may not care about the ongoing costs, just the
3 upfront costs and getting service.

4 What I'm suggesting is that the delay in getting a
5 decision over who the distributor favours the incumbent,
6 because it can resolve the issue even if it is not
7 necessarily the most economically efficient issue or
8 resolution...

9 MS. O'SULLIVAN: We sent the first package to Multi-
10 Area in February. If we would have received that package
11 back, an offer to connect would have been done a lot
12 sooner.

13 Unfortunately, we did not receive the package until
14 sometime in June. So if you're --

15 MR. STOLL: No.

16 MS. CONBOY: Mr. Stoll, please remember the applicants
17 will have or people will have an opportunity to reply to
18 your comments, and I just realized they're not the
19 applicants, but you are getting into some areas of
20 argument.

21 MR. STOLL: Yes. I didn't want to go too far into the
22 policy. I was trying to avoid that.

23 MS. CONBOY: Thank you.

24 MR. STOLL: I think part of the discussion we're
25 having here is a timing issue, and every day that passes
26 creates uncertainty and raises the risks for the ultimate
27 customer.

28 MS. CONBOY: Okay. That will be something we can read

1 in argument.

2 MR. STOLL: Yes. And I guess from what -- I have just
3 a couple of more questions, and it's just to help
4 understand.

5 The stranding of the assets, what's that pertaining
6 to?

7 MR. STEVENS: I can go back to some of my earlier
8 evidence, if you don't mind.

9 MR. STOLL: Sure.

10 MR. STEVENS: I'm assuming we're talking about the
11 fullness of the service area amendment here.

12 The examples I gave, in terms of what might be
13 stranded, would be the planned load forecast that we
14 provided to the transmitter under which or which underpins
15 our capital contribution for the Nebo TS upgrade. And we
16 already know that that has been duplicated.

17 The feeder capacity in the area, so we will have a
18 nice new 27.6 loop feed down into Binbrook that is now
19 ready and available for use. You know, it would be nice to
20 put more load on it, because that leverages that asset.

21 All of our back office systems, so customer
22 information system or outage management system, some of our
23 smart grid capabilities, our metering system, all of those
24 things, it is more of an opportunity cost going forward,
25 but it's an opportunity cost for our customers.

26 And then the last element I mentioned was it's a great
27 opportunity for our customers to be able to qualify for the
28 urban rate, so...

1 MR. STOLL: Well, that is not really stranded, but the
2 stranding of the assets, is there anything that has to do
3 with the voltage conversion of the customers on Rymal Road?

4 [Witness panel confers]

5 MR. STEVENS: I'm not sure I fully understand the
6 question, but I believe what I answered before, I think I
7 gave a number like 20,300, and then I also stated the
8 examples of all of the back office systems and those types
9 of things that are there to serve -- are scalable and there
10 to serve customers.

11 MR. STOLL: Right. But I thought that there was a
12 discussion when Horizon was on the witness panel that they
13 would be responsible for certain stranded assets if they
14 were successful in their application.

15 MR. STEVENS: I'm sorry, I am not recalling that.

16 MR. STOLL: All right. I believe -- I thought that
17 question had been put directly to Horizon. So we will deal
18 with it in the submissions.

19 The other thing I guess -- I am just trying to
20 understand or encapsulate the position here.

21 The Binbrook loop has been around for, according to
22 you, a number of years, and your facilities have been
23 designed to accommodate certain things.

24 So from what I gather, if -- the whole service area
25 amendment in the original, very original, application that
26 was turned down for the whole entire Summit area, if all of
27 -- if that had been granted by the Board, you would still
28 run your loop along Rymal Road?

1 MR. STEVENS: So you're saying if at that period of
2 time - I can't remember how many years ago that was - if
3 the Board at that point in time determined that that whole
4 area should go to Horizon, would we still build the loop
5 feed?

6 MR. STOLL: Well, the loop feed along Rymal.

7 MR. STEVENS: Yes, we would still do that.

8 MR. STOLL: All right. Okay.

9 MR. STEVENS: I can state my reasons again, but I
10 believe I have done that half a dozen times.

11 MR. STOLL: No, no, I am just trying to understand
12 that that is the position you're taking.

13 Okay, those are my questions.

14 MS. CONBOY: Thank you very much. Mr. Malcolmson.

15 MR. MALCOLMSON: I have no questions.

16 MS. CONBOY: Mr. Lanni?

17 MR. LANNI: No questions.

18 MS. CONBOY: Thank you very much. Mr. Engelberg, have
19 you got re-direct?

20 MR. ENGELBERG: No re-direct, Madam Chair.

21 MS. CONBOY: Thank you very much.

22 We have I believe it is two undertakings. Sorry, have
23 you got any questions? No?

24 **QUESTIONS BY THE BOARD:**

25 MS. SPOEL: I have one question, and I am afraid I
26 don't have the map in physical form.

27 When we looked at the official plan for -- the urban
28 Hamilton official plan, there is a reference to schedule D

1 of the rural land use plan.

2 I've pulled that up from the Internet, and it does --
3 you can check it later, so this is more maybe of an
4 undertaking to confirm that I am correct, that the lands
5 immediately to the south and east, the part that you showed
6 this morning on the map, which was from 2005, from the
7 province, about countryside area, that this plan which was
8 approved in 2012 does in fact designate all of that area as
9 agricultural land, as opposed to rural development.

10 And if you could just check and confirm that when you
11 have a chance to look at the map, I would appreciate that.

12 MR. STEVENS: Yes, I remember look -- sorry. I do
13 remember looking at that, and I do recall saying that there
14 was actually some errors on that land, because the Elfrida
15 was in -- Elfrida development area was actually improperly
16 classified on an existing basis.

17 I think the only other point I would like to make is
18 that these plans have a habit of changing all the time. So
19 what is development land today can change tomorrow, as we
20 go through elections and those types of things.

21 The provincial map has a different story than what the
22 City of Hamilton map has.

23 MS. SPOEL: Thank you.

24 MS. CONBOY: We have, I believe, two undertakings from
25 today? Was that correct? Ms. Helt?

26 MS. HELT: I have one undertaking --

27 MS. CONBOY: Okay.

28 MS. HELT: -- being the number of customers served

1 from the Rymal Road to Highway 56. I don't have the full
2 details of the exact nature of the undertaking. There was
3 some follow-up questions with --

4 MS. CONBOY: There was -- yes, there was some --

5 MS. HELT: -- respect to that as well, but I am sure
6 it is all on the transcript.

7 MR. O'LEARY: I think so.

8 MR. ENGELBERG: It is all part of Undertaking J2.1.

9 MS. CONBOY: Okay. So there is no dispute among the
10 parties, in terms of what they're asking for.

11 **PROCEDURAL MATTERS:**

12 Mr. Engelberg, can you please provide me with some
13 idea of timing of that undertaking response?

14 MR. ENGELBERG: I would need to confer with my
15 clients.

16 MS. CONBOY: Okay.

17 MR. O'LEARY: And Madam Chair, perhaps it didn't get
18 marked as an undertaking, but I thought following our
19 discussion, and when we came back after the break, about
20 providing the additional information, that my friends were
21 going to go back and get the higher-level release budget
22 and documents we had talked about, which support the work
23 that has been undertaken, which is the subject of this
24 proceeding.

25 MR. ENGELBERG: My recollection was that my response
26 was I don't think there is one, because releases are done
27 segment by segment. That is my understanding from my
28 clients.

1 MR. O'LEARY: My understanding was that it was going
2 to take some time to get the document, and that was what
3 our discussion was about, and at the time -- we're prepared
4 to receive it in the next day or two, and we'll deal with
5 it in argument, but --

6 MR. ENGELBERG: That wasn't my understanding, but we
7 can look to see if we have something, despite the fact that
8 my understanding is there isn't. But we will look.

9 MS. CONBOY: Ms. Helt, could you help me with this,
10 please, in terms of -- we're looking at timing, and we do
11 have some numbers on the record.

12 MS. HELT: With respect to this undertaking, Madam
13 Chair? Is that what you're asking me?

14 MS. CONBOY: Did you jot something down at that point?
15 Because I recall it was talked about.

16 MS. HELT: There was a discussion, and Mr. O'Leary did
17 ask for a higher-level document. However, Mr. Engelberg
18 did say that his recollection of the conversation that they
19 had during the break was that they did not have it.

20 Mr. Engelberg is now offering to look to see if they
21 do have it. Perhaps that could be an undertaking to see if
22 they have it and, if they do, to provide it.

23 MS. CONBOY: Okay. Well, you know, I am conscious of
24 the time, and we have made comments about taking the
25 numbers that we do have and putting weight to them when we
26 get to argument.

27 So Mr. Engelberg, if you could make best efforts to
28 see what is available. And unfortunately, we're, you know,

1 we are well into Friday evening, and it is a long weekend.

2 My next question to you, Mr. O'Leary, was going to be
3 your timing of argument. We are going to -- I think it is
4 safe to say we're going to have to have argument in
5 writing, with a quick turnaround -- with a quick turnaround
6 time.

7 And have you got -- absent this issue over the numbers
8 of this potential undertaking, how are you -- I was
9 thinking -- we were thinking Wednesday for final argument.

10 MR. O'LEARY: As in --

11 MS. CONBOY: Argument in-chief, rather.

12 MR. O'LEARY: And Madam Chair, there was some
13 discussion at one of the breaks about possibly doing oral
14 argument on Thursday morning. I don't know if that has
15 gone any further. It is just that written argument, just
16 with the different time it takes to, A, get it up to a
17 legible format, one that you would be willing to send out
18 the door, takes time, whereas oral is something that I can
19 put together much quicker.

20 MS. CONBOY: Well, I believe that we -- the Panel is
21 available on Thursday morning, with the underlying caveat
22 that it's morning. Some of you may know that there is a
23 hearing in the afternoon on Thursday. But if parties are
24 able to provide argument in-chief, move right over to
25 argument, and then final argument in the morning, then we
26 are -- we are amenable to do that.

27 Ms. Helt, can you please confirm that there is
28 hearing-room availability and that the transcription will

1 be available?

2 MS. HELT: My understanding is that there is hearing-
3 room availability. I am not sure if the transcriber is
4 available. She is shaking her head and indicating yes.

5 MS. CONBOY: Okay. So why don't we do that. Why
6 don't we go on -- we will sit again on Thursday morning to
7 hear argument in-chief, and then final arguments from
8 intervenors, and then reply from Horizon.

9 Let's start at nine o'clock so that we can be sure to
10 finish. And you will let us know, please, Mr. Engelberg,
11 as soon as possible with respect to those two undertakings.

12 MR. ENGELBERG: Yes, we will.

13 MS. CONBOY: Thank you.

14 Are there any...

15 MS. HELT: Madam Chair.

16 [Board Panel confers]

17 MS. CONBOY: Yes, Ms. Helt?

18 MS. HELT: Just one question. You indicated argument
19 in-chief and reply. There is also other parties' arguments
20 as well that may take up some of that time on Thursday
21 morning. I am not sure if you would like to try and find
22 out from the parties if they anticipate being an hour for
23 their argument in-chief or reply.

24 MS. CONBOY: Thank you. No, I meant all three stages
25 on Thursday, on Thursday morning, and we will start at nine
26 o'clock.

27 And Ms. Spoel is reminding me that we will need some
28 time estimates. So if you could let us know on Tuesday by

1 mid-day, please, in terms of timing for everybody's
2 argument, and we may have to play around with that.

3 Any other questions or clarifications?

4 MR. O'LEARY: Just so -- I anticipate my friends and I
5 will want to discuss our expected time in argument and
6 reply just to get a sense of how late the room is available
7 on Monday (sic) so we know the parameters that we're
8 dealing with.

9 MS. SPOEL: On Thursday. Well, the problem is --

10 MR. O'LEARY: Sorry, Thursday.

11 MS. SPOEL: -- that some of us have another hearing on
12 Thursday afternoon.

13 MR. O'LEARY: Oh, okay.

14 MS. SPOEL: Some of the -- like, I have -- there is a
15 Toronto Hydro hearing scheduled for Thursday afternoon. So
16 it is not a matter of the availability of the room, it is
17 the matter of the availability of the Panel.

18 MR. O'LEARY: And you would like to have lunch,
19 undoubtedly.

20 MS. SPOEL: And I would like to be able to have lunch
21 and get my head around the next case before it starts, so
22 really noon is -- I think we start the --

23 MS. CONBOY: Is pushing it.

24 MS. SPOEL: -- Toronto Hydro hearing at one, and we
25 can't start it late, because there are other constraints at
26 the end of the day. So we really have the morning. It
27 really is the morning.

28 MR. O'LEARY: Thank you.

1 MS. CONBOY: But I am sure that you can all be
2 concise.

3 MR. SHEPHERD: Madam Chair, I know it is quite
4 unusual, but I wonder if the Board would consider setting
5 strict time limits instead of estimates?

6 MS. CONBOY: I think, given the circumstances, Mr.
7 Shepherd, that is actually a good idea. So --

8 MR. SHEPHERD: You say that with surprise.

9 [Laughter]

10 MS. CONBOY: No, no. So why don't we do that. That
11 is a good idea. Focus on the undertakings, in terms of
12 when we can get that by -- what the timing is for that.

13 The Panel will take then the weekend to determine the
14 best time estimates for final reply, and we will stick to
15 them.

16 If there are no further questions, we are adjourned
17 with thanks to the panel for a very long day. Ms. Zhang as
18 well, just thank you very much for all of the work that
19 you've done. You've really helped the Panel, having to not
20 go through all the evidence.

21 Thank you, everybody. Have a great long weekend.

22 --- Whereupon the hearing adjourned at 5:44 p.m.

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