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BY EMAIL AND RESS

January 19, 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-2022-0234 – Hydro One Networks Inc. Service Area Amendment Application to Connect One Industrial Customer located at 626 Principale St. in Casselman – Reply Submission

In accordance with Procedural Order No. 2 dated November 30, 2022, please find enclosed Hydro One's Reply Submission in respect of the above-referenced matter.

An electronic copy of this reply submission has been submitted using the Board's Regulatory Electronic Submission System.

Sincerely,



Joanne Richardson

cc: Claudio Bertone
Laurie Elliott (Hydro Ottawa Ltd.)

ONTARIO ENERGY BOARD

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

AND IN THE MATTER OF a Service Area Amendment (SAA) Application by Hydro One Networks Inc. requesting an amendment to its Electricity Distribution Licence (ED-2003-0043) to provide for the connection of one new customer located at 626 Principale St. in the Municipality of Casselman.

**REPLY SUBMISSION OF
HYDRO ONE NETWORKS INC.**

January 19, 2023

- 1 1. This is the reply submission of Hydro One Networks Inc. (Hydro One) to the written
2 arguments and submissions of the other parties in this proceeding.
3
- 4 2. Written arguments and submissions have been received from the following parties:
5 i. Ontario Energy Board Staff (Staff); and
6 ii. Hydro Ottawa Limited (HOL).
7
- 8 3. In this reply submission, Hydro One will refer to the Hydro One service area
9 amendment (SAA) application filed on August 18, 2022, as “the Application”. The
10 lands that are requested to be transferred to Hydro One’s distribution licence in the
11 Application are located at 626 Principale Street in Casselman, Ontario, and will be
12 referred to as the “Subject Area”.
13
- 14 4. The merits of Hydro One’s Application are simple, clear, and consistent with the
15 principles of the Combined Hearing Decision¹ and the OEB SAA Filing Guidelines²
16 that flow therefrom. Hydro One’s position on this matter is substantially unchanged
17 since the filing of the Application. Hydro One reaffirms its position as previously set
18 out in its correspondence delivered to the OEB to contest HOL’s request for a hearing
19 on this Application³.
20
- 21 5. The Hydro One Application is superior to any of the HOL connection alternatives when
22 considered on any component of the OEB’s assessment of economic efficiency:
23
- 24 i. From an incremental capital perspective, Hydro One’s actual cost (less than
25 \$3,200⁴) is the most cost-effective alternative to connect the Subject Area.
26 Relative to the two HOL-proposed alternatives which are forecast at \$791,000⁵
27 and \$455,000⁶, respectively, the Hydro One actual cost to connect the Subject

¹ RP-2003-0044 – OEB Combined Hearing Decision with Reasons - February 27, 2004

² Chapter 7 of the Filing Requirements for Transmission and Distribution Applications – March 12, 2007

³ Filed September 9, 2022.

⁴ Exhibit I, Tab 1, Schedule 4- December 16, 2022

⁵ IRR HONI-6 - November 11, 2022

⁶ IRR OEB Staff-6 - December 16, 2022. Note that it is unclear from the HOL interrogatory response if this estimate is inclusive taxes.

1 Area is almost up to 250x⁷ more cost-effective. Both HOL's high-level
2 estimates are underpinned by an estimate veracity of +/- 50%. In comparison,
3 Hydro One's costs are actual costs.
4

5 ii. Hydro One provides service to customers immediately west, east, and south
6 of the Subject Area. The north end of the Subject Area abuts Highway 417.
7 HOL has no distribution plant south of Highway 417. Approval of the Hydro
8 One Application increases the smooth, contiguous, well-defined north-south
9 boundary between distributors that exists in the area, i.e., north of Highway
10 417 is HOL territory and south of Highway 417 is Hydro One territory.
11

12 iii. Hydro One's proposed connection in the Application optimizes the use of
13 existing distribution infrastructure and avoids the duplication or stranding of
14 distribution assets and facilities. Hydro One's connection of the Subject Area
15 is via a lies-along⁸ 8.32kV overhead distribution feeder. Hydro One's proposed
16 connection does not result in any unnecessary duplication or investment in
17 distribution lines and other distribution assets and facilities. Conversely, to
18 provide a 8.32kV connection to the Subject Area, HOL has proposed two
19 connection alternatives that will either require:
20

21 a. duplicating the existing pole line on the east side of Principale Street;
22 or alternatively,
23

24 b. upgrading existing Hydro One poles such that HOL can become a new
25 joint use tenant on this pole line and expand their Casselman F1
26 feeder 850m south, across Highway 417 to the Subject Area of
27 connection. This alternative also necessitates 1) the removal of
28 recently completed work for the existing joint use tenant and 2)
29 meeting new requirements from the Ontario Ministry of Transportation
30 (MTO) which would require the redesign, reconstruction and relocation

⁷ \$791,000 / \$3,200

⁸ As referred to in Section 28 of the Electricity Act and Section 7.1 of the Hydro One distribution licence

1 of the existing centre-line of the Hydro One distribution infrastructure,
2 as documented in Hydro One's Supplemental Evidence⁹ and further
3 elaborated upon in Exhibit I, Tab 1, Schedule 4. The approximate
4 incremental cost of the installation of the existing joint use tenant work
5 is \$137,000. This installation and corresponding removal costs are
6 indirect incremental capital costs that should be attributed to the cost
7 comparisons of the HOL-proposed joint use alternative connection.
8

9 6. From a reliability perspective, the evidence supports Hydro One's position that it is
10 providing a superior connection to the industrial development. This is exemplified by
11 the 3.5 year adjusted average SAIDI and SAIFI results independently provided by
12 Hydro One and HOL. The Hydro One 3.5 year average SAIDI and SAIFI adjusted
13 results are twice as good as the HOL results¹⁰. Consequently, Hydro One submits that
14 the evidence demonstrates that the Application enhances the reliability to the Subject
15 Area.
16

17 7. The Application is also supported by the party requesting connection, the owner and
18 developer of the Subject Area. The owner and developer of the Subject Area has
19 received and executed Hydro One's connection agreement for the connection of the
20 Subject Area.
21

22 8. The Subject Area has been served by Hydro One since January of 2022 and was
23 incorporated into the distribution service territory of Hydro One on an interim basis,
24 pending the OEB's disposition of this proceeding. That interim decision was predicated
25 on the fact that Hydro One was the only distributor that could connect the Subject Area
26 based on the timelines requested. Today, Hydro One remains the only distributor that
27 can connect the Subject Area. HOL's earliest connection date which is based on a
28 high-level estimate and preliminary design forecasts a connection of the Subject Area
29 to its facilities in July/August 2023¹¹.

⁹ Hydro One Supplemental Evidence in this document refers to the Supplemental Evidence filed on November 7, 2022 in this proceeding by Hydro One.

¹⁰ Exhibit I, Tab 1, Schedule 1, part f) Section 7.2.1 (f) – November 11, 2022

¹¹ HOL Submission – Paragraph 60 – January 12, 2023

1 9. Staff submissions support the Application, highlighting that “it appears reasonable for
2 Hydro One to serve the Customer based on the overall assessment of proposed
3 distribution infrastructure, economic efficiency, distribution rates, service quality and
4 reliability and customer preference”¹².

5
6 10. Unsurprisingly, despite the record of this proceeding, HOL continues to contest the
7 Application. Hydro One submits that HOL’s position is not founded on the HOL
8 proposed connections being superior to the existing Hydro One connection or on any
9 of the principles established by the Combined Service Area Hearing Decision.

10
11 11. In brief, HOL’s evidence and argument in its submissions is that the OEB should deny
12 the Application for the following reasons:

13
14 i. HOL’s estimated rate analysis concludes that the final customer (i.e., the
15 tenant) will pay 3.4 times more if served by Hydro One¹³ and this lends itself to
16 being a more economically efficient connection irrespective of the relative
17 incremental costs;

18
19 ii. HOL’s proposal aligns with the outcomes set out in the HOL and Hydro One
20 Joint Use Agreement and Hydro One has not communicated sufficiently to
21 minimize the incremental cost of the joint use connection;

22
23 iii. Approval of the Application will prevent HOL from serving the customers that
24 are driving the limited growth that is occurring in its expanded service territory
25 acquired through the purchase of Hydro Casselman Inc. from the Corporation
26 of the Village of Casselman -- a consequence which HOL argues should be
27 considered by the OEB in their assessment of economic impacts. HOL
28 highlights in their submission that HOL does not have customers or facilities
29 south of Highway 417 in Casselman. The Subject Area is approximately
30 120,500m², or around 2.3% of HOL’s Casselman service territory. HOL’s

¹² OEB Staff Submission, p. 1 – January 12, 2023

¹³ HOL Submission - Paragraph 62 – January 12, 2023

1 service territory south of Highway 417 accounts for nearly 10% of the service
2 territory HOL purchased from the Municipality of Casselman.

3
4 12. Hydro One's response is that these justifications i.) are flawed, ii.) unnecessarily
5 introduce risk or harm to customers, and/or iii.) in the assessment of SAA's since the
6 Combined Hearing Decision, have been dismissed by the OEB as irrelevant, or carry
7 little weight. Given that Hydro One agrees with the submissions of Staff, the balance
8 of Hydro One's reply argument will address the HOL submissions, predominantly
9 focusing on each of these arguments advanced by HOL.

10
11 **TWO CUSTOMER CONCEPT: THE HOL TENANT ARGUMENT**

12 13. HOL argues that Hydro One has not secured complete customer support for the
13 Application. HOL's position on this matter is premised on the argument that two
14 customers exist for this connection; the owner and developer of the Subject Area, a
15 consortium represented by Claudio Bertone ("Owner and Developer of the Subject
16 Area"), and the tenant, Ford Motor Company of Canada Limited ("the Tenant of the
17 Subject Area")¹⁴. Hydro One has provided documented support of the Application by
18 the former.

19
20 14. HOL infers that the Tenant of the Subject Area would not have supported the
21 Application had they been aware of the monthly savings that could be secured if they
22 were served by HOL. HOL does not rely on any evidence to support this position and
23 acknowledges that the Tenant's preferred distributor "cannot be known for certain" and
24 HOL is making a "fair assumption"¹⁵. In brief, HOL advances the argument that the
25 distributor connection preference of the Tenant of the Subject Area has not been
26 addressed in the Application and should be considered by the OEB. Hydro One
27 disagrees with HOL's position on this matter. The arguments advanced by HOL are
28 inconsistent with HOL's own conditions of service, the principles articulated in the

¹⁴ Hydro One accepts that Hydro One's original application did not clearly articulate the distinction between the Owner and Developer of the Subject Area and the Tenant of the Subject Area and apologizes for that inaccuracy. Hydro One does believe this has been clarified through the discovery phase of the proceeding.

¹⁵ HOL Submission – Paragraphs 112- 113 – January 12, 2023

1 Combined Hearing Decision and the fact that Hydro One could provide the cheapest
2 monthly rate to the Tenant of the Subject Area, as outlined by Hydro One's alternative
3 44 kV solution that was proposed to, and rejected by, the Owner and Developer of the
4 Subject Area.

5
6 15. HOL has confirmed that HOL's Conditions of Service defines a "customer" as *a person*
7 *that has contracted for or intends to contract for Connection of a Load or a Distributed*
8 *Energy Resource. This includes developers of residential or Commercial sub-divisions*
9 *or Distributed Energy Resources.*¹⁶ When asked to articulate how often Hydro Ottawa
10 has sought approval from the final customer, i.e., a tenant, for a connection process
11 and where this approach is documented in the Hydro Ottawa Conditions of Service,
12 specifically, that a Developer must have concurrence or approval of all subsequent
13 final customers to define how the Developer will be connected, HOL provided no direct
14 response¹⁷. Hydro One submits that is unsurprising because it is not mandatory nor
15 reasonable for the distributor to secure concurrence from current or future tenants of
16 a property resulting in unnecessary delays and risk for the developer, i.e., the
17 customer.

18
19 16. HOL's submissions that HOL's forecast expansion costs, that are significantly more
20 expensive than Hydro One's actual costs¹⁸, are somehow worthwhile for customer A
21 because customer B will benefit from lower monthly savings are not cogent and
22 obfuscates how cost and benefits flow to each of the respective and distinct customers.
23 In so doing, HOL's submissions fail to explain the increased risks of the HOL proposed
24 connections, namely for the Owner and Developer of the Subject Area as well as other
25 HOL customers.

26
27 17. With respect to HOL's submission on its Offer to Connect it provides that the Customer
28 will pay a capital contribution of \$15,000 plus tax and will also provide financial security
29 for the expansion costs (\$700,000 plus tax). The financial security, which can be in the
30 form of a letter of credit, will be refunded over time as the expected Customer load

¹⁶ IRR HONI-1 – November 11, 2022

¹⁷ Ibid.

¹⁸ Exhibit I, Tab 1, Schedule 4 part d) – December 12, 2022

1 materializes and continues¹⁹. Intentional or not, HOL fails to capture a necessary
2 distinction. HOL's submissions do not convey that in the event the load of the Tenant
3 of the Subject Area does not materialize as forecast in the first five years of the
4 connection, the Owner and Developer of the Subject Area bears the risk of recovery
5 of this financial security. As outlined in section 7.2 of the HOL Offer to Connect:

6
7 Hydro Ottawa may draw on the Performance Security where the Electrical
8 Forecast Loading Schedule is not realized by the Developer at the end of
9 the duration of the connection horizon. The amount of the draw shall be
10 determined by multiplying the amount of the Performance Security by the
11 ratio of the electrical load not realized within the connection horizon of five
12 (5) years after the primary service energization date to the Electrical
13 Forecast used in the determination of the Net Present Value Credit, see
14 Appendix C. One year after the energization date, the Developer is entitled
15 to an annual reduction of the Expansion deposit based on the number of
16 Connections and/or Demand that occurred during each year of the
17 connection horizon. It is the Developer's responsibility to provide the
18 Connection details to Hydro Ottawa for verification.
19

20 18. For greater clarity HOL's submission should be read as the **Owner and Developer of**
21 **the Subject Area** will pay a capital contribution of \$15,000 plus tax and will also
22 provide financial security for the expansion costs (\$700,000 plus tax). The financial
23 security, which can be in the form of a letter of credit, will be refunded over time as the
24 expected **Tenant of the Subject Area** load materializes and continues [Emphasis
25 added].
26

27 19. In the arguments advanced by HOL, HOL seems to assume that complete fulfillment
28 of the Tenant of the Subject Area's forecast load is automatic and does not consider
29 or acknowledge the unfortunate possibility that should the Tenant of the Subject Area's
30 load forecast not materialize as anticipated, the Owner and Developer of the Subject
31 Area will lose the corresponding remaining percentage of their deposit at the end of
32 the five-year period. It is unclear from the HOL submission why it is necessary or
33 reasonable for the Owner and Developer of the Subject Area to assume this risk in
34 order to provide a service to their tenant that can be provided in a faster and more
35 cost-efficient manner without this risk.

¹⁹ HOL Submission – Paragraph 48 – January 12, 2023

1 20. Further, with respect to risk implications in the event the Tenant of the Subject Area
2 ceases operations, HOL also confirmed that after the five-year connection horizon,
3 other HOL customers could pay the residual value of the expansion should another
4 customer not utilize the site or expansion work²⁰. Although HOL opines that the
5 likelihood of this event occurring is unlikely, it remains an unnecessary financial risk
6 that HOL distribution rate payers may need to absorb in comparison to the nominal
7 cost of the Hydro One alternative connection. This HOL ratepayer risk is in addition
8 to all HOL ratepayers having to fund the joint use tenancy cost. Though immaterial at
9 \$2,000 per annum, it is a cost to the system that can be avoided.

10
11 21. The Hydro One connection has no financial risk to any distribution rate payer or the
12 Owner and Developer of the Subject Area.

13
14 22. HOL also submits the OEB should consider the rate disparity between utilities, and
15 therefore the monthly bill to the Tenant of the Subject Area, in their assessment of
16 economic efficiency. In making these submissions, HOL references a previous Hydro
17 One SAA with E.L.K. Energy Inc.²¹ regarding the connection of Sellick Equipment Ltd.,
18 not previously on the record of this proceeding, to highlight that in that specific case
19 the OEB did also investigate rate differences between utilities to reach their
20 determination (“the Hydro One E.L.K. SAA”).

21
22 23. In response, Hydro One aligns with the submissions of OEB Staff that reference the
23 clear language in the Combined Hearing Decision that though current rates may be a
24 significant factor in determining customer preference, the OEB does not place
25 significant weight on differences in current distribution rates. HOL confirmed that it
26 has not indicated that the OEB should give the estimated rate differences in this SAA
27 more weight than established by the OEB through the Combined Hearing Decision²².

28
29 24. Moreover, Hydro One provides that there is no reason to deviate from the OEB’s
30 Combined Hearing Decision with respect to the weight any customer preference or

²⁰ IRR HONI-4 – November 11, 2022

²¹ EB-2016-0155

²² IRR HONI – 4 – November 11, 2022

1 rate differences should carry in the OEB's determination of this SAA. The
2 responsibilities and cost protections afforded to the Tenant of the Subject Area are
3 documented therein. Notably, the OEB explicitly documents that *each market*
4 *participant must accept the interdependence which is fundamental to the system. Each*
5 *participant has a right to expect that others engaged in the same system meet their*
6 *respective costs, without subsidization or penalty. That is as true for new customers*
7 *as it is for others*²³. The respective costs each participant is responsible for are
8 mitigated in the determination of SAAs by the OEB's focus on economic efficiency.
9 The OEB further articulates this in the Combined Hearing Decision by providing the
10 following:

11
12 A consistent application of the Board's emphasis on economic efficiency
13 should result in connection decisions which optimize the existing
14 infrastructure. This enhances the local distribution company's return on its
15 investments, and should result in rewards for shareholders, and
16 ratepayers. Ensuring that connection decisions are made on the basis of
17 an effective use of existing infrastructure will create a system-wide, indeed
18 a province-wide avoidance of unnecessary expenditures, and the attendant
19 implications for electricity rates. Inefficient connection activities work to the
20 prejudice of local distribution utilities, and their customers²⁴.

21

22 25. The HOL 8.32 kV feeder is less reliable than the Hydro One feeder that lies-along the
23 Subject Area. The HOL feeder expansion is forecast to cost \$791,000 (+/- 50%) based
24 on HOL's preliminary designs that have not entered the detailed design phase or been
25 corroborated by the Ministry of Transportation yet despite the requirement to cross a
26 provincial highway²⁵. Absent the artificial electrical border between HOL and Hydro
27 One, there is absolutely no reason for the distribution system to incur significant and
28 unnecessary expenditures to connect the Subject Area to the HOL 8.32kV feeder. In
29 effect, absent the artificial electrical border between HOL and Hydro One, it would be
30 unreasonable for a single distributor to charge a customer approximately \$1,000,000
31 for an expansion when a more reliable alternative is readily available at the customer's
32 doorstep for a nominal cost. However, this is precisely what HOL is proposing.

²³ RP-2003-0044 - OEB Combined Hearing Decision with Reasons, February 27, 2004 – Paragraph 230

²⁴ RP-2003-0044 - OEB Combined Hearing Decision with Reasons, February 27, 2004 – Paragraph 89

²⁵ IRR – HONI 8 – December 16, 2022

1 26. Hydro One was surprised that until Hydro One's Supplemental Evidence, HOL had not
2 investigated alternatives that would be more cost-effective for the Owner and
3 Developer of the Subject Area, including the expansion of their own 8.32kV feeder
4 instead of simply adopting the joint use option²⁶. The HOL high-level forecast to
5 expand their own 8.32 kV feeder is forecast to cost \$445,000 (+/- 50%). Even so,
6 Hydro One does not believe HOL would pursue either HOL proposed connection
7 approach if the lies along connection proposed by Hydro One was a HOL alternative
8 because the expenditures for either HOL expansion proposal would not be cost-
9 effective relative to the lies-along connection.

10
11 27. Hydro One also provides that the Hydro One E.L.K. SAA is distinguishable to the
12 current situation for multiple reasons. Most notably, in the Hydro One E.L.K. SAA, the
13 incremental capital cost difference of the detailed designs of both utilities was a mere
14 \$8,000 and neither utility required significant expansions to connect the customer of
15 that SAA. Similarly, in the Hydro One E.L.K. SAA, both utilities were able to physically
16 serve the customer immediately without any joint use request. In that proceeding, on
17 all elements of the OEB's economic efficiency and reliability assessment for SAAs
18 established by the Combined Hearing Decision, the connections were relatively equal.
19 These facts are not present in this Application. On all elements of the OEB's economic
20 efficiency and reliability assessment for SAAs established by the Combined Hearing
21 Decision, the Hydro One connection of the Subject Area is superior to any
22 contemplated Hydro Ottawa proposal.

23
24 28. Nonetheless, should the OEB decide to deviate from the language of the Combined
25 Hearing Decision, and give greater consideration to the monthly bill of the Tenant of
26 the Subject Area, Hydro One submits that its evidence is clear that Hydro One could
27 provide the Tenant of the Subject Area with the cheapest monthly rates via Hydro
28 One's sub-transmission alternative; an alternative that was rejected by the Owner and
29 Developer of the Subject Area based on timeline of the connection. As documented
30 in the discovery phase of this proceeding, the Hydro One 44 kV sub-transmission
31 alternative could have been provided at a cost and schedule comparable to the 8.32

²⁶ Ibid.

1 kV HOL Joint Use alternative and would have provided the Tenant of the Subject Area
2 with the cheapest monthly cost as well as the greatest reliability and quality of service
3 relative to any contemplated 8.32kV connection²⁷.

4

5 29. Given all this information, Hydro One submits that the arguments advanced by HOL
6 regarding the Tenant of the Subject Area should be dismissed in totality for the reasons
7 outlined in the paragraphs above as they are flawed and inconsistent with the
8 principles established in the Combined Hearing Decision.

9

10 **CUSTOMER/COMPETITOR CONCEPT: THE HOL JOINT USE TENANT**
11 **ARGUMENT**

12 30. HOL is contesting the Application based on a proposed HOL connection that requires
13 joint use occupancy of Hydro One's existing distribution poles. HOL's joint use
14 occupancy will necessitate upgrading the distribution poles to accommodate the
15 request. HOL advances arguments that Hydro One has not been forthcoming with
16 information related to the HOL joint-use request and the evolving needs of an existing
17 joint use tenant on these poles. Furthermore, HOL suggests that Hydro One has been
18 aware of HOL's desire to pursue joint use occupancy in the area since a June 2021
19 request to do so and that Hydro One has *been "slow-walking" the joint pole access*
20 *process, with the apparent intent of frustrating Hydro Ottawa's efforts to efficiently*
21 *connect the Customer.*

22

23 31. Hydro One vehemently denies any inference or submission by HOL that Hydro One
24 has deliberately frustrated the joint use process or withheld information. Given the
25 submissions of HOL, Hydro One is providing a brief summary of the record of events
26 that have been overlooked and/or omitted from HOL's submissions with respect to the
27 HOL joint use tenancy request.

²⁷ Exhibit I, Tab 2, Schedule 20 – December 16, 2022

1 32. First and foremost, Hydro One would like to highlight that the Joint Use Agreement
2 between the parties has been in effect since January 1, 2005 – almost two decades²⁸.
3 By now, both utilities should be well versed in their roles and responsibilities pursuant
4 to the Joint Use Agreement, including how to establish joint use occupancy which is
5 fully described in the Joint Use Agreement under Section 3.1 and the necessary rights
6 of way required by the joint use licensee described in Section 5.1. Also, Schedule B
7 of the Joint Use Agreement²⁹ explicitly outlines what is documented in a joint-use
8 occupancy request between parties.

9
10 33. HOL's submissions allege that HOL made a clear request to Hydro One for joint use
11 occupancy on June 9, 2021. The submission refers to Attachment C of IRR-HONI-7.
12 For ease of reference, the extract of the HOL email reads as follows:

13
14 We have a customer request to connect 3MW in the Village of Casselman.
15 The main property that was sold was 626 Principal in HOL's service
16 territory, but the customer also purchased and I imagine will amalgamate
17 (if not done already) the two properties to the east which fall within HONI's
18 service territory. Details are still coming in, but we would like to discuss
19 what would be needed to provide service to this customer. We have
20 reviewed and would be able to supply from our 8kV system, but would
21 require a system expansion (expected to be offset by the economic
22 evaluation) across the highway through the upgrade of the HONI poles.
23 Who should we discuss this with?
24

25 34. The email relied on by HOL does not reference any documentation or information
26 which would meet the threshold to consider this to be a joint use occupancy request
27 under Schedule B of the Joint Use Agreement between the parties. The HOL email
28 does not detail the number of conductors, their size or associated hardware that will
29 be attached to Hydro One poles. There is no detailed sketch to depict transformers,
30 reclosers or switches associated with the works. These are all requirements of a joint
31 use occupancy request, as outlined in Schedule B, such that the request can be
32 properly evaluated by the pole owner. Clearly this email does not satisfy the
33 requirements of a joint use occupancy request under Schedule B, which HOL should
34 or ought to have known.

²⁸ Exhibit I, Tab 2, Schedule 21, Attachment 1 – December 16, 2022

²⁹ Exhibit I, Tab 2, Schedule 21, Attachment 1, Schedule B – December 16, 2022

1 35. Notably, the June 9, 2021 email referenced by HOL in their evidence of the original
2 timeline of events, provided in HOL's September 2, 2022 Contested SAA, describes
3 this date as "HOL advised Hydro One of the development as the customer was on a
4 territory boundary". Hydro One submits that this description is exactly what the June
5 9, 2021 email was intended to convey; customer development on a territory boundary.
6 The June 9, 2021 request to discuss the servicing of the Subject Area was immediately
7 addressed by the Hydro One Account Executive and a meeting was held on June 18,
8 2021 – within nine days of the initial identification of the potential connection. The
9 summary of that June 18, 2021 meeting is provided at Attachment D of HONI-IRR-7,
10 and for ease of reference has been extracted below:

11
12 *Thanks everyone a quick summary:*

- 13 • *(Hydro One) is going to dig deeper into the 8kV option for (Hydro One),*
14 *however the 44kV option seems to be the more preferred or reliable one for*
15 *future possible growth too.*
- 16 • *Looking at the connection Hydro One does appear to be the better suited to*
17 *serve the customer; after our follow up call on Monday the 28th we can discuss*
18 *next steps.*
- 19 • *It is preferred if we do the economic evaluation that one party supports the*
20 *other in order to cut down timelines with the SAA application with the OEB.*
- 21 • *Customer requesting Temp construction- late summer early fall- site trailers,*
22 *then will move into late spring 2022 with a more permanent supply.*

23
24 36. Contrary to the mischaracterizations of HOL, the June 9, 2021 email was addressed
25 via a meeting on June 18, 2021. The conclusion arrived at, at the June 18, 2021
26 meeting was that Hydro One "does appear to be better suited to serve the customer".
27 HOL did not dispute the conclusions of this meeting. Additionally, there was no
28 contemporaneous request to follow-up on any contemplated HOL joint use attachment
29 or any HOL expansion alternatives.

1 37. In fact, there is no other evidence before the OEB supporting HOL making any further
2 requests for joint use occupancy on Hydro One poles until July 11, 2022 that provides
3 the necessary information. The HOL request is provided at Exhibit I, Tab 2, Schedule
4 4, Attachment 1. Again, the July 11, 2022 HOL request falls short of complying with
5 what is documented in Schedule B of the Joint Use Agreement. However, in the spirit
6 of being helpful to HOL and given that HOL had only requested a high-level estimate
7 (in order to avoid cost and resourcing time), Hydro One responded to the request.
8 Hydro One provided that response on the same day the HOL estimate request was
9 received, July 11, 2022. Hydro One informed HOL that the forecast cost of upgrading
10 the Hydro One poles to accommodate the HOL facilities would be \$600,000 (+/-50%).
11 HOL did not respond to the proposal. Accordingly, HOL's submissions that Hydro One
12 intentionally "slow-walked" providing HOL a cost estimate for joint use occupancy for
13 over one year grossly misrepresents the aforementioned facts and the evidence
14 before the OEB in this proceeding.

15
16 38. Further, Hydro One denies HOL's characterization that Hydro One received a joint use
17 request in accordance with Schedule B on June 9, 2021 and that it has not been
18 forthcoming with information related to the HOL joint-use request and the evolving
19 needs of an existing joint use tenant on these poles. HOL argues that Hydro One has
20 known since June 2021 that HOL was seeking to make joint use of additional Hydro
21 One poles and that Hydro One had not adequately explained why it did not share
22 information with Hydro Ottawa about the telecommunications company joint use
23 expansion request earlier since those started in March of 2022³⁰. Additionally, in
24 discovery, in an effort to address why HOL's designs were preliminary and not further
25 studied, HOL also advanced evidence that Hydro One's position was that Hydro One
26 would no longer directly communicate with HOL outside the SAA Application process
27 regarding the specifics of the joint use connection. HOL submitted that they respected
28 the request but disagreed with Hydro One's position and it created inefficiencies in the
29 connection process, especially given Hydro One had requested no hearing³¹.

³⁰ HOL Submission - Paragraph 55 – January 12, 2023

³¹ IRR-HONI – 2 – November 11, 2022

1 39. In reply, Hydro One relies on the fact that the HOL June 9, 2021 email was not a
2 request for joint use. Hydro One did not know that HOL wanted to become a joint use
3 tenant on this pole line irrespective of HOL's submission that Hydro One should have
4 inferred this from the HOL June 9, 2021 email. To date, HOL has still not accepted
5 Hydro One's proposal nor provided any detailed information over and above what is
6 on the record of this proceeding in Exhibit I, Tab 2, Schedule 4, Attachment 1.
7 Consequently, when the existing joint use tenant expressed an interest for additional
8 occupancy along this pole line in March 2022, there was no conflicting application for
9 occupancy by HOL.

10

11 40. As documented in Exhibit I, Tab 2, Schedule 21, Hydro One's approach to addressing
12 joint use requests is consistent with the OEB's well established principles that where
13 a party controls essential facilities, it is important that non-discriminatory access be
14 granted to other parties. In order to support the only existing tenant affixed to Hydro
15 One's poles, Hydro One focused its efforts to support the needs of its tenant which is
16 the only application, estimate and approved works received to date for the time period
17 material to this proceeding for the use of the poles along Principale Street.

18

19 41. Importantly, HOL's July 11, 2022 email request to investigate the cost of joint tenancy
20 did not undertake an assessment of what other works were ongoing because only a
21 high-level estimate was sought, i.e., limited resource effort as described and requested
22 by HOL. Consequently, Hydro One did not investigate any other tenancy requests that
23 were then under review for those poles nor would Hydro One have had the opportunity
24 to disclose to HOL that an agreement in principle for the joint use tenancy design and
25 cost responsibilities for another tenant had been developed until September 27, 2022,
26 not March of 2022³² as HOL implies.

³² HOL Submissions – Paragraph 55 – January 12, 2023

1 42. Hydro One acknowledges that there was approximately a one-month delay between
2 the date of the agreement in principle between Hydro One and the existing joint use
3 tenant, and Hydro One highlighting this information in this proceeding. As Hydro One
4 did not receive a joint use request by HOL in accordance with the Joint Use Agreement
5 between the parties, Hydro One did not have an actual request and this resulted in,
6 process gaps. Once the process gap was identified and the information known, it was
7 immediately shared in this proceeding.

8
9 43. Additionally, Hydro One's July 11, 2022 estimate could not have included any
10 information about the MTO's direction that if a second circuit was sought, the
11 distributor would need to secure an additional permit and would be required to relocate
12 the centre-line of the existing pole line to the west to maintain an 80m separation from
13 the location of the overpass. This MTO direction was provided after the fact in August
14 of 2022 as outlined in Hydro One's Supplemental Evidence.

15
16 44. As the timelines provided in this proceeding depict Hydro One has attempted to avoid
17 a hearing by working amicably and patiently with HOL for over a year in an effort to
18 secure a consented SAA. Conversely, it is HOL that has *slow-walked* the development
19 of the required documentation to prudently assess the connection of the Subject Area
20 due to Hydro One's ability to serve the Subject Area. HOL admittedly provides in their
21 submissions that:

22
23 From early on, it was clear that Hydro One planned to connect the
24 Customer and would oppose Hydro Ottawa connecting the Customer. It
25 makes sense, therefore, that Hydro Ottawa did not undertake detailed
26 design work on connecting the Customer. It was clear that a contested SAA
27 Application was going to occur and it would not be economically efficient to
28 have detailed design work started until the issue was resolved³³.

29
30 45. HOL never undertook or requested further detail for this connection. HOL's arguments
31 that infer that Hydro One had a closed approach to discussion post-filing of the SAA
32 are without merit. HOL asked no interrogatories to further advance the development
33 of their proposal including none on the subject of whether any assets would need to

³³ HOL Submission – January 12, 2023 – Paragraph 32 c

1 be transferred to HOL, if HOL is awarded the Subject Area. This is telling because that
2 was the subject of the email that made HOL infer that Hydro One was not amenable
3 to further detailing the joint use proposal³⁴ which Hydro One does not accept as
4 accurate. Moreover, if HOL did believe that was Hydro One's position with respect to
5 their joint use proposal, HOL advanced no motions in this proceeding to compel Hydro
6 One to provide additional information on their joint use proposal in a more expedited
7 manner as part of this SAA proceeding to mitigate the effects of HOL's alleged
8 disadvantage or lack of information. HOL's unreasonable approach to not refine their
9 design and schedule has left the OEB in the difficult position of assessing a well-
10 defined and executed connection provided by Hydro One and comparing that to HOL's
11 high-level, minimally studied alternative approaches. Additionally, HOL's approach
12 would leave the Owner and Developer of the Subject Area and Tenant of the Subject
13 Area with delays in connection which Hydro One submits is an unreasonable
14 approach, given Hydro One's connection proposal.

15
16 46. In summary, in response to HOL's accusations regarding their purported joint use
17 tenancy request, Hydro One expeditiously addressed all HOL requests for a high-level
18 estimate for joint use occupancy and if HOL was disadvantaged, which is not admitted
19 but denied, HOL was author of its own misfortune for failing to pursue the joint use
20 request in accordance with known requirements. Notably, it remains unclear which
21 HOL proposal HOL would pursue if awarded to serve the Subject Area, the HOL
22 proposal to go joint use on Hydro One poles or the HOL expansion of their own feeder.

23
24 **MONOPOLY CONCEPT: THE HOL ANTI-CONSOLIDATION ARGUMENT**

25 47. HOL spends considerable time in their submissions attempting to convince the OEB
26 to expand what it considers with respect to economic efficiency. Specifically, HOL
27 argues that the OEB should take into consideration that when Hydro Ottawa acquired
28 the Casselman service territory from the Municipality of Casselman, it acquired (and
29 paid for) the entire municipal boundaries³⁵. HOL provides that the connection of the
30 Subject Area would form around 15% of the total load for its Casselman service

³⁴ IRR – HONI 2 Attachment A – November 11, 2022

³⁵ HOL Submission - Paragraph 118 – January 12, 2023

1 territory thus enhancing HOL's economies of continuity, density and scale and would
2 make more effective use of existing distribution resources³⁶. Additionally, HOL
3 advances that *Hydro One's position that it should serve some of Hydro Ottawa's*
4 *service territory is at odds with the Ontario Government's continued direction to the*
5 *OEB to encourage distributor consolidation. Hydro Ottawa acquired the Casselman*
6 *service territory through amalgamation. Hydro One's proposal would see 10% of that*
7 *service territory lost to Hydro One. Endorsing such an outcome would discourage, not*
8 *encourage, consolidation*³⁷.

9
10 48. Hydro One rejects HOL's unfounded arguments. The HOL submissions are at odds
11 with explicit guidance provided in the Combined Hearing Decision. Notably, the
12 Combined Hearing Decision was issued on the heels of a storied time in the Ontario
13 Distribution sector when hundreds of municipal electric utilities were merging or
14 amalgamating with other utilities. Consolidation was certainly considered in the
15 Combined Hearing Decision and is explicitly referenced therein.

16
17 49. Specific to the submissions of HOL, the Combined Hearing Decision provides two
18 explicit statements that should have guided HOL's actions in the assessment of this
19 connection. First of all, the Combined Hearing Decision, at paragraph 246 reads:

20
21 What is true for Hydro One is also true for every other distribution system
22 operator. All seek to access connection opportunities which will improve
23 the overall ratio of revenue to fixed cost. In every connection proposal the
24 prime consideration must be whether the connection is being effected in a
25 manner that optimizes the resources reasonably brought to bear on the
26 location. The simple fact that a distribution system operator has a defined
27 service area does not guarantee that it will be insulated from competing
28 systems, who can demonstrate that their proposal is more economically
29 efficient. The efficient and optimized development of the distribution system
30 is a higher value than the interests of any single operator within the
31 system³⁸.

³⁶ HOL Submission - Paragraph 103 – January 12, 2023

³⁷ HOL Submission - Paragraph 119 – January 12, 2023

³⁸ RP-2003-0044 - OEB Combined Hearing Decision with Reasons, February 27, 2004 - Paragraph 246

1 50. In reply to the HOL submissions, this extract of the Combined Hearing Decision is
2 important for multiple reasons.

3

4 51. First, the extract articulates acknowledgment of the obvious fact that HOL, Hydro One
5 and any distributor across the province is attempting to improve the overall ratio of
6 revenue to fixed costs. Therefore, the HOL argument of ameliorating its own utility-
7 specific economies of continuity, density and scale and making more effective use of
8 existing distribution resources by serving the additional load of the Subject Area is not
9 unique. Hydro One could make the exact same argument. Thus, Hydro One submits
10 those HOL submissions are irrelevant.

11

12 52. The guiding principles of the OEB are embedded in the efficient and optimized
13 development of the distribution system as a whole and not swayed by the commercial
14 interests of a single operator. The evidence is clear that Hydro One's connection
15 provides the most reliable (twice as good) and most cost-effective (up to 250x cheaper
16 from an incremental capital perspective) alternative to service the Subject Area. Hydro
17 One's proposal makes the best use of existing distribution facilities in the area and
18 does not require an expansion, upgrading, stranding or duplicating facilities unlike the
19 HOL proposals. As aforementioned, on all components of the OEB's economic
20 efficiency assessment, Hydro One's connection is superior.

21

22 53. Secondly, HOL's submission that they acquired and purchased the territory up to the
23 municipal boundary of Casselman is also irrelevant because it is at odds with the same
24 extract noted above. Specifically, that *the simple fact that a distribution system
25 operator has a defined service area does not guarantee that it will be insulated from
26 competing systems, who can demonstrate that their proposal is more economically
27 efficient.* Hydro One's proposal is more economically efficient.

1 54. Hydro One submits that the HOL position that the Application discourages
2 consolidation is without merit. The Application is consistent with the overall goal of the
3 consolidation policy, namely, to improve economic efficiencies in the distribution sector
4 with the aim of reducing the cost structure of electricity distribution across the province
5 as a whole.

6
7 55. HOL's arguments that the Application will have any bearing on the promotion of sector
8 consolidation, in concert with HOL's submissions regarding future growth in the areas
9 south of Highway 417³⁹ which arguments are not germane to this proceeding, have
10 unveiled HOL's true intentions for contesting this SAA, and requesting a hearing --
11 unnecessarily frustrating this connection. HOL has opposed this SAA and requested
12 this hearing process on the basis of protecting their commercial interests south of
13 Highway 417 despite the clearly superior Hydro One proposed connection. The OEB
14 Combined Hearing Decision explicitly states:

15
16 ...the Board expects incumbent distributors to give proper consideration to
17 rational and efficient service area realignment, even where it results in the
18 loss of some territory. Amendments should not be resisted where the
19 proponent is clearly the most efficient service provider for the affected
20 customer. The distributors affected by a proposed amendment should
21 evaluate a proposal in light of the principles in this decision, and respond
22 in a reasonable fashion⁴⁰.

23
24 56. Hydro One's connection is irrefutably the most efficient service provider for the affected
25 Subject Area. In Hydro One's view, HOL did not give proper consideration to Hydro
26 One's application and none of the HOL justifications for denying the Application, and
27 similarly denying HOL's consent for the Hydro One SAA, are predicated on the
28 principles defined by the OEB's Combined Hearing Decision. Hydro One submits that
29 HOL has unnecessarily delayed the determination of which distributor should serve
30 the Subject Area and the OEB should take that into consideration.

³⁹ HOL Submission – January 12, 2023 - Paragraphs 15 and 17

⁴⁰ RP-2003-0044 - OEB Combined Hearing Decision with Reasons, February 27, 2004 -Paragraph 200

1 **USE OF EXISTING INFRASTRUCTURE: THE HOL HOST DISTRIBUTOR**
2 **ARGUMENT**

3 57. Paragraph 19 and 63 of HOL's submission both emphasize the fact that Hydro One's
4 poles run through the middle of HOL's Casselman service territory, "not alongside" the
5 boundary. Paragraph 63 describes this as an anomalous situation vis-à-vis the more
6 usual circumstance of two distributors with assets located on either side of their shared
7 boundary. It accuses Hydro One of seeking to "use that existing permission as the
8 basis to connect a new customer in the host distributor's territory."
9

10 58. These statements imply that Hydro One has taken action that is prohibited by the
11 Service Area Amendment principles, or is otherwise inappropriate for some other,
12 unstated reason. This is not the case for the following reasons:
13

14 a. The Distribution System Code's ("the Code") S. 6.3.4 permits a distributor to
15 *build* a part of its distribution system in another distributor's service area under
16 three conditions only⁴¹. In this case, Hydro One is not building to expand its
17 distribution system within HOL's service area. It has simply invested in
18 infrastructure running along the street from its pre-existing line to connect the
19 Subject Area. Accordingly S. 6.3.4 of the Code does not apply to this case, if
20 that was the intent of Hydro Ottawa's statements.
21

22 b. The OEB's "Principles for Dealing With Service Area Amendments," Section 4.1
23 of its RP-2003-0044 Decision state "Amendments to service areas at the border
24 of contiguous distributors may be in the public interest."⁴² The section also
25 emphasizes economic efficiency, lending credence to the use of existing

⁴¹ "6.3.4 A distributor shall not build any part of its distribution system in another distributor's licensed service area except under the following conditions:

- The part of the distribution system that is to be located inside another licensed service area is dedicated to the delivery of electricity to the distributor who owns the distribution facilities; and
- There is no apparent opportunity for both distributors to share the distribution facilities; and
- The distributor in whose service area the distribution facilities are to be located determines that the presence of the distribution facilities in that location does not impinge on its distribution operations."

⁴² RP-2003-0044 - OEB Combined Hearing Decision with Reasons, February 27, 2004 - Section 4.1

1 infrastructure wherever possible.⁴³ However, these principles do not define or
2 otherwise restrict the consideration of “existing infrastructure” in SAA’s.
3

4 59. It is true that due to the nature of its system, Hydro One has many such pre-existing
5 lines which run through another utility’s service area to connect to its assets -- in this
6 case, to Casselman DS. However, Hydro One submits that it has not abused its
7 ownership of such assets to routinely try to connect new customers in these situations
8 and it is not attempting to do that now.
9

10 **CONCLUSION**

11 60. HOL has argued that Hydro One, as the moving party for this SAA, has not met the
12 burden of proof and the Application should therefore be denied⁴⁴. The voluminous
13 record and clear fact that Hydro One can provide a lies-along connection that is more
14 reliable and significantly more economically efficient on every element of the OEB’s
15 assessment, irrefutably dismisses HOL’s claims. OEB Staff have reached the same
16 conclusion; simply stated, when assessing any of the principles articulated in the
17 Combined Hearing Decision, Hydro One’s proposal is superior, and the evidence
18 proves that.
19

20 61. Additionally, though it is articulated in Paragraph 22 of HOL’s submissions, Hydro
21 One submits that HOL’s arguments ignore their own evidence in this proceeding that
22 either distributor requires an amendment of their licence to effectively service the
23 Subject Area.
24

25 Hydro Ottawa believes its evidence should be treated as an Application.
26 Although the larger portion of the property, including the service point,
27 resides within Hydro Ottawa’s service territory, a portion of the
28 development resides within Hydro One’s service territory⁴⁵.

⁴³ Ibid.

⁴⁴ HOL Submission – January 12, 2023 - Paragraph 5

⁴⁵ IRR HONI – 5, November 11, 2022

1 62. The argument is also not cogent when considering HOL's submissions at Paragraph
2 11:

3
4 Hydro Ottawa requests that the OEB determine that Hydro Ottawa should
5 be the distributor for the new customer. Hydro Ottawa seeks direction from
6 the OEB that if Hydro Ottawa is not able to reach an agreement with Hydro
7 One for timely and economical joint use of poles, then Hydro Ottawa be
8 permitted to connect the new customer by way of Hydro Ottawa
9 using/adding its own poles.
10

11 63. It would be inefficient for the OEB to deny this Application only to review a separate
12 application by HOL as the moving party. Hydro One submits that the OEB's
13 determination on which utility should service the Subject Area is clear. The record is
14 clear. Hydro One's connection provides the most cost-effective and reliable connection
15 to service the Subject Area.
16

17 64. Hydro One's reply is not predicated on any new information and entirely relies on the
18 record of this proceeding therefore Hydro One submits that the record of this
19 proceeding is complete for the OEB's consideration and no opportunity for a sur-reply
20 by HOL is required or justified. Hydro One requests that the OEB approve the
21 Application and amend Hydro One's distribution licence (ED-2003-0043) as part of a
22 final order on the disposition of this proceeding, to add the Subject Area, which Hydro
23 One has been serving since January of 2022⁴⁶, to Hydro One's service area.
24

25 **All of which is respectfully submitted on January 19, 2023.**

⁴⁶ Exhibit I, Tab 2, Schedule 11 – November 11, 2022