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BY COURIER

February 24, 2017

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
Suite 2700
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: EB-2016-0155 - E.L.K. Energy Inc. Service Area Amendment Application - Final Submission

Enclosed please find the Final Submission of the intervenor Hydro Networks Inc.

Yours very truly,

ORIGINAL SIGNED BY MICHAEL ENGELBERG

Michael Engelberg

cc: parties to EB-2016-0155 (Electronic only)

enc

HYDRO ONE NETWORKS INC.

FINAL SUBMISSION

1.0 INTRODUCTION

Hydro One has contested this Service Area Amendment Application ("SAA") and submits that E.L.K. Energy Inc. ("E.L.K.") has failed in every way to satisfy the onus on E.L.K. to prove that granting the Application would be in the public interest. Hydro One therefore submits that the proposed SAA should be denied.

Final submissions on this proceeding were submitted by Hydro One on November 18, 2016. After E.L.K.'s reply submission of November 30, 2016, the OEB requested an oral hearing to further assess fully loaded connection costs and the economic efficiency of the competing proposals. The Board also noted that they wanted a better understanding of the rate impacts of the competing proposals, specifically, the impact of incremental sub-transmission customer class and embedded distributor customer class charges on both E.L.K. and Hydro One customers.

The following Hydro One submission is supplementary to Hydro One's November 18, 2016 submission and is guided by:

- the OEB statutory objectives;
- the OEB *Filing Requirements for Service Area Amendment Applications – Chapter 7 of the Filing Requirements for Electricity Transmission and Distribution Applications ("Filing Requirements")*;
- the principles articulated in the Board's decision in the combined SAA proceeding, RP-2003-0044; and
- the Distribution System Code ("DSC").

Hydro One has focused on the Board's mandates to: (a) protect the interests of consumers with respect to price, reliability and quality of electricity service, and (b) promote economic efficiency and cost effectiveness in the distribution of electricity and to facilitate the maintenance of a financially viable electricity industry. Hydro One has also considered the OEB's pronouncement that each SAA applicant must "demonstrate that it can provide the lowest cost connection, and that the proposed connection is consistent with existing networks, avoiding duplication. An increase, or at least no decrease in the smoothness of the boundaries between the utilities, is also desirable"[1]. Lastly, in accordance with section 7.3.9 of the Filing Requirements and recent amendments to the DSC, Hydro One has also focused on the impact this SAA will have on Long Term Load Transfers ("**LTLT**s").

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[1] RP-2003-0044 – Decision – Paragraph 85

2.0. EFFICIENT RATIONALIZATION OF THE DISTRIBUTION SYSTEM – SECTION 7.2 OF THE OEB FILING REQUIREMENTS

The record of this proceeding clearly depicts that the E.L.K. solution is not the most cost-effective approach to connect Sellick: in other words, connecting Sellick to E.L.K. does not reflect the "lowest long run economic cost of service to all parties"[2].

To assess economic efficiency for this Application, the Board must look at the impact on rates on the Applicant LDC's existing customers – that is, the impact resulting from upfront costs to connect the customer and any resultant ongoing costs that will impact those customers; the maintenance of contiguous, smooth borders; stranding of assets; and the elimination of LTLTs, while ensuring adherence to the Board's policies.

2.1 Assessing Economic Efficiency - E.L.K.'s Customers' Rate Increase as a Result of Serving Sellick

E.L.K. continues to incorrectly assert that the only customer that will be impacted if the SAA is granted is Sellick as stated by Mr. Danelon[3]. Hydro One disagrees, citing: (i) E.L.K.'s Total Bill analysis; (ii) the impact on E.L.K.'s Low Voltage Rates; and (iii) the impact on E.L.K.'s Retail Transmission Service Rates.

2.1.1. E.L.K.'s 'Simplistic' and Incorrect Total Bill Analysis

At the oral hearing, for the stated purpose of not complicating matters by putting costs through a cost allocation model[4], E.L.K. provided a Total Bill analysis completed by Mr. Bacon. This was included in the E.L.K. compendium as Tab 3[5] and was relied on by E.L.K. to suggest to the Board that there will be no negative impact on E.L.K. ratepayers[6]. Hydro One summarizes this analysis as follows: E.L.K. will receive monthly invoices from the IESO and Hydro One for a combined amount of $48,414; in turn, E.L.K. will invoice Sellick $49,165.22 monthly[7]; so "Sellick is essentially paying for itself. [E.L.K. is] not burdening other [E.L.K.] customers"[8].

Nothing could be further from the truth: the E.L.K. analysis is critically flawed. As outlined in Undertaking J1.1, it is obvious that E.L.K.'s approach incorrectly depends on directing monthly

[2] Filing Requirements – March 12, 2007 – Page 6
[3] EB-2016-0155 – Transcript Volume 1 – Thursday, February 9, 2017 – Page 39, Line 16 to Page 40, Line 3
[4] EB-2016-0155 - Transcript Volume 1 - Thursday, February 9, 2017 –
[5] EB-2016-0155 – Exhibit K1.1 – February 9, 2017 – Tab 3
[6] EB-2016-0155 – E.L.K. Argument-in-Chief – February 15, 2017 – Page 3
[7] EB-2016-0155 – Exhibit K1.1 – February 9, 2017 – Tab 3
[8] EB-2016-0155 – Transcript Volume 1 – February 9, 2017 – Page 40, Lines 9-10

monies intended for the OEFC Debt Retirement Charge (a monthly total of $2,078.75[9]) toward payment of E.L.K. distributor-specific costs. This item alone reduces total available monies collected from Sellick to $47,086.47. In other words, E.L.K. will need to recover the monthly difference of $1,327.53[10] from all other E.L.K. ratepayers, or, $15,930 annually, i.e., not one time only. This miscalculation alone shows that even under E.L.K.'s own, incorrectly simplified Total Bill approach, E.L.K. would not cover expected costs without additional funding (a cross-subsidy) from other E.L.K. ratepayers.

2.1.2 Low Voltage Rate and Retail Transmission Service Rates Impact

Contrary to E.L.K.'s oral testimony[11], E.L.K. has recognized through discovery that serving Sellick will negatively impact the rates of its existing customers. In fact, E.L.K. even provides an estimate of what that impact will be for one of its rate classes:

> *"…the resulting Low Voltage Service Rate for the General Service 50 to 4,999 kW class is $0.4555/ kW. The difference in LV service rate between $0.4555/kW and $0.4332/kW is $.0223/kW… This means of the $22,000 of additional LV charges Sellick will pay $343.90 per year of this amount and other E.L.K ratepayers will pay the difference…The $89,000 will be distributed to each rate class and the amount assigned to Sellick will be the amount already included in the Base Case"[12].*

As noted in Hydro One's November Submission[13], E.L.K. confirmed during the interrogatory process that there is approximately $125,000[14] annually, i.e., not one time, which E.L.K. would be required to pay to Hydro One as an embedded LDC[15] if the SAA were to be granted. As shown in the same interrogatory response, E.L.K. estimates the $125,000 to break down as approximately $22,000 relating to Low Voltage ("**LV**") charges, $89,000 in Retail Transmission Service Rates ("**RTSR**") charges and $14,000 in HST.

When revenue from the appropriate E.L.K. OEB-approved rates is utilized, specifically the Retail Transmission Service Rate revenue and LV revenue as outlined by Mr. Andre[16], E.L.K. cannot dispute that it would significantly under-recover these revenues from Sellick to the

[9] EB-2016-0155 – Exhibit K1.1 – February 9, 2017 – Tab 3 – E.L.K. Invoice to Sellick – Debt Retirement Charge of $1839.60 + HST
[10] $47,086.47 - $48,414.00
[11] EB-2016-0155 – Transcript Volume 1 – Thursday, February 9, 2017 – Page 39, Line 16 to Page 40, Line 3
[12] E.L.K. Response to Hydro One Interrogatory 1b) – November 10, 2016
[13] EB-2016-0155 – Hydro One Final Submission, November 18, 2016 – Page 4
[14] Assuming 100% of the Sellick load contributes to the E.L.K. aggregate peak demand at Kingsville TS
[15] E.L.K. Response to Hydro One Interrogatory 1b) – November 10, 2016
[16] EB-2016-0155 – Transcript Volume 1 – February 9, 2017 – Page 94, Lines 15-24

detriment of all other E.L.K. ratepayers. The following part of Hydro One's submission outlines the impact on E.L.K. ratepayers when utilizing the E.L.K. OEB-approved LV and RTSR rates.

2.1.2.1 Low Voltage Rate Impact

E.L.K. confirmed that rates will be impacted by this Application if the SAA is granted, specifically, that E.L.K.'s LV rates will go up[17]. LV Rates are applicable to all of E.L.K.'s rate classes; therefore **all** of E.L.K. customers will be impacted by the resulting increase in these rates.

As Mr. Andre explained at the hearing, the use of the total bill collected from Sellick to offset the Sub-Transmission customer class charges from Hydro One "is completely inappropriate"[18]. The only cost that should contribute to offsetting the $22,000 sub-transmission charges is the revenue collected from Sellick through LV rates, labeled on Tab 3 of E.L.K.'s compendium in its proposed bill to Sellick as Low Voltage Service Charge. This is a value of $546.60/month. This means that of the **$24,860** (22,000+HST) portion of additional sub-transmission charges annually, E.L.K. will recover only a total of **$7,412** ($6,559+HST) annually from Sellick via LV revenue. The remainder will need to be cross-subsidized by E.L.K.'s other ratepayers on an ongoing basis.

The evidence on this record is clear that this SAA, if approved, will not hold existing E.L.K. customers harmless with respect to these charges since existing E.L.K. customers will need to subsidize the shortfall.

2.1.3 Retail Transmission Service Rate Charges Impact

Additionally, if E.L.K. is granted the right to take on Sellick as a customer, E.L.K. will also be charged an additional $89,000 annually in RTSR charges from Hydro One[19]. The offsetting revenue from Sellick was explained by Mr. Andre at the hearing, and is again shown in Tab 3 of E.L.K.'s compendium, specifically, the first column that outlines the E.L.K. bill to Sellick. The offsetting E.L.K. revenue collected from Sellick is the sum of the "RTSR – Network Service" and "RTSR – Line and Transformation Connection", which total to $4,791.31 monthly or an annual total of $57,496. This means that of the **$100,570** ($89,000+HST) of additional RTSR charges annually to E.L.K., E.L.K. will only recover a total of **$64,970 (**$57,496 + HST) annually from Sellick, leaving other E.L.K. ratepayers to offset the remainder annually, on an ongoing basis.

[17] EB-2016-0155 - Transcript Volume 1 – Thursday, February 9, 2017 – Page 40, Line 25 to Page 41, Line 13
[18] EB-2016-0155 - Transcript Volume 1 – Thursday, February 9, 2017 – Page 93, Line 20
[19] E.L.K. Response to Hydro One Interrogatory 1b) – November 10, 2016

E.L.K confirmed during the interrogatory process that this RTSR amount will not be fully recovered from Sellick and that the amount will be spread across each E.L.K. rate class, thereby requiring ongoing cross-subsidization[20].

The evidence on this record again is clear that this SAA, if approved, will not hold existing E.L.K. customers harmless with respect to these RTSR charges as all E.L.K. ratepayers will need to subsidize the Sellick shortfall.

2.1.4 Total Customer Rate Impact

As outlined above and in Table 1 of Undertaking J1.1, E.L.K. will recover only **$6,031.84**[21] monthly, or in annual terms **$72,382,** from Sellick through $64,970 in RTSR revenue and $7,412 in LV revenue. Consequently, E.L.K. will need to recover over **$52,000 annually**[22] from all other E.L.K. customers in order to service Sellick – an amount that exceeds E.L.K.'s annual materiality threshold[23].

Given this information, it is clear that E.L.K.'s suggestion that there will be no negative impact to ratepayers as a result of this Application is incorrect. Mr. Bacon suggested at the oral hearing, based on his incorrect Total Bill analysis, that though there is an increase in LV rates, there may be a decrease in another part of E.L.K.'s distribution rates[24]. The onus in this Application is on the Applicant to demonstrate that the amendment is in the public interest[25]. There is no evidence on the record of this proceeding to support that other E.L.K. rates will go down so much so as to offset the increase in LV rates.

E.L.K. has incorrectly suggested in its recent Submission that Hydro One has provided new evidence in Undertaking J1.1[26]. On the contrary, all numbers and calculations used in tabulating E.L.K.'s revenue recovery shortfall are available on the public record of this Application. Undertaking J1.1 is a single table reconciliation, Table 1, which was provided at the request of the Board to elaborate on the offsetting revenues and flow of money between all parties. All revenue sources and costs were referenced from E.L.K.'s own compendium, with one addition that was made to provide the exact costs that will be levied by Hydro One Transmission on Hydro One Distribution since there were questions from the Board members during the oral hearing relating to the flow of this cost[27]. The calculation of this cost was provided as a separate

[20] E.L.K. Response to Hydro One Interrogatory 1b) – November 10, 2016
[21] EB-2016-0155 – Exhibit J1.1 – February 14, 2017 – Table 1, Lines 38
[22] EB-2016-0155 – Exhibit J1.1 – February 14, 2017 – Table 1, Lines 37- 45
[23] EB-2016-0155 – E.L.K. Reply Submission - November 30, 2016 – Page 16
[24] EB-2016-0155 – Transcript Volume 1 - Thursday, February 9, 2017 – Page 41, Lines 10 -23
[25] RP-2003-0044 – Combined SAAs Proceeding - Paragraph 199
[26] EB-2016-0155 – E.L.K. Argument In Chief – February 15, 2017 – Page 4
[27] EB-2016-0155 – Transcript Volume 1 – February 9, 2017 – Page 97, Lines 14 - 22

worksheet in the workbook for reference purposes and is based on publically available, OEB-approved, rates. This Hydro One Transmission cost on Hydro One Distribution is comparable to the sub-transmission costs that are levied on E.L.K. by Hydro One Distribution, as discussed at the hearing[28].

2.1.5 Summary on Assessing Economic-Efficiency - E.L.K.'s Customers' Rate Increases as a Result of Serving Sellick

Hydro One is not complicating the record by providing these customer impacts; the intent is to clarify inaccuracies. However, even if the analysis were difficult to compute or follow, the Board cannot ignore the significant harm that will result to other E.L.K. customers on an ongoing basis if this SAA is granted. It is one of the Board's statutory objectives to protect the interest of consumers, and it is critical to understand that every single E.L.K. ratepayer will be harmed if this Application is granted. Every single E.L.K. ratepayer will need to contribute to cross-subsidize charges that will be levied on E.L.K. if Sellick becomes an E.L.K. customer at the new site. This impact on all E.L.K. ratepayers was not disclosed in the original SAA; it was not disclosed in the Notice of Application; and it continues to be dismissed or otherwise disregarded by E.L.K.

2.2 Assessing Economic-Efficiency - Upfront Costs

Both Hydro One and E.L.K. have provided evidence on the one-time connection costs to connect Sellick. These costs are provided in Table 1 of Hydro One's compendium, showing that the costs are similar, having a cost difference of approximately $1,000. The area of debate is whether E.L.K.'s pole relocation costs of $8,432 should be included in this assessment.

Prior to receiving OEB approval and without engaging Hydro One, E.L.K., chose, at its own risk, to relocate and install new assets in Hydro One's service territory. With respect to the one-time connection costs, as discussed in Hydro One's November 18, 2016, submission, the relocation of these assets is relevant and applicable to the assessment of economic efficiency because the relocation of the assets was planned with the SAA lands in mind. These assets are not existing in the sense of *as is, where is.* The relocation site was not a mere coincidence. Of course, Hydro One understands that the pole needed to be removed for municipal roadwork to be completed, but Mr. Macaulay acknowledged that the removal costs were minimal[29]. It is clear that the developer needed only for the pole to be removed, not relocated to a specific new location. At the oral hearing, Mr. Macaulay confirmed that there were options available to E.L.K. within E.L.K's own service territory to locate these assets, but that additional costs would have had to be borne by E.L.K. to come back across into Hydro One service territory and connect Sellick

[28] EB-2016-0155 – Transcript Volume 1 – February 9, 2017 – Page 97 - 100
[29] EB-2016-0155 – Transcript Volume 1 – February 9, 2017 – Page 68, Line 14

(e.g., acquisition of an easement, engineering firm, etc.)[30]. Hydro One provided three alternatives that could have been used instead of E.L.K.'s unilateral choice to install new poles inside Hydro One's service territory[31], but E.L.K. chose not to discuss or assess those options with Hydro One prior to undertaking the pole relocation work.

Instead, E.L.K. moved existing assets and installed new assets within Hydro One's service territory. Hydro One submits that it is clear that E.L.K. did so with the explicit intent of acquiring the Sellick site by presuming that the Board would rule favourably for E.L.K. in an SAA. The exclusion of the relocation costs would lower E.L.K.'s one-time connection costs – an approach which Hydro One submits is incorrect given the evidence that many alternatives were available and not explored.

Hydro One understands that the new assets, i.e., fly taps, line reclosers, etc., will be owned and maintained by E.L.K., will serve more than just Sellick, and their cost is included in the $8,432.49 cost as confirmed by Mr. Macaualy[32]. Though the costs associated with the relocated pole and new assets were not incurred by E.L.K., they should nevertheless be included in the OEB's assessment of fully-loaded connection costs. Doing so would be analogous to the inclusion of contestable costs in SAA fully-loaded connection costs, i.e., where the Customer would pay for costs under an alternative bid approach but those assets would ultimately be transferred back to, and owned and maintained by, the distributor.

As discussed in previous submissions, these relocated assets have decreased costs that would have otherwise been borne by the Customer or Municipality, as documented by E.L.K. "If the pole relocation had not been completed…the customer owned primary underground service would be approximately 15m longer there by increasing their service cost slightly"[33]. If E.L.K. had instead relocated assets within its own service territory, it is reasonable to assume that any incremental costs to relocate those assets would have been charged to the Customer or Municipality as well. In light of that, the additional costs referenced by Mr. Macaualy, (e.g., the acquisition of an easement, engineering firm, etc.) would have also been borne by the Customer or Municipality, not the E.L.K. ratepayer. There would have been no incremental impact on the E.L.K. ratepayer if the assets were situated in the existing E.L.K. service territory.

As premised throughout this entire Application, Hydro One understands that E.L.K.'s intent was to provide an economically-efficient solution for one customer, Sellick. However, this narrow scope of economic efficiency fails to capture the impact on all other existing E.L.K. customers. It is the Board's objective to protect the interests of all customers impacted by the SAA. In so

[30] EB-2016-0155 – Transcript Volume 1 – February 9, 2017 – Page 70
[31] Hydro One Response to Board Staff Interrogatory 2a – October 20, 2016
[32] EB-2016-0155 – Transcript Volume 1 – February 9, 2017 – Page 67, Line 27 to Page 68, Line 2
[33] E.L.K. Response to Hydro One Interrogatory 2e – November 10, 2016

doing, the lowest long-run connection costs ought to be pursued to service a new connection since all customers of the system are dependent on one another. This logic is documented in the RP-2003-0044 decision:

> *"Whether they want to or not, all customers of the system are accordingly dependent on each other for the control of rates. Costs not paid by one customer, must be made up for by another"*[34].

The unilateral activity undertaken by E.L.K., without consulting with the incumbent distributor, results in a less economically-efficient solution for the system as a whole.

For all these reasons, Hydro One submits that the pole relocation costs incurred by E.L.K. should be considered as part of the economic efficiency assessment regarding this SAA. This means that there is essentially no difference between the two distributors' upfront cost to connect.

2.3 Assessing Economic-Efficiency – Stranded Assets and Contiguous Border

Section 7.3.5 of the Filing Requirements requires an Applicant to outline any assets that may be stranded or become redundant as a result of an SAA. Since E.L.K. has already installed a pole and other new assets in Hydro One's service territory with the intent of servicing the Customer, assets may become redundant if Hydro One would need to install new assets to service Sellick even though Hydro One is the more economic distributor.

As a result, as noted in Hydro One's previous submission, given that the assets have already been relocated by E.L.K. and the costs have therefore been incurred, if the Board determines that this SAA should not be approved and Sellick should be served by Hydro One, Hydro One recommends the following to mitigate additional costs on the system and prevent the stranding of any assets:

- Hydro One to install a set of demarcation switches on the conductor on the west side of the new E.L.K. pole located on Clark St. east of Roseborough Rd.
- Hydro One to obtain ownership of the relocated pole, flying taps and conductor from the newly installed demarcation switches west into Hydro One territory to the relocated pole.
- E.L.K. and Hydro One would update the existing connection agreement to reflect above.

This solution would be consistent with Alternative 3 provided in Hydro One's interrogatory response to Board Staff 2[35]. It allows Hydro One to service Sellick while E.L.K. will continue to service E.L.K. customers on the east side of Roseborough Rd. Hydro One expects that any necessary asset transfer would be completed at no more than NBV of the assets.

[34] RP-2003-0044 – Decision – Paragraph 226
[35] Hydro One Response to Board Staff Interrogatory 2c - October 20, 2016

Regarding the matter of borders between service territories, it is recognized that the existing border between the two LDCs is presently smooth and well-defined: the border is Roseborough Rd. A smooth, well-defined service area boundary between the two LDCs is a desirable result of any SAA[36]. Such would not be the case here: if the SAA were to be granted, the smooth border would be replaced by a one-customer "dent" (as described by Mr. Macaulay at the oral hearing[37]) into Hydro One's service territory, on the opposite side of a straight north-south road that is presently the border between the two LDCs.

3.0 COMPLIANCE WITH THE DISTRIBUTION SYSTEM CODE – APPROVING THE PROPOSED SAA CREATES AN LTLT

All parties have agreed, and the Board has acknowledged, that reliability concerns do not need to be addressed in this proceeding as the Customer site will be connecting to the same M7 feeder, owned and operated by Hydro One, regardless of which LDC serves the site. Mr. Macaulay acknowledged that Hydro One owns and operates the M7 feeder during his cross-examination at the oral hearing. What this means is that if there is an outage on the M7 feeder, Hydro One will be responsible for restoring power[38], even if this SAA is granted. It also shows that Hydro One is the current physical and geographic distributor for the Sellick site and all other customers on the west side of Roseborough Rd. who are connected off Hydro One's M7 feeder.

If the Board grants E.L.K.'s Application, E.L.K. will become the geographic distributor of the Sellick site, and Hydro One will remain the physical distributor. <u>This will be an LTLT:</u> not a "*pseudo-LTLT,*" to use a heretofore-unknown expression coined by E.L.K. for metering and billing settlements, but an <u>actual</u> <u>LTLT</u>. Therefore, granting this SAA directly would result in a contravention of the DSC[39] by creating an LTLT where there was none before.

In accordance with the intent of Section 6.5.3 of the DSC, LTLT settlements between LDCs will cease to exist. Consequently, if Hydro One serves Sellick, Hydro One expects that all future necessary settlements between E.L.K. and Hydro One for Sellick, and all other customers identified as "*pseudo-LTLTs*" along this segment of the M7 line in the E.L.K. compendium, will be settled in accordance with E.L.K.'s approved rate class for Hydro One, i.e., E.L.K.'s Embedded Distributor rate class. Though contrary to Mr. Macaulay's testimony, which was that the said customers have always been settled as LTLTs[40], Hydro One's understanding is consistent with E.L.K.'s statement (in its Reply Submission[41]) as to how E.L.K. should continue

[36] RP-2003-0044 – Decision – Paragraph 85
[37] EB-2016-0155 – Transcript Volume 1 – Thursday, February 9, 2017 – Page 61 Line 25 to Line 28
[38] EB-2016-0155 – Transcript Volume 1 – Thursday, February 9, 2017 – Page 60, Line 23 to Page 62, Line 16
[39] Section 6.5.6 of the Distribution System Code states: A distributor shall not enter into any new load transfer arrangements – December 21, 2015
[40] EB-2016-0155 – Transcript Volume 1 – Thursday, February 9, 2017 – Page 65, Lines 13 - 17
[41] EB-2016-0155 – E.L.K. Reply Submission – November 30, 2016 – Paragraph 37

to settle these customers[42]. Moreover, this approach aligns with the agreement that Hydro One has in place with E.L.K. regarding E.L.K.'s forward-looking 2017 cost of service application. E.L.K. refers to this approach at page 10 of E.L.K.'s Reply Submission of November 30, 2016, where E.L.K. documents that "Hydro One has no concerns with the costs allocated to the embedded distributor rate class".

Hydro One has no concerns with the approach requested in E.L.K.'s 2017 rates application since the complete reference[43] outlines that E.L.K. has proposed to charge only those costs that are *directly assignable* to Hydro One, namely, metering and billing services. There are no directly assignable costs relating to delivery because Hydro One does not need any E.L.K. poles or wires to deliver electricity to its (Hydro One's) customers. As confirmed by Mr. Bacon, on a going-forward basis, this embedded distributor rate, if approved as applied, can be construed as a fixed charge service[44], i.e., no incremental distribution delivery charges. Though Hydro One is aware that this proposed rate structure has not yet been approved, it is important to note that E.L.K.'s own evidence in E.L.K.'s rates application[45] shows that the currently approved Embedded Distributor rates are proposed to decline in order to reflect a more appropriate cost to serve approach. The effect would be to further reduce Hydro One's annual incremental costs if Hydro One serves the Sellick site.

4.0 CONCLUSION

Hydro One therefore submits that this proposed SAA is not in the public interest and contravenes the Board's statutory objectives by failing to (a) protect the interests of consumers impacted by the leave sought (b) pursue an alternative that would promote economic efficiency in the distribution of electricity and (c) inform customers of the rate impact of the requested leave.

The onus is on E.L.K. to satisfy the Board regarding the above-noted matters. The onus is not on Hydro One, the incumbent distributor, to disprove those matters. Hydro One submits that not only has E.L.K. failed to meet the onus, but also the evidence shows that granting this SAA will actually financially harm E.L.K.'s other ratepayers in a significant, ongoing way. E.L.K.'s other ratepayers should not be forced to cross-subsidize Sellick on a permanent basis, which the granting of this Application will require them to do.

Though E.L.K. references that Sellick prefers E.L.K., Hydro One requests that the decision on this matter remain consistent with the RP-2003-0044 decision, specifically, "that the protection of the interests of the larger group of consumers affected by any service area amendment

[42] EB-2016-0155 – E.L.K. Reply Submission – November 30, 2016 – Paragraph 37
[43] EB-2016-0066 – E.L.K. 2017 Rates Application – Exhibit 7 Pages 6 to 7.
[44] EB-2016-0155 – Transcript Volume 1 – Thursday, February 9, 2017 – Page 5, Lines 2-5
[45] EB-2016-0066 – E.L.K. 2017 Rates Application – Exhibit 8, Tables 8-5 and 8-6

application must take precedence over the preference of any individual consumer"[46]. This SAA does not promote economic efficiency and cost effectiveness in the distribution of electricity and certainly does not protect the interests of the larger group of consumers affected by the SAA. The very small difference (approximately $11,000) in Sellick's annual bill that will result if E.L.K. serves Sellick is far outweighed by the very large difference (approximately $52,000) in annual cross-subsidization that will be required from all other E.L.K. customers if the SAA is granted.

Hydro One therefore asks that the Application be denied.

All of which is respectfully submitted.

<u>ORIGINAL SIGNED BY MICHAEL ENGELBERG</u>

Michael Engelberg
Counsel for the Intervenor Hydro One Networks Inc.

[46] RP-2003-0044 – Decision – Paragraph 64