TILLSONBURG HYDRO INC.

10 Lisgar Avenue, Tillsonburg, ON N4G 5A5
Tel: 519-688-3009
www.tillsonburghydro.ca

May 17th, 2024

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

RE: EB-2024-0126 Transmission Connections Review

Dear Ms. Marconi,

We are writing on behalf of Tillsonburg Hydro Inc. (THI) to provide our support for the intended review of the Transmission System Code (the "TSC") as it relates to the framework for connections, and in particular the intended purpose of reviewing the issue of cost responsibility for connections as set out in the initiation letter dated April 24, 2024 as follows:

Although the OEB reviewed transmission cost responsibility in 2020, sector changes and new demands mean that another review of cost allocation and recovery policies, such as the economic evaluation methodology for new or modified load connections, is prudent.

THI is a relatively small distributor; per its recently filed application for 2024 rates THI has fewer then 9,000 customers and a rate base of less than $20M.

As a regulated distributor THI is responsible for responding to the need for increased capacity for its existing and potential new customers within its franchise area. The electrical supply for the Town of Tillsonburg is rapidly approaching its capacity with only 12 MWs of connectable load remaining for the entire town and surrounding communities. Given current projected load from new commercial customers it is anticipated that this remaining load will be exhausted in three to five years, without accounting for any growth that may occur in the surrounding communities. Tillsonburg Hydro and Town of Tillsonburg staff have been engaging with Hydro One staff to begin planning for quite some time now from a transmission capacity perspective to ensure that electrical supply is available and future growth and economic development in the area is not impeded.

In summary, consultation with Hydro One suggests that to provide the transmission capacity necessary to meet the forecast growth in the THI franchise area significant investment in both line and transformer assets will be necessary, both of which, under the current TSC framework, will require material capital contributions from THI on behalf of its customers. While several configurations have been discussed the investment required of THI is significant under all scenarios; the average forecasted capital contribution for line assets is $58M, with an average capital contribution for transformer assets of $28M.

Again, with fewer than 9,000 customers and an existing rate base of less than $20M, a capital contribution of $86M would have a quintupling effect on THI's rate base, with an obviously material impact on rates (even after accounting for any capital contributions that may be recovered from new large customers), with most of that impact being driven by the obligation on THI to fund the required line assets as "line connection" assets under the TSC.

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Under the TSC "line connection" assets, which ultimately attract the need for a capital contribution, are defined as follows:

"line connection" means radial lines that do not, under normal operating conditions, connect network stations and whose sole purpose is to serve one or more persons;

In the case of THI's existing connection to Hydro One's transmission system and the proposed options to provide increased capacity the line assets used to provide transmission capacity to THI happen to be "radial" lines, attracting capital contributions as "line connection facilities", as opposed to network facilities for which no capital contribution would be required.

In THI's respectful submission there appears to be an element of arbitrariness in defining radial lines as line connection assets and then requiring capital contributions from connecting customers, including regulated distributors, for those assets, when it is arguably an accident of historical design that resulted in the continued use of radial designs to increase the capacity in THI's franchise area rather than the use of primarily network assets for which no capital contribution would be required. THI believes that the required contributions from leveraging the language of connection assets in the current TSC will unfairly burden the THI rate payer or require The Town of Tillsonburg and surrounding area to shut down for future growth.

THI's situation is not of its own making, it is the result of provincial planning when electricity was first brought to the community and funded through provincial transmission tariffs. The existing 115kv radial line originally serviced St. Thomas, Aylmer and Tillsonburg along with surrounding rural communities. In the past decade St. Thomas' load has been transferred to a 230kv network station while Tillsonburg and Aylmer remain connected to the original 115kv radial line. In THI's view it should not have to bear the cost to upgrade approximately60km of 115kv line to increase local transmission capacity[1] because of TSC definitions that did not contemplate this issue when the transmission system was originally designed and constructed.

Accordingly, THI fully supports the intent of the Transmission Connection Review to revisit the cost allocation and recovery policies surrounding connections. THI believes it is specifically appropriate to consider limiting the type of assets subject to capital contributions from connecting customers, especially in the context of regulated distributors, like THI, who are responsible for accounting for growing load in relation to its existing customer in the normal course.[2]

THI would like to participate in the ongoing consultation; to that end we would ask that any communications with respect to the Transmission Connection Review be provided to the following contacts on behalf of THI:

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[1] Under at least two of the scenarios being contemplated Hydro One would upgrade approximately 60km of existing 115kvline assets.

[2] THI notes, for example, that under s. 3.3.1 and 3.3.3 of the Distribution System Code distributors are responsible for making enhancements to its distribution system to account for future load growth and to alleviate capacity constraints and are not allowed to charge capital contributions for those enhancements; there does not appear to be a similar obligation to enhance the transmission system and prohibition against capital contributions for such transmission enhancements under the TSC. In THI's view, particularly considering the likelihood of material increases in load growth related to existing customers, it may be appropriate to similarly obligate transmitters to plan for and investment in enhancements related to load growth without requiring capital contributions.

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Graig Pettit
General Manager Tillsonburg Hydro Inc.
10 Lisgar Ave.
Tillsonburg, ON
N4G 5A5

519-688-3009 ext: 4800
Hydro-Manager@tillsonburg.ca

and:

Michael Buonaguro
Counsel, Tillsonburg Hydro Inc.
24 Humber Trail
Toronto, Ontario
M6S 4C1

416 767-1666
mrb@mrb-law,com

If there are any questions with respect to the foregoing, please contact us at your earliest convenience.

Yours truly,

Digitally signed by Graig Pettit
Date: 2024.05.17 10:07:44 -04'00'

Graig Pettit