

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

Question 1

Reference: October 31, 2002 Application, page 6

Preamble: "with the necessary authority to make an offer to connect to developers in the expanded service area"

17.11.1

a) Please confirm that Hydro One Networks currently provides distribution services to consumers in the areas addressed by the proposed service area amendment.

b) Has Essex undertaken any assessment of the proximity and capability of Hydro One Networks distribution facilities to meet the needs of developers in the expanded service area?

c) If the response to (b) is yes, please provide the results of any such assessments.

Essex's answer to this question

(a) Yes.

(b) The Applicant is not in a position to comment on the proximity or capability of Hydro One Networks Inc.'s distribution facilities to meet the needs in the expanded service area.

Question 2

Reference: October 31, 2002 Application, page 8

Preamble: "The proposed licence amendment will promote competition in the provision of electricity distribution services"

17.11.2

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

Essex'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 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 3**Reference: October 31, 2002 Application, page 8****Preamble:** "The proposed distribution expansion is a contiguous to the existing service distribution area"**17.11.3**

a) Please explain why Essex considers the fact that the expansion area is contiguous with its existing service area to be a relevant consideration with respect to the OEB's objective concerning "non-discriminatory access"?

Essex's answer to this question

The Applicant is merely pointing out that it would engage in and has experience with business practices of a similarly non-discriminatory nature in the area immediately adjacent to the service area in question.

Question 4**Reference: October 31, 2002 Application, pages 8 and 9****Preamble:** "To protect the interests of consumers with respect to prices"**17.11.4**

a) Has Essex undertaken any assessments of the costs associated with providing electrical service to the lands scheduled for development in the expansion area? If yes, please provide the results of any such assessments.

b) Can Essex expand its system and provide electrical service to the lands scheduled for development in the expansion area 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.

Essex's answer to this question

(a) The Applicant has undertaken no study with respect to the costs associated with providing electrical service to the subject lands.

(b) The Applicant is not in a position to provide a general answer to this question. Whether a capital contribution is required will be situationally dependent.

(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, the Net Present Value and rate revenue would likely cover costs and in other cases not.

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

Question 5**Reference: October 31, 2002 Application, page 10****Preamble:** "In all examples, Essex exceeds the regulator's applicable service quality performance measures"

17.11.5

- a) Does Essex 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 Essex's 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

Essex's 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 6

Reference: October 31, 2002 Application, page 10

Preamble: "local preference exists with respect to the installation of electrical services to new development by Essex"

17.11.6

- a) How many developers are currently working on projects in the Municipality of Leamington, the Town of LaSalle, the Town of Amherstburg and the Town of Tecumseh?

Essex's answer to this question

There are approximately 25 customers/developers currently working on projects.

Location	Proposed	Timing	Contiguity
LaSalle - Disputed/Huron Church Line	80 Residential	Fall 2003	Well inside
LaSalle - Head D'Amore Phase 3	90 Residential	Fall 2003	Well inside
LaSalle - Victory Phase 3	135 Residential	Fall 2003	Well inside
LaSalle - Ellis and Washington	27 Residential	Fall 2003	Well inside
LaSalle - Normandy	20 Residential	Fall 2003	Well inside
LaSalle - St. Clair	40 Residential	Fall 2003	Well inside
LaSalle - Normandy	Multilevel	Fall 2003	Well inside
LaSalle - Lyoness	20 Residential	Summer 2003	Well inside
LaSalle - Villa Maria	34 Residential, 62 unit condominium	Winter 2004	Near EnWin Boundary
Leamington - McGaw	29 Residential	Fall 2003	Well inside
Leamington - Henry St.	Commercial	Fall 2003	Well inside
Leamington - Robson Road	102 Residential	Fall 2003	Near Network's Boundary

Question 7**Reference: October 31, 2002 Application, page 11****Preamble:** "To promote economic efficiency in the generation, transmission and distribution of electricity"**17.11.7**

- 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 Essex 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 Essex's position and response to an existing Hydro One customer, lying along Essex's newly constructed distribution facilities, approached Essex for connection and distribution service? If Essex' position is that it would consider connecting such customers please provide Essex's view as what financial compensation, if any, should be provided to the incumbent distributor and who should provide the compensation, i.e., Essex 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 Essex's 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 Essex in the proposed expansion area will not result in a duplication of facilities and inefficiencies in the distribution of electricity.

Essex's answer to this question

- (a) Yes.
- (b) Yes.
- (c) There may be existing Hydro One customers lying along the distribution lines the Applicant may construct.
- (d) 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) As a point of clarification, duplication of facilities frequently occurs currently, as when a distribution feeder runs along each side of a street or highway. The mechanism proposed for stranded assets is concerned with the uneconomic duplication of facilities. If a customer with full knowledge of the costs involved agrees to pay for the construction of a duplicate facility that would not otherwise be built and agrees to pay stranded asset costs associated with the existing facility, the construction cannot be said to be uneconomic from the stand point of the incumbent or Applicant distributor.

Question 8**Reference: October 31, 2002 Application, page 11****Preamble:** "To promote economic efficiency in the generation, transmission and distribution of electricity"**17.11.8**

a) Is it Essex's 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 new developments in the proposed expansion area)

b) If the answer to (a) is yes, please provide the analyses supporting this position.

c) If the answer to (a) is no, please explain how the proposed service area amendment serves the OEB's objective with respect to economic efficiency.

Essex's 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 with 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 9**Reference: October 31, 2002 Application, page 11****Preamble:** "the proposed expansion will not strand distribution assets, as the proposed development in question is currently an unserved green field site"**17.11.9**

a) Please clarify what Essex 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.

b) Under what circumstances does Essex consider it appropriate for distribution utilities to be compensated for stranded assets?

Essex's answer to this question

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

- (b) 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 10

Reference: October 31, 2002 Application, page 11

Preamble: "Essex maintains it has the load capacity to serve both the current (emphasis added) and future customers in the proposed expansion area"

17.11.10

- a) Please explain why Essex 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 Essex's position that Hydro One does not currently have the capability to meet the growth requirements in the proposed expansion area?
- c) Is Essex 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 Essex plan to proactively market its distribution services to existing Hydro One customers in the proposed expansion area?

Essex's 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 the current service territory of Essex Powerlines 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
- (d) Not at this time.

Question 11

Reference: October 31, 2002 Application, page 11

Preamble: "Greater integration of skilled service workforce and equipment assets in the immediate vicinity"

17.11.11

- 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?

Essex's 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 12

Reference: October 31, 2002 Application, page 11

Preamble: "Approval of the Application facilitates financial viability because it would avoid disruption of Essex's revenues"

17.11.12

- a) Please explain how the approval avoids disruption of Essex 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?

Essex's answer to this question

- (a) As Hydro One potentially does not have suitable distribution assets throughout the area in question, the Applicant simply anticipates that it could service and receive revenue from some new customers in the future. 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.
- (b) The loss of future distribution customers does not represent a disruption to Hydro One revenues, as it has never had any revenue from these customers. There may be a loss of revenue from existing customers, if some switch. In both cases, unrecovered asset costs directly involved in serving the customers in question could qualify for stranded asset recovery.