



EB-2012-0305

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

AND IN THE MATTER OF an application pursuant to section 74 of the *Ontario Energy Board Act, 1998* by Hydro One Networks Inc. and Kitchener-Wilmot Hydro Inc. seeking an order to amend Hydro One Networks Inc.'s and Kitchener-Wilmot Hydro Inc.'s Electricity Distribution Licences (ED-2003-0043 and ED-2002-0573, respectively);

AND IN THE MATTER OF an application pursuant to section 86(1)(b) of the *Ontario Energy Board Act, 1998* by Hydro One Networks Inc. seeking an order granting leave to sell distribution assets necessary in serving the public to Kitchener-Wilmot Hydro Inc.

By delegation before: David Richmond

DECISION AND ORDER September 27, 2012

THE APPLICATION

On July 4, 2012 Hydro One Networks Inc. ("Hydro One") and Kitchener-Wilmot Hydro Inc. ("Kitchener-Wilmot") filed a joint application with the Ontario Energy Board under sections 74 and 86(1)(b) of the *Ontario Energy Board Act, 1998*, (the "Act") for service area amendments to their respective licences and leave for Hydro One to sell distribution assets to Kitchener-Wilmot.

The application addresses the long term load transfer (“LTLT”) arrangements between Hydro One and Kitchener-Wilmot. A load transfer is a situation in which a customer is located in the licensed service area of one distributor (the “geographic distributor”) but is physically served electricity by another distributor (the “physical distributor”). Section 6.5.4 of the Board’s Distribution System Code requires geographic distributors to eliminate long term load transfer arrangements before June 30, 2014 by either negotiating the transfer of the customers to the physical distributor or by the geographic distributor extending its system to connect the customers.

The application seeks an order of the Board to:

- (a) amend the service area in Schedule 1 of Hydro One and Kitchener-Wilmot’s current electricity distribution licences to reflect the transfer of 19 LTLT customer from Hydro One to Kitchener-Wilmot;
- (b) approve the sale from Hydro One to Kitchener-Wilmot of distribution assets necessary in serving the customer proposed to be transferred from Hydro One to Kitchener-Wilmot;

Service Area Amendment and Sale of Distribution Assets

The proposed service area amendment would transfer 19 customers to Kitchener-Wilmot’s licensed service area. The customers are currently located within Hydro One’s licensed service area and are customers of Hydro One but are physically served electricity by Kitchener-Wilmot under an LTLT agreement between the two distributors. If the proposed amendments are approved, these customers will be billed and otherwise served by Kitchener-Wilmot as Kitchener-Wilmot customers. The customers are located at Oxford-Waterloo Road on the boundary between the Township of Wilmot and the Township of Blandford-Blenheim. The assets proposed to be sold to Kitchener-Wilmot by Hydro One consist of five overhead transformers, one pad-mount transformer and 5 poles. Hydro One states that a net book value of \$24,148.59 including HST has been

assigned to these assets. The assets serve, and will continue to serve, the customers presently served by the assets.

The land that is the subject of the service area amendment is described in Appendix A to this Decision and Order.

THE PROCEEDING

The Board assigned file number EB-2012-0305 to the application and issued its Notice of Application and Written Hearing on August 7, 2012. The Notice was served upon the customers located on the lands that are the subject of the application. No one responded to the Notice.

FINDINGS

The service area amendment and the sale of assets are prompted by the Board's policy that requires the elimination of long term load transfers. The application is consistent with Board policy.

The applicants stated that the proposed service area amendment is the most cost-efficient approach for eliminating the subject LTLT arrangement. The applicants further stated that since Kitchener-Wilmot is already serving the customers, it would not be cost effective for Hydro One to incur significant capital costs to build the required facilities to connect the customers. In addition, the applicants indicated that the proposed service area amendment will have no impact on service quality. The current distribution rates for the customer being transferred from Hydro One to Kitchener-Wilmot will not increase as a result of the service area amendment.

With respect to the sale of the distribution assets from Hydro One to Kitchener-Wilmot, the application states that the assets have been serving the customers for several years and that it would be uneconomical for Hydro One to remove the assets and for Kitchener-Wilmot to install new assets to serve the same customers.

Based on the evidence, I find that it is in the public interest to amend Schedule 1 of Hydro One and Kitchener-Wilmot's respective electricity distribution licences to reflect the transfer of the subject customers from Hydro One to Kitchener-Wilmot as requested by the applicants. I also find that it is in the public interest to grant Hydro One leave to sell the assets described in the application to Kitchener-Wilmot.

The approval of this application should in no way be construed as providing the Board's opinion or position on whether Kitchener-Wilmot will be allowed to recover the cost of the assets it is purchasing as a result of this Decision and Order in a future rates application. The prudence of the costs incurred in purchasing the assets will be considered by the panel assigned to the rates case and that panel will determine if the costs should be recovered in rates.

IT IS ORDERED THAT:

1. Hydro One Networks Inc.'s electricity distribution licence (ED-2003-0043) specifically Schedule 1 is amended to exclude the area served by Kitchener-Wilmot Hydro Inc. as particularly set out in Licence No. ED-2002-0573.
2. Kitchener-Wilmot Hydro Inc.'s electricity distribution licence (ED-2002-0573) specifically Schedule 1 is amended to include the following lands and customers located in the Township of Blandford-Blenheim:
 - (a) 967192, 967244, 967268, 967324, 967372, 967376 (two customers), 967418, 967470, 967520, 967530, 967590, 967610, 967638 (two customers), 967672, and 967720 Oxford-Waterloo Road;
 - (b) 3033 and 3063 Trussler Road.
3. Hydro One Networks Inc. is granted leave to sell the assets generally described above and more specifically described in the application.

DATED at Toronto, September 27, 2012

ONTARIO ENERGY BOARD

Original Signed By

David Richmond
Manager, Electricity Facilities & Infrastructure Applications

Appendix A

Description of the Lands that are the Subject of the Service Area Amendment - EB-2012-0305

Lands Proposed to be Transferred to Kitchener-Wilmot's Service Area from Hydro One's Service Area to Eliminate their Long Term Load Transfer Arrangement	Premise Address	Legal Description	Township	Customer Type
No.				
1	967192 Oxford-Waterloo Road	L11C14	Blandford-Blenheim	Residential
2	967244 Oxford-Waterloo Road	L9C14	Blandford-Blenheim	Residential
3	967268 Oxford-Waterloo Road	L9C14	Blandford-Blenheim	Residential
4	967324 Oxford-Waterloo Road	L8C14	Blandford-Blenheim	Residential
5	967372 Oxford-Waterloo Road	L7C14	Blandford-Blenheim	Residential
6, 7	967376 Oxford-Waterloo Road	L7C14	Blandford-Blenheim	Residential
8	967418 Oxford-Waterloo Road	L6C14	Blandford-Blenheim	Residential
9	967470 Oxford-Waterloo Road	L6C14	Blandford-Blenheim	Residential
10	967520 Oxford-Waterloo Road	L5C14	Blandford-Blenheim	Residential
11	967530 Oxford-Waterloo Road	L5C14	Blandford-Blenheim	Residential
12	967590 Oxford-Waterloo Road	L5C14	Blandford-Blenheim	Residential
13	967610 Oxford-Waterloo Road	L4C14	Blandford-Blenheim	Residential
14, 15	967638 Oxford-Waterloo Road	L3C14	Blandford-Blenheim	Residential
16	967672 Oxford-Waterloo Road	L2C14	Blandford-Blenheim	Residential
17	967720 Oxford-Waterloo Road	L2C14	Blandford-Blenheim	Residential
18	3033 Trussler Road	L1C14	Blandford-Blenheim	Residential
19	3063 Trussler Road	L1C14	Blandford-Blenheim	Residential