

1 **Ontario Energy Board (Board Staff) INTERROGATORY #1 (KEMA Report)**

2
3 **Interrogatory**

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5 Much of the evidence is premised on the existence of a “Regulatory Compact”, which
6 presumes that a distributor has an exclusive service territory and an obligation to serve
7 future customers within its service territory. There is an argument to be made, which
8 appears to be recognized in the evidence at page 18, that neither of these presumptions
9 exists in Ontario. In addition, it can be argued that the Distribution System Code allows
10 distributors to recover from customers seeking connection the incremental cost of a
11 system expansion.

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13 a) If these arguments are correct, how should a distributor operate in such an
14 environment? How should system planning be approached?

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16 b) If the legislation in a jurisdiction does not provide for exclusive service territories, how
17 should the regulator implement the legislation and protect the public interest in
18 considering service area amendment applications?

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21 **Response**

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23 (a) The premise of this question that there is no Regulatory Compact in Ontario is not
24 correct. There is a Regulatory Compact. While the Ontario Energy Board does have
25 the authority to modify service territories, the Ontario Energy Board Act of 1998 does
26 not change the “Regulatory Compact.” LDCs are still obligated to serve the electric
27 needs of existing and future customers at rates that are regulated by the Ontario
28 Energy Board. Thus, the system planning approach discussed in the KEMA-Quantec
29 evidence still applies.

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31 (b) Regulators should consider service area amendments by applying the principles
32 developed in this hearing for specific case applications based on an evaluation of the
33 economic, planning, and financial implications on all customers, the utility, and the
34 industry as a whole. Service area amendments that adversely impact customers (or the
35 incumbent utility, together with its remaining customers) should be rejected. Public
36 interest issues that should be considered include:

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38 • How will the amendment impact the cost of utility service (and thus, customer
39 rates) in the near-term (and long-term)?
40 • How might the utilization rates of distribution investments change from such
41 amendments?

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Exhibit J8

Tab 10

Schedule 29

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- 1 • How might future system planning change from such amendment? For example,
- 2 would the incumbent now be required to make incremental investments to
- 3 connect new customers?
- 4 • Would the proposed transfer adversely affect the ability of the distribution utility
- 5 to safely provide and maintain service?
- 6