

May 8th, 2015

EMAIL – boardsec@ontarioenergyboard.ca

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2014-0213 – Hydro One Woodstock MAADs

On behalf of Concerned Citizens Against the Sale of Woodstock Hydro in the above-noted proceeding, we hereby submit our final arguments by email. Two copies have been couriered this day to the attention of the Board Secretary.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. Harding", with a stylized, cursive script.

Michael Harding For
Concerned Citizens Against the Sale of Woodstock Hydro
c/o 95 Vansittart Ave
Woodstock, ON N4S 6E3
T: (226) 228-0173
F: (519) 537-1035
mharding@execulink.com

FINAL ARGUMENT BY THE CONCERNED CITIZENS OF WOODSTOCK (Concerned Citizens)

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 Inc. for leave to purchase all of the issued and outstanding shares of Woodstock Hydro Holdings Inc. under section 86(2)(b) of the Ontario Energy Board Act, 1998.

AND IN THE MATTER OF an application by Woodstock Hydro Services Inc. seeking to include a rate rider in its 2014 Ontario Energy Board approved rate schedule to give effect to a 1% reduction relative to 2014 base electricity delivery rates (exclusive of rate riders) under section 78 of the Ontario Energy Board Act, 1998.

AND IN THE MATTER OF an application by Woodstock Hydro Services Inc. for leave to dispose of its distribution system to Hydro One Networks Inc. under section 86(1)(a) of the Ontario Energy Board Act, 1998.

AND IN THE MATTER OF an application by Woodstock Hydro Services Inc. for leave to transfer Woodstock Hydro Services Inc.'s distribution licence and rate order to Hydro One Networks Inc. under section 18 of the Ontario Energy Board Act, 1998.

Introduction

The primary application asked the OEB to approve the purchase by Hydro One of all of the shares of Woodstock Hydro Holdings Inc., which owns Woodstock. As part of this purchase, the OEB was also asked to approve:

- a) a one percent reduction in Woodstock's 2014 electricity distribution rates, frozen for five years, until rates are harmonized in 2020; (On May 22, 2015, Hydro One filed an amendment to its application extending the period to up to 10 years.)
- b) the transfer of Woodstock's distribution system to Hydro One Networks Inc. (Hydro One); and
- c) the transfer of Woodstock's electricity distribution licence and rate order to Hydro One

In its decision in EB-2013-0187, the Board determined that the factors to be considered in deciding such applications are the Board's objectives as set out in the Act:

1. To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.
2. To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.
3. To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances.
4. To facilitate the implementation of a smart grid in Ontario.
5. To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities. 2004, c. 23, Sched. B, s. 1; 2009, c. 12, Sched. D, s. 1.

The group, Concerned Citizens against the Sale of Woodstock Hydro, represents hundreds of citizens of Woodstock, Ontario who have expressed concern regarding the sale of Woodstock Hydro to Hydro One. These individuals signed a petition contesting the sale and are concerned that this application will ultimately and negatively impact rates, reliability and customer service and in particular, Conservation and Demand Management (CDM). The Concerned Citizens intervened in order to ensure that the interests of Woodstock citizens and ratepayers are fully represented in this proceeding.

It is the view of the Concern Citizens that Hydro One has not satisfied the "no harm" test with respect to rates, reliability and CDM. The promises made by Hydro One are all empty promises with no way for either the Board or Hydro One to know if promises made will be promises kept. Only after the consolidation is complete will the harm be experienced by the only ones harmed – the customers of Woodstock Hydro.

- **Costs and Rates will go up**
- **Reliability and Customer Service will go down**
- **Conservation and Demand Management will be less effective**

The evidence to support this view is provided below based on the evidence submitted and the transcripts of the hearing.

Costs and Rates will Go Up!

Reference: Exhibit K.2, page 44

Utility	Cost per Customer
Woodstock Hydro	\$739
Hydro One	\$1,046

While there are clearly reasons for the cost differential, ultimately when Woodstock Hydro's costs and customers are blended in with those of Hydro One, whether in 5 years, 7 years or 10 years, the pressure on cost per customer and therefore rates will be upward and the 1% decrease rate rider will fade into the distant memory. But the savings for Woodstock Hydro customers isn't much anyway – not compared to the forecasted savings for Hydro One!

Reference: Transcript 1, page 30

MR. BERTOLO: Approximately 31 cents down if you use the OEB calculator on 800 kilowatts.

In the long run, the benefits will go to current Hydro One customers. In fact, Mr. Bertolo made this clear when he said: "Hydro One customers in the long-run will be able to share fixed costs over a larger customer base." As per the transcript reference above the savings for the average Woodstock residential customer will be about 31 cents a month.

Reference: Transcript 1, page 20

MR. BERTOLO: The incremental cost of adding 15,000 Woodstock Hydro customers to Hydro One's 1.2 million customer base results in a lower cost structure.

He did not add that the lower cost structure will be to the benefit of Hydro One's existing customers, not lower cost in comparison to the current customers of Woodstock Hydro. Put another way Woodstock Hydro customers will get \$2.00 each of the savings Hydro One is forecasting while each Hydro One customer will get \$200.00 using the data from the original application. – Not really a fair share of the pie by any stretch of the imagination. (**Reference: Transcript 1, page 122.**)

Customer Service will Go Down!

In response to Concerned Citizens interrogatory #6, Hydro One assured that "by the time our the proposed sale is approved by the Board and WHSI's operations are integrated with Hydro

One's, our billing and other customer service offerings will be restored to normal service levels." At the time this was written, Hydro One clearly did not anticipate the time taken for this proceeding and it surely did not anticipate that the proceeding would resume days after "the Ontario Ombudsman reported that Hydro One customer service was [still] abysmal".

Reference: Transcript 2, Page 103.

In any event, once the operations are integrated, the only costs, rates and customer service indicators that will be reported will be "corporate" for Hydro One and Woodstock Hydro's former customers will only be left with the frustration of dealing with a remote call centre, more and longer outages, and fewer opportunities to save energy and money through conservation.

Empty Promises on Reliability

Reference: Exhibit A, Tab 1. Schedule 1, page 4 of 6

The Purchase Agreement included the following promise:

(e) The Purchaser and the Vendor shall establish an advisory committee (the "Advisory Committee") to provide a forum for communication between the Purchaser and the Vendor. In establishing the Advisory Committee, the Purchaser shall select, in consultation with officials of the Vendor, one senior official and one local official as its Representatives. The Vendor has the right to appoint at least three Representatives to the Advisory Committee;

(f) If, three years after Closing, the three-year average for service reliability and customer service standard levels of WHSI is lower than the three-year average reported immediately prior to the Closing, the Purchaser shall make a single payment to the Vendor in the amount of \$200,000, to be used for community purposes, including charities;

The promised payment is not even material for Hydro One.

Reference: Transcript 1, Page 142.

MR. SHEPHERD: And the penalty is non-material, isn't it?

MR. BERTOLO: Materiality is in the eye of the beholder. \$200,000 is a sizeable sum of money.

MR. SHEPHERD: Actually, materiality is a technical term that the Board uses, and 200,000 is not material for Hydro One, is it?

MR. BERTOLO: Every dollar expended on a customer's behalf is material.

MR. SHEPHERD: Will you accept subject to check that your materiality level is \$1.4 million?

But the real question is how will anyone really know if reliability is maintained? How can a three year average for service reliability and customer service standards even be constructed for the former Woodstock Hydro? Once the operations are integrated no Woodstock Hydro specific data will be available. Hydro One's witness made it very clear – Hydro One will only report corporate data, because that is all it has to under the Board requirements.

Reference: 2013 Yearbook, Hydro One Page 74

Service Reliability Indices		
SAIDI-Annual	10.46	27.42
SAIFI-Annual	3.64	4.63
CAIDI-Annual	2.88	5.93
Loss of Supply Adjusted Service Reliability Indices		
SAIDI-Annual	9.84	26.57
SAIFI-Annual	3.30	4.23
CAIDI-Annual	2.98	6.28

N/A - Denominator is zero

Reference: 2013 Yearbook, Woodstock Hydro, Page 81 2013

Service Reliability Indices	
SAIDI-Annual	1.26
SAIFI-Annual	1.54
CAIDI-Annual	0.82

Of course, comparing Hydro One's corporate data to Woodstock Hydro's corporate data as above would illustrate the potential harm to the latter's customers. Instead, Hydro One has chosen to present reliability comparators which will be meaningless in the future whether three, five or ten years hence. Instead of using corporate data, it has constructed an arbitrary measure of its reliability in and around the Woodstock Hydro Service Territory based on data from one feeder – not the usual way of constructing reliability indicators. In fact, once integration takes place, even without rate harmonization, neither comparator - not reliability and not customer service - will be available, except as estimates. And will the three vendor representatives appointed to the Advisory Committee by the vendor, the City of Woodstock will have the knowledge and experience to question the data or even make sense of it?

Reference: Transcript 1, pages 145/6

MR. SHEPHERD: Will you be reporting to the Board on an annual basis the reliability metrics for Woodstock Hydro?

MR. BERTOLO: We currently report at a corporate level.

MR. SHEPHERD: *So the Board will never know what reliability Woodstock experiences, will they?*

MR. BERTOLO: *The Board can always ask.*

MR. SHEPHERD: *Okay. So you're saying --*

MR. BERTOLO: *Well, there is no formal mechanism today to report that, so I don't know what we would be reporting or to whom we would be reporting it, and for what reason.*

MR. SHEPHERD: *So that the Board knows whether the ratepayers in Woodstock are being harmed.*

MR. BERTOLO: *You've asked about a reporting mechanism. The current corporate objective is to report those corporate numbers. That's what we do. If there's a requirement beyond that then we'll comply with that requirement, but right now there is no such requirement.*

...

MS. LONG: *Sorry, I just want to clarify here. So what your position is ...if this transaction were to be approved in year 2, the reliability information reported to the Board would be provided as a whole for the Hydro One entity? Even though rates are going to stay the same for five years, you are not going to be reporting Woodstock's reliability information separately; do I understand that correctly?*

MR. BERTOLO: *Correct.*

If reliability does fall from current levels the harm will be done – the proverbial barn door will be closed after the livestock escapes. By definition, reliability statistics are “lagging indicators”. By the time the averages become noticeably higher to customers, several years of neglect will not be easily remedied. The harm will be done to the former Woodstock Hydro ratepayers, especially in the commercial and industrial sectors in the City of Woodstock where outages cost such customers so very much more than the promise one-time payment of \$200,000 to the community. Lawrence Berkeley Laboratory’s ground breaking report, *A Framework and Review of Customer Outage Costs*¹, indicated that “the cost experienced by an “average” customer resulting from a 1 hour summer afternoon outage is estimated to be approximately \$3 for a residential customer, \$1,200 for small-medium commercial and industrial customer, and \$82,000 for large commercial and industrial customers.”

¹ <http://emp.lbl.gov/publications/framework-and-review-customer-outage-costs-integration-and-analysis-electric-utility-outage-cost-surveys.pdf>

Less Effective CDM is Harm to Woodstock Hydro's Customers

Woodstock Hydro's customers will lose their utility's assistance to conserve electricity and save money. By virtue of its huge service territory, Hydro One uses a "remote" approach to conservation, employing service contractors, its call centre and other impersonal marketing approaches. Mr Bertolo is correct when he notes the differences between Hydro One and Woodstock Hydro's service territory when it comes to implementing the same CDM programs. He is wrong however, in his assumption that the programs were different – an error that entirely erodes his claim that rationalization of CDM will mean the best of both worlds.

Reference: Transcript 1, page 151

MR. BERTOLO: When you look at a tight urban situation that Woodstock has, is very different than a system-wide average of programs that Hydro One would have. So again, to make these comparisons on system-wide programs that deal with customers that range from seasonal, very rural, to some urban in an average document compared to a very specific class on delivery, there's obviously going to be differences amongst it, so thank you for pointing out the differences.

But it was not just Hydro One that Woodstock Hydro was better than; it was all other LDCs, many with similar service territories. Woodstock Hydro's approach to marketing its CDM programs is in stark contrast to Hydro One's given Woodstock Hydro's drive and enthusiasm as well as the real benefits of local professionals knowing and serving local customers.

Reference: Transcript 1, page 23.

MR. HARDING: I'm told that the best predictor of future behaviour is present behaviour, and that's why I raised the issue. Because the folks that have delivered what the shareholder wanted and what the ratepayers wanted was an intimate knowledge of the community, and have grown to expect that. And it sounds like, I guess, from my perspective, that they are about to lose it.

The contrast between the Woodstock approach and Hydro One's approach is clearly evidenced below when Hydro One witnesses showed little awareness of their programs or their customers. One witness didn't even know that a major employer like Toyota was a Hydro One customer or if it had benefited from the programs as had the GM facility served by Woodstock Hydro.

Reference: Transcript 2, pages 120/121

MR. HARDING: Let's go back and touch again on conservation. Can you tell us anything about the conservation strategy you have currently employed, and the

outcome in the areas -- I will use your term -- adjacent to the city of Woodstock? Tell us how that's been going.

MR. BERTOLO: I don't have specifics. We run provincial programs. So I'm sorry, I don't have that information.

MR. HARDING: Can you supply it to us?

MR. BERTOLO: I don't even know if we have activities, and if there's actually any - a lot of these are volunteer residentials. They pick up the programs. In industry, it depends on the industry. I don't know if we even have industry in our jurisdiction just outside of Woodstock that would be comparable for you.

MR. HARDING: You have Toyota. It is not in the city of Woodstock's -- it is not a customer of Woodstock Hydro.

MR. BERTOLO: Agreed, and I don't know if they have a program with us or not.

MR. HARDING: How can we report programs and you can't? Is that what I'm hearing?

MR. BERTOLO: No, we can. The question is did the manufacturing site want to be part of a program? We can't impose programs on people.

MR. HARDING: Do you have somebody employed in this region that actually is responsible for conservation demand-side management?

Reference: Transcript 2, page 112

MR. HARDING: And you were reporting in the same means, were you, as Woodstock Hydro. So you're at 60 percent and Woodstock Hydro is at 177 percent.

MR. LEE: Yes, I believe we established that in January.

MR. HARDING: All right. And so hence my question about all of the expertise that you have available to you does not require -- this is not quite said that way, but does not require any input from the senior staff of Woodstock Hydro. You have all of the capabilities to deliver on that three-year plan, to deliver conservation and demand management, all of the expertise that you have right now?

MR. LEE: No, I don't believe that's true. And I think what Mr. Bertolo alluded to earlier is that we will take the best of both worlds. And I am not sure that I understand the question.

MR. HARDING: Well, it's just that on page -- on the updated Exhibit A, tab 2, schedule 1, under 1.3, line 19, it says: "Hydro One will retain local knowledge from existing Woodstock Hydro staff." And yet elsewhere, you're saying we will make economies in this by basically terminating all but fourteen or so staff, **none of which have experience in conservation management. It is a senior issue.** [Emphasis added]

Reference: Transcript 1, page 151.

MR. SHEPHERD: *Woodstock was better than anybody else in the province as of the end of 2013, right?*

MR. BERTOLO: *At that point in time, yes.*

Reference: Transcript 1, page 152

MR. BERTOLO: *For the Woodstock-specific assets, potentially, if we are running the same programs for those specific assets.*

MR. SHEPHERD: *But you won't have staff in the local area. How can you possibly do it when your staff don't even live there?*

Reference: Transcript 1, page 154.

MR. SHEPHERD: *This Board has to make a determination as to whether the transaction will harm the ratepayers. This is an area in which, as you've agreed, if you can't perform at the level that Woodstock Hydro did, then the ratepayers would be harmed. I'm trying to get -- I'm giving you the opportunity to explain to the Board why that won't happen.*

MR. BERTOLO: *I think the Board looks in totality on harm to the customers. They don't look at a single dimension. They look at the overall transaction.*

Why Woodstock Hydro was Successful in CDM

Woodstock Hydro has a long history of conservation. Its pay as you use meters were legendary. The drive and enthusiasm of its management and staff are well known in the CDM community.

Mr. Harding: *The other aspect of culture is that we have very deep roots in our community, our staff are very committed and very knowledgeable, and why we have done so well is because they believe that this utility is actually going to help them save money, and that goes back when I first joined the utility, 2004, where we had technologies in place that produced a 15 to 20 percent everyday reduction in energy expenditures, and that continues throughout the history since that time, and I guess I just, to the Panel, have to remain concerned that we lose something that actually saves our ratepayers money today, and that we're not going to have to wait three years down the road to figure out whether you've actually done it.*

Reference: Transcript 1, page 26.

MR. BERTOLO: *All I can say is Woodstock's done well. They've spent the money. I agree they've spent their energy target dollars. As far as their programs producing results for their customers, that's wonderful.*

Were Hydro One witnesses just confused about CDM?

While one Hydro One witness knew that the CDM programs that both utilities delivered from 2011 to 2014 were only those province wide programs developed by the former Ontario Power Authority. (PowerStream was the only LDC to get approval for a unique program in its service territory), the other witness claimed that the rationalization of Woodstock's programs with those of Hydro One would somehow create benefits. But given that the programs were all the same, there will be no inherent benefit; there will be lost opportunities with no local promotional effort. And this is also clearly evident in Hydro One's response to Undertaking J2.2 cited later.

Reference: Transcript 2, page 110.

MR. HARDING: Let's be clear here. Woodstock Hydro took advantage of the same programs that are province-wide, that were offered to Hydro One. Is that correct?

MR. LEE: Sorry, can you repeat the question?

MR. HARDING: These conservation programs were province-wide from 2011 to 2014, and offered to every utility including Hydro One. Is that a correct statement?

MR. LEE: I believe so, yes.

But while Mr. Lee agreed on May 27, 2015 that all the programs delivered in both service territories were the same, he had earlier (January 15, 2015) supported Mr. Bertolo's rationalization theory.

Reference: Transcript 1, page 26

Mr Bertolo: This is part of the benefit of consolidation in the industry. If their programs are that good, we'll absorb them into ours. That's part of the rationalization process.

Mr. Lee For example, one single large project, the GM warehouse lighting retrofit, accounted for the vast majority of these savings. And based on the cumulative reporting requirements, these savings were then counted annually four times. So Woodstock Hydro got the credit for it in 2011, 2012, 2013, and 2014. So that explains the 177 percent achievement, a single large pre-2011 industrial project and the cumulative reporting effect of a front-end project.

Mr. Lee The WHSI results are heavily weighted on commercial and industrial CDM initiatives given the nature of the Woodstock Service Territory. There will be benefits of incorporating some of the Hydro One residential focussed programs, so that they are available to these types of customers. As Mr. Bertolo stated in his testimony, that is part of the rationalization process; they would get the best of both worlds.

Reference: Transcript 1, page 24.

MR. BERTOLO: Can I take you to your Interrogatory No. 8? So Exhibit I, Tab 3, Schedule 8. So in this response, what we attempted to do was show that not only will we take into account current Woodstock Hydro programs that they have and try to rationalize those with the Hydro One programs that are in place -- and the reason for that is simple. There is duplication occurring throughout the province when it comes to CDM and smart grid initiatives. So this just attempts to say that we're going to look at your programs versus our programs and we're going to rationalize those. In addition, Hydro One is participating in some broader programs to help lead the industry. And we give you two examples in here: social benchmarking and green button pilot. Both those, Hydro One is part of a smaller group of utilities that is setting the template for the rest of the province. Woodstock Hydro's customers now, because you will be part of Hydro One, will benefit from the fact that you will be at the leading edge of these programs with us. Those programs will be effected in your service territory as we roll it out throughout the province. So it's additional benefit that Woodstock Hydro has here.

What the witness failed to point out, that the Green Button initiative was driven by the provincial government and all LDCs would have access to it. Similarly, the social benchmarking pilot was funded by the former Ontario Power Authority for the purpose of making it available across the province if the results were favourable.

The transcript also shows some confusion about how the explanation of Woodstock Hydro's results came to Hydro One.

Reference: Transcript 2, page 6

Mr Lee: After further correspondence with Woodstock Hydro, we understand that the bulk of these savings related to pre-2011 programs. These projects were initiated prior to the 2011 to '14 CDM term, but happened to complete in 2011, which was the first year of reporting.

Reference: Transcript 2, Page 110

MR. HARDING: Can you table the correspondence you received, so we might take a look at it to see what it is they're telling you?

MR. LEE: There's nothing to table. It was a phone call.

No CDM Comparisons Offered by Hydro One

Given that the Board's "do no harm" policy explicitly includes CDM, one could have expected that Hydro One would produce a witness or data on Hydro One's performance on CDM. With respect to reliability, Hydro One was very careful not to compare its system wide reliability to that of Woodstock Hydro, but to carve out the reliability data that applies to the 700 customers

it serves in Woodstock. The former OPA's monitoring and verification processes require such customer specific data to be recorded², and while Hydro One did have a system wide target, it was generated by the OPA and put to effect by the Board on the basis of share of province wide sales, and so a proxy target could have been developed. Yet Hydro One did not even have this information at hand to prove if consolidation would do no harm.

Reference: Transcript 2, pages 111/112.

MR. HARDING: My question was, why -- then let me ask Mr. Lee. What are your figures for conservation and demand management?

MR. LEE: That's filed with our 2013 CDM report, and I believe the comparable is about 60 percent, if memory serves me.

Reference: Transcript 2, page 113.

MR. HARDING: Okay. Let's take a look at the conservation and demand-side management that you did. Can you talk about the customers in Woodstock that are served by Hydro One and how many took advantage, let's say, of a coupon program?

MR. BERTOLO: No.

MR. LEE: That, I don't have the details for.

MR. HARDING: And yet you make the claim that you have--

MS. LONG: Mr. Harding, we want to hear evidence on the transaction going forward and how Woodstock Hydro customers will be affected. So are you able to frame your questions in that way so that it helps us understand how they will be affected if this transaction is approved?

MR. HARDING: Yes, I believe I can. The folks in Woodstock have a conservation mentality. They have a history. They were achieving 15 to 20 percent conservation through various programs running back a couple of decades. So when it comes to looking at a utility, I certainly want to know on behalf of the ratepayers the nature of their commitment and the nature of their expertise and their track record going forward. And so that is behind these questions, because they have not disclosed the work they have been doing in the area of the vicinity of the city. They have customers right now in the city of Woodstock, and I am just trying to do a comparison here.

² <https://www.powerauthority.on.ca/opa-conservation/conservation-information-hub/evaluation-measurement-verification>

Reference Transcript 2, page 122

MR. HARDING: Can you turn to the area where it was considered before when -- you know, when we talked about conservation, about your capabilities in that area and your performance?

MR. NETTLETON: Mr. Harding, you were given an opportunity to ask questions on January 15th. If this is a specific area that you chose not to explore with the witnesses, today is not, in my respectful opinion, a second chance or a second kick at the can.

MR. HARDING: Madam Chair, this is not a second chance. There is some question that Woodstock Hydro's achievement really isn't achievement, that 177 percent really isn't 177. I am just simply asking the next logical question. If that was the -- how are you doing? Give us a comparator.

Reference: Transcript 2, page 125.

MS. LONG: Mr. Bertolo, I thought you answered that question, that you had no reporting. You were not able to give any specifics with respect to CDM in the Woodstock region; that is how I understood your evidence.

MR. BERTOLO: I do not have any with me.

MS. LONG: I also thought that you said that you did not report in that way. When you say you don't have it with you, is it reported in some way? It was my understanding that, in answer to Mr. Harding's question, you said that you don't track CDM in the Woodstock area. Am I misunderstanding what your evidence was?

MR. BERTOLO: Sorry; if I misled you, my apologies. No, all I was saying is I don't have specific information with regard to CDM programs in the Woodstock area. There may be programs; I don't know. I don't have it with me.

MR. LEE: Maybe I can help with looking at it from the consolidated basis. So I can -- we can basically talk about what was filed with the OEB in terms of the CDM results. Is that at least a starting point?

MS. LONG: I think what Mr. Harding is asking about is pinpointing with respect to your experience in the Woodstock area.

MR. LEE: Okay.

MS. LONG: And I am trying to understand from you whether or not you track that, and whether you have that information available. My understanding was that you did not.

MR. BERTOLO: I don't have it with me. I don't know if we track it specifically to that area. know we do provincial programs, so there may be things in Woodstock. I don't have the information with me here.

MR. HARDING: Madam Chair, can he provide it?

MR. BERTOLO: We can check if we have specifics around the Woodstock area, and we will provide a report on what programs are in effect in -- shall we say in the municipal Woodstock area--

MR. HARDING: Well, I mean --

MR. BERTOLO: -- just to try to ring fence it?

MR. HARDING: I already know what is in the municipal Woodstock area. You have 700 customers adjacent to the Woodstock Hydro. I would just like to know what you did there and how successful you were. It is a common-sense question.

MR. BERTOLO: So we're agreeing it is in the municipality of Woodstock; does Hydro One have CDM programs within that municipal boundary?

MR. HARDING: And were they successful and how do they compare, because that is what the public is interested in.

MS. LONG: Can you be more clear, Mr. Harding, by what you mean by being successful? I want to try to limit this. I understand you have a question, and I understand the panel has some questions with respect to CDM. But I don't want to have us swirling around here trying to figure out what it is that you want to get to. I think what your question is with respect to what CDM programs do you have in place in the municipality of Woodstock. You are going to clarify for me what you mean by "are successful", and Mr. Bertolo is going to make best efforts to see if in fact he has that reporting, and he will provide that by way of undertaking, subject to what Mr. Nettleton says. Does that suffice?

MR. HARDING: Yes, thank you, Madam Chair. There is a difference between available and "used".

MS. LONG: I agree. Are you asking what the take-up was?

MR. HARDING: Yes.

MS. LONG: Is that a better way to put it, so we can at least clarify what it is you mean?

MR. HARDING: Yes, that will tell us whether or not they -- that will help explain to our public back there what the take-up was, because the difference globally is the -- the spread is quite great.

MR. NETTLETON: Madam Chair, I wasn't going to have any concerns about the undertaking because I thought it was clear. I thought availability is really the appropriate statistic or metric. What the evidence is from Mr. Bertolo is that CDM programs cannot be forced on customers. And so whatever the rationale is for why programs are implemented or used is going to be ultimately a decision of customers. So it strikes me that instead of the metric being "used", but rather a description of what CDM policies are "available", is the proper metric to be asking the witnesses to undertake.

MS. LONG: But isn't this a judgment for the Board to make? I mean ultimately, Mr. Harding wants to get the information. You are going to probably have comments with respect to what exactly you have just told me about you having no control over take-up. But ultimately, it is the Board that is going to be making these decisions. So I appreciate that you have raised that, but at the end of the day, we're going to be reviewing all of the evidence on CDM and making our determination on that basis.

MR. BERTOLO: Can I add one other time dimension, are we -- shall we limit it to the 2011 to 2014, so it is the same period of time? Just so we're clear.

MS. LONG: So are you clear now, Mr. Bertolo, on what we're asking for?

MR. BERTOLO: I think so.

MS. HELT: Okay. So that will be undertaking J2.2. UNDERTAKING NO. J2.2: to clarify what is meant by "are successful"; Mr. Bertolo to make best efforts to see if he has the CDM reporting

MS. LONG: Great. Then, Mr. Bertolo, to the extent that you can get that information prior to Mr. Harding putting in his submission, obviously that is helpful.

MR. BERTOLO: We will endeavour as quick as possible.

On June 3, Undertaking Number J2.2 was produced. First of all, it was clear that the programs delivered by Hydro One and Woodstock Hydro were exactly the same. Secondly, contrary to understanding of Hydro One's witnesses, Hydro One's programs were not focused solely on the residential market and Woodstock Hydro's programs were not focused solely on commercial and industrial. Thirdly, and finally, the undertaking skirted the information that had been asked for – the success of implementation. Instead the undertaking response showed participation levels which are only a small element of success of a CDM program. The reason why the targets were established in terms of kWh and kW is because that is the only measure of success worth noting. Ten participants might save 100 kWh each for a saving of 1000 kWh; one participant could save 100,000 kWh on its own. Had Hydro One's program implementation been as successful getting participants across the its service territory as was the case in its service territory within Woodstock and had those customers saved energy (kWh) in a way comparable to Woodstock Hydro's customers, its four year results might have been better. Such data was also available in the reference source Hydro One used to create the undertaking response. Why did it not include the kWh results? One can only wonder if those data would have told a different story than the data selected.

Hydro One witnesses made a big deal about the fact that it could not "impose" programs on customers. No imposition is required; delivery of CDM requires customer knowledge, enthusiasm and good marketing.

Reference: Transcript 2, pages 120/121

MR. BERTOLO: No, we can. The question is did the manufacturing site want to be part of a program? We can't impose programs on people.

...

MR. NETTLETON: What the evidence is from Mr. Bertolo is that CDM programs cannot be forced on customers. And so whatever the rationale is for why programs are implemented or used is going to be ultimately a decision of customers.

How then does Hydro One explain that its customers' uptake on some programs was even higher than Woodstock's? In fact, Hydro One's level of participation in the Woodstock area is most likely the result of what professional marketers refer to as spillover – when the promotional efforts of one organization benefit another organization in a nearby jurisdiction. The entire Woodstock community including those customers served by Hydro One benefited from Woodstock Hydro's community engagement efforts to help its customers save energy and save money. One need only go to the website of the Woodstock Sentinel Review to see the local coverage on conservation.

Harm will be done!

The arguments outlined above demonstrate the harm that consolidation will bring to Woodstock Hydro's customers. That is clear. However the Board should also look at the uncertainty facing these customers and the how little real evidence has been presented to them or to the Board with respect to the promises made by Hydro One. Uncertainty and empty promises also create harm.

The Rate Freeze Is Certain, But The Future Is Not.

The Agreement between the Hydro One and the City of Woodstock promises little in turn for a high degree of uncertainty facing Woodstock Hydro's customers in the long term after consolidation. Neither Hydro One witness could or would discuss what rate class(es) the Woodstock Hydro customers would fall into after integration.

Reference: Transcript 1. pages 31/32

MR. BERTOLO: The rate class hasn't been determined now.

MR. HARDING: Why not?

MR. BERTOLO: Because that's not part of a rate application right now. That will be part of the rate application in year 6.

MR. HARDING: *But the Board is -- and I've heard so much comment about what the Board should be doing and what is permitted and not permitted, et cetera, and it's been a real lesson for me, but you can know, it's possible today to understand, how Woodstock would be treated based on the hundreds of other acquisitions you've made?*

MR. BERTOLO: *There are a number of options that we've outlined in the application that -- which will underpin the rate design for year 6. We were clear. There are ones that could be harmonized into the existing rates, as they said, or there will be new rate classes developed. There could be new rate regimes in effect at that time, as prescribed by the OEB. All that will be taken into account in year 6, to design those rates. The key point right now is that the cost structures are going down from where they are. And those cost structures is what the Board has indicated is what's required to indicate where rates could be in year 6, but the delineation of the actual rates isn't part of a MAAD application.*

MR. HARDING: *I suppose it's frustrating, on behalf of the folks, the ratepayers, not to know what the likely damage, long-term, is going to be so that they can arrive at a point of comfort with this sale. And so I'll leave that matter, but that certainly is of concern to me, that you have enough industry experience to understand what that rate is going to look like and make a commitment. Not explore all the options; you have three options, and we'll decide six years from now whether or not, whatever, you could have done that. But I will move on.*

Reference: Transcript 1, Page 100

MR. SHEPHERD: *All right. Am I right in understanding that your current expectation is that the rates of the current Woodstock customers are not going to go down after five years from now? Is that right?*

MR. BERTOLO: *We've not made rate determinations at this point in time. All we do know is that during the first five years their base distribution rates will go down by the 1 percent and be frozen over that period of time.*

The Future is now more certain for Hydro One

Hydro One was quick to take advantage of the Board's change in policy creating more **certainty for Hydro One**, which surely lowers the risk but there were no concurrent benefits for Woodstock Hydro's customers. But Hydro One's witness professed that the admitted additional certainties had not altered its risk.

Reference: Transcript 2, page 102.

MR. HARDING: *This is a question to the witnesses, and it seems a little too broadly-based, but why did -- can you help me understand why Hydro One saw it necessary to amend the application?*

MR. BERTOLO: The policy changed on March 26th, and it introduced additional certainties in years six to ten, and our review of it was that it would be applicable to the situation. So we made the amendment.

MR. HARDING: And would it have increased the share equity for Woodstock Hydro? The share price, rather?

MR. BERTOLO: No. The risk is still the same, the risk we still have, because all of the savings risk is to Hydro One. The transaction with Woodstock is such that they get rate certainty; the ratepayers get the rate certainty, and the risk still remains as previously contemplated.

If the savings risk has been spread over 10 years rather than five as the original application requested, surely the risk by definition is less. The very reason the Board changed the policy was in response to (LDC) stakeholders who asked for less risk.

Reference: Exhibit K 2.1, EB-2014-0138, Report of the Board: *Ratemaking Associated with Distributor Consolidation*.

Distributors expressed the view that the risk for shareholders of not recovering transactions costs is a significant impediment to consolidation.

The Lion's Share of the Benefits will go to the Lion!

Reference: Transcript 1, page 102

MR. SHEPHERD: So WHSI, of course, will not have a cost structure after this transaction, will it? It will actually be Hydro One's cost structure that will be reduced, right?

MR. BERTOLO: Yes, that's true.

MR. SHEPHERD: No, I said if you get 70 percent of the savings that you are forecasting, you will cover the \$14 million premium. Yes or no?

MR. BERTOLO: Yes, roughly.

Reference: Transcript 1, pages 103/104.

MR. BERTOLO: The rate design will be determined at a rate application leading up to that sixth year.

MR. SHEPHERD: Well, it's your statement that the savings are going to decrease rates for Woodstock Hydro, so I want to know how is that going to happen. You can't just say: Well, we don't know how. Are you going to make a commitment that rates are going to go down, are going to stay below what they are today because of these savings?

MR. BERTOLO: I don't know what the rate regime will be six years from now. The Board has indicated cost structures lead into underpinning of the rate design, the rates that will be in effect at that point in time. At this point in time, this is our projection, that

we firmly believe there will be savings. That's our operating model. We believe that's what's going to transpire.

Reference: Transcript 1, page 122.

MR. BERTOLO: 3 million divided by 15,000 is 200.

MR. SHEPHERD: So roughly you are expecting to save, for each of the next five years, at least \$200 per customer, right?

MR. BERTOLO: That's a good projection.

MR. SHEPHERD: Okay. And so during those five years, the Woodstock will get none of that, right?

MR. BERTOLO: The Woodstock customers get the 1 per cent down and the five-year certainty.

MR. SHEPHERD: How much did you say the 1 percent was?

MR. BERTOLO: On current?

MR. SHEPHERD: Yeah.

MR. BERTOLO: Roughly 31 cents per month.

MR. SHEPHERD: Okay. So that's -- so they're going to get \$6 -- no, \$2 out of the 200, right?

Reference: Transcript 1, page 125.

MR. SHEPHERD: I'm sorry, Mr. Bertolo, I'm actually -- I don't disagree with anything you're saying. I'm trying to nail down the equivocation on which ratepayers. That's where I'm really after here, which ratepayers it's going to benefit, because the normal rule is that you average out the cost over everybody in a class. So if you put these customers into UR class, let's say you do, then they're going to -- costs are going to be averaged with everybody else in the province. Their rates are still going to go up, even though the costs to serve them in their local area are lower, because it's an average. And I'm trying to get a sense of, how can you tell them today that's not going to happen?

MR. BERTOLO: So two points on that. First off, current Hydro One UR rates as per the submission shows that the revenue to cost on that UR class is actually at 1.29, so that class is being overcharged for the cost to serve. It's been clear in the submission that that class is going to be realigned so the cost in UR is going to go down over the period of time, or the revenue-requirement ratio will balance that out. So --

Reference: Transcript 1, page 134.

Mr Shepherd: In any of those, any one in the province, are yours lower than the local distribution company? Is there one example? You can undertake if you wish.

MR. BERTOLO: I'm not aware of it, because of the current rate design puts postage stamps on those UR rates across the province.

Conclusion

It is the view of the Concern Citizens that Hydro One has not satisfied the “no harm” test with respect to rates, reliability and CDM. The promises made by Hydro One are all empty promises with no way for either the Board or Hydro One to know if promises made will be promises kept.

- Prices will rise
- Reliability and Customer Service will fall with
- Conservation and Demand Management will be less effective.

Harm will come to Woodstock Hydro’s customers in other ways. Woodstock has a long history of innovation in the distribution utility sector, particularly with respect to conservation and renewable energy as well as other matters of sustainability. A 2012 press release cited in the following addendum captured the strong partnership between Woodstock Hydro and its community it well.

Addendum

Woodstock Hydro becomes one of Ontario’s energy reduction and alternative generation leaders thanks to community and partner participation Woodstock, ON – November 6, 2012

When it comes to energy reduction, Woodstock Hydro Services Inc. (WHSI) is among the leaders of the provincial utility pack. Working closely with community stakeholders including residents, contractors and business owners, in one year WHSI achieved 106 per cent of its four-year energy reduction target that was set by the Ontario Energy Board in 2010.

According to Jay Heaman, Manager of Operations for Woodstock Hydro the community’s commitment to sustainability is at the heart of this achievement, “You often hear the phrase, ‘It takes a village’ and when we developed our Conservation and Demand Management strategy a few years ago, that philosophy was certainly top of mind. If you look at what our community has done in a relatively short period of time, it’s really a testament to a lot of different groups working toward a common goal of reducing our environmental footprint.”

Since 1988 with the introduction of Canada's first prepay power system, WHSI has focused on helping its customers manage rising energy and operating costs through Ontario Power Authority (OPA) programs. To date, WHSI customers have taken advantage of over 4,100 separate Conservation and Demand Management initiatives available through the utility. From upgrading inefficient residential appliances and HVAC systems to improving commercial lighting, heating and cooling systems, the combined result of these efforts is a gross energy savings of 8,575,361 kWh or the equivalent of powering 1000 homes in Woodstock for a year.

In addition to creating new opportunities to reduce current energy usage, WHSI is also committed to helping the community of Woodstock develop an effective energy strategy for the future. Integrating renewable energy into Woodstock homes and businesses is a priority that WHSI is turning into reality. Two 500kW rooftop solar projects have already been launched in Woodstock under the provincial government's Feed in Tariff (FIT) program. WHSI's Sunny Side Up program is taking a hands-on approach to educating consumers about electric vehicle development, renewable energy and smart grid technologies. The roving Sunny Side Up demonstration trailer will be seen at community events educating the public on energy reduction and alternative energy options. Recently, local school children embraced the opportunity to design a new logo for the Sunny Side Up program.

"Woodstock Hydro is incredibly fortunate to serve a community that is so committed to energy conservation. With over 15,000 customers, even minor changes can add up to make a big difference and we're excited to support this positive change," said John Krill, Chair of Woodstock Hydro Services Inc.