

HYDRO ONE NETWORKS INC. INTERROGATORIES

ESSEX POWERLINES LTD.

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

Essex'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."

17.8.2 Essex Powerlines proposing to:

- (a) Construct duplicate 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 mean? Please provide details

Essex's answer to this question

- (a) Yes, where needed.
- (b) Possibly, depending upon the situation.
- (c) Possibly, depending upon the situation.

- (d) Possibly, depending upon the situation.
- (e) The Applicant foresees no other means of connection.

17.8.3 Please explain the linkage in Section 3 Item (a) of the application between the "competition in the generation and sale of electricity" and distribution service area expansions.

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 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."

17.8.4 What are Essex 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?

Essex's answer to this question

Service Quality Statistics 2002

Requirements	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Telephone Accessibility:													
Number of Calls Answered	4421	4507	4568	4740	4737	4284	4411	4881	4973	5430	4380	3085	54417
Answer Percentage	90.77	92.28	91.95	87.55	87.3	69.31	83.38	85.86	83.23	99.6	92.34	91.35	88.53
Service Percentage													
Cable Locates:													
Number of locates requested	169	93	142	320	333	407	339	321	307	356	239	88	3114
Number performed within 5 days	166	93	142	310	330	397	339	311	301	356	239	88	3072
Percent within standards	98.22	100	100	96.88	99.1	97.54	100	96.88	98.05	100	100	100	98.65
Appointments:													
Number of Appointments made	40	46	42	46	52	56	58	61	52	43	39	37	572
Number of Appointments met	40	46	42	46	52	56	58	61	52	43	39	37	572
Percentage within standards	100	100	100	100	100	100	100	100	100	100	100	100	100
Written Inquiries:													
Number of Written inquiries	63	40	55	80	48	92	94	112	75	93	61	48	861
Number of responses within 10 days	56	38	50	72	42	85	89	103	73	87	59	48	802
Percentage within standards	88.89	95	90.91	90	87.5	92.39	94.68	91.96	97.33	93.55	96.72	100	93.15
Connection of New Services:													
Number of low voltage services													
Connected within 5 working days	28	46	22	32	43	30	45	49	40	48	90	29	502
Percentage within standards	90.33	90.2	95.85	94.12	91.49	90.91	93.75	90.74	93.02	85.71	93.75	96.87	92.11
Number of high voltage services													
Connected within 5 working days													
Percentage within standards													

SAIDI Annual Index -- 8.305023
 SAIFI Annual Index -- 3.276293
 CAIDI Annual Index -- 2.533

New Connections:

2000 -- 520 (June 1 to December 31)
 2001 -- 669
 2002 -- 545
 2003 -- 163 (January 1 to May 31)

17.8.5 Please provide the following information.

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

Essex's answer to this question

- (a) As of December 31, 2002 -- 26,332 customers.
- (b) As of December 31, 2002 -- 408.1 km of line.
- (c) None.
- (d) Subject to negotiation.
- (e) Subject to negotiation.
- (f) Contained within the Conditions of Service document that was filed with the OEB May 1, 2003.
- (g) Filed with the OEB May 1, 2003.
- (h) Customer inquiries are answered by staff during the hours of 8:30 am to 4:30 pm. After hours calls are handled by a contracted answering service. If there is an outage affecting more than 3,000 customers, staff are called in to handle the calls.
- (i) All bills are produced monthly and include SSS customers and customers that have signed with a retailer for distributor consolidated billing. Customers can choose to be on an Equal Payment Plan (EPP).

Payment options include cash, cheque, money order, debit card, credit card, pre-authorized payment (APP - Automatic Payment Plan), internet banking, telephone banking and banking machines.

(j) (see chart below)

Wholesale Supply Points	Feeder Designation	Supply Voltages	Available Capacity (MW)
1	24M7	27.6 kV	unknown
2	24M9	27.6 kV	unknown
3	24M10	27.6 kV	unknown
4	23M5	27.6 kV	unknown
5	56M25	27.6 kV	unknown
6	56M26	27.6 kV	unknown
7	56M4	27.6 kV	unknown
8	3M4	27.6 kV	unknown
9	3M6	27.6 kV	unknown
10	3M8	27.6 kV	unknown

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

Essex's answer to this question

SAIDI Annual Index -- 8.305023

SAIFI Annual Index -- 3.276293

CAIDI Annual Index -- 2.533

Outage statistics not available at this time.

17.8.7 Please explain how this application assists Essex Powerlines to avoid revenue disruption as noted on page 11, Item E 4..

Essex's answer to this question

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.

17.8.8 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).

Essex'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.

17.8.9 How does this application promote economic efficiency in the distribution of electricity when there are still four distributors in Essex County?

Essex's answer to this question

Hydro One could invest its distribution interests in Essex County, thereby reducing the number of distributors.

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."

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17.8.10 On Page 11, Item (e) 2, Essex Powerlines 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:

(a) Does Essex 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 Essex Powerlines require additional upstream capacity for distribution or transmission facilities? 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.

Essex's answer to this question

(a) Yes. Study not required.

(b) No. Study not required.

(c) Projected Load growth 4% annually. Study not required.

17.8.11 On page 11 Item (e) 1, Essex Powerlines states that the proposed expansion will not strand distribution assets as the proposed developments are currently unserved green field sites. Essex Powerlines' application is for a general service area expansion. Please reconcile these statements.

Essex's answer to this question

Answer Forthcoming.

17.8.12 Who will have the obligation to:

- (a) Provide an offer to connect if Essex is awarded an overlapping service area with Networks?
- (b) To plan for future capacity if Essex is awarded an overlapping service territory with Networks?

Essex'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.

17.8.13 In Section 3 of the application, item (b), it states "Essex would provide consumers with non-discriminatory access to distribution systems.....". Please define what "non-discriminatory access" is in this context.

Essex's answer to this question

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

17.8.14 Attached is a copy of a Canadian New Wire release dated June 9, 2003. The release details the announcement of a new partnership between Oncor Utility Solutions, Texas, USA, and Essex Powerlines. Please explain:

- (a) What the impact to the number of current Essex 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.

Essex's answer to this question

This is confidential commercial information belonging to Essex Power Services Corporation, which is not a party to these proceedings.. Information beyond that which is contained in the news release is not publicly available.

17.8.15 Please provide, as Essex Powerlines understands it, the locations of all planned developments for each of your service territories, including the proposed number of residential lots and commercial developments, the timing of their development and their contiguity with the existing service territory.

Essex's answer to this question

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

17.8.16 Please provide details of Essex Powerlines' operational presence in Amherstburg and Leamington including the location of offices, storage depots, parking yards, etc.

Essex's answer to this question

This confidential commercial information belonging to Essex Power Services Corporation which is not a party to these proceedings. The information is not publicly available.

17.8.17 Provide details of the Essex Powerlines' operational presence in Amherstburg and Leamington, including the location of any office, operations centre or address where service vehicles are parked.

Essex's answer to this question

This confidential commercial information belonging to Essex Power Services Corporation which is not a party to these proceedings. The information is not publicly available.

17.8.18 Does Essex Powerlines' commitment to local response in Amherstburg and Leamington depend on employees residing in Amherstburg and Leamington?

Essex's answer to this question

This confidential commercial information belonging to Essex Power Services Corporation which is not a party to these proceedings. The information is not publicly available.

17.8.19 Please respond to the following questions.

(a) Does Essex Powerlines have policies for employee hiring that ensure that employees will always live in Amherstburg and Leamington after any current employees from Amherstburg and Leamington that fulfil local service response no longer live in Amherstburg and Leamington?

(b) What happens to service response in Amherstburg and Leamington when the employees from Amherstburg and Leamington are on vacation?

Essex's answer to this question

This confidential commercial information belonging to Essex Power Services Corporation which is not a party to these proceedings. The information is not publicly available.

17.8.20 What are the dates, area descriptions and quantitative details of past annexations of Ontario Hydro service territory in each of Essex Powerlines' service territories?

Essex's answer to this question

Since the inception of Bill 35 there are no annexations of Hydro One territory allowed unless they agree to it. The annexations in progress at the time of Bill 35 and are grandfathered in the legislation do not include any areas in Essex Powerlines current service territories.

17.8.21 Please provide, as Essex Powerlines understand it, the number of lots developed in each of the last three years in each of the municipalities served by Essex Powerlines and how many of these lots have been in the Essex Powerlines service territory?

Essex's answer to this question

This question is outside the scope of the application before the Board.

17.8.22 On how many poles do you have joint use facilities on Networks' poles and how much do you pay Networks for this joint-use?

Essex's answer to this question

There is no contract for joint use facilities on Network's poles and payment is made to Networks. Joint use facilities are subject to negotiation.

17.8.23 Do the shareholder municipalities of Essex Powerlines provide for all of their own water or wastewater needs or do they rely on alternative service providers such as the Ontario Clean Water Agency, or other municipalities such as Windsor?

Essex's answer to this question

This question is outside the scope of Essex Powerlines and its application before the Board.

17.8.24. Are there any general development constraints in the amendment areas of the shareholder municipalities with respect to the capacity of the water and wastewater facilities? Are there any development constraints in any of the shareholder municipalities with respect to the capacity of the water

and wastewater facilities with respect to specific developments, such as that proposed by Vandolay Developments Ltd. and Pietro Valente In Trust?

Essex's answer to this question

This question is outside the scope of Essex Powerlines and its application before the Board.

17.8.25 Will the Vandolay and Valente developments be serviced by taps off Networks' existing 27.6 kV lines on the edge of these developments or will Essex Powerlines construct assets that pass over, under or through Networks' existing 27.6 kV lines?

Essex's answer to this question

Developments will be serviced from existing Essex assets. They will not pass over, under or through Networks existing lines.

17.8.26 Please respond to the following questions.

(a) 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 weighting area?

(b) 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?

(c) 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?

Essex'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.

17.8.27 On page 5, Exhibit 1, Scenario B, of the Supplemental Evidence, it states that suggest that municipal planning considerations should have weight in the Board's decision. What statutory authority do municipal planning departments have for electrical, telephone, gas, fibre optic, and cable TV infrastructure?

Essex's answer to this question

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.

17.8.28 On Page 12 of the Supplemental Evidence it states that amendments can occur only when the customers and the distributor will not be burdened by unrecovered 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.

Essex'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."

17.8.29 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 plan and make ready capacity for future growth within its licensed area? Attached – Canadian News Wire Release

Essex'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."