

## HYDRO ONE NETWORKS INC. INTERROGATORIES

### ERIE THAMES POWERLINES CORPORATION

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

***Erie Thames Powerlines Corporation's answer to this question***

New customers in the expanded service area would have a choice of distributor. Whether or not two distribution systems were built would be situationally dependent according to customer needs, capacity and technical characteristics of existing assets available and the most economically efficient way of servicing the customers involved.

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.

Further, the Applicant submits that real competition with light-handed regulation promotes economic efficiency.

Direction for Change, page vii: "Competition among suppliers will create the conditions for lower electricity prices, thereby supporting investment and job creation across the province. It will ensure that investments in electricity generation and transmission are made prudently and that assets are managed carefully and responsibly."

"Direction for Change" 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."

**16.8.2** Is Erie Thames Powerlines proposing to:

- (a) Construct distribution lines in Networks' service area in order to connect customers in the expanded area?
- (b) Connect new customers from Networks' system through Retail Points of Supply?
- (c) Connect new customers from Networks' system through Wholesale Points of Supply?
- (d) Enter into Joint Use agreements with incumbent LDCs, and share facilities?
- (e) Connect new customers by any other means? Please provide details.

***Erie Thames Powerlines Corporation's answer to this question***

- (a) Yes.
- (b) No.
- (c) No.

(d) No.

(e) No other means contemplated.

**16.8.3** Please explain the linkage in Page 6 Item 5(a) between the “competition in the generation and sale of electricity” and distribution service area expansions.

***Erie Thames Powerlines Corporation's 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 customer 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.

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 has 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."

**16.8.4** What are Erie Thames Powerlines' SQI statistics, as defined by the Distribution Electricity Rate Handbook, for Emergency response, SAIDI, CAIDI, SAIFI, and new connections for the past 3 years?

***Erie Thames Powerlines Corporation's answer to this question***

**Service Quality Statistics 2002**

Requirements	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>Telephone Accessibility:</b>													
Number of Calls Answered	467	2531	3177	3216	2751	2174	2438	2385	2713	2780	2222	1523	28377
Answer Percentage	96%	94%	85%	89%	94%	96%	97%	96%	91%	92%	95%	95%	92.6
Service Percentage	92%	84%	61%	65%	82%	86%	87%	83%	73%	75%	83%	86%	77%
<b>Cable Locates:</b>													
Number of locates requested	9	52	82	99	112	98	109	82	92	111	91	28	965
Number performed within 5 days	9	52	82	99	112	98	109	82	92	111	91	28	965
Percent within standards	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Appointments:</b>													
Number of Appointments made	0	0	2	0	0	2	12	7	18	4	9	9	63
Number of Appointments met	0	0	2	0	0	2	12	7	18	4	9	9	63
Percentage within standards		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Written Inquiries:</b>													
Number of Written inquiries	0	2	0	0	2	1	1	3	2	3	2	2	18
Number of responses within 10 days	0	2	0	0	2	0	1	2	2	3	2	1	15
Percentage within standards	0%	100%	0%	0%	100%	0%	100%	67%	100%	100%	100%	50%	83%
<b>Connection of New Services:</b>													
Number of low voltage services													
Connected within 5 working days													
Percentage within standards													
Number of high voltage services													
Connected within 5 working days													
Percentage within standards													

**16.8.5** Please provide the following information for the Port Stanley area.

- (a) The number of customers served in your licensed service area.
- (b) The kilometres of distribution line installed.
- (c) The number of Municipal Stations operated, locations, and available capacity.
- (d) The kilometres of joint-use line in the current service area.
- (e) The percentage of pole ownership of the joint-use line in the current service area.
- (f) The policy for new connections and expansions.
- (g) The current Conditions of Service Document.
- (h) How customer inquiries are (i) handled during working hours, and (ii) after working hours.
- (i) Identify the billing and payment options available to your customers.
- (j) 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.

***Erie Thames Powerlines Corporation's answer to this question***

- (a) 861
- (b) 49 km
- (c) 1 station - Carlow Rd. 5000 kVA
- (d) Nil
- (e) Nil
- (f) For underground -- trench and all required material will be supplied by the customer to the property line. The cost of wire for a new service is \$4.50 per metre. For any upgrade to residential service the cost of wire is \$6.50. The applicant will supply 25' of 2" PVC pipe along with 6-2 hole steel straps for pipe to go up pole if required at the customer's expense. The applicant will also provide up to a 200 amp service. Anything above this will be at the customer's expense.

**Procedure:**

- The location of the Hydro Meter base shall be within 3 meters from the frontage of residential buildings.
- The customer shall be advised that for secondary service a trench must be provided at a minimum depth of 36 inches. A six inch fine sand bedding shall be laid in the bottom of the trench.
- Where applicable, Hydro Service is subject to subdivision agreements.
- All cables shall be physically checked for damage and adequate length. Where necessary, corrections and repairs shall be made prior to closing the trench.
- The contractor shall lay six inches of fine sand on top of the cable. Where the cable is laid under driveway, it shall be installed in a 4 inch PVC-type DBH duct. Big "O" ducting shall not be used.
- It shall be the responsibility of the Applicant to develop a drawing of installation measurements in relation to the building, the size of the cable and if the cable was placed in sand or a duct.

- The drawing shall be part of the Location Report and include the inspector's signature and all other pertinent information.

(g) Filed with the OEB.

(h) i) customer service staff answer the telephones and direct the calls as required.  
 ii) after hours calls are directed to our answering service who dispatch on call staff if required. Messages that do not require immediate attention will be faxed to customer service staff every morning for responses.

i) Monthly billing. Payment options include: pre-authorized, budget plans, telephone banking, bank institutions, mail and drop boxes.

(j) 1 supply point -- feeder 27M3-16, 27.6, 41.6

**16.8.6** Please provide the following information.

(a) Erie Thames Powerlines' outage statistics for the years 2001 and 2002, broken down by planned and unplanned (forced).

(b) How many major power interruptions have there been in Port Stanley since December 31, 1999 and what was their duration?

(c) What was the cost of the recent replacement or refurbishment of the Erie Thames distribution station in Port Stanley?

(d) What is the size and loading of the distribution station and what were the planning assumptions in the sizing of the new station?

(e) What was the size and loading of the distribution station that was replaced or refurbished?

***Erie Thames Powerlines Corporation's answer to this question***

(a) 2001 - 3 planned  
 - 13 unplanned

2002 - 2 planned  
 - 12 unplanned

(b) 2 outages -- bushing repairs (4 hours)  
 transformer replacement (18 hours)

(c) \$125,021.00

(d) 5000 kVA -- reduce load by conversion, 5 year program

(e) 5000 kVA 500 amp at feeder -- station upgrades.

**16.8.7** Please explain how this application assists Erie Thames Powerlines to avoid revenue disruption as noted on page 9, Item E 4. What is your definition of "revenue disruption" in this context?

***Erie Thames Powerlines Corporation's answer to this question***

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.

**16.8.8** Please explain how this application for an overlapping service area contributes to the greater integration of skilled service workforce and equipment assets available in the immediate vicinity (Page 11, Item E – 3).

***Erie Thames Powerlines Corporation's answer to this question***

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.

**16.8.9** On Page 11, Item (e) 2 Erie Thames Powerlines maintains that it has load capacity to serve both current and future customers in the proposed expansion area. However, you go on to state that appropriate load forecasts and system augmentation considerations will be developed once future land uses are determined. Please explain:

- (a) Does Erie Thames Powerlines 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.
- (b) Will Erie Thames Powerlines require upstream capacity for distribution or transmission facilities for the expansion area? Please provide a copy of the studies that support this answer.
- (c) What is the projected load growth in the expansion area? Please provide a copy of the study that supports this answer.

***Erie Thames Powerlines Corporation's answer to this question***

- (a) Yes. 44% load
- (b) No. No study available.
- (c) 15 customers per year over a three year period as per our economic evaluation.

**16.8.10** On page 9 Item (e) 1 of the application, Erie Thames Powerlines states that the proposed expansion will not strand distribution assets as the proposed developments are currently unserved green field sites. Erie Thames Powerlines' application is for a general service area expansion including areas that Networks currently has assets and customers. Please reconcile these statements.

***Erie Thames Powerlines Corporation's answer to this question***

Networks has a single residential customer served by a single phase poll line. The customer is slated to be disconnected and the building torn down as part of the redevelopment. Accordingly, Hydro One's interest in the lands in question is negligible.

**16.8.11** Who will have the obligation to:

- (a) Provide an offer to connect if Erie Thames Powerlines is awarded an overlapping service area with Networks?
- (b) Plan for future capacity if Erie Thames Powerlines is awarded an overlapping service territory with Networks?

***Erie Thames Powerlines Corporation's answer to this question***

- a) Both the Applicant and Hydro One. New customers in the expanded service area would have a choice of distributor. Whether or not two distribution systems were built would be situationally dependent according to customer needs, capacity and technical characteristics of existing assets available and the most economically efficient way of servicing the customers involved.

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.

Further, the Applicant submits that real competition with light-handed regulation promotes economic efficiency.

- 16.8.12** In Section 5 (b) of the application, it is stated "Erie Thames would provide consumers with non-discriminatory access to distribution systems in their community". Please define what "non-discriminatory access" is in this context.

***Erie Thames Powerlines Corporation's answer to this question***

Equal access on equal terms at equal rates to all similarly situated customers wishing to receive electrical energy.

- 16.8.13** Attached is a copy of a Canadian News Wire release dated June 9, 2003. The release details the announcement of a new partnership between Oncor Utility Solutions of Texas, USA, and Erie Thames. Please explain:

- (a) What the impact to the number of current Erie Thames Powerlines staff will be?
- (b) How this will contribute to "streamlined" local planning requirements for customers?
- (c) What the impact to current operations and procedures will be?
- (d) Where the strategic skills are to be centralized?

***Erie Thames Powerlines Corporation's answer to this question***

This is confidential commercial information belonging to Erie Thames Services Corporation, which is not the Applicant in this matter. Information beyond that which is contained in the news release is not publicly available.

**16.8.14** Please provide the technical reasons why the developer, Erie Heights Properties Inc, requires three-phase power in the proposed development.

***Erie Thames Powerlines Corporation's answer to this question***

The development is designed to construct apartment buildings with elevators that require three-phase power.

**16.8.15** Please provide the number of lots that comprise the proposed Erie Heights Properties Inc. development, the forecasted number of retail, commercial, school, and institutional services in the development.

***Erie Thames Powerlines Corporation's answer to this question***

The proposed Erie Heights Properties Inc. development phase 1 is comprised of 44 residential lots.

The developer has forecasted that there will be an additional 206 single-family dwellings, between 150 and 350 apartment style condominiums and 1 commercial building in the development.

**16.8.16** On Page 4 of the application Erie Thames Powerlines states that its application meets the developer's desire to work with Erie Thames noting the potential economic benefit accruing to the developer? What economic benefit accrues to the developer?

***Erie Thames Powerlines Corporation's answer to this question***

Such benefits in the customer's perception include lower site development costs and more responsive and timely service in support of development. In addition, the developer believes that Erie Thames Powerlines Corporation's lower rates will help make the development more attractive to potential purchasers and therefore, easier to market.

**16.8.17** On Page 3, Item 1 of the Supplemental Evidence, it is stated that Networks does not have suitable facilities in the immediate vicinity of the property in question. Please provide the evidence for this statement.

***Erie Thames Powerlines Corporation's answer to this question***

To the best of the Applicant's knowledge, Hydro One has only one single-phase service in the area in question. The developer has specified three-phase service for future phases of the development. The Applicant has three-phase supply that terminates at the entrance to the development.

**16.8.18** On Page 3, Item 1 of the Supplemental Evidence, it is stated the application for Erie Thames would create an overlapping service area. Please confirm this and describe the overlapping area.

***Erie Thames Powerlines Corporation's answer to this question***

The service area would be overlapping and would include the entire 98.26 acres owned by the developer, which is lands subject to future development.

**16.8.19** On page 5, Exhibit 1, Scenario A, of the Supplemental Evidence suggests that the weighting the Board should use for customer preference is 70%. Please explain how this number was arrived at. Is this weighting applicable only to the customers in the amendment area or also to customers outside the amendment area?

***Erie Thames Powerlines Corporation's answer to this question***

The schema present is intended to be a suggestion on how the Board might integrate the various public policy issues and considerations it has identified in this proceeding. The Applicant believes that customer choice ought to be the paramount consideration, but not the only consideration. The weighting reflects a reasonable, if unscientific approach to the problem.

The schema applies to the granting of distribution licence amendments. Accordingly, the weighting applies only to customers who are currently outside the service area.

**16.8.20** Please respond to the following questions.

- (a) On Page 5, Exhibit 1, Scenario B of the Supplemental Evidence provides weightings for impacts to the incumbent distributor at 30%. On what basis was this number derived?
- (b) On Page 5, Exhibit 1, Scenario B of the Supplemental Evidence, a number of other considerations and weightings are provided. On what basis were these numbers arrived at?
- (c) On page 5, Exhibit 1, Scenario B, of the Supplemental Evidence, it is suggested that municipal planning considerations should have weight in the Board's decision. What statutory authority do municipal planning departments have over electrical, telephone, gas, fibre optic, and cable TV infrastructure?

***Erie Thames Powerlines Corporation's answer to this question***

The schema present is intended to be a suggestion on how the Board might integrate the various public policy issues and considerations it has identified in this proceeding. The Applicant believes that customer choice ought to be the paramount consideration, but not the only consideration. The weighting reflects a reasonable, if unscientific approach to the problem.

The schema applies to the granting of distribution licence amendments. Accordingly, the weighting applies only to customers who are currently outside the service area.

The Applicant is not aware of any statutory authority of municipal planning departments for the utilities listed. However, in practice, municipalities seeking to develop lands and promote local economic growth are heavily engaged with all the utilities listed.

All plans for new subdivisions, etc. must be approved in advance by municipalities, according to development plans. There would be little or no infrastructure construction without such approvals.



**16.8.21** What is the vintage of the Erie Thames three-phase assets that will be used to supply the amendment area and the eastern side of Port Stanley?

***Erie Thames Powerlines Corporation's answer to this question***

A 1979 transformer that was refurbished in 2000.

**16.8.22** On Page 12 of the Supplemental Evidence it states that amendments can occur when the customers and the distributor will not be burdened by un-recovered asset costs directly employed in serving customers who switch. The submission then goes on to exclude costs related to billing systems, service vehicles, buildings, O and M costs, and does not mention upstream installed capacity costs.

- (a) Please explain what specifically is contemplated as being stranded by the customer switching.
- (b) Please explain the equation put forward for calculating the value of the stranded assets. Does the equation not provide for a negative value in all cases when the NPV of future residual revenue streams is subtracted from narrowly defined stranded asset value? If not, please provide an example.
- (c) Please explain how a "narrow definition" of stranded assets will result in distributors aggressively managing overhead costs to be competitive.

***Erie Thames Powerlines Corporation's answer to this question***

- (a) Incremental fixed assets intended to serve the customers in question.
- (b) If the intervenor has one or more examples in mind, the Applicant would be happy to examine them. The Applicant believes that the equation would frequently yield positive results, which would be to the advantage of the incumbent distributor.
- (c) Direction for Change, page 8: With respect to Ontario Hydro: "The industry has been operated for too long as a monopoly. The problems with electricity monopolies are well known: higher prices, excessive debt, poor priority setting and bureaucratic inefficiency. The solution is the same everywhere -- open the market and introduce competition."

**16.8.23** Is it the applicant's view that Networks' distribution role is limited to being the supplier of customers that want to be served by Networks, and that the applicant and others do not want to serve?

***Erie Thames Powerlines Corporation's answer to this question***

No. The Applicant expects that Networks will have the opportunity to continue to play a major role in electricity distribution in the area in question. The Applicant will not be in a position to refuse service to customers it does not want to serve because of the operation of the objective to connect under section 28 of the Electricity Act, 1998.

**16.8.24** On Page 15, lines 27 and 28 of the Supplemental Evidence it states that whichever licensed distributor receives the request for connection, is the one obligated to serve. Based upon this view how would a distributor plan and make ready capacity for future growth within its licensed service area? Attachment – Canadian News Wire Release.

***Erie Thames Powerlines Corporation's answer to this question***

A distributor would need to begin by changing its mindset with respect to its role in the area in question. It could alter its policy of building in advance of growth and demand building only when growth and demand becomes urgent. Such an approach would reduce the likelihood of stranded assets in the future. As an alternative, a distributor would look for ways of adding capacity in low-cost increments, rather than over building a facility at the time of initial construction.

Direction for Change, page 11: "A competitive market would also give individuals and businesses greater choice... This would encourage greater product and service innovations and price and cost discipline on electricity providers. With protected monopoly franchises, Ontario Hydro and the local distribution utilities have been slow to adopt new ideas and best practices techniques of management. Opening up the telephone transmission lines to competition resulted in a wide-range of new service ideas."