

1 **Ontario Energy Board (Board Staff) INTERROGATORY #3 (Prefiled Evidence)**

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3 **Interrogatory**

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5 At page 2 of the evidence it is argued that approval of amendments for areas where the
6 incumbent utility has assets could lead to duplication and increased costs. Would the
7 same effects result from the approval of an amendment for an area in which there were no
8 existing utility assets, either those of the incumbent or the applicant distributor? In
9 answering this question, please assume the amendment does not result in overlapping
10 service areas.

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13 **Response**

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15 For areas in the province where there has been settlement, all would have distribution
16 assets of some capacity. If the amendment area is in Networks' licensed service territory,
17 then Networks would have included the area in its planning process and would have some
18 degree of upstream assets in place to accommodate future growth in this area. As
19 indicated in Appendix A of each of its responses to the individual applications for licence
20 amendments, Networks has wires assets on largely all roads within the application
21 service territory and distribution stations and other upstream assets either within or within
22 the vicinity of all the application areas. If the applicant is permitted to install assets to
23 meet the supply requirements of the new customers, Networks' connection and upstream
24 assets could be stranded or underutilized and existing pool customers will lose the benefit
25 of new customers' contribution toward the utility's fixed costs.

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27 For the benefit of the Board in this hearing, Networks has chosen the terms "stranded"
28 and "underutilized" to refer, respectively, to situations of full and partial stranding.
29 Stranding, in Networks' view, occurs when in-service assets, based on prudently
30 established capital programs, are never used again as a result of an unanticipated
31 boundary or service territory adjustment. Underutilization, in Networks' view, occurs
32 when installed assets with available capacity are precluded from reaching planned
33 utilization as a result of an unanticipated boundary or service territory adjustment