

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

**AND IN THE MATTER OF** applications by Centre Wellington Hydro, Veridian Connections Inc., EnWin Powerlines Ltd., Erie Thames Powerlines Corp., Chatham-Kent Hydro Inc., Essex Powerlines Corp., Cooperative Hydro Embrun Inc. and Hydro One Networks Inc. pursuant to subsection 74(1) of the Ontario Energy Board Act, 1998 to amend Schedule 1 of their Transitional Distribution Licences.

**Application to Amend the Distribution Licence of Chatham-Kent Hydro Inc.**

**Reply Argument of The Corporation of the Municipality of Chatham-Kent as Intervenor**

**1.0 Introduction**

1.1 This submission is in addition to the written argument of the The Corporation of the Municipality of Chatham-Kent (the "Municipality") as Intervenor filed with the Board on May 23, 2003 and is submitted in response to the written argument of Hydro One Networks Inc. filed May 27, 2003 and written submissions of the Power Workers Union filed May 28, 2003. In addressing matters raised in the Hydro One submission, the paragraph headings used in the Hydro One submission will be utilized in this reply argument.

## 2.0 Networks Option at 10MW with Dual Feeders for Permanent Supply

- 2.1 Hydro One has indicated on page 2 , line 27, of it's argument "at the hearing the customer, the Municipality of Chatham-Kent, made clear for the first time to Networks that it wishes to be supplied by dual feeders. This timing was unfortunate, as discussed below, as it appears that Chatham-Kent Hydro was not similarly disadvantaged." In the letter of the Municipality dated February 8<sup>th</sup>, 2002 requesting proposals from both Hydro One and Chatham-Kent Hydro, the Municipality specifically requested in paragraph #2 "Please supply costs for a single and double feeder supply" . Both Chatham-Kent Hydro and Hydro One responded to this letter and provided costs of a dual feeder supply. The Municipality requested this information so that it could make an appropriate decision as to the nature of the electricity supplied including a decision as to whether to proceed with a single or a double feeder supply. After the proposals were received by the Municipality and analyzed, the Municipality then made their decision to proceed with the 10MW double supply. Both parties had the opportunity to quote on a double supply and did quote on a double supply so it is clear that neither Chatham-Kent Hydro nor Hydro One was disadvantaged.
- 2.2 Hydro One indicates on page 3 of its argument that "The Municipality of Chatham-Kent has indicated that its criteria for electric service for the Business Park are connection costs, system reliability, connection time and service response time." While this is correct, Hydro One has neglected to indicate the very important criteria of the Municipality being the lowest electricity rates for its end user customer and ability to provide to it's customers certainty of system capacity, certainty of capital cost which will be reflected in lot costs and certainty of electricity rates.

2.3 Hydro One further indicates on page 3, line 28, of its argument “While both Networks and Chatham-Kent Hydro can convert the back up nature of one of the two feeders into an additional 10MW of supply, Networks capital costs for doing so are lower than those of Chatham-Kent Hydro (both have single contingency at 20MW)”. At the board hearing, at line 1829 Ms. Lea in discussing an undertaking being given by Hydro One to provide costing evidence indicates “I understand this costing evidence is going to deal with an option that you are providing 10MW of supply through those lines and/or 20MW of supply through those lines”. Mr. Gee answered at line 1830 “yes we would do that” . Paragraph 4.3 of the Municipality’s written argument it was indicated that “Chatham-Kent Hydro has indicated that there will be no additional capital cost when a greater than 10MW load requirement materializes as the Bloomfield Business Park expands to the balance of the 300 acres. It is unclear from the submissions of Hydro One as to whether there will be additional capital costs in the range of the \$2,000,000 quoted in the Hydro One letter of March 14, 2002 ” (previously wrongly indicated in the Municipality’s argument as 2003). Therefore, it was expected that Hydro One would provide in their undertaking the capital costs associated with providing a greater than 10MW load to the Bloomfield Business Park and paragraph 4.3 of the Municipality’s written argument clearly invited submissions from Hydro One in the event that Hydro One’s capital costs would be anything different than the \$2,000,000 quoted in the Hydro One letter of March 14, 2002. The undertaking provided by Hydro One does not deal with this issue nor does the written submission of Hydro One filed May 27, 2003. Accordingly, we are left to conclude that the additional capital costs of Hydro One for providing greater than 10MW of load to the Bloomfield Business Park will be the \$2,000,000 quoted in the Hydro One letter of March 14, 2002.

### 3.0 Interim 10MW Solution

- 3.1 The Municipality clearly stated their need is for a 10MW dual feeder supply not a single feeder as suggested by Hydro One. The Municipality requires the certainty of electricity capacity immediately so that it can represent it's power supply capacity at the Bloomfield Business Park to prospective customers who require certainty and reliability with respect to power capacity. The Hydro One interim solution further disregards the needs of the customer, the Municipality of Chatham-Kent and it's eventual end user customers, in that such interim proposal does not provide for any certainty of electricity rates. Hydro One on page 5 line 7 of their submission suggests "the circuit would be connected to Chatham-Kent supply point, on an interim basis, until the Board makes it's final decision after the combined hearing". It is understood under this proposed scenario, Chatham-Kent Hydro electricity rates would be initially chargeable but would be subject to change to the Hydro One rates if the Board's final decision was that Hydro One would be the service provider. This uncertainty will provide a significant stumbling block to the Municipality in it's attempt to market the Bloomfield Business Park.
- 3.2 Further, it is understood based upon the interim proposal of Hydro One, if Chatham-Kent Hydro is determined by the Board's final decision to be the service provider to the Bloomfield Business Park, that one of the feeders to the park would be connected to the Hydro One M1 feeder. This is a long rural feeder line, and as such is subject to many more possibilities of power interruption. The Municipality does not wish to be connected to long rural feeder lines since the reliability and quality of power is a very significant issue for not only the Municipality but potential customers of the Bloomfield Business Park

#### **4.0 Networks and Chatham-Kent Hydro Rate Comparison**

- 4.1 Hydro One indicates on the bottom of page 7 and the top of page 8 of it's argument "Moreover, since the weight to be placed on rates in license amendment applications is an issue to be determined by the Board at the main hearing, Networks submission is that rates should be given little weight in the current circumstances." This statement completely disregards the need for certainty of electricity rates for not only the Municipality of Chatham-Kent as customer but the potential end user customers at the Bloomfield Business Park.
- 4.2 Moreover, the submissions of Hydro One tend to disregard the findings of the independent consultants, Stevens Associates, on page 6 of their report that "The future occupants of the Park will pay significantly lower electricity rates if they are served by Chatham-Kent Hydro rather than Hydro One " and "Although the impacts on the developer (the Municipality of Chatham-Kent) are mixed, the benefits (the commercial advantage of offering land with lower electricity rates, the possibly lower cost of future expansion and electricity supply capacity) probably outweigh the disadvantages (higher capital contributions even after considering rebates)".

#### **5.0 Issues Related to the Sharing of Information**

- 5.1 On page 11 of Hydro One's argument, it is stated at line 30 "Rather, it is Network's view that it was forced into the position of having to respond to revisions of the Municipality of Chatham-Kent's requirement which were never properly or fairly communicated to Networks". The Municipality requested proposals from both Hydro One and Chatham-Kent Hydro by it's letter of February 8<sup>th</sup>, 2002 wherein it clearly requested the "costs for a single and double feeder supply". Both Hydro One and Chatham-Kent Hydro responded. By letter of May 15, 2002 the

Municipality indicated to both Hydro One and Chatham-Kent Hydro "Further to the submission of your proposal for the provision of hydro electric service to the 401 and Bloomfield Road, please be advised the Municipality of Chatham-Kent has retained the services of Dillon Consulting Limited to evaluate the proposals. Mr. Enio Sullo, project director, Dillon Consulting Limited, is authorized to obtain and receive any information pertaining the proposals. We would appreciate your co-operation with Mr. Sullo in order to expedite the decision making process". The report of Stevens Associates, a sub-consultant to Dillon, clearly references that it had subsequent communications with both Hydro One and Chatham-Kent Hydro.

Hydro One implies that it did not understand that the Municipality "wanted a dual source of supply (ie 2 feeders) for 10MW for reliability purposes, rather than for additional capacity". Hydro One clearly had ample opportunity to seek clarification from the Municipality during the Municipality's decision making process. According to the evidence of Mr. Gee , Hydro One did not seek clarification. Clearly, it is not incumbent upon the Municipality to offer clarification to Hydro One when the Municipality did not know that Hydro One had any misunderstanding of the Municipality's request for proposals. It is the Municipality's expectation based upon it's experience in the customer oriented business world that where service providers attempt to respond to customer requirements, the onus falls upon the service provider to seek all required clarification. Since it is clear that Hydro One did not seek this clarification, Hydro One ought not to be allowed to attempt to negotiate it's position before the Board.

## 6.0 Conclusion

- 6.1 The Municipality, as customer, has a critical requirement for certainty in respect of it's electricity service to the Bloomfield Business Park. It is critical for the Municipality to effectively and competitively market the Business Park that they have certainty in their electricity rates, certainty in the capital costs for electricity supply to be recovered in lot sales and certainty in immediate electrical capacity by way of 10MW dual feeder. Without this certainty the Municipality will be severely hampered in it's marketing of the Bloomfield Business Park which will have serious repercussions upon the Municipality's economic strategy and it's ability to recover its development costs.
- 6.2 After reviewing all of the submission before the Board, the recommendations as aforesaid of the independent consultants, Stevens Associates, remain valid.
- 6.3 The Municipality of Chatham-Kent respectfully requests that the application of Chatham-Kent Hydro to expand it's service area to the Bloomfield Business Park be approved by the Board on a final basis.

All of which is respectfully submitted this 29<sup>th</sup> day of May, 2003.

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James D. Wickett  
Counsel to the Intervenor  
The Corporation of the  
Municipality of Chatham-Kent