

**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 by Hydro One Networks Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2015, each year to December 31, 2019.

**WRITTEN ARGUMENT OF THE CITY OF HAMILTON**

**WeirFoulds LLP**

Barristers & Solicitors  
66 Wellington Street West  
Suite 4100, P.O. Box 35  
Toronto-Dominion Centre  
Toronto, ON M5K 1B7

**Robert B. Warren (17210M)**

Tel: 416-947-5075  
Fax: 416-365-1876

Lawyers for the City of Hamilton

**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 by Hydro One Networks Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2015, each year to December 31, 2019.

**WRITTEN ARGUMENT OF THE CITY OF HAMILTON**

1. This is the written argument of the City of Hamilton (“COH”) in the application of Hydro One Networks Inc. (“HONI”) to the Ontario Energy Board (“Board”) for an order approving just and reasonable rates and other charges for electricity distribution to be effective January 1, 2015, each year to December 31, 2019.
2. The COH is a customer of HONI for street lighting services. If HONI’s application were granted, HONI’s distribution rates for Hamilton’s street light class would increase by approximately 22% in 2015, with an average impact on the total bill of approximately 10% over the five-year period covered by HONI’s application.
3. The COH’s concern with HONI’s application is not just with the magnitude of the increase in its street light rates. Its concern is also with the basis upon which those street light rates are set. In its report on “Review of the Board’s Cost Allocation Policy for Unmetered Loads” (“EB-2012-0383”), the Board expressed its concern with the way the costs for street light rates were determined. In particular, the Board made the following observation:

The Board remains concerned with the allocation of costs to daisy-chain configured systems. The disparity in the cost allocation result between a street lighting customer configuration with multiple devices per connection and a street lighting customer with a device to connection ratio close to 1:1 appears to be disproportionate when compared to actual costs to serve the street lighting rate class. The Board believes that further investigation is necessary before making a determination. The Board will issue a letter shortly to begin a consultation process for this single issue.<sup>1</sup>

4. The Board, by letter dated August 21, 2014, initiated the consultation process referred to in its report in EB-2012-0383 referred to in the preceding paragraph. It has since been determined that the consultant retained to conduct the consultation process, Navigant Consulting Limited, is to deliver an interim report within six weeks of the start of the consultation process.

5. The COH's concern is that, unless the correct methodology is used for the determination of street light rates, any resulting rates will not be just and reasonable. Put another way, unless the correct methodology for establishing street light rates is known, the evidentiary basis for the determination of street light rates is flawed, and the resulting rates cannot be just and reasonable.

6. The COH's concern that there is no proper evidentiary basis for establishing HONI's street light rates is increased by the fact that HONI's proposed rates will be in place for 5 years.

7. The COH brought a motion, in HONI's application, seeking an order that HONI's rates for the street light class be frozen, pending the outcome of the consultation process or, in the alternative, that those rates be interim pending the outcome of that consultation process.

8. In a ruling made on September 16, 2014, the Board dismissed COH's motion. However, in doing so, the Board stated that it "would make its determination [in this application]

---

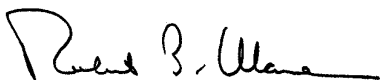
<sup>1</sup> EB-2012-0383, *Report of the Board, Review of the Board's Cost Allocation Policy for Unmetered Loads*, December 19, 2013, p. 18.

giving due regard to the fact that a review of the class allocation methodology for street lighting has been initiated”<sup>2</sup>.

9. The COH will not herein re-argue its motion, or seek a different result. However, the COH submits that it would be appropriate for the Board to insert a provision in its decision in HONI’s application recognizing the principle that rates, to be just and reasonable, cannot be based on incorrect assumptions or premises, and acknowledging the prejudice to the COH if rates so based were in place for 5 years.

10. The COH therefore proposes that the Board include in its decision a provision that HONI’s application can be re-opened if there are changes to the revenue allocated to the street light class customers resulting from changes to the Board’s policies on cost allocation for unmetered loads. The outcome of the consultation process initiated by the Board, as a continuation of EB-2012-0383, may affect street lighting, sentinel lighting, and unmetered scattered load customers and other customer classes in the event that changes must be made to the costs allocated to any of the unmetered customer classes. In addition, changes in the configuration of street light connections and/or changes in street lighting technology may have significant impacts on distribution revenues. Since such initiatives are beyond the control of HONI and could not practicably be forecast at the time of the filing of HONI’s application, the COH requests that a provision be included in the decision allowing HONI’s application to be re-opened to adjust the allocation of costs and related revenues for all classes in the event of changes in the allocation of costs to any of the unmetered load customer classes.

All of which is respectfully submitted.



---

Robert B. Warren  
Counsel to the City of Hamilton  
October 15, 2014

7005767.1

---

<sup>2</sup> EB-2013-0416, Transcript, Vol. 6, p. 101.