



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

DECISION AND ORDER

EB-2018-0114

GUELPH HYDRO ELECTRIC SYSTEMS INC.

ENVIDA COMMUNITY ENERGY INC.

**Application for approval to amalgamate and continue as Guelph
Hydro Electric Systems Inc.**

BEFORE: Cathy Spoel
Presiding Member

May 31, 2018

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1 INTRODUCTION AND SUMMARY

This is the Decision of the Ontario Energy Board (OEB) regarding an application filed by Guelph Hydro Electric Systems Inc. (Guelph Hydro) and Envida Community Energy Inc. (Envida) requesting approval to amalgamate and to continue as Guelph Hydro Electric Systems Inc. under section 86(1)(c) of the *Ontario Energy Board Act, 1998* (Act).

As part of the application, the applicants request: (a) transfer of Envida's electricity generation licence to Guelph Hydro, under section 18 of the Act; (b) transfer of the 100 kilowatt Southgate Solar Generation Facility and an electric vehicle charging station to Guelph Hydro; (c) amendment of Envida's electricity generation licence to identify Guelph Hydro as the licensee, under section 74 of the Act; (d) amendment of Guelph Hydro's electricity distribution licence, as required.

The applicants state that the proposed transaction affects no parties and causes no harm. The applicants consent to the application being disposed of without a hearing under section 21(4)(b) of the Act.

Section 86(1)(c) of the Act requires a transmitter or distributor to obtain leave of the OEB before amalgamating with another corporation.

The OEB has applied the no harm test in assessing this application, and has concluded that the proposed amalgamation transaction meets that test. The OEB therefore approves the proposed transaction. The OEB also approves the additional requests made by the applicants.

2 THE APPLICATION

Guelph Hydro is a licensed electricity distribution company wholly owned by Guelph Municipal Holdings Inc. (GMHI).

This application arises from a corporate reorganization that is being undertaken prior to the anticipated merger of Guelph Hydro and Alectra Utilities Corporation.

By a Notice of Proposal made under Section 80 of the Act and filed on November 20, 2017, Guelph Hydro gave notice to the OEB of its intention to purchase the shares of Envida from GMHI. By a letter dated December 20, 2017, the OEB advised Guelph Hydro that it did not intend to issue a Notice of Review. Envida is now a licensed electricity generation company, which is a wholly-owned subsidiary of Guelph Hydro.

The application states that the primary purpose of the amalgamation is to allow Guelph Hydro to attempt to utilize the non-capital losses generated at Envida. These losses totalled \$7.8 million as at December 31, 2016, and could provide potential tax savings of approximately \$1.95 million in future years.

Under section 71(1) of the Act, an electricity distributor is not permitted to carry on any business activity other than distributing electricity; however, section 71(3) provides an exemption for the ownership of a renewable energy generation facility that does not exceed 10 megawatts.

The amalgamation of Guelph Hydro and Envida will result in the transfer to Guelph Hydro of two generation facilities totalling 1.96 megawatts, which is below the 10 megawatt threshold provided in legislation. The first is the 1.85 megawatt Eastview Road Landfill Gas Generation Facility, for which Envida holds an electricity generation licence. The second is the 100 kilowatt Southgate Solar Facility, which does not require a generation licence as its name plate capacity does not exceed the 500 kilowatts threshold requiring a licence under O. Regulation 161/99. These generation facilities are presently operated and maintained by Guelph Hydro.

The only additional asset that will be transferred to Guelph Hydro as part of the amalgamation is an electric vehicle charging station, which is permitted under section 71 of the Act and has been confirmed by section 4 of the OEB's bulletin on electric vehicle charging stations, published on July 7, 2016.

The applicants state that the proposed amalgamation will have no impact on electricity commodity or distribution rates and will also have no impact on the adequacy, reliability and quality of electricity service. If the application is approved, Envida's assets will become non-rate regulated assets of Guelph Hydro.

Guelph Hydro and Envida state that the two subject generation facilities have not been funded by any of Guelph Hydro's ratepayers and these assets have not and will not be proposed for inclusion in Guelph Hydro's rate base. The cost to operate and maintain the generation facilities will continue to be satisfied out of the revenues generated by these facilities.

3 THE NO HARM TEST

As set out in the Handbook to Electricity Distributor and Transmitter Consolidations (Handbook), the OEB applies the no harm test in its assessment of consolidation applications. The OEB considers whether the no harm test is satisfied based on an assessment of the cumulative effect of the transaction on the attainment of its statutory objectives. If the proposed transaction has a positive or neutral effect on the attainment of these objectives, the OEB will approve the application.

The statutory objectives to be considered are those set out in section 1 of the Act:

1. To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.
 - 1.1 To promote the education of consumers.
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.
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.

While the OEB has broad statutory objectives, in applying the no harm test, the OEB's review primarily focuses on the impacts of the proposed transaction on price and quality of service to customers, and the cost effectiveness, economic efficiency and financial viability of the consolidating utilities.

The OEB considers this an appropriate approach, given the performance-based regulatory framework under which regulated entities are required to operate and the OEB's existing performance monitoring framework.

4 DECISION

The OEB notes that this application is a result of a corporate reorganization.

The OEB understands that Guelph Hydro's operations are expected to remain unchanged and that it will continue providing rate regulated electricity distribution service to its customers. The assets of Envida will become non-rate regulated assets of Guelph Hydro and the costs to operate and maintain these assets will continue to be satisfied out of the revenues generated by these assets. Furthermore, Guelph Hydro will continue to operate and maintain these generation facilities, as it is currently doing.

The OEB accepts the applicants' submissions that the proposed amalgamation will have no impact on Guelph Hydro's electricity commodity or distribution prices and no impact on the adequacy, reliability and quality of electricity service provided by Guelph Hydro to its customers. The transaction will also have no impact on the economic efficiency and cost effectiveness of Guelph Hydro's electricity distribution services, or the financial viability of Guelph Hydro.

Based on the evidence in this proceeding, the OEB finds that the proposed transaction will have a neutral effect on the attainment of the OEB's statutory objectives. The OEB finds that the application meets the no harm test and the application should be granted.

The OEB also approves other necessary changes to effect the amalgamation, namely the amendment of Envida's electricity generation licence and the transfer of this licence to Guelph Hydro.

5 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Guelph Hydro Electric Systems Inc. and Envida Community Energy Inc. are granted leave to amalgamate and continue as Guelph Hydro Electric Systems Inc.
2. The leave granted in paragraph 1 shall expire 12 months from the date of this Decision and Order. If the transaction has not been completed by that date, a new application will be required in order for the transaction to proceed.
3. The applicants shall promptly notify the OEB of the completion of the transaction referred to in paragraph 1.
4. Once the notice referred to in paragraph 3 has been provided to the OEB, the OEB will amend the electricity generation licence of Envida Community Energy Inc. (EG-2004-0438) to change the name of the licensee from Envida Community Energy Inc. to Guelph Hydro Electric Systems Inc. and transfer this licence to Guelph Hydro Electric Systems Inc.

DATED at Toronto May 31, 2018

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary