

1        **Ontario Energy Board (Board Staff) INTERROGATORY #11 (Prefiled Evidence)**

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3        **Interrogatory**

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5        If customer preference was determined by the Board to be the sole, or the most important,  
6        factor in deciding a service area amendment application:

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8        a) Is the playing field level for competition between Hydro One and other LDCs?

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10       b) If not, please list the reasons for the inequity (eg. nature of Hydro One's service  
11       territory or customers, history, current rates...).

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13       c) If there is an inequity, how should it be addressed?  
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16       **Response**

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18       a) No.  
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20       b) Please see Networks' Exhibit J8-10-8(d). Networks' transitional rates are based on the  
21       legacy rates of the then Ontario Hydro. In the former public utility environment,  
22       Ontario Hydro had a public utility objective as the residual supplier for the province  
23       where there were not any municipal or private distribution utilities, and thus  
24       Networks has low customer density and higher unit operating costs than most utilities  
25       in the province. In addition, Networks' rates are "postage stamp" in character, such  
26       that while the rates are based on common density criteria there are different operating  
27       costs across regions of the province depending on the character of the service  
28       territory, e.g., farmlands and the Canadian Shield.  
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30       c) One alternative for addressing these inequities would be the development of regional,  
31       cost based rates for all LDCs with appropriate density classes. Such an approach  
32       would ensure all utilities in a comparable area set rates based on the costs of  
33       providing service in that region. Under this approach utilities might be able to  
34       compete for "wires customers" on a more equal footing. The historic, postage stamp  
35       approach to setting rates would need to be abandoned in favour of cost based rates  
36       that reflect the cost of providing service within particular regions. Such an approach  
37       would lead to rate increases for customers in higher cost rural and northern parts of  
38       the province. The negative impacts of such an approach may outweigh the perceived  
39       benefits of increased competition.