

**Vulnerable Energy Consumers' Coalition ("VECC")
Interrogatories Regarding Evidence Filed by Erie Thames Powerlines Corporation (Erie Thames)**

Question 1

Reference: October 2002 Application, page 5

Preamble: "Erie Thames currently provides electricity distribution services to urban area of Port Stanley contiguous to the lands in question"

I6.11.1

a) Is Hydro One's existing service area also contiguous to the lands in question?

Erie Thames' answer to this question

Yes.

Question 2

Reference: October 2002 Application, pages 5 and 11

Preamble: In the immediate short-term the licence expansion will accommodate a new forty-five (45) lot residential subdivision know locally as Little Creek"

I6.11.2

a) Please indicate where in the "subject area" Little Creek Subdivision (Phase 1) is located.

Erie Thames' answer to this question

The subject land is located in the municipality of Central Elgin in the former Township of Yarmouth immediately abutting the urban area of Port Stanley.

The subject lands are described as Part of Lots 1 and 2, Concession 1, Geographic Township of Yarmouth, Municipality of Central Elgin, County of Elgin, designated as Part 1 on 11R-7712 being Parcel 1-2, Section Yar-1.

Question 3

Reference: October 2002 Application, page 6

Preamble: Construction and Service Requirements

I6.11.3

a) What does the "Estimated Project Cost" of \$150,000" represent. Is it the total cost of construction, connection and reinforcement required to provide service to Phase 1 or the capital contribution required from the developer?

1. If the value represents the total project cost what is the capital contribution required from the developer?

2. If the value represents the capital contribution required from the developer what is the total cost of the project?

b) Does the reference that the “existing transformer will service entire expansion area” refer just to Phase 1 of the Little Creek Subdivision, the entire Little Creek Subdivision or the anticipated development on the entire 98.26 acres covered by the Application?

c) Will the expenditure planned by Erie Thames in conjunction with the Phase 1 development include any new facilities or system reinforcements over and above that required just to meet the developer’s Phase 1 electricity requirements? If yes, what are the addition facilities and reinforcements included; what are their costs and are these cost included in the project cost and capital contribution calculations discussed in response to (a)?

d) Will all of the costs of new distribution facilities (and any reinforcement of existing facilities) required to provide in service in the proposed expansion area beyond Little Creek Phase 1 be subject to the economic evaluation and customer capital contribution requirements as set out in section 3.2 of the Distribution System Code?

Erie Thames' answer to this question

(a) Total Cost

- 1) \$42,245.00
- 2) N/A

(b) The transformer will serve the entire proposed expansion area.

(c) No.

(d) Yes.

Question 4

Reference: October 2002 Application, page 6

Preamble: “the developer received the offer with full knowledge of his options regarding this matter”

I6.11.4

a) When first contacted by the developer did Erie Thames advise the developer that the planned subdivision was located in Hydro Ones’ service area and that Hydro One should be contacted with respect to the provision of service?

b) Following the initial contact from the developer, did Erie Thames contact Hydro One to advise them of the developer’s interest in providing service?

c) To the best of Erie Thames knowledge has the developer:

- Contacted Hydro One regarding provision of service
- Received an offer to provide service from Hydro One?

Erie Thames' answer to this question

(a) Yes.

(b) Yes. The developer requested Hydro One's methodology for determining cost of new connections and capital contribution and in response to the request a quote was received from Hydro One for a Basic DCF Calculation, R1 Residential Customer Connection.

(c) Hydro One responded by fax (Tom Coffey) on November 22, 2002.

Question 5**Reference: October 2002 Application, page 6****Preamble:** "The proposed licence amendment will promote competition in the provision of electricity distribution services"**I6.11.5**

a) Please explain the basis for Erie Thames' position that one the statutory objectives of the OEB is to promote competition in the provision of electricity distribution services.

Erie Thames' answer to this question

As indicated in the excerpt from the transcript, the position of the SW Applicants is that the sale of electricity includes services to connect customers to the electricity system. The Applicants point out that "electricity" is not defined in the Act, as either including only electrical energy or as excluding any other element in the delivery of electricity to customers. The introduction of competition is the first objective listed in the Act.

As the Board itself noted at paragraph 36 in its Decision regarding the limits of the Board's jurisdiction with respect to existing customers in service area amendment applications:

"if the legislature had intended to inhibit competition for distribution customers and prevent their migration to other providers, it could have done so explicitly. In fact, in providing for the presumption of non-exclusivity of service areas in subsection 70(6), it is clear to the Board that the legislature intended that the Board exercise a very broad jurisdiction with respect to licencing in general and service areas in particular, provided that the public's interest is protected."

Question 6**Reference: October 2002 Application, pages 7 and 8****Preamble:** "To protect the interests of consumers with respect to prices"**I6.11.6**

a) Has Erie Thames undertaken any assessments of the costs associated with providing electrical service to the lands scheduled for development beyond Phase 1 of the Little Creek Subdivision? If yes, please provide the results of any such assessments.

b) Can Erie Thames expand its system and provide electrical service to the lands scheduled for development beyond Phase 1 of the Little Creek Subdivision without requiring capital contributions from the new customers concerned. If the answer is yes, please provide the supporting analyses.

c) If the answer to (b) is no, please explain how a simple comparison of rates addresses the overall interests of customers with respect to price as per the OEB objectives.

Erie Thames' answer to this question

(a) The transformer was refurbished in 2000. The transformer is capable of servicing the entire proposed expansion area.

(b) No.

- (c) The comparison of rates provided does not suggest that an economic evaluation as required by Appendix B of the Distribution System Code would not be required. In some cases net present value of rate revenue would likely cover costs and in other cases would not.

Rates are a major component of the price consumers have to pay for service.

Question 7

Reference: October 2002 Application, page 8

Preamble: “In all examples, Erie Thames exceeds the regulator’s applicable service quality performance measures”

I6.11.7

- a) Does Erie Thames have any evidence to suggest that Hydro One’s response times for providing service to customers in the proposed expansion area would not meet the OEB’s quality performance targets?
- b) Is it Erie Thames’ position that it will be able to provide higher service quality and service reliability to the specific customers in the proposed expansion area than Hydro One? If yes, please explain why

Erie Thames’ answer to this question

- (a) The Applicant is not in a position to comment on Hydro One’s response times.
- (b) The Applicant’s position is that it will be able to meet or exceed the regulator’s applicable service quality performance measures in servicing the subject lands.

Question 8

Reference: October 2002 Application, page 9

Preamble: “To promote economic efficiency in the generation, transmission and distribution of electricity”

I6.11.8

- a) Are there any “existing customers” within the proposed expansion area who are currently receiving service from the incumbent distributor – Hydro One Networks?
- b) Does Hydro One Networks have existing distribution facilities within the proposed expansion area?
- c) If the answer to (a) is yes, does Erie Thames anticipate that there will be existing customers of Hydro One Networks that will lie along the distribution lines it would construct to serve the new developments?
- d) What would be Erie Thames position and response be if an existing Hydro One customer, lying along Erie Thames’ newly constructed distribution facilities, approached Erie Thames for connection and distribution service? If Erie Thames’ position is that it would consider connecting such customers please provide Erie Thames’ view as what financial compensation, if any, should be provided to the incumbent distributor and who should provide the compensation, i.e., Erie Thames or the customer. (Note: Please assume, in responding to this question, that the OEB finds that it has the jurisdiction to deal with service area amendments for existing customers)
- e) Would Erie Thames’ position and response as outlined in response to (d) be any different if an expansion of its system (as per Distribution System Code Section 3.2) was required to connect the Hydro One customer? If yes, please explain.

f) If the answer to (b) is yes, please explain why construction of new lines by Erie Thames in the proposed expansion area will not result in a duplication of facilities and inefficiencies in the distribution of electricity.

Erie Thames' answer to this question

- (a) One residential customer to the best of the Applicant's knowledge.
- (b) One single-phase pole line to serve the residential customer.
- (c) No
- (d) Erie Thames' position would be to receive the request and consider the connection.

The Board's Distribution System Code has already provided for the manner in which customers are to receive Offers to Connect. Appendix B of the Distribution System Code, coupled with the South West Applicant's proposal for the recovery of stranded assets, is by definition economically efficient, since all costs and revenues are considered. Any shortfall of costs over revenues would be paid by the customer who would make an informed choice and would know the costs, if any, of that choice.

- (e) No.
- (f) There are no suitable facilities that would be duplicated. The development requires three-phase service throughout.

Question 9

Reference: October 2002 Application, page 9

Preamble: "To promote economic efficiency in the generation, transmission and distribution of electricity"

I6.11.9

- a) Is it Erie Thames' position that it can provide service to these new development areas more cost efficiently than Hydro One Networks? (Please note that the question is not with respect to rates but with respect to the costs that will be incurred in the construction, expansion and reinforcement of distribution facilities required to service the new developments in the proposed expansion area)
- b) If the answer to (b) is yes, please provide the analyses supporting this position.
- c) If the answer to (b) is no, please explain how the proposed service area amendment serves the OEB's objective with respect to economic efficiency.

Erie Thames' answer to this question

- (a) The Applicant's position is that it can provide service to these new development areas on a cost-competitive basis according to the Board's service quality standards.
- (c) Even if the answer were no, the rationale is provided in Direction for Change at page 13: "History has shown that competitive businesses invest more carefully than monopoly businesses. They manage costs and risks more carefully. They choose their priorities rationally and thoughtfully to yield the highest return. They exit from their mistakes more quickly. This is the kind of investment behaviour that should predominate in the future electricity industry in Ontario. They serve customers better and maintain competitive prices because of the threat of competition."

Question 10**Reference: October 2002 Application, page 10****Preamble:** “the proposed expansion will not strand distribution assets, as the proposed development in question is currently an unserved green field site”**I6.11.10**

a) Please clarify whether the reference to the proposed development being an unserved green field site refers to:

- The Little Creek Subdivision - Phase 1,
- The entire Little Creek Subdivision, or
- The entire proposed expansion area (i.e. all 98.26 acres)

b) Please clarify what Erie Thames would consider to be “stranded assets”. In particular, would assets be considered stranded in the following circumstances:

- Connection assets associated for existing customers who, as a result of a service area amendment, elect to change distributors,
- Distribution networks assets formerly used to serve existing customers who, as a result of a service area amendment, elect to change distributors, and
- Distribution network assets that were constructed by the incumbent utility on the basis of planned development in its licensed service area but potentially underutilized as result of a service area amendment.

c) Under what circumstances does Erie Thames consider it appropriate for distribution utilities to be compensated for stranded assets?

Erie Thames' answer to this question

(a) The entire proposed expansion area.

(b) Potentially any or all circumstances listed in (a) could be considered stranded assets. However, without further specific information the Applicant cannot provide an answer.

(c) The Applicant considers that distribution utilities ought to be compensated for stranded assets when they become burdened with unrecovered asset costs directly employed in serving customers that have switched to another distributor.

Question 11**Reference: October 2002 Application, page 9****Preamble:** “Erie Thames maintains it has the load capacity to serve both the current (emphasis added) and future customers in the proposed expansion area”**I6.11.11**

a) Please explain why Erie Thames currently has excess capacity on its system sufficient to meet not only the growth requirement of its existing service area but also to meet the existing and anticipated growth requirements in the proposed expansion area.

b) Is it Erie Thames' position that Hydro One does not currently have the capability to meet the growth requirements in the proposed expansion area?

c) Is Erie Thames seeking, in this Application a service area amendment that would permit it to serve existing Hydro One customers in the proposed expansion area?

d) Does Erie Thames plan to proactively market its distribution services to existing Hydro One customers in the proposed expansion area?

Erie Thames' answer to this question

- (a) By this statement the Applicant means only that additional load can be brought into its system with the addition of the appropriate assets as required in the amendment area without significant reinforcement of its existing system within Port Stanley as that system serves existing customers.
- (b) The Applicant has no position on Hydro One's capability to meet the growth requirements in the proposed expansion areas.
- (c) Yes, recognizing that there is one residential customer in the area that will be disconnected as part of the development plan.
- (d) There are no customers to whom the Applicant would market its services. The one residential account will be disconnected and the building demolished as part of the development plan.

Question 12

Reference: October 2002 Application, page 9

Preamble: "Provides for a greater integration of skilled service workforce and equipment assets in the immediate vicinity"

16.11.12

- a) Would not the same benefits accrue to Hydro One if it was to serve the new customers in the proposed expansion area? If the answer is no, explain why.
- b) Would not the loss of existing customers in the proposed expansion area impact on Hydro One negatively in this regard?

Erie Thames' answer to this question

- (a) The Applicant's position is that its own work force and equipment assets, which are headquartered at the boundary of the subject lands, are well suited and situated to serve the area in question.

The Applicant cannot speak for Hydro One with respect to the benefits accruing to it.

- (b) The Applicant cannot speak for Hydro One with respect to this issue.

Question 13

Reference: September 22, 2002 Application, page 9

Preamble: "Approval of the Application facilitates financial viability because it would avoid disruption of Erie Thames revenues"

16.11.13

- a) Please explain how the approval avoids disruption of Erie Thames revenues when none of the customers (either existing or new) are currently customers of the utility.
- b) Isn't approval of the application and the any resulting loss of customers likely to disrupt the revenues of Hydro One – particularly with respect to existing customers?

Erie Thames' answer to this question

- (a) The Distribution System Code, at Paragraph 6.5.4, requires that either the geographic or physical distributor's licenced service area be amended to service load transfer customers. As Hydro One has no suitable distribution assets in the area in question, the Applicant simply anticipates that it could service and receive revenue from the customers in question in the future, if Hydro One connected the development via a load transfer. Accordingly, it is applying for the licence amendment now, in order to be in a position to take advantage of these potential servicing and revenue opportunities. The Applicant recognizes that one option is for Hydro One to construct a three-phase facility to the area in question, although the Applicant cannot comment on the economic viability or customer acceptance of this option. Besides which, the developer has expressed his desire to be served by the Applicant, in which case the associated revenue would accrue to the Applicant, should the application be approved.
- (b) No, as there is only one residential customer in the service area that is being disconnected as part of the development plan.