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June 10, 2013

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: **Hydro Ottawa Limited Application seeking an exemption from
Section 6.5.4 of the Distribution System Code – EB-2013-0072**

Pursuant to the Board's instructions set out in item 2 on page 2 of the Board's Procedural Order issued May 21, 2013, please find attached Hydro Ottawa Limited's responses to the Board staff's interrogatories.

Further to the Board's direction a copy of these responses is being provided to Hydro One.

Respectfully,

A handwritten signature in blue ink, appearing to read "Patrick Hoey", written over a faint blue circular stamp.

Patrick Hoey
Director, Regulatory Affairs
Hydro Ottawa Limited.

c.c Gona Jaff – Ontario Energy Board
Andrew Skalski – Hydro One
Pamela Jones – Hydro Ottawa Limited

Interrogatory

Interrogatory #1

Ref: Application, page 3, section 1, paragraph 1:

Hydro Ottawa states that it seeks an exemption from the application of section 6.5.4 of the Distribution System Code so that it may cease activities related to elimination of 40 long term load transfer arrangements.

- 1.1 Please confirm that Hydro Ottawa is seeking an exemption from section 6.5.4 of the Distribution System Code in order to maintain its long term load transfer ("LTLT") arrangements with Hydro One Networks Inc. ("HONI") in relation to 40 customers of Hydro Ottawa that are physically connected to HONI's distribution facilities.
- 1.2 Please confirm whether HONI unconditionally supports Hydro Ottawa's Application. If this cannot be confirmed, please provide a full explanation.
- 1.3 Please provide a clear and detailed description of the location of the subject LTLTs and provide maps clearly showing the route, facility sites and the LTLT customers identified by their rate class (e.g. residential, small commercial ...etc.).
- 1.4 Please provide the date Hydro Ottawa and HONI entered into the subject LTLT arrangements.
- 1.5 Please provide growth rate in and around the area where the 40 LTLT customers are located. Please provide evidence to support your response.
- 1.6 Please confirm whether HONI's distribution assets that are currently serving the LTLT customers can accommodate future growth in the area. Please include full particulars.

Response

- 1.1 Hydro Ottawa confirms that it is seeking an exemption from section 6.5.4 of the Distribution System Code in order to maintain its long term load transfer ("LTLT") arrangements with Hydro One Networks Inc. in relation to 40 Hydro Ottawa customers that are physically connected to Hydro One's distribution facilities. Hydro Ottawa seeks to maintain these arrangements to ensure these customers remain Hydro Ottawa customer until such time as future development warrants investment in network expansion.
- 1.2 Please see Appendix A for a letter from Hydro One confirming its support for the Hydro Ottawa LTLT Application. Prior to filing its application, Hydro Ottawa had met with Hydro One to discuss the application. At that time, Hydro One provided their verbal support for the application.

- 1.3 Please see Appendix B for detailed maps denoting the geographic location of Hydro Ottawa's remaining 40 LTLT arrangements. Please note that the maps are organized according to project number. The first map provides an illustration of where each project resides in Hydro Ottawa's service territory. Subsequent maps denote the approximate geographic location of each LTLT arrangement. See Hydro Ottawa response to Board Staff Interrogatory 2.1 for the rate classifications of the subject 40 LTLT arrangements.
- 1.4 Hydro Ottawa is unable to locate historical records containing information regarding the dates when Hydro Ottawa and HONI entered into the subject LTLT arrangements.
- 1.5 Hydro Ottawa is not aware of any source of public information that provides data on future growth rates at the level of granularity requested by Board staff. What's more, Hydro Ottawa does not estimate growth at the street or residence level. Generally speaking, Hydro Ottawa only becomes aware of future development growth when proposals for new developments are made by developers. Even when advised by developers of the potential construction of new developments, some developments may proceed while others may not proceed. With respect to potential future development near the 40 LTLT arrangements, Hydro Ottawa is aware of potential development that may occur near Hydro Ottawa's LTLT customers on Mer Bleue Road, Huntmar Road and the Thomas A. Dolan Parkway. It is still too early to know whether any of these developments will proceed and how these developments may affect Hydro Ottawa's LTLT arrangements.
- 1.6 Hydro Ottawa is not privy to the design of Hydro One's distribution assets and any capacity constraints that Hydro One may have in currently serving Hydro Ottawa's LTLT customers or whether said assets may accommodate future growth.

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Susan Frank
Vice-President and Chief Regulatory Officer
Regulatory Affairs



Attachment A

BY COURIER

EB-2013-0072- Interrogatory #1

June 10, 2013

Mr. Patrick Hoey
Director, Regulatory Affairs
Hydro Ottawa Limited
3025 Albion Road North
P.O. Box 8700
Ottawa, ON
K1G 3S4

Dear Mr. Hoey:

EB-2013-0072 – Hydro Ottawa Application for Exemption from Section 6.5.4 of the Distribution System Code – Hydro One Networks’ Letter of Support

This is to confirm that Hydro One Networks Inc. (“Hydro One”) unconditionally supports the Hydro Ottawa Limited (“Hydro Ottawa”) application seeking an exemption from Section 6.5.4 of the Distribution System Code (“DSC”) as filed on March 18, 2013 and amended on May 6, 2013.

As indicated in Appendix A of the application, Hydro One continues to support the option of grandfathering existing LTLTs. However, in the absence of a grandfathering provision in the current DSC that would allow existing LTLT arrangements to remain in place, Hydro One’s view is that to the extent possible, LTLT eliminations should occur on a reciprocal basis between local distribution companies (“LDC”), to minimize net customer losses and the resulting rate impact on existing customers. Large-scale one-way transfers simply contribute to rising bill pressures on the remaining customer base of the transferring LDC.

In recent cases of proposed reciprocal transfers between LDCs and Hydro One (EB-2008-0389 in the Milton area and EB-2008-0347 in Thunder Bay), there was considerable local opposition to those transfers, and those applications were ultimately withdrawn. Consequently, it is Hydro One’s position that until the rate impact problem is resolved, reciprocal transfers between Hydro One and neighbouring LDCs are in most cases not feasible. As such, Hydro One’s main effort in managing its LTLT elimination program remains one which focuses on mitigating costs and rate impacts on customers and avoids unnecessary spending at a time of rising total bills. That means avoiding large-scale one-way customer transfers of the kind required to eliminate the LTLTs that are the subject of the Hydro Ottawa application.

Hydro One also supports Hydro Ottawa's evidence in regard to its sound rationale in seeking an exemption from LTLT elimination. Hydro One agrees that:

- The expenditure required by Hydro Ottawa to expand its network to eliminate the LTLT arrangements that are the subject of this application could have unnecessary rate impacts on customers and, if carried out, would lead to a result that would be contrary to an industry focus on controlling rising customer bills;
- In the absence of organic growth, LTLT arrangements provide an efficient response to the supply problem when the physical distributor has assets present at the border of two local distribution companies and the geographic distributor does not. LTLT arrangements would remain the most economically efficient way to handle these situations until such time as organic growth in the area occurs, which then warrants expansion of the geographic distributor's system to provide supply;
- As mentioned above, in the absence of a rate impact solution to reciprocal transfers between neighbouring LDCs and Hydro One, continuing with current LTLT arrangements remains the most efficient use of existing assets and ensures optimal use of existing infrastructure, while allowing for near-term sector consolidation to occur; and
- The present and future potential for mergers and acquisitions, or other sector consolidation activities, consistent with the Ontario Distribution Sector Panel report *Renewing Ontario's Electricity Distribution Sector: Putting the Customer First*, could offset the need for eliminating LTLTs.

For all of the above reasons, Hydro One confirms its unconditional support for the current application seeking a permanent exemption from the DSC's LTLT elimination requirement. Hydro One further suggests that if the Board approves Hydro Ottawa's application, it should as a matter of practical and regulatory necessity extend the exemption to Hydro One as the geographic distributor for the LTLTs pertaining to this application, and amend Hydro One's distribution licence accordingly. The Board should also give serious consideration to the following options:

- Amending the DSC to eliminate section 6.5.4 in its entirety; however, this would require a Code change;
- Providing a permanent LTLT elimination exemption to other LDCs, upon request; this would avoid the requirement for a Code change and would be an efficient regulatory solution; or
- Extending the current LTLT elimination deadline for a further 5 years to give time for the considerations noted in the preceding paragraph to play out.

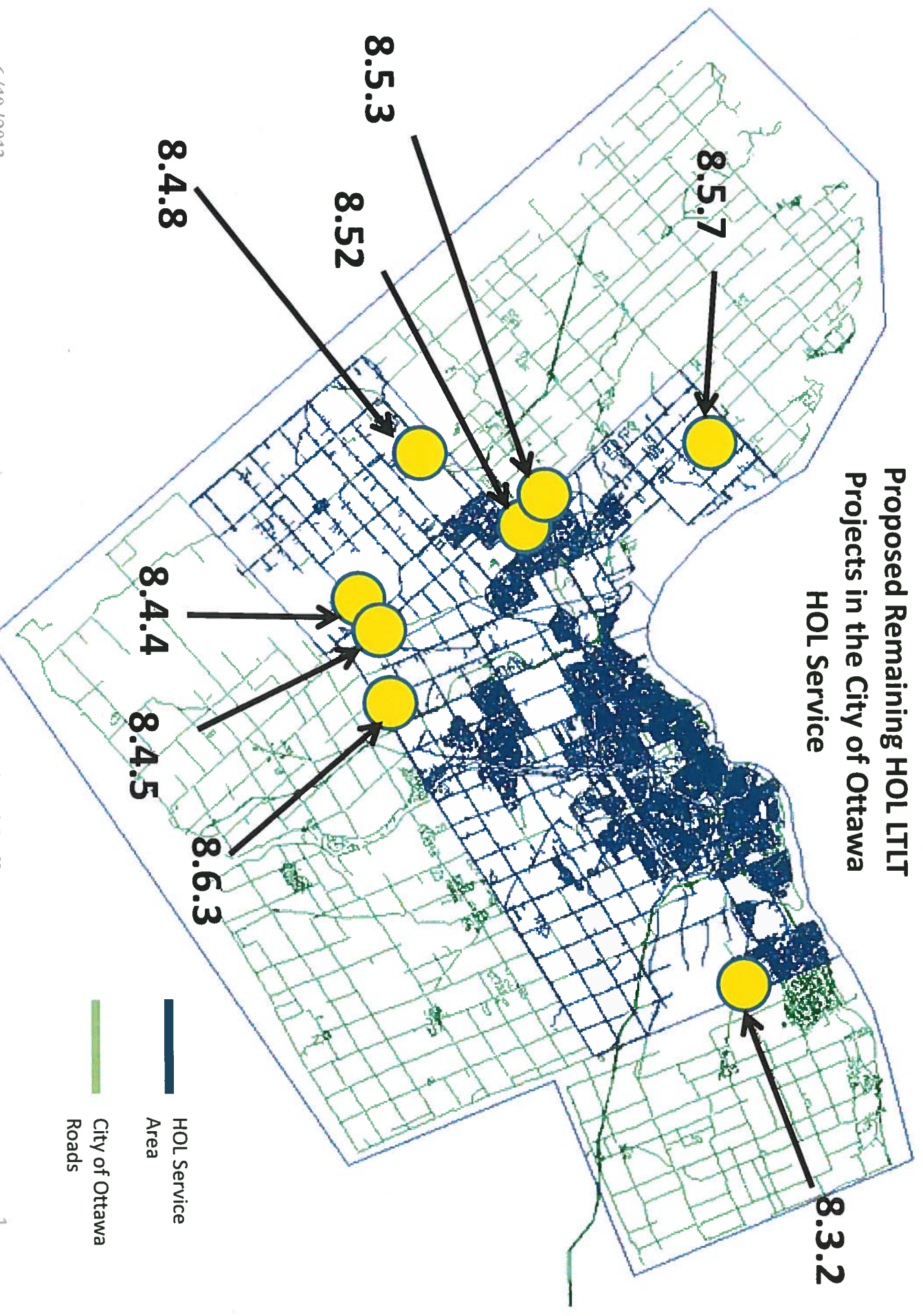
In light of ongoing concerns about rising customer bills, in Hydro One's view any one of these options would be a prudent course of action at this time.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank


Proposed Remaining HOL LTLT Projects in the City of Ottawa HOL Service




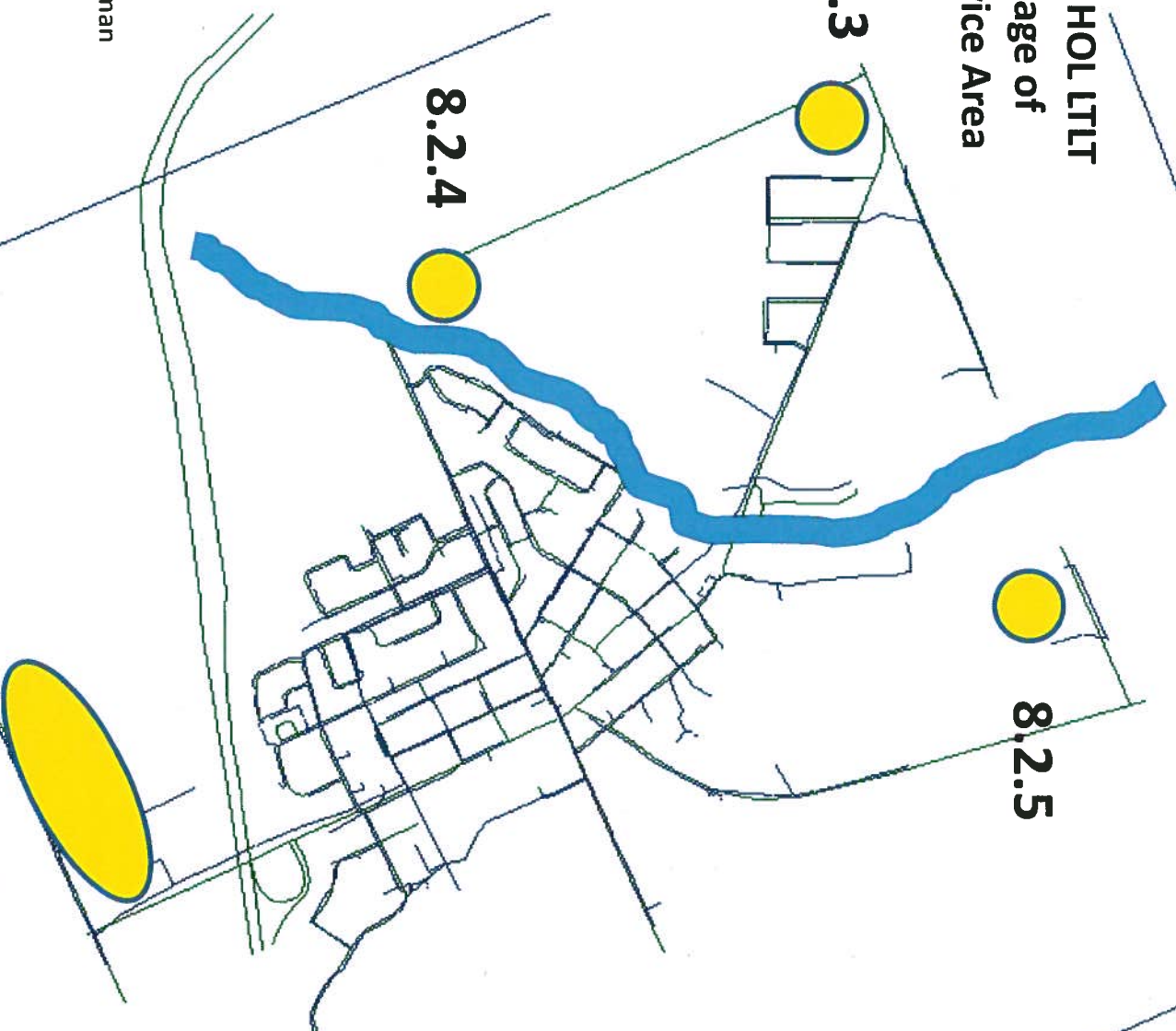
6/10/2013

Appendix B to Hydro Ottawa's response to Board Staff
Interrogatory 1.3 filed June 10, 2013

**Proposed Remaining HOL LTLT
Projects in the Village of
Casselman HOL Service Area**

 HOL Service
Area

 Village of Casselman
Roads



6/10/2013

Appendix B to Hydro Ottawa's response to Board
Staff Interrogatory 1.3 filed June 10, 2013



6/10/2013

Appendix B to Hydro Ottawa's response to Board Staff
Interrogatory 1.3 filed June 10, 2013



6/10/2013

Appendix B to Hydro Ottawa's response to Board Staff
Interrogatory 1.3 filed June 10, 2013

Ottawa's response to Board Staff
1.3 filed June 10, 2013

Ottawa's response to Board Staff
1.3 filed June 10, 2013

Ottawa's response to Board Staff
1.3 filed June 10, 2013

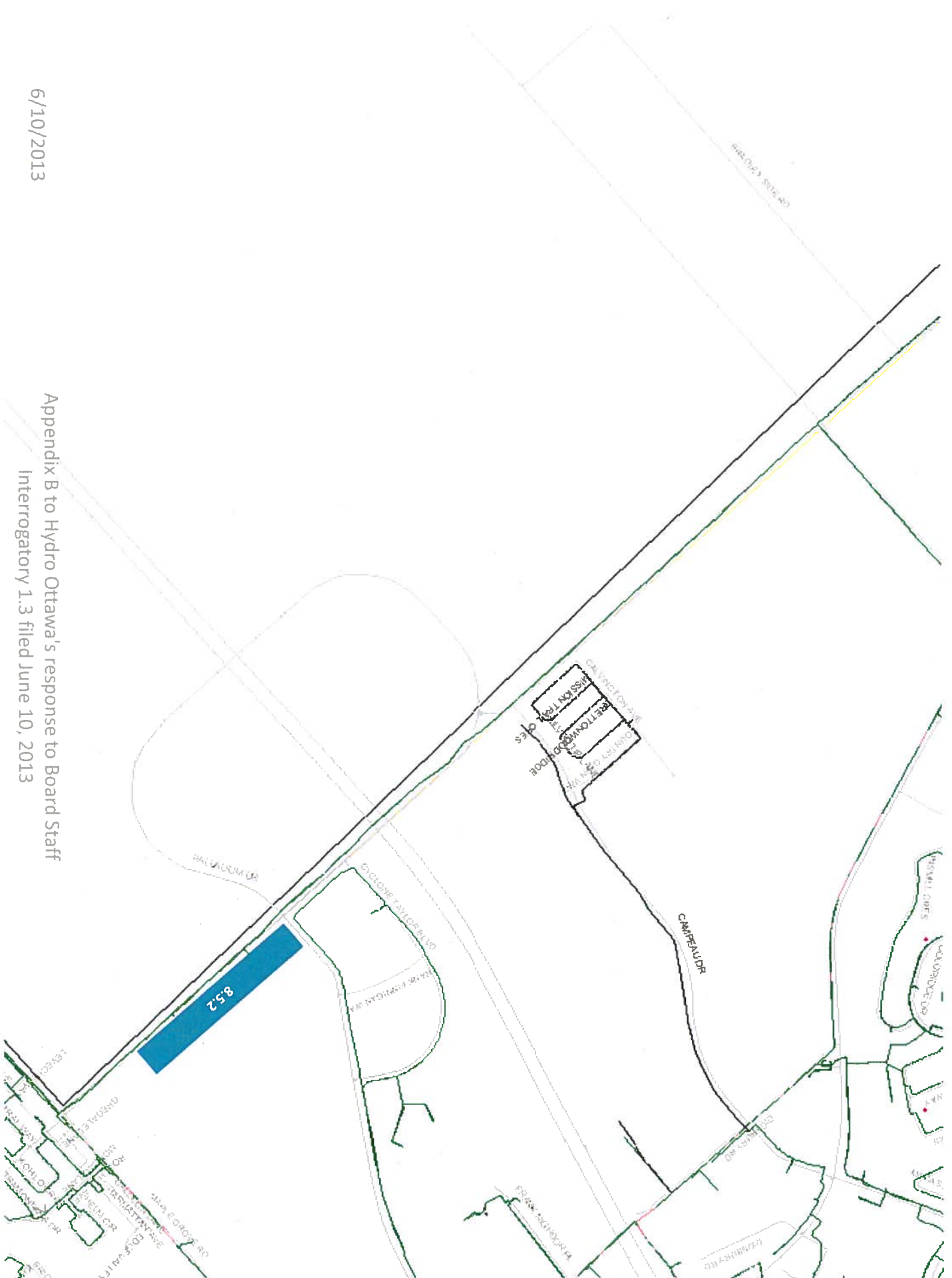
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Appendix B to Hydro Ottawa's response to Board Staff
Interrogatory 1.3 filed June 10, 2013

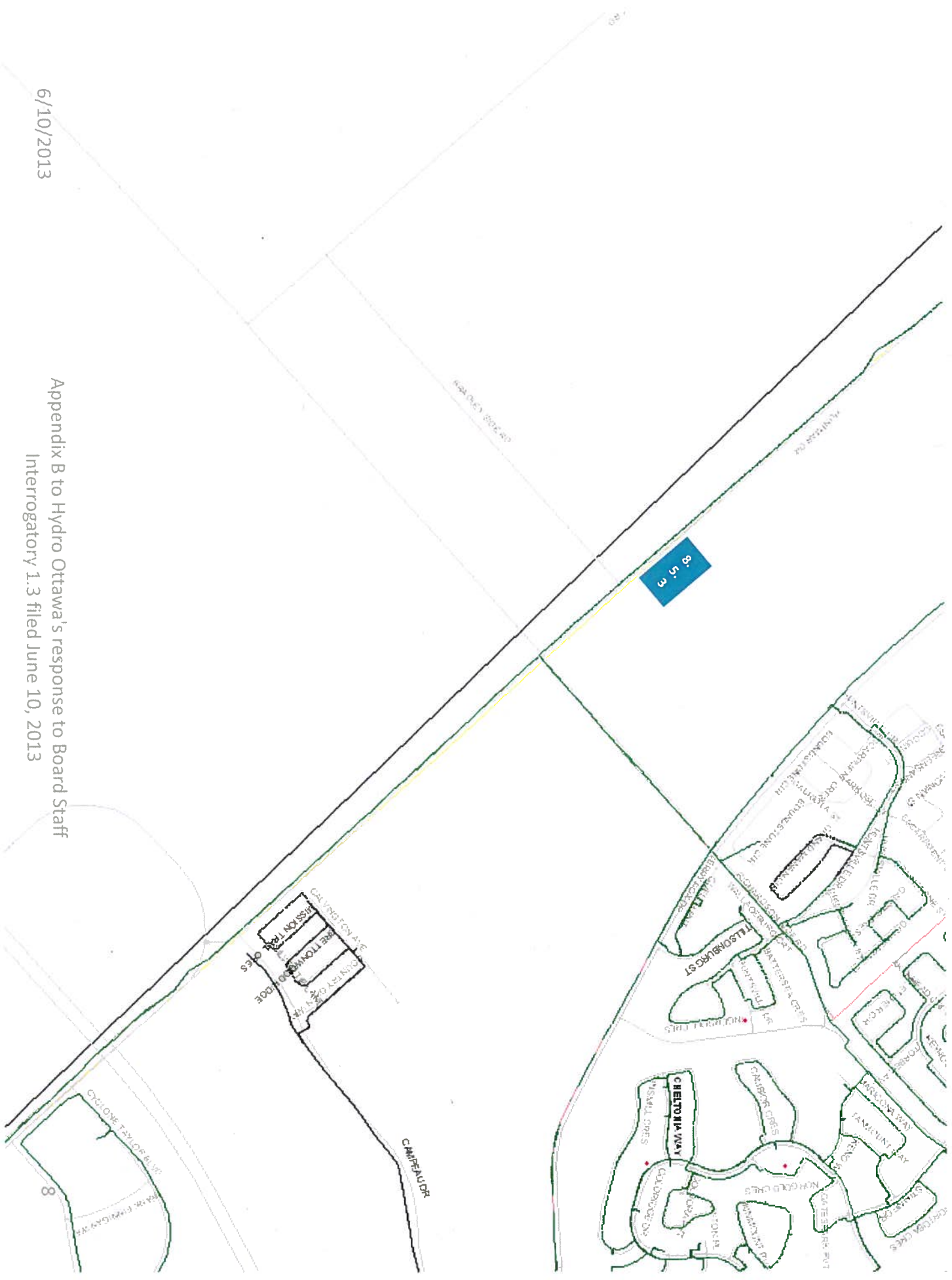
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Appendix B to Hydro Ottawa's response to Board Staff
Interrogatory 1.3 filed June 10, 2013



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Appendix B to Hydro Ottawa's response to Board Staff
Interrogatory 1.3 filed June 10, 2013

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Appendix B to Hydro Ottawa's response to Board Staff
Interrogatory 1.3 filed June 10, 2013

Interrogatory
Interrogatory #2

Ref: Application, Page 4, section 2.2, paragraph 5b):

“Transferring Hydro Ottawa’s LTLT customers to HONI via a service area amendment is not an option due to the expected rate impacts to Hydro Ottawa’s LTLT customers”

- 2.1 Please provide the rate classification for each of the 40 LTLT customers.
- 2.2 Please provide the distribution rates for both Hydro Ottawa and HONI, as applicable, to the 40 LTLT customers.
- 2.3 Please provide the impact on (a) the distribution portion of the bill (ie. All charges except the commodity); and (b) the total bill that would be incurred by the subject customers if they were transferred to HONI based on the rates provided in item 2.2 above and based on each individual customer’s previous 12 months’ consumption.

Response

- 2.1 27 of Hydro Ottawa’s LTLT customers are classified as residential and 13 are classified as small commercial.
- 2.2 In Table 2 on page 15 of its application, Hydro Ottawa set out the rates its LTLT customers currently pay as Hydro Ottawa customers and the estimated rates the same customers would pay were they to become Hydro One customers. Hydro Ottawa’s estimates assumed a standard 800 kWh per month consumption in the calculation of both Hydro Ottawa and Hydro One rates. Table 2 from page 15 of Hydro Ottawa’s Application is reprinted for the Board staff’s convenience.

Hydro Ottawa is not privy to the precise rate classification that Hydro One would apply to each of its 40 LTLT customers. Thus, Hydro Ottawa conservatively estimated that all 40 would be classified as Medium Density R1 classified customers. This estimate was based on Hydro Ottawa’s understanding that in Hydro One’s territory medium density is defined as areas with 100 or more customers with a line density of at least 15 customers per kilometer as recently approved in EB-2012-0136. Based on Hydro Ottawa’s knowledge of the density of the areas where its remaining 40 LTLT customers live, it did not believe any area qualified as being urban density or as having 3,000 customers or more with a line density of at least 60 customers per kilometer.

2.3 See Hydro Ottawa's response to 2.2 above and Table 2 below.

Table 2.

Hydro Ottawa Residential (800kWh/month) Hydro Ottawa (2013)	HONI – Medium Density R1 (2013)	Monthly Impact	Annual Impact	Percentage Bill Increase
\$113.93	\$143.70	\$29.76	\$357.12	26.12%

Hydro Ottawa small commercial (<50 kW) at 2000kWh/ month (2013)	HONI – General Service Energy Billed < 50 (2013)	Monthly Impact	Annual Impact	Percentage Bill Increase
\$270.66	\$345.73	\$75.06	\$900.72	27.73%

Interrogatory
Interrogatory #3

Ref: Application, page 6, figure 1

Figure 1 is a map that "provides an illustration of LTLT arrangements of both Hydro Ottawa and HONI in and outside of Hydro Ottawa's distribution service area."

3.1 The map shows a number of HONI's customers that appear to be served by Hydro Ottawa through LTLT arrangements.

- a) Please confirm whether this understanding is correct; and if so,
- b) Please confirm whether HONI has engaged in any discussions with Hydro Ottawa in relation to the elimination of the subject HONI LTLT customers and please provide full particulars of such discussions including whether Hydro Ottawa's action/decision in relation to its 40 LTLT customers will affect HONI's decision on how to deal with its LTLT customers currently served by Hydro Ottawa.

Response

3.1 a) The map provided in Figure 1 is for illustration purposes only and does not denote the current number of Hydro Ottawa or Hydro One LTLT customers nor does the map denote the precise geographical location of Hydro Ottawa or Hydro One's LTLT customers. The Board staff is correct that the map shows "a number of HONI's customers that appear to be served by Hydro Ottawa through LTLT arrangements."

b) Hydro Ottawa confirms that Hydro One and Hydro Ottawa have engaged in preliminary discussions regarding LTLT customers. These discussions were wide and varied and included discussions regarding previous and ongoing projects to eliminate LTLT arrangements. At this time, Hydro Ottawa is not aware of what decision Hydro One may or may not take relative to its LTLT customers currently supplied by Hydro Ottawa. In addition, in its letter of support, as provided by Hydro Ottawa in its response to interrogatory 1.2, Hydro One makes additional suggestions for dealing with LTLT arrangements, including suggesting that the Board consider eliminating the LTLT elimination requirement altogether.

Interrogatory
Interrogatory #4

Ref: Application, page 9, section 4, paragraph 17:

In its November 30, 2012 updated implementation plan, Hydro Ottawa reported to the OEB that as of September 30, 2012, Hydro Ottawa had successfully eliminated 72% or 211 of its 293 [emphasis added by Board staff] LTLT arrangements within its service area of the City of Ottawa and Village of Cassleman leaving 82 LTLT arrangements to eliminate. Of the remaining 82 LTLT arrangements, Hydro Ottawa has 38 LTLT arrangements in various stages of completion with some nearing completion and others having third party material and resource commitments being made. This leaves 40 LTLT arrangements that, pursuant to section 6.5.4 of the DSC, are to be eliminated by June 30 2014.

- 4.1 Please confirm that based on the numbers provided in the paragraph referenced above, the total number of Hydro Ottawa's LTLT arrangements should be 298 (i.e. not 293). If this is not correct, please explain how the 293 total was arrived at.

Response

- 4.1 Hydro Ottawa's reference to 293 LTLT arrangements in paragraph 17 of its Application was a reference to the information reported to the OEB on page two of its November 30, 2012 LTLT elimination status report. It is not clear to Hydro Ottawa how the Board staff estimated Hydro Ottawa's total LTLT arrangements to be 298. To reiterate, its position, Hydro Ottawa has completed 211 LTLT eliminations, is in various stages of completing another 38 LTLT eliminations leaving the subject 40 LTLT arrangements. This means Hydro Ottawa had a total of 289 to eliminate rather than the 293 originally stated. The difference of 4 (between 293 and 289) is the result of cancelled and duplicate accounts that Hydro Ottawa recently discovered following the OEB's direction to serve its LTLT customers.

Interrogatory
Interrogatory #5

Ref: Application, page 10, section 5, paragraph 21:

..... the average cost to eliminate the first 249 LTLT arrangements was approximately \$21K per customer. The average per LTLT customer investment Hydro Ottawa would need to incur to eliminate its remaining 40 LTLT customers is approximately \$52.5K per LTLT customer, nearly three times the average amount incurred or committed to eliminate the 249 LTLT arrangements to date.

- 5.1 Please provide detailed evidence supporting the cost of connecting the 40 LTLT customers to Hydro Ottawa's distribution system.
- 5.2 Please provide a detailed explanation as to why the cost of connecting the 40 LTLT customers is so high relative to connecting the other LTLT customers of Hydro Ottawa.

Response

- 5.1 First, the average cost to eliminate the first 249 LTLT arrangements was approximately \$17K per customer and not \$21K as erroneously indicated in Hydro Ottawa's application. Table 1 below sets out the per-project and per-customer costs of connecting Hydro Ottawa's remaining LTLT customers to its distribution system. Table 1 reveals that the total costs to connect the subject 40 LTLT arrangements is approximately \$2.5 million and not \$2.1 million as originally filed. This changes the average per customer cost to eliminate the subject 40 LTLT arrangements to \$61,663 and not \$52,500. Hydro Ottawa sincerely regrets this oversight.
- 5.2 The costs of connecting Hydro Ottawa's remaining 40 LTLT arrangements stems from the remoteness of these customers and their respective distance to the Hydro Ottawa's nearest feeder. Hydro Ottawa's former LTLT customers to whom Hydro Ottawa connected to its network were generally located in less remote, therefore less expensive, locations with numerous customers allowing Hydro Ottawa to lower its average per customer connection costs.

Table 1

LTLT Elimination Projects	# of LTLT Customers	Estimated Cost per project	Estimated cost per customer
Principle Street Cassleman	1	\$31,250.00	\$31,250.00
Route 700 & Principle Road Cassleman	13	\$215,540.00	\$16,580.00 each
Mer Bleu (Cluster 1) Gloucester	3	\$120,000.00	\$40,000.00 each
Dobson Lane, Goulbourn	2	\$300,000.00	\$150,000.00 each
McCordick Road Goulbourn	5	\$230,000.00	\$38,333.00 each
Huntmar Road (Cluster 2)	2	\$160,000.00	\$80,000.00 each
Huntmar Road (Cluster 3)	1	\$108,330.00	\$108,330.00
Montee Lafontaine Casselman	2	\$187,500.00	\$93,750.00 each
Route 500, Casselman	2	\$168,750.00	\$84,375.00 each
Rothbourne Road (Cluster 1) Goulbourn	2	\$387,000.00	\$193,500.00 each
Thomas Dolan Parkway (Cluster 2) & Dunrobin Road – part 2	1	\$210,000.00	\$210,000.00
Thomas Dolan Parkway (Cluster 2) & Dunrobin Road – part 3	1	\$241,880.00	\$241,880.00
Brophy Road Nepean	5	\$106,250.00	\$32,050.00 each
Total	40	\$2,466,500.00	Average \$61,663.000 each

Interrogatory
Interrogatory #6

Ref: Application, page 11, section 5, paragraph 23:

..... To Hydro Ottawa, spending an average of \$52.5K to supply electricity service to a customer who is already receiving electricity service is not a prudently incurred cost. This is especially true when compared to the status quo option, whose costs are approximately 21K a year.

- 6.1 Please confirm whether the annual \$21K costs referenced above represents only the annual difference between HONI's rates and Hydro Ottawa's rates in relation to all 40 LTLT customers.
- 6.2 If 6.1 is confirmed, please indicate whether there are any other costs associated with maintaining the subject LTLT arrangement (e.g. administration, settlement ... ect) and provide full particulars of such costs including the nature or category of costs, the associated annual amount and any supporting data/calculations.

Response

- 6.1 Hydro Ottawa confirms that the estimated \$21K cost represents the annual difference between the Hydro One's distribution rates and Hydro Ottawa's distribution rates in relation to the 40 LTLT customers.
- 6.2 Hydro Ottawa confirms that there are minor annual administrative costs associated with completing the accounting exercises necessary to finalize the settlement amounts between Hydro Ottawa and Hydro One. Hydro Ottawa considers these administrative costs *de minimus* as it amounts to approximately 12 hours of work per year for one accounting clerk. Hydro Ottawa's annual compliance reporting associated with its LTLT elimination efforts, however, consumes approximately 10 full-time person days per year to complete.

Interrogatory

Interrogatory #7

Ref: Application, page 20, section 8.2, paragraph 51:

"Hydro Ottawa submits that any issues of customer confusion have been largely addressed."

- 7.1 Please confirm whether Hydro Ottawa has mechanisms in place to track customer issues, complaints or incidents relating to/resulting from LTLT arrangements.
- 7.2 Please provide the number and the nature of the issues, if any, recorded in relation to the subject 40 LTLT arrangements along with the efforts made/required to resolve such issues, complaints or incidents.

Response

- 7.1 Hydro Ottawa confirms that it has in place mechanisms to track customer issues, complaints or incidents relating to or resulting from LTLT arrangements. In addition, Hydro Ottawa staff is in regular contact with Hydro One staff for the purposes of coordinating planned outages and ensuring ongoing service reliability.
- 7.2 See Table 1 below for a description of the types of calls received from the subject 40 LTLT arrangements from 2008-2013. Table 1 illustrates that over the last five years Hydro Ottawa has been contacted approximately 55 times by the subject 40 LTLT arrangements. Of the 55 contacts received, 22 (40%) were the result of unplanned power outages on the Hydro One network, 12 (22%) were the result of planned power outages on the Hydro One network to which the customer claims they were not notified by Hydro Ottawa; 16 (29%) were the result of an account anomaly; 3 (5%) were the result of the customer account being in arrears and receiving a disconnect notice and the remaining 2 (4%) were the result of brown outs being experienced by the customer or undetermined causes.

Table 1

# of Calls	% of Total	Reason	How resolved
22	40%	Unplanned Hydro One outage	Power restored by Hydro One or Hydro Ottawa
12	22%	Planned outages – customer claims he/she did not receive Hydro Ottawa notification of Hydro One's planned outage	Advised customer as to approximate power restoral time.
16	29%	Account anomaly	Service disconnected, billing issue persists
3	5%	Customer's account is in arrears	Discussed options
2	4%	Customer experience brown out or undetermined causes	Recommended the customer call an electrician

In addition to these customer contacts, on March 25, 2013 a Hydro Ottawa customer that resides in the area of a current LTLT elimination project (i.e. not a part of the subject 40 LTLT customers) wrote to an Ottawa City councilor to complain about the LTLT elimination project. Mr. Millistver noted that the project was an "unnecessary abuse of taxpayer monies". The letter was forwarded to Hydro Ottawa for a response. Mr. Millistver's correspondence and Hydro Ottawa's response are attached to this response as Attachment A.

Attachment A
EB-2013-0072 – Interrogatory #7

From: Peeter Millistver [mailto: [REDACTED]]
Sent: March-25-13 10:21 AM
To: 'Eli.El-Chantiry@ottawa.ca'
Subject: Thomas Dolan Hydro Service "Upgrade"

Hi Eli,

Over the past several months Hydro One has been upgrading the poles along Thomas Dolan Parkway from Sixth Line to Barlow Crescent. The poles are now 60 feet tall versus the original 40 feet thereby allowing another service feed to be installed. Very few of the original poles were in need of replacement. My thought was that the continuing development in this area necessitated another feed for the new homes still to come even though there is very little land left to develop unless higher density zonings or infills are undertaken. Three developers have tried to develop subdivisions in the past little while with no success (water quality being the show stopper in one case).

In talking with the head of the Hydro One crew I found out that the upgrade was undertaken solely to meet the legislated needs of Hydro Ottawa. There are 10 houses on Neely that are fed directly by Hydro One and to keep these customers in the Hydro Ottawa (formerly the city of Kanata) revenue base Hydro Ottawa has to run a feed to them or turn the customers over to Hydro One. And Hydro One has to oblige the request under the legislation governing their interactions.

My issue with this entire upgrade is the unnecessary abuse of taxpayer monies to achieve Hydro Ottawa's desire for revenue base protection. I suspect that the payback from these 10 subscribers on Hydro Ottawa's investment alone in a service feed expansion is on the order of many years. Hydro One's million dollar plus expense to replace the 30 poles is not even considered in the decision. And on top of that Bell Canada's expense to relocate its trunk lines is also not considered. In my experience with the private sector even an 18 month payback period is a tough sell for any investment scenario. I submit that if one were to include the investments of all three impacted organizations the payback would be on the order of your and my ages combined if not greater!

The more distressing news is that this is not the first time Hydro One has had to engage in such work but one of many repeated scenarios. Please investigate how such a decision was made and what changes may be indicated to allow a more prudent and balanced approach to guide the future use of our scarce and hard earned tax dollars.

Sincerely,
Peeter Millistver

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Attachment B
EB-2013-0072- Interrogatory #7

April 18, 2013
Councillor Eli El-Chantiry
Ward Office
5670 Carp Road
Kinburn, ON
K0A 3M0

Dear Councillor,

Re: Peeter Millistver's March 25, 2013 email re: Thomas A. Dolan Hydro Service Upgrade

This letter is in response to the email you received March 25, 2013 from Peeter Millistver regarding the hydro poles being installed along Thomas Dolan Parkway from Sixth Line to Barlow Crescent. The upgrade of the hydro poles is being undertaken in order to connect Hydro Ottawa customers directly to Hydro Ottawa's network. Although these customers currently reside in Hydro Ottawa's distribution service territory and are being billed for service as Hydro Ottawa customers, Hydro Ottawa arranges with Hydro One to provide the electrical service to these customers.

The primary reason for the work along Thomas Dolan Parkway is to meet Ontario Energy Board regulations that require Hydro Ottawa to physically connect all of its customers to its network. This regulatory requirement extends to all licensed electricity distributors operating in Ontario and complete compliance is expected by the Ontario Energy Board on or before June 30, 2014. Therefore for a number of Hydro Ottawa customers along Thomas Dolan Parkway, Hydro Ottawa must reconnect them directly to the Hydro Ottawa network so that they can continue to be Hydro Ottawa customers. The alternative provided by the regulations is for Hydro Ottawa to transfer these customers to Hydro One and for the customers to then pay Hydro One rates. Hydro Ottawa has not chosen this option, as the affected customers would then have to pay approximately 26% more monthly to Hydro One to receive the same service.

Hydro Ottawa agrees with Mr. Millistver that upgrades to solely meet the regulations of the Ontario Energy Board must be done on a prudent and balanced basis having regard to the requirements of all customers. Please assure Mr. Millistver that Hydro Ottawa shares his concern regarding the costs associated with following these regulations. In this regard, on March 18, 2013, Hydro Ottawa applied to the Ontario Energy Board to be exempt from the regulation to directly connect all Hydro Ottawa customers to its network. Hydro Ottawa has a number of customers that remain connected to the Hydro One network and Hydro Ottawa believes that where infrastructure is not in need of replacement, that reconnecting these customers to the Hydro Ottawa network is not economically prudent. Hydro Ottawa has just started the process at the Ontario Energy Board and expects a decision later this year.

I'm hoping this response meets your and Mr. Millistver's needs. If you have any further questions, please do not hesitate to contact me at the email address below.

Respectfully,

(Original signed by Patrick Hoey)

Patrick Hoey
Director, Regulatory Affairs
Hydro Ottawa Limited.
regulatoryaffairs@hydroottawa.com

Interrogatory

Interrogatory #8

Ref: Application, page 25, section 10.0, paragraph 70:

Requiring electricity distributions to continue to invest in building facilities to serve customers who already have service within a distribution service area whose boundaries have the potential to change in the next five years is inefficient and will waste the time and resources of Hydro Ottawa and the Board. The recommendation of the Distribution Sector Review Panel clearly compliments Hydro Ottawa's arguments in favour of an exemption from the continued application of section 6.5.4 of the DSC.

Ref: Application, pages 22-24, paragraphs 61-67: Referencing various sections of the Board's renewed regulatory framework, Hydro Ottawa concludes that:

".... It is clear that the cost efficient development of Ontario's electricity network infrastructure must necessarily examine projects whose fundamental outcome results in the duplication of network assets."

- 8.1 Please confirm that building facilities to serve LTLT customers is only one of the options available to geographic distributors (i.e. it is not a requirement).
- 8.2 Please confirm that transferring the subject customers to HONI will eliminate the LTLT's without asset duplication.
- 8.3 In the statement referenced above, Hydro Ottawa speaks to a potential service area boundary change in the next five years. Please confirm whether Hydro Ottawa will be in a better position to assess its subject LTLT arrangements with HONI in the next five years. If so, please provide full particulars.

Response

- 8.1 Building facilities to directly serve customers currently served via an LTLT arrangement is the only option available to geographic distributors that resides within their exclusive control allowing them to remain compliant with the regulation.
- 8.2 Hydro Ottawa confirms that transferring the subject customers to Hydro One will allow it to comply with the OEB's regulation set out in section 6.5.4 of the DSC. Hydro Ottawa maintains that this option is not in the best interests of its customers. More importantly, Hydro Ottawa does not want to transfer these customers to Hydro One particularly if the result is that these customers will be required to pay 26% more for electricity service to receive the approximate same service. Hydro Ottawa believes that transferring these customers to Hydro One would be inconsistent with the overall policy statements and tone contained in the Report of the Board in the Renewed Regulatory Framework for Electricity Distributors. Hydro Ottawa believes that its proposal for an exemption from

Section 6.5.4 of the Distribution System Code is the most cost effective, least disruptive solution to the affected LTLT customers; Hydro One and its customers and Hydro Ottawa and all its customers.

- 8.3 Hydro Ottawa is not in a position to predict changes to service area boundaries that may or may not be occasioned by new developments in its service territory or by mergers or acquisitions. Hydro Ottawa's experience with developers is that some projects may move forward, others may be put on hold or changed significantly causing further delay or cancellations. Hydro Ottawa believes that any additional specific period of time will not necessarily provide greater clarity on possible changes to service area boundaries.