Wirebury Connections Inc. INTERROGATORY #14

Interrogatory

Networks believes that overlapping service areas will translate into "uneconomic allocation of scarce resources" and lead to devalued assets and increased rates which would not be in the public interest.

Reference: p.16, L16 - p.17, L5

a) Is Networks view predicated on the belief that duplication of assets will always occur. Please explain how and why Networks comes to this conclusion and why it did not consider the possibility of distributors connecting new customers through embedded distribution?

b) How would overlapping service areas translate into an "uneconomic allocation of scarce resources if new customers are served using the same upstream infrastructure that Networks would have used to serve them and existing customers who wish to switch are required to pay for any stranded assets? Please provide a detailed response.

c) If customers can be served by more efficient, less-costly distributors through embedded distribution that utilizes the incumbent distributor's facilities and therefore there is no stranding or duplication of assets would this be in the public interest? If not, please explain why since the assumption would be that existing customers are no worse off since nothing has changed and the attaching customers would have the benefit of choice of new technologies, such as interval meters, at more competitive costs.

d) Does Networks agree that the use of interval meters by customers of embedded distributors could result in benefits to the host distributor system (for example by reducing peak demand)? If your answer is no, please explain in detail.

Response

a) Please see Networks' Exhibit J8-12-11(c). Although Networks does not always believe duplication of assets will occur, it does believe that the addition of another LDC results in unnecessary duplication of effort. Moreover, it believes that duplication of assets will result in overlapping service territory and can result through the creation of new embedded service territory. Since Wirebury is neither an existing licensed distributor nor an applicant in this proceeding, Networks was not in a position to know whether Wirebury wants overlapping service territory or new embedded service territory.

b) Please see Networks response in # 14(a), above, and Exhibits J8-12-11(b) and (c), J8-10-04, J8-11-13, and J8-02-03. While there would be an uneconomic allocation of scare resources for the physical wires infrastructure, there also would be uneconomic allocation of some upstream scarce resources, such as IT systems, with consequences for the underutilization of assets and increased rates for customers. See Networks response to Wirebury Interrogatory 11(b) and (c) above.

c) LDCs would be able to offer new technologies, such as the interval meters Wirebury mentions, presumably at no less favourable costs than Wirebury. LDCs, such as Milton Hydro, already have interval metering pilot programs in place.

d) Most LDCs would agree that the use of interval meters by customers has benefits, but the linkage Wirebury makes between new embedded distribution and the introduction of interval meters has not been established. In addition, please see Networks' Exhibit J8-12-11(d).