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DECISION AND ORDER

EB-2025-0254

WASAGA DISTRIBUTION INC.

Application to amend licensed service area in Schedule 1 of
electricity distribution licence ED-2002-0544

BEFORE: Shahrzad Rahbar
Presiding Commissioner

Robert Dodds
Commissioner

Allison Duff
Commissioner

March 19, 2026

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1 OVERVIEW

Wasaga Distribution Inc. (Wasaga Distribution) filed a service area amendment application with the Ontario Energy Board (OEB) on August 19, 2025, under section 74(1) of the *Ontario Energy Board Act, 1998* (OEB Act). Wasaga Distribution requested an amendment to its service area as described in Schedule 1 of its electricity distribution licence¹ to include a property located at 400 45th Street South (Subject Property). The Subject Property is within the municipal boundary of the Town of Wasaga Beach. The Subject Property is currently part of Hydro One Networks Inc.'s (Hydro One) service area as described in Schedule 1 of its electricity distribution licence.²

Hydro One requested and was granted intervenor status in this proceeding. Hydro One submitted intervenor evidence and contested Wasaga Distribution's application.

The Subject Property currently consists of vacant agricultural land and is the subject of a proposed Official Plan Amendment, Zoning Bylaw Amendment, and Draft Plan of Subdivision with the Town of Wasaga Beach³. Primont (Wasaga 2) Inc. and Sterling Group of Companies (collectively, the Customer) plan to develop the Subject Property into a 660-unit residential subdivision consisting of 329 single-detached dwellings, 139 townhouses, and 192 back-to-back townhouses⁴. The application included a letter from the Customer dated January 30, 2024, documenting its request to have Wasaga Distribution as its electricity distributor and confirming local support from the Town of Wasaga Beach.

The OEB approves the service area amendment as filed because it is economically efficient, has no adverse effect on reliability or upstream infrastructure and is supported by the Customer. The OEB finds the service area amendment requested by the applicant to be in the public interest for the reasons further explained in this decision.

¹ Refer to Schedule 1 of Wasaga Distribution Inc.'s Electricity Distribution Licence (ED-2002-0544).

² Refer to Schedule 1 of Hydro One's Electricity Distribution Licence (ED-2003-0043)

³ Wasaga Distribution, Service Area Amendment Application, dated August 19, 2025, p. 10 of 27.

⁴ *Ibid*, p. 10.

2 PROCESS

Wasaga Distribution filed a service area amendment application on August 19, 2025, to add the Subject Property to Schedule 1 of its electricity distributor licence.

The OEB issued Notice and Procedural Order No. 1 on October 3, 2025, which set out the initial procedural steps for the proceeding and accepted Hydro One, the Customer, and the Town of Wasaga Beach as intervenors in the proceeding if they notified the OEB in writing by October 10, 2025, of their intention to participate. On October 8, 2025, Hydro One wrote to the OEB and stated that it would be an intervenor in the proceeding and that it contested Wasaga Distribution's application. On October 8, 2025, Primont Industries, the developer of the proposed residential subdivision, also wrote to the OEB and stated that it would be an intervenor in the proceeding. There were no other requests for intervenor status in the proceeding.

On October 23, 2025, Wasaga Distribution asked the OEB for approval to submit additional evidence on October 27, 2025, and for consequential changes to the procedural schedule.

On October 24, 2025, Hydro One filed a submission opposing Wasaga Distribution's request to submit additional evidence.

The OEB issued Procedural Order No. 2 on October 24, 2025, allowing Wasaga Distribution to file supplementary evidence by October 27, 2025. The OEB also set out the procedural steps for a written interrogatory process.

In its supplementary evidence, Wasaga Distribution included a section, titled "Exploration of Supply Lines, Distribution Station Ownership and Connected Customers" outlining its future aspirations which it acknowledged is beyond the scope of the current proceeding. Hydro One requested that the OEB omit and not consider the "Exploration of Supply Lines, Distribution Station Ownership and Connected Customers" section of Wasaga Distribution's supplemental evidence.

The OEB issued its Decision on Supplementary Evidence and Procedural Order No. 3 on November 10, 2025, agreeing with the parties that Wasaga Distribution's supplemental evidence on "Exploration of Supply Lines, Distribution Station Ownership and Connected Customers" was out of scope of the current proceeding. The OEB also set out the due dates for written submissions.

On October 31, 2025, Hydro One, Wasaga Distribution and OEB staff submitted interrogatories to Wasaga Distribution and Hydro One. On November 7, 2025, Wasaga Distribution and Hydro One submitted interrogatory responses.

On November 14, 2025, Hydro One filed a motion requesting that the OEB order Wasaga Distribution to provide an answer or a complete answer to the following interrogatories: Hydro One-1(c), Hydro One-7(e), (f) and Hydro One-12(b). Hydro One also requested that the OEB extend the deadlines set out in Procedural Order No. 3 for written and reply submissions.

On November 17, 2025, Wasaga Distribution filed a response to Hydro One's motion in which it stated that the motion should be denied and the procedural timelines should remain.

On November 20, 2025, the OEB issued a letter informing parties that it was suspending all deadlines established in Procedural Order No. 3 to allow the OEB time to review Hydro One's motion and Wasaga Distribution's response letter.

On November 25, 2025, the OEB issued Procedural Order No. 4 in which the OEB directed Wasaga Distribution to file certain information with the OEB by November 27, 2025. The OEB also permitted Hydro One to submit a reply to Wasaga Distribution's November 17, 2025, letter and the OEB requested more information regarding interrogatories Hydro One-7 (e), (f), and Hydro One-12 as identified in the motion.

Wasaga Distribution filed its response to Procedural Order No. 4 on November 27, 2025, and Hydro One filed its response on December 2, 2025.

On December 4, 2025, Wasaga Distribution filed a response to Hydro One's December 2, 2025, correspondence. Wasaga Distribution submitted that Hydro One's requests for further answers related to Hydro One interrogatories should be denied.

On December 10, 2025, OEB issued Procedural Order No. 5 in which it permitted Hydro One to submit a reply to Wasaga Distribution's December 4, 2025, letter by December 12, 2025.

On January 15, 2025, the OEB issued its Decision on Motion and Procedural Order No. 6 in which it denied Hydro One's motion and set out the final procedural steps for this proceeding. Written submissions of OEB staff and Hydro One were filed on January 29, 2026, and Wasaga Distribution's reply submission was filed on February 12, 2026.

3 CONTEXT AND BACKGROUND

Section 74(1) of the OEB Act allows the OEB to amend electricity licences on the application of any person where the amendment is in the public interest, having regard to the objectives of the OEB and the purposes of the *Electricity Act, 1998*.

On February 27, 2004, the OEB issued a Decision with Reasons on several applications for distribution service area amendments (the Combined Service Area Amendment Decision) in which the OEB articulated general principles for dealing with service area amendment applications, guided by the OEB's objectives in electricity.⁵ The service area amendment principles included (among others) those related to economic efficiency ("a primary consideration in assessing a service area amendment application" comprising "the concept of the most effective use of existing distribution resources")⁶; the impacts on distributors and their customers⁷; and customer preference.⁸

The Subject Property is located at the northeast corner of Morgan Road and Highway 7 and legally described as:

Part Lot 1, Concession 14 Sunnidale; Part West Part Lot 2, Concession 14 Sunnidale as in RO1372729; Subject to RO144807; Town of Wasaga Beach, with Roll Number: 4364 030 0012 4500.

From its formation in 1976 until 2016, Wasaga Distribution's service area boundary was aligned with the municipal boundary of the Town of Wasaga Beach, and included the Subject Property. However, the Subject Property was physically served by Ontario Hydro and subsequently Hydro One under a long-term load transfer agreement.

On December 21, 2015, the OEB amended the DSC to include the following:

6.5.3 All load transfer arrangements shall be eliminated by transferring the load transfer customers to the physical distributor by June 21, 2017. The geographic distributor shall apply to the Board for a service area amendment to the necessary licence(s) to effect the transfer.

⁵ RP-2003-0044, *Decision with Reasons*, February 27, 2004.

⁶ *Ibid*, para. 235.

⁷ *Ibid*, para. 267.

⁸ *Ibid*, para. 233: "an important, but not overriding consideration when assessing the merits of an application for a service area amendment. Customer choice may become a determining factor where competing offers to the customer(s) are comparable in terms of economic efficiency, system planning and safety and reliability, demonstrably neutral in terms of price impacts

6.5.4 If the transfer to the physical distributor results in the load transfer customer(s) paying higher delivery charges, the physical distributor shall apply rate mitigation in a manner that is approved by the Board.

6.5.5 Until such time as the load transfer arrangement is eliminated under section 6.5.3, the physical distributor shall be obligated to continue to service an existing load transfer customer.

6.5.6 A distributor shall not enter into any new load transfer arrangements.⁹

At the outset of the OEB's policy initiative that resulted in these amendments, the February 20, 2015 Notice of Proposal to Amend a Code (the February 2015 Notice) described load transfers as follows:

A load transfer arrangement involves two distributors. One is referred to as the geographic distributor and the other is referred to as the physical distributor. While the customer ("load transfer customer") is located in the licensed service area of the geographic distributor, the load transfer customer is physically connected to the physical distributor's distribution system because the geographic distributor does not have existing assets in close proximity to serve the load transfer customer. It is therefore the physical distributor that provides the delivery of electricity to the load transfer customer. However, the customer is billed by the geographic distributor (i.e., pays geographic distributor's distribution rates which may be higher or lower than physical distributor's rates).¹⁰

The February 2015 Notice also anticipated that a service area amendment application would be the means of transferring a load transfer customer to the physical distributor to eliminate the load transfer for compliance with section 6.5.3.¹¹

In 2016, the OEB granted amendments to Hydro One and Wasaga Distribution respective electricity distributor licences to transfer the Subject Property from Wasaga Distribution's service area to Hydro One's service area, eliminating the long-term load transfer¹².

⁹ EB-2015-0006, Notice of Amendments to a Code, Attachment A, December 21, 2015.

¹⁰ EB-2015-0006, Notice of Proposal to Amend a Code, February 20, 2015, pp. 1-2.

¹¹ *Ibid*, p. 3.

¹² EB-2016-0207 Decision and Order, September 22, 2016.

Proposed Development of the Subject Property

The Subject Property was an active farm at the time of the OEB's 2016 decision to add the Subject Property to Hydro One's service area.

Since then, the farm operation has ceased, the property has changed ownership, and Hydro One has removed the permanent electrical service. The Subject Property is now vacant except for a temporary connection serving a sales office.

4 THE APPLICATION

The application requests the OEB's approval of the service area amendment to deliver an efficient, reliable, and cost-effective customer connection in the public interest. Further, the application contends that approval would be in line with the OEB's established principles for service area amendments with respect to economic efficiency, maintenance of continuous and logical boundaries, protection of customer interests and rational optimization of distribution systems.

The application states that the Customer plans to develop the Subject Property into a residential subdivision in phases with an anticipated total load of 2.1MW. The application includes a letter from the Sterling Group of Companies, dated January 30, 2024, in which it supported Wasaga Distribution's service area amendment application.

The Subject Property is contiguous with Wasaga Distributions' service area and is directly adjacent to existing Wasaga Distribution infrastructure along Morgan Road, which "has sufficient capacity to serve the projected 2.1 MW load without upstream investment, ensuring that the connection can be made with minimal incremental cost and maximum use of existing assets"¹³.

To connect the proposed subdivision, Wasaga Distribution would need to upgrade the remaining 470 m segment of existing infrastructure along the Morgan Road frontage of the subject area, spanning five existing poles. The timing of the upgrade would depend on the subdivision phasing and actual load requirements. In an interrogatory response, Wasaga Distribution noted that it may be possible to serve the first phase of the development using the existing infrastructure without upgrading the remaining segment¹⁴.

The application states that aligning Wasaga Distribution's service area with the Town of Wasaga Beach enables coordinated municipal planning while ensuring integrated emergency response by leveraging embedded field crews, local presence, and direct accountability to deliver faster restoration and improved public safety outcomes.

In the application, Wasaga Distribution indicated that its distribution rates are "materially lower than Hydro One's", and that it "consistently outperforms [Hydro One] in reliability metrics, ensuring fewer and shorter outages for future residents."¹⁵ The application

¹³ Wasaga Distribution Application, p.4.

¹⁴ Hydro One Response to OEB Staff Interrogatory #10, November 7, 2025.

¹⁵ *Ibid*, p.4.

states that these expected benefits for future customers could be delivered without adverse impact to existing customers in either distributor's service area.¹⁶

The application indicates that Wasaga Distribution and Hydro One have met to discuss service options; however, Hydro One declined to consent to the service area amendment. In the application, Wasaga Distribution acknowledged that it had not yet provided the Customer with an Offer to Connect.

The application states that Wasaga Distribution's "proximity and existing infrastructure mean it can serve the development at lower cost, to a higher standard of reliability, and with better coordination with municipal departments."¹⁷

¹⁶ *Ibid*, p.4.

¹⁷ Wasaga Distribution Application, p. 4.

5 SUBMISSIONS OF THE PARTIES AND OEB STAFF

This section summarizes the submissions of the parties and OEB staff.

Hydro One's Submission

Hydro One submitted that the contested service area amendment should be denied. Hydro One characterized the application as a material departure from the OEB's established service area amendment principles of economic efficiency, coordinated investment planning, and cost causality. Hydro One submitted that the service area amendment should be denied because it does not satisfy the public interest test or the principles governing contested service area amendments.

Hydro One stated that economic efficiency is a key factor in determining public interest and it has upstream capacity to supply the proposed subdivision¹⁸. To access this capacity, Hydro One would need to invest in new infrastructure to connect the proposed subdivision.

Hydro One's proposed connection consists of upgrading approximately 250 m of existing line on the north side of Morgan Road and constructing 350 m of line expansion¹⁹. Hydro One submitted that serving the subject area is more efficient economically if Wasaga Distribution's 2021-2022 capital investments for system upgrade are seen to be preemptive expansion costs related to this application. Hydro One also raised the ambiguity over existing customer exposure to the \$1.52M civil work will add to Hydro One's cost advantage.

Hydro One submitted that the application does not meet the OEB's filing requirements because Wasaga Distribution has not provided the Customer with an Offer to Connect, committed cost comparison figures (Discounted Cash Flow analyses or comparable projects), upstream cost considerations from its recent capital expansions, or a complete stranded asset record. Hydro One submitted that these deficiencies are material and impact the cost comparisons between the two distributors.

Hydro One maintains that its evidence and submissions for the proposed connection options represent the lowest incremental cost- alternative, provides a savings of \$3.1M²⁰ or greater to ratepayers and maintains the economic efficiency principles established in the OEB's Combined Service Area Amendment Decision.

¹⁸ Hydro One Evidence, October 17, 2025, p. 15 of 18.

¹⁹ *Ibid*, p. 6.

²⁰ Hydro One Submissions, January 29, 2026, p. 2 of 28.

OEB Staff's Submission

OEB staff submitted that the requested service area amendment is in the public interest and should be approved by the OEB because it has the lower incremental cost to connect the proposed subdivision compared to Hydro One's proposal. OEB staff also submitted that the service area amendment would not result in unnecessary duplication or investment in distribution assets and results in the most effective use of existing distribution infrastructure. In addition, OEB staff submitted that Wasaga Distribution's proposal is more consistent with the principles set out by the OEB in its Combined Service Area Amendment Decision, which emphasized economic efficiency as a key principle.

While OEB staff identified Wasaga Distribution as the more economically efficient option, its submission also stated that developer and municipal preference provides an additional reason for Wasaga Distribution to serve the proposed subdivision.

OEB staff recognized that the Subject Property is contiguous to both Hydro One and Wasaga Distribution service areas and could be serviced by either distributor. However, the density of the proposed subdivision is consistent with that of the surrounding subdivisions served by Wasaga Distribution, whereas the surrounding Hydro One service area appears to be undeveloped rural and agricultural land, consistent with the previous agricultural use of the Subject Property.

OEB staff acknowledged that both utilities have upstream capacity available to supply the Subject Property and in neither case was that capacity constructed to serve the Subject Property. OEB staff noted that Wasaga Distribution's proposal does not require any incremental investment to supply the first phase of subdivision development and only requires the upgrade of a segment of existing infrastructure to supply the second phase, whereas Hydro One's proposal requires an upgrade to existing infrastructure as well as the construction of new infrastructure to supply any amount of subdivision development.

Wasaga Distribution's Reply Submission

Wasaga Distribution submitted that the proposed service area amendment should be approved because it represents the most economically efficient means of serving the Subject Property through the use of existing and contiguous distribution infrastructure, at a lower incremental cost, without unnecessary duplication of assets, and without adverse impacts on Hydro One or its ratepayers.

Wasaga Distribution noted that the Subject Property currently has no permanent electrical service, and approval of the application would not result in the transfer of

any existing customers between distributors. The application therefore concerns the servicing of new load only.

Wasaga Distribution emphasized that the application is supported by the developer and the Town. That support aligns with the location of the Subject Property within the Town of Wasaga Beach's boundaries and contiguous to Wasaga Distribution's service territory and further reinforces the public interest outcome supported by the evidence.

Wasaga Distribution disagreed with Hydro One regarding the need for an Offer to Connect and stated that it met the OEB's filing requirements. Wasaga Distribution stated that it is more efficient to finalize the distribution system design after the distribution service provider is determined by the OEB.

6 DECISION ON THE ISSUES

The Combined Service Area Amendment Decision established key principles to determine public interest in service area amendment applications. The key principles are economic efficiency, impacts (such as system reliability) on distributors and their customers, and customer preference. The OEB affirms the relevance of these principles and addresses each in its findings.

The OEB also notes the evolution of the electricity system in Ontario since 2003 and the major changes in the electricity generation, transmission and distribution systems resulting from developments unrelated to optimization of electric system distribution efficiency. This decision aims to apply the established principles in the context of the present day realities and the evidence filed in this proceeding.

A. Economic Efficiency

In the Combined Service Area Amendments Decision, the OEB found that “[t]he promotion of economic efficiency in the distribution sector is one of the Board’s guiding objectives in the regulation of the electricity sector”, and that “economic efficiency should be a primary principle in assessing the merits of a service area amendment application”²¹. The OEB further stated that “amendments that involve contiguous distribution companies, but that are opposed by the incumbent distributor, may be in the public interest where the amendment results in the most effective use of existing distribution infrastructure, and a lower incremental cost of connection for the customer or group of customers”²².

Wasaga Distribution submitted that it has adequate distribution infrastructure along Morgan Road to supply the new development for the first phase of the development and, with a minor upgrade to a segment of existing infrastructure, to serve the full development in the Subject Property. Wasaga Distribution confirmed that it plans to defer the additional upgrades until load growth is confirmed, to avoid “premature investment and match structure upgrades to actual demand”²³. As an embedded distributor, Wasaga Distribution noted that it would continue to rely on Hydro One’s upstream system and pay the applicable delivery charges²⁴ to the new customers on the Subject Property, thereby limiting the risk of redundant investment. Wasaga Distribution claimed its costs were lower than Hydro One’s.

²¹ RP-2003-0044 Decision with Reasons dated February 27, 2004, para 84.

²² RP-2003-0044 Decision with Reasons dated February 27, 2004, p. 35.

²³ Wasaga Distribution Interrogatory Response, OEB Staff-10, November 7, 2025, p. 14 of 139.

²⁴ *Ibid*, p. 15.

Hydro One argued that Wasaga Distribution's cost estimates were understated. First, because in its view Wasaga Distribution's Morgan Road prior distribution reinforcements were purpose-built to expand Wasaga Distribution's "distribution system to supply the Subject Property and other future developments"²⁵, Hydro One argued that these costs should be factored into Wasaga Distribution's connection costs. Hydro One also asserted that Wasaga Distribution's recent reinforcements along Morgan Road amount to unnecessary duplication and fail to optimize existing distribution infrastructure²⁶. Second, because Wasaga Distribution rates may be burdened further with the civil work associated with premium underground infrastructure, Hydro One argued that there was a cost recovery risk to customers that had not been considered. Hydro One noted that its proposed connection prevents cross-subsidization and adheres to the principle that "benefits follow costs, avoids costly duplication and regulatory inefficiencies, and upholds the Board's objective of rationalizing Ontario's distribution system for the benefit of all ratepayers"²⁷.

Hydro One's submission focused on two main disputed costs in this proceeding. Hydro One submitted that Wasaga Distribution's prior investments in system reinforcement along Morgan Road should be included in Wasaga Distributions' costs as well as the \$1.52M cost of civil work related to a premium solution. Hydro One's evidence included a table comparing the before tax costs for the two service connection options to demonstrate that when the disputed costs are added to Wasaga Distribution's estimates then, Hydro One's service offer has the lower incremental cost and offers savings of approximately \$3.1M to ratepayers.²⁸

Hydro One submitted that economic efficiency is best achieved by keeping service with the incumbent distributor and leveraging both existing and planned infrastructure.

Wasaga Distribution reiterated that the prior capital investments made to Morgan Road were "planned independently of the proposed subdivision, approved through WDI's 2024 cost of service proceeding, and should not be included in the incremental connection cost comparison"²⁹. In addition, Wasaga Distribution stated the omission of the capital investments in this proceeding "is consistent with the OEB's direction that connection cost comparisons in SAA proceedings should reflect costs reasonably associated with the project at issue"³⁰, referring to the Combined Service Area Amendment Decision, in which the OEB states that "costs associated with the

²⁵ Hydro One Evidence, October 17, 2025, p. 11 of 18.

²⁶ *Ibid*, p. 2.

²⁷ Hydro One Submissions, January 29, 2026, p. 7 of 28.

²⁸ *Ibid*, p. 8.

²⁹ Wasaga Distribution Reply Submission, February 12, 2026, p. 2 of 17.

³⁰ *Ibid*, p. 13.

connection should be the fully loaded costs, which capture all of the relevant indirect and direct costs reasonably associated with the project at issue”³¹.

In response to a Hydro One interrogatory, Wasaga Distribution created a new table, reproduced below, using a preliminary estimate based on a draft design for the subdivision but removing the cost of the previous Morgan Road investments³² which demonstrated a lower connection cost for Wasaga Distribution.

Table 1: Connection cost comparison

Connection Cost Component	Hydro One		Wasaga Distribution
	Option A	Option B	Option A
Non-contestable work (poles, wires, meters)	1,226,835.53	1,226,835.53	1,952,850.42
Design costs	16,718.54	16,718.54	15,240.96
Contestable work	1,021,279.92	-	199,681.70
Civil work	-	-	-
Capital contributions	-	-	1,132,221.00
Total (excludes HST)	2,264,833.98	1,243,554.07	2,167,773.07

OEB staff agreed with Wasaga Distribution’s table and submitted that based on the evidence, Wasaga Distribution’s proposal to serve the proposed subdivision would cost less than Hydro One’s comparable Option A.

OEB staff noted that Wasaga Distribution’s proposal requires no incremental investment to supply the first phase of the subdivision and only a minor upgrade to an existing infrastructure segment for the second phase³³. In contrast, OEB staff noted that Hydro One’s proposal would require both upgrades to existing infrastructure and the construction of new infrastructure to serve any portion of the subdivision³⁴. OEB staff disagreed with Hydro One’s contention that the Wasaga Distribution’s Morgan Road reinforcements were preemptive investment and stated that the investments had been

³¹ RP-2003-0044 Decision with Reasons, February 27, 2004, para. 236.

³² Wasaga Distribution, Interrogatory Response, HONI-5, November 7, 2025, p. 29 of 139.

³³ OEB staff Submissions, January 29, 2026, p. 9 of 11.

³⁴ *Ibid*, p. 9.

approved in a prior proceeding for reliability improvement. While either distributor could provide the connection, OEB staff noted that the proposed development aligns with the density and character of nearby residential subdivisions already served by Wasaga Distribution³⁵. In contrast, the adjacent Hydro One service area is undeveloped, largely rural and agricultural land³⁶.

OEB staff submitted that economic efficiency is best assessed based on the overall system configuration rather than a single distributor's facilities. OEB staff also noted that the area has historically been served by Wasaga Distribution and that, together with land use changes since the 2016 rationalization, the evidence supports revising Wasaga Distribution's service area boundary.

Findings

The OEB finds that Wasaga Distribution's proposal to supply the proposed subdivision is the more economically efficient option for serving the new development. The OEB finds that Wasaga Distribution's proposal has the lowest incremental cost to connect the proposed subdivision at \$2,167,773.07, does not result in unnecessary duplication or investment in distribution assets and results in the most effective use of existing distribution infrastructure.

The OEB agrees with Wasaga Distribution and OEB staff that the investment costs for integrity and reliability reinforcements approved in previous proceedings should not be added to the incremental development costs for the new development. Section 7.5.3 of the Filing Requirements indicate that evaluations should include incremental costs and revenues.³⁷

The financial evaluations should indicate costs associated with the connection including, but not limited to, on-site capital, capital required to extend the distribution system to the customer location, incremental up-stream capital investment required to serve the load, the present value of incremental costs and incremental taxes as well as the expected incremental revenue, the amount of revenue shortfall, and the capital contribution requested

The filing requirements do not mention allocating the cost of in-service rate base assets previously approved and included in current rates. The OEB finds that the historical capital costs in question are not a relevant costs reasonably associated with the project at issue. Further, Hydro One's arguments have not persuaded the OEB that the Morgan

³⁵ *Ibid*, p. 7.

³⁶ *Ibid*, p. 7.

³⁷ Filing Requirements for Service Area Amendment Applications, March 12, 2007, p. 8.

Road reinforcements were built for the purpose of servicing this new Customer. The capital assets in question were approved in Wasaga Distribution's 2024 cost of service proceeding as part of an approved settlement proposal³⁸.

The OEB considered Hydro One's caution about the potential for rate payer exposure to the cost of civil works for any new premium service related to the new connection. The OEB is not persuaded by this argument because the issue will be examined and addressed in Wasaga Distribution's next rebasing application when the underlying assets, net of any contribution in aid of construction, are proposed to be added to rate base. As a result, the OEB disagrees with Hydro One's submission.

In summary, the OEB finds that the civil works and previously approved reinforcements should not be considered in the comparison of costs.

The OEB acknowledges that an Offer to Connect from Wasaga Distribution would address civil work considerations including any contribution in aid of construction required from the developer. Any contribution from the developer (the new customer) would reduce any risk of costs being recovered from existing customers or from Wasaga Distribution's shareholders. In either case, it would be a decision of the OEB based on the evidence and submissions filed in that proceeding.

The OEB finds that the application met the Filing Requirements. Section 7.5 of the Filing Requirements outlines certain information requirements for contested applications.

Section 7.5.2 requires:

Evidence that the customer, landowner, or developer had the opportunity to obtain an offer to connect from the applicant and any alternate distributor bordering on the area that is the subject of the SAA application.

The OEB finds that the Filing Requirements do not create a requirement that an Offer to Connect be filed in every application, but only that the customer, landowner or developer have the opportunity to obtain such an Offer to Connect.

The OEB notes that the Subject Property is contiguous to both Hydro One and Wasaga Distribution service areas and in OEB's view either entity could serve the proposed subdivision efficiently. However, the OEB notes that the density of the proposed subdivision is consistent with that of the surrounding subdivisions served by Wasaga Distribution, whereas the surrounding Hydro One service area appears to be

³⁸ Decision and Rate Order, EB-2023-0055, April 30, 2024

undeveloped rural and agricultural land, consistent with the previous agricultural use of the Subject Property.

The OEB further notes that the Subject Property was supplied by Wasaga Distribution prior to 2016 and since 2016 has been supplied by Hydro One because the OEB required distributors to eliminate load transfers by June 21, 2017. However, the OEB finds that the OEB's 2016 decision to rationalize service areas to eliminate load transfers did not preclude the subsequent amendment of service areas as local needs evolve.

B. System Reliability and Impacts on Distributors and Their Customers

Hydro One stated that Wasaga Distribution's service area amendment application "raises unnecessary potential risk regarding long term planning as well as system safety and reliability responding to local system outages or a major catastrophic failure"³⁹ because it will create pressure on the network system. In its supplementary evidence, Wasaga Distribution responded to Hydro One and stated that Hydro One's risk assessment fails to recognize the "systemic inefficiencies that arise when a modern urban distribution system, such as [Wasaga Distribution], interfaces with a traditional rural distributor, that also acts as a host distributor"⁴⁰. Resulting in the misalignment of infrastructure needed to "support growth in Wasaga Beach"⁴¹ and impacts the overall reliability and resilience of the distribution system.

Hydro One observed that approval of the service area amendment would rationalize embedded distribution systems which is contrary to previous OEB policy. Wasaga Distribution disagreed and stated it had been an implicit understanding in 2016 when the parties agreed to transfer the underdeveloped rural subject area from Wasaga Distribution to Hydro One that it would be returned to Wasaga Distribution's service area if the parcel were to be developed, though it submitted no evidence of this. Wasaga Distribution maintained that since the service area amendment is not seeking to create a new embedded distributor, approving the amendment does not constitute a general departure from OEB policy.

Reliability and service quality are integral parts of distribution system integrity. In its application, Wasaga Distribution stated that in general, its service is more reliable than Hydro One, with fewer outages and shorter outage durations⁴² and can be expected to

³⁹ Hydro One Evidence, October 17, 2025, p. 6 of 18.

⁴⁰ Wasaga Distribution, Supplementary Evidence, October 27, 2025, p. 7 of 11.

⁴¹ *Ibid*, p. 7.

⁴² Wasaga Distribution SAA Application, August 19, 2025, section 3.5, p. 15 of 27.

provide a more reliable connection solution than Hydro One. Wasaga Distribution submitted that its proposed connection would provide a higher level of service quality and reliability through the incorporation of a looped supply configuration. In its responses to OEB Staff interrogatories, Wasaga Distribution stated that the looped design would improve fault tolerance and reduce outage durations⁴³, resulting in greater operational flexibility for the subdivision and improve load growth.

Hydro One's proposal to serve the subdivision with a radial supply configuration would involve upgrades to an existing line and construction of new line along the north side of Morgan Road. Hydro One stated that this design offers adequate reliability, supported by existing upstream capacity. In Hydro One's view, its radial approach provides for a better use of existing infrastructure, avoids the operational risks of additional embedded load, and supports coordinated long term planning without expanding the embedded service area⁴⁴.

OEB staff submitted that while both utilities' proposals would provide reliable service, Wasaga Distribution's option offers superior reliability at a lower incremental cost. Wasaga Distribution's looped configuration provides greater operational flexibility and fault tolerance than Hydro One's radial design, thereby reducing outage duration and improving service continuity, an advantage that is particularly important given the density and residential nature of the proposed development.

Findings

The OEB finds that the service area amendment has no demonstrated negative impact on system reliability. Neither of the parties made persuasive arguments about the distributor or customer impacts sufficient to influence the OEB's choice of distributor. The OEB is further reassured by the OEB staff observation that Wasaga Distribution's looped service could provide greater flexibility and fault tolerance over Hydro One's radial service and enhance distribution system reliability.

C. Customer Preference

The Combined Service Area Amendment Decision stated that "customer preference is an important, but not overriding consideration when assessing the merits of an application for a service area amendment." The OEB went on to state that "customer choice may become a determining factor where competing offers to the customer(s) are comparable in terms of economic efficiency, system planning and safety and reliability, demonstrably neutral in terms of price impacts on customers of the incumbent and

⁴³ Wasaga Distribution Interrogatory Response, OEB Staff-3, November 7, 2025, p. 8 of 139.

⁴⁴ Hydro One Submissions, January 29, 2026, p. 7 of 28.

applicant distributor, and where stranding issues are addressed.”⁴⁵ In its submission, OEB staff stated the view that this guidance is applicable in the present case.

In its application, Wasaga Distribution included a letter from Sterling in support of Wasaga Distribution as the preferred distributor and indicated that the Town has expressed a preference for Wasaga Distribution as the electrical service provider. Primont filed an intervention request supporting Wasaga Distribution’s service area amendment application.

Hydro One argued that customer preference should hold no weight in this proceeding because the developers are not the final customer⁴⁶ and customer preference cannot be established without understanding “cost responsibility, maximum refund allowance, system capabilities, or the details of the OTC”⁴⁷. Further, the evidence indicated that the developer had discussions with Hydro One and was provided with an Offer to Connect, that apparently was not signed by the customer.

OEB staff noted that even if the end-use customer preference should not be a determinative factor in deciding the Service Area Amendment, the support for Wasaga Distribution’s application offered by the developer and the municipality should be noted as additional endorsement for Wasaga Distribution to serve the proposed development⁴⁸.

Findings

Although customer support is not on its own determinative, the OEB notes the support of the developers and the Town of Wasaga for receiving service from Wasaga Distribution. The developer is the customer (the contractual counterparty) to sign an Offer to Connect and to pay for any contribution in aid of construction. This endorsement, in addition to the OEB’s findings on economic efficiency and system reliability, provides additional support of the OEB’s decision to grant the application.

Accordingly, the OEB approves the service area amendment as filed because it offers the marginally lower incremental cost, makes the most effective use of existing distribution infrastructure, has no negative upstream impact or material impacts on system reliability, and satisfies customer preference consistent with the principles set out in the Combined Service Area Amendment Decision. The OEB finds the service area amendment to be in the public interest.

⁴⁵ RP-2003-0044 Decision with Reasons, February 27, 2004, para. 233.

⁴⁶ *Ibid.* p. 20.

⁴⁷ *Ibid.* p. 21.

⁴⁸ OEB Staff, Submissions, January 29, 2026, p. 10 of 11.

7 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Wasaga Distribution Inc. shall file an updated Schedule 1 of its distribution licence (ED-2002-0544) that reflects the service area amendment approved in this decision by March 26, 2026, for the OEB's approval.
2. If necessary, Hydro One Networks Inc. shall file an updated Schedule 1 of its distribution licence (ED-2003-0043) that reflects the service area amendment approved in this decision by March 26, 2026, for the OEB's approval. If no amendment to Schedule 1 is required, Hydro One Networks Inc. will advise the OEB by the same date.

DATED at Toronto March 19, 2026

ONTARIO ENERGY BOARD

Ritchie Murray
Acting Registrar