

BEFORE THE ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998,
S.O. 1998, c.15, (Sched. B);

AND IN THE MATTER OF applications by Centre Wellington Hydro, Veridian Connections Inc., EnWin Powerlines Ltd., Erie Thames Powerlines Corp., Chatham-Kent Hydro Inc., Essex Powerlines Corp., Cooperative Hydro Embrun Inc. and Hydro One Networks Inc. pursuant to subsection 74(1) of the Ontario Energy Board Act, 1998 to amend Schedule 1 of their Transitional Distribution Licences.

**Vulnerable Energy Consumers' Coalition ("VECC")
Interrogatories Regarding Evidence Filed by Veridian Connections Inc.
(Veridian)**

Question 1

Reference: July 2002 Application, paragraphs 1.4 and 1.5

- a) Please confirm that Hydro One Networks currently provides distribution services to the consumers in the areas addressed by the proposed service area amendment.
- b) Has Veridian undertaken any assessment of the proximity and capability of Hydro One Networks' distribution facilities with respect to the "lands scheduled for development"?
- c) If the response to (b) is yes, please provide the results of any such assessments.

Question 2

Reference: July 2002 Application, paragraphs 1.9 and 2.9

Preamble: "expanding the service territory in each community will provide the Company with the opportunity to offer cost effective electricity distribution services in the new development areas ... these services will include the construction, expansion and reinforcement of distribution facilities"

- a) Has Veridian undertaken any assessments of the costs it will incur to provide electrical service to the lands scheduled for development (paragraph 1.4)? If yes, please provide the results of any such assessments.

- b) Is it Veridian's position that it can provide service to these new development areas more cost efficiently than Hydro One Networks? (Please note that the question is not with respect to rates but with respect to the costs that will be incurred in the construction, expansion and reinforcement of distribution facilities as required to service the proposed amendment area)
- c) If the answer to (b) is yes, please providing analyses supporting this position.
- d) If the answer to (b) is no, please explain the bases for the referenced statement in paragraph 1.9 and Veridian's contention (paragraph 2.11) that the proposed amendment to the licensed service area satisfies the objectives of the OEB Act, 1998 to promote economic efficiency in the distribution of electricity?

Question 3

Reference: July 2002 Application, paragraph 2.2 and 2.8

Preamble: "There is no expectation by the Company that the service boundary changes proposed this Application would result in any direct competition between the two distribution companies."

"will permit it to connect potential new customers who formally request to be connected to Veridian's distribution system"

- a) Please confirm that, to the extent there are existing Hydro One Networks' facilities in their proximity, these new customers would also have the option of requesting service from Hydro One.
- b) Please explain Veridian's position that there will be no direct competition between it and the incumbent distributor (Hydro One Networks) given that both parties will be in a position to serve new customers.

Question 4

Reference: July 2002 Application, paragraph 2.3

Preamble: "Customers are generally (emphasis added) expected to purchase distribution service from the incumbent distribution utility that has served them to date"

- a) Does Veridian anticipate that there will be existing customers of Hydro One Networks that will lie along the distribution lines Veridian would construct to serve the new developments?
- b) What would be Veridian position and response if an existing Hydro One customer, lying along Veridian's newly constructed distribution facilities, approached Veridian

for connection and distribution service? If Veridian's position is that it would consider connecting such customers, please provide Veridian's view as what financial compensation, if any, should be provided to the incumbent distributor and who should provide the compensation, i.e., Veridian or the customer. (Note: Please assume, in responding to this question, that the OEB finds that it has the jurisdiction to deal with service area amendments for existing customers)

- c) Would Veridian's position and response as outlined in response to (b) be any different if an expansion of its system in the amended service area (as per Distribution System Code, Section 3.2) was required to connect the Hydro One customer? If yes, please explain.

Question 5

Reference: July 2002 Application, paragraph 2.9

Preamble: "The Company expects that it will be able to offer efficient network services and connections to consumers at costs significantly less than other distributors"

- a) Please provide any analyses that Veridian Connections has performed to support this statement.
- b) Does Veridian Connections consider the facilities it will be required to construct to provide service to customers in the expanded serviced area a "system expansion" as per:
- the Distribution System Code, section 3.2, and
 - the OEB Act, section 92?
- c) Has Veridian performed any analyses as to whether the revenues from the new customers in the expanded service territory (based on existing rates) will be sufficient to cover the capital costs of construction, expansion and reinforcement of distribution facilities along with ongoing O&M costs similar to that required by the Distribution System Code (section 3.2) for system expansions? If so, please provide the results.
- d) Do the "costs" referred to in paragraph 2.9 include payments the customers in the new service area will be required to make through both rates and capital contribution?
- e) Will all of the costs of the new distribution facilities (and any reinforcement of existing facilities) required to provide service to the expanded service area be subject to the economic evaluation and customer capital contribution requirements as set out in section 3.2 of the Distribution System Code?

- f) If the response to (e) is no, what is the anticipated impact on the rates to Veridian's existing customers arising from the construction, expansion and reinforcement required to service the expanded service area?
- g) When planning the facilities required to service specific customers in the newly acquired service territory, what assumptions will Veridian use in sizing the new distribution facilities? For example, would Veridian Connections base its sizing decision on:
 - o The capacity required to connect the specific customer(s) concerned,
 - o The capacity required to service all potential new development in the expanded service area, or
 - o The capacity required to service all potential new development and a portion of Hydro One's existing customers?
- h) If the planned capacity in (g) is greater than that required to just service the specific customer(s) concerned, will all of the costs still be included in the economic evaluation and the capital contribution derivation? If not, how will the balance of the costs be treated?

Question 6

Reference: July 2002 Application, paragraph 2.4

Preamble: "Service quality indicators and reliability indices demonstrate a higher level of performance and customer satisfaction in urban areas when compared to rural areas."

- a) Please explain what relevancy and weight the existing service quality and reliability indices of the prospective and incumbent distributors (in this case - Veridian and Hydro One Networks, respectively) should have in determining the appropriateness of a proposed service area amendment?
- b) Is it Veridian's position that it will be able to provide higher service quality and service reliability to the specific customers in the contested service area than Hydro One Networks? If yes, please explain why.

Question 7

Reference: July 2002 Application, paragraph 2.10

Preamble: "The Company has sufficient capacity to meet the additional connection requirements based on current growth projections for each of the communities that it serves"

- a) Does Veridian expect that the electricity carried over the distribution facilities that it would construct in the expanded service area would be provided primarily through

connection with its existing distribution systems in the local communities or through new connection(s) with either Hydro One's distribution system or the transmission system?

- b) If the connections will be primarily with Veridian existing distribution facilities, please explain why there is "sufficient capacity" on the systems in the associated communities to meet loads in excess of the expected loads in the existing service areas.
- c) Does Veridian have any information that would suggest Hydro One Networks does not have sufficient capacity on its distribution network to deliver the electricity required to service the additional new connections in the contested service area? If so, please provide.

Question 8

Reference: July 2002 Application, paragraph 2.10

Preamble: "Veridian expects that all its customers will experience significant cost on-going savings in distribution service costs"

- a) Please explain the basis for this claim and provide all supporting analyses performed by Veridian.
- b) Please provide an estimate of the costs incurred to-date by Veridian that are associated with the proposed service area expansion and what the estimated total costs will be to obtain approval from the OEB. Please describe the current accounting and regulatory treatment of such costs (e.g., are they expensed to operations, capitalized as part to the anticipated cost of system expansion into the new service area or accrued in a deferral account for future disposition and potential recovery?)
- c) In the event that the OEB denies the request by Veridian for approval of the service area extension, how does Veridian propose that the costs referenced in part (b) be treated (e.g., recoverable from existing rate payers or a shareholders' cost)? Please provide the rationale for the answer.
- d) In the event that the OEB approves the request by Veridian for a service area extension:
 - 1. What additional activities would Veridian need to undertake in order to prepare itself to make offers of service to new or existing customer in the expanded service area – in advance of actually making the offers?
 - 2. What are the estimated costs of these activities, and

3. How will these costs be recovered – will they be expensed as part of ongoing operating and capital costs or accrued and included in the cost of system expansion for servicing new/existing customers in the expanded service area?

Question 9

Reference: July 2002 Application, paragraphs 1.6 and 2.11

Preamble: “the amendment request is appropriate and reasonable, and consistent with ... the objectives of the OEB Act and the purpose of the Electricity Act, 1998”

“The proposed amendment to the licensed service area satisfies the objectives of the Ontario Energy Board Act, 1998”

- a) Has Veridian any information or undertaken any assessment as to the impact granting the proposed service area amendment application and Veridian distributing power to customers in the expanded service area would have on:
 - Hydro One Networks’ ability to achieve efficiencies in the distribution of electricity to its customers (e.g., Does Hydro One have also have excess distribution capacity and are the efficiencies gained by Veridian in being able to use its excess capacity gained at the expense of Hydro One and its customers),
 - The efficiency of overall supply to and in the regional areas concerned, or
 - The impact that the uncertainty associated with creating overlapping service areas would have on the capacity planning processes for both utilities?

Question 10

Reference: July 2002 Application, paragraph 3.5

Preamble: “OEB approval is necessary, in part, to ensure the Company’s financial viability is not harmed”

“will seek OEB approval as required pursuant to the Distribution System Code”

- a) Assuming the OEB grants Veridian’s application for a service area amendment, what other formal approvals does Veridian require from the OEB in order to provide service to a new customer in the expanded service area?

Question 11

Reference: July 2002 Application, paragraph 4.2

Preamble: “The amendments will provide the choice of alternative distribution service to new customers”

- a) Please confirm that only customers in the contested service area will have a choice.
- b) Will Veridian facilitate and support the entry of new (embedded) distributors seeking connection to its distribution system in order to allow new customers in its existing serviced area the benefits of choice?

Question 12

Reference: March 2003 Reply, paragraphs 2.3

Preamble: “The Company further submits that the Application will not have any detrimental impact on customers ... On the contrary, the Company asserts that the application provides benefits to customers, as they will be empowered to choose”

- a) Please confirm that the only customers who benefit from ability to “choose” are those in the contested service area.
- b) Please indicate how the granting the application for service area amendment will benefit:
 - o Veridian’s existing customers, and
 - o Hydro One Networks’ existing customers.
- c) Is it Veridian’s position that granting the Application will not have a detrimental effect on Hydro One Networks’ existing customers? Please explain the basis for the response and in doing so specifically respond to the concern expressed by Hydro One (February 28, 2003 Submission, page 5, lines 5-22) that the proposal could lead to “unnecessarily underutilized assets”.
- d) Assuming the proposed service area amendment was demonstrated to have a detrimental effect on Hydro One’s existing customers) what criteria would Veridian suggest the OEB use to weigh the benefits to certain customers (e.g. the customers in the contested service area and/or Veridian’s existing customers) against the disbenefits to others in approving this and similar applications?
- e) Please comment on Veridian’s view as to whether the benefiting customers should be required to “compensate” those that are disadvantaged by the service area amendment and, if some form of compensation is reasonable, how that compensation should be determined.

Question 13

Reference: March 2003 Reply, paragraphs 2.5 and 2.6

Preamble: “The Company has not proposed to duplicate facilities with Hydro One”

- a) Please indicate what Veridian considers to be “duplication of distribution facilities”.
- b) Is it Veridian’s position that Hydro One would not be able to use its existing facilities in the contested service areas to service some or all of the newly locating customers in the associated communities?
- c) Please provide the context for the comments in paragraph 2.6. Is Veridian asserting that duplication of assets should be allowed in new circumstances simply because it already exists elsewhere? Is Veridian suggesting that it will avoid duplication of assets through “joint use pole arrangements” with Hydro One in the contested service area?

Question 14

Reference: March 2003 Reply, paragraphs 2.7 and 5.2

Preamble: “Under this scenario, customers will be able to make their own decisions with regard to any duplications or inefficiencies as reflected by the price they pay.”

- a) Does Veridian agree that for the customers to make a rationale choice (from an economic perspective) the price they pay must reflect the costs of any inefficiencies arising from their decision? If not, why not?
- b) If yes, what process would Veridian propose to ensure that the costs of any stranded assets or inefficiencies that are imposed on an incumbent distributor as a result of customer choice are identified and included in the “price” payable by the customers?

Question 15

Reference: January 28, 2003 Application, page 3

Preamble: “Therefore, the addition of this customer will result in the more efficient utilization of existing assets”

- a) In general, assuming an incumbent distributor also has the adequate capacity to meet the customer’s requirements, wouldn’t the loss of a customer lead to a less efficient utilization of its existing assets? If not, please explain why.
- b) What is Veridian’s position regarding the criteria or measures that the OEB should use to determine if a proposed service area amendment meets its objectives

(as per OEB Act, 1998, Section 1) to “promote economic efficiency in the ... distribution of electricity”?