



**EB-2004-0504**

**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 Hamilton  
Hydro Inc. and St. Catharines Hydro Utility Services Inc.,  
under section 86 of the *Ontario Energy Board Act, 1998*  
seeking an order granting the applicants leave to  
amalgamate;

**AND IN THE MATTER OF** an application by Hamilton  
Hydro Inc. and St. Catharines Hydro Utility Services Inc.,  
under section 60 of the *Ontario Energy Board Act, 1998*  
seeking the issuance of a new electricity distribution licence  
to the amalgamated corporation that will come into  
existence on the amalgamation of the applicants.

**BEFORE:** Pamela Nowina  
Presiding Member

Cathy Spoel  
Member

Bob Betts  
Member

## **DECISION AND ORDER**

On November 19, 2004, Hamilton Hydro Inc. (“HHI”) and St. Catharines Hydro Utility Services Inc. (“SCHUSI”) filed an application (the “Application”) with the Ontario Energy Board seeking: (i) leave for the amalgamation of HHI and SCHUSI; and (ii) the issuance of a new electricity distribution licence to the amalgamated corporation (“MergeCo”) which will come into effect on the date of amalgamation.

HHI owns, operates and manages assets associated with the distribution of electricity within the geographic territory of the City of Hamilton. HHI is a subsidiary of Hamilton Utilities Corporation, which is wholly owned by the City of Hamilton.

SCHUSI owns, operates and manages assets associated with the distribution of electricity within the geographic territory of the City of St. Catharines. SCHUSI is a subsidiary of St. Catharines Hydro Inc., which is wholly owned by the City of St. Catharines.

According to documentation filed with Application, the City Council of Hamilton, Hamilton Utilities Corporation, the City Council of St. Catharines, and St. Catharines Hydro Inc. have all approved the proposed amalgamation of HHI and SCHUSI.

Upon completion of the proposed amalgamation, the City of Hamilton and the City of St. Catharines would indirectly hold 78.9 percent and 21.1 percent, respectively, of the shares of MergeCo.

Following the amalgamation, MergeCo would serve approximately 227,000 customers in the service territories currently served by HHI and SCHUSI. These service territories are not geographically contiguous.

HHI and SCHUSI have indicated that they intend to undergo rate harmonization on a gradual basis. In this regard, the Board notes that according to section 5.6 of the Electricity Distribution Rate Handbook, MergeCo must file a rate harmonization plan with the Board.

A Notice of Application and Written Hearing was published in 3 newspapers. 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

The acquisition and divestiture of electricity distributors is governed by the *Ontario Energy Board Act, 1998* (the “Act”). Section 86 of the Act provides, among other things, that leave of the Board is required before a distributor can 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.
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.

HHI and SCHUSI submitted that the amalgamation would allow the parties to capitalize on possible economies of scale through:

- integration of management, billing and record systems;
- lower financial costs and improved access to capital for investment in the distribution system in both areas;
- the enhancement of customer service at competitive rates making the communities attractive to investors; and
- the ability to pursue productivity improvement strategies in the best interests of the customers involved.

HHI and SCHUSI provided a business case indicating that the anticipated merger savings would be approximately \$5.4 million annually. The Board accepts this uncontroverted evidence.

Further, the Board accepts HHI and SCHUSI’s evidence that the proposed amalgamation will not adversely affect the reliability, quality or safety of distribution.

The Board therefore concludes that the proposed amalgamation is in the public interest.

**THE BOARD ORDERS THAT:**

1. Hamilton Hydro Inc. and St. Catharines Hydro Utility Services Inc. are granted leave to amalgamate.
2. Notice of completion of the amalgamation 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 amalgamation has not been completed by that date, a new application for leave will be required in order for the amalgamation 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 60 of the Act. Accordingly, the Board refers to Mark Garner the application to issue a new electricity distribution licence to the amalgamated corporation.

**ISSUED** at Toronto, January 11, 2005.

ONTARIO ENERGY BOARD

*Original Signed by*

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Peter H. O'Dell  
Assistant Board Secretary