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Vulnerable Energy Consumers' Coalition (VECC) INTERROGATORY #6

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Interrogatory

Reference: February 28, 2003 Response to Centre Wellington's Application for Distribution Service Area Amendment, page 4, lines 8-10 and lines 14-16

a) What in Hydro One's view should be the determining factors for service area amendments that should be considered by the OEB in the near term – i.e., prior to the completion of updated cost of service analyses?

b) How would these factors change and, in Hydro One's view, what role should rates play in the decision, after rates have been realigned to reflected updated cost of service analyses?

c) Even after individual utilities's cost of service results have been updated, rates will continue to be pooled by customer class and the costs to serve individual customers will vary from the class average. How should OEB address Hydro One's concerns in this regard over the longer term?

Response

(a) See Networks' Exhibit 18-10-8 and Networks' Pre-filed Evidence at p. 3, lines 1-7.

(b) See Networks' Pre-filed Evidence at p. 1, lines 17-21 and sections 4.0. When cost allocation studies are complete and rates are based on costs, rates will provide appropriate signals on the cost of providing service. At that time, the rate impact would be one impact to consider in assessing whether the application was in the public interest. Networks would nevertheless continue to hold that a distributor's ability to plan for new load and the overall impact on customers' needs to be fully considered in assessing whether an amendment application is in the public interest. In Networks' view, the test of meeting the public interest needs to include impacts on all customers, not just new customers.

(c) Networks believes this will be an ongoing issue, but one where the mechanism for the OEB to address it is unclear. There may be cause for Networks' rate classes to change significantly as a result of new cost allocation studies and the movement of the customers of Networks' 88 acquired distributors, which currently have their own rates, into a revised set of Networks' rate classes. The major step for all LDCs will be cost allocation studies and the identification of plant to bring rates more in line with

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allocated costs over time. Until this is completed it is difficult to answer this interrogatory.