



EB-2008-0053

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 Orangeville Hydro Limited and Grand Valley Energy Inc. under section 86 of the *Ontario Energy Board Act, 1998* seeking an order for leave to amalgamate;

AND IN THE MATTER OF an application by Orangeville Hydro Limited and Grand Valley Energy Inc. under section 74 of the *Ontario Energy Board Act, 1998* seeking an order to amend Orangeville Hydro Limited's distribution licence;

AND IN THE MATTER OF a request by Grand Valley Energy Inc. under section 77(5) of the *Ontario Energy Board Act, 1998* seeking the cancellation of its distribution licence.

BEFORE: Gordon Kaiser
Presiding Member and Vice Chair

Bill Rupert
Member

DECISION AND ORDER

On February 21, 2008, Orangeville Hydro Limited ("OHL") and Grand Valley Energy Inc. ("GVEI"), both licensed electricity distributors, jointly filed an application with the Ontario Energy Board under section 86(1)(c) of the Ontario Energy Board Act, 1998, S.O. 1998, c. 15 (Schedule B) (the "Act"), seeking leave to amalgamate OHL and GVEI.

If the Board grants leave to OHL and GVEI to amalgamate and the transaction closes, GVEI has requested, under section 77(5) of the Act, that its electricity distribution licence be canceled. OHL has requested, under section 74 of the Act, that its

distribution licence be amended to include in its service area the area currently served by GVEI.

OHL owns, operates and manages assets associated with the distribution of electricity within the geographic territory and municipal boundaries of the Town of Orangeville, as described in its electricity distribution licence (ED-2002-0500).

GVEI owns, operates and manages assets associated with the distribution of electricity within the geographic territory and municipal boundaries of the Township of East Luther Grand Valley, as described in its electricity distribution licence (ED-2002-0512).

Currently, the Town of Orangeville holds 100 percent of the shares of OHL, and GVEI is wholly owned by the Township of East Luther Grand Valley.

Upon completion of the proposed transaction, the Town of Orangeville and the Township of East Luther Grand Valley would hold 94.5 percent and 5.5 percent, respectively, of the shares of the amalgamated utility.

A Notice of Application and Written Hearing was issued on April 4, 2008 and published as directed by the Board on April 15, 2008 in the Town of Orangeville and April 17, 2008 in Township of East Luther Grand Valley. No interventions or letters of comment were filed in response to the notice.

The Board proceeded by way of a written hearing.

Board Findings

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.

The "No Harm" Test

Section 86(1)(c) of the Act provides that no transmitter or distributor, without first obtaining an order from the Board granting leave, shall amalgamate with any other corporation.

In determining whether to approve this application, the Board has been guided by the principles set out in the Board's decision in the combined MAADs proceeding (Board File Numbers RP-2005-0018/EB-2005-0234/EB-2005-0254/EB-2005-0257). In that decision, the Board ruled that the "no harm" test is the relevant test for purposes of applications for leave to acquire shares or amalgamate under section 86 of the Act. The "no harm" test consists of a consideration as to whether the proposed transaction would have an adverse effect relative to the status quo in relation to the Board's statutory objectives. If the proposed transaction would have a positive or neutral effect on the attainment of the statutory objectives, then the application should be granted. The factors to be considered are those set out in section 1 of the Act, namely:

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.

OHL and GVEI have made the following submissions in support of the application:

- OHL has the funds and financial capability (which GVEI does not have) available for capital reinvestment in the GVEI service area;
- OHL plans capital expenditures of approximately \$50,000 in each of 2008 and 2009 in the GVEI service territory. The capital work will focus on improving safety and reliability on the distribution network;
- The increased customer size and value of OHL will enhance its ability to raise low cost capital as required going forward;
- GVEI's customers will benefit from OHL's organizational structure, technologies and processes that support effective utility operation; and
- Minimal organizational transformation is required for OHL.

According to the supplementary filing of June 5, estimated annual cost savings as a result of the merger would be \$51,689 in 2008 and \$53,241 in 2009.

OHL and GVEI indicated that the amalgamated company will retain the rate schedules for customers in each of the service areas, and will apply for harmonized rates for 2010.

Based on the evidence in this proceeding, the Board concludes that the proposed amalgamation will not have an adverse effect in terms of the factors identified in the Board's objectives in section 1 of the Act. Accordingly, the Board finds that the proposed amalgamation passes the "no harm" test.

Given that the Board is granting leave to OHL and GVEI to amalgamate, the Board finds that it is in the public interest to cancel GVEI's electricity distribution licence and amend OHL's distribution licence to include in its service area the area currently served by GVEI when the transaction closes.

Net Metering Thresholds

The current net metering thresholds for OHL and GVEI are 428 kW and 120 kW respectively. OHL and GVEI have submitted that there are no special circumstances that warrant using a different methodology to determine the net metering threshold. The Board accepts that there are no special circumstances present and will therefore add together the net metering thresholds for OHL and GVEI to determine the net metering threshold for the amalgamated company.

THE BOARD ORDERS THAT:

1. OHL and GVEI are granted leave to amalgamate.
2. 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.
3. OHL shall promptly notify the Board of the completion of the transaction.
4. Once the notice referred to in number 3 above has been provided to the Board, the Board will amend the electricity distribution licence of OHL to include the

service area formerly served by GVEI. 5. Once the notice referred to in number 3 above has been provided to the Board, the Board will cancel licence ED-2002-0512 for GVEI.

6. Once the notice referred to in number 3 above has been provided to the Board, the net metering threshold for the amalgamated company (i.e., Orangeville Hydro Limited) will be 548 kW.

ISSUED at Toronto, July 14, 2008.

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary