



EB-2005-0533

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

AND IN THE MATTER OF an application by Guelph Hydro
Electric Systems Inc. and Wellington Electric Distribution
Company Inc. under section 86 of the *Ontario Energy Board
Act, 1998* seeking an order granting leave to amalgamate,
and for related orders.

BEFORE: Paul Vlahos
Presiding Member

Cynthia Chaplin
Member

Paul Sommerville
Member

DECISION AND ORDER

On November 22, 2005, Guelph Hydro Electric Systems Inc. ("GHESI") and Wellington Electric Distribution Company Inc. ("WEDCO") filed an Application with the Ontario Energy Board (the "Board") under section 86 of the *Ontario Energy Board Act, 1998* (the "Act") for leave to amalgamate. The Application also seeks the cancellation of WEDCO's electricity licence under section 77(5) of the Act and an amendment to GHESI's electricity licence under section 74 of the Act to include WEDCO's service area in GHESI's licence.

GHESI owns, operates and manages assets associated with the distribution of electricity within the geographic territory and municipal boundaries of the City of Guelph, as described in its electricity distribution licence (ED-2002-0565).

WEDCO owns, operates and manages assets associated with the distribution of electricity within the geographic territory and municipal boundaries of the Police Village of Rockwood, now part of the Township of Guelph/Eramosa, as described in its electricity distribution licence (ED-2002-0564).

Both GHESI and WEDCO are wholly-owned subsidiaries of Guelph Hydro Inc., which in turn is owned by the City of Guelph.

Following the amalgamation, GHESI (which will continue as the amalgamated company) would serve approximately 45,113 customers in the service territories that are currently served by GHESI and WEDCO. At the present time, GHESI provides various services to WEDCO under contract, including billing, general administration and management services.

The Application notes that an application for rate harmonization for the two service territories is expected to be filed in 2007.

A Notice of Application and Written Hearing was published as directed by the Board. No interventions were filed in response to the Notice, and the Board has proceeded by way of a written hearing.

The full record of this proceeding is available for review at the Board's offices. While the Board has considered the full record, the Board has summarized and referred only to those portions of the record that it considers helpful to provide context to its findings.

Board Findings

Section 86 of the Act provides, among other things, that no transmitter or distributor, without first obtaining an order from the Board granting leave, shall amalgamate with any other corporation.

Section 1 of the Act states that the Board, in carrying out its responsibilities under the Act in relation to electricity, shall be guided by the following objectives:

1. To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service; and

2. To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.

The test to be applied by the Board in deciding whether to approve an amalgamation transaction is whether the proposed transaction will have an adverse effect in terms of the factors identified in the above objectives.¹

The Applicants state that there will be synergies in amalgamating GHESI and WEDCO and combining their service territories. In particular, the proposed amalgamation would allow the consolidation of corporate policies and procedures, and the avoidance of the duplicative costs of maintaining two electricity distribution licences and minute books, and preparing two sets of annual regulatory, corporate and tax filings.

In addition, the Applicants submit that the customers of WEDCO will also benefit in the long term from access to the greater depth of expertise of GHESI in distribution system management and maintenance and from the economies of scale gained from becoming part of a larger distribution utility.

The Application states that GHESI plans to take steps to ensure that operational safety, system integrity, quality and reliability of services will be maintained after completion of the proposed amalgamation. Specifically, the WEDCO distribution system and existing municipal substation would be maintained by GHESI in the same manner as is currently being done. In 2006, GHESI plans to add a capacitor bank for voltage improvement pending the addition of a second municipal substation in the WEDCO service territory. Also, GHESI would monitor residential and commercial growth and would plan new distribution lines and upgrade substations as required for increased demand and system reliability.

The Board accepts the Applicants' uncontested evidence, and concludes that the proposed transaction will not have an adverse effect in terms of the factors identified in the Board's objectives under section 1 of the Act.

¹ See the Decision of the Board in combined proceeding RP-2005-0018/EB-2005-0234/EB-2005-0254/EB-2005-0257 (August 31, 2005) and the Decision and Order of the Board in each of proceeding EB-2005-0234 (September 16, 2005), EB-2005-0257 (September 16, 2005) and EB-2005-0254 (September 19, 2005).

THE BOARD ORDERS THAT:

1. Guelph Hydro Electric Systems Inc. and Wellington Electric Distribution Company Inc. are granted leave to amalgamate.
2. Notice of completion of the transaction shall be promptly given to the Board.
3. The Board's leave to amalgamate shall expire 18 months from the date of this Decision and Order. If the transaction has not been completed by that date, a new application for leave to amalgamate will be required in order for the transaction to proceed.

Pursuant to section 6(1) of the Act, the Management Committee of the Board has delegated to Mark Garner, an employee of the Board, the powers and duties of the Board with respect to the determination of applications under section 74 and section 77(5) of the Act. Accordingly, the Board refers to Mark Garner the application to cancel Wellington Electric Distribution Company Inc.'s electricity distribution licence and the application to amend Guelph Hydro Electric Systems Inc.'s electricity distribution licence.

ISSUED at Toronto, February 21, 2006.

ONTARIO ENERGY BOARD

Original signed by

Peter H. O'Dell
Assistant Board Secretary