

LDC INTERROGATORY #20

INTERROGATORY

Reference: Report of John Todd, filed September 26, 2003, Page 7, lines 15-17

“If the incremental costs incurred by the non-incumbent are less than the costs that would be incurred by the incumbent, then the total distribution costs for all distribution customers will be lower if the non-incumbent provides the new connection.”

Please itemize the components of costs that are being included and the method by which they are combined to obtain “incremental costs”.

RESPONSE

The reference is part of the conceptual discussion in the Report that is responding to the conceptual arguments appearing in the KEMA-Quantec Report on behalf of Hydro One Networks. The use of the term incremental costs is the standard usage in the field of economics. It includes all cost factors, which implies the inclusion of all capital costs for new facilities and for upgrading of existing facilities with growth as well as all operating cost factors related to facilities maintenance, customer service, etc.

In practical terms, the approach proposed in the Report implies that the incremental costs would be those that are recognized by the Distribution System Code for purposes of determining customer contributions.