

EB-2022-0234

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B, as amended;

AND IN THE MATTER OF an Application by Hydro One Networks Inc. Application for an order to amend Hydro One Networks Inc.'s electricity distribution licence.

SUBMISSIONS OF HYDRO OTTAWA LIMITED

1. Hydro Ottawa Limited ("Hydro Ottawa") is the licensed distributor for the Municipality of Casselman. Hydro One Networks Inc. ("Hydro One") serves the area around Casselman.
2. In this Service Area Amendment ("SAA") Application, Hydro One asks the Ontario Energy Board ("OEB") to amend Hydro One's service territory to serve a new customer in Casselman. Hydro Ottawa opposes the SAA Application, and seeks confirmation that Hydro Ottawa should serve the customer, which is primarily located in the Hydro Ottawa service territory.
3. In accordance with Procedural Order No. 2, these are the written submissions of Hydro Ottawa in support of its position. In these submissions, Hydro Ottawa sets out its own position and responds to what it understands to be Hydro One's position, based on the record of the proceeding. To the extent that Hydro One expands or changes its position or evidence in reply submissions, Hydro Ottawa reserves the right to respond as appropriate.

A. OVERVIEW

4. Hydro One seeks to connect a new customer in Hydro Ottawa's service territory. Hydro Ottawa objects and sets out how it can economically serve the customer.
5. As the party seeking to amend its service territory, Hydro One has the burden of proof. It has not met that burden.

6. Hydro One proposes to serve the new customer by connecting to an existing Hydro One line that runs through Casselman within Hydro Ottawa's service territory. The connection costs are low, because of the existing line. However, the customer's distribution costs will be much higher with Hydro One rather than with Hydro Ottawa.
7. Hydro Ottawa proposes to serve the new customer in one of two ways.
 - a. First, Hydro Ottawa has requested that it make joint use of several existing Hydro One poles that run through Hydro Ottawa's Casselman service territory. This will avoid duplicative poles in similar locations. Hydro One had provided a time and cost estimate for this approach, but during this proceeding Hydro One has raised new complications because Hydro One is also negotiating (over the past ten months) with a telecommunications provider for joint use of the same poles. That information was not made known to Hydro Ottawa until November 2022.
 - b. Second, Hydro Ottawa has determined that it can install its own poles to extend its existing system and serve the new customer. This is estimated to be completed by the summer of 2023, at a cost that appears lower than what Hydro One would charge for joint use of poles. While this proposal would result in some duplication of poles, it may be the most economic approach.
8. Each of Hydro Ottawa's proposals will result in lower distribution costs for the customer (estimated savings of more than \$3 million over 15 years), but will require higher connection costs (in the range of \$450,000 - \$715,000, depending on the option pursued). This cost will be more than offset by the customer's estimated revenue.
9. The OEB provided detailed guidance about how it will consider contested SAA applications in the Combined Service Area Amendment Proceeding (the RP-2003-0044 Decision). Taking the OEB's prior guidance into account, Hydro Ottawa's connection proposal for the new customer is superior and it is in the public interest to approve.
10. Most importantly, it is more economically efficient for Hydro Ottawa to serve the customer. The distribution rate savings to the customer being served by Hydro Ottawa are far more significant than the additional connection costs. Attaching the customer will

support Hydro Ottawa making efficient use of its existing distribution assets for the Casselman service territory, which have available capacity.

11. Hydro Ottawa requests that the OEB determine that Hydro Ottawa should be the distributor for the new customer. Hydro Ottawa seeks direction from the OEB that if Hydro Ottawa is not able to reach an agreement with Hydro One for timely and economical joint use of poles, then Hydro Ottawa be permitted to connect the new customer by way of Hydro Ottawa using/adding its own poles.

B. FACTUAL CONTEXT

12. Hydro One and Hydro Ottawa have filed a large amount of evidence in this case. In these submissions, Hydro Ottawa focuses on the most relevant items, while continuing to rely on all of the evidence that it has filed. This includes the detailed information filed in Hydro Ottawa's September 2, 2022 SAA Application setting out Hydro Ottawa's evidence and position in response to Hydro One's SAA Application.

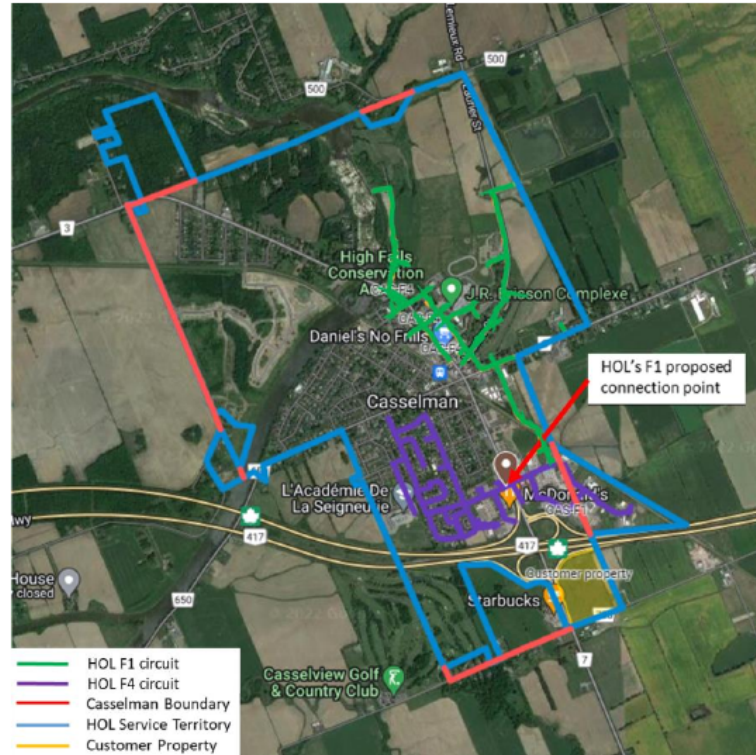
THE PARTIES

13. Hydro Ottawa is the incumbent distributor for the Municipality of Casselman. Hydro Ottawa purchased this service territory from the Municipality. The service territory covers around 5.3 million m³, of which approximately 10% is south of Highway 417.¹ Figure 1 below shows Hydro Ottawa's Casselman service area, including the location of the Customer (in the bottom right corner) and existing infrastructure.²

¹ IRR HONI-3(a). [Note, evidence titled "IRR HONI" or "IRR OEB STAFF" refers to Hydro Ottawa interrogatory responses to HONI or OEB Staff.]

² IRR HONI-3(f).

Figure 1: Hydro Ottawa Casselman Service Area & Location of Customer & Existing Infrastructure



14. Hydro Ottawa has ample capacity to serve Casselman. Indeed, because of the reduction of load in Casselman due to Conservation and Demand Management (CDM) initiatives and limited growth, the existing Hydro Ottawa facilities could be better utilized through additions of new customers.³

15. Connection of the Customer is an excellent opportunity for Hydro Ottawa to make efficient use of its existing facilities in Casselman. Hydro Ottawa estimates that service to the Customer, if approved, would represent approximately 15% of Hydro Ottawa's demand in the Casselman service territory.⁴ Additionally, the Community Improvement Plan for Casselman may impact the properties adjacent to the Customer on the south

³ Hydro Ottawa SAA Application dated September 2, 2022 (Hydro Ottawa SAA Application), at sections 7.2 and 7.2.2. See also IRR HONI-3(f).

⁴ IRR HONI-3(a).

side of Highway 417 and thereby provide further opportunity for economic and efficient use of Hydro Ottawa's assets.⁵

16. Hydro One serves areas around the Municipality of Casselman. In addition, several properties in Hydro Ottawa's Casselman service territory were transferred to Hydro One as part of the long-term load transfer (LTLT) elimination process. Hydro Ottawa's agreement to those customer transfers recognized the specific economics and circumstances relevant at the time.⁶ Those instances did not involve the relevant circumstances now at play – the addition of a large new customer in the Hydro Ottawa service area that can be served economically by the incumbent distributor, and that is adjacent to potential other growth in the Hydro Ottawa territory.
17. Hydro One argues that Highway 417 offers an appropriate boundary between the distributors' service territories.⁷ That position is at odds with the actual Hydro Ottawa service territory for Casselman (see Figure 1 above). Hydro One's circular position is that because it should serve the Customer, then there will be no need for Hydro Ottawa facilities south of Highway 417 and no future basis for Hydro Ottawa to serve any customers in that area and therefore that entire part of the Hydro Ottawa service territory (10%) should be ceded to Hydro One.⁸
18. Up until now, Hydro Ottawa and Hydro One have acted collaboratively and efficiently in serving their respective customers around Casselman.
19. Hydro One's distribution station is embedded in Hydro Ottawa service territory in the Municipality of Casselman. Hydro One has its own poles that connect its distribution station to surrounding areas and run through the middle of (not alongside) the Hydro Ottawa Casselman service territory.⁹ Those poles have been in place since around 1950.¹⁰

⁵ Hydro Ottawa SAA Application, at sections 7.2 and 7.2.1(g) and section 7.3.4. See also IRR HONI-3(b).

⁶ See also Hydro Ottawa Application, at section 7.5.5.

⁷ Hydro One SAA, Section 7.1.2(5).

⁸ Hydro One Submissions, September 9, 2022, at pages 10-13

⁹ IRR OEB Staff-1.

¹⁰ Exhibit I, Tab 2, Schedule 16(b). [Note, evidence referred to as Exhibit I, Tab 1 or Tab 2 refers to Hydro One responses to OEB staff and Hydro Ottawa interrogatories].

20. To avoid duplication and make efficient use of assets, Hydro Ottawa entered into a Joint Use Agreement for 34 Hydro One poles.¹¹ This has removed the need for Hydro Ottawa from having to construct poles in certain locations, and has presumably also provided benefits to Hydro One's ratepayers (through joint pole revenues). The benefit is recognized in the "Principles and Values" attached to the Joint Use Agreement, which is says that the Agreement is based upon "the mutual desire by both Parties to work together to their respective benefit, and to ensure that Joint Use is planned and implemented where appropriate because it is the right thing to do for each Party's Customers that it serves, its employees and stakeholders".¹²

THE CUSTOMER AND THE PROPERTY

21. The property at issue in this SAA Application is located at 626 Principale Street, Casselman ("the Property"). A developer is building a facility at the Property, and the facility/Property has been leased for 15 years by Ford Motor Company of Canada Limited ("Ford").¹³ The Property can be seen in the lower right corner of Hydro Ottawa's service area, as shown at Figure 1.

22. The Property is primarily in Hydro Ottawa's service area (including the connection point), however, a small portion of the property is in the Hydro One service area.¹⁴

23. It is not clear who is the "Customer" for the Property.

24. Hydro One's Offer to Connect is addressed to and signed by Highway 417 Casselman LP. The signing officer is Claudio Bertone, who is identified as "Vice President".¹⁵ Mr. Bertone is also identified as "an owner of the subject lands and buildings".¹⁶ Hydro One indicated that "Hydro One has no reporting relationship with Ford at 626 Principale Street as of yet."¹⁷ In addition, Hydro One indicated that Mr. Bertone "represents his own interests and is the owner and developer of the Subject Area."¹⁸

¹¹ IRR OEB Staff-1; and Exhibit I, Tab 2, Schedule 21(h).

¹² The Joint Use Agreement is attached at Exhibit I, Tab 2, Schedule 21(h).

¹³ Exhibit I, Tab 2, Schedule 6.

¹⁴ IRR HONI-5(b) and Exhibit I, Tab 2, Schedule 10.

¹⁵ Exhibit I, Tab 2, Schedule 1, Attachment 1.

¹⁶ Exhibit I, Tab 2, Schedule 6(a).

¹⁷ Exhibit I, Tab 2, Schedule 6(b).

¹⁸ Exhibit I, Tab 2, Schedule 8(c).

25. Although Hydro One's SAA Application indicates that the Customer is Mr. Bertone, it appears (based on the Offer to Connect) that Hydro One's initial Customer (if the SAA Application succeeds) will be Highway 417 Casselman LP.
26. All that being said, the true Customer in this case will be the party that pays for electricity distribution service at the Property. It appears that the OEB recognizes this. In the Notice of Hearing and Procedural Order No. 1, the OEB named "Ford Motor Company of Canada Limited" as an Intervenor, with a service address through Mr. Bertone.¹⁹ Hydro One served its SAA Application on "Claudio Bertone, Ford Motor Company of Canada Limited, Parts Distribution Operations".²⁰
27. As Ford will become the Customer once the facility is complete, Hydro Ottawa sent its Offer to Connect to Ford through Mr. Bertone.²¹ No response has been received.²²
28. Hydro One has no information about whether Ford is aware of any of the matters at issue in this SAA Application.²³ Hydro One has confirmed that it did not seek any letter of consent or documentation from Ford²⁴, who will be the tenant of the Property and the party paying the ongoing electricity accounts.²⁵

EVENTS LEADING TO THE CONTESTED SAA APPLICATION

29. Hydro One's SAA Application and additional evidence (including interrogatory responses) includes repeated and unfounded criticism of Hydro Ottawa's conduct and responsiveness. The evidence does not bear this out.
30. The first time that Hydro Ottawa told Hydro One about the Customer, who is primarily in Hydro Ottawa's service territory, Hydro Ottawa made clear that it planned to serve this Customer. Similarly, from the time that Hydro Ottawa told Hydro One that Hydro Ottawa will provide its own Offer to Connect ("OTC") to the Customer, it should have been clear that Hydro Ottawa intended to contest this matter. Hydro Ottawa's ability to provide the

¹⁹ Notice of Hearing and Procedural Order No. 1, Schedule A.

²⁰ Hydro One Affidavit of Service, October 7, 2022.

²¹ Hydro Ottawa SAA Application, Attachment F.

²² IRR HONI-1(d).

²³ Exhibit I, Tab 2, Schedule 6(b).

²⁴ Exhibit I, Tab 2, Schedule 6(c). See also Exhibit I, Tab 2, Schedule 8.

²⁵ Exhibit I, Tab 1, Schedule 1(b).

OTC was limited by the fact that the Customer did not provide information and then Hydro One failed to provide sufficient information about costs and timing for joint pole usage. When the information was received in July 2022, Hydro Ottawa then provided the Customer with the OTC.

31. A main allegation from Hydro One is that Hydro Ottawa has not been responsive to requests from Hydro One, or to the Customer.²⁶ That is not the case. In any event, much of Hydro One's criticism is not germane to the SAA determination to be made in this case. Below is a high-level timeline of the key steps and events related to the Contested SAA Application. A more detailed timeline is set out at section 7.0 of Hydro Ottawa's SAA Application.²⁷

- a. May 31, 2021 – Hydro Ottawa is informed of the new development at the Property.
- b. June 8, 2021 – Hydro Ottawa contacts the developer at the Property, and notes that it will also discuss the connection with Hydro One.
- c. June 9, 2021 – Hydro Ottawa advises Hydro One of the new development, as the Property lies at a territory boundary.
- d. June 9, 2021 – Hydro Ottawa informs Hydro One of Hydro Ottawa's intent to use Hydro One's poles to serve the customer.
- e. August 2021 to December 2021 – Meetings and correspondence between Hydro One and Hydro Ottawa took place to discuss the connection and each party's costs, including request from Hydro One as to whether Hydro Ottawa will consent to an SAA and Hydro Ottawa requesting information in order to determine economic efficiency of the connection.
- f. March 2022 – Hydro Ottawa informs Hydro One that it will provide its own OTC, signalling that Hydro Ottawa does not accept Hydro One's proposal to serve the Customer.

²⁶ See, for example, Hydro One SAA Application, at page 20; Hydro One Submissions (September 9, 2022), at pages 19-20; and Exhibit I, Tab 2, Schedule 1(g).

²⁷ Additional details as to timing are set out at IRR HONI-7(a)(ii).

- g. April 5, 2022 – Hydro One received the request for permanent service and the NCCI form from the Customer. The Customer subsequently provided additional materials to Hydro One such that Hydro One could initiate the OTC on April 20, 2022.²⁸
 - h. May 20, 2022 – Customer submitted project documents to Hydro Ottawa to allow for preparation of an OTC by Hydro Ottawa.
 - i. June 10, 2022 – Hydro One provides OTC to the Customer (51 days after the additional data was provided or 66 days after the required customer data was provided).²⁹
 - j. July 11, 2022 – After a joint meeting on June 27 and an email on June 30, Hydro One provides final requested information to Hydro Ottawa to support preparation of an OTC (information required relates to joint pole arrangements).
 - k. August 18, 2022 – Hydro One files the Contested SAA Application, explicitly noting that Hydro Ottawa does not consent and will make its own proposal.
 - l. August 26, 2022 – Hydro Ottawa provides OTC to the Customer (46 days after Hydro One provided the cost estimate to complete the OTC and 98 days after the required Customer data was provided – note that there was a 3 week delay in Hydro Ottawa responses arising from the May 21, 2022 derecho storm).
 - m. November 7, 2022 – Hydro One provides supplemental evidence that in March 2022 an existing joint use tenant on the subject poles informed Hydro One that it required changes to the existing poles to accommodate additional telecommunications wires.
32. Hydro One makes numerous improper assertions about the timing and nature of key events/communications leading to this Contested SAA Application. A main focus is Hydro One's contention that Hydro Ottawa did not let Hydro One know in a timely or properly documented fashion that Hydro Ottawa sought joint use of poles, and that this led to the slowness in getting information about joint pole costs to Hydro Ottawa.³⁰ The facts do not support Hydro One.

²⁸ Exhibit I, Tab 2, Schedule 1(a).

²⁹ Exhibit I, Tab 2, Schedule 1(e).

³⁰ See, for example, Exhibit I, Tab 2, Schedule 1(g) and Exhibit I, Tab 2, Schedule 19(a).

- a. The evidence clearly indicates Hydro Ottawa requested joint use of the Hydro One poles on June 9, 2021, more than a year prior to the July 11, 2022 date that Hydro One cites.³¹ A Hydro One staff member, Jayde Suleman, clearly understood the request and responded on June 9, 2021 that she had also discussed the request the day prior with Hydro Ottawa.³²
 - i. On June 15, 2022 Hydro One (Jayde Suleman) requested to contact the Customer for more information but did not request additional details from Hydro Ottawa or indicate they did not understand Hydro Ottawa's joint use request or that the request was not in the correct format.³³
- b. Hydro Ottawa's request for joint use of poles on June 9, 2021 is clear. What is not clear is why Hydro One took so long to get cost information to Hydro Ottawa. If Hydro One's policy is that a particular process is required to be followed in order to obtain information, estimates and transparent communication regarding joint use poles³⁴, one of the multiple Hydro One staff members, including the Account Executive (Key Accounts Management) assigned to Hydro Ottawa should have informed Hydro Ottawa rather than have over a year pass and for this to be communicated to Hydro Ottawa in an interrogatory response.
 - i. Hydro One's position that Hydro Ottawa's request for joint pole use was not formal enough should not be accepted as a reason Hydro Ottawa was not included in earlier discussions about joint pole use with the telecommunications company. Including Hydro Ottawa in those discussions could have significantly impacted the parties' ability to share the process and costs of the work on the Hydro One poles.
- c. From early on, it was clear that Hydro One planned to connect the Customer and would oppose Hydro Ottawa connecting the Customer. It makes sense, therefore, that Hydro Ottawa did not undertake detailed design work on connecting the Customer. It was clear that a contested SAA Application was going to occur and it

³¹ Exhibit I, Tab 2, Schedule 19(a).

³² Email exchange from June 9, 2021, as provided in response to HONI-7, Attachment B.

³³ Email exchange from June 9, 2021, as provided in response to HONI-7, Attachment C and D.

³⁴ Exhibit I, Tab 2, Schedule 19(a).

would not be economically efficient to have detailed design work started until the issue was resolved. Contrary to its current allegations, Hydro One did not need detailed design information from Hydro Ottawa in order to provide cost estimates. Indeed, Hydro One staff acknowledged an understanding of the high level request and that it was to “avoid cost and resource timing spent on both sides”.³⁵

33. As detailed above, numerous factors including delays in Hydro One providing information about joint use poles, and the dispute between the distributors about who would serve the Customer, meant that Hydro Ottawa was not in a position to provide a permanent connection by the Customer’s original October 2022 connection date. The parties agreed that Hydro One would serve the Customer starting in October 2022, expressly on an interim basis.³⁶ Subsequently, the commencement date for this connection on an interim basis was extended to the end of 2022.³⁷ It is not clear whether the Customer’s connection has been completed (it was still pending as of mid-December 2022 when supplementary interrogatory responses were filed).

THE CONTESTED SAA APPLICATION PROCESS

34. Hydro One’s SAA Application asked the OEB to rule in its favour without a hearing, noting the urgency of getting the Customer connected by October 2022.³⁸

35. Hydro Ottawa immediately responded to confirm that it wishes to contest the matter, and that it would file its own Application. Hydro Ottawa also noted the agreement that Hydro One could provide the Customer with a temporary connection.³⁹

36. Hydro Ottawa’s own SAA Application was filed shortly thereafter.⁴⁰ It set out Hydro Ottawa’s proposal to connect the Customer, and the reasons why that proposal should be preferred over Hydro One.

³⁵ Hydro One Service Area Amendment Application, Attachment 10 – email dated June 28, 2022.

³⁶ See Attachment A, page 2, to Hydro Ottawa letter to OEB, September 2, 2022.

³⁷ Exhibit I, Tab 1, Schedule 4(d).

³⁸ Hydro One SAA Application, at Section 7.0.

³⁹ Hydro Ottawa letter to OEB, August 24, 2022.

⁴⁰ Hydro Ottawa filed its SAA Application on September 2, 2022.

37. In its Notice of Hearing and Procedural Order No. 1, the OEB made an interim order to permit Hydro One to serve the Customer on an interim basis pending the OEB's decision in this proceeding.⁴¹ This disposed of the urgency, and the OEB decided that it is appropriate to hold a written hearing to determine Hydro One's SAA Application.
38. The OEB noted that the Property is in Hydro Ottawa's service area, and therefore it is only Hydro One that would need to change its service territory to serve the Customer. As a result, the OEB decided to treat Hydro One as the applicant in this case, notwithstanding the SAA Application also filed by Hydro Ottawa (which noted that a portion of the Property lies in the Hydro One service area).⁴²
39. In the Notice of Hearing, the OEB indicated that Hydro Ottawa will have the opportunity to explain why the SAA Application should not be approved, and reminded the parties of the principles that are relevant to determining the case:

*... the OEB articulated general principles regarding SAAs in its 2004 Decision in the Combined Service Area Amendment Proceeding. Those principles, and the OEB's objectives in electricity, namely economic efficiency, consumer protection and the maintenance of a financially viable electricity industry, guided the development of the OEB's Filing Requirements for SAA applications, and continue to inform the OEB's consideration of applications of this kind.*⁴³

THE CONNECTION PROPOSALS

40. Hydro Ottawa and Hydro One have each presented OTCs to the Customer. Each of the distributors also have an alternate connection proposal. The fundamental difference is that Hydro One's main connection proposal has low up-front costs with higher customer costs over time, while Hydro Ottawa's connection proposals have higher up-front costs (that will be recovered through the estimated future revenue) with substantially lower customer costs over time.
41. There are no meaningful differences in terms of service quality between the distributors' proposals.⁴⁴

⁴¹ October 7, 2022 Notice of Hearing and Procedural Order No. 1, at pages 1-2.

⁴² *Ibid.*, at pages 3-4.

⁴³ *Ibid.*, at page 3.

⁴⁴ Hydro Ottawa SAA Application, Section 7.3.2. See also Exhibit I, Tab 2, Schedule 1(d).

42. In the paragraphs that follow, the main and alternate proposals from each distributor are described.

(a) *Hydro Ottawa Connection Proposals*

43. Under Hydro Ottawa's initial connection proposal, the Customer will be served by Hydro Ottawa's Casselman F1 (CASF1) 8.32kV distribution feeder. Hydro Ottawa has 8.32kV overhead distribution feeders at Principale Street and LaFleche Boulevard. Hydro Ottawa would extend this system approximately 850 metres south to the Property, to connect the Customer. This would also support additional connections in the area.⁴⁵ The connection point and the Property can be seen in Figure 1 above.

44. The main costs for Hydro Ottawa's connection proposal relate to the expansion of distribution feeders. Hydro Ottawa's proposal is to make efficient use of the poles that Hydro One has already installed to connect the Hydro One distribution station (which is embedded in Hydro Ottawa's Casselman service area). Hydro Ottawa acknowledges that this proposal will require upgrading and/or replacement of Hydro One poles to accommodate the new 8.32kV feeder circuit from Hydro Ottawa.⁴⁶

45. Based on information provided by Hydro One that the pole upgrade/replacement work for the joint use poles would be around \$600,000⁴⁷, Hydro Ottawa estimates that the total system expansion costs would be around \$700,000.⁴⁸ There would be additional connection costs of around \$15,000.⁴⁹

46. Hydro One's evidence makes a lot of the fact that the Hydro Ottawa cost estimate is preliminary and could vary by 50%.⁵⁰ That may be true, but the fact is that the main part of Hydro Ottawa's costs come directly from Hydro One and Hydro Ottawa is simply reflecting the best information provided by Hydro One. Presumably Hydro One has some control to ensure that the costs are in estimated range when incurred.

⁴⁵ Hydro Ottawa SAA Application, Sections 7.2, 7.2.1(a) and (b) and 7.1.4(f).

⁴⁶ IRR OEB Staff-1, see also IRR OEB Staff-3 and 4.

⁴⁷ Hydro One SAA Application, Section 7.1.2, item 2. See also July 2022 email from Hydro One to Hydro Ottawa, included in Attachment 10 to the Hydro One SAA.

⁴⁸ Hydro Ottawa SAA Application, Section 7.2.1(c). See also Section 6 of the Hydro Ottawa OTC, found as Attachment F to the Hydro Ottawa SAA Application.

⁴⁹ *Ibid.*

⁵⁰ See, for example, Exhibit I, Tab 1, Schedule 1, pages 8-9.

47. There is reason to expect that Hydro One's costs could be lower than estimated. As discussed in more detail below, Hydro One estimated the cost to establish a new 44kV connection to the same Property, over more assets, is estimated to be \$800,000. As such, Hydro Ottawa can only assume the estimated values presented for Hydro Ottawa's joint use of Hydro One poles are on the high side of the +/- 50% estimate (that is, the costs are likely to be lower than \$600,000).
48. As set out in Hydro Ottawa's OTC, the Customer will pay a capital contribution of \$15,000 plus tax, and will also provide financial security for the expansion costs (\$700,000 plus tax). The financial security, which can be in the form of a letter of credit, will be refunded over time as the expected Customer load materializes and continues.⁵¹
49. It should be noted that there will be some savings from the \$15,000 capital contribution for connection costs if, as is expected, some of the Hydro One temporary connection assets can be used.⁵²
50. While Hydro One provided an initial \$600,000 cost estimate to Hydro Ottawa for the pole upgrade/replacement, Hydro One has subsequently taken the position that further information about timing or updated costs will only be provided through this contested SAA Application process.⁵³
51. In the course of this SAA Application proceeding, Hydro One has provided new information about timing, costs and feasibility for joint use of the poles that run through Hydro Ottawa's service area. At the same time, Hydro One has indicated that it was justified in failing to provide more detailed information about costs earlier because Hydro Ottawa did not agree to the cost estimate.⁵⁴ This is an absurd position, given that: (i) Hydro One was not going to do any work until this Contested SAA Application is complete; and (ii) Hydro One knew or should have known that its cost estimate information was wrong, because (as described below) Hydro One knew that there was another request for joint use of the same poles from another party. Essentially, Hydro

⁵¹ IRR HONI-6(b). See also Section 7 of the Hydro Ottawa OTC, found as Attachment F to the Hydro Ottawa SAA Application.

⁵² Hydro Ottawa SAA Application, Section 7.5.4. See also IRR OEB Staff-3.

⁵³ IRR HONI-2(a).

⁵⁴ Exhibit I, Tab 2, Schedule 19(a).

One has been “slow-walking” the joint pole access process, with the apparent intent of frustrating Hydro Ottawa’s efforts to efficiently connect the Customer.

52. In its Interrogatory Responses, Hydro One indicates that it does not foresee the requested joint pole work being able to be completed for another six months to one year.⁵⁵ As will be discussed later, this delay by Hydro One to complete work is used by Hydro One to argue that the interim connection of the Customer is a LTLT.⁵⁶ Putting that item aside, no information is provided by the Customer or Hydro One as to prejudice or harm from having the Customer connected by Hydro One on an interim basis until the joint pole work (or Hydro Ottawa’s own pole installation) can be completed and the Customer can receive a permanent connection from Hydro Ottawa.
53. In its November 2022 Supplemental Evidence, Hydro One points to another issue with the Hydro Ottawa connection proposal that relies on joint pole use. Hydro One explains that in March 2022 an existing joint use tenant on the subject poles informed Hydro One that it required changes to the existing poles to accommodate additional telecommunications wires. It appears that new enhanced poles will be installed as part of that project. Hydro One indicates that the additional telecommunications attachments will make it more difficult for Hydro Ottawa to make joint use of the poles, and also indicates that the Ministry of Transportation (MTO) may have additional permit and siting requirements leading to some poles having to be relocated/replaced. Hydro One further indicates that the timing of the telecommunications attachments cannot wait to be combined with the Hydro Ottawa joint use requirements.⁵⁷
54. Hydro One’s December 2022 Interrogatory Responses note an additional \$137,000 cost to Hydro Ottawa from a joint pole use solution. Hydro One indicates that staggered timing will require that the joint use accommodations for the telecommunications provider will have to be installed and then removed and reinstalled.⁵⁸ Hydro Ottawa disputes this position, and indicates that there may have been potential savings to Hydro Ottawa and/or the telecommunications provider resulting from the pole improvements to serve

⁵⁵ Exhibit I, Tab 2, Schedule 4.

⁵⁶ See, for example, Hydro One Submissions, September 9, 2022, at pages 6-8.

⁵⁷ Hydro One Supplemental Evidence, November 7, 2022. See also Exhibit I, Tab 1, Schedule 1, page 10 and IRR OEB Staff-6(b).

⁵⁸ Exhibit I, Tab 1, Schedule 4(c).

the telecommunications provider being completed along with the Hydro Ottawa joint use of the same poles.

55. Hydro One has known since June 2021 (well before discussions started with the telecommunications provider in March 2022) that Hydro Ottawa is seeking to make joint use of additional Hydro One poles running through Hydro Ottawa service territory.⁵⁹ Hydro One does not adequately explain why it did not share information with Hydro Ottawa about the telecommunications company joint use expansion request earlier. This could have been done at a time when it might have been possible to combine the expansion/replacement work on the Hydro One poles to accommodate both joint use tenants. Hydro One acknowledges that such coordination may have achieved cost savings.⁶⁰ That did not happen. Instead, Hydro One waited until more than two months after filing its SAA Application to share this information.

56. Having been confronted by Hydro One's new information in November 2022, Hydro Ottawa determined that it could also connect the Customer by constructing a separate pole line along the opposite side of Principale Street from the Hydro One poles.⁶¹

57. In its supplementary interrogatory responses, Hydro Ottawa provided more evidence about its alternate proposal. Hydro Ottawa explained that while this alternative was initially not considered and did not emerge until Hydro One introduced new barriers to joint use of existing poles, it now appears that the alternative may be the more economical option.⁶²

58. Under its alternate proposal, Hydro Ottawa would extend its existing pole line and 8.32kV overhead circuit from the south east of the intersection of Racine Street and Principale Street.⁶³ The new pole line would extend between 750 metres to 900 metres, depending on the Customer's equipment location and Hydro One servicing equipment. Hydro Ottawa would require 15 to 18 wooden poles and hardware, and 3x750m to 900m

⁵⁹ Hydro Ottawa's evidence is that it informed Hydro One of the plan for joint pole use to serve the Customer as early as June 2021 – see IRR HONI-7(a), including the emails found at Attachment D.

⁶⁰ Exhibit I, Tab 2, Schedule 23(b).

⁶¹ IRR HONI-3(g).

⁶² IRR OEB Staff-6(b) and IRR HONI-8(b).

⁶³ The start and end locations can be seen on the maps noted as Attachment 2 and 3 to the Hydro One SAA Application.

overhead 8.32kV conductors and neutral conductor. Hydro Ottawa would engage a civil contractor for pole holes and anchoring and hire its electrical contractor in Casselman to construct the overhead pole line and customer connection.⁶⁴

59. The estimated cost of this option is \$455,000, of which \$15,000 is the estimated connection costs which will require a customer contribution. Hydro Ottawa indicates that the cost could be different (lower or higher) by up to 50% (same as the Hydro One estimate for shared pole usage).⁶⁵ As set out in the Offer to Connect that Hydro Ottawa will present to the Customer in the event that the OEB accepts Hydro Ottawa's position, the Customer would pay a contribution of \$15,000 plus taxes, along with a deposit of \$440,000 plus taxes.⁶⁶ As with Hydro One's initial proposal, the deposit can be made using a letter of credit and is expected to be refunded/released over time.

60. Hydro Ottawa estimates that system expansion and customer connection under Hydro Ottawa's alternate proposal could be completed by the end of July/August 2023 (with contingency), assuming the OEB approves Hydro Ottawa's Service Area Amendment in early February 2023.⁶⁷ This estimate includes time to obtain permits, including from the Village of Casselman, MTO, and various utilities.⁶⁸

61. Hydro Ottawa prefers to reach an agreement with Hydro One for timely and economical joint use of the Hydro One poles to serve the Customer. However, if this is not feasible then Hydro Ottawa proposes to connect the Customer by way of Hydro Ottawa using/adding its own poles.

62. Under each of the Hydro Ottawa connection proposals, the Customer will benefit from substantially lower distribution charges if served by Hydro Ottawa rather than Hydro One. The Customer will be served with Hydro Ottawa's General Service 50 to 1,499 kW rate class.⁶⁹ Hydro Ottawa estimates that the customer will experience an estimated \$17,800 per month (\$214,000 per year) less in distribution charges.⁷⁰ Over the same 15

⁶⁴ IRR OEB Staff-6(c)(i).

⁶⁵ IRR OEB Staff-6(c)(ii) and IRR HONI-8(c).

⁶⁶ IRR OEB Staff-6(c)(iii) and Attachment A.

⁶⁷ IRR OEB Staff-6(c)(ii) and IRR HONI-8(e).

⁶⁸ IRR HONI-8(e).

⁶⁹ Hydro Ottawa SAA Application, Section 7.1.5.

⁷⁰ Hydro Ottawa SAA Application, Section 7.1.2, item 5.

year revenue horizon that determined that the customer's future load justifies the cost of the connection, the Customer is estimated to experience \$3.2M less in distribution charges. It is estimated that the Customer will pay 3.4 times more if served by Hydro One than Hydro Ottawa.⁷¹

(b) Hydro One Connection Proposals

63. Under Hydro One's connection proposal, the Customer will be served by the existing Hydro One feeder that runs through the middle of the Hydro Ottawa Casselman service territory. This is the same line where Hydro Ottawa seeks joint use of additional poles.⁷² This anomalous situation is different from the typical boundary customer that can be served by infrastructure of two distributors that sits on either side of the boundary. Here, Hydro One has historically been given the right to run its infrastructure through a host distributor's territory, and now seeks to use that existing permission as the basis to connect a new customer in the host distributor's territory.
64. The Hydro One connection proposal requires limited additional connection infrastructure. Hydro One estimates the associated cost to be less than \$8,000.⁷³ Hydro One indicates that there will be no contribution required from the Customer.⁷⁴
65. Hydro One indicates that the Customer supports its connection proposal and its SAA Application. A letter of support is provided from Claudio Bertone, on Highway 417 Casselman LP letterhead, indicating that "[w]e have been informed by Hydro One, that you will be able to supply our development project with Hydro Power, more rapidly and more economically than any other alternative supplier".⁷⁵
66. It appears, therefore, that the Customer is relying on Hydro One's information as to the costs that the Customer will pay. Also, as noted above, it does not appear that Ford, the party that will pay for electricity service to the Property over the next 15 years, has been consulted about its connection/service preferences.

⁷¹ Hydro Ottawa SAA Application, Section 7.1.2. See also Exhibit I, Tab 1, Schedule 2, Attachment 1.

⁷² Hydro One SAA Application, Section 7.1.4(f) and Attachment 5.

⁷³ Hydro One SAA Application, Section 7.5.4 and Hydro One SAA, found as Attachment 6 to the Hydro One SAA.

⁷⁴ Hydro One SAA Application, Section 7.5.3.

⁷⁵ Hydro One SAA Application, Attachment 1.

67. As already discussed, the rates for electricity service to the Property are much higher with Hydro One than with Hydro Ottawa. Over fifteen years, the difference in rates will amount to more than \$3 million. Hydro One does not dispute this difference, instead stating that it is costs, not rates, that is the relevant factor.⁷⁶ There is no evidence that the Customer that will be paying the cost consequences of the higher rates (Ford) supports the Hydro One connection proposal (or is even aware of the rates and resulting cost differences between the connection proposals).
68. In its Interrogatory Responses, Hydro One indicates that it informed the Customer of an alternate connection proposal for 44 kV service that could provide the Customer with rates similar to Hydro Ottawa rates. Hydro One estimates that the incremental costs to expand facilities to provide such service would be approximately \$800,000 which is said to be similar to the Hydro Ottawa cost.⁷⁷ That estimate seems very low, considering that Hydro One estimates that upgrading only a small number of poles to accommodate Hydro Ottawa's joint use will cost \$600,000. In any event, Hydro One indicates that the Customer does not prefer that option, and it does not appear that Hydro One is promoting the alternative connection proposal in this SAA Application.

NEXT STEPS

69. Hydro One has connected the Customer on a temporary basis.
70. While the Customer had indicated that it required a permanent connection by October 2022, that has been delayed. Hydro One indicates in its Supplemental Evidence that ongoing global supply chain issues had delayed the connection until early December. In December 16, 2022 Interrogatory Responses, Hydro One indicated that it expects to complete the connection "by the end of the calendar year".⁷⁸
71. When it occurs, the Customer's connection to the Hydro One distribution system will be on an interim basis, as directed in the OEB's Notice and Procedural Order No. 1.

⁷⁶ Exhibit I, Tab 2, Schedule 18. In its September 9, 2022 Submissions (at page 18), Hydro One says that the monthly cost difference is "irrelevant".

⁷⁷ Exhibit I, Tab 1, Schedule 2. See also Exhibit I, Tab 2, Schedule 15(d).

⁷⁸ Exhibit I, Tab 1, Schedule 4(d).

72. In the event that the OEB determines that Hydro One's SAA Application does not succeed, and the Customer will be served by Hydro Ottawa, there should be no impediment to continuing the interim connection until such time as required Hydro Ottawa facilities (on joint poles or on its own poles) are completed. There is no information that the Customer will be disadvantaged by this staged approach. However, the Customer would immediately benefit from lower rates upon being connected by Hydro Ottawa.
73. Hydro Ottawa does not believe that there will be stranded costs if its connection proposal is accepted. The Hydro One connection assets could be repurposed/used by Hydro Ottawa. However, even if that is not the case, Hydro One's evidence is that such costs amount to less than \$10,000. In the latest set of Interrogatory Responses, Hydro One points to around \$137,000 of costs to upgrade pole infrastructure to support the telecommunications provider that would be repeated if Hydro Ottawa also attached to the poles and relocation/ enhancement was necessary. As noted earlier, that cost could have been avoided or reduced through coordination by Hydro One. Hydro Ottawa does not believe that it should be responsible for such costs. Also, that cost will not apply where Hydro Ottawa builds its own poles.

C. HYDRO OTTAWA SUBMISSIONS

74. In the sections that follow, Hydro Ottawa sets out its position as to why the Hydro One SAA Application should be denied and Hydro Ottawa should be confirmed as the distributor for the Customer.

THE OEB'S TEST AND GUIDELINES FOR SAA APPLICATIONS

75. The OEB set out the principles and guidelines to consider in SAA Applications in the RP-2003-0044 Decision in the Combined Service Area Amendment Proceeding, released in February 27, 2004 ("the RP-2003-0044 Decision"). The OEB's Filing Requirements for SAA Applications (EB-2006-0327) confirm the key items to be addressed in a SAA Application.

76. At the outset of the RP-2003-0044 Decision, the OEB confirmed the relevance and importance of its statutory objectives in relation to regulation of electricity to the consideration of SAA Applications.⁷⁹ The OEB focused on two statutory objectives – protection of the interests of consumers, and economic efficiency and maintenance of a financially viable industry. While the wording of the *OEB Act*'s statutory objectives in relation to electricity has changed since 2004, the concepts considered by the OEB in the RP-2003-0044 Decision are reflected in the current subsections 1(1) and 1(2) of the *OEB Act*, which direct the OEB to be guided by the following objectives:

1. To inform consumers and protect their interests 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.

77. In relation to the protection of consumer interests objective, the OEB confirmed that protection of the interests of both the new/impacted customers relevant to the SAA Application as well as the interests of existing consumers must be taken into account. The OEB noted that the interests of existing customers will be protected by the rational expansion of distribution systems.⁸⁰

78. In relation to economic efficiency and the maintenance of a financially viable industry, the OEB said that economic efficiency should be a primary principle in assessing the merits of a SAA Application. The OEB indicated that “applicants should demonstrate that the proposed amendment does not reduce economies of continuity, density and scale, and preferably that the amendment enhances these economies”.⁸¹ The OEB also indicated that it does not believe that significant weight should be put on differences in current distribution rates because they are not a predictor of future rates.⁸² There is, however, no suggestion that the RP-2003-0044 Decision considered circumstances with the

⁷⁹ RP-2003-0044 Decision with Reasons, February 27, 2004 (RP-2003-0044 Decision), at para. 46. The OEB noted that its statutory objectives under the *OEB Act* were the same as the purposes of the *Electricity Act*.

⁸⁰ *Ibid.*, at paras. 33-34.

⁸¹ *Ibid.*, at para. 85.

⁸² *Ibid.*, at para. 86.

materially different rate impacts seen when comparing Hydro Ottawa and Hydro One in the current SAA Application (more than \$3 million over 15 years).

79. The OEB expanded on the “primary” topic of economic efficiency in its summary chapter (Chapter 4) of the RP-2003-0044 Decision. The OEB stated that “economic efficiency comprises the concept of the most effective use of existing distribution resources” and that “[i]n every connection proposal the prime consideration must be whether the connection is being effected in a manner that optimizes the resources reasonably brought to bear on the location.”⁸³
80. The RP-2003-0044 Decision addressed a number of SAA Application scenarios, including overlapping areas and contiguous border amendments, and distinguished between SAA Applications on consent between impacted distributors and contested SAA Applications.
81. The current scenario involves a proposal for an amendment to contiguous service area borders, and it is contested between the incumbent (Hydro Ottawa) and the applicant (Hydro One). In the RP-2003-0044 Decision the OEB indicated that in a contested application, the onus is on the applicant to demonstrate that the amendment is in the public interest. The OEB noted that amendments consistent with the principles articulated by the OEB in the Decision will have a greater chance of success.⁸⁴
82. Two of the five principles summarized in Chapter 4 of the RP-2003-0044 Decision (Summary of Principles for Dealing with Service Area Amendments) are relevant in this case:
- a. Amendments to service areas at the border of contiguous distributors may be in the public interest. Applicants should file evidence demonstrating that the proposed amendment is in the public interest, addressing economic efficiency, the impacts on the distributors involved and their customers, both inside and outside the amendment area, the mitigation of these impacts, and customer preference.⁸⁵

⁸³ *Ibid.*, at paras. 235 and 246.

⁸⁴ *Ibid.*, at para. 199.

⁸⁵ *Ibid.*, at para. 206.

b. Economic efficiency is a primary consideration in assessing a service area amendment application. All applicants should address the effects of the proposed amendment on economic efficiency.⁸⁶

83. The OEB provided guidance about the role of customer preference. The OEB noted that preference of new customers is a relevant factor, but noted that it needs to be balanced against the impacts and preferences of existing customers.⁸⁷

84. Interestingly, the OEB noted concerns raised by some parties that property owners or developers may have different interests from the ultimate customers at their property. The developer will be motivated by connection costs, where savings may be achieved at the risk of long-term exposure to higher rates.⁸⁸ That is what is happening in the current case.

85. In its summary of the RP-2003-0044 Decision, the OEB returned to the question of the relevance of differences in distribution rates. The OEB noted that Hydro One's rates may always be higher than neighbouring distributors, suggesting that differences in rates may be relevant where Hydro One is one of the parties in a contested SAA Application. In this regard, the OEB noted that "[w]hile the local distribution companies' rates may rise through the application of better rate setting methodologies, the fact remains that Hydro One's rates may suffer from fundamental differences in the cost and service structures as between Hydro One and the local distribution systems."⁸⁹

86. The SAA Filing Requirements were issued following the RP-2003-0044 Decision. They summarize that Decision, stating that "economic efficiency and the protection of consumer interests will be achieved through the rational optimization of existing distribution systems."⁹⁰

87. The concept of efficient use and rational optimization of distribution systems has been emphasized in recent changes to the *OEB Act* emanating from the *Building Broadband*

⁸⁶ *Ibid.*, at para. 208.

⁸⁷ *Ibid.*, at paras. 224 and 233.

⁸⁸ *Ibid.*, at para. 227.

⁸⁹ *Ibid.*, at para. 231.

⁹⁰ EB-2006-0327 Filing Requirements for SAA Applications, March 12, 2007, at page 3.

Faster Act.⁹¹ However, Hydro Ottawa notes that in order to achieve this, utilities need to openly share information, such as planned work on existing assets and access to assets that can be used as joint use.

88. The approach to be taken to determining a contested SAA Application was confirmed by the OEB in a 2017 Decision and Order involving E.L.K. Energy (ELK) and Hydro One (EB-2016-0155). In that case, ELK sought to expand its service territory to include a development area in Hydro One service territory. The OEB granted the Application.⁹²
89. The OEB indicated that it was guided by the principles from the RP-2003-0044 Decision, noting that economic efficiency is the primary factor. In the ELK case, both distributors had facilities close to the development area, and each offered comparable service quality. In its consideration of economic efficiency, the OEB looked at not only the connection costs, but also considered and compared the distribution charges and revenue shortfall and implications for other customers of each distributor.⁹³ This confirms that a review of economic efficiency in a contested SAA application goes beyond simply looking at the incremental connection costs of the competing connection proposals.
90. In the ELK case, the connection costs for Hydro One were twice that of ELK (\$16,000 versus \$8,000) but the future distribution costs were almost the same. ELK indicated that it would suffer some revenue shortfall if it was not the distributor but still had to serve Hydro One as embedded distributor for the customer. This would make ELK's customers better off if ELK served the new development instead of Hydro One.⁹⁴
91. The OEB took all these factors into account, and determined that on balance it was preferable to have ELK serve the new development noting that "ELK has proven to be the most economically efficient provider for this Customer."⁹⁵

⁹¹ See, for example, Part VI.1 of the *OEB Act*.

⁹² EB-2016-0155 Decision and Order, April 17, 2017.

⁹³ *Ibid.*, at pages 8-17.

⁹⁴ *Ibid.*, at pages 8-17.

⁹⁵ *Ibid.*, at page 19.

IT IS ECONOMICALLY EFFICIENT FOR HYDRO OTTAWA TO SERVE THE CUSTOMER

92. The facts of this case show that it is economically efficient for Hydro Ottawa to serve the Customer. Hydro One has not met the onus of demonstrating that Hydro Ottawa's service territory should be amended (reduced) to permit Hydro One to serve the Customer.
93. The OEB's guidance establishes that the economic efficiency factor in a contested SAA application looks at how the costs of connecting a new customer impact both existing customers and the new customer. This will take into account items like connection costs, rate impacts on existing customers and effective use of existing distribution resources. While the OEB has cautioned that differences in distribution rates may not be determinative since they can change over time, it has been recognized that Hydro One's rates can be meaningfully higher and unlikely to drop below neighbouring distributors.
94. The most significant factor in this case is the distribution costs to be paid by the Customer. If Hydro Ottawa serves the Customer, the distribution costs will be at least three times less, amounting to more than \$3 million in savings over Ford's 15 year lease. This is true whether Hydro Ottawa makes joint use of the Hydro One poles or whether Hydro Ottawa adds its own new poles.
95. None of the other economic factors come close to matching the distribution rate impact.
96. The connection costs are higher for Hydro Ottawa than for Hydro One. That being said, the impact is smaller than the distribution rate impact. Whether the connection costs are \$700,000 (based on a joint use of Hydro One poles), or \$440,000 (based on new Hydro Ottawa poles), or some number in between or even above, the costs are less than the distribution rate savings from Hydro Ottawa.
97. While the Customer will have to pay a deposit to Hydro Ottawa, that deposit is expected to be refunded over time except for connection costs of less than \$20,000. Moreover, the Customer will be able to provide a letter of credit or other security, rather than having to pay the full amount of the deposit in cash or equivalent.

98. In the current case, the efficiency arguments go beyond simply comparing connection and distribution rate costs.
99. For many years, Hydro Ottawa has promoted efficiency in its Casselman service territory by taking advantage of existing Hydro One poles that run through (not beside) the service territory. Hydro Ottawa has entered into a joint use agreement with Hydro One to use 34 of those poles, avoiding duplication of assets.
100. In order to serve the Customer, Hydro Ottawa seeks to make efficient use of the Hydro One poles that run through Hydro Ottawa's Casselman service territory by attaching to several additional Hydro One poles. In this case, though, Hydro One is not making that easy. Hydro Ottawa initially requested joint use of the Hydro One poles running along Principale Street in June 2021. It took a year-long process to receive a cost estimate from Hydro One for this approach and assumed agreement to use the poles. In the meantime, Hydro One also made commitments to a telecommunications company for joint use of the same poles. There was no mention of the telecommunication involvement in Hydro One's SAA Application. Then, after the contested SAA Application was more than 2 months underway and the OEB had set out its Notice of Hearing and Procedural Order #1 and parties had submitted interrogatories, Hydro One told the OEB and Hydro Ottawa that the poles were no longer available in current form to be shared with Hydro Ottawa. Hydro One now says that a joint pole solution will take longer and cost more than initially estimated.
101. Essentially, Hydro Ottawa is now being disadvantaged because of its prior and current preference to make efficient use of existing Hydro One infrastructure running through Hydro Ottawa's Casselman service territory. Hydro Ottawa sought to continue that approach, and has now found Hydro One to be raising obstacles and objections. Had Hydro One's issues and concerns been provided earlier, particularly in relation to the sharing of poles with the telecommunications provider, then a more feasible solution may have been possible. Instead, Hydro One has chosen to deal with the two requestors for joint use of the poles in Hydro Ottawa territory separately, which will lead to inefficient outcomes where work done to accommodate the first joint user will have to be re-done to

accommodate the second joint user. This adds time and costs and does not align with Hydro One's described process.⁹⁶

102. While Hydro Ottawa remains open to a joint use pole solution with Hydro One, that is looking less feasible. Accordingly, Hydro Ottawa has determined an alternate solution that will see it construct its own poles to serve the Customer. The estimated cost is around half of what Hydro One will charge for joint use of existing (and to-be-replaced) poles. The timing is at least as quick as a joint pole solution with Hydro One.

103. The inclusion of the Customer in Hydro Ottawa's Casselman system will enhance the efficient use of existing distribution resources. In recent years, low customer growth and successful CDM activities in Casselman have led to unused system capacity. This is seen in Figure 2 of Hydro Ottawa's SAA Application which shows continuing available capacity of the Hydro Ottawa Casselman Substation.⁹⁷ The addition of the Customer would more efficiently use that capacity. Hydro Ottawa estimates that the Customer would form around 15% of the total load for its Casselman service territory. In this way, having Hydro Ottawa serve the Customer enhances "economies of continuity, density and scale" and makes effective use of existing distribution resources.

104. Contrary to Hydro One's position⁹⁸, Hydro Ottawa believes that consideration of efficient use of existing distribution resources should include the full distribution system, not just the immediate connection facilities to the new customer. This is supported by the OEB's RP-2003-0044 Decision which states:

A consistent application of the Board's emphasis on economic efficiency should result in connection decisions which optimize the existing infrastructure. This enhances the local distribution company's return on its investments, and should result in rewards for shareholders, and ratepayers. Ensuring that connection decisions are made on the basis of an effective use of existing infrastructure will create a system-wide, indeed a province-wide avoidance of unnecessary expenditures, and the attendant implications for electricity rates. Inefficient connection activities work to the prejudice of local distribution utilities, and their customers.⁹⁹

⁹⁶ Exhibit I, Tab 2, Schedule 24, regardless of the format the request was provided in.

⁹⁷ Hydro Ottawa SAA Application, at page 9.

⁹⁸ Hydro One Submissions, September 9, 2022, at page 3.

⁹⁹ RP-2003-0044 Decision, at para. 89.

105. Hydro One has argued that its attachment of the Customer will make efficient use of the existing Hydro One distribution system, such that there is no bigger benefit to Hydro Ottawa versus Hydro One.¹⁰⁰ That misses an important point. Even though both competing distributors and their customers can benefit from a new connection, where a new connection resides within one distributor's service territory and can be economically connected by both, the burden of proof on the non-incumbent distributor remains. Part of that proof should include the impact on the incumbent distributor who can economically connect the new customer and why instead the non-incumbent distributor's ratepayers and shareholder(s) should benefit. The OEB has stated that "[a] consistent application of the Board's emphasis on economic efficiency should result in connection decisions which optimize the existing infrastructure. This enhances the local distribution company's return on its investments, and should result in rewards for shareholders, and ratepayers."¹⁰¹ Hydro Ottawa does not infer that the OEB intended this statement to imply that an incumbent distributor who could economically serve a new connecting customer will lose service territory based on the fact that a non-incumbent distributor can also benefit by serving the customer. Hydro One has not established why Hydro Ottawa should lose the connection of a new customer that would account for 15% of the load in Hydro Ottawa's Casselman service territory.

106. Hydro One will presumably also argue that Hydro Ottawa's alternative connection approach is not economically efficient because it results in duplicated poles from both Hydro Ottawa and Hydro One. This ignores two key facts. The first is that Hydro One's poles run through Hydro Ottawa's Casselman service territory. It should not be surprising or troubling that the incumbent distributor also wants its own poles in its territory. Indeed, the experience in this case underlines why that is reasonable, because otherwise Hydro Ottawa needs assistance and cooperation from Hydro One in order to serve customers in Casselman. The second fact to keep in mind is that the "duplicated" assets are minor (less than 20 poles and associated equipment), and the inclusion of these new assets will support the fuller use of Hydro Ottawa's existing Casselman distribution assets.

¹⁰⁰ Exhibit I, Tab 1, Schedule 1, at page 6.

¹⁰¹ See para. 105 above.

OTHER RELEVANT FACTORS FAVOUR HYDRO OTTAWA

107. As discussed above, the OEB's RP-2003-0044 Decision set out other items for the OEB to consider in a contested SAA application, in addition to economic efficiency.
108. For the most part, application of the other relevant factors to the current contested SAA application does not favour either distributor.
109. There is no meaningful difference identified in quality of service from either distributor.
110. As both Hydro Ottawa and Hydro One are major distributors with large customer and asset bases, the inclusion (or not) of the Customer with either distributor will not impact costs or rates for other customers in a noticeable manner.
111. The OEB has made clear that customer preference is not determinative of a contested SAA application, though it is a factor to consider. Hydro One has provided a letter of support from Mr. Bertone, who is referenced as the developer for the Property.
112. Importantly, though, neither Mr. Bertone nor the development company with which he appears to be associated (Highway 417 Casselman LP) will be the actual customer paying for distribution service at the Property. That Customer will be Ford. There is no evidence about Ford's preference of distributor, and Hydro One has confirmed that it has had no communications with Ford.
113. While this cannot be known for certain, it seems a fair assumption that Ford would prefer to be served by a distributor whose distribution charges will be more than \$3 million less over the 15 year term of Ford's tenancy at the Property.
114. Finally, there is no issue as to the timing of the connection. Hydro One has or will make an interim connection for the Customer which will permit construction and other activities to proceed. That connection will be adequate until such time as Hydro Ottawa can complete its own connection to the Customer. As indicated in the supplementary interrogatory responses, Hydro Ottawa may be able to connect the Customer as early as July 2023 if Hydro Ottawa installs and uses its own poles. The timing for a connection making joint use of Hydro One poles is harder to pinpoint, since that is within Hydro One's control and their timing estimates have been fluid. However, extended timing for a

Hydro Ottawa connection using Hydro One poles should not cause difficulties since the Customer will remain connected with Hydro One in the meantime.

RESPONSES TO HYDRO ONE ASSERTIONS

115. While Hydro One has not yet filed its written submissions, the materials filed to date provide an indication of the arguments that Hydro One will make. In the previous pages, Hydro Ottawa has addressed many of the items that it expects Hydro One will address. Below are Hydro Ottawa responses to several additional expected Hydro One assertions. To the extent that Hydro One makes additional or amended assertions and arguments, then Hydro Ottawa reserves the right to respond as appropriate.

Hydro Ottawa's Service Territory should not be redefined

116. Hydro One argues that Hydro Ottawa's Casselman service territory should be re-defined, with Highway 417 forming the southern edge, rather than the current boundaries which conform with the municipal boundaries.¹⁰² Hydro One does not cite any precedent where the OEB has determined that service territory boundaries should be redefined to align with provincial highways as boundaries. Hydro One's circular position is that because it should serve the Customer, then there will be no need for Hydro Ottawa facilities south of Highway 417 and no future basis for Hydro Ottawa to serve any customers in that area and therefore that 10% of the Hydro Ottawa Casselman service territory should be ceded to Hydro One.¹⁰³ While Hydro One does not currently seek to expand its service territory to include all properties south of Highway 417, that is clearly the future plan.¹⁰⁴

117. Hydro Ottawa does not consent or agree.

118. This is not a case where Hydro Ottawa is seeking to expand its service territory to align with municipal boundaries.¹⁰⁵ When Hydro Ottawa acquired the Casselman service territory, it acquired (and paid for) the entire municipal boundaries. The area south of

¹⁰² See, for example, Hydro One Submissions, September 9, 2022, at pages 10-13.

¹⁰³ Hydro One Submissions, September 9, 2022, at pages 10-13.

¹⁰⁴ Hydro One asserts that "Highway 417 represents a smooth, well-defined boundary between distributors that is real instead of perceived" - see Hydro One Submissions, September 9, 2022, at page 11.

¹⁰⁵ The passage from the RP-2003-0044 Decision relied upon by Hydro One (see Hydro One Submissions, September 9, 2022, at page 13) does not apply to this case. That passage deals with the scenario where a distributor seeks to expand its service territory to match municipal boundaries. In this case, Hydro One simply seeks to maintain its existing service territory.

Highway 417 is now poised for development, and it lies within the Hydro Ottawa service territory.¹⁰⁶ The new load from the Customer will support and justify the relatively modest Hydro Ottawa investments in joint poles or in new poles to connect the Customer. This will then position Hydro Ottawa to be able to serve other new customers and loads that arise in the area. That will allow Hydro Ottawa to make efficient use of its existing distribution assets for Casselman.

119. Hydro One's position that it should serve some of Hydro Ottawa's service territory is at odds with the Ontario Government's continued direction to the OEB to encourage distributor consolidation.¹⁰⁷ Hydro Ottawa acquired the Casselman service territory through amalgamation. Hydro One's proposal would see 10% of that service territory lost to Hydro One. Endorsing such an outcome would discourage, not encourage, consolidation.

120. Hydro One is seeking to justify the connection of the Customer on the grounds that Hydro One's connection costs are much lower, assuming a 8.32kV connection. However, Hydro One has also indicated that it can expand its system to serve the Customer (and presumably other new customers that later emerge in what is currently Hydro Ottawa service territory) by expanding an existing 44kV circuit. The only information about the cost of this project is that "the estimated incremental cost of the 44kV is approximately \$800,000."¹⁰⁸ That estimate seems very low, considering that Hydro One estimates that upgrading only a small number of poles to accommodate Hydro Ottawa's joint use will cost \$600,000. The concern here is that Hydro One should not be able to serve the Customer on the basis of a simple connection and low costs, and then later expand the service to the Customer such that it can serve new adjacent customers on a 44kV circuit. If that approach is taken, then the economic justification advanced by Hydro One in this case will have been misleading, and Hydro Ottawa will further lose the opportunity to make efficient use of its existing facilities in Casselman.

¹⁰⁶ Hydro Ottawa SAA Application, section 7.2.

¹⁰⁷ October 21, 2022 Letter of Direction from the Minister of Energy to the OEB Chair, at page 3.

¹⁰⁸ Exhibit I, Tab 1, Schedule 2(d).

Hydro One's Temporary Service to the Customer is not an LTLT

121. Hydro One argues that its temporary connection of the Customer constitutes an LTLT if the Customer is ultimately served by Hydro Ottawa. Hydro One argues that this is not permissible under the Distribution System Code (DSC). The gist of this submission seems to be that under the DSC, Hydro One cannot temporarily serve the Customer for a lengthy period of time while the permanent connection by Hydro Ottawa is completed leading to the conclusion that only a permanent connection by Hydro One is permissible.¹⁰⁹

122. There are many problems with Hydro One's position, including the three detailed below.

123. First, Procedural Order No. 1 makes clear that Hydro One's provision of service to the Customer is "interim", pending the determination in this Contested SAA Application. Importantly, the "interim" service is supported by an "interim" amendment to the Hydro One service territory to include the Customer until such time as this case is determined. This is not an LTLT because (on an interim basis) Hydro One will be both the geographical and physical distributor for the Customer.

124. Second, and in any event, if Hydro Ottawa is determined to be the appropriate distributor for the Customer, the duration of service provided by Hydro One will be time-limited. The evidence is that the interim connection for the Customer was not completed until (at the earliest) the end of 2022. The evidence from Hydro One is that it can complete the required joint pole work to complete Hydro Ottawa's connection within 6 to 12 months. In any case, the timing for Hydro One to complete the joint pole work is within Hydro One's control – the fact that Hydro One did not coordinate joint pole work needed for both Hydro Ottawa and the telecommunications provider should not be used against Hydro Ottawa. If Hydro Ottawa decides instead to install and use its own poles, then it can complete the connection by summer of 2023.

125. Third, it would be troubling if Hydro One was to assert that its connection of the Customer began on the date that the Customer was energized with temporary construction power, and then assert that Hydro Ottawa has not made its own connection arrangements quickly enough after that time. In relation to the temporary connection for

¹⁰⁹ Hydro One Submissions, September 9, 2022, at pages 6-8.

construction purposes, Hydro Ottawa should have been informed by Hydro One of the date the customer was to be energized and then the customer should have been metered and billed by Hydro Ottawa. Neither of those things happened.¹¹⁰ Additionally, the failure of Hydro One to take steps to support Hydro Ottawa's request to make joint use of Hydro One poles impeded Hydro Ottawa's ability to move forward with an OTC. In any case, though, the OEB has stated that a temporary connection "cannot be used by a geographic distributor in order to expand its system to connect customers"¹¹¹. Equally, a temporary connection should not be used by a physical distributor to remove the ability of the geographic distributor from serving a customer.

D. RELIEF REQUESTED

126. Hydro Ottawa respectfully requests the following relief in relation to this proceeding:

- a. Confirmation that Hydro Ottawa should be the permanent distributor to serve the Customer.
- b. Direction that if Hydro Ottawa is not able to reach an agreement with Hydro One for timely and economical joint use of poles, then Hydro Ottawa be permitted to connect the Customer by way of Hydro Ottawa using/adding its own poles.
- c. Amendment of Hydro Ottawa's Distribution Licence as required, to include the full subject Property in Hydro Ottawa's Casselman service territory.

All of which is respectfully submitted this 12th day of January 2023.

¹¹⁰ See Exhibit I, Tab 2, Schedule 11(b) - Hydro Ottawa was only informed of the ability for the customer to be temporarily connected – the actual date was not communicated before this proceeding.

¹¹¹ Ontario Energy Board, Letter re: Notice of Amendment to a Code, Amendments to the Distributions System Code (December 21, 2015), page 4.