

**VERIDIAN CONNECTION'S RESPONSE TO  
ONTARIO ENERGY BOARD STAFF INTERROGATORIES**

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

1. Please provide a precise description of the proposed amendment service area suitable for inclusion in the amended licence.

*12.10.1. The maps that were provided with the Application graphically illustrate the proposed amendment service area. The written description used in the public notice issued in October 2002 provides a reasonably precise description of each service area expansion.*

2. Does your application propose an overlapping or non-overlapping service area amendment?

*12.10.2. The application proposes overlapping service areas. Please see the maps provided with the Application for details.*

3. Are there existing customers in the proposed expanded service area? If so, who will serve these existing customers if the proposed amendment is granted?

*12.10.3. There are existing Hydro One customers in the proposed expanded service area. The application does not provide for the transfer of these customers.*

4. Could existing customers of Hydro One (if any) choose to switch to Veridian Connections? If yes what distribution assets would be used to serve them? If Hydro One's assets, please describe the metering, billing and other arrangements necessary to serve them. If Veridian Connection's assets, describe how Hydro One would be compensated for a) lost revenue b) stranded assets?

*12.10.4. There is no provision for existing customers to be switched to Veridian. Any transfer of existing customers would be by means of a distributor-to- distributor arrangement on a commercial basis.*

*New customers would be served as a result of the rational expansion or addition to Veridian's existing service, and there is no interest on the part of the Company to provide or establish new embedded supply points.*

5. What are Veridian Connections' Reliability Indices and Service Quality Indicators?

*12.10.5. Veridian monitors its service quality in accordance with the indicators described under Chapter 7 of the Board's Rate Handbook. This information is filed annually with the Board as required under section 2.1.5 of the Board's Electricity Reporting and Record Keeping Requirements.*

6. What other quantitative evidence is available to compare Veridian Connection's reliability and service quality with that of Hydro One's reliability and service quality in the area? Please provide such evidence.

*12.10.6. Veridian has no quantitative evidence that compares its reliability and SQL data with that of Hydro One. It is not the Company's intention to study and draw such comparisons because that is a matter for customers to weigh in making their decision to choose a distributor. Our view is that where it is appropriate, customers will factor service quality into their choices. The issue of customers having and exercising "choice" remains the basis of Veridian's Application.*

7. What are Veridian Connection's distribution rates that would apply in the amended service area? How do these compare with Hydro One's rates?

*12.10.7. Veridian has 4 rate structures that would apply to new customers in the amended service area. Copies of the four rate schedules are attached. We are not certain how Hydro One's rates compare to these rates.*

*Our view is that customers will consider the respective distribution rates offered by competing distributors as appropriate in their individual circumstances.*

8. Will additional load transfers or metering points be required as a result of this proposed service area amendment? If yes, identify specific ones if possible.

*12.10.8. Veridian does not propose any additional load transfers or metering points to accommodate the service area amendments. This would be contrary to our goal of facilitating rational expansions of the distribution infrastructure through the establishment of overlapping service areas.*

9. On p.3, Section 2.7 of Veridian Connections' reply submission dated March 28, 2003, there is an implication that customers in the amendment area

wishing to connect would pay any associated cost of resulting duplications and inefficiencies. How would this cost be calculated and administered?

*12.10.9. Connection costs for distribution system expansions within the overlapping service areas would be based on the discounted cash flow model mandated under the Distribution System Code. Connection costs for these customers would be calculated in the same manner as for other customers within Veridian's licensed service areas. We do not propose any special charges related to system duplications and/or inefficiencies.*

*On the contrary, the proposal for competition between distributors within the overlapping service area will result in the most efficient expansion of the distribution infrastructure, thereby avoiding system duplications and/or inefficiencies.*

*This approach has already been examined and approved by the OEB in its determinations in respect of the Loyalist Veterinary Hospital (EB-1999-0063), St. Francis Elementary School (EB-1999-0260) and the Hastings County Manor (EB-2003-0020).*

10. If the proposed amendment is granted, would new customers in the expanded service area have a choice of distributor? If yes, and some customers chose Veridian and some customers choose Hydro One, would two distribution systems be built? Please describe the way that choice would be provided to customers. Please discuss this aspect of the proposal with reference to the fourth electricity objective in the OEB Act to promote economic efficiency in the distribution of electricity.

*11.2.10.10. Yes, it is proposed that customers within the overlapping service areas would have choice between the two distributors. It is unlikely that this would result in the construction of competing distribution infrastructure to a common site or geographic area. It is expected that customers acting in their economic self interest will, in most cases, choose the distributor offering the lowest cost connection. And, since connection costs are largely dependent on proximity to existing distribution infrastructure, the first distributor to service a particular geographic area will, in all likelihood, be successful in securing future customers in that area as well.*

*Of course, there may be exceptions to this expected outcome. There may be situations where two distributors have distribution infrastructure on a common road allowance, serving a common geographic area. It must be pointed out, however, that this circumstance is common even with the existing non-overlapping service areas. For example, Hydro One currently has many distribution feeders occupying road allowances within Veridian's licensed service area. And, at the interface of our two licensed service*

*areas, it is not uncommon to have two distribution lines on a common road allowance, one on each side of the roadway.*

*With regard to the process by which customers might choose between distributors, it is simply proposed that the customer be entitled to obtain an offer to connect from either or both of the licensed distributors. The customer would then assess the offer or offers, and enter into a contractual arrangement for service with the distributor of his or her choice.*

*With regard to the fourth objective in the OEB Act concerning economic efficiency, we submit that given the ability to choose between competing distributors, most customers will select the distributor offering the lowest connection costs. And, since the connection costs quoted by the competing distributors include all incremental costs associated with the connection (under the provisions of the Distribution System Code), the least cost connection represents the most efficient expansion of the distribution infrastructure. Therefore, customer choice will result in the most rational and least cost expansion of the distribution infrastructure.*

11. If the proposed amendment is granted, who would have the obligation to serve customers in the expanded service area? Could a scenario arise where both distributors have the obligation?

*12.10.11. It is proposed that both distributors be obligated to provide customers with offers to connect. The distributor whose offer is accepted by the customer would have the obligation to serve.*

12. Would the requested amendment have an impact on Hydro One or its customers? If yes, please describe.

*12.10.12. The impact of the amendment for distribution services on Hydro One and its existing customers is impossible to assess with any accuracy. It is dependent on the way in which both distributors respond to the introduction of customer choice, and on the location and rate of customer growth within the overlapping service areas. The impact, if any, would be reduced if Hydro One has not invested in upstream capacity to serve the geographic areas covered by the application.*

13. Would the requested amendment have an impact on Veridian or its existing customers? If yes, please describe.

*12.10.13. As stated in our response to question 12, the impact of the requested amendment is difficult to assess. However, in general terms, we expect that the addition of new customers within the overlapping service*

*areas will enable Veridian to more optimally load it's distribution infrastructure in these areas.*