



Niagara-on-the-Lake Hydro Inc.

March 2, 2015

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: EB-2015-0006 Proposed Amendments to the Distribution System Code

Dear Sirs:

On behalf of Niagara-on-the-Lake Hydro ("NOTL Hydro") I am pleased to provide our written comments on the Proposed Amendments to the Distribution System Code designed to facilitate the elimination of the remaining load transfer arrangements between electricity distributors. NOTL Hydro has three load transfer arrangements with two other electricity distributors so has an interest in ensuring this is facilitated in an efficient manner.

There are three issues with the proposed amendments we wish to address:

- Use of the distribution charge as the criteria for determining the timing of the transfer
- Customer by customer transfer when the physical distributor has the higher rate
- Re-imburement for assets transferred.

Delivery Charge vs. Distribution Charge

NOTL Hydro proposes that "delivery charge" be inserted instead of "distribution charge" in sections 6.5.3 and 6.5.4 as the criteria for determining the timing of the transfer. NOTL Hydro has the situation whereby our distribution charge is higher than that of the electricity distributor with which we have a load transfer but our delivery charge is lower. Due to our investments in our system and in our transformation assets, of which the costs are included in our distribution rates, we have lower transmission connection charges and lower line losses and thus a lower overall delivery charge. If these load transfer customers were transferred to the other electricity distributor they would incur higher overall rates.

Customer transfer when the physical distributor has a higher rate

NOTL Hydro proposes that section 6.5.4 be amended such that when an individual customer cannot be easily isolated for the purposes of a service area amendment, such as a number of residential customers on the same street, the transfer be the earlier of a) the delivery charge of the physical distributor becoming lower than that of the geographic distributor or b) five years. Service area amendments are not practical on a customer by customer basis where a number of customers are in geographic proximity such as on a residential street. The timeline for the transfer in this situation could also be decades. Our proposal is designed to provide time for either the geographic distributor to install a physical connection or for the affected customers to prepare for the change without having the service area amendment process last for years and occurring one lot at a time.

Assets transferred

NOTL Hydro proposes that sections 6.5.3 and 6.5.4 be amended to require that the transfer price for the assets being transferred be based on the cash flow value of the customers transferred determined using the CCRA methodology. The geographic distributor is likely to own some of the assets used to feed the customer such as the meter, secondary conduit, transformers and poles. However the real value being transferred is the future cash flow from the distribution and transmission rates of the customers being transferred. These cash flows have been included in the geographic distributor's rate models. Transferring these assets and customers using the CCRA methodology keeps both distributors whole from a financial perspective and provides an independently verifiable approach to the transfer pricing. Transferring the assets at either cost or market value would provide a financial benefit for one of the distributor's customers and would financially penalize the other.

Conclusion

Our proposed amendments have been designed to improve the process provided by Board staff to facilitate the elimination of the remaining load transfer customers. We hope they are of assistance.

Yours truly,



Timothy B. Curtis
President
