

IN THE MATTER OF an application made by Hydro One Inc. for leave to purchase all of the issued and outstanding shares of Orillia Power Distribution Corporation, made pursuant to section 86(2)(b) of the *Ontario Energy Board Act, 1998*.

AND IN THE MATTER OF an application made by Orillia Power Distribution Corporation seeking to include a rate rider in the 2016 Board-approved rate schedules of Orillia Power Distribution Corporation to give effect to a 1% reduction relative to 2016 base distribution delivery rates (exclusive of rate riders), made pursuant to section 78 of the *Ontario Energy Board Act, 1998*

AND IN THE MATTER OF an application made by Orillia Power Distribution Corporation for leave to transfer its distribution system to Hydro One Networks Inc., made pursuant to section 86(1)(a) of the *Ontario Energy Board Act, 1998*.

AND IN THE MATTER OF an application made by Orillia Power Distribution Corporation for leave to transfer its rate order to Hydro One Networks Inc., made pursuant to section 18 of the *Ontario Energy Board Act, 1998*.

AND IN THE MATTER OF an application made by Orillia Power Distribution Corporation seeking cancellation of its distribution licence, made pursuant to section 77(5) of the *Ontario Energy Board Act, 1998*.

AND IN THE MATTER OF an application made by Hydro One Networks Inc. seeking an order to amend its distribution licence, made pursuant to section 74 of the *Ontario Energy Board Act, 1998*, to serve the customers of the former Orillia Power Distribution Corporation.

AND IN THE MATTER OF Procedural Order No. 7 issued in the within proceeding on February 5, 2018.

**SUBMISSION
ORILLIA POWER DISTRIBUTION CORPORATION**

February 15, 2018

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EB-2016-0276
SUBMISSIONS OF ORILLIA POWER DISTRIBUTION INC.
FEBRUARY 15, 2018

Orillia Power Distribution Corporation (“OPDC”) has had the opportunity to review Hydro One Networks Inc.’s (“Hydro One”) submission to be filed on February 15, 2018 further to the Ontario Energy Board’s (the “OEB” or the “Board”) direction contained in Procedural Order No. 7 (OPDC and Hydro One together, the “Applicants”) in the matter of the merger application under s.86 of the *Ontario Energy Board Act, 1998*, SO 1998, c 15, Sched B. (the “Application”).

OPDC fully supports and adopts the submissions of Hydro One.

OPDC submits the Board has clear and unambiguous evidence before it to conclude that its “no harm” test has been fully discharged by the Applicants in this proceeding and therefore the share sale transaction should be approved without further delay.

As described at the hearing of the Hydro One and OPDC Motions to Review on November 10, 2017 (the “Hearing Date”), OPDC continues to struggle with the difficulties of managing the day-to-day operation of the utility as a result of the on-going delays in the adjudication of this Application.¹

OPDC also wishes to expand upon a critical theme contained in Hydro One’s February 15 submission relating to expected developments in the electricity distribution sector over the coming years. Both OPDC and its municipal shareholder, the City of Orillia, believe that upcoming change in electricity distribution will be unprecedented, disruptive and introduce new risks for customers, utilities and their shareholders which are beyond the scope of small municipal governments, like the City of Orillia, to adequately respond to.

Procedural Order No. 7 directed Hydro One to describe its expectations regarding future costs beyond year 10 and the possible impact on Orillia consumers. When OPDC and the City of Orillia consider this question they attempt to gauge the impact of potentially dramatic changes affecting the distribution sector including integrating new business models such as microgrids and distributed generation, adopting new technologies like artificial intelligence, augmented reality, and energy storage, the use and application of crypto currencies and block chain, the impact of these changes on LDC rate base and ultimately, how these factors affect customer needs and customer choices. As a small municipal government (which is already managing a host of other local priorities) the City of Orillia, as the LDC shareholder, would find it very challenging to manage and respond to such disruptive change.

¹ Affidavit of Grant Hipgrave, dated August 16, 2017, EB-2016-0276 at para 4 [Affidavit].

In this context, the City of Orillia made the conscious decision to sell its electricity distributor.

Upcoming sector changes will require a strong balance sheet, significant new investment (including new equity investment which, in Orillia's case must compete with limited resources with respect to other municipal spending priorities), and considerable technical sophistication and expertise to adapt and thrive in the new business environment to properly serve customers. There can be no doubt that Hydro One is in a vastly superior position to OPDC or the City of Orillia with respect to managing the new era of electricity distribution. In the future, Orillia's electricity consumers will not be best served if their local utility and its municipal owner are unable or by necessity unwilling to effectively respond to such change.

We note that anticipating and preparing for dramatic change in the electricity distribution sector is a central driver underlying the Minister of Energy's recent announcement to establish a panel to modernize the Ontario Energy Board "to ensure it can best adapt to innovative services and new technologies". "The panel will have a broad mandate including reviewing how the OEB can continue to protect consumers amidst a rapidly changing sector, support innovation and new technologies and how the OEB should be structured and resourced to deliver on its changing role."²

The sale of OPDC to Hydro One provides assurance that Orillia's consumers will be best served in what appears to be a very different future market for electricity distribution services.

For all these reasons OPDC submits that no further interrogatory process is needed and the Board can now proceed expeditiously to render its decision approving the Application.

All of which is respectfully submitted.



J. Mark Rodger
Counsel to OPDC and the City of Orillia

² Ministry of Energy Bulletin, "Ontario Establishing Panel to Modernize the Ontario Energy Board, December 14, 2017, page 1 of 2.