

IN THE MATTER OF the Ontario Energy Board  
Act 1998, S.O.1998, c.15, (Schedule B);

AND IN THE MATTER OF an application by  
Hydro One Networks Inc. for an order approving or  
fixing just and reasonable rates and other charges  
for the distribution of electricity.

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**FINAL ARGUMENT OF  
MILTON HYDRO DISTRIBUTION INC.  
("MILTON HYDRO")**

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Milton Hydro is asking for three forms of relief from the Board in this case.

1. First, Milton Hydro urges the Board to create a new category of line for the purpose of the LV rate design, namely, a “dedicated line” and to declare that the M1 and M3 feeders, .24 km in length, from Hydro One Networks’ Palermo Substation to the Milton municipal boundary be declared such dedicated lines. A dedicated line should be defined as a line that was constructed to serve, and continues to serve, a single LDC’s load, and aside from crossing a Networks transformer station property (from the station itself to the municipal boundary), does not cross the service area of any other LDC. It should pay the same rate as a specific line

Milton Hydro’s evidence at paragraph 14 demonstrates, and Hydro One agrees, that Milton Hydro has paid Hydro One \$508,581 in rates over the period May 1, 2002 to January 1, 2008. Had the definition of dedicated line applied to the two short lines, the amount paid over the same period would have been \$17,169. This is a discrepancy of 30 times or three thousand per cent (3000%). This is an outrageous overcharge and intra-class disparity, which cannot be considered a just and reasonable rate. Milton Hydro has been paying nearly \$100,000 a year in fees for 5 poles and .27 km of wires with a book value of \$10,000 (J6.1) and a replacement cost of about \$30,000 (see below). The Board should not allow that injustice to continue.

Mr. Rogers claimed in Hydro’s Argument-in-Chief that creating a designated line rate class, as defined by Milton Hydro, would result in one LDC being subject to a \$400,000 increase. But he did not use Milton Hydro’s definition that the line must not cross the territory of any other LDC, including Hydro One Distribution, save for traversing the Networks property on which the TS is located. He broadened the definition to any shared line that would serve only one customer (*emphasis added*), Vol. 7, p. 40, line 15. That is not Milton Hydro’s definition. Milton Hydro’s definition is much narrower and it is unlikely that it would include any other LDC. Moreover, Milton Hydro’s definition

recognizes that at the time these various LV lines were built it was a matter of Hydro local policy and happenstance whether the local LDC served by the Palermo transmission station, or any other TS, was permitted to build the feeder right to the TS itself, or just to the edge of the Networks property on which the TS sat (Vol. 6, p. 102, Thorne). For example, two of the feeders that served Oakville from the Palermo substation were actually built and owned by Oakville, connected directly to the substation, so that the bizarre result of the M1 and M3 configuration did not even arise. To be clear, if Milton Hydro had owned the M1 and M3 feeders in their entirety, that is up to the connection with the Palermo TS, there would be no LV charge whatsoever. Nor does Milton Hydro object to paying shared time charges for other LV lines from which it takes power.

2. Milton Hydro attempted to correct the inequity by raising the matter with the Board in a letter dated April 24, 2007 (K6.9). The Board's Compliance Officer, Brian Hewson, replied by letter dated July 26, 2007 that he "can not conclude that Hydro One is charging Milton Hydro LV charges in a non-compliant manner". In other words, Milton Hydro must continue to pay the exorbitant charges.

As noted by Mr. Thorne in his evidence (Vol. 6, p. 97), Milton Hydro continued to pay the charges under protest. Milton Hydro therefore requests that the Board direct Hydro One to refund or credit Milton Hydro for the difference between the amount it paid from May 1, 2007 to the earlier of the date of its purchase from Hydro One of the M1 and M3 assets or the determination of the revised rate design requested above and the amount that Milton Hydro would have paid over the same period had it been charged on a specific line basis. The charges computed on a shared line basis are about \$10,000 per month. The monthly charge on a specific line basis is just under \$300 per month. Hydro One would have the exact number.

3. As indicated in Mr. Rogers' letter to the Board dated July 28, 2008, and attachment, Hydro One has recently concluded sales of certain LV assets, namely other feeders that it owned emanating from the Palermo substation, to Burlington Hydro and Oakville Hydro

respectively. The sale to Burlington Hydro has been approved by the Board for a “commercial price” of \$539,000. It is not clear from the Board decision what the make-up of the price was, how much was book value, how much is something else, nor it is clear what rate treatment Burlington Hydro is proposing for the acquired assets. Mr. Rogers’ letter also stated that Milton Hydro and Hydro One are negotiating a sale of the .24 km of the M1 and M3 feeders, the past and future charges for services from which, are the subject of this intervention.

Hydro One has confirmed in Undertaking J6.1 that the book value of the M1 and M3 assets is \$10,000 and the net present value calculated on the basis that the specific line charge rates were applied in the future would also be \$10,000. They have also agreed that the replacement value is near \$30,000 (H, Tab 9, Sch. 6, p. 1) by stating that the cost, which Milton Hydro has estimated to be about \$30,000, would be “somewhat greater given there would be no economies of scale for a short section of line such as this”. Even allowing for a somewhat higher cost, say \$40,000 if the project were built by Hydro One, the amount is still small relative to Hydro One’s proposed sale price. The replacement value of the assets is a relevant consideration in this case because, to repeat the point above, there is no law or code that forbids an LDC from building and/or owning facilities on Hydro One’s property. Whether such assets are owned by the LDC or Hydro One seems mainly a matter of Hydro One policy, which has been different at different times and in different places. Nonetheless, Hydro One is demanding an amount which is much much higher than these amounts, and has not yet responded to Milton Hydro’s counter proposal made over six weeks ago. The Board should direct Hydro One to bargain in good faith and transfer the assets in question to Milton Hydro for a price that bears some reasonable resemblance to the book value.

Finally, Milton Hydro would like the Board to clarify the basis on which utilities, including Milton Hydro, should treat the value of the purchased assets in their accounts and in particular, whether it is only the book value of the assets that Milton Hydro (and other utilities) have

purchased that can be put into rate base, and that any additional compensation paid would need to be placed in the LV deferral account and recovered from ratepayers as an expense.

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