



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2017-0172

HYDRO ONE NETWORKS INC.

ERIE THAMES POWERLINES CORPORATION

Joint Application for Elimination of Load Transfer Arrangements

BY DELEGATION, BEFORE: Brian Hewson
Vice President
Consumer Protection and Industry Performance

November 30, 2017

INTRODUCTION AND SUMMARY

Hydro One Networks Inc. (Hydro One) and Erie Thames Powerlines Corporation (Erie Thames) have jointly applied to the Ontario Energy Board (OEB) for approval to amend the service areas of both distributors such that existing load transfer arrangements between the two distributors are eliminated. A load transfer arrangement is a situation in which an electricity customer located in the licensed service area of one distributor (the geographic distributor) is physically served by another distributor (the physical distributor).

The application is granted, as set out in this Decision and Order.

THE PROCESS

This Decision and Order is being issued without a hearing by Delegated Authority, pursuant to Section 6(4) of the *Ontario Energy Board Act, 1998* (the Act).

THE APPLICATION

Hydro One and Erie Thames (collectively, the Applicants) filed a joint application on April 25, 2017 under sections 74 and 86(1)(b) of the Act.

The application was filed pursuant to the Distribution System Code (DSC) amendments made in OEB proceeding EB-2015-0006 and in accordance with the OEB's filing guidelines for combined service area amendments and sale of assets. In the EB-2015-0006 proceeding, the OEB set out its policy on the elimination of load transfer arrangements between electricity distributors in Ontario. On December 21, 2015, the DSC was amended in order to facilitate distributors' compliance with the policy. In particular, section 6.5.3 of the DSC now requires distributors to eliminate all load transfer arrangements by June 21, 2017, and section 6.5.6 prohibits distributors from entering into any new load transfer arrangements.

Through the application filed on April 25, 2017, Hydro One sought to transfer 61 specific load transfer customers of various rate classes to Erie Thames. Of these customers, 49 were "Residential", 8 were "General Service", 2 were "MicroFIT" and the remaining 2 customers belonged to "Seasonal" and "Sentinel Light" rate classes. Hydro One requested the OEB's approval to sell the distribution assets servicing these customers to Erie Thames for \$60,804 plus applicable taxes.

As part of April 25, 2017 application, Erie Thames sought to transfer 7 specific load transfer customers of two rate classes to Hydro One. Of these customers, 4 were “Residential” and the remaining 3 customers belonged to “General Service” rate class. Erie Thames requested the OEB’s approval to sell the distribution assets servicing these customers to Hydro One for \$13,262 plus applicable taxes.

On June 2, 2017 and June 5, 2017, Erie Thames and Hydro One respectively, submitted letters informing the OEB of Hydro One’s request for an amendment to the original application. The amendment was proposed by Hydro One and requested two corrections to the original application. The first correction is an addition of a newly identified General Service load transfer customer that Hydro One proposes to transfer to Erie Thames, since the customer is connected to a portion of a 3-phase line that is owned by Erie Thames. Erie Thames agreed with this correction. Both distributors also agreed that the total asset value associated with this customer is \$2,844, which increases Hydro One’s request for approval of the sale of distribution assets to Erie Thames to \$63,648 plus applicable taxes.

The second correction is with respect to 3 previously identified customers, who are located at 341 Borden Avenue (Residential), 591 Willsie Bourne Road (Residential) and 45003 Taylor Line (General Service), all in the Township of Yarmouth. These 3 customers were originally included in the April 25, 2017 application and were proposed to be transferred from Hydro One to Erie Thames. In Hydro One’s view, these 3 customers did not meet the definition of load transfer customers and should be removed from the application. Hydro One submitted that these 3 customers are located in Hydro One’s licensed service area, are physically connected to Hydro One’s Belmont DS F2 feeder and are being billed by Hydro One.

Erie Thames’ response to Hydro One’s request to exclude these 3 customers is that Erie Thames is the physical distributor to these 3 customers, since they are located between two wholesale metering points (Belmont North PME and Belmont West PME) that are both owned by Erie Thames. In its June 2, 2017 letter, Erie Thames argues that asset ownership is not the primary driver to being the physical distributor in a load transfer arrangement and refers to the definition of the physical distributor in section 1.2 of the DSC. In Erie Thames’ view, the physical distributor in a load transfer arrangement is the distributor who owns the electricity (i.e. commodity) that is supplied to the customers and not the distributor who owns the distribution assets to which the customers are connected. Therefore, Erie Thames considers these 3 customers to be load transfer customers.

FINDINGS

As defined in section 1.2 of the DSC:

“load transfer means a network supply point of one distributor that is supplied through the distribution network of another distributor and where this supply point is not considered a wholesale supply or bulk sale point”.

Erie Thames, in its June 2, 2017 letter, submits that both Belmont North PME and Belmont West PME are wholesale and retail metering points. Based on the definition in the DSC, the customers located at 341 Borden Avenue, 591 Willsie Bourne Road and 45003 Taylor Line in the Township of Yarmouth do not fall under the definition of load transfer and should not be transferred as part of an application to address elimination of load transfer arrangements.

In Notice of Proposed Amendments to the DSC (EB-2015-0006), which was issued on February 20, 2015, the OEB provided the following explanation, which underlines proximity of distribution assets to the customers and ownership of assets to which the customers are connected, as the primary factors in creation of a load transfer arrangement and identification of the physical distributor in such an arrangement:

“A load transfer arrangement involves two distributors. One is referred to as the geographic distributor and the other is referred to as the physical distributor. While the customer (“load transfer customer”) is located in the licensed service area of the geographic distributor, the load transfer customer is physically connected to the physical distributor’s distribution system because the geographic distributor does not have existing assets in close proximity to serve the load transfer customer. It is therefore the physical distributor that provides the delivery of electricity to the load transfer customer. However, the customer is billed by the geographic distributor (i.e., pays geographic distributor’s distribution rates which may be higher or lower than physical distributor’s rates).”

The OEB therefore, finds it to be in the public interest to approve the service area amendments and sale of assets, as proposed by the Applicants in order to eliminate the load transfer arrangements between Hydro One and Erie Thames. The OEB also approves Hydro One’s proposed amendment to the original application with respect to sale of assets to Erie Thames, addition of the customer located at 2253 Perth Line 29, Tavistock and removal of the 3 customers located at 341 Borden Avenue, 591 Willsie Bourne Road and 45003 Taylor Line in the Township of Yarmouth from the original application.

As prescribed in section 6.5.4 of the DSC, the affected Residential and General Service customers moving from Erie Thames to Hydro One, shall receive a monthly bill credit from the physical distributor to offset the increase in delivery charges. The credit shall be calculated using each customer's average monthly consumption over the most recent 12 months from the application filing date with the OEB. The credit shall be fixed at this calculated level and remain in place as long as the customer remains the account holder.

All Residential and General Service customers being transferred from Hydro One to Erie Thames will see a reduction in their monthly delivery charges and, therefore, no credits are required for these customers.

Hydro One requested a deferral account to record lost revenue resulting from the rate impact mitigation plan as well as any costs involved in the set-up of such a plan. The OEB will allow Hydro One to track these costs in a deferral account. Hydro One shall record these costs in account 1508, Other Regulatory Assets, Sub-account LTLT Rate Impact Mitigation. The disposition of the deferral account will be subject to an OEB determination of prudence, which will occur in the rate setting process.

Hydro One and Erie Thames are reminded that both geographic and physical distributors shall ensure that all relevant customer information including, but not limited to information regarding security deposits and consumption is properly transferred to the physical distributor to allow for the continuous billing of customers and the continuous application of Ontario Electricity Support Program (OESP) rate assistance to the bills of eligible customers.

An itemized list of assets authorized for transfer between Hydro One and Erie Thames is set out in Schedule A of this Decision and Order.

IT IS ORDERED THAT:

1. Schedule 1 of Hydro One Networks Inc.'s Electricity Distribution Licence (ED-2003-0043) is amended. The amended licence is attached to this Decision and Order.
2. Schedule 1 of Erie Thames Powerlines Corporation's Electricity Distribution Licence (ED-2002-0516) is amended. The amended licence is attached to this Decision and Order.

3. Hydro One Networks Inc. is granted leave to sell assets listed in Schedule A (Table 1) to Erie Thames Powerlines Corporation.
4. Erie Thames Powerlines Corporation is granted leave to sell assets listed in Schedule A (Table 2) to Hydro One Networks Inc.

DATED at Toronto November 30, 2017

ONTARIO ENERGY BOARD

Original signed by

Brian Hewson
Vice President, Consumer Protection and Industry Performance

SCHEDULE A

The assets being transferred between Hydro One and Erie Thames are listed below:

Table 1 - List of assets being sold by Hydro One to Erie Thames

Asset Type	Count
Poles	14
Transformers	23
Primary Wire and Neutral (m)	160
Secondary Buss (m)	-
Secondary O/H Wire (m)	5,393
Secondary U/G Wire (m)	1,764
Current Transformers	1
Sentinel Lights	1
Easements	-
Total (\$) before applicable taxes	\$63,648

Table 2 - List of assets being sold by Erie Thames to Hydro One

Asset Type	Count
Poles	2
Transformers	7
Primary Wire and Neutral (m)	-
Secondary Buss (m)	-
Secondary O/H Wire (m)	190
Secondary U/G Wire (m)	189
Current Transformers	-
Sentinel Lights	-
Easements	-
Total (\$) before applicable taxes	\$13,262