

# Centre Wellington Hydro Response To Hydro One Networks Interrogatories

## Combined Distribution Service Area Amendments Proceeding RP-2003-0044

1. Please explain how overlapping of distribution service areas will promote economic efficiency in the distribution of electricity.

I1.8.1. Please see response to Board Staff IR #10

2. Is Centre Wellington Hydro proposing to:

- (a) Construct distribution lines in Networks' service area in order to connect customers in the expanded area?

I1.8.2a. Only as required to safely and adequately supply the customer who requested the connection. In some cases it may become necessary to expand or add-on to the distribution system where none exists such as "greenfield" developments.

- (b) Connect new customers from Networks' system through Retail Points of Supply?

I1.8.2b. Possibly. The situation with Grand River Raceway will require a connection to Hydro One's 44 kV system, similar to the way our existing 44 kV customers in Elora and substations are connected.

- (c) Connect new customers from Networks' system through Wholesale Points of Supply?

I1.8.2c. No.

- (d) Enter into Joint Use agreements with incumbent LDCs, and share facilities?

I1.8.2d. Possibly. We currently have reciprocal joint-use pole arrangements with Hydro One for the overhead distribution system.

- (e) Connect new customers by any other means? Please provide details.

I1.8.2d. No.

3. Please explain the linkage in Page 1, Item 1.2 of the Reply submission, between the "competition in the generation and sale of electricity" and distribution service area expansions.

11.8.3. It is clear from the title, and the statement of the purpose and the objectives of the *Energy Competition Act, 1998* and subsequent actions by the Government of Ontario that customers should be the beneficiaries of choice through competition in the restructured electricity market. In other words, a better deal for electricity customers than had been the case in the past. This was contemplated again in Section 70(6) of the *Ontario Energy Board Act, 1998* wherein it is crystal clear that there is no service area exclusivity that would limit or restrict the issuance of a potentially overlapping licence or set of such licenses in any geographic area.

4. What are Centre Wellington Hydro's SQI statistics, as defined by the Distribution Electricity Rate Handbook, for Emergency response, SAIDI, CAIDI, SAIFI, and new connections for the past 3 years?

11.8.4. See response to Board Staff IR #5.

5. Please provide the following information.

- (a) The number of customers served in your licensed service areas.

11.85a. The number of customers served in your licensed service area is 5765 as of May 31, 2003

- (b) The kilometres of distribution line installed.

11.85b. The number of kilometers of installed distribution lines is 136.9

- (c) The number of Municipal Stations operated, locations, and available capacity.

11.8.5c. The number of substations are 6 (5000kVa loaded at approximately 50%). There are 4 in Fergus and 2 in Elora.

- (d) The kilometres of joint-use line in the current service area.

11.8.5d. There are 4.7 km. Of Hydro One on Centre Wellington and 3.3 km. of Centre Wellington on Hydro One.

- (e) The percentage of pole ownership of the joint-use line in the current service area.

- (f)

11.8.5e. 74 Hydro One poles joint-use. Total poles is 2,781 for a percentage of 2.66%

(g) The policy for new connections and expansions.

I1.8.5f. Sections 2.1 and 2.1.2 of the Conditions of Service.

(h) The current Conditions of Service Document.

I1.8.5g. See attached.

(i) How customer inquiries are handled (i) during working hours, and (ii) after working hours.

I1.8.5h. Customer service representatives handle all customer inquiries during working hours immediately. After hours calls are handled by prerecorded voice messaging where customers can leave a message or are given emergency pager numbers to call.

(j) Identify the billing and payment options available to your customers.

I1.8.5i. Payment options include drop-off at service center, cash or cheque, payment at banks (telephone, teller, internet)

(k) The number of Wholesale and Retail supply points, the feeder designations and supply voltages, and the available capacity to serve customers from these supply points.

I1.8.5j. Centre Wellington Hydro has 2 wholesale points that are settled with the IMO. The 73M3 feeder out of the Fergus TS is loaded at approximately 210 amps with a relay setting of 570 amps at 80%. The 73M7 feeder that feeds Elora is approximately the same.

6. What are your outage statistics for the years 2001 and 2002, broken down by planned and unplanned (forced)?

I1.8.6. 2001 unplanned 40 - planned 28, 2002 unplanned 34-  
planned 16

7. How does this application promote economic efficiency in the distribution of electricity when there are still two distributors in the area?

I1.8.7. New customers in the expanded service area get to choose the LDC they feel provides them with the most efficient and cost effective distribution services.

8. In Section 2.10 Centre Wellington Hydro maintains that it has load capacity to serve both current and future customers in the proposed expansion area. However, the application goes on to state that appropriate

load forecasts and system augmentation considerations will be developed once future land uses are determined. Please explain:

I1.8.8. In the foreseeable future and consistent with the planning goals and objectives of Centre Wellington Hydro, the Company has existing network capacity to provide safe and reliable distribution services satisfactory to meet the expected urban growth needs of the Fergus – Elora into the foreseeable future. If the amendment to the CWH's service area is granted, then the appropriate load forecasts and system augmentation will be developed in consideration of future land use development in the Township of Centre Wellington.

- (a) Does Centre Wellington Hydro currently have excess capacity to serve the proposed expansion area without the need for additional connection or transformation expenditures? Please provide a copy of the studies that support this answer.

I1.8.8a. Due to the relatively compact size of the utility, CWH is keenly aware of the capacity of the distribution it operates now and what it expects to operate into the foreseeable future. There have been no specific studies necessary or required to support this answer nor would such studies be undertaken at the expense of CWH's customers unless such studies were justified and approved necessary by the Company's Board of Directors.

- (b) Will Centre Wellington Hydro require additional upstream capacity for distribution or transmission facilities? Please provide a copy of the studies that support this answer.

I1.8.8b. Not in the foreseeable future. See response to 8a, above.

- (c) What is the projected load growth in the expansion area? Please provide a copy of the studies that support this answer.

I1.8.8c. See response to IR#26 below.

- (d) Who will have the obligation to provide an offer to connect if Centre Wellington Hydro is awarded an overlapping service area with Networks?

I1.8.8d. See response to Board Staff IR#11.

- (e) Who will have the obligation to plan for future capacity if Centre Wellington Hydro is awarded overlapping service territory with Networks?

11.8.8e. In the new restructured electricity marketplace CWH expects to work with the appropriate parties (including Hydro One, the Township, and others) in joint system/network planning exercises to ensure new end-use customers receive the best distribution service possible at the lowest cost.

9. In Section 4.3 of the application it is stated “The proposed amendment to broaden the distribution service area in the Township of Centre Wellington is in the best interest of customers in the municipality because it offers the choice of non-discriminatory access .....”. Please define what “non-discriminatory access” is in this context.

11.8.9. The reference to “non-discriminatory access” is simply the opportunity that provides customers a choice to select a distributor where there is a genuine alternative.

10. In Sections 1.5 Centre Wellington Hydro indicates it wishes to service only the “urban” areas around Fergus and Elora. Please explain why Centre Wellington Hydro does not want to service the balance of the community.

11.8.10. While it may make some sense to apply for a licence expansion to cover the entire Township of Centre Wellington (since the Township owns CWH), the decision of the Company was to apply for a service area expansion that would accommodate future urban growth that may be connected to CWH's distribution system. However, it may be prudent to modify the Application to include the entire Township

11. In Section 1.11 it is stated that you have carefully considered the municipal planning and development goals of the Township in the Fergus and Elora areas. Please provide citations, references, and dates of the Official Plan that identifies these goals.

11.8.11. See response to IR#29 below. Centre Wellington Hydro staff attends regular development review meetings that include members of Township Council, Planning Department staff, Township engineers, Public Works Department and the Township’s solicitor.

12. In Section 2.2 of the application it is stated that there is no expectation that the service area boundary changes proposed would result in any direct competition between the two companies. As your application intends to overlap Networks’ existing area, please explain how competition would not occur between the two distributors for new and existing customers.

I1.8.12. The reference is specifically aimed at *not* “competing” to poach (directly) any existing or potential new customers from Hydro One or any other distributor who may offer such services in the future. Elements of “competition” may exist in the developing area around Fergus and Elora. As stated earlier, it remains the customer’s choice to decide which utility to connect to, particularly where, in the customer’s opinion, two or more LDC’s provide alternative offers.

13. In section 2.9 of the application it is stated that the Company will be able to offer efficient network services and connections to customers at costs significantly less than other distributors. What other distributors is Centre Wellington referring to? Please provide the studies that support this statement.

I1.8.13. The reference is to any other distributor who receives a non-exclusive distribution licence to serve all or any part of the Township of Centre Wellington or any other geographic area that could include CWH now or in the future. There are no studies that CWH is aware of or are necessary to support the statement. If new customers wishing to connect to an LDC receive offers to connect which they prefer to CWH that is their choice.

14. In the Distribution Electricity Rate Handbook, Chapter 3: Establishing Initial Unbundled Rates, 3.2 Unbundling Current Rates, paragraph 3 it states:

“Ideally, cost allocation studies would be available to guide the unbundling process. Unfortunately, the studies that are available are old. Hence, a simplified procedure is described here for unbundling existing rates. Should a utility have better information on which to unbundle rates, they are encouraged to use such information, as long as justification can be provided in support of initial rates.”

Did Centre Wellington Hydro submit a cost of service study with its rate application? If not, how does Centre Wellington contend that the rates for any LDC in the province were subjected to a thorough and complete regulatory process to determine cost-based rates?

I1.8.14. A cost of service study was not submitted by CWH with its initial rate application, nor did the Ontario Energy Board expect one to be submitted. It would be very unfortunate indeed, if the significant regulatory task of unbundling the rates of several hundred utilities by the Ontario Energy Board was not considered to be a thorough and complete process. The need for cost allocation studies to reset or “rebase” rates using a standardized methodology for all LDCs was recognized early on by participants in the Board’s

PBR design work. The Board Staff is currently working on the cost allocation methodology through its Cost Allocation Working Group of which Hydro One is a member.

15. In section 2.13 of the application Centre Wellington Hydro suggests it will cooperate with other electricity distributors and utility companies to avoid unnecessary duplication. Please explain how this would be accomplished if the amendment is granted.

I1.8.15. CWH would expect to enter into a cooperative working relationship with Hydro One to find the best solutions for new customers based on the connection choices they make.

16. In Section 2.8 of the Reply Submission it is stated that customers should decide who the service provider will be. Please explain which customers should have this choice:

- (a) New Centre Wellington Hydro customers in the amendment area?
- (b) Existing Centre Wellington Hydro customers outside the amendment area?
- (c) New Networks' customers in the amendment area?
- (d) Existing Networks' customers outside the amendment area?
- (e) Existing customers in the amendment area?

I1.8.16. It is the new customers in the amendment area who would have the choice of provider where and when it is practical and economic to provide such service.

17. In Section 3.3 of the Reply Argument "Hydro One's licence is based on enacted legislation and contracts. If that interpretation is accepted, then the Company's service area should be expanded to a greater area while allowing for LDC services offered by Hydro One". Please explain the role and obligations envisioned for both Centre Wellington Hydro and Networks under this proposal.

I1.8.17. The point being made was that Hydro One stated in its submission that its licence was to provide distribution services to all of Ontario not served by existing LDCs and that this privilege was based on enacted legislation and contracts. This is not disputed. However, on a comparable basis, the enacted legislation (Section 70(6) of the *Ontario Energy Board Act, 1998*) provides for CWH's application to expand its service area to permit new customer

connections. The role and obligations of the two distribution companies in this case have been described previously.

18. Further in Section 3.3 of the Reply Argument, it is stated that the Company is seeking to expand service only to the growth areas. Is it Centre Wellington Hydro's intent then to grow its asset and customer base over time by continually connecting new customers who are located in other LDCs service areas? Should other LDCs, including but not exclusively Networks be permitted to expand into Center Wellington Hydro's service area where growth occurs?

11.8.18. Only if the Application is approved is CWH's asset and customer base are likely to grow over time as the urban areas of Elora and Fergus develop and in accordance with it licensed service area. Section 70(6) of the OEB Act contemplates applications for overlapping licenses that might cover CWH's service area. It is the customers who have the freedom of choice of who they wish to be served by in this matter. Again, it is not the intent of this Application to strand the assets of another LDC and in a similar manner we would not expect another LDC to strand our assets.

19. Subsection 70(6) of the Act states:  
Non-exclusive

(6) Unless it provides otherwise, a licence under this Part shall not hinder or restrict the grant of a licence to another person within the same area and the licensee shall not claim any right of exclusivity. 1998, c. 15, Sched. B, s. 70 (6).

In Section 3.5 of the Reply Submission it states that that the Company submits that this subsection allows companies that have sufficient capacity in growing service areas to offer lower-cost and efficient network services and connections to customers where such expansion is based on actual and projected growth development and/or network capacities for the Township being served. Please explain.

11.8.19. The point being made in the statement is to indicate that where existing alternative distribution facilities are readily available and have sufficient capacity to service customers this should be considered a viable option.

20. In Section 4.8 of the Reply Submission, dated March 28, 2003, Centre Wellington Hydro stated that the legal descriptions of the expansion areas such as metes and bounds were impractical, cumbersome, inefficient, and costly, and contrary to subsection 70(6) of the OEB Act. Centre Wellington Hydro's licence renewal application includes a legal description of the



former municipal boundary, with supporting documentation. Why is it that Centre Wellington Hydro accepts that a specific description is required for its existing service area, but not for the expansion areas sought?

I1.8.20. The question that arises here is how precise is “precise” in terms of what is reasonable and practical for correctly describing of the boundaries of a service area. Section 70(6) of the *Ontario Energy Board Act, 1998* does not reference the need for specific boundary descriptions. However, the Ontario Energy Board’s License Application does so under Section 13. This Application to amend the service area boundary of CWH focuses on a proposed boundary that would be more “precisely” defined if and when Schedule 1 of the Company’ Distribution License is amended by the Board.

21. In Appendix B of the Reply Submission, Centre Wellington Hydro identifies areas highlighted in yellow as proposed fringe development areas. On what basis are these areas identified as such. Please provide supporting evidence.

I1.8.21. Two of the locations that are highlighted in yellow and are already under construction (Grand River Raceway, and the Upper Grand District High School). The Orsi subdivision (identified as #1 in Appendix C, reply submission) has been submitted to the Township for draft approval.

22. In Appendix B of the Reply Submission, the amendment area is indicated by a dashed purple line. Please provide the rationale and supporting evidence for the dimensions of the proposed expansion area.

I1.8.22. The intention was to create a generalized “box” around the entire service area that would take into account any of the potential fringe development as indicated in IR# 21 above.

23. Appendices D and E of the Reply Submission do not indicate the ownership of the lines depicted in the drawing. Please identify the ownership of these lines.

I1.8.23. In the village of Elora, Hydro One owns all of the 44kV distribution system.

24. In the attached letter dated January 16, 2003 and addressed to Ted Arnott, MPP you state “In the case of having two distributors in the fringe area (such as this situation), Hydro One would continue to be the default distributor to ensure that regardless of what happens, new customers on the boundaries would be assured of receiving electrical service.” Please

explain the situations where Centre Wellington Hydro would offer service to customers in the fringe area. Would Networks always be the default supplier.

11.8.24. If the amendment is approved, situations will exist where new customers will make their own decisions to be served by CWH or Hydro One upon receiving a request for connection and an offer to connect from the respective LDCs (per S. 28 of the *Electricity Act, 1998*). Hydro One would not necessarily be the default supplier.

25. Please provide, as Centre Wellington Hydro understands it, the time frame for the development of the designated fringe areas and the development of the amendment area.

11.8.25. Urban services are expected to be extended to the fringe areas in a priority sequence over the next 15 to 20 years. The first priority project is the northwest Fergus fringe and the extension of water supply services to this area, which will begin later this year. The time frame for development in the amendment area will vary. Some lands may be developed within the next 1 to 3 years and others are long-term 15 to 20 years.

26. Please provide the locations of all planned developments, as Centre Wellington Hydro understands it, in the proposed expanded service territories, including the proposed number of residential lots or commercial developments, the timing of their development and their contiguity with existing service territory.

11.8.26. The Orsi plan includes 116 units, and development to occur within 1 to 2 years. This subdivision abuts CWH's three-phase electrical infrastructure. Elora Ridge Developments includes 322 units in process and development expected within 2 to 4 years. These lands abut CWH's distribution service area. The Woolwich Agricultural Society included 12 acres of Highway Commercial development and 56 acres of Rural Industrial lands (racetrack under construction).

27. Please provide, as Centre Wellington Hydro understands it, the number of lots that have been developed in each the last three years in the Municipality of Centre Wellington and how many of these lots have been in the Centre Wellington service territory each year.

11.8.27. Building permits issued in 2000 in Fergus were 127; in 2001 there were 118; and 2002 there were 180. For Elora in 2000 there were 39; 2001 there were 93; and in 2002 there were 36.

28. Please provide, as Centre Wellington Hydro understands it, the number of lots that are permitted to be developed in each of Fergus and Elora each year.

11.8.28. There is no limit to the number of lots that may be developed in Fergus each year. In Elora there is currently a staging policy, which allows for the release of 50 new lots each year.

29. Please provide the date for the Official Plan for the County of Wellington and the Township of Centre Wellington, and if there is not one for the latter, what are the dates for the Official Plans of the former municipalities of Elora and Fergus.

11.8.29. The Official Plan for the County of Plan was adopted by County Council on September 24, 1998 and approved by the Minister of Municipal Affairs on April 13, 1999. The Official Plan for the former Town of Fergus was adopted by Council on November 4, 1991 and approved by the Minister of Municipal Affairs on October 6, 1993.. The Official Plan for the former Village of Elora was adopted by Council on June 17, 1991 and approved by the Minister of Municipal Affairs on June 24, 1993.