

**SUBMISSION OF THE CORPORATION OF THE MUNICIPALITY OF  
CHATHAM-KENT  
REGARDING FURTHER EFFICIENCIES IN THE ELECTRICITY  
DISTRIBUTION SECTOR**

**DATED FEBRUARY 17, 2004**

1. **Background**

- (a) The Municipality of Chatham-Kent has a great deal of experience with restructuring and consolidation and its effect on the provision of services to the public. Chatham-Kent, a single-tier municipality , which is now one of the largest by area in Ontario was formed 6 years ago by a Provincial Order amalgamating 23 former municipalities.
- (b) The restructuring Order also amalgamated 11 electrical utilities into one distribution company, now known as Chatham-Kent Hydro.
- (c) The result is the somewhat anomalous situation with Chatham-Kent having 1 hydro distribution provider for all of the urbanized islands within the Municipality and Hydro One as the distribution service provider for the surrounding sea of rural areas.
- (d) The restructuring Order recognized that Chatham-Kent Hydro would be in a position to eventually take over hydro distribution services for the whole Municipality “boundary to boundary with immediate savings in the order of \$1,000,000.” This has not yet occurred.

2. **Problems with Hydro One Continuing to Serve Part of the Municipality  
of Chatham-Kent**

- (a) The restructuring was intended to eliminate and has successfully eliminated duplication and redundancy in the provision of most municipal services in Chatham-Kent. Unfortunately, duplication and redundancy has not been eliminated completely in electricity distribution. One of the prime examples of the need for municipal restructuring in Chatham-Kent was the obvious duplication of assets with the road departments of the County, Township and Province located on 3 separate properties abutting one another at the same location. Further, the various road departments for the 23

municipalities were often driving through the territorial jurisdiction of the other en route to and from their road maintenance tasks.

Regrettably, this same situation continues to exist in Chatham-Kent with Hydro One and Chatham-Kent Hydro having some duplicated assets and often traveling through the other's service territory to perform their respective functions.

- (b) Since there are no longer any internal municipal boundaries, the artificial boundaries created by the 2 service territories of Hydro One and Chatham-Kent Hydro are confusing to the customers.
- (c) The result is also 2 levels of service for customers depending upon their location in the Municipality with the level of service Chatham-Kent Hydro being more responsive and less costly.
- (d) The Municipality has serious concerns regarding the provision of efficient electricity distribution services to accommodate economic development where the urbanized areas expand into the current Hydro One service territory.

### 3. The Municipality's Concept of Efficiency

- (a) The Municipality agrees with the hybrid nature of efficiency stated in the "Discussion Paper" of February 10<sup>th</sup>, 2004. "Economic efficiency implies the striking of a balance between the level of service and the distribution costs." This is a lesson which has been clearly learned from municipal restructuring.
- (b) The Municipality as the sole shareholder of Chatham-Kent Hydro has contributed to cost efficiency by:
  - (i) establishing a lower return on equity which together with the savings from the amalgamation of the 11 electrical utilities has kept Chatham-Kent Hydro rates lower and very competitive;
  - (ii) entering into service sharing arrangements with Chatham-Kent Hydro including cutting edge and award winning information technology systems. For example, Chatham-Kent has developed an automated mapping facilities management ("AMFM") and geographic information system ("GIS") which enables the Municipality and Chatham-Kent Hydro to instantaneously locate and identify all service infrastructure within any location in the Municipality .

- (c) Municipal ownership and governance with municipal councilors on the board of director of Chatham-Kent Hydro, ensure a local accountability which results in enhanced responsiveness to customer needs regarding cost and service.
- (d) The strong local physical presence of Chatham-Kent Hydro with local offices, local billing and superior service response times provides high level customer service.
- (e) All of these factors have clearly resulted in Chatham-Kent Hydro being a much more efficient distributor in Chatham-Kent than Hydro One.

#### 4. **Importance of Efficiency to the Municipality**

- (a) The Municipality, pursuant to the Municipal Act and Planning Act is responsible for economic development and planning and zoning within Chatham-Kent. Efficient electrical distribution plays a critical role in both economic development and planning and zoning.
- (b) The Municipality recognizes that it must be able to respond promptly to economic development opportunities and that available efficient electrical supply is essential.

The Municipality is aware that :

- (i) There is great competition among municipalities for economic development;
- (ii) Companies planning investments look at all costs associated with a prospective site;
- (iii) Electrical supply costs are often a significant component of the development and operation costs of the site;
- (iv) Investors are looking for not only the most competitive capital costs and distribution rates but also certainty with respect to capacity, capital costs and rates; and
- (v) Investors also insist on reliability of supply and services.

Since electrical supply is an essential service for economic development, there is a critical synergy between a municipality's ability to plan and respond to economic development initiatives and the municipally owned electrical service supplier's ability to promptly and efficiently supply this essential service. The Municipality must be

able to plan and direct development and growth to preferred areas of Chatham-Kent even where such areas might not be consistent with the Hydro One growth plan, existing infrastructure, and economic decision making process.

Development decisions made by the Municipality and supported by Chatham-Kent Hydro must be made in a fiscally responsible manner without losing sight of the overriding need for efficient electrical service to all customers. This is ensured by the checks and balances of local accountability not only applicable to the Municipality but also to Chatham-Kent Hydro together with the checks and balances administered by the Ontario Energy Board.

- (c) Moreover , because of the municipal ownership of Chatham-Kent Hydro, the profits earned from this company stay within the community of Chatham-Kent.

5. **Conclusion**

- (a) Through strong municipal shareholder support and driven by local accountability, Chatham-Kent Hydro has achieved great efficiency for its Chatham-Kent customers.
- (b) A more efficient distribution of electricity in Chatham-Kent will result for the benefit of all Chatham-Kent customers where Chatham-Kent Hydro is the distribution service provider from “boundary to boundary”.
- (c) It is in the best interests of the Municipality and its ratepayers to have the locally accountable municipally owned Chatham-Kent Hydro as the distribution service provider “boundary to boundary” in order to ensure efficient distribution service and allow for the Municipality to plan for and respond promptly to economic development initiative.

All of which is respectfully submitted.