

**VERIDIAN CONNECTION'S RESPONSE TO
HYDRO ONE NETWORKS INC. INTERROGATORIES**
**Combined Distribution Service Area Amendments Proceeding
RP-2003-0044**

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

12.8.1. Please see response to Board Staff IR #10

2. Is Veridian Connections proposing to:

- (a) Construct distribution lines in Networks' service area in order to connect customers in the expanded area?

12.8.2a. Only as required to safely and adequately supply the customer who requested the connection. Yes, in some cases it may become necessary to expand or add-on to the distribution system where none exists such as new "greenfield" developments.

- (b) Connect new customers from Networks' system through Retail Points of Supply?

12.8.2b. No.

- (c) Connect new customers from Networks' system through Wholesale Points of Supply?

12.8.2c. No, we do not propose to add new embedded supply points to facilitate customer connections within the overlapping service areas.

- (d) Enter into Joint Use agreements with incumbent LDCs, and share facilities?

12.8.2d. Possibly. Veridian currently has reciprocal joint-use pole arrangements with Hydro One for parts of its the overhead distribution system. Of course, new joint-use installations would require mutual agreement.

- (e) Connect new customers by any other means? Please provide details.

12.8.2d. No.

3. What are Veridian Connections' SQI statistics, as defined by the Distribution Electricity Rate Handbook, for Emergency response, SAIDI, CAIDI, SAIFI, and new connections for the past 3 years?
I2.8.3

Customer Service Indices

	Annual % Meeting Minimum Standard		
	2000	2001	2002
▪ Connection of new services – low voltage	100	100	100
▪ Connection of new services – high voltage	100	100	100

Service Reliability Indices

	Annual Index		
	2000*	2001	2002
▪ System average interruption duration index (hours)	0.32	1.38	2.04
▪ System average interruption frequency index	1.03	0.16	1.61
▪ Customer average interruption duration index (hours)	0.2	0.56	1.3

*Only 6 months data available (July-Dec)

4. Please provide the following information.

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

I2.8.4a. 91,339 (Dec. 31, 2002).

(b) The kilometers of distribution line installed.

I2.8.4b. 1,313 circuit km.'s (Dec. 31, 2002).

(c) The number of Municipal Stations operated, locations, and available capacity.

I2.8.4c. No.

(d) The kilometers of joint-use line in the current service area.

I2.8.4d. 15.22 km of line are shared by Hydro One/Veridian in some fashion.

- (e) The percentage of pole ownership of the joint-use line in the current service area.

12.8.4e. Hydro One has wires on Veridian poles for 6.8 km of line; Veridian has wires on Hydro One poles for 8.22 km.

- (f) The policy for new connections and expansions.

12.8.4f See Conditions of Service filed electronically.

- (g) The current Conditions of Service Document.

12.8.4g. Filed electronically.

- (h) How customer inquiries are handled (i) during working hours, and (ii) after working hours.

12.8.4h. Depends on they type of inquiry.

- (i) Identify the billing and payment options available to your customers.

12.8.4i. Billing is carried out in accordance with the Board's Retail Settlement Code and Rate Handbook. Payment options include, pre-authorized payment, drop box, in person, by mail, through Banks and Trust Companies, and via tele-payment.

- (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.

12.8.4j. No.

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

12.8.5. We do not understand the relevance of this question.

6. In Section 2.9 of the Application Veridian Connections 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 Veridian Connections currently have excess capacity to serve the proposed expansion areas without the need for additional

connection or transformation expenditures? Please provide a copy of the studies that support the answer.

12.8.6a. Veridian has system capabilities and capacity to be able to serve the proposed expansion areas. Over time, the need for additional connection or transformation expenditures will be determined through its own internal system of business practice and planning processes and in consultation with Hydro One, local municipalities, and other appropriate agencies and authorities. There are no specific studies undertaken to support this answer. Any such studies would be undertaken if and when required.

(b) Will Veridian Connections require upstream capacity for distribution or transmission facilities for each of the expansion areas? Please provide a copy of the studies that support the answer.

12.8.6b. See 6a, above

(c) What is the projected load growth in the expanded areas? Please provide a copy of the study that supports the answer.

12.8.6c. Load growth in the expanded areas is dependent upon the ability of the communities identified in the Application to attract industrial, commercial, and institutional business customers as well as residential development. Veridian relies, in part, on discussions with municipal staff to assist it in determining potential load growth.

7. Who will have the obligation to:

(a) Provide an offer to connect if Veridian Connections is awarded an overlapping service area with Networks?

12.8.7a. Both LDC's will have an obligation to provide an offer to connect, upon request by a potential customer.

(b) To plan for future capacity if Erie Thames Powerlines is awarded an overlapping service territory with Networks?

12.8.7b. That would appear to be Erie Thames Powerlines business.

8. In Section 4.3 of the application, it is stated "The proposed amendment to broaden the distribution service area of the nine communities is in the best interest of customers because it offers the choice of non-discriminatory access to the Company's distribution system." Please define what non-discriminatory access" is in this context.

12.8.8. The reference to “non-discriminatory access” is simply the opportunity that customers have in making a choice to select a distributor where there is a genuine choice of distributors.

- 9, In section 2.9 of the application it is stated that the Company will be able to offer “efficient network services and connections to customers at costs significantly less than other distributors”. What other distributors is Veridian Connections referring to? Has Veridian applied to overlap the service areas of other distributors?

12.8.9. The reference is to any other distributor who receives a non-exclusive distribution licence to serve all or any part of Veridian’s service area or any other geographic area that could include Veridian now or in the future. If new customers wishing to connect to an LDC receive offers to connect which they prefer to Veridian Connections, that is their choice. Veridian has not applied for licence area amendments in the service areas of other distributors.

10. In Section 1.3 of the application it is stated that Veridian’s service areas are “limited” to the urban service boundaries of the former municipalities of Cannington, Beaverton, Sunderland, Uxbridge, Bowmanville, Newcastle, Orono, Port Hope, and Belleville. Please provide the documentation that confirms that the existing distribution service areas for Veridian are defined to extend to the former municipal boundaries as established by the communities in law.

12.8.10. No. This is not necessary for the purpose of this proceeding. Veridian’s current Distribution License provides an adequate description of Veridian’s service area at this time. To date, the distribution licenses have required relatively simple descriptions of service areas that provide guidance as to service area boundaries. This is a reasonable approach in the absence of rules for properly describing how the service area boundaries of all former, current, and future distribution companies are to be stated.

11. In Section 2.2 of the application it is stated that there is no expectation that the service area boundary changes proposed would result in any direct competition between the two companies. As your application proposes to overlap Networks’ existing area, please explain how competition would not occur between the two distributors for new and existing customers.

12.8.11. The reference is specifically aimed at not directly competing to “poach” (directly) any existing or potential new customers from Hydro One or any other distributor who may offer such services in the future. While elements of “competition” may

exist in the developing areas around the subject communities, it remains the customer's choice to decide which utility to connect to, particularly where, in the customer's opinion two or more LDC's provide "competing" offers to connect that customer.

12. In section 2.12 of the application, Veridian suggests among other things that it will cooperate with other electricity distributors and utility companies to avoid unnecessary duplication. Please explain how duplication will be avoided when Veridian intends to overlap Networks' service area.

12.8.12. Please see response to Board Staff IR# 10.

13. In Section 2.6 of Veridian's Reply Submission, it is stated that duplication already exists with Hydro One and other local distribution companies through the use of common agreements such as joint-use pole arrangements. Please explain how joint-use agreements are a duplication of assets.

12.8.13. See response to 12.8.12 above.

14. In Section 2.7 of the Reply Submission, Veridian states that customers should decide who the service provider will be. Please explain which customers should have this choice:

- (a) New Veridian customers in the amendment area?
- (b) Existing Veridian customers outside the amendment area?
- (c) New Networks' customers in the amendment area?
- (d) Existing Networks' customers outside the amendment area?
- (e) Existing customers in the amendment area?

12.8.14. It is the new customers in the amendment area who would have the choice of provider.

15. In Section 2.10 of the Reply Submission, it is stated that the expansion is rational because capital will be used in an efficient and cost effective manner, which would best support development areas in the communities. Please explain this statement.

12.8.15. Please see response to Board Staff IR# 10

16. In Section 3.3 of the Reply Argument Veridian states "Hydro One's licence is based on enacted legislation and contracts. If that interpretation is accepted, then the Company's service area should be expanded to a greater area while allowing for LDC services offered by Hydro One". Please explain this statement.

12.8.16. The point being made was that Hydro One stated in its submission that its licence was to provide distribution services to all of Ontario not served by existing LDCs and that this privilege was based on enacted legislation and contracts. This is not disputed. However, on a comparable basis, the enacted legislation (Section 70(6) of the Ontario Energy Board Act, 1998) provides for Veridian's application to expand its service area to permit new customer connections. The role and obligations of the two distribution companies in this case have been described previously.

If Veridian is granted a service area amendment, and extensions to its existing distribution system in growth areas, then it can do so. Veridian would not object to overlapping distribution licenses on its service area provided the amendments are made on the same basis of this Application, which is to serve new customers.

17. Section 3.8 of the Reply Argument states that Networks “fails to address costs to downstream users in the communities”. Please explain this statement.

12.8.17. This statement reflects a concern that Veridian has in terms of system planning that Hydro One may undertake that would directly impact Veridian's customers. The importance of the point being made is that distribution system planning requires the involvement of the affected companies to ensure end-use customers are provided with the best distribution services possible.

18. In the Distribution Electricity Rate Handbook, Chapter 3: Establishing Initial Unbundled Rates, 3.2 Unbundling Current Rates, paragraph 3 it states:

“Ideally, cost allocation studies would be available to guide the unbundling process. Unfortunately, the studies that are available are old. Hence, a simplified procedure is described here for unbundling existing rates. Should a utility have better information on which to unbundle rates, they are encouraged to use such information, as long as justification can be provided in support of initial rates.”

Did Veridian submit a cost of service study with its rate application? If not, how does Veridian Connections contend that the rates for any LDC in the province were subjected to a thorough and complete regulatory process to determine cost-based rates?

12.8.18. A cost of service study was not submitted by

Veridian with its initial rate application, nor did the Ontario Energy Board expect one to be submitted. It would be very unfortunate indeed if as part of the restructuring of the Ontario electricity marketplace, including the massive regulatory task of unbundling the rates of several hundred utilities by the Ontario Energy Board were not considered to be as thorough and complete a process as possible at the time and which ultimately resulted in the issuance of rate orders of the Board. The need for cost allocation studies to reset or “rebase” rates using a standardized methodology for all LDCs was recognized early on by participants in the Board’s PBR design work. The Board Staff is currently working on the cost allocation methodology through its Cost Allocation Working Group of which Hydro One is a member.

19. Please provide Veridian’s approved Residential and General Service/Commercial rates for each of the areas where Veridian proposes to expand its licensed service area.

12.8.19. The rate schedules are attached to these interrogatories as Appendix A

20. Networks believes that Veridian has not yet harmonized the rates it offers in the various communities it serves. Has Veridian advised customers that rates will change at the very least due to harmonization and the application of Networks’ LV charges? How then does Veridian expect customers to make rational decision regarding service providers in the absence of this information?

12.8.20. As a result of restructuring the Ontario electricity marketplace and the constant state of flux the market is in, Veridian simply expects customers to make their own decisions in respect of distribution service providers based on the best information available to them at a particular point in time. Currently, the uncertainty, and speculation of what may or may not happen in the Ontario electricity market is unsettling for the distribution companies and customers.

21. Please provide the details, citations, references, from municipal planning documents, as to how the proposed new boundaries were established and how they relate to the existing boundaries as established in law.

L2.8.21. This material will be supplied under separate cover.

22. Please provide, as Veridian understands it, the locations of all planned developments for each of the proposed service area expansions, including

the proposed number of residential lots and commercial developments, the timing of their development and their contiguity with existing service territory.

12.8.22. No.

23. How many lots have developed in each of the last three years in each of the municipalities affected by Veridian's application and how many of these lots have been in Veridian service territory each year.

12.8.23. We do not have information readily available on the number of connections in each of the municipalities as a whole, however, the number of new residential connections in Veridian's licensed service areas for 2002 was: Belleville - 170, Clarington - 416, and none in the other municipalities involved in this matter.

24. Reference to Port Hope

12.8.24. See response to IR#29 below.

25. Reference to Bowmanville

12.8.25. See response to IR#29 below.

26. Pursuant to what provision in its licence did Veridian connect customers, such as the RCMP, office on the south side of Baseline Rd. east of Waverly Rd. in Clarington?

12.8.26. See response to IR#29 below.

27. Reference to Newcastle

12.8.27. See response to IR#29 below.

28. In Port Hope, Veridian has currently connected or is in the process of connecting approximately 100 homes in a sub-division (that will be larger) south of Marsh Rd. on Rapley Blvd., Jarvis Dr., Huffman Ave. and Jefferies St. in an area outside the depiction of the "Existing Veridian Port Hope Territory" in Veridian's application. Please provide the licence amendment that sanctioned these connections. If there is no licence amendment for this area why did Veridian not request an urgent connection application for these customers as it did for the Hastings Manor application?

12.8.28. See response to IR#29 below.

29. In the map appendixes to the application, Veridian has indicated that its “Existing Veridian Clarington Territory (Newcastle)” includes the hamlet of Bond Head. Please provide the legal foundation for Bond Head being included in the Newcastle service area of Veridian.

12.8.29. The resolution of disputes over existing licensed services is beyond the scope of the combined service area proceeding, and would be more appropriately dealt with as part of the Board’s proceeding on Veridian Connections’ application for renewal of its distribution license. This application is currently being processed. Hydro One will have an opportunity to intervene in this process should it so desire.