

1                    **Ontario Energy Board (Board Staff) INTERROGATORY #9 (KEMA Report)**

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3                    **Interrogatory**

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5                    The parallel policy issues cited on pages 8 to 17 and the denial of changes to franchises  
6                    generally relate to avoidance of stranded charges related to restructuring. Is this correct?  
7                    If yes, were the stranded costs related to distribution, transmission or generation  
8                    investment by the vertically integrated utility prior to restructuring?  
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11                   **Response**

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13                   The premise of this question is incorrect. Stranded costs are not linked to the denial of  
14                   changes to franchises. Paying stranded costs is a condition for the change. It is true that  
15                   the current issues around franchise and service territory changes are tied to the  
16                   restructuring changes and the policies expressed in the FERC's Order 888. The FERC  
17                   does not exclude any asset or cost type from the stranded cost calculation. Distribution,  
18                   transmission, generation, regulatory assets, or any other cost can be considered. The  
19                   utility is to be compensated when any legitimate, prudent, and verifiable stranded costs  
20                   can be documented. In the Las Cruces case the United States Court of Appeals for the  
21                   Fifth Circuit added the requirement that the FERC consider the impairment of service to  
22                   other customers. Prior to Order 888 the compensation received by the incumbent from  
23                   the new service provider holder was determined by the assets and revenues affected,  
24                   whether they were related to distribution, transmission, or generation.  
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