BOARD STAFF INTERROGATORY #8

INTERROGATORY

Paragraph 34 notes that "new customers must be willing to pay the rates associated with the delivery of electricity to their building or property…"

a) In the context of regulatory efficiency, how would a just and reasonable set of distribution rates be developed for LDCs with overlapping service areas, ensuring that customers are indeed paying for the delivery of electricity to their building, given that every customer changeover potentially affects the calculation of the underlying distribution rate?

b) What set of principles are required for the service area amendment process which preserves the integrity of the rate setting process?

RESPONSE

a) Regulatory efficiency can be maintained by the Board continuing to approve just and reasonable distribution rates for each LDC based on the operating and capital needs of the utility to serve its changing customer base. As new customers are attached, existing rates would be used to determine the maximum level of capital contribution that is required to connect each customer or group of customers. Rates would not change until they were reviewed and approved by the Board.

   Distributors would be able to compete for connections by offering different value propositions to prospective customers, but the amount of capital they include in rate base should not exceed the amount allowed by the economic feasibility formula in the Distribution System Code based on current Board approved rates. In the interests of regulatory efficiency and equity, Wirebury plans to offer the same set of distribution rates to all of its customers. Wirebury recommends that the Board adopt this approach for all distributors who decide to compete for customers outside their existing service territories.

b) To ensure the integrity of the rate setting process, the Board should accept as a default principle, one rate for all customers in the same customer class. Customers requesting an alternate distributor must pay the switching costs including any stranded asset costs. Only where a distributor can clearly demonstrate to the Board that there are extenuating circumstances, should a divergence be permitted from the one rate for all principle.