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BY EMAIL AND RESS

August 25, 2023

Ms. Nancy Marconi
 Registrar
 Ontario Energy Board
 Suite 2700, 2300 Yonge Street
 P.O. Box 2319
 Toronto, ON M4P 1E4

Dear Ms. Marconi,

EB-2022-0178 - Entegrus Powerlines Inc. Application for a Service Area Amendment – Hydro One Networks Inc. Submission

In accordance with Procedural Order No. 6, please find attached Hydro One Networks Inc. submissions on Entegrus Powerlines Inc. Application for a Service Area Amendment.

In accordance with previous determinations on the same, Hydro One respectfully request the following information be kept confidential pursuant to Rule 10.01 of the Board’s Rules of Practice and Procedure and consistent with the Board’s Practice Direction on Confidential Filings revised December 17, 2021:

Information	Specific Page(s) Redacted	Presumptive Confidential Category
Non-public information about a specific customer’s load profile	Page 37, Footnote 96 Page 41, Line 18 Page 49, Line 35 Page 50, Line 3 Page 51, Line 2, 5, 6, 10, and Table 1	Information that would disclose load profiles, energy usage and billing information of a specific customer that is not personal information

A redacted electronic copy of this submission has been submitted using the Board’s Regulatory Electronic Submission System for public use.

A confidential unredacted version of this submission has also been supplied to the OEB in accordance with the OEB’s Practice Direction on Confidential Filings.

Sincerely,



Joanne Richardson

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by Entegrus Powerlines Inc. pursuant to s. 74 of the *Ontario Energy Board Act, 1998* (the “Act”) to amend its licensed service area, as described in Schedule 1 of its distribution licence ED-2002-0563, to include the property and industrial customer located at 1 Cosma Court, St. Thomas, ON, N5R 4J5 (the Subject Area). Hydro One Networks Inc. (Hydro One) currently serve the Customer.

**SUBMISSION OF
HYDRO ONE NETWORKS INC.**

August 25, 2023

1 **1.0 EXECUTIVE SUMMARY**

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The Entegrus SAA Application should be denied. Hydro One’s existing connection that has been serving the Customer for over twenty-five years remains the most cost-effective solution and provides the most technically efficient solution to provide the Customer with reliable quality electricity service. Hydro One’s connection serves the Customer with a minimal incremental cost of \$224,869 to Hydro One ratepayers. Conversely, Entegrus’ proposal will result in an additional capital cost that is approximately three-times the Hydro One amount at a forecast cost of \$615,000. Furthermore, if Entegrus were to provide the Customer with the same service the Customer receives from Hydro One today, documented in the Hydro One Capacity Allocation Commitment, Entegrus will have to mitigate the Customer’s bill in perpetuity – not just up to 2026. This results in a rate mitigation cost of up to \$720,000/annum. This cost must also be recovered from Entegrus ratepayers. This mitigation would be to the detriment of Entegrus ratepayers financially and would also limit the availability of planning capacity, as confirmed by Entegrus. Alternatively, if Entegrus were to confiscate one feeder from the Customer’s current service arrangement and repurpose it for Entegrus’ planning needs, the result will harm the Customer from a reliability perspective. This approach will also fail to sufficiently address the long-term forecast planning needs of Entegrus – forecast planning needs that Entegrus has failed to document in any other recent OEB-approved SAA applications with Hydro One.

Entegrus’ arguments that the current connection of the Customer is a long-term load transfer (“LTLT”) is flawed. Entegrus has not substantiated any evidence to validate that the connection of the Subject Area is an LTLT. Factually, Entegrus’ predecessor and Hydro One have jointly filed OEB-approved applications that have explicitly detailed that the connection of the Subject Area is not an LTLT. The Distribution System Code provisions associated with the elimination of LTLTs, that have been in effect in evolving forms since 2000, have therefore never applied to the Subject Area. Previous OEB determinations on the distribution service territory of Entegrus, including previous proceedings to assess contract frustration, have taken the lease terms of the Supply Facilities Agreement into consideration, and established that the distribution service

1 territory of the individual local distribution companies reflects the current realities of the
2 connection.

3
4 The Supply Facilities Agreement that has governed the lease-to-own agreement that
5 Hydro One's predecessor entered into in 1997 to service the Customer remains
6 enforceable today. In accordance with that agreement, Hydro One bills the Customer
7 and *Hydro One is responsible for the delivery of energy to the Customer* and therefore
8 the 2015 LTLT DSC Amendments do not apply to this connection. OEB jurisprudence,
9 including the OEB's determination in the merger agreement between St. Thomas
10 Energy Inc. and Entegrus, substantiate Hydro One's position. The transfer of the
11 Feeders, that are the subject of the Supply Facilities Agreement, had already been
12 provisionally agreed to by Entegrus' predecessor prior to the merger. Entegrus has
13 failed to meet their contracted commitments made by its predecessor and have failed
14 to uphold determinations made by the OEB on same.

15
16 Transferring the Customer to Entegrus will diminish the economies of contiguity, density
17 and scale that are currently provided by the Hydro One connection and will reduce the
18 reliability and quality of service of the Customer. Transferring the Customer to Entegrus
19 will not be the most economical connection alternative and will harm the reliability and
20 quality of service of the Customer. All these elements fail to meet the OEB's guiding
21 principles with respect to the assessment of service area amendments.

22
23 Hydro One's connection optimizes the use of existing infrastructure as it is Hydro One's
24 position that the Feeders ought to have already been transferred to Hydro One absent
25 the inactions of Entegrus. No additional OEB proceeding is required to effectuate the
26 transfer of the Feeders to Hydro One. The Subject Area is not included in the distribution
27 licence of the Applicant. The Subject Area therefore is not part of the public as narrowly
28 limited by section 70 (11) of the OEB Act. The lease-to-own Supply Facilities
29 Agreement, including the option to purchase provision, has also already been reviewed
30 by the OEB. Moreover, even if approval were to be required, the OEB has sufficient
31 evidence to render a decision on the transfer and the OEB has made similar findings in
32 other OEB service area amendment proceedings including those pertaining to LTLTs.

1 The Entegrus SAA Application should therefore be denied and the Feeders should be
2 transferred to Hydro One immediately without further delay or cost.

3

4 This information is further documented in the submissions that follow.

5

6 **2.0 INTRODUCTION**

7

8 1. In accordance with Procedural Order 6, in this matter, and in response to the
9 Argument-In-Chief provided by the Applicant, Entegrus Powerlines Inc.
10 (“Entegrus”), Hydro One Networks Inc. (“Hydro One”) provides this submission.
11 Hydro One submits that the relief sought by Entegrus in this Service Area
12 Amendment Application (“SAA Application”) to serve Formet Industries Inc. (“the
13 Customer”) at 1 Cosma Court in St. Thomas, Ontario (the “Subject Area”) should
14 be denied. Entegrus has failed to demonstrate that a) the subject connection
15 arrangement is a Long-Term Load Transfer (“LTLT”); b) the commercial agreement
16 between the parties has been legally frustrated; and c) that the SAA Application is
17 in the public interest.

18

19 2. In providing this submission, Hydro One will provide an analysis of the relief sought
20 by referring to relevant policies, filing guidelines and/or applicable legislation, prior
21 Ontario Energy Board (OEB or Board) proceedings that have dealt with similar
22 issues advanced by the Applicant, intervenor evidence (both that of Hydro One
23 and the Customer), and the evidence provided by Entegrus. In so doing, this
24 submission will address inaccurate and/or inconsistent representations made by
25 Entegrus in this proceeding, illustrate that the requested relief is not in the public
26 interest, and that the evidence relied upon by the Applicant is unsubstantiated
27 and/or inconsistent with previous Entegrus filings. Consequently, Hydro One
28 requests that the OEB direct Entegrus to uphold Entegrus’ commercial
29 commitments articulated in the 1997 Supply Facilities Agreement (including the
30 1998 Addendum), jointly referred to in the balance of this submission as the Supply
31 Facilities Agreement.

1 3. Hydro One submits that there is no merit in altering the existing connection
2 relationship between Hydro One and the Customer that has been in place for over
3 25 years and/or altering the business operations of the Customer simply to address
4 an Entegrus planning deficiency which failure it is responsible for. It is clear, based
5 on Entegrus' proposed SAA, that this SAA Application fails to meet the principles
6 of the Combined Distribution Service Area Amendments Proceeding¹ which will be
7 further discussed in this submission.
8

9 **3.0 ENTEGRUS' SAA FAILS TO MEET THE PRINCIPLES OF THE COMBINED**
10 **DISTRIBUTION SERVICE AREA AMENDMENTS PROCEEDING**
11

12 4. Entegrus' application seeks OEB relief pursuant to section 74(1) of the OEB Act.
13 Through the Combined Distribution Service Area Amendments Proceeding RP-
14 2003-0044² ("Combined Distribution Service Area Amendments Proceeding"), the
15 OEB developed principles to ensure a consistent review approach to SAA
16 applications.
17

18 5. Therein, the OEB outlines that:

19
20 The promotion of economic efficiency in the distribution sector is
21 one of the Board's guiding objectives in the regulation of the
22 electricity sector. The Board is persuaded that economic efficiency
23 should be a primary principle in assessing the merits of a service
24 area amendment application. Economic efficiency would include
25 ensuring the maintenance or enhancement of economies of
26 contiguity, density and scale in the distribution network; the
27 development of smooth, contiguous, well-defined boundaries
28 between distributors; the lowest incremental cost connection of a
29 specific customer or group of customers; optimization of use of the
30 existing system configuration; and ensuring that the amendment
31 does not result in any unnecessary duplication or investment in
32 distribution lines and other distribution assets and facilities. The
33 Board recognizes that there may be applications where all these
34 components of economic efficiency do not apply.³

¹ RP-2003-0044 – Decision with Reasons – Issued February 27, 2004

² Ibid.

³ Ibid. - Paragraph 84

1 6. In concert with providing these principles, the OEB also provided to maintain
2 consistency with the statutory objectives of the OEB Act, the OEB should in a SAA
3 decision “...consider the protection of the interests of other consumers in the
4 proposed amendment area, the remaining customers of *each utility*, and the
5 *interests of electricity consumers throughout the province, over a time period that*
6 *includes more than the short-term implications of any given action*”⁴ (emphasis
7 added).

8
9 7. With respect to Entegrus’ position as to the *key contested issue in this proceeding*,
10 namely, the enforceability of the Supply Facilities Agreement⁵, Hydro One agrees
11 that this is the key issue before the OEB, and the determination of this issue will
12 establish which utility ought to own the infrastructure. This determination on
13 ownership will provide clarity on which utility’s existing distribution infrastructure
14 optimizes connection to the Customer.

15
16 **4.0 OPTIMIZATION OF EXISTING DISTRIBUTION INFRASTRUCTURE: THE**
17 **EXISTING CONNECTION IS NOT A LTLT**

18
19 8. This is an atypical service area amendment application brought by Entegrus which
20 raises uncertainty related to previous Commission decisions, the validity of
21 commercial contracts and the ownership of infrastructure the subject of the
22 proceeding.

23
24 9. The connection at the Subject Area is not an LTLT. An LTLT is a situation where
25 the connection is physically served by one distributor (the physical distributor) and
26 resides geographically in the distribution service territory of another distributor (the
27 geographic distributor). The connection is therefore billed by one distributor and
28 physically served by another distributor. This results in a settlement arrangement
29 between the two local distribution companies to settle all costs including electricity
30 costs to serve the connection.

⁴ Ibid. - Paragraph 63

⁵ Entegrus Argument-in-Chief – Filed August 4, 2023 - Page 2

1 **4.1 THE SUPPLY FACILITIES AGREEMENT**

2
3 10. Entegrus' ownership position of the M7 and M8 feeders emanating from Edgewise
4 TS (the "Feeders") that serve the Customer is predicated on the terms and
5 conditions of the Supply Facilities Agreement⁶. Specifically, under the terms of the
6 Supply Facilities Agreement, Entegrus owns the Feeders until Hydro One
7 exercises its option to acquire the Feeders and Entegrus divests the Feeders.
8 Entegrus confirms this in its Argument-in-Chief when Entegrus submits that "...the
9 lease portion of the 1997 Letter is an operating lease that *does not confer*
10 *ownership of the feeders to Hydro One unless and until the option (which is not a*
11 *bargain payment amount, like a \$1 payment) is exercised*" (emphasis added).⁷
12 The record is clear. Hydro One exercised said option on December 14, 2017.⁸

13
14 11. Entegrus' position, however, is that the Supply Facilities Agreement, in legal terms,
15 has been "frustrated and can or should no longer be performed".⁹ The assets,
16 according to Entegrus, must therefore remain Entegrus assets. Entegrus argues
17 that the Supply Facilities Agreement is frustrated because of the release of the
18 OEB's 2015 LTLT Distribution System Code ("DSC") Amendments issued
19 December 21, 2015 (the "2015 LTLT DSC Amendments") and thus, incorrectly
20 takes the position that Entegrus, or its predecessors, have always been the
21 physical distributor of the Customer.¹⁰ This position is flawed for the reasons that
22 follow.

23
24 **4.2 COMPLIANCE WITH THE DISTRIBUTION SYSTEM CODE AND THE LONG**
25 **STANDING LTLT PROVISIONS IN THE CODE**

26
27 12. This connection at the Subject Area is not an LTLT. Entegrus is precluded from
28 arguing the Agreement is a LTLT because its past actions indicate acceptance of
29 the terms of the Agreement rather than treating it as an LTLT.

⁶ Hydro One Intervenor Evidence – Filed April 17, 2023 - Attachment 3

⁷ Entegrus Argument-in-Chief – Filed August 4, 2023 - Paragraph 14

⁸ Hydro One Intervenor Evidence – Filed April 17, 2023 - Attachment 7

⁹ Entegrus Prefiled Evidence - Filed October 17, 2022 - Page 12

¹⁰ Entegrus Response to OEB Staff Interrogatory 10a – Filed June 22, 2023

1 13. The elimination of LTLTs is not a new provision of the DSC and has been
2 indoctrinated in evolving forms in the DSC since the initial release of the DSC.¹¹
3 Notwithstanding provisions to eliminate LTLTs within the DSC, the Supply
4 Facilities Agreement was considered to be in effect by Entegrus' predecessors and
5 Entegrus' predecessors accepted payments in accordance with the Supply
6 Facilities Agreement for more than fifteen years after the initial effective date of the
7 DSC. Notably, Entegrus' predecessor also accepted payments in accordance with
8 the terms of the Supply Facilities Agreement for two full years following the release
9 of the 2015 LTLT DSC Amendments. This is not refuted by Entegrus¹². Receipt of
10 payment in accordance with the Supply Facilities Agreement for two years post
11 issuance of the 2015 LTLT DSC Amendments until the lease elapsed confounds
12 the position of the Applicant that the 2015 LTLT DSC Amendments frustrated the
13 Supply Facilities Agreement such that the provisions of the Supply Facilities
14 Agreement cannot be enforced or applied.

15
16 14. The July 14, 2000, version of the OEB DSC outlines that a geographic distributor,
17 in an LTLT arrangement, has the following responsibilities:

18 The geographic distributor is responsible to the physical distributor
19 for all charges and costs incurred by the load transfer customer for
20 all costs defined in Retail Settlement Code, including distribution
21 costs, competitive electricity costs and non-competitive electricity
22 costs provided to the customer through the physical distributor's
23 distribution system.¹³
24
25

26 The obligation of the geographic distributor to the physical distributor as cited in
27 the paragraph above, remains unchanged in the current effective DSC.

28
29 15. Entegrus' asserts that it has always been the physical distributor of the Customer
30 and has always been responsible for delivery of energy to the Customer.¹⁴ This is

¹¹ Hydro One Supplemental Evidence - Filed May 19, 2023 - Attachment 1, Section 6.5

¹² Entegrus Response to OEB Staff 2a – Filed June 22, 2023

¹³ Hydro One Supplemental Evidence – Filed May 19, 2023 - Attachment 1, Page 44 of 46

¹⁴ Entegrus Response to OEB Staff Interrogatory 1 – Filed June 22, 2023

1 factually inaccurate. Entegrus' position directly conflicts with the contractual
2 responsibilities defined in the Supply Facilities Agreement which provides that,

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Delivery of reliable energy is the responsibility of [Hydro One].¹⁵

7 16. As explicitly documented in the Supply Facilities Agreement, since the initial date
8 of connection, delivery of energy to the Customer has been, and remains, the
9 responsibility of Hydro One or its predecessor, Ontario Hydro¹⁶ not Entegrus. In
10 other words, Hydro One has been paying the Independent Electricity System
11 Operator (IESO) to settle commodity and market related charges to serve the
12 Customer, not Entegrus. Entegrus explicitly admits such in Entegrus' evidence.

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Entegrus is not billed [by the IESO] for these two additional,
separate breakers associated with the Entegrus M7 and M8
feeders.¹⁷

18 There is no arrangement between Entegrus and Hydro One to settle revenues
19 collected by Hydro One from the Customer to pay Entegrus for commodity and
20 market related charges with the IESO to serve the Customer load as would
21 otherwise be the case if this connection was indeed an LTLT. Hydro One charges
22 the Customer and pays the IESO, accordingly. There is no load transfer settlement
23 arrangement between the utilities as both parties understood and recognized that
24 it was not an LTLT.

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17. Entegrus' evidence is that there "is no requirement included in the DSC that a load
transfer must always be billed by the local distributor on behalf of the physical
distributor".¹⁸ When asked in the discovery process to provide examples of where
a load transfer customer was not billed by a geographic distributor and then settled
between distributors, Entegrus failed to submit any evidence to support this
position.¹⁹

¹⁵ Hydro One Intervenor Evidence – Filed April 17, 2023 – Attachment 3, Page 3 of 4, Section 6

¹⁶ Ibid.

¹⁷ Entegrus Prefiled Evidence – Filed October 17, 2022 – Page 14 of 32

¹⁸ Entegrus Supplementary Evidence – Filed May 12, 2023 – Page 9

¹⁹ Entegrus Response to Hydro One Interrogatory 19c – Filed June 22, 2023

1 18. Entegrus cannot provide any LTLT examples akin to this connection because this
2 connection is not an LTLT. Sections 6.5.1 and 6.5.2 of the DSC are clear: in an
3 LTLT arrangement there is a physical distributor and a separate geographic
4 distributor. The geographic distributor bills the LTLT customer and then settles with
5 the physical distributor. This distinction was documented in the original version of
6 the DSC and remains in effect today. With respect to the connection of the Subject
7 Area, there is no distinction necessary because Hydro One is both the physical
8 distributor delivering electricity to the Customer and the geographic distributor,
9 billing the Customer accordingly. Thus, this connection is not an LTLT and not
10 subject to LTLT elimination provisions documented in the DSC. The connection is
11 however subject to the Supply Facilities Agreement which is a lease-to-own
12 agreement where the lessee exercised its option to purchase the assets almost six
13 years ago after it and its predecessor made twenty years of recurring lease
14 payments and the lessor has breached its contractual obligation to divest the
15 assets.

16
17 19. Many LTLTs were in place for 20 years or more and both the original version of
18 the DSC, issued in 2000, and the Combined Distribution Service Area
19 Amendments Proceeding Decision, issued in 2004, address the elimination of
20 LTLTs.²⁰ These facts indicate the existence of LTLTs at those times. Therefore,
21 Entegrus' argument that this is a unique case where a customer in a distributor's
22 territory was "assigned" some 20 years ago is irrelevant as it continues not be an
23 LTLT irrespective of the passage of time and the amendments in the DSC.
24 Furthermore, aside from when it was vacant land, Hydro One submits that
25 Entegrus already confirmed that the Subject Area was never in the service territory
26 of either Entegrus or the former St. Thomas Energy Inc. ("STEI") since the OEB
27 commenced issuing distribution licences i.e., the Subject Area has always been
28 listed as an exclusion in the current Entegrus and STEI's Distribution Licence.²¹

²⁰ RP-2003-0044 - Decision with Reasons – Issued February 27, 2004 – Paragraphs 268-273

²¹ Hydro One Intervenor Evidence – Filed April 17, 2023 - Pages 4-6

1 20. Entegrus misrepresents the facts when it asserts that the Subject Area was
2 “assigned”. Entegrus’ predecessors entered into a legally binding agreement,
3 namely the Supply Facilities Agreement, that has been explicitly considered by the
4 OEB in multiple licence-specific applications and determined to be in effect.²²
5 Entegrus’ predecessors accepted payment for twenty years based on the terms
6 and conditions of the Supply Facilities Agreement, including the provision Hydro
7 One holds to purchase the assets at net book value. The service territories of each
8 distributor reflect the realities of the connection as has been approved by the OEB.
9

10 **4.3 COMPLIANCE WITH THE RETAIL SETTLEMENT CODE**

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12 21. Contrary to Entegrus’ evidence, Entegrus does not provide Hydro One with any
13 capacity on the Feeders and has never been responsible for the delivery of energy
14 to the Customer.²³ When explicitly asked how this connection at the Subject Area
15 is accounted for as an LTLT in compliance with section 3.2 of the Retail Settlement
16 Code (“RSC”) that specifically addresses load transfers, the Applicant provided no
17 evidence.²⁴
18

19 22. Section 3.2 of the RSC outlines that the sum of total losses for a distribution system
20 equals the difference between wholesale energy delivered to a distributor
21 (including supply from embedded retail generators and load transfers) and the total
22 energy measured at all retail and wholesale consumers’ meters connected to the
23 distribution system. To Hydro One’s knowledge, Entegrus has never settled with
24 Hydro One based on load drawn from the system as would otherwise be the case
25 if this were indeed a load transfer arrangement. Entegrus failed to substantiate
26 anything to the contrary, further reaffirming that Entegrus is not the physical
27 distributor in a load transfer arrangement for the connection at the Subject Area as
28 defined by the DSC.

²² Ibid. – Pages 3-11.

²³ Entegrus Response to Hydro One Interrogatory 14 – Filed June 22, 2023

²⁴ Entegrus Response to Hydro One Interrogatory 19f – Filed June 22, 2023

1 23. If Entegrus were the physical distributor (which is not admitted but denied), it is
2 important to consider the implications of such a finding on all other Entegrus
3 ratepayers with respect to the RSC. If Entegrus were indeed the physical
4 distributor, as asserted by Entegrus in the Application, then Entegrus would be
5 settling commodity and market related charges associated with the Customer
6 directly with the IESO, and recovering these costs from its other customers since
7 there is no arrangement to recover these costs from Hydro One. This would impact
8 the charges to other Entegrus customers, including its distribution line loss
9 charges. The energy Entegrus purportedly supplies on the Feeders equates to a
10 planning design capacity of 28 MW or half of the entire Entegrus St. Thomas rate
11 zone planning design capacity of 56 MW. If Entegrus is not recovering these costs
12 (which it is not), then Entegrus' distribution line losses would be exorbitantly more
13 than currently approved. This is because Entegrus would have insufficiently billed
14 customers to cover the cost of the commodity and market related charges
15 delivered to the distribution system from the transmission system. Entegrus' line
16 losses would need to be considerably higher than currently approved to recuperate
17 this significant loss. However, this is not the case as Entegrus is not billed for
18 energy it purportedly delivers to supply the Feeders by the transmission system
19 (i.e., the IESO) and provides to Hydro One.²⁵ Therefore, Entegrus does not have
20 to modify its loss factors because in the current arrangement, Entegrus is not
21 remunerated for capacity which is appropriate since Entegrus is not in fact
22 providing any capacity to Hydro One or physically supplying the Customer.

23 24 **4.4 ENTEGRUS' POSITION IS INCONSISTENT WITH OEB JURISPRUDENCE**

25
26 24. Entegrus' position directly conflicts with multiple OEB decisions and/or directions
27 regarding LTLTs. The Entegrus position in this SAA Application directly conflicts
28 with:

- 29
30 a) **EB-2017-0192**: the jointly filed application between STEI and Hydro One to
31 eliminate all identified LTLT connections between the two utilities filed on May

²⁵ Entegrus Prefiled Evidence – Filed October 17, 2022 - Page 14

1 8, 2017²⁶ (the Joint LTLT Elimination Application) and approved by the OEB
2 as filed that explicitly identified the Subject Area as not being a LTLT.

3
4 b) **RP-2002-0194/EB-2002-0523**: the OEB's dismissal²⁷ of a STEI motion to
5 revise its distribution service territory in its licence to affect the transfer of the
6 Customer located at 1 Cosma Court²⁸ on the basis that the Supply Facilities
7 Agreement ceased to have effect on the proclamation of section 26(3) of the
8 Electricity Act on market opening on May 1, 2002.

9
10 c) **EB-2015-0006**: the OEB's Executive Policy Committee's conclusions that the
11 2015 LTLT DSC Amendments only apply to LTLTs that were identified as
12 LTLTs at the time the 2015 LTLT DSC Amendments were published
13 (December 21, 2015)²⁹ and the Notice of Amendments accompanying the
14 2015 LTLT DSC Amendments that outline exceptions to the 2015 LTLT DSC
15 Amendments.

16
17 d) **EB-2017-0212**: the OEB approved merger between STEI and Entegrus was
18 predicated on various terms and conditions of the merger agreement made
19 between STEI and Entegrus which outlined that completion of the transactions
20 contemplated by the merger would not result in the revocation of any OEB
21 approval or the breach of any term, provision, condition, or limitation affecting
22 the ongoing validity of any OEB approval.³⁰

23
24 e) **EB-2017-0220**: An exemption request from Burlington Hydro Inc. from Section
25 6.5.3 of the DSC that would leave all existing LTLTs between Burlington Hydro
26 Inc. and Hydro One Inc. as LTLTs, i.e., not eliminate them.

²⁶ Hydro One's Intervenor Evidence – Filed April 17, 2023 - Attachment 4

²⁷ Ibid. – Attachment 2

²⁸ Ibid. – Attachment 1

²⁹ Ibid.

³⁰ Ibid. – Attachment 5, Section 5.24.3 of the Entegrus and STEI merger agreement

1 f) **EB-2017-0250/EB-2019-0147**: LTLT elimination application between Hydro
2 One and Thunder Bay Hydro (now Synergy North) that has not been
3 determined and thus those connection remain in effect today.

4
5 g) **EB-2016-0155**: the OEB's approval of a service area amendment application
6 by E.L.K. that permitted the transfer of a customer despite Hydro One owning
7 and maintaining the feeder supplying the Customer.

8
9 **4.4.1 THE JOINT LTLT ELIMINATION DECISION – EB-2017-0192**

10
11 25. As outlined by the OEB's Executive Policy Committee conclusions, the 2015 LTLT
12 DSC Amendments only apply to LTLTs that were identified as LTLTs at the time
13 those amendments were published.³¹ In its Argument-in-Chief, Entegrus
14 incorrectly asserts that Hydro One has placed significant emphasis on the fact that
15 the Customer was not included in the Joint LTLT Elimination Application.³² This is
16 not true. Hydro One has repeatedly emphasized that the Customer *was included*
17 in the Joint LTLT Elimination Application. More specifically, Hydro One has
18 emphasized that in Section 1.3.1 of the Joint LTLT Elimination Application which
19 was signed off by both STEI and Hydro One, the Subject Area ***is explicitly***
20 ***identified by both utilities as not being an LTLT.***

21
22 ******Note:** Hydro One's licence currently lists 1 Cosma Court as a
23 'Customer within area not served by Networks' in the City of St.
24 Thomas. This customer is properly addressed in Tab 5 of Hydro
25 One's licence, and Hydro One requests that Tab 4 of its licence be
26 amended as stated above.

27
28 Once the application is approved, St. Thomas Energy Inc.'s licence Schedule 1,
29 line 1 and line 8 will be amended to state the following:

30
31 1. The municipal boundaries of the City of St. Thomas as of
32 December 31, 1999, with the exclusion of the customer located
33 at: a. 1 Cosma Court St. Thomas N5R 4J5..."³³

³¹ Hydro One Supplementary Evidence – Filed May 19, 2023 - Attachment 3, Page 2

³² Entegrus Argument-in-Chief – Filed August 5, 2023 - Paragraph 74,

³³ Hydro One's Intervenor Evidence – Filed April 17, 2023 - Attachment 4, Page 4

- 1 26. This is further reaffirmed in Section 1.3.3 of the same Joint LTLT Elimination
2 Application.³⁴ The intent and evidence of both utilities in the Joint LTLT Elimination
3 Application is clear and unambiguous. The connection at 1 Cosma Court was not
4 inadvertently missed and/or not appropriately recognized. Quite the opposite, both
5 utilities agreed and explicitly documented that the connection at the Subject Area
6 was not a LTLT and would remain a Hydro One connection after all LTLTs between
7 the utilities had been eliminated.
8
- 9 27. Entegrus, however, asserts that the evidence in the Joint LTLT Application is
10 ambiguous. Entegrus supposes in the SAA Application that “...it appears that STEI
11 did not recognize that the purchase option cited by Hydro One had been frustrated
12 by the OEB’s December 2015 Distribution System Code amendments (EB-2015-
13 0006)”.³⁵ Entegrus has the onus of proof and provides no evidence to substantiate
14 this assertion. In fact, when explicitly asked whether it was equally plausible that
15 Entegrus’ predecessor did consider the 2015 LTLT DSC Amendment and decided
16 that it did not frustrate the Supply Facilities Agreement, Entegrus admits that it has
17 no knowledge of what its predecessor considered or did not consider in submitting
18 the Joint LTLT Elimination Application.³⁶
19
- 20 28. Additionally, in Entegrus’ correspondence describing the nature of the
21 supplementary evidence request, Entegrus admits it was not aware of the OEB’s
22 2004 decision in RP-2002-0194/EB-2002-0523³⁷ that dealt with Entegrus’
23 predecessor’s claims of frustration regarding the Supply Facilities Agreement.
24 Hydro One submits that this, in concert with Entegrus’ admissions that no
25 management representatives of STEI are still working with Entegrus,³⁸ illustrates
26 the lack of knowledge Entegrus has into the considerations of STEI at the time the
27 Joint LTLT Elimination Application was filed. Entegrus’ submissions, therefore, on
28 what STEI was or was not considering with respect to the Joint LTLT Elimination

³⁴ Ibid. – Page 5

³⁵ Entegrus Prefiled Evidence – Filed October 17, 2022 – Page 10 of 32

³⁶ Entegrus Response to Hydro One Interrogatory 6b – Filed June 22, 2023

³⁷ Entegrus Letter providing description of proposed supplementary evidence – Filed April 28, 2023
- Page 4

³⁸ Entegrus Supplementary Evidence – Filed May 12, 2023 - Page 9 of 10

1 Application reviewed under OEB docket EB-2017-0192 should not be considered
2 or given any weight as they are unsubstantiated and seek to overturn multiple OEB
3 decisions.

4
5 **4.4.2 RP-2002-0194/EB-2002-0523 – OEB REVIEW OF A PREVIOUS ARGUMENT**
6 **THAT THE SUPPLY FACILITY AGREEMENT IS FRUSTRATED**

7
8 29. This is not the first time that Entegrus and/or its predecessors have attempted to
9 argue that the Supply Facilities Agreement governing the connection at the Subject
10 Area has been frustrated. Prior to this SAA Application, Entegrus' predecessor
11 attempted to advance a position that the Supply Facilities Agreement ceased to
12 have effect on the proclamation of Section 26(3) of the Electricity Act, 1998 and
13 that a previous OEB decision defining Entegrus' predecessor's service territory
14 should be varied.³⁹ However, On August 12, 2004, Mr. Mark Garner, the OEB's
15 Managing Director of Market Operations, confirmed the OEB decision and order
16 issued on June 30, 2004 that STEI's distribution licence excluded 1 Cosma Court
17 from its St. Thomas service territory (before and after market opening). In
18 confirming the OEB's decision and order, Mr. Garner wrote as follows with respect
19 to the applicability of Section 26(3) of the Electricity Act, 1998 to the Supply
20 Facilities Agreement:

21
22 It is apparent that this agreement is not a contract for supply of
23 power for the use by the municipality or for the supply of the
24 inhabitants of the municipality. Rather, it is an agreement to lease
25 certain equipment in consideration by St. Thomas Public Utilities
26 Commission to give up the right to serve a particular customer for a
27 period of time. I therefore consider your argument regarding the
28 applicability of the lease agreement in the context of section 26(3)
29 of the Electricity Act not to be relevant. The purpose of the service
30 area definition in your distribution licence is to accurately reflect the
31 current service realities. In order to achieve your desired outcome,
32 you are required to make an application for a service area
33 amendment under section 74 of the Ontario Energy Board Act,
34 1998.⁴⁰

³⁹ Hydro One Intervenor Evidence – Filed April 17, 2023 - Attachment 1

⁴⁰ Ibid. - Attachment 2, Page 2

- 1 30. Pertinent to this determination is that the OEB's statutory authority pursuant to s.86
2 of the OEB Act, includes providing asset divestiture approval for the disposition,
3 sale, or *lease* of an asset used to serve the public. The Supply Facilities Agreement
4 was not executed by Hydro One, it was executed by Ontario Hydro in 1997 which
5 predates Section 86(1) of the OEB Act and was subsequently transferred to Hydro
6 One by operation of law. However, the Supply Facilities Agreement (which is a
7 contractual agreement binding the two utilities and not a mere letter as
8 mischaracterized by Entegrus in argument) was reviewed by the OEB through the
9 RP-2002-0194/EB-2002-0523 proceeding.
10
- 11 31. Within this review, the OEB did not conclude that the Supply Facilities Agreement
12 contradicted the already in effect terms of the DSC that governed the elimination
13 of LTLTs. In fact, the August 12, 2004, decision recognized the Supply Facilities
14 Agreement and defined STEI's' service territory, accordingly. Entegrus' position in
15 this SAA Application, approximately 20 years after the guidance provided by the
16 OEB in 2004, essentially asserts that the OEB failed in identifying the connection
17 at the Subject Area as an LTLT at the time of its 2004 review of the Supply Facilities
18 Agreement and the previously discussed Joint LTLT Elimination Application. Hydro
19 One disagrees with Entegrus' position and repeats that Entegrus has failed to
20 establish that this connection is an LTLT.
21
- 22 32. The intent and final aim of the Supply Facilities Agreement is captured in the
23 existing distribution licences of the utilities, and it is clear from the language in the
24 OEB-approved licence that there was no time limit on Hydro One's service of the
25 Subject Area. The language in Hydro One's licence further affirms the intent of the
26 distribution licence amendment made and upheld by the OEB in 2004 after
27 reviewing the Supply Facilities Agreement – Hydro One should be servicing the
28 Subject Area.

1 **4.4.3 EB-2017-0212 - ENTEGRUS' APPLICATION IS INCONSISTENT WITH THE**
2 **CONDITIONS OF THE ENTEGRUS MERGER**
3

4 33. The OEB approvals that determined that Hydro One is the distributor of the Subject
5 Area and upheld the validity of the Supply Facilities Agreement *predate* the merger
6 agreement between Entegrus and STEI, reviewed under OEB docket EB-2017-
7 0212 (the Entegrus and St. Thomas MAAD Application). Similarly, Hydro One's
8 exercise of the option to purchase the Feeders in accordance with the Supply
9 Facilities Agreement from STEI, and STEI's provisional agreement to divest the
10 Feeders,⁴¹ also predate the merger. In reviewing that merger agreement, it
11 provides that where pursuant to the merger agreement, "STEI" represents St.
12 Thomas Energy Inc.; "STE Business" represents the business of distributing
13 electricity to third parties within the geographic boundaries as set out in OEB
14 distribution license ED-2002-0523 and related services and activities; and
15 "Permits" refers to the authorizations, registrations, permits, certificates of
16 approval, approvals, grants, licences, quotas, consents, commitments, rights or
17 privileges (other than those relating to the Intellectual Property) issued or granted
18 by any Governmental Authority to STEI, AGI or a member of the Entegrus Group,
19 as applicable; the terms and conditions of that merger outline that:

20
21 All Permits held by or granted to STEI are listed in the St. Thomas
22 Disclosure Schedule. Such Permits are the only authorizations,
23 registrations, permits, approvals, grants, licences, quotas,
24 consents, commitments, rights or privileges (other than those
25 relating to Intellectual Property) required to enable STEI to carry on
26 the STE Business as currently conducted and to enable it to own,
27 lease and operate its assets. All such Permits are valid, subsisting,
28 in full force and effect and unamended, and STEI is not in default
29 or breach of any such Permit; no proceeding is pending or, to the
30 Knowledge of St. Thomas, threatened to revoke or limit any such
31 Permit, and *the completion of the transactions contemplated by this*
32 *Agreement will not result in the revocation of any such Permit or the*
33 *breach of any term, provision, condition or limitation affecting the*
34 *ongoing validity of any such Permit* (emphasis added).⁴²
35

⁴¹ Ibid. - Attachment 7

⁴² Ibid. – Attachment 5, Section 5.24.3

1 34. Hydro One relies on and repeats its position in Hydro One’s Intervenor Evidence
2 that at the time the Notice of Application was released for the Entegrus and St.
3 Thomas MAAD Application, Hydro One reviewed the commercial agreement that
4 underpinned the OEB approval (the “Merger Agreement”). The Merger Agreement
5 was provided as Attachment K in the Entegrus and St. Thomas MAAD Application.
6 However, given the terms of the Merger Agreement, including the term extracted
7 and highlighted above and the lack of any consequential direct impact on Hydro
8 One or any existing Hydro One customer, Hydro One had no reason to intervene
9 in the Entegrus and St. Thomas MAAD Application. Moreover, Hydro One had no
10 reason to do so as the question of the validity of the Supply Facilities Agreement
11 under the Electricity Act, 1998 and the inclusion of the Customer in Hydro One’s
12 Licence was determined by multiple OEB decisions, which decisions predated the
13 Merger Agreement, but which Entegrus is now subject to, and must comply with in
14 accordance with the conditions of the Merger Agreement.

15
16 35. In addition to protecting the interests of consumers with respect to price, reliability
17 and quality of service, Hydro One notes that one of the underlying objectives of the
18 OEB in a MAAD application is to promote economic efficiency and cost
19 effectiveness in the generation, transmission, distribution, sale and demand
20 management of electricity and to facilitate the maintenance of a financially viable
21 electricity industry.⁴³ The OEB’s assessment of the Entegrus and St. Thomas
22 MAAD Application did not opine on the harm-inducing actions Entegrus is
23 proposing via this SAA Application to the Customer and to Hydro One’s ratepayers.
24 Financial viability includes the obligation to meet and maintain commercial
25 commitments made to other industry members and other parties alike, e.g., debt
26 repayments. Permitting a distributor to renege on the terms and conditions of a
27 commercial agreement that has been reviewed by the OEB undermines the
28 certainty of OEB determinations in a time where the public is demanding swift,
29 cost-effective electrification. Hydro One submits that an OEB approval of the
30 Entegrus SAA where it is clear that the commercial agreement between the parties
31 has not been frustrated by operation of law (the 2015 LTLT DSC Amendments do

⁴³ Ontario Energy Board, Statutory Objectives

1 not apply as this is not an LTLT) would establish a precedent that would undermine
2 utilities' ability to rely on commercial agreement and would increase the risk profile
3 of distributors at a time when significant capital investment will be required
4 throughout the province to achieve the long-term electrification goals of the
5 province.

6

7 36. Since the issuance of the 2015 LTLT DSC Amendments, neither Entegrus nor its
8 predecessor filed any non-compliance documentation with the OEB suggesting the
9 connection at the Subject Area is an LTLT.⁴⁴ Notwithstanding that, in its Argument-
10 in-Chief, Entegrus advances that the contractual right which Hydro One now seeks
11 to enforce would, in effect make permanent, an arrangement which the OEB has
12 required to be eliminated. Entegrus maintains its position that the Supply Facilities
13 Agreement cannot be enforced as it would effectively enshrine an arrangement
14 that the OEB has recognized as being contrary to the public interest.⁴⁵ Hydro One
15 disagrees for the following reasons.

16

17 **4.4.4 ENTEGRUS' APPLICATION IS INCONSISTENT WITH 3 OTHER OEB LTLT**
18 **PROCEEDINGS**

19

20 37. Even if the connection was an LTLT, which is not admitted but denied, Entegrus'
21 position that the 2015 LTLT DSC Amendments have somehow frustrated the
22 Supply Facilities Agreement is flawed. The OEB has permitted the continued
23 existence of LTLTs for multiple utilities despite section 6.5 of the DSC and
24 therefore a requirement that Entegrus satisfy its contractual obligation under the
25 Supply Facilities Agreement to divest of assets is not impossible nor illegal.

26

27 38. For instance, the OEB has not made determinations in respect of an application
28 made by Burlington Hydro Inc. for an exemption from section 6.5.3 of the DSC,⁴⁶
29 nor a joint application between Hydro One and Thunder Bay Hydro Inc. (now

⁴⁴ Entegrus Response to Hydro One Interrogatory 5a – Filed June 22, 2023

⁴⁵ Entegrus Argument-In-Chief - Filed August 5, 2023 - Paragraph 4

⁴⁶ EB-2017-0220

1 Synergy North) to eliminate all existing LTLTs between Hydro One and these
2 utilities.⁴⁷ These LTLTs remain today.

3

4 39. Entegrus, in its Argument-in-Chief, refers to a service area amendment application
5 where E.L.K. Energy Inc. was awarded a customer connection to substantiate that
6 the OEB considers economic efficiency to have primary consideration in a
7 contested SAA reviewed under OEB docket EB-2016-0155 (“the E.L.K. Sellick
8 Decision”). The E.L.K. Sellick Decision is also relevant to assist the OEB with
9 respect to the issue of frustration of contract. In that decision, the OEB approved
10 the transfer of the customer to E.L.K. Energy Inc. even though Hydro One owned
11 and maintained the feeder that supplied the connection, in effect creating a LTLT
12 or retail point of supply **post-issuance** of the 2015 LTLT DSC Amendments. Hydro
13 One explicitly identified such in its submissions within that proceeding:

14

15 If the Board grants E.L.K.’s Application, E.L.K. will become the
16 geographic distributor of the Sellick site, and Hydro One will remain
17 the physical distributor. This will be an LTLT; not a “pseudo-LTLT,”
18 to use a heretofore-unknown expression coined by E.L.K. for
19 metering and billing settlements, but an actual LTLT. Therefore,
20 granting this SAA directly would result in a contravention of the DSC
21 by creating an LTLT where there was none before.⁴⁸

22

23 40. Notwithstanding these submissions on the creation of an LTLT given Hydro One’s
24 ownership position of the facilities in that case, the OEB issued the following
25 decision in the referenced E.L.K Energy Inc. proceeding:

26

27 The OEB further finds that as a practical matter, all parties are likely
28 to become accustomed to the service area amendment, if ELK were
29 the service provider, and any confusion and additional costs would
30 be minimal and not be a factor over the longer term. With the
31 exception of ELK’s wholesale meter at Harrow North PME, and the
32 short line and equipment of the chosen distributor that will connect
33 the Customer to its network, **all of the physical assets of the M7
34 feeder are owned and operated by HONI back to the Kingsville
35 TS**. The wholesale meter is unlikely to be a major cause for service
36 outages, and **HONI has primary responsibility for, and control**

⁴⁷ EB-2017-0250/EB-2019-0147

⁴⁸ EB-2016-0155 – Final Submissions of Hydro One Networks Inc – Filed February 24, 2017 –
Page 9

1 **of, service reliability on the M7 feeder.** As the M7 is a feeder
2 serving many customers of both ELK and HONI, its reliability is
3 likely to be a higher priority in case of a service interruption
4 **(emphasis added).**⁴⁹
5

6 41. The cases cited in this section above, illustrate that where the OEB deems
7 necessary, the OEB has the authority to leave LTLTs as they stand despite the
8 elimination policy or provisions of the Code. The referenced LTLT connections
9 remain in effect or were created, post-issuance of the 2015 LTLT DSC
10 Amendments. Thus, even if this connection were an LTLT (which is not admitted
11 but denied) the issuance of the 2015 LTLT DSC Amendments and OEB precedent
12 with respect to same, do not render the Supply Facilities Agreement “frustrated”,
13 such that it can no longer be completed, nor is it legally impossible to perform as
14 argued by Entegrus in its reliance of the principles articulated in. *Petrogras*
15 *Processing Ltd. v. Westcoast Transmission Co.* This case involved a
16 comprehensive scheme of regulation of natural gas pricing at both the federal and
17 provincial level (not the case here) which led to a finding that the contract in that
18 case had become impossible for the parties to perform a significant part of the
19 contract, namely pricing.⁵⁰ The LTLT DSC provisions have no bearing on the ability
20 to perform the contract. This is evidenced by the fact that the Supply Facilities
21 Agreement has been performed for over twenty years irrespective of the LTLT
22 provisions in the DSC that have been in effect since the initial release of the DSC.
23

24 **4.4.5 EB-2015-0006 – ENTEGRUS’ APPLICATION IS INCONSISTENT WITH THE**
25 **OEB’S NOTICE OF AMENDMENTS REGARDING THE 2015 LTLT DSC**
26 **AMENDMENTS**
27

28 42. Entegrus’ premise that the 2015 LTLT DSC Amendments frustrated the Supply
29 Facilities Agreement is incorrect and fails to account for the OEB Notice that
30 accompanied the 2015 LTLT DSC Amendments. Therein, the OEB articulates:

⁴⁹ EB-2016-0155 - OEB Decision and Order – Issued April 27, 2017 – Page 8

⁵⁰ *Petrogas Processing Ltd. v. Westcoast Transmission Co.*, 1998 CanLII 3462 (ABKB) at para. 35
and

1 It was suggested that, if an expansion that would connect the load
2 transfer customers had been approved before the final
3 amendments are issued, the load transfer should not need to be
4 eliminated. The OEB agrees with this suggestion as the load
5 transfer will be eliminated without the need for approval of any
6 incremental costs. In such cases, a request for an exemption can
7 be made by distributors as part of the applicable SAA application.
8 However, any request for an exemption will need to be
9 accompanied by evidence that the expansion was approved by the
10 OEB before the final amendments were made.⁵¹

11
12 43. The 2015 LTLT DSC Amendments do not apply to the connection at the Subject
13 Area because:

- 14
15 a) The Supply Facilities Agreement, including the provision outlining that Hydro
16 One had the option to acquire the facilities, was reviewed, and approved by
17 the OEB 11-years prior to the issuance of the 2015 LTLT DSC Amendments.
18
19 b) The load transfer would be eliminated without the need for approval of any
20 incremental costs since the assets to be transferred would be transferred at
21 net-book value with no incremental cost to the distribution system.
22
23 c) Although no exemption was sought in the Joint LTLT Application, the Joint
24 LTLT Application explicitly mentioned that the Subject Area would remain a
25 Hydro One customer after all LTLTs were eliminated and explicitly documents
26 that Subject Area is a pre-existing exclusion from the St. Thomas Energy Inc.
27 licence.⁵²

28
29 44. Lastly, with respect to Entegrus' submissions that the OEB should refrain from
30 requiring Entegrus to divest the Feeders on the basis that it will minimize public
31 confusion and reduce coordination between utilities,⁵³ Entegrus has already
32 conceded that any potential public confusion and the reduction of an unnecessary
33 layer of coordination between utilities would be achieved by the divestiture of the

⁵¹ EB-2015-0006 – Notice of Amendments to a Code – Issued December 21, 2015 – Page 3

⁵² Hydro One Intervenor Evidence – Filed April 17, 2023 – Attachment 4, Section 1.3.3

⁵³ Entegrus Argument-in-Chief – Filed August 4, 2023 – Paragraph 69

1 Feeders by Entegrus to Hydro One.⁵⁴ There is no cross-subsidization nor is there
2 any public confusion. Regarding the latter, any scarce confusion that may continue
3 to exist today, after twenty-five plus years of Hydro One servicing the Customer,
4 will be eliminated by the determination of the OEB in this proceeding through the
5 transfer of the Feeders to Hydro One. Hydro One anticipates that the OEB's
6 decision would be akin to the E.L.K. Sellick Decision where the OEB found that all
7 parties are likely to become accustomed to the SAA over the longer term.

8

9 45. A separate regulatory proceeding pursuant to s.86 of the OEB Act is not required
10 to enable that divestiture. An application under s.86 would be: (i) inefficient from a
11 regulatory process perspective because the OEB has sufficient evidence in this
12 proceeding to render that transfer and has made similar findings of combining s.74
13 and s.86 applications in their review of other service area amendment
14 proceedings, (ii) the OEB has already reviewed, validated and approved the terms
15 of the Supply Facilities Agreement (including the provision for transfer), and (iii)
16 the Feeders are not currently utilized to serve the public, as "public" is defined in
17 Entegrus' distribution licence. Hydro One's positions on the applicability of s.86 of
18 the OEB Act to effectuate the Supply Facilities Agreement are detailed in Section
19 3.1.1 through to Section 3.1.1.2 of Hydro One's Intervenor Evidence.⁵⁵ Those
20 positions remain unchanged.

21

22 **5.0 THE ENTEGRUS PROPOSAL FAILS FROM SYSTEM PLANNING AND**
23 **RELIABILITY PERSPECTIVE AND INTRODUCES UNNECESSARY HARM TO**
24 **CUSTOMERS**

25

26 46. The proposed SAA application fails to address the system planning and reliability
27 concerns it intends to rectify and inevitably harms customers from a system
28 planning or reliability perspective. From a system planning and reliability
29 perspective, the proposed SAA is not comparable to Hydro One continuing to
30 serve the Customer and is inconsistent with Entegrus' Distribution System Plan.

⁵⁴ Entegrus Response to Hydro One Interrogatory 17b – Filed June 22, 2023

⁵⁵ Hydro One Intervenor Evidence – Filed April 17, 2023 – Pages 20-22

- 1 47. Through the discovery process, Hydro One has confirmed that no explicit
2 documentation is provided in Entegrus' September 15, 2021 Distribution System
3 Plan (Entegrus DSP) to indicate that Entegrus was contemplating disputing Hydro
4 One's rightful ownership of the Feeders to address the purported capacity
5 constraints in St. Thomas.⁵⁶ In fact, as at September 15, 2021, the Entegrus DSP
6 includes a 2023 planned investment entitled *Edgeware Capacity Enhancements*
7 for a new supply feeder and associated breaker position at the Edgeware station
8 for \$1.7 million in its 2023 capital budget with a priority ranking of 12th for all
9 Entegrus material investments ("Entegrus Edgeware Capacity Enhancement").⁵⁷
10 It is clear based on the aforementioned, that Entegrus at the relevant time did not
11 consider this connection an LTLT. Moreover, Entegrus' view that this is an LTLT
12 has arisen because of the unprecedented growth in the area that has developed
13 "recently", i.e., well after Hydro One exercised its option to purchase the Feeders
14 in accordance with the terms of the Supply Facilities Agreement back in 2017.
15
- 16 48. In effect, the Entegrus SAA Application seeks that the OEB order that Formet
17 Industries (the "Customer") (who has paid for the Feeders through Hydro One rates
18 and who commercially negotiated siting its operations in Ontario over other
19 international locations⁵⁸ 25-years ago on the basis that it would receive redundant
20 supply)⁵⁹ no longer receive redundant supply from the Feeders. The Customer has
21 funded these facilities to avoid a single point of failure on either the M7 or M8.
22 Entegrus customers, who have paid absolutely nothing for the Feeders, Entegrus
23 asserts should have that same redundant supply benefit; at the expense of the
24 Customer and the ratepayers of Hydro One.
25
- 26 49. To further elaborate on providing a redundant supply to the Customer, this level of
27 redundancy is similar to what Hydro One offers customers for feeder level outages,
28 in that feeder planning limits are based on "back-to-back" transfer scenarios
29 whereby most single contingencies do not result in sustained interruptions for

⁵⁶ Entegrus Response to Hydro One Interrogatory 10 – Filed June 22, 2023 - Attachment 1

⁵⁷ Ibid. Section 4.5.5

⁵⁸ Formet Intervenor Evidence – Filed April 17, 2023 – Paragraph 29 and Appendix A

⁵⁹ Formet Intervenor Evidence – Filed April 17, 2023 – Paragraph 29

1 downstream customers. Whether it be one large customer such as the Customer,
2 or several thousand residential customers, Hydro One's approach would be
3 similar. Hydro One would aim to keep the combined coincidental peak loading
4 between the two feeders to an acceptable limit such that in the event of a
5 contingency there would be transfer capability available to avoid loss of supply to
6 customers. This is akin to the way Entegrus plans its distribution system as well,
7 where Entegrus' aim is for its planning capacity to be 50% of the safe operating
8 capacity of its system to "...allow for operational flexibility and to ensure adequate
9 capacity (i.e. above 50% of the safe operating rating of the equipment) is available
10 in adjacent feeders to quickly restore customers during unplanned outages."⁶⁰
11

12 50. Hydro One highlights that Entegrus' evidence in this proceeding is that its "loading
13 has reached the point where all four feeders available to the general public in St.
14 Thomas are, on average, loaded beyond design capacity during peak periods.
15 Accordingly, Entegrus occasionally experiences periods of time in St. Thomas
16 where no transfer capacity remains in the event of certain single points of failure
17 during peak loading, which can lead to extended outages."⁶¹ The Entegrus
18 evidence reads as though there is an immediate reliability concern for existing
19 Entegrus St. Thomas rate zone customers should those certain single points of
20 failure during peak loading ever actually materialize. Table 5-2 of Entegrus'
21 evidence in the SAA Application documents that this reliability concern has been
22 prevalent since the end of 2017.⁶²
23

24 51. The Entegrus Edgeware Capacity Enhancement was studied by the IESO with a
25 then Entegrus planned in-service date of Q1 2020. The IESO provided Entegrus
26 an IESO Connection Assessment and Approval identification number CAA ID:
27 2019-658 on December 6, 2019.⁶³ Despite the reliability concern (that now
28 purportedly requires immediate attention) and IESO approval, Entegrus made no

⁶⁰ Entegrus Supplementary Evidence – Filed May 12, 2023 – Page 1 of 10

⁶¹ Entegrus Prefiled Evidence – Filed October 17, 2022 – Page 15

⁶² Ibid.

⁶³ Hydro One Correspondence – Filed July 7, 2023

1 progress on the Entegrus Edgware Capacity Enhancement and let the IESO
2 Connection Assessment and Approval elapse unactioned.

3
4 52. Furthermore, Entegrus arbitrarily establishes 2017 as the starting point of much of
5 its evidence for establishing the growing concern of exceeding max design
6 capacity based on the *recent* customer growth rate significantly exceeding the 1%
7 per annum growth rate prior to 2017.⁶⁴ Given the pre-2017 growth rates, Hydro
8 One states that it would be reasonable to expect that operating at or above max
9 planning design capacity was not new for the Entegrus St. Thomas rate zone and
10 they have likely been doing so for a long time with no need for any capacity
11 enhancements. One percent of 56 MW is less than 1 MW. Entegrus has submitted
12 1MW as not being meaningful load to otherwise alter the utility's course of action
13 when hovering at or above max design capacity. More specifically, Entegrus
14 submitted that 1 MW is not meaningful load and that was why, despite evidence in
15 this proceeding that "*continued growth above design capacity will drive an*
16 *increasing number of failure points and lack of transfer capacity,*"⁶⁵ no identified
17 concern was ever expressed by Entegrus regarding its limited capacity/reliability
18 in any other OEB-approved applications and Hydro One-consented SAA since
19 2016-2017. For context, based on the growth rates provided in the Entegrus DSP,
20 it appears, relative to end of year 2016, by 2020 less than 1,000⁶⁶ additional
21 residential customer connections had been connected by Entegrus in the former
22 STEI service territory and approximately half of those residential connections were
23 the result of service area amendments⁶⁷ with Hydro One. All those service area
24 amendments were proposed by Entegrus and did not document any of the
25 evidence relied upon in this proceeding. Hydro One adds that since 2020, Hydro

⁶⁴ Entegrus Response to Hydro One Interrogatory 10 – Filed: June 22, 2023 - Attachment 1, Page 26

⁶⁵ Entegrus Prefiled Evidence - Filed October 17, 2022 - Pages 15-16

⁶⁶ Entegrus Response to Hydro One Interrogatory 10 – Filed: June 22, 2023 - Attachment 1, Page 26

⁶⁷ OEB approved and Hydro One consented to Entegrus proposed applications predicated on defined capital plans documented in the SAA applications outlined therein that resulted in 407 residential and 1 commercial customer transfer: EB-2018-0203 (255 residential connections), EB-2018-0202 (1 commercial connection), EB-2020-0112 (130 residential connections), EB-2019-0249 (22 residential connections)

1 One has consented to the further transfer of an additional 422 residential
2 connections to Entegrus through two other OEB-approved service area
3 amendments,⁶⁸ contributing considerably to Entegrus' unprecedented recent
4 growth. None of those recently approved consented service area amendment
5 applications made any reference to Entegrus' reliability/capacity concerns that
6 Entegrus relies upon now for this SAA Application.

7

8 53. Additionally, the Entegrus DSP documents that the St. Thomas rate zone service
9 territory has very strong reliability results.

10

11 **St. Thomas rate zone has enjoyed relatively stable reliability**
12 **and lower SAIDI/SAIFI relative to the Main rate zone. This can**
13 **be attributed to St. Thomas' proximity to its sole TS and the**
14 **associated distribution system being contained within the**
15 **geographic boundaries of a single community.** It should also be
16 noted that there is a one-time notable deterioration in Entegrus - St.
17 Thomas' 2020 SAIDI score as the result of a single incident in
18 August 2020. This incident resulted in a significant portion of St.
19 Thomas customers losing power for approximately 3 hours and
20 contributed to a 67% increase in the SAIDI score for Entegrus – St.
21 Thomas. Although this incident did not qualify as a Major Event Day
22 and therefore was included in the SAIDI score, had it been excluded
23 from the metric, Entegrus – **St. Thomas would have experience**
24 **a SAIDI of approximately 0.50, which is consistent with**
25 **historical St. Thomas SAIDI values.** Section 2.3.3.1.2.4 explores
26 in more detail the drivers behind the observed reliability decline in
27 the Entegrus – Main Rate Zone. **Given the stable reliability**
28 **performance in the Entegrus – St. Thomas Rate Zone, an**
29 **equivalent discussion for St. Thomas has not been undertaken**
30 **(emphasis added).**⁶⁹

31

32 54. Through discovery, Entegrus provided the reliability statistics for the Entegrus St.
33 Thomas rate zone. The "Excluding Loss of Supply" data between 2017 and 2022
34 for the Entegrus St. Thomas service territory is extracted and emphasized Figure
35 1 below.⁷⁰

⁶⁸ EB-2022-0144 (transfer of 191 residential connections to Entegrus) and EB-2021-0234 (transfer of 231 residential connections to Entegrus)

⁶⁹ Entegrus Response to Hydro One Interrogatory 10 – Filed: June 22, 2023 - Attachment 1, Page 90

⁷⁰ Entegrus Response to Hydro One Interrogatory 4a - Filed June 22, 2023

1 **Figure 1: Entegrus St. Thomas Rate Zone 2017-2022 SAIDI & SAIFI Results**

YEAR	EPI				St. Thomas			
	Excluding Loss of Supply		Including Loss of Supply		Excluding Loss of Supply		Including Loss of Supply	
	SAIDI	SAIFI	SAIDI	SAIFI	SAIDI	SAIFI	SAIDI	SAIFI
2017	1.35	0.92	2.76	2.01	0.47	0.58	0.72	1.57
2018	1.89	1.21	3.53	2.07	0.55	0.76	0.60	0.76
2019	1.73	1.02	3.37	1.99	0.30	0.35	0.36	0.73
2020	1.47	1.18	2.22	1.74	1.50	0.89	1.59	1.54
2021	1.09	1.02	2.87	2.01	0.25	0.51	0.26	0.51
2022	1.76	1.18	3.42	2.67	0.44	0.65	2.06	1.65

2 Those results were compared by Hydro One against the values divulged as part
 3 of the Entegrus DSP received through interrogatories that date back to 2011. The
 4 Entegrus DSP results for the St. Thomas rate zone are extracted in Figure 2
 5 below.⁷¹

6 **Figure 2: Entegrus St. Thomas Rate Zone 2011-2020 SAIDI & SAIFI Results**

7 **Table 2-11: 10 Year Historical SAIDI/SAIFI Results (excluding Loss of Supply and MEDs)**

Line No.	Description	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	5-Year Average 2016-2020	4-Year Average 2017-2020
1	SAIDI												
2	Legacy Entegrus	0.88	1.18	1.23	1.31	1.18	0.51	1.72	2.45	2.34	1.46	1.70	1.99
3	St. Thomas	0.99	0.22	0.99	0.57	0.35	1.04	0.47	0.55	0.30	1.50	0.77	0.70
4	Total Entegrus		0.90	1.16	1.09	0.94	0.67	1.35	1.89	1.74	1.47	1.42	1.61
5	SAIFI												
6	Legacy Entegrus	0.72	0.97	0.94	0.84	0.87	0.41	1.07	1.40	1.15	1.30	1.07	1.23
7	St. Thomas	1.00	1.05	1.42	1.58	1.04	1.49	0.58	0.76	0.35	0.89	0.81	0.64
8	Total Entegrus		0.99	1.08	1.06	0.92	0.73	0.92	1.21	1.02	1.18	1.01	1.08

8
 9
 10 55. What is apparent by this analysis is that the Entegrus St. Thomas rate zone's
 11 reliability remains stable and there has been no degradation of SAIDI or SAIFI
 12 since 2017 and the results are better than the results experienced in 2016, i.e.,
 13 before the Entegrus system started exceeding max design planning limits. In fact,
 14 in 2022, the St. Thomas rate zone SAIDI and SAIFI results were in-line with and/or
 15 better than what was reported as far back as 2011 for the same rate zone and are
 16 consistently demonstrably better than the Main Entegrus rate zone. Additionally,

⁷¹ Entegrus Response to Hydro One Interrogatory 10 – Filed: June 22, 2023 - Attachment 1, Page 96

1 despite the recent surges in growth, the number of hours above the max design
2 capacity of 56 MVA in the Entegrus St. Thomas service territory has been trending
3 downwards since 2021 and is in-line with 2018 levels at approximately 50 hours
4 the entire year.⁷² Hydro One notes that the intensity or quantum of the demand
5 during those approximately 50 hours throughout the year has not been entered
6 into evidence by Entegrus..

7

8 56. The imminent reliability capacity concerns identified in this SAA Application directly
9 conflict with the evidence provided in the Entegrus DSP and actual reliability
10 results reported by Entegrus and its predecessor. The Entegrus DSP, filed
11 September 15, 2021, recorded the priority ranking of the Entegrus Edgeware
12 Capacity Enhancement at 12th out of all material investments and the IESO
13 Connection Assessment and Approval was allowed to elapse without action. There
14 was no immediate need as of the filing of the DSP based on the actions of the
15 utility, results to date, and the fact that the St. Thomas service territory has been
16 operating in this manner for periods far before 2017. Therefore, what has changed
17 to give rise to this SAA Application now?

18

19 57. The answer is clarified through the submissions provided in the Applicant's
20 Argument-in-Chief and in the undertones of other evidence divulged through
21 discovery. Notably, at the time of filing the Entegrus DSP in September 2021,
22 Entegrus also outlined the following when outlining customer projections:

23

24 Table 1-1 below depicts the changes in customer numbers over the
25 Historical Period for the former STEI and Legacy Entegrus and
26 starting in 2018, the combined Entegrus result. It is evident that the
27 high Residential customer growth has been somewhat offset by a
28 decrease in General Service > 50 kW customers, particularly in the
29 City of St. Thomas, **although management is tracking significant
30 industrial development and expansion currently underway or
31 being planned for the northeast region** (emphasis added).⁷³

⁷² Entegrus Response to Hydro One Interrogatory 4c – Filed June 22, 2023

⁷³ Entegrus Response to Hydro One Interrogatory 10 – Filed: June 22, 2023 - Attachment 1, Page 27

1 58. As documented in Hydro One’s updated interrogatory responses,⁷⁴ in June 2022,
2 i.e., the same month Entegrus requested a docket for this proceeding,⁷⁵ the City
3 of St. Thomas publicly announced acquisition of 800 acres of lands and Bill 63,
4 also known as the St. Thomas – Central Elgin Boundary Adjustment Act, 2023,
5 was subsequently passed in February 2023. The vast majority of those lands,
6 including the announcement of PowerCo., falls well within Hydro One service
7 territory which Hydro One has appropriately planned to service based on real
8 customer requests.

9
10 59. Absent this significant announcement in the City of St. Thomas, Hydro One is
11 unaware of any material changes to the lands available for development within
12 Entegrus’ St. Thomas rate zone service territory that this SAA Application is
13 intended to address that would not have been accounted for at the time of filing
14 the Entegrus DSP. Hydro One submits that the evidence in Entegrus’ DSP directly
15 conflicts with the growth projections that underpin this SAA Application.

16
17 60. As aforementioned, the St. Thomas rate-zone’s 2020 year-over-year Residential
18 growth rate of 2.4% was considered a surge in the Entegrus DSP because
19 historically, from 2006 to 2015, the former STEI experienced an average customer
20 growth rate of 1.0% per year. Over the 2016-2020 period, the St. Thomas growth
21 rate increased to 1.7% per year.⁷⁶ Conversely, Entegrus’ capacity concerns
22 expressed in the SAA Application are predicated on a continued forecast growth
23 of 2.36% to 5.36% per year.⁷⁷ This conflicts with the Entegrus DSP where in
24 addressing System Access funding it articulates the following:

25
26 As displayed in the Figure below, the Forecast Period projection
27 declines starting in 2022. In the design phase of this DSP, it was
28 anticipated that due to the pandemic, the System Access would be
29 even lower – and would decline to lower than Historical Period
30 levels in 2022-2025. This expectation was reinforced when many
31 developers put System Access requests on hold between March

⁷⁴ Hydro One Response to OEB Procedural Order 5 – Filed July 21, 2023

⁷⁵ Entegrus Correspondence to the OEB – June 1, 2022

⁷⁶ Entegrus Response to Hydro One Interrogatory 10 – Filed: June 22, 2023 - Attachment 1, Page 26

⁷⁷ Entegrus Response to Hydro One Interrogatory 4f – Filed June 22, 2023

1 2020 and June 2020. However, when Ontario pandemic restrictions
2 eased in the summer of 2020, growth surged again, particularly in
3 St. Thomas, Strathroy, Mount Brydges and Chatham. This surge
4 has continued into September 2021, such that management
5 updated this DSP filing to adjust 2022-2025 System Access by an
6 aggregate increase of \$3M prior to filing of this DSP in September
7 2021, in order to reflect a more moderate growth outlook. **This**
8 **moderate growth outlook remains consistent with the**
9 **anticipated end of pandemic-related housing trends, as well as**
10 **constraints to the supply of available development land within**
11 **established service territory boundaries** (emphasis added).⁷⁸
12

13 61. In this SAA Application it is unclear what underpins the Entegrus forecast growth
14 within Entegrus' existing service territory. Hydro One is unaware of any
15 demonstrable shift in developable lands within the established service territory
16 boundaries of Entegrus in St. Thomas. Hydro One understands that load forecasts
17 are not static, and things can change, thus, Entegrus was specifically asked to
18 provide information on any real customers (i.e., non-coincident peak load per
19 customer and connecting feeder) that have requested a connection to Entegrus'
20 distribution system that supports the forecast growth, and information on the
21 capital contribution(s) these customers have made towards addressing such
22 capacity needs. Entegrus did not provide this detail. Instead Entegrus responded
23 that "In 2022 and 2023 to-date, Entegrus has added or received commitments
24 related to approximately 850 St. Thomas service area customers with an
25 associated estimated demand of 4.6 MW. The level of contributed capital is not
26 relevant to this application".⁷⁹ This is not evidence that should be relied upon to
27 discern the merits of a SAA. It is unclear how much of this load has already been
28 added in 2022 or where these customers are located. It is also unclear, from a
29 technical perspective, why Entegrus can't meet its commitments in the Supply
30 Facilities Agreement and takes the position that Entegrus requires the equivalent
31 of a feeder's worth of capacity (i.e., 14 MW) in the immediate term (i.e., 2023) when
32 this non-descript 4.6 MW incremental load can easily be satisfied by the 5 MW of
33 capacity on the Feeders that has already been offered to Entegrus.

⁷⁸ Entegrus Response to Hydro One Interrogatory 10 – Filed: June 22, 2023 - Attachment 1, Page 245

⁷⁹ Entegrus Response to Hydro One Interrogatory 4c – Filed June 22, 2023

1 62. While Entegrus questions the cost associated with that capacity, it is not as cost
2 prohibitive as Entegrus suggests in Argument-in-Chief where Entegrus argues that
3 Hydro One proposes to charge Entegrus exponentially more than the current rental
4 fees paid by Hydro One in order for Entegrus to have use of some of the excess
5 capacity on the Feeders.⁸⁰ This Entegrus argument is flawed for two reasons: (1)
6 as previously discussed, Entegrus has never provided Hydro One with capacity on
7 the Feeders because Hydro One is billed directly by the IESO, and (2) Entegrus
8 has already acknowledged that transmission-related charges should be excluded
9 when comparing charges at a distribution level and should therefore only consider
10 Common ST charges.⁸¹ Thus, the monthly Hydro One Common ST charge that
11 will be imposed on Entegrus of \$7,721 does not materially differ from the monthly
12 Entegrus leasing payment established some 25 plus years ago in the 1997 Supply
13 Facilities Agreement of \$5,827.93 (until December 31, 2007) and \$5,527.93/month
14 (from January 1, 2008 to December 31, 2017). The latter payments, however,
15 includes no delivery of distribution capacity and is remuneration predicated upon
16 the actual construction costs of the Feeders alone.⁸²

17
18 63. The OEB principles are clear, SAAs must be based on real customers.

19
20 Similarly, proposals to align service areas with municipal
21 boundaries are ill-considered unless the proponent can provide
22 concrete evidence that the extended area is needed to provide
23 service to actual customers in the area using assets and capacity
24 in a manner that optimizes existing distribution assets, and does not
25 prejudice existing customers of the utility. **Amendments need to**
26 **be anchored by real customers, with an economic case for the**
27 **extension that is convincing** (emphasis added).⁸³
28

29 64. In Argument-in-Chief, Entegrus provides:

30
31 Entegrus requires additional capacity to meet demand in St.
32 Thomas. It is a growing area. Moreover, like all distributors,
33 Entegrus is mindful of the coming demand growth impacts of

⁸⁰ Entegrus Argument-in-Chief– Filed August 4, 2023 - Paragraph 31

⁸¹ Entegrus Response to Hydro One Interrogatory 16a – Filed June 22, 2023

⁸² Hydro One Response to Entegrus Interrogatory 17 filed as Exhibit I, Tab 2, Schedule 17 – Filed June 22, 2023

⁸³ RP-2003-0004 – Decision with Reasons – Issued February 27, 2004 – Paragraph 241

1 expected electrification arising from energy transition. Since the
2 time that the SAA Application was filed, the prospect of future
3 demand growth has become more certain, with the announcement
4 of the Volkswagen battery plant in St. Thomas. That is expected to
5 drive even further growth.⁸⁴
6

7 65. Entegrus' arguments speak to "coming" demand growth and the "prospect" of
8 future demand growth. Entegrus' position is akin to the transfer of large swathes
9 of vacant land that the OEB has repeatedly disallowed in previous SAAs because
10 there can be no determination made on economic efficiency.⁸⁵ There is no actual
11 contracted customer growth that underpins the Entegrus forecast in this SAA. That
12 forecast has already been discussed as conflicting with the recent Entegrus DSP
13 that defined growth limitations based on limited developable land within Entegrus'
14 existing St. Thomas service territory. Additionally, Entegrus provides the following
15 in its Argument-in-Chief and finally conveys what is reasonably suspected, that the
16 SAA before the OEB is a baseless attempt to restrict any future loss of Entegrus
17 territory, minimize Entegrus' capital costs to address future expansion plans of the
18 utility and avoid compliance with its contracted commitments defined in the Supply
19 Facilities Agreement.

20
21 Entegrus suspects that Hydro One will use the temporary reserved
22 capacity on the M11 and M12 breakers, plus the restriction on the
23 M9 breaker, in the future to argue in future SAAs that Hydro One
24 should serve new customers otherwise in the Entegrus service
25 territory. For all intents and purposes, Hydro One has now reserved
26 the three remaining breaker positions at Edgeware TS (being M9,
27 M11, M12). Hydro One is doing this before there are even any
28 identified permanent customer demands. It appears that Hydro One
29 seeks to control five feeders at Edgeware TS with the Customer
30 being the only customer with a contract. All other capacity is
31 temporary and/or in very early stages and/or not known (what is
32 known is that the Volkswagen facility being temporarily connected
33 to the M11 and M12 breakers will soon be transmission-connected).
34 **This approach will accordingly restrict any further Entegrus**
35 **access to the Edgeware TS, thereby preventing Entegrus from**
36 **the kind of expansion originally contemplated should it be**
37 **compelled to sell the M7 and M8 Feeders to Hydro One**⁸⁶
38 (emphasis added).

⁸⁴ Entegrus Argument-in-Chief – Filed August 4, 2023 – Paragraph 41

⁸⁵ See for instance the OEB's Decision in EB-2009-0019 and EB-2012-0047.

⁸⁶ Entegrus Argument-in-Chief – Filed August 4, 2023 - Paragraph 49

1 66. Hydro One highlights that cost responsibility associated with expansions to
2 address capacity limitations associated with Entegrus' unsubstantiated forecast
3 future growth is evidence that ought to have been advanced by Entegrus to support
4 Entegrus' unverified repeated position that alternative options (other than renegeing
5 on divesting the Feeders) are indeed neither "rational nor economic for existing
6 Entegrus customers to bear".⁸⁷ The principles of the Combined Distribution Service
7 Area Amendments Proceeding are abundantly clear on this matter:

8
9 Each market participant must accept the interdependence which is
10 fundamental to the system. Each participant has a right to expect
11 that others engaged in the same system meet their respective
12 costs, without subsidization or penalty. That is as true for new
13 customers as it is for others.⁸⁸
14

15 67. Hydro One exercised its option to purchase the Feeders in accordance with the
16 Supply Facilities Agreement.⁸⁹ As confirmed by Entegrus, Hydro One and
17 Entegrus' predecessor, STEI, provisionally agreed⁹⁰ to the divestiture prior to the
18 OEB's approval of the amalgamation of STEI and Entegrus. Entegrus is refusing
19 to uphold its end of the bargain because, they opine without any evidence of
20 substance, that it is uneconomical for its ratepayers to do so given recent growth
21 in the service territory that Entegrus has failed to plan for and address. Entegrus
22 should not be permitted to rely on self-induced problems, specifically, its failure to
23 take adequate steps to plan for alleged growth. The bill impacts of the scenarios
24 provided by Entegrus to support that there is indeed any economic harm to existing
25 Entegrus ratepayers to address the continued growth of its service territory has not
26 been provided in evidence in this proceeding.

27
28 68. It is inappropriate to suggest that capital contributions are irrelevant or that it is
29 inappropriate to suggest it is economic and/or rational to transfer cost responsibility
30 of Entegrus' purported need to Hydro One ratepayers or the Customer especially

⁸⁷ Entegrus Prefiled Evidence – Filed October 17, 2022 – Pages 18 and 20

⁸⁸ RP-2003-0044 – Decision with Reasons – Issued February 27, 2004 – Paragraph 230

⁸⁹ Hydro One Intervenor Evidence - Filed April 17, 2023 - Attachment 7

⁹⁰ Entegrus Response to Hydro One Interrogatory 10a – Filed June 22, 2023

1 since the “recent growth” has developed long after Hydro One contractually
2 exercised its right to acquire the Feeders.

3

4 69. Hydro One ratepayers have paid for the construction and the continued
5 maintenance of the Feeders⁹¹ since the initial connection of the Customer.
6 Conversely, as admitted by Entegrus, Entegrus ratepayers have paid nothing to
7 date for the Feeders.⁹² Therefore, Entegrus’ position that Entegrus owns the
8 Feeders is directly in conflict with long-established OEB ratemaking principles that
9 *benefits follow costs*. Hydro One ratepayers have funded the construction and
10 maintenance of the Feeders since 1997 and should therefore be the only
11 ratepayers allowed to reap the benefits of those costs.

12

13 70. Hydro One ratepayers and the Customer should not be penalized because
14 Entegrus does not wish to have Entegrus ratepayers meet its respective costs on
15 the system. It is not the cost responsibility of Hydro One nor the Customer to fund
16 the investments necessary to serve Entegrus’ St. Thomas service territory.

17

18 71. Indeed, the Customer will be penalized or harmed if the Entegrus SAA is approved.
19 Reliability is paramount for the Customer. Entegrus agrees, however, the Entegrus
20 proposal reduces the Customer’s reliability and confiscates one of the Feeders
21 currently used to serve the Customer. The Customer will go from having the benefit
22 of a fully redundant supply that the Customer has exclusively funded through rates
23 to being transferred to a single supply from the Entegrus system, that has been
24 identified in this proceeding as having transfer capability issues and is already
25 exceeding max planning design capacity with no defined plans on how that will be
26 addressed absent harming the Customer. It seems Entegrus recognized this in its
27 responses to interrogatories from the Customer on the issue of reliability. Entegrus
28 was explicitly asked⁹³ whether it will agree as part of the order made in this
29 application to match the capacity allocation commitment made by Hydro One (the

⁹¹ Hydro One Intervenor Evidence – Filed April 17, 2023 - Attachment 3, p. 2 of 4, Sections 3 & 4. Those sections of the 1997 Supply Facilities Agreement were later updated as per page 4 of 4 of the same attachment (the 1998 Addendum)

⁹² Entegrus Response to OEB Staff Interrogatory 10b – Filed June 22, 2023

⁹³ Formet Interrogatory 2 to Entegrus – Filed June 2, 2022

1 “Hydro One Capacity Allocation Commitment”).⁹⁴ In response, Entegrus provided
2 that:

3
4 Entegrus has posed various interrogatories to Hydro One and the
5 Customer related to the above-noted Capacity Allocation
6 Commitment Letter to clarify the commitments that were just made
7 by Hydro One in May 2023. Further, the load Entegrus would
8 connect to the M7 and M8 feeders would require a detailed
9 engineering analysis completed prior to the connection of any
10 incremental load. Entegrus cannot respond to the Customer’s
11 interrogatories until this information is provided. Conceptually,
12 Entegrus could offer the same service (which would limit the
13 available capacity available to other St. Thomas customers).⁹⁵
14

15 The response above is striking because Entegrus has repeatedly argued that it
16 requires a feeder’s worth of capacity (14MVA) to address Entegrus’ existing
17 transfer capability needs.⁹⁶ This cannot be done if Entegrus is providing the same
18 service as Hydro One. Consequently, this proposal will require further incremental
19 spend to address the purported imminent Entegrus need.
20

21 72. Without detailing the specifics of the Hydro One Capacity Allocation Commitment
22 for the benefit of minimizing/eliminating redactions associated with these final
23 submissions, Hydro One submits that the Hydro One Capacity Allocation
24 Commitment is clear and was not initiated as a transparent attempt to defeat this
25 SAA Application as Entegrus asserts.⁹⁷ The Hydro One Capacity Allocation
26 Commitment crystalizes again, for the benefit of the Customer, Hydro One’s
27 already existing agreements with the Customer and affirms to the Customer that
28 Hydro One, unlike Entegrus, remains willing, ready and able to continue to satisfy

⁹⁴ Formet Supplementary Evidence – Filed May 19, 2023 - Attachment 2A.

⁹⁵ Entegrus Response to Formet Interrogatory 2 – Filed June 22, 2023

⁹⁶ As documented in Hydro One’s response to Entegrus Interrogatory 10, filed as Exhibit I, Tab 2, Schedule 10 a - Contrary to Entegrus’ interpretations of Exhibit E, Section B-1 of the Customer’s Intervenor Evidence filed on April 17, 2023, there is no commitment in the 1997 Power Facilities Agreement or the August 27, 1997 Agreement for Power, each of which was between Hydro One’s predecessor and the Customer to provide █ MW of supply on a per feeder basis. Entegrus’ interpretation of the requirement to provide █ MW on each of the feeders per the above-referenced agreements, agreements to which Entegrus nor its predecessors are a party, is incorrect.

⁹⁷ Entegrus Argument-in-Chief – Filed August 4, 2023 – Paragraph 38

1 the terms and conditions of *inter alia* the Supply Facilities Agreement that has
2 governed this connection for over 25 years.

3

4 73. With respect to long-term reliability, Figure 5-2 of the Entegrus SAA Application
5 illustrates that the proposed SAA contradicts the long-term lens the OEB should
6 take to protecting the interest of ratepayers as outlined in the principles of the
7 Combined Distribution Service Area Amendment Proceeding, including as follows:

8

9 ... in the Board's view, the protection of consumer interests
10 encompasses broader considerations than the immediate and
11 narrow interest of a given consumer at a given point in time. In our
12 view the term requires the Board to consider the protection of the
13 interests of other consumers in the proposed amendment area, the
14 remaining customers of each utility, and the interests of electricity
15 consumers throughout the province, over a time period that
16 includes more than the short-term implications of any given
17 action.⁹⁸

18

19 74. The proposed SAA does not address the long-term reliability needs of the area.
20 As confirmed by Entegrus, Figure 5-2 does not consider the existing load of the
21 Customer and does not contemplate any incremental change in forecast demand⁹⁹
22 over recent depressed COVID consumption levels for the Customer.¹⁰⁰ Without
23 the Customer's load, absent any other Entegrus investments which have not been
24 reflected in this SAA Application, and assuming the growth rate Entegrus projects
25 materializes as forecast, the transfer of the Feeders to Entegrus will result in
26 Entegrus operating at its max design capacity, again, by 2026.

27

28 75. This 2026 timeline, however, would only be true if we completely ignored the
29 Customer's existing load and its forecast load growth. When the Customer's
30 information is taken into consideration, and assuming the Customer's load is at
31 minimum one feeder's worth of capacity, denying the transfer of the Feeders
32 provides no benefit to addressing Entegrus' concerns expressed in this application
33 about operating beyond max design capacity in the event of a single point of failure.

⁹⁸ RP-2003-0044 – Decision with Reasons – Issued February 27, 2004 – Paragraph 63

⁹⁹ Entegrus Response to Hydro One Interrogatory 4c – Filed June 22, 2023

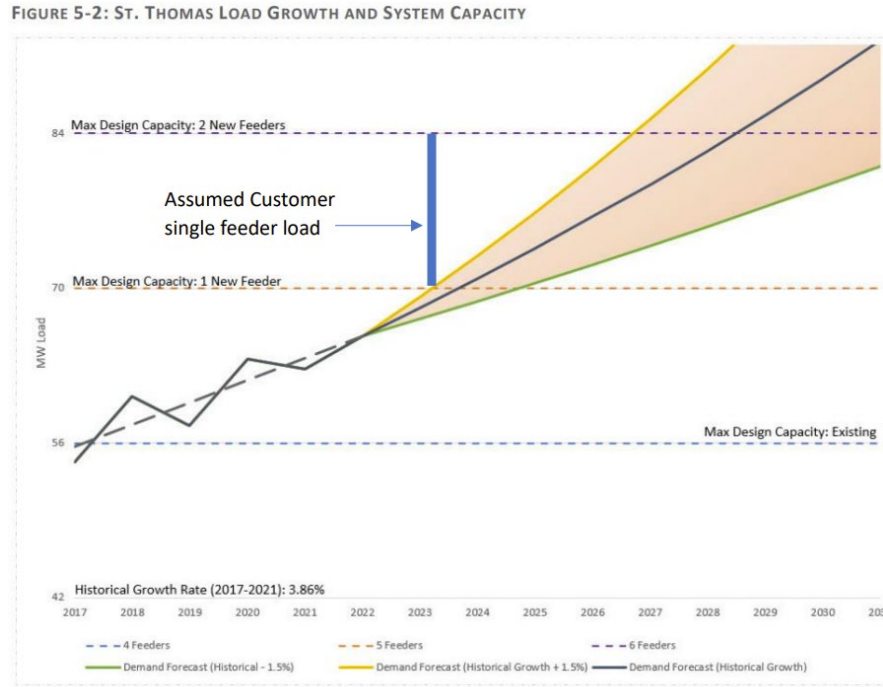
¹⁰⁰ Formet Response to Entegrus Interrogatory 1 – Filed June 22, 2023

1 In fact, Entegrus would be in the same situation today even with the transfer of the
2 Feeders, i.e., they would be operating at or above Entegrus' self-imposed max
3 design capacity. This situation is further exacerbated today if Entegrus provides
4 the Customer the same service Hydro One has committed to provide the Customer
5 as documented in the Capacity Allocation Commitment.

6

7 76. Given these facts, it is evident that Figure 5-2 of the Entegrus SAA Application
8 distorts the benefit of Entegrus' SAA Application and Hydro One highlights that the
9 Entegrus SAA Application fails to address the long-term needs of the system in the
10 area. Even with the transfer of the Feeders, when the Customer's load is taken
11 into consideration, it is apparent that Entegrus will need another feeder by as early
12 as 2027 to address its projected load growth. If it does nothing in the interim to
13 address this, Entegrus will still be at or exceeding its max design capacity and
14 remain susceptible to the same single-point failure concerns identified in this
15 Application. To illustrate this point, in Figure 3 below Hydro One has extracted
16 Figure 5-2 of the Entegrus Application and superimposed the assumed single-
17 feeder loading of the Customer with a blue line in 2023 over the forecast demand
18 identified in Figure 5-2 that did not account for the load dedicated to the Customer
19 on the Feeders.

Figure 3: Entegrus St. Thomas Rate Zone System Capacity Including Assumed Customer Load



Note: The load amounts in Figure 5-2 above exclude the M7/M8 feeder load dedicated to the Customer that is the subject of this Application.

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 2
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77. In Entegrus’ Argument-in-Chief, Entegrus outlines that due to its understanding that there is no more capacity available at Edgeware TS they have investigated investing in a new transmission station of an undefined size to address the need identified in this SAA at an unsubstantiated cost of \$40M.¹⁰¹ The premise of Entegrus’ investigations, however, is again factually inaccurate. The evidence on the record of this proceeding is that there is more than 70 MW remaining at Edgeware TS.¹⁰² Hydro One submits that Entegrus could and should explore ways to increase the existing capacity on its existing distribution feeders to fully utilize remaining capacity at Edgeware TS. Despite being asked to provide alternatives to substantiate the purported capacity needs of the Entegrus St. Thomas service territory,¹⁰³ Entegrus provides only what is available through its DSP, the scenarios

¹⁰¹ Entegrus Argument-in-Chief – Filed August 4, 2023 – Paragraph 50
¹⁰² Hydro One Correspondence – Filed July 21, 2023 – Page 2
¹⁰³ Entegrus Response to Hydro One Interrogatory 4e – Filed June 22, 2023

1 provided in the SAA Application, and now, through Argument-in-Chief, the potential
2 investment into a new transmission station. However, there are multiple ways the
3 purported Entegrus need can be addressed that has not been discussed, and most
4 certainly can avoid pursuing additional upstream transformation investment.

5

6 78. Entegrus' SAA application is predicated on having transfer capacity available in
7 the event of a single point of failure. To address this planning scenario, recall that
8 Entegrus currently owns four feeders emanating from Edgeware TS, namely M1,
9 M5, M6 and M10, with a safe operating limit of 28 MW each for a total of 112MW.
10 In the event of a single worst contingency, which would be a loss of a whole feeder,
11 the emergency capacity available to Entegrus would be 84MW which is sufficient
12 to supply all existing Entegrus load and more. This indicates there is no imminent
13 capacity need and Entegrus' St. Thomas service territory reliability indices since
14 2011 align with this, i.e., there is no real reliability or capacity transfer issue.

15

16 79. Additionally, Hydro One highlights that according to Entegrus, it is completely
17 possible that a single 27.6kV feeder, like the M7 and M8 and all existing Entegrus
18 feeders serving St. Thomas, can have a safe operating capacity in excess of ■
19 MW.¹⁰⁴ Despite Entegrus (or its predecessors) building, maintaining and
20 purportedly owning and providing capacity on the M7 and M8 for over 25 years,
21 Entegrus was unaware of the safe operating capacity of the Feeders until after
22 intervenor evidence was filed in this proceeding.¹⁰⁵ Entegrus continues to argue
23 that the safe operating limit of the 27.6 kV Feeders is more than the safe operating
24 limit of any other Entegrus feeder that services the St. Thomas area despite all the
25 feeders being 27.6 kV feeders.¹⁰⁶ To that end, Hydro One submits that if such
26 capacity levels on a single feeder were feasible, Entegrus should reconsider
27 impacting the Customer or its ratepayers imprudently and investigate making the
28 necessary system investment to improve the capacity of its other four existing
29 distribution feeders, accordingly. It is clear that Entegrus is underestimating the
30 capacity of its existing feeders to present a system need, while on the other hand

¹⁰⁴ Entegrus Supplementary Evidence – Filed May 12, 2023 – Page 3

¹⁰⁵ Entegrus Description of Proposed Supplementary Evidence – Filed April 28, 2023 – Page 2

¹⁰⁶ Entegrus Argument-in-Chief – Filed August 4, 2023 – Paragraph 32

1 overestimating the available capacity on the Feeders in an attempt to position the
2 proposal advanced in this SAA Application as a solution.

3

4 80. Further, Hydro One highlights that Entegrus states "...14MW represents a practice
5 rather than an attribute of any equipment or physical restriction. As such it is
6 subject to change as the distribution system grows in the number of sources
7 available, the density of interconnection, and the level of automation present in the
8 distribution network".¹⁰⁷ Given that Entegrus has four feeders (sources) available,
9 the 14MW planning capacity can be easily increased without having a material
10 effect on reliability. An additional increase of 3.5 MW to Entegrus' planning
11 capacity on its four existing feeders would resolve its 'imminent' capacity needs of
12 14MW.

13

14 81. It is also important to note that not every fault will result in the loss of a whole feeder
15 due to the ability to sectionalize faults. Entegrus can help address reliability
16 concerns on its existing feeders, without the need to secure new feeders, by
17 adding more tie points and additional switches to sectionalize faults.¹⁰⁸

18

19 82. Entegrus has not completed a detailed study on the provided proposals nor
20 reached out to Hydro One to explore all possible options to address its needs.
21 Instead, Entegrus seems squarely focused on retaining the Feeders for its own
22 commercial benefit while disregarding the negative impacts to all other market
23 participants, Hydro One, the Customer and customers alike. Entegrus has not
24 inquired about how other Hydro One feeders emanating from Edgeware TS could
25 help address its needs. Given the location of future growth is unknown, it could be
26 that these assets are better situated to address Entegrus system needs than the
27 Feeders, subject to a detailed study.

28

29 83. Considering these unexplored alternatives, Hydro One submits that any Entegrus
30 submissions regarding upstream transmission investments is unsubstantiated

¹⁰⁷ Entegrus Response to Hydro One Interrogatory 22 e) – Filed June 22, 2023

¹⁰⁸ Ibid.

1 from a cost perspective and premature from a regional planning perspective. The
2 latter would be required to understand the transformation and transmission needs
3 of the area and would encompass the opinions of the IESO, the transmitter, and
4 local distribution companies serving the area rather than the unilateral views of
5 Entegrus. Predicated on those collaborative planning exercises, the size and
6 corresponding cost of any transformation facilities can be investigated.
7 Consequently, it is clear that Entegrus' submissions are biased and cannot be
8 relied upon by the OEB in the review of this SAA Application.

9

10 84. It is irrefutable that the Entegrus proposal harms both existing Entegrus customers
11 and the Customer and it is most certainly not an improvement to the current
12 connection provided by Hydro One. The proposal fails to consider the long-term
13 needs of the system and inadequately addresses the immediate needs of the
14 system. Hydro One submits that the most reasonable approach from a reliability
15 and quality of service perspective is for the Feeders to be transferred to Hydro
16 One, for the Customer to remain a Hydro One customer, and for Entegrus to utilize
17 any remaining available capacity on the Feeders to address any transfer capability
18 needs Entegrus may have in the interim until a long-term solution can be
19 appropriately investigated and planned through future Regional Planning
20 processes.

21

22 **6.0 PRESERVATION OF ECONOMIES OF CONTIGUITY, DENSITY AND SCALE**

23

24 85. There is significant unprecedented growth that Hydro One has already planned
25 and contracted for, east of the Subject Area well within Hydro One's existing
26 distribution service territory. The size of these forecast Hydro One customers is
27 congruent with that of the Customer in this Application, a Hydro One Sub-
28 Transmission (ST) Rate Class customer. Any position that may be advanced by
29 the Applicant that there is greater Entegrus customer density surrounding the
30 Subject Area or that the Subject Area falls within the municipal boundaries of St.
31 Thomas, ignores this imminent and public forecast growth within Hydro One's
32 existing St. Thomas service territory. Thus, irrespective of the current landscape,
33 economies of contiguity and density are comparable if not advantageous to Hydro

1 One. Submissions predicated on municipal boundaries made by the Applicant also
2 ignores the principles of the Combined Distribution Service Area Amendment
3 Proceeding that outlined as follows:

4
5 Similarly, proposals to align service areas with municipal
6 boundaries are ill-considered unless the proponent can provide
7 concrete evidence that the extended area is needed to provide
8 service to actual customers in the area using assets and capacity
9 in a manner that optimizes existing distribution assets, and does not
10 prejudice existing customers of the utility. Amendments need to be
11 anchored by real customers, with an economic case for the
12 extension that is convincing.¹⁰⁹
13

14 86. With respect to scale, the evidence is clear. As documented in Hydro One's
15 response to Entegrus' interrogatory,¹¹⁰ Hydro One is over 7,000 times larger than
16 Entegrus from both a service area and total circuit km perspective. Entegrus' St.
17 Thomas service territory is surrounded by Hydro One. The vast difference in scale
18 and density is not limited to service area size and total circuit distance. From a
19 customer count perspective, the differences in scale are also colossal; Entegrus
20 serves less than 5% of the total customers served by Hydro One. Out of the
21 customers served by Entegrus, only two other customers qualify as Large User
22 customers (the rate class Entegrus opines Formet will qualify as when Entegrus
23 rebases in 2026 although this assumption from Entegrus is not predicated on any
24 evidence before the OEB in this proceeding). Conversely, Hydro One serves 670
25 other customers of similar characteristics to the Customer across the province.
26 Evidently, Hydro One's economies of scale are far greater than Entegrus and those
27 economies of scale benefit the Customer and surrounding customers.
28

29 **7.0 HYDRO ONE PROVIDES THE LOWEST COST OF CONNECTION BY A**
30 **SIGNIFICANT MARGIN**
31

32 87. Entegrus' position is that the Entegrus proposal is the most cost-effective and that
33 it is economically efficient for Entegrus to serve the Customer and retain control of

¹⁰⁹ RP-2003-0044 Decision with Reasons – Issued February 27, 2004 – Paragraph 241

¹¹⁰ Hydro One's Response to Entegrus Interrogatory 9 filed as Exhibit I, Tab 2, Schedule 9 – Filed June 22, 2023

1 the Feeders which Hydro One disputes. From a capital cost perspective alone,
2 relative to any other Entegrus scenario presented in the SAA, this may on its face
3 appear to be true since Entegrus is essentially proposing to utilize an asset that
4 has been exclusively paid for by Hydro One ratepayers and only having Entegrus
5 ratepayers pay for a fraction of the construction costs let alone the purported
6 replacement value of \$3-4M.¹¹¹ However, in addition to incremental capital
7 connection costs, all indirect costs of the Entegrus connection must also be
8 considered since the OEB's principles are clear that all direct and indirect costs
9 associated with the connection must be taken into consideration when assessing
10 economic efficiency.

11
12 In all instances, the costs associated with the connection should be
13 the fully loaded costs, which capture all of the relevant indirect and
14 direct costs reasonably associated with the project at issue, not
15 merely the price of connection quoted to the prospective connection
16 customer.¹¹²
17

18 88. Before delving into the total costs of the Entegrus proposal, Hydro One will
19 unequivocally state that transferring the Feeders to Hydro One is the most cost-
20 effective way to serve the Customer and produces the least incremental cost of all
21 the competing alternatives.

22
23 89. Hydro One's incremental cost to serve the Customer is approximately \$225,000¹¹³
24 as defined by contract. The costs paid by Hydro One in accordance with the Supply
25 Facilities Agreement are predicated on actual construction costs and actual
26 maintenance costs.¹¹⁴ The Supply Facilities Agreement was in effect between
27 1997 and 2017; effectively the entire useful life of the assets as contemplated at
28 the time of the agreement.¹¹⁵ During the over twenty-five-year span that the
29 Customer has been served by Hydro One, Hydro One has had exclusive use and
30 control of the Feeders in accordance with the Supply Facilities Agreement. Hydro

¹¹¹ Entegrus Prefiled Evidence – Filed October 17, 2022 – Page 17 of 32

¹¹² RP-2003-0044 Decision with Reasons – Issued February 27, 2004 – Paragraph 236

¹¹³ Entegrus Interrogatory Response to OEB Staff 2 – Filed June 22, 2023

¹¹⁴ Hydro One Intervenor Evidence – Filed April 17, 2023 - Page 9 and Attachment 3

¹¹⁵ Prior to the implementation of IFRS in 2012, the assets were depreciated over a 25-year asset life as provided in Entegrus' Response to OEB Staff Interrogatory 2 – Filed June 22, 2023

1 One’s payments to Entegrus’ predecessors over the lease term equate to
2 approximately \$1.5 million, inclusive of actual maintenance costs, for a facility that
3 cost approximately \$740,000 to construct in 1997. Hydro One ratepayers must still
4 pay the net-book value of the Feeders, \$224,869.¹¹⁶ The sum of the transfer is
5 therefore the payments over the twenty-year lease term and the net book value
6 option cost. This equates to approximately \$1.725 million or \$1 million more than
7 the actual construction costs incurred by Entegrus’ predecessor of \$740,000.
8 Hydro One notes that Entegrus makes a point of describing that this amount is not
9 a “bargain payment amount” in defending why this is an operating lease that
10 doesn’t confer ownership until the lease option was exercised. Though it is entirely
11 unclear what is intended by the term bargain payment amount, Hydro One submits
12 that the option payment upon exercising the option is precisely that; a bargained
13 payment made between a willing buyer and a willing seller based on the terms and
14 conditions of the negotiated Supply Facilities Agreement. The quantum of the
15 payment is irrelevant, though if the materiality of the payment is the object of the
16 Applicant’s submission, then Hydro One provides that the option payment as
17 contemplated does not meet Hydro One’s materiality threshold and is therefore
18 considered immaterial. Furthermore, Hydro One submits that the final net-book
19 value option costs would be even lower if the depreciation rate of the assets did
20 not change in 2012 due to the transition to Modified International Financial
21 Reporting Standards,¹¹⁷ i.e., the option cost at the end of the lease was assumed
22 to be one fifth of the capital cost or approximately \$150,000.

23
24 90. Importantly for the purposes of the OEB’s deliberations over this SAA Application,
25 Hydro One notes that the \$224,869 in net-book value is neutral relative to either
26 distributor serving the Customer because these costs are not currently being
27 recovered from Entegrus ratepayers, i.e., the \$224,869 in NBV should be
28 considered an incremental cost to either distributor’s cost to serve the Customer
29 and Entegrus has already conceded this fact in its responses to interrogatories.¹¹⁸
30 Stated differently, Entegrus ratepayers have never paid for the cost of the Feeders

¹¹⁶ Entegrus Response to OEB Staff Interrogatory 2b – Filed June 22, 2023

¹¹⁷ Entegrus Response to OEB Staff Interrogatory 2, Attachment 1 – Filed June 22, 2023

¹¹⁸ Entegrus Response to OEB Staff Interrogatory 10b – Filed June 22, 2023

1 through its own revenue requirement – these costs have always been offset by
2 payments received from Hydro One ratepayers and thus are not reflected in
3 current Entegrus rates. These costs will therefore be incremental costs to the
4 existing Entegrus rates revenue requirement because there will no longer be any
5 offsetting miscellaneous revenue from Hydro One.
6

7 91. At minimum, therefore, Entegrus' incremental capital cost to serve the Customer
8 is almost triple Hydro One's at a forecast cost of approximately \$615,000.¹¹⁹ The
9 cost difference is exacerbated if the OEB does indeed agree that the connection
10 at the Subject Area is a LTLT. Though Hydro One vehemently opposes this
11 Entegrus position, Hydro One assumes that the only way the Feeders would not
12 be transferred to Hydro One is if the OEB decides in favour of Entegrus that the
13 connection is indeed an LTLT, and the Feeders should remain with Entegrus.
14 Under the premise that the OEB determines that the connection is an LTLT, Hydro
15 One submits the Entegrus proposal must provide the Customer rate mitigation as
16 this would be consistent with the principles of comparison documented in the
17 OEB's Combined Distribution Service Area Amendment Proceeding where the
18 OEB articulated that:

19
20 Costs developed with respect to other connection projects which
21 are not contested will serve as a guide in assessing the authenticity
22 of costs associated with a contested project.¹²⁰
23

24 92. Considering this guiding principle, Hydro One submits that the Customer should
25 experience no bill impact akin to all other LTLT eliminations eliminated pursuant to
26 the 2015 LTLT Distribution System Code DSC Amendments, including those
27 LTLTs with consumption levels that exceed 5MW.¹²¹ Consequently, Entegrus'
28 comparable incremental forecast cost to be recovered from its ratepayers to serve
29 the Customer must also account for indirect costs associated with rate mitigation
30 that is required in accordance with the 2015 LTLT DSC Amendments.

¹¹⁹ Entegrus Response to OEB Staff Interrogatory 9 – Filed June 22, 2023

¹²⁰ RP-2003-0044 Decision with Reasons – Issued February 27, 2004 - Paragraph 236

¹²¹ Hydro One Interrogatory Response – Filed June 22, 2023 - Exhibit I, Tab 2, Schedule 16

1 93. To that end, Entegrus argues that:

2
3 Distribution rates (and the mitigation thereof) should be based on
4 fair and equitable rates in accordance with rate design and tariff
5 sheets, and that does not appear to be the case here. While
6 Entegrus acknowledges that the OEB's LTLT Elimination Policy
7 contemplates rate mitigation, this is to be implemented "in a manner
8 approved by the Board". Any rate impact difference is expected to
9 largely or completely disappear when Entegrus rebases for 2026,
10 at which time Entegrus expects to receive approval to harmonize
11 distribution rates across its entire service territory, inclusive of the
12 existing Entegrus-Main Large Use rate class (which in its current
13 form, would result in lower rates for the Customer than the Hydro
14 One rates).¹²²
15

16 94. In response, Hydro One submits that the OEB is responsible for setting just and
17 reasonable rates and all of Hydro One's distribution rates have been defined by
18 the OEB pursuant to a very recent cost of service proceeding that included
19 approval of the continued applicability of gross load billing for Hydro One's ST rate
20 class. The current Hydro One ST rates are OEB-approved,¹²³ established as is
21 and there is no standby rate associated with Hydro One's ST rate class. This
22 proceeding will have no bearing on that OEB-approved tariff for Hydro One's ST
23 rate class.
24

25 95. Conversely, Hydro One highlights that Entegrus has not rebased for almost 10
26 years.¹²⁴ This is in part attributed to the deferred rebasing period associated with
27 the recent amalgamation. Under that lens, it is peculiar that Entegrus argues that
28 rate mitigation should be predicated on fair and equitable rates in accordance with
29 rate design and tariff sheets yet presupposes the determinations of the OEB's
30 future review of an Entegrus revenue requirement application by stating that the
31 Customer, upon Entegrus' rebasing in 2026, will reside in the Entegrus Main Rate
32 Zone Large User rate class.¹²⁵ Based on the evidence advanced in this

¹²² Entegrus Argument-in-Chief – Filed August 4, 2023 – Paragraphs 120-121

¹²³ EB-2021-0110, Decision on Hydro One's electricity transmission and distribution rates and other charges for the period from January 1, 2023, to December 31, 2027, Schedule 8.2, November 29, 2022

¹²⁴ Entegrus Response to Hydro One Interrogatory 3 – Filed June 22, 2023

¹²⁵ Entegrus Supplementary Evidence – Filed May 12, 2023 - Pages 7-8 and Attachment 3

1 proceeding, Entegrus has no ability to validate or confirm what rates the Customer
2 will qualify for in 2026 nor any ability to predict with any certainty what those rates
3 will be thus Entegrus' opinion that the Customer will only need rate mitigation until
4 2026 is yet another Entegrus submission that is misleading and at best,
5 speculative.

6

7 96. More importantly, Hydro One highlights that rate mitigation in accordance with the
8 2015 LTLT DSC Amendments is very prescriptive and thoroughly detailed in the
9 Notice accompanying the 2015 LTLT DSC Amendments. Specifically, the
10 language therein, outlines the following mitigation:

11

12 The OEB also notes the credit should be calculated based on the
13 customer's average consumption over the most recent 12 months.
14 The OEB also clarifies that distributors should calculate the credit
15 once at the outset for each load transfer customer (i.e., not updated
16 to reflect each rate change) and **it is to be based on the delivery
17 charge differential at the time the SAA application is filed** with
18 the OEB for approval. However, the credit should be discontinued
19 if the delivery charge of the physical distributor becomes lower than
20 the delivery charge of the geographic distributor since rate
21 mitigation is no longer necessary. The assessment of whether the
22 credit should be discontinued will be done in the course of the
23 physical distributor's cost of service application (emphasis
24 added).¹²⁶ (emphasis added)

25

26 97. Considering the language above, Hydro One understands for Entegrus to comply
27 with the 2015 LTLT DSC Amendments, and to fairly compare the Hydro One and
28 Entegrus connection alternatives of the Customer in this SAA Application review
29 pursuant to the principles in the Combined Distribution Service Area Amendments
30 Proceeding, Entegrus must also mitigate the Customer's delivery charge
31 differential at the time this application was filed. In effect, Entegrus must mitigate
32 the Customer's delivery charge based on the difference in rates today based on
33 the Customer's average consumption over the most recent 12 months. Utilizing
34 the Customer's February 2023 consumption levels as a proxy, these rate mitigation
35 costs are approximately \$[REDACTED]/month or \$[REDACTED]/annum until rebasing in

¹²⁶ EB-2015-0006 – Notice of Amendments to a Code – Issued December 21, 2015 – pp. 2-3

1 2026.¹²⁷ Thereafter, based on Entegrus' evidence that upon rebasing in 2026 the
2 Customer will transition to Entegrus' Main Rate Zone Large User Rate Class, rate
3 mitigation costs will increase to \$ [REDACTED]/month or \$ [REDACTED]/annum¹²⁸ in
4 perpetuity. Notably, this is because Entegrus' OEB-approved Large User Rate
5 Class in the Entegrus Main Rate Zone is designed on the basis that customers pay
6 standby charges which the Customer does not pay on Hydro One's OEB-approved
7 ST rate class. Therefore, contrary to Entegrus' evidence, the Customer will not
8 experience any rate savings if they transfer to Entegrus. This standby charge has
9 not been illustrated in any of the bill comparisons completed by Entegrus for the
10 Customer despite Entegrus' commitments in interrogatory responses to the
11 Customer that Entegrus could offer the same supply service the Customer
12 receives today¹²⁹ and explicit requests from the Customer to have a bill
13 comparison completed based on its February 2023 service levels and current
14 OEB-approved rates.¹³⁰ Standby charges were noticeably ignored by the Applicant
15 in its response to the Customer and the Applicant continues to misrepresent these
16 facts in Argument-In-Chief by suggesting that rate mitigation will not be required
17 beyond 2026.¹³¹

18
19 98. Large Use Standby Charges, as detailed in the Entegrus tariff sheet, are for a
20 customer whose facility is in the Large Use rate class and for a month where actual
21 demand is less than contracted demand. The charge is applied to the amount by
22 which the amount of load transfer capacity contracted by a facility exceeds the
23 actual demand.¹³² The cost is \$2.6262/kW. As discussed, Entegrus has committed
24 that conceptually, Entegrus could offer the same service (which would limit the

¹²⁷ This rate mitigation is calculated by comparing the results in Entegrus' Response to Formet Interrogatory 4, Attachment 1 for the St. Thomas GS>50 rate class versus Hydro One's results provided in Hydro One's response to Formet Interrogatory 2, filed as Exhibit I, Tab 3, Schedule 2, Attachment 1.

¹²⁸ This rate mitigation is calculated by comparing the results in Entegrus' Response to Formet Interrogatory 4, Attachment 1 for the Entegrus Main Rate Zone Large User Rate Class versus Hydro One's results provided in Hydro One's response to Formet Interrogatory 2, filed as Exhibit I, Tab 3, Schedule 2, Attachment 1.

¹²⁹ Entegrus Response to Formet Interrogatory 2 – Filed June 22, 2023

¹³⁰ Entegrus Response to Formet Interrogatory 4 – Filed June 22, 2023 – Attachment 1

¹³¹ Entegrus Argument-in-Chief – Filed August 4, 2023 – Paragraph 121

¹³² EB-2022-0026 – OEB Decision and Rate Order – Issued December 8, 2022 - – Schedule A, Page 11

1 available capacity available to other St. Thomas customers). In other words,
 2 Entegrus would offer the Customer [REDACTED] kW] at [REDACTED] PF] per feeder. Assuming
 3 then that the Standby Charges are just applied to the backup feeder because the
 4 Customer has met its contracted capacity in total on one feeder, the Standby
 5 Charges to the Customer would be approximately \$[REDACTED]/month, or
 6 \$[REDACTED]/year in perpetuity or as long as the Customer continues to contract for
 7 the redundant supply it originally negotiated for over 25 years ago.

8
 9 99. In summary therefore, if the Customer had been an Entegrus customer, it would
 10 have cost the Customer \$[REDACTED] more for the month or \$[REDACTED]/year (assuming
 11 steady-state consumption for the year) for the Customer to have received the same
 12 supply it received from Hydro One in February 2023.

13
 14 100. A sum of all the incremental Entegrus costs to serve the Customer have been
 15 identified in Table 1 for simplicity purposes. Hydro One notes that all the capital
 16 costs outlined below are predicated on estimated costs for Entegrus, unlike Hydro
 17 One’s contracted totals, the values can therefore be higher for Entegrus. The
 18 values identified below also do not account for any compensation costs Hydro One
 19 will pursue for the compensation associated with exclusively funding the Feeders
 20 for over twenty years. Lastly, the rate mitigation is predicated on one month’s
 21 consumption and could be higher based on consumption levels for the 12 months
 22 preceding the OEB decision in this matter.

23
 24 **Table 1 - Anticipated Total Entegrus Costs to Serve Customer**

Anticipated Entegrus Direct & Indirect Costs of Proposed SAA	Forecast Costs
Forecast Entegrus Capital Costs	\$390,000
Costs Associated with Existing M7/M8 Feeders	\$225,000
LTLT Rate Mitigation Until Dec. 31, 2025 (\$[REDACTED]/month)	[REDACTED]
Sum Until December 31, 2025	[REDACTED]
Recurring Annual Costs in Perpetuity Thereafter (\$[REDACTED]/month)	[REDACTED]

1 101. Evidently, the Customer regrettably either pays more financially, or alternatively,
2 pays by having reduced reliability and quality of service with the Entegrus SAA. All
3 other Entegrus ratepayers pay exorbitantly more than they otherwise would have
4 for 5MW of available capacity if Entegrus matches the contracted capacity
5 currently enjoyed by the Customer, which in accordance with the DSC and the
6 principles defined in the Combined Distribution Service Area Amendment
7 proceeding, it indeed should if this connection is considered an LTLT. This
8 increased cost to Entegrus ratepayers is because, absent any evidence to the
9 contrary from the Applicant, Hydro One anticipates the sum of these mitigation
10 costs would be recovered from all other Entegrus ratepayers akin to other forms
11 of distributor-specific rate mitigation. Therefore, the Entegrus ratepayer impact of
12 the recovery of the \$615,000 incremental capital plus the annual rate mitigation
13 costs is significantly more expensive than any other substantiated scenario
14 presented by Entegrus to address its transfer capability concerns and exceeds
15 Entegrus' materiality threshold by a considerable margin. More importantly, for the
16 purposes of this SAA Application, Entegrus' direct and indirect incremental costs
17 exorbitantly exceed the alternative Hydro One connection costs of \$224,869.

18

19 **8.0 ENTEGRUS' ALTERNATIVE PROPOSAL ARE UNACCEPTABLE AND THE OEB**
20 **SHOULD PROCEED TO DENY THE ENTEGRUS SAA APPLICATION**

21

22 102. At paragraph 125, Entegrus advances alternative proposals should the OEB not
23 grant the relief sought by the Applicant. Hydro One submits that all the reliefs
24 sought by Entegrus should be denied and that Entegrus' alternative proposals are
25 unacceptable to Hydro One and should also be denied.

26

27 103. The record regarding the Feeders is clear. Consistent with the principles defined
28 in the Combined Distribution Service Area Amendments Proceeding, Hydro One
29 attempted, for over five years, to reasonably reach a mutual agreement with
30 Entegrus regarding the transfer of the Feeders in accordance with the Supply
31 Facilities Agreement. As outlined in Entegrus' Argument-in-Chief, Hydro One had

1 already made concessions to not have Entegrus transfer the poles as part of this
2 sale.

3
4 During the parties' initial discussions, Hydro One agreed that, in this
5 scenario, Entegrus would retain the joint use poles themselves,
6 while selling the existing conductor (that supplies the Customer) on
7 the poles to Hydro One. Entegrus would then charge annual joint
8 use pole rental fees to Hydro One. The retention of the poles and
9 right of way would provide Entegrus the later ability to utilize the
10 same feeder corridor to serve expanding load requirements. Also,
11 as already noted, Entegrus has other feeders on the same poles,
12 making the poles part of the distribution system currently serving
13 St. Thomas customers.¹³³
14

15 104. That was Hydro One's offer to Entegrus in 2017 and that offer remained valid for
16 Entegrus to accept until Entegrus filed this SAA. Entegrus has rejected the offer to
17 keep the distribution poles and proceeded down the path of receiving a binary
18 decision; namely, to seek an OEB determination on whether the connection of the
19 Subject Area is an LTLT and if yes, the Supply Facilities Agreement Entegrus
20 argues has been frustrated. Hydro One submits the existing connection of the
21 Subject Area is not an LTLT for the many reasons provided herein.
22

23 105. As outlined in the Combined Distribution Service Area Amendment Proceeding an
24 LTLT typically arises where the incumbent is not able to serve the customer without
25 incurring unreasonable expenditures for system expansion.¹³⁴ The uncontested
26 fact in this proceeding is that Hydro One's ratepayers have fully funded the
27 construction and maintenance of the Feeders – Entegrus ratepayers have paid
28 nothing. The connection of the Subject Area is therefore not an LTLT, and the
29 Supply Facilities Agreement is, therefore, valid and enforceable. The facilities
30 should be transferred to Hydro One immediately without further delay or cost. The
31 cost of the transfer is \$224,869. Entegrus' unwillingness to transfer the assets
32 should not strong-arm Hydro One into remunerating Entegrus more than it
33 otherwise would have had to if Entegrus complied with its commercial
34 commitments. This statement is valid whether that is with respect to a cost to reflect

¹³³ Entegrus Argument-in-Chief – Filed August 4, 2023 - Paragraph 43

¹³⁴ RP-2003-0044 – Decision and Order – Issued February 27, 2004 – Paragraph 269

1 a request for payment beyond December 31, 2017, or for a completely different
2 option cost, i.e., replacement cost rather than netbook value. The cost that will be
3 paid by Hydro One for the Feeders is the netbook value of the Feeders in
4 accordance with the Supply Facilities Agreement.

5

6 106. Furthermore, Entegrus will not receive any preferential treatment and capacity will
7 be charged to Entegrus akin to all other ratepayers. Should Entegrus wish to finally
8 utilize the 5MW of available capacity on the Feeders that was originally offered to
9 Entegrus in 2019, then the monthly cost of that capacity will be as documented in
10 this proceeding. Hydro One ratepayers will not cross-subsidize Entegrus' growth
11 plans. There will be no reduction in price based on the completion of the Supply
12 Facilities Agreement. As documented earlier, the OEB's principles on this are
13 clear:

14

15 Each market participant must accept the interdependence which is
16 fundamental to the system. Each participant has a right to expect
17 that others engaged in the same system meet their respective
18 costs, without subsidization or penalty. That is as true for new
19 customers as it is for others.¹³⁵

20

21 107. Despite Hydro One's willingness to deviate from the terms of the Supply Facilities
22 Agreement and relinquish ownership of the distribution poles, Entegrus has
23 unnecessarily burdened Hydro One, the OEB, and most importantly, the Customer
24 with this year-long proceeding. Hydro One does not take its obligations and
25 commitments to customers lightly and requests that the OEB render a firm decision
26 on this matter such that the Customer will have unequivocal clarity on who its
27 distributor will be on a go-forward basis as expeditiously as possible. With that in
28 mind, Hydro One requests that the OEB give serious consideration to the practical
29 implications of this SAA Application on the Customer, from a cost, reliability, and
30 quality of service perspective.

31

32 108. From a policy perspective, the Customer represents a customer segment the
33 Province of Ontario is seeking to attract to connect to Ontario over other

¹³⁵ Ibid. – Paragraph 230

1 international locations. Certainty that the terms and conditions of agreements
2 entered into between the province, municipalities, customers and/or utilities will be
3 upheld by the regulator will ameliorate the success of further attracting these large
4 industrial type customers which in the long-term will benefit the electrification goals
5 of the province and reduce overall ratepayer costs of that transition.

6

7 109. In summary, the Subject Area should remain within the service territory of Hydro
8 One and the Entegrus' SAA Application should be denied as Entegrus has failed
9 to demonstrate that a) the subject connection arrangement is a LTLT; b) the Supply
10 Facilities Agreement between the parties has been legally frustrated; and c) that
11 the SAA Application is in the public interest.

12

13 110. Hydro One has been serving the Customer for over twenty-five years and the
14 Customer fully supports having Hydro One continue to supply the Customer as
15 evidenced throughout this proceeding. Hydro One submits that all existing Hydro
16 One customers should not be unduly harmed as would otherwise be the case if
17 the Entegrus Application were approved, as filed. Hydro One submits that the OEB
18 should immediately order that Entegrus divest the Feeders in accordance with the
19 Supply Facilities Agreement and Hydro One's exercise of the option to purchase
20 the assets thereunder, which agreement has been in effect since 1997 and has
21 governed how the construction and maintenance of the Feeders would be funded,
22 i.e., paid for by Hydro One. Contrary to Entegrus' submissions. Hydro One submits
23 that the OEB can make that order under as part of this Application as it would be
24 inefficient for the OEB to deny this Application only to review a separate application
25 by Entegrus to effectuate the OEB's determination in this proceeding. Hydro One
26 submits that the OEB's determination on which utility should service the Subject
27 Area is clear. The record is clear. Hydro One's connection provides the most cost-
28 effective and reliable connection to service the Subject Area. The public interest is
29 only met if the Customer remains a Hydro One customer and the facilities are
30 officially transferred to Hydro One without any further delay.

1 **All of which is respectfully submitted on August 25, 2023.**

2

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By its counsel,

4

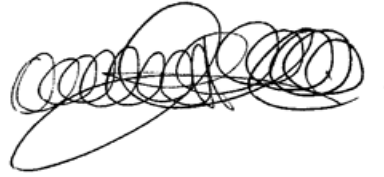
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A handwritten signature in black ink, consisting of a series of overlapping loops and curves, positioned above a horizontal line.

Monica Caceres