



ONTARIO ENERGY BOARD

FILE NO.: EB-2012-0397

VOLUME: Encouraging Electricity Distributor Efficiency
Stakeholder Meeting, Volume 1

DATE: February 27, 2013

EB-2012-0397

THE ONTARIO ENERGY BOARD

ENCOURAGING ELECTRICITY DISTRIBUTOR EFFICIENCY

STAKEHOLDER MEETING

Held at 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Wednesday, February 27th, 2013,
commencing at 9:34 a.m.

VOLUME 1

A P P E A R A N C E S

BRIAN HEWSON PAUL GASPARATTO	Board Staff
TODD WILLIAMS GLEN WOOD RALPH ZARUMBA	Navigant Consulting
WAYNE CLARK	Association of Major Power Consumers of Ontario (AMPCO)
ALEX PALIMAKA	Bluewater Power
ANDREW TAYLOR	Bluewater Power, Newmarket-Tay Power, Greater Sudbury Hydro
GRANT BROOKER	Cambridge North Dumfries Hydro
PAULA ZARNETT	Canadian Federation of Independent Business
JULIE GIRVAN	Consumers Council of Canada (CCC)
MAURICE TUCCI	Electricity Distributors' Association (EDA)
ANDREW SASSO	EnWin Utilities Ltd.
CHRISTINE DADE	Horizon Utilities
ALLAN COWAN	Hydro One Networks Inc. (HONI)
PATRICK HOEY	Hydro Ottawa
JIM KEECH	Kingston Hydro
JIM HUNTINGDON	Niagara-on-the-Lake Hydro
TODD WILCOX	North Bay Hydro
KEITH McALLISTER	Orillia Power

A P P E A R A N C E S

DOUG FEE	Ottawa River Power Corp.
RICHARD STEPHENSON	Power Workers' Union (PWU)
RICHARD WUNDERLICH	Siemens Canada
JAY SHEPHERD	School Energy Coalition (SEC)
COLIN McLORG	Toronto Hydro-Electric System Ltd. (THESL)
MICHAEL ANGEMEER	Veridian Power
MARK GARNER	Vulnerable Energy Consumers' Coalition (VECC)
DARIUS VAICIUNAS	

I N D E X O F P R O C E E D I N G S

<u>Description</u>	<u>Page No.</u>
--- On commencing at 9:34 a.m.	1
Presentation by Glen Wood, Navigant Consulting	7
Question and Answer Session	30
--- Recess taken at 11:12 a.m.	55
--- On resuming at 11:29 a.m.	55
--- Luncheon recess taken at 12:45 p.m.	101
--- On resuming at 1:56 p.m.	101
Presentation by Glen Wood	102
Closing Remarks	178
--- Whereupon the meeting concluded at 4:11 p.m.	183

E X H I B I T S

Description Page No.

NO EXHIBITS WERE FILED IN THIS PROCEEDING

U N D E R T A K I N G S

Description

Page No.

NO UNDERTAKINGS WERE FILED IN THIS PROCEEDING

1 Wednesday, February 27, 2013

2 --- On commencing at 9:34 a.m.

3 MR. HEWSON: Good morning, everybody, and I want to
4 thank all of you in the room who were able to make it on
5 this wonderful Toronto winter day. I know it was certainly
6 a little bit more effort for me getting in this morning
7 than usual, and I am not very far out of the office.

8 I also want to thank you in the room and on the phone
9 for joining us to participate in this conversation about
10 looking at opportunities, options, challenges and potential
11 benefits and risks related to the regulatory framework
12 changes that might be made to encourage distributor
13 efficiency in regards to operational and organizational
14 type activities. I will explain that a little bit more in
15 a minute.

16 My name is Brian Hewson. I am the senior manager of
17 the policy group responsible for distribution network
18 policy, and I am heading up this project.

19 To my left is Paul Gasparatto, who is leading the
20 project from the policy group.

21 Todd Williams, Glen Wood and Ralph Zarumba are here
22 from Navigant Consulting. They have been retained to
23 assist us in this data gathering and information
24 development exercise.

25 And all of you should be aware that there are
26 approximately 50 or 60 parties on the phone, as well as the
27 40 people in the room, so we are very pleased to have a
28 good turnout.

1 I should point out that this is a stakeholder meeting.
2 Therefore it's been called by Staff; Staff are leading it.
3 There may be Board members that pop in, but they will
4 likely be sitting in the back to observe, if they are able
5 to come in.

6 The meeting is being transcribed, as you will see over
7 to my left, and we are participating, as I said, remotely
8 with people who are going to be able to phone in and
9 actually join into the conversation as they wish.

10 Indeed, one of our Board members has joined us, Ms.
11 Conboy, but as I said, this is a Board Staff session.

12 I wanted to first -- because there have been some
13 questions in various forms about this initiative and what
14 the direction is that Staff have been given in this
15 initiative, so to try and help out with that, I think to
16 first start with the fact that the Board has for quite some
17 time, as distributors and stakeholders know, been focussed
18 on encouraging efficiency and productivity in the sector.
19 They have done that through the various IRM and different
20 rate-setting mechanisms, and all with a view to trying to
21 ensure that costs are as appropriate as possible, that
22 utilities are looking for the best ways to do things.

23 And our rate-setting mechanisms have been recently
24 reaffirmed through the renewed regulatory framework that
25 the Board is focused on encouraging efficiency and customer
26 value through the rate-setting mechanism, and a focus on
27 performance-based rate-making and outcome-based regulation.

28 And why it's important to start with that is it shows

1 that there is a strong commitment by the Board to make sure
2 that it's focussing you on how to be efficient. So it's
3 timely for the Board to, in that context, also look at are
4 there any challenges, any options, any ideas out there for
5 changes in the regulatory rules, regulatory structure, that
6 would assist utilities in undertaking and becoming more
7 efficient.

8 So as I like to see it, we have the renewed regulatory
9 framework looking at the performance-based regulation
10 performance outcomes. That's about how we measure, how we
11 encourage, and potentially how we incent greater
12 efficiency.

13 This initiative is trying to look at the questions
14 that have been raised, certainly by a lot of distributors,
15 in various communications and various reports and papers
16 about potential regulatory issues that are getting in the
17 way or may be getting in the way of them being more
18 efficient from an organizational or operational standpoint.
19 So it's about how you undertake your work and how you are
20 organized that we are talking about today, and not about
21 what incentives or what mechanisms the Board should have in
22 place to reward or incent you in some way.

23 I thought that was important to give you some context
24 so that you understand the difference between the two
25 initiatives.

26 And a little bit about why Navigant is involved is
27 that we thought that the first stage, given that we've
28 heard a lot of things, is to go out and talk to utilities

1 and the stakeholders about exactly what ideas they have as
2 far as different approaches to operating or organizing
3 their activities, things like shared services, things like
4 consolidation, what their ideas are about that, and what
5 regulatory challenges or perceived barriers there are that
6 the Board might be able to address, or that the Board may
7 not be able to address but the Board should be aware of.

8 And certainly I think from looking at the Navigant
9 report, it is clear that there are some things that people
10 have raised that the Board may be able to look at doing on
11 its own, and there are some things that are clearly not
12 within the scope of the Board's ability to change or
13 modify.

14 But what we really wanted to do is focus today on
15 hearing from you, so we are going to have Navigant provide
16 back to you a review of what they heard from the parties
17 that they have talked to, identify some of the questions
18 that came up from people, some of the challenges that
19 people identified. And we are hoping to engage with all of
20 you in a discussion about whether those opportunities are
21 out there, what the barriers are and whether they are real
22 barriers or perceived barriers. And in some cases, I think
23 people in the report even identified that there is, in some
24 cases, more of a perception about what utilities can or
25 can't do.

26 And so we thought that it would be useful to actually
27 hear from all of you about the opportunities, the
28 challenges, the potential benefits and the potential risks

1 of making changes to the regulatory structure.

2 Any questions? Okay.

3 Then let me move along to say that Paul is going to be
4 acting as the facilitator today, and in just a second I am
5 going to hand it over to him, and ask him to go over the
6 logistics for participating both in the room and on the
7 phone. And then we're, as I said, going to hand it over to
8 Navigant to walk through a presentation that provide as
9 very good overview of what they have heard from everyone.

10 Paul?

11 MR. GASPARATTO: Thank you, Brian. Good morning,
12 everyone. A few housekeeping details.

13 First of all, for those of you who haven't been here
14 before, the important thing, the washrooms that are on this
15 floor, the women's washroom are basically in the hallway
16 just out this door, and the men's washrooms are on the
17 other side, down this hall to your right by the north
18 hearing room.

19 As Brian mentioned and as you can see, we are having a
20 transcript done of today's session, just so we can
21 concentrate on hearing what you have to say and not
22 concentrating on taking notes. But what that means is, as
23 a lot of you may be aware, when you want to speak - and
24 definitely today is all about listening to your comments -
25 you need to announce yourself. I know Lisa went around and
26 took names and she may be able to remember who everyone is,
27 but if you could say your name and your organization when
28 you start your comment, that would be very helpful,

1 especially -- again, we have 30, 40 people listening,
2 staying warm at home and listening over the telephone, so
3 identifying yourself will help them know who is speaking.

4 I will send around an attendance sheet probably after,
5 during the break, that we would like to get you all to sign
6 so we know who is here.

7 And again, as Brian said, so for participating we will
8 take questions when we get to the question part from those
9 of you here in the room, and for those of you over the
10 phone, they have a full opportunity to participate too.
11 What we will do is we will stop, we will talk to the
12 moderator on the phone, and she will provide instructions
13 on how those people can participate; basically, they press
14 a button and they get in the queue, and she will open the
15 lines for them to speak. And I ask, of course, that the
16 people on the phone identify yourself so we know who you
17 are.

18 And just not a whole lot of an agenda today. This
19 morning, I think we will handle the opening remarks and
20 review the report, and then have a Q&A and a discussion on
21 that report. We will take a lunch break, an hour lunch
22 break, send you out for lunch, probably maybe 12:30 or so,
23 and in the afternoon we can have an open discussion. I am
24 sure once we start talking after the report is done, the
25 discussions will flow. And we will take a 15-minute break,
26 both in the morning and the afternoon, to get some extra
27 coffee and stretch our legs. So what I think now is we
28 will turn it over to Navigant. I have to do some technical

1 things on the computer and I think Glen will be doing the
2 presentation, but here, let me get his presentation up.

3 It's all yours, Glen.

4 **PRESENTATION BY GLEN WOOD, NAVIGANT CONSULTING**

5 MR. WOOD: Thank you very much. Thanks, Paul. And
6 technology apparently works, so this is good. I will be
7 careful what I touch.

8 So the topic, or the title for the presentation is
9 that it's a summary of the stakeholder and distributor
10 interviews, and that's really the intent. As I spoke with
11 many of you, you know, I said we wanted to come back, feed
12 back to you the, you know, what we had heard and, you know,
13 confirm that we've heard you correctly, that we've
14 interpreted what we have heard correctly, so that's really
15 the focus of the presentation, is to really summarize the
16 messages that we have taken back from those interviews.

17 So the agenda, in brief, is to very briefly go over
18 the overview of the objectives of the project, talk --
19 research questions, et cetera, talk about the opportunities
20 that were presented to us for improving distributor
21 efficiency, that we have kind of characterized those as
22 shared services relating to scale, shared services relating
23 to scope, which, we will talk about how we define that,
24 consolidation opportunities, and innovations or internal
25 improvements that different distributors have talked about,
26 and then move on to regulatory opportunities that could be
27 taken to support distributor efficiency improvements.

28 I will then talk about some -- what we have

1 interpreted as sort of the key takeaways from this process,
2 and we will see if we got those right - you can tell us if
3 we have interpreted those appropriately - and then get into
4 some discussion and questions, and, you know, the focus is
5 very much today, as was mentioned, on focusing on having
6 some discussion around the feedback that we've received.

7 So in terms of the objectives, the objective of the
8 study is, as I think everyone has probably heard by this
9 point, is to explore actions that distributors could take
10 to improve operating efficiency, to talk about the barriers
11 that might impede or limit distributors from pursuing those
12 opportunities, and the actions that the Board could take in
13 support of distributors pursuing those opportunities.

14 And as already been mentioned, rate-setting and
15 performance measures are currently under review. Now, they
16 really weren't the focus of this study, as you will know
17 who we have spoken to. Certainly some of those issues came
18 up, and we have -- you know, where those issues were
19 outside of the scope of the study we have passed that
20 information to the Board so that they have that as input to
21 other processes.

22 So the objective of today's meeting, as opposed to the
23 overall study, is to really confirm, and to confirm the key
24 mechanisms that have been put forward that have been
25 suggested as means of increasing distributor efficiency,
26 which largely focus -- we will get into this a bit more,
27 but largely focus on means of obtaining scale.

28 We will talk a little bit about the key functions,

1 providing some of the greatest opportunity. I don't know
2 why that's in red, but, you know, anyway. What are some of
3 the greatest barriers to action, and the relative
4 importance of -- as we have talked about all of the
5 barriers, you know, what's the relative importance of
6 regulatory change, in terms of inhibiting or limiting
7 distributors' ability to pursue opportunities. And
8 finally, the opportunities to improve the regulatory
9 framework to help support those efficiency improvements.

10 So in starting -- in looking at this project, both,
11 you know, the Board Staff and Navigant started with the
12 understanding that distributors are already doing, you
13 know, many things to pursue efficiency improvements. They
14 are following a variety of strategies. There are already
15 examples of many of the things that we are talking about.

16 So our approach was to develop research questions with
17 the Board Staff and devising an approach to go out and
18 obtain input from a sample of distributors and stakeholder
19 groups.

20 We also reviewed the Ontario regulatory framework to
21 see where the regulatory framework might impinge on some of
22 those opportunities, and as part of the overall project
23 following the consultation we will conduct jurisdictional
24 review of areas of regulatory interest to see how they have
25 been addressed in other jurisdictions and provide that
26 advice to the Board.

27 So the sample plan that we followed in carrying out
28 the consultation, the initial interviews, was designed to

1 provide a reasonable -- reasonably representative group of
2 distributors, and in doing that, as you can see, we did a
3 census of the top ten electricity distributors.

4 I should clarify. By "top ten" I mean the ten
5 largest, in terms of customer count, as opposed to -- some
6 people said "top ten" would be the top ten performing, and
7 -- anyway, that was the approach that we took. And a
8 sample of ten others across the province.

9 And the groups that -- the distributors and the
10 stakeholders that we talked to are listed in an appendix of
11 the report. I should mention for some reason Integry's was
12 not included in appendix A, but they were kind enough to
13 speak with us, and they are -- they were part of the
14 consultation and will be included in the report.

15 And obviously we spoke to stakeholder groups as well.
16 Some of those stakeholder groups were more closely
17 associated with distributors, EDA for instance, but we
18 tried to obtain as broad an input there as we could.

19 So in terms of the actual opportunities for increased
20 efficiency, as we complete -- as we went through the
21 process we realized that you could -- conceptually you
22 could break this into two parts, and we thought this might
23 be interesting to talk about the functions that are most --
24 that were raised most often as opportunities for greater
25 efficiency, and then secondly, the mechanisms of, how do
26 you achieve those efficiencies.

27 Just for clarity, I added the little note that
28 Navigant is responsible for, you know, separating this, and

1 it's really just a way of approaching and thinking about
2 the issue, but the areas of potential that we are talking
3 about were identified by distributors and stakeholders as
4 part of the consultation.

5 So here is a list of, you know, sort of the standard
6 functions carried out by distributors. It's not an all-
7 inclusive list, and, you know, you can slice and dice this
8 in various ways, but I think it represents sort of the
9 normal functions that are carried out by distributors, not
10 all of which are carried out by all distributors if you
11 don't own a transformer station, for instance.

12 But in talking with distributors and with
13 stakeholders, certain functions came up repeatedly as being
14 most amenable to improvements in efficiency related to
15 scale. And if you look at those areas which are shown here
16 in red, those areas tend to focus on administrative
17 functions and customer-service functions. Hopefully that's
18 not a big surprise. Those were the areas that were most
19 often identified as functions which could benefit from
20 scale and therefore lend themselves to improved efficiency.

21 So a couple of things about this. One is -- one thing
22 to note is there is a lot of red. So there is a lot of
23 functions within the utility, within the distributor, that
24 lend themselves to improvements in efficiency as a result
25 of scale.

26 The other thing to note is that, you know, there is
27 different ways of accessing these, which we will talk
28 about, and that's -- how you access these is really the key

1 focus.

2 But how you access these, you know, if you pursuing
3 shared services, you will access some portion of these
4 functions; if you pursue consolidation, then obviously you
5 cover all of these functions. So that's certainly one
6 difference.

7 So distributors talked about how they have or could
8 increase the scale of their operations and therefore
9 increase efficiency through what we have classified as or
10 what we have termed for convenience as "scope and scale."

11 So "scale," we have used the term "scale" to refer to
12 opportunities of providing services across shared services
13 or consolidation across distributors. So LDC-to-LDC type
14 of opportunities we have classed as "scale."

15 "Scope," we have used to refer to opportunities that
16 are outside of the distribution business, a prime example
17 being water and sewer billing or water and wastewater
18 billing for municipalities.

19 The point that we wanted to make is that both of these
20 approaches can provide similar benefits. If you are able
21 to provide billing services for more customers, to spread
22 your billing costs over more customers because you are
23 providing services across multiple distributors, that's one
24 way of achieving scale and efficiency, but you can apply
25 better, you know, improved technology and gain some
26 advantage.

27 Similarly, if you provide services across multiple
28 services through electric, water, sewer, gas, whatever, you

1 similarly you are spreading the cost across more customers,
2 across more bills. You can, you know, afford some better
3 technology and gain efficiency that way.

4 And both of those approaches can provide similar
5 benefits.

6 So a number of, as I said, a number of different
7 suggestions were put forward. And we have tried to
8 represent these in this graphic, to identify on the right-
9 hand side opportunities relating to scale; again,
10 distributor-to-distributor type efficiencies. So that
11 could be -- that could be strategies or approaches that
12 involve consolidation, amalgamating with a neighbour, or
13 contiguous or non-contiguous amalgamation or consolidation.

14 On the bottom right quadrant in green, you can also
15 achieve some of those savings through shared services. So
16 if you are sharing services across multiple distributors --
17 things like the CHEC Group or utilities in Waterloo Region
18 or the CLD that are working together on CDM initiatives --
19 that's another opportunity, and that would be a shared
20 service around scale.

21 On the left-hand side, we have shown scope
22 opportunities. Most of the focus in that quadrant or on
23 that side was on shared services such as street light
24 maintenance, customer services relating to water and sewer
25 service, and again, can provide some of the same benefits.
26 There was some discussion of new services, which I have
27 shown on the upper left quadrant, but that was certainly --
28 there was less emphasis there then on provision of shared

1 services across different utilities.

2 And finally, in the centre, we have shown there are
3 also opportunities for internal efficiency improvements and
4 innovation. Those were not as frequently -- or they were
5 not mentioned as frequently as the others relating to scope
6 and scale, but certainly that was raised, as well, as an
7 opportunity.

8 So what I wanted to do now is to go through the
9 feedback that we've received relating to each of those
10 categories of opportunity, and starting with shared
11 services relating to scale.

12 So examples of shared services working with other
13 distributors -- and this certainly came up. This was an
14 area that was raised by a number of distributors and
15 stakeholders we talked to. The kinds of opportunities, as
16 I mentioned before, are shared services relating to
17 billing, to sharing a CIS -- sharing CIS changes, in
18 particular -- call centre services, et cetera, or CDM. And
19 there is already a lot of collaboration and sharing going
20 on with regards to CDM, for instance.

21 Other opportunities raised were shared control room
22 services, shared development of engineering drawings.
23 There is already -- that is, again, something that's
24 already ongoing.

25 Views around this, as I said, it was viewed as a
26 significant area of opportunity, and it was one of the most
27 frequently raised opportunities, and was viewed, I think,
28 by -- was more often viewed as something that is, in fact,

1 an achievable opportunity.

2 The view on it differed between -- certainly between
3 distributors. Some saw shared services around scale as
4 being an aim in and of itself, and having a real value of
5 reducing costs and improving efficiency by sharing services
6 across a group of utilities. The CHEC Group would be an
7 example of that.

8 Others' view was that it was really a strategic step
9 that would help prepare the ground for later consolidation.

10 So the views of it differed.

11 The biggest barrier expressed by most of the people
12 that we spoke to was just a lack of willing partners, that
13 -- finding partners with which you could share CIS services
14 or other services.

15 And the potential arrangements that were raised ranged
16 from one distributor providing, usually a larger
17 distributor providing services to another, smaller
18 distributor -- and there are a number of those arrangements
19 already in place across the province -- to providing -- to
20 creating a formal shared service organization such as CHEC,
21 to more informal collaboratives.

22 So there is a range of different ways in which
23 distributors have talked about accessing this kind of
24 shared service arrangement, or setting up this kind of
25 shared service arrangement.

26 Some of the barriers that were raised, as I mentioned,
27 certainly a lack of willing partners. One of the other
28 interesting barriers that was raised was just a problem --

1 was problem recognition, was identifying the problem early
2 enough that people would get together and then offer shared
3 services. And that certainly seems to be something that's
4 happened with CDM, where it was more prevalent with CDM
5 because people recognized it was a new service; it was
6 something they had to set up, and had a greater tendency to
7 work together.

8 A number of the people that we spoke to raised the
9 issue that clear -- a clear definition of new policies is
10 very helpful in this regard, because it helps people to
11 recognize not only the issue but the scope of the issue,
12 and in so doing they are more likely to look at shared
13 services arrangements, whereas -- or as compared to a
14 situation where a new requirement develops over time and
15 people start to build up their own solutions, and once they
16 have built up their own solutions, they are less likely to
17 enter into a shared service arrangement.

18 So those two issues are related.

19 In this and a few other areas, clarity around the ARC
20 was raised as a concern. There was certainly some -- we
21 saw some differences in the understanding of whether an
22 affiliate or where an affiliate would be required. Some --
23 a number of the distributors and stakeholders we spoke to
24 raised the question of, you know, whether an affiliate
25 should be needed if they are providing distributor services
26 to another distributor; for instance, if you have a control
27 -- someone has a 24-hour control room and you wanted to
28 provide control-room services to another LDC.

1 Sort of related to that, service territory
2 restrictions were raised by a number of people as a
3 barrier. Again, should a distributor be permitted to
4 provide services outside of its territory to another
5 distributor? And the control room would be an example
6 without an affiliate.

7 The ARC provisions regarding sharing of staff and
8 confidentiality were raised by a number of distributors and
9 stakeholders we spoke to, an example of that being street-
10 light maintenance, and the argument that, you know, we want
11 to send out a trouble truck that does street-lighting but
12 can also respond to trouble calls. Can we meet -- can we
13 do that with affiliate staff and meet the confidentiality
14 requirements, or are those confidentiality requirements
15 relevant in that circumstance?

16 And, you know, there was, as I indicated in the
17 report, I think a widespread acceptance of the fact that --
18 or acceptance of the concept that the utilities should not
19 be able to provide information to an affiliate that would
20 convey a benefit to that -- to that affiliate or convey
21 competitive advantage to the affiliate.

22 But distributors felt that, you know, within that --
23 working within that constraint, they should still be able
24 to have greater flexibility to share staff, so that was
25 raised as an issue, and it was a fairly common concern.

26 And then just the costs and risks of creating an
27 affiliate, the separation of staff, confidentiality of
28 working around collective agreements. All of those types

1 of issues were also raised.

2 And I spent a bit more time on that, because some of
3 those concerns that were raised on that were also raised in
4 the context of shared services around scope.

5 So the second opportunity -- the second sort of
6 mechanism or key opportunity that was raised was sharing
7 services around scope. Some examples of that, you know,
8 water and wastewater billing. Some utilities saw that as
9 extending to water and wastewater operations or, you know,
10 moving towards a, what historically a PUC would have
11 provided.

12 Street-light maintenance, tree-trimming. There was --
13 you know, there's a bunch of other potential services that
14 a distributor could offer, primarily with a focus of
15 offering these services or sharing services with the
16 municipality, which is the shareholder in most cases.

17 Obviously this is something that's already being done
18 by a number of distributors, so it's already reducing costs
19 and improving efficiency for a number of distributors.

20 There were fairly diverse views, in terms of scope
21 opportunities. A number of distributors felt this was
22 moving away from their core competencies, but distributors
23 should, you know, sort of stick to the knitting and focus
24 on distribution activities. And there were some comments
25 to the effect of, You know, we're getting enough. Our
26 hands are full doing what we're good at doing; whereas
27 others saw this as a real opportunity and -- not only for
28 improving efficiency, but to improve the level of service

1 that their customers, who are also the water and sewer or
2 other customers, receive.

3 There seemed -- there was a range of views as to what
4 -- you know, how this could work and what distributors
5 could do, or there were some uncertainty around what
6 distributors could do. Some distributors' view was that
7 this was -- this option of saying -- say, providing water
8 and sewer billing was limited to distributors which are
9 already providing the service or limited to their existing
10 municipal shareholder, and they viewed that as a
11 limitation.

12 Most see the -- most who discussed this as an
13 opportunity saw it as an opportunity primarily within -- or
14 not primarily, saw it as an opportunity within their
15 service territory. Only a few of the distributors that we
16 spoke to expressed an interest in extra-territorial
17 services. Now, there were some, but the majority were
18 looking at providing service within their existing service
19 territory to municipalities.

20 In terms of barriers and opportunities for regulatory
21 change, most of the perceived barriers in this area related
22 to the ARC. Again, there was -- we heard uncertainty as to
23 when an affiliate would be required. There were concerns
24 around the limit of contract terms permitted under the ARC
25 and whether those limits restricted the business case by
26 limiting -- by not allowing the full recovery of investment
27 that would be required to set up these arrangements.

28 There were certainly concerns around renewal terms,

1 you know, what kind of a process does the distributor have
2 to go through or the affiliate have to go through when the
3 contract is renewed, and, you know, just, do those
4 provisions put the distributor or the affiliate at a
5 competitive disadvantage versus competitors, and there was
6 discussion around the concern that most of the information
7 relating to the affiliates, pricing, et cetera, would be
8 public and that that would put them at a disadvantage at
9 the point of contract renewal.

10 There was some discussion of the requirement to use
11 fully allocated costs, and -- within the ARC, and as I said
12 before, privacy requirements and the rules about the
13 separation of staff are viewed as being more onerous than
14 is required in order to meet the intent or what the
15 perceived intent of the act -- or, sorry, of the code.

16 Beyond that, there were also concerns around
17 limitations placed on the distributor under the Electricity
18 Act and the OEB Act. You know, those limitations were
19 viewed as barriers. Concerns about the ability to serve
20 municipalities in a territory. If the distributor has a
21 territory with several municipalities, not all of whom are
22 shareholders, can they provide service to those
23 municipalities.

24 And as I said, concerns that they felt they weren't
25 able to do water and sewer billing, for instance, or
26 provide these services unless they had been provided in the
27 past.

28 Concern was also expressed over, in a sense,

1 requirements that are placed on the distributor which may
2 disadvantage those who are providing shared services, they
3 are providing services for other services, an example of
4 which would be bill presentment rules, you know, that you
5 are going to start to run out of real estate on your bill,
6 you know, and if you are trying to meet all of those
7 requirements and provide water and sewer billing, that that
8 becomes a concern.

9 The requirement to pay -- the requirements that are on
10 the order in which the different services have to be paid
11 for or payments are allocated to different services was
12 also expressed -- was also reported to be a concern.

13 And the sense was that, you know, some of these
14 requirements have been put in place which may affect
15 distributors who are providing multiple services just
16 because they weren't anticipated, that the focus when these
17 changes are brought in was on the electric service, and
18 they have impacts on those who are providing multiple
19 services that aren't necessarily anticipated or thought
20 about.

21 Obviously one of the key opportunities that has been
22 discussed -- and, you know, there has been no lack of
23 discussion around consolidation. And so the examples of
24 that are pretty straightforward.

25 We've included in this, service area amendments and
26 purchases of service territory, and you will notice in the
27 report I also -- we also stuck in discussion of long-term
28 load transfers, just because it was the -- kind of fit here

1 as well as anywhere else.

2 But many -- this was probably the area where we saw
3 the greatest diversity of views. Many distributors -- you
4 know, surprise -- many distributors see this as a major
5 area, an area of opportunity. Others see it as having
6 limited additional value or expressed concerns around dis-
7 economies of scale. So it's probably not a great surprise
8 to anybody in the room or on the phone that there is a
9 diversity of views around consolidation.

10 There was a fairly wide consensus that smaller
11 utilities, smaller distributors, particularly embedded
12 distributors, would benefit from consolidation, although
13 that wasn't always widely held -- shared by the smaller
14 utilities.

15 The biggest barrier to consolidation seen by most of
16 those that we talked to was shareholder concerns around
17 loss of control, increase of rates, and to a lesser extent,
18 an unwillingness of Hydro One to allow a loss of territory
19 to other distributors.

20 But the majority of those that we spoke to saw the
21 greatest barrier to consolidation as being shareholder
22 views that they were not willing partners or that there
23 were not willing partners.

24 On the other hand, those who have completed
25 amalgamations, those who have been through this process --
26 in fact, I can't think of an exception -- saw that there
27 were real benefits from consolidation, while those who had
28 not been through the process expressed some concerns around

1 the process and around, you know, that the process might be
2 a concern or might be a barrier. Those who had gone
3 through consolidation for the most part saw those as
4 challenges that were quite manageable and could be
5 overcome.

6 So it was interesting to see that difference in
7 perception between those who had been through the process
8 and those who had -- who were considering the process.

9 In terms of the barriers and the opportunities for
10 regulatory change, obviously the business risk for the
11 purchaser was one concern, concern about whether they could
12 make the business case, you know, whether they can recover
13 the premium paid for assets through savings.

14 I will give you an example of surplus buildings. If
15 there are surplus buildings, how are those assets treated
16 and can the utility that has amalgamated benefit from the
17 sale of those assets and use those to contribute to
18 offsetting the cost of the process?

19 There were also concerns expressed around limits on
20 the ability to benefit from operational savings, the
21 current precedent, I guess, of -- that the distributor
22 going through amalgamation can benefit for a period of --
23 can retain the benefits of amalgamation and distribution
24 efficiencies gained for a period of five years or until
25 rebasing occurs.

26 There was concern that that might limit the value,
27 depending on when different utilities involved are
28 scheduled to go through rebasing and depending on the level

1 of growth in those utilities.

2 So that was expressed as a concern.

3 There were some distributors and stakeholders that we
4 spoke to raised the issue around private capital
5 participation, the limitations that are placed on private
6 capital participation, or the ability of municipalities to
7 invest. Those were not widely held, but they were
8 certainly expressed by several -- both stakeholders and
9 distributors that we spoke to.

10 And finally, service area amendments were raised as an
11 issue. The concern here was that in situations where a
12 municipality is expanding, a new area is being developed,
13 that the current rules treat Hydro One as the incumbent,
14 and distributors view that as a limit on their ability to
15 expand and provide service and increase the scale of their
16 operations.

17 Sort of related to that, long-term load transfers were
18 raised by a number of individuals as -- both as a concern
19 around costs in meeting that policy, but also because of an
20 inability to resolve service area amendment issues. But
21 that is resulting in inefficient service arrangements in
22 some instances. So that was raised, as well, as an
23 opportunity to address that with improved efficiencies.

24 As I mentioned, I am not going to talk about new
25 services because there were a relatively small number of
26 people who raised that, but several distributors and some
27 stakeholders raised issues around innovation and internal
28 efficiency improvements.

1 Some distributors have introduced programs that are
2 designed to align new initiatives with their corporate
3 strategy to improve their project management, to improve
4 the level of innovation within their organization, and to
5 support and enhance the gains that they achieve.

6 Others, another example, of course, would be just
7 regulatory streamlining and clarity around regulatory
8 requirements.

9 In terms of the distributor and stakeholder views that
10 we heard, distributors raised a number of issues around
11 regulatory streamlining, some of which related to cost of
12 service and other initiatives that we have passed on that
13 weren't part of the scope here.

14 But they raised it in the context of, first, of the
15 costs involved in meeting different regulatory requirements
16 that could be reduced if those processes were streamlined,
17 but also in terms of just competition for -- competition
18 for resources that, because of ongoing or what is perceived
19 as ongoing regulatory changes or policy changes, that that
20 is impacting their ability to carry out other projects
21 because they have, say, limited IT resources, and those IT
22 resources are used to meet regulatory requirements. They
23 therefore can't use those to do other projects that they
24 would like to do to improve efficiency. So they see it as
25 an opportunity cost.

26 There is also some concern expressed that innovative
27 projects may not be put forward because of a concern they
28 may include regulatory risk, so you don't want to put

1 forward a project that might increase the risk of getting
2 your cost of service study approved or your rates approved.

3 And there were some concerns expressed around the
4 difficulty of the regulatory system responding to
5 innovative approaches, if a new innovation doesn't fit
6 within sort of the existing guidelines.

7 There were some -- so, again, the barriers were that
8 where there was a perceived limit, limited flexibility in
9 the regulatory system to address non-standard or innovative
10 arrangements, there were some suggestions that -- greater
11 reliance on objective-based or principles-based regulation,
12 which is a direction I think is being taken, could help
13 make the regulatory intent clearer and provide some greater
14 flexibility. So that was put forward as a suggestion that
15 might help to address that issue.

16 So in sort of summarizing their regulatory
17 opportunities to support distributor efficiency, some of
18 the key areas of regulatory concern that were identified as
19 part of the consultation -- the interviews that we
20 conducted centred around limitations on distributor
21 activity, as I'd mentioned, service territory limits that
22 is perceived as limiting the ability to pursue shared
23 services with other distributors, and restrictions on
24 activities were perceived as limiting the ability to
25 provide shared services with the municipality -- municipal
26 shareholder or municipalities.

27 A number of concerns were raised around the ARC, some
28 of which just related to clarity as to when an affiliate is

1 required or when an affiliate should be required, which was
2 -- you know, that people would like to see some change
3 around that.

4 Within the ARC, the rules around confidentiality and
5 the separation of employees, you know, that was raised as a
6 concern by a number of distributors in particular. Issues
7 of transfer pricing, which were talked about. The length,
8 the term, of contract with an affiliate was raised as a
9 concern, and the contract renewal process, and the method
10 for establishing the costs as one goes through that renewal
11 process.

12 Regulatory clarity, I think, was a concern for a
13 number of distributors and stakeholders that we spoke to,
14 and this contributes to uncertainty over, you know, what
15 distributors can do, but it also contributes to perceived
16 regulatory risk. You know, we are not sure if we go
17 forward with this or, you know, whether that would be
18 approved or whether that falls within the regulatory rules.

19 In some cases, you know we -- you know, the rules may
20 be unclear. In other cases, you know, we heard different
21 distributors interpreting the rules in different ways.

22 In terms of consolidation, there was, you know, an
23 expressed wish that these consideration decisions which
24 limit the attractiveness of consolidation, you know,
25 anything which limits, you know, for example, the limit on,
26 you know, how long you can retain the savings if you are
27 re-basing, or other factors which would limit the business
28 case for consolidation.

1 And in terms of those wishing, and who are trying to
2 pursue opportunities around scope, there was -- you know,
3 people expressed a wish that, you know, consideration be
4 given to decisions that limit the attractiveness of
5 providing multiple services, specifying the order in which
6 payments are applied, or bill presentment rules, to make
7 sure that, you know, as these rules are developed, that
8 consideration be given to the fact that, you know, some
9 distributors are in fact providing multiple services, and a
10 recognition of that.

11 So having spoken with many of you, and having gone
12 through these interviews - which by the way, thank -- you
13 know, I wanted to thank people for taking the time of going
14 through this, and people were very generous in providing
15 time to give us this input.

16 Our -- sort of our interpretation, key takeaways from
17 this process, you know, what we have heard from
18 stakeholders and distributors is that efficiencies can be
19 gained, can be achieved, either by increasing scale,
20 working with other LDCs, or by working across services with
21 your, you know, with municipalities or others to increase
22 scope.

23 Those who have gone through this process, those who
24 have pursued scale, those who have pursued scope, see --
25 you know, tell us that they really see the value, that they
26 -- you know, they told us about value that can be achieved
27 and the savings that can be achieved.

28 Those who have been through it see the issues involved

1 as challenges that they have overcome and that they know
2 how to overcome. They see the challenges as less --
3 generally, those who have been through it see the
4 challenges as less significant, you know, from our view,
5 than those who haven't been through the process.

6 So kind of, if you have gone through this and you've
7 got it behind you, you kind of go, Yeah, we know how to do
8 that, and, yeah, it wasn't as bad as, you know, as we might
9 have perceived, and they see the value of what they were
10 able to achieve, be that amalgamating, consolidating, or be
11 that providing multiple services.

12 Our takeaway, at least my takeaway from this, was that
13 it certainly appears that different opportunities may be
14 appropriate in different circumstances and may fit
15 different business philosophies. Certainly our view of
16 this is that there isn't, you know, there isn't one best
17 solution, there are different solutions depending on your
18 circumstances, different paths you can follow which can
19 help you achieve greater efficiency and which, when you
20 choose to pursue, depends somewhat on your own
21 circumstances, your own history, you know, your community
22 you are serving, et cetera.

23 They are generally not mutually exclusive, although
24 there is some complicating factors, but tend, I think, to
25 be of interest based on different business philosophy
26 followed by the distributors.

27 So those, you know, those are, you know, those are our
28 key, you know, the key things that we think, you know, we

1 saw from the result of this process. But as I said at the
2 outset, what we are really interested in is, you know, is
3 feeding back and, you know, saying, is, Did we get this,
4 you know? Are -- you know, have what we have read out of
5 this really representative of the distributors' viewpoint
6 and stakeholders' viewpoint?

7 So, I mean, part of, you know, what we would like to
8 do here is to have some discussion around, you know, some
9 key questions, and I would go back to the, you know, the
10 sort of the quadrant picture of the different opportunities
11 and, you know, would like to pursue some questions or, you
12 know, some discussion around, you know, whether in fact we
13 have got this, you know, did we capture what were the key
14 opportunities.

15 You know, are these the key mechanisms that
16 distributors and stakeholders see as the way forward in
17 achieving efficiency? Which of these different areas has
18 key potential? I mean, which -- relatively how important
19 are these different opportunities? Does that potential
20 differ depending on your circumstances?

21 So I, you know, I think it would be, certainly from
22 our standpoint, it would be good to get that feedback to
23 see if we have in fact interpreted what we have heard from
24 you correctly.

25 So I will leave that up to Paul.

26 **QUESTION AND ANSWER SESSION**

27 MR. GASPARATTO: So I guess the first question is, any
28 comments? We have these questions here. Has this report

1 properly captured your feelings on where there are
2 opportunities for different activities that distributors
3 can engage in? And you can try turning that mic on. There
4 is a button on the back. Or maybe you just want to step up
5 to a desk that has microphones --

6 MR. BROOKER: Is it working?

7 MR. GASPARATTO: Yes, I can hear you.

8 MR. BROOKER: My name is Grant Brooker, and I am with
9 Cambridge North Dumfries Hydro, and just going back to the
10 slide that's up there, everything looked to be wonderful,
11 but I think that one of the opportunities that perhaps is
12 overlooked is the very middle section of it, and that's the
13 area of the innovation and the internal efficiencies, and I
14 think that there are a couple of examples that certainly
15 most utilities, if not all utilities, are looking at, and
16 that's the sort of thing that I think that this report
17 perhaps can consider within a little bit more detail, and
18 one of the examples is whether you go to a monthly billing
19 or a bimonthly billing.

20 I think there is some evidence that suggests that
21 bimonthly is a little cheaper, monthly is more expensive.

22 Well, if the customer doesn't mind, maybe it should be
23 annual or quarterly. And we accommodate monthly payments
24 to be able to make sure that people can still budget their
25 finances appropriately, even though they may only get a
26 bill every other month, for example.

27 The other example, which probably lies along the small
28 utility and larger utilities, is actual payment centres,

1 where there is actually going to be doors open eight hours
2 a day so people can walk in and make payments. Some people
3 have that opportunity and some don't. It has an impact on
4 efficiency, it has an impact on costs, but at the same time
5 both of those examples - and I am sure there are others -
6 those also have an impact on, in some ways, customer
7 service. It may be a positive customer service, and it may
8 in some cases for some customers be perceived as a
9 negative.

10 So that's the only other area that I think could be
11 expanded on.

12 MR. GASPARATTO: Grant, you said you offer monthly
13 payments. Your billing cycle is bimonthly?

14 MR. BROOKER: We have a variety. Some of our
15 residential customers have bimonthly billing, but they have
16 still have the opportunity for preauthorized payments that
17 are monthly.

18 MR. GASPARATTO: On an equal payment plan, or just...

19 MR. BROOKER: Equal payment plan.

20 MR. WILLIAMS: Glen described the barriers related to
21 innovation and internal efficiencies, sort of limited
22 flexibility in the regulatory regime to accommodate that,
23 to sort of accept new stuff.

24 So have we characterized those challenges for the
25 efficiency and the innovations that you described?

26 MR. BROOKER: The two examples that I mentioned -- and
27 I am sure there are others that could be raised -- I don't
28 see there being any regulatory barriers. Those are

1 internal things that we can look at, independent of any
2 sort of regulatory oversight.

3 MR. WILLIAMS: Just to clarify, in terms of barriers
4 you are saying for you to do that for those ones you
5 mentioned, you don't see any from stopping you?

6 MR. BROOKER: I see no barriers. Exactly.

7 MR. WILLIAMS: Thank you.

8 MR. GASPARATTO: At least OEB barriers. Maybe
9 shareholder or internal barriers.

10 MR. WILLIAMS: Yes. And, again, the focus is, from
11 the OEB's perspective, what things could they consider to
12 address those barriers.

13 MR. GASPARATTO: I think, Patrick, did you have a
14 comment?

15 MR. ANGEMEER: Michael Angemeer from Veridian. I just
16 want to expand a little bit on the innovation side.

17 The concept is that, around the world, energy and
18 water are going to be key issues other the next five or 10
19 years or in the future. So does there come a point where
20 there are opportunities outside of our service territory,
21 and outside of our province, ultimately, to be able to
22 share utility expertise maybe on its own or in partnership
23 with private sector companies, in areas like smart grid and
24 water? And is there an opportunity to allow that to
25 incubate in some way, versus having to take the risk of
26 setting up an affiliate, hoping that this business will
27 magically appear on a large scale?

28 So the idea is not only -- you have covered that in

1 terms of municipalities and shareholders and so on, but I
2 think also it needs to be covered from the perspective of
3 bigger opportunities going forward.

4 MR. WOOD: So, Mike, would the question there be
5 related to the size of what can be done within -- you said
6 incubate. If you are talking about a new opportunity, are
7 you then looking for some period or some -- up to some size
8 that it would be permitted to operate within the LDC?

9 MR. ANGEMEER: The key issue, I think, is around the
10 sharing of staff. So you have certain expertise that lies
11 within the utility, in the staff that are there, and if you
12 have certain opportunities that appear, that ability to be
13 able to share staff until the volume becomes of a
14 sufficient size to be able to set up an affiliate and make
15 a go of it as a standing business going forward. I think
16 the key thing is that ability to share for some period,
17 until the business case allows the business to stand on its
18 own.

19 Without that incubation, a lot of that can't happen
20 because people aren't going to tell you -- utilities aren't
21 going to take the risk, shareholders aren't going take the
22 risk to set up large new companies without that ongoing
23 business.

24 MR. WILLIAMS: So the ability to share is the primary
25 sort of solution, if you will, in terms of that incubation
26 opportunity?

27 MR. ANGEMEER: I believe so. That's one solution.
28 There may be others.

1 MR. WILLIAMS: I just want to make sure we understand
2 the nature of it, and what you see as the barrier.

3 MR. HOEY: Patrick Hoey with Hydro Ottawa.

4 Just following up on it, there is a general regulatory
5 barrier that we have, which is when you have a cost of
6 service rebasing every so many years, when you do
7 productivity improvements, or substantial ones, if you do
8 it the year before you do cost of service rebasing, all the
9 savings go back to the ratepayers, and of course the costs
10 of productivity have not been recovered yet in any fashion.

11 So it becomes a timing issue, that you typically will
12 do those things immediately following the -- or I'll call
13 it in the cost of service year, that test year. And then
14 you have your runway of so many years.

15 So it's just a natural, I will call it, timing cycle
16 that arises. The problem with that, of course, is that the
17 opportunities don't know anything about the regulatory
18 schedule at all and they come up when they come up.

19 And so the question is: Do you take advantage of
20 them? And then it will come down to a business case. If
21 there isn't the cost savings -- if the savings don't come
22 back fast enough for the shareholders to invest in the
23 project, they are not going to do it. And it's as simple
24 as that.

25 And we have to figure out a different way to incent
26 that productivity to flow on a non-cyclical basis, I'll
27 call it, a non-regulatory cyclical basis.

28 MS. KLEIN: Amanda Klein, Toronto Hydro.

1 I just wanted to second what I think was an idea that
2 maybe there was some more time to spend on discussing this
3 innovation and internal efficiency, or time drilling down
4 on that. I think it's something that certainly also
5 critical from our perspective in terms of regulatory and
6 other barriers that exist, for the purposes of internal
7 efficiency.

8 So far, I think this focus on consolidation and shared
9 services and economies of scale and scope is certainly
10 valuable, but the second piece being this centre piece on
11 the circle you have up there, we would certainly welcome
12 the opportunity to be able to drill down more specifically,
13 with some concrete examples as to what we see in that.

14 I would say could potentially be explored through
15 further conversations with Navigant or Board Staff or
16 submissions or whatever you think would be appropriate in
17 that case.

18 MR. GASPARATTO: Okay. Thank you. Maybe we will talk
19 some more about that later today.

20 MS. KLEIN: Great. Thank you.

21 MR. SHEPHERD: Jay Shepherd, School Energy Coalition.

22 Just following up on Patrick's comment, I wonder -- I
23 would be interested in views from the distributors as to
24 whether the new option allowing, in essence, the extension
25 of IRM through the indexing mechanism, whether that helps
26 solve a little bit that cycle problem, because it allows
27 you to extend out the period where you amortize your
28 savings.

1 Has anybody looked yet at -- any of the distributors
2 looked yet at whether that helps solve that problem and
3 changed the timing issue?

4 MR. HOEY: Jay, maybe I am just not understanding your
5 comment completely.

6 What do you mean by this "indexing mechanism"?

7 MR. SHEPHERD: The renewed regulatory framework allows
8 you to, in effect, extend IRM through continuing to index
9 your rates for additional years. It works much like a
10 MAADs transaction, extends the period that you don't have
11 to rebase.

12 But in this case, in the case of the index, you
13 actually get an index rate increase each year, as well.

14 And I am wondering whether that allows you, then, the
15 year before rebasing to say: Well, this is going to take
16 three years to amortize, but we can extend IRM to do that.

17 MR. HOEY: Well, that certainly would be one
18 mechanism. However, my understanding of the annualized
19 indexing system is that that will be the most -- least
20 rewarding method for revenue increases, which is if the
21 other half of the situation is capital financing, then
22 that's going to be a problem if there is no ICM attached to
23 it.

24 Since ICM is not attached to it, you can't make up
25 enough savings in O&M to cover off your capital
26 expenditures if they are significantly over depreciation.

27 MR. GASPARATTO: I would like to take this chance to
28 check in with our people on the phone.

1 TELEPHONE MODERATOR: Thank you. We will now take
2 questions from the telephone line. If you are using a
3 speakerphone, please lift the handset before making your
4 selection. To ask a question, you may press star 1 on your
5 telephone keypad, and to cancel your question you may press
6 the pound sign. So please press star 1 at this time if you
7 have a question. There will be a brief pause while
8 participants register. Thank you for your patience. Once
9 again, please press star 1 if you have a question.

10 We have a first question from Andrew Sasso. Please go
11 ahead.

12 MR. SASSO: Hi, it's Andrew Sasso in Windsor. I
13 wanted to be there, but Porter did not, so...

14 [Laughter]

15 I have a few points, and maybe I will just briefly
16 identify them, and maybe Paul, Brian, Glen, they can be
17 pick-up points at various points by those in the room.

18 The first point -- and I thought first of all it was a
19 very helpful report. One of the things that I don't think
20 emerges from it, because it was probably just a little bit
21 out of the scope, but it's probably relevant to be explored
22 based on what came out through the discussions, is re-
23 examining the, what I will call LDC versus affiliate,
24 municipal ownership, services exclusively for the owner,
25 services within service area, and those four points of
26 distinction, you know, those were set up back in '96, '97,
27 '98. Prior to the new Municipal Act or what I guess used
28 to call the New Municipal Act, Municipal Act 2001, before

1 that came into effect, you know, there is regulations that
2 started being passed around 2006 that dealt specifically
3 with municipal services corporations.

4 There is an entirely different regime on the municipal
5 side that's out there today than was out there when a lot
6 of what's in the OEB Act on this topic, as well as Ontario
7 Regulation 161/99, which allows utilities like EnWin to
8 manage and operate water systems through the LDC itself.

9 So I think there is a place, particularly for the OEB.
10 I mean, this is its home piece of legislation. It's the
11 expert in that piece of legislation, and I think there is a
12 place for it to advance that within the community and then
13 through the government, so that we can figure out, you
14 know, what do we want to do, and I think there is a lot of
15 tradeoffs there. It's a much bigger initiative. But if we
16 want to look at those economies of scope, I think the voice
17 of distributors is loud and clear we need to do that.

18 Point number two is really how innovation and
19 experimentation is really important, but it does lead to
20 more variance, more differentiation, in the sector, and
21 that makes distributors harder to benchmark.

22 And so while I am all in favour for innovation, I
23 think there needs to be some reconciling of the impact of
24 doing so on some of the other OEB priorities or what, you
25 know, we might have to do differently as a result of it.

26 The third thing that I would point out -- and I don't
27 mean this to sound too harsh, but I think we need -- when
28 we are talking about innovation, we need to be very frank

1 about the effect that things like the EDM decision, and the
2 Toronto Hydro case, Guelph Hydro experience on some green
3 energy requests.

4 When those sorts of things get turned down - and it
5 may be entirely appropriate that they do get turned down.
6 I don't want to debate the facts or the law - but it has an
7 impact on the whole sector. It throws buckets of cold
8 water on innovation. And I am sure that that's not the
9 Board's intent, but I think it's a real effect, and we
10 should look at ways, when those kinds of, what I will call
11 tough decisions need to be made, what happens next, so that
12 we get some guidance from the regulator to ensure that and
13 we understand what is the path forward on those sorts of
14 things.

15 The fourth one I'd just point out is the prescriptive
16 approach. Regulation is inherently prescriptive, and
17 because it is, it's building a box. Regulation builds a
18 box, and innovation is about operating outside of a box.
19 So the more prescriptive regulation is, inherently the less
20 innovative we will be. I think we have seen the smart
21 meters and time-of-use customer-service amendments, low-
22 income.

23 We are being told as an industry how to do things, not
24 just, you know, what things should be done, and I know we
25 are moving -- trying to move, or the thought is that we are
26 trying to move away from that with a more outcome-oriented
27 or principle-oriented approach. But we need to think about
28 that. Every time another set of rules come in that say,

1 This is how you have to do your billing, or, This is how
2 you have to do X, Y, and Z, it has a negative impact on
3 innovation.

4 The last point that I will raise is on the fact that
5 in our industry we don't have anything that in the tax
6 context is akin to, like, advanced tax rulings. We get
7 some -- if we have a question on how a policy is meant to
8 be interpreted, we call up Board Staff, and they are very
9 helpful, but always with the asterisk: But of course this
10 is just one perspective. The Board could go one way or the
11 other. You really can't rely on it at all. And, you know,
12 they are in a bit of a tough spot.

13 We don't have anything like an advanced ruling, I
14 don't think, that allows a utility to put an issue before
15 the Board. And maybe there is, and maybe it could just be
16 clearer how that should be done, so that if you are looking
17 at setting up a structure in a particular way, you could
18 bring a motion or bring some type of filing and get the
19 Board to issue a decision that gives you the certainty so
20 that you can move forward with something that otherwise
21 would be susceptible to significant regulatory risk.

22 Anyway, those are a few points that maybe the group
23 might want to pick up over the course of the day.

24 MR. WILLIAMS: Thank you, Andrew. It's Todd Williams
25 here at Navigant. I had a question related to -- I think
26 you had five points, if I was numbering them correctly, and
27 I am going to go backwards.

28 The fourth point, with respect to regulation and

1 innovation, your point about them being sort of in a sense
2 in conflict, to the degree that regulation is prescriptive.
3 We had mentioned that -- you know, we talked about outcome-
4 based regulation. Brian mentioned that at the outset, in
5 terms of the direction of the Board.

6 Do you see a more -- just so I understand, do you see
7 a more kind of outcome-based framework as being more
8 amenable to that innovation, or are there other things that
9 should be considered?

10 MR. SASSO: Well, it will largely depend on how we --
11 what "outcome-oriented" ends up meaning. We, you know,
12 we're early in the process. We haven't seen it yet. If
13 "outcome" ends up meaning what I would describe as output,
14 so we want to make sure that you, you know, do X, Y, Z
15 within a certain time frame in a certain way with certain,
16 you know -- to the extent that outcomes are defined on a
17 more particular basis, it's more difficult to do that.

18 I will give you an exam -- it was highlighted,
19 actually, in your report, which was -- I was glad to see
20 was payment priority.

21 MR. WILLIAMS: Yes.

22 MR. SASSO: Or utilities who do multi. So that's a
23 great example of where we got very prescriptive on exactly
24 how certain things should work. And if we tie outcomes to
25 doing things in those really detailed ways, that's not very
26 helpful. It means that we can't work out with customers,
27 you know, things that might be what the customer wants.

28 And so while the outcome might be seen to be, well, if

1 -- you know, create customer empowerment because we get
2 more detailed with it and there is one vision of how to do
3 it that becomes the law of the land, then there is less
4 opportunity for a utility to be more creative with working
5 out payment arrangements.

6 So that's where it can -- even if you have the
7 outcome, if you have got some of the details that limit how
8 you move to the outcome, that's what I am flagging.

9 MR. WILLIAMS: Okay. Thank you.

10 And if we go back to your point about that whole sort
11 of nexus of LDC, shareholder, municipal interaction,
12 obviously you are doing some pretty interesting things down
13 there. What from your perspective -- again, I -- what
14 exactly do you see as the barriers for -- what are the
15 issues related to that, given kind of where you are and
16 what you are doing?

17 MR. SASSO: Well, when he with put an enormous amount
18 of thought and effort and, frankly, money and lawyers to
19 make sure that we do things correctly.

20 I think Brian has some history with us in terms of
21 some of the trial and error that we have gone through to
22 try to get it done right.

23 But the trade-offs, I guess, that I am talking about
24 there, we talk about, you know, do it in affiliate. Right
25 now, I think -- or at least at one point, the thought was
26 affiliates are really, really good because if you have
27 things done in an affiliate -- and I am saying from an OEB
28 perspective -- if you do things in an affiliate, it

1 protects ratepayers and keeps them separate.

2 But I think the flip side is then when you go in for a
3 rate application or otherwise trying to be benchmarked or
4 involved in the regulatory process, when things have been
5 moved out to an affiliate it makes it much less
6 transparent. It's much more difficult to do benchmarking.
7 There are cost allocation issues.

8 What we ended up doing in 2007 is we collapsed Serveco
9 into the LDC, because it was just too complicated from a
10 regulatory perspective. We wanted to be much more
11 transparent in terms of how things were being done.

12 So I think that's the kind of thing I am talking
13 about, is the -- do we, at an intellectual level, want
14 these affiliates and what do we want them for? Or do we
15 want the benefits of having work done within the LDC so
16 that it's much more transparent?

17 I think when you go through -- I always -- I go
18 through them quite a bit, because it's the world that I
19 live in down here, but when you go through the section 71
20 and section 73 of the OEB Act and you go through section
21 5.2 of Ontario Regulation 161/99, and you go through other
22 things like this, you keep seeing these differentiations
23 that get built in.

24 Is it municipally owned? 73 only applies to
25 affiliates of municipally owned LDCs, so we have got
26 utilities in the province that are not owned by
27 municipalities, and so presumably section 73 doesn't apply
28 to them.

1 5.2 provides the carve-out for utilities that are
2 doing things on behalf of the municipal corporation or
3 corporations, municipalities that own them, but as was
4 flagged in your report -- I thought very well -- that
5 doesn't always cover all of the municipalities or other
6 players who you might want to provide or be well positioned
7 to provide services too.

8 So I think some of that, as I was trying to say, are
9 maybe anachronisms from a time gone by, when municipalities
10 had very different powers, and also when we had very little
11 experience about what LDCs actually were going to be, and
12 why we would want them to have affiliates and what we would
13 want those affiliates to do.

14 MR. GASPARATTO: Thank you, Andrew.

15 Jay, do you mind -- do you have something directly on
16 what Andrew was saying? Okay.

17 MR. SHEPHERD: Sorry, I wanted to ask Andrew a
18 question to clarify his second point.

19 Andrew, you said that innovation and experimentation
20 makes LDCs harder to benchmark. I guess I didn't quite
21 follow why that would be.

22 Can you expand on that?

23 MR. SASSO: So, Jay, if we had a utility doing CDM and
24 another utility not doing CDM, within the LDC, if we were
25 doing street lighting within the LDC and not doing it, it's
26 not to say it can't be done, and it can be done and we have
27 worked a lot over the years on making sure you do proper
28 cost allocations.

1 It can all be done; it just makes it more difficult,
2 because now you have got more data points, you've got more
3 that has to be tracked and reconciled and done correctly.

4 So I don't want to suggest at all that you can't
5 benchmark utilities if they are being innovative. It's
6 just if that innovation leads them into fields that are not
7 in common with other utilities, there is obviously another
8 layer of complexity added into the mix.

9 MR. SHEPHERD: The complexity you are talking about is
10 that the innovation may be in unregulated areas, and so
11 that has to be sort of scrubbed out of their data in order
12 to make them comparable?

13 MR. SASSO: That's right.

14 MR. SHEPHERD: Okay. I understand. Thanks.

15 MR. GASPARATTO: Okay. Sorry, I just want to -- do
16 you have something more for Andrew? No? Okay.

17 So I just want to see if there is more people on the
18 phone that have questions.

19 TELEPHONE MODERATOR: Thank you. Once again, please
20 press star 1 if you have a question.

21 You have the next question from Doug Fee. Please go
22 ahead.

23 MR. FEE: Hi. It's Doug Fee from Ottawa River Power.

24 I was one of the folks of the 24 that were
25 interviewed, and I guess when I look at the report and hear
26 the discussion this morning, I probably have to count
27 myself in the group that's not either the most of the group
28 or more of the group.

1 As a small utility, this seems to be another push for:
2 Bigger is best and the small should disappear.

3 When I look at the definition of improved efficiency,
4 which is what the report is all about, it talks about the
5 level of output.

6 And in many ways, in small utilities I see our output
7 as giving customers service and keeping our rates low, and
8 really not trying to -- our output in the regulatory effort
9 is really not that productive.

10 Just -- I think there is still -- I would just like to
11 make the point that I still think there is a big place in
12 the utility industry and the province to put small
13 utilities, and they're often doing a good job in getting
14 better service and better rates than some of our larger
15 counterparts.

16 I thought I'd like to put that comment in. Thanks.

17 MR. GASPARATTO: Thanks, Doug.

18 Sorry, let me just check and see if there is anyone
19 else on the phone.

20 TELEPHONE MODERATOR: Thank you.

21 We have the next question from Melissa Kessen. Please
22 go ahead.

23 MR. WILCOX: Hi. It's Todd Wilcox from North Bay
24 Hydro.

25 Back to your shared service scale slide, in talking
26 about some of the barriers around centralized services, I
27 think one of the barriers -- maybe it's a reality -- is
28 often there is a lack of a compelling business case to

1 consolidate some of those things.

2

3 We've looked at some in detail and some make sense;
4 there's economies of scale. Some don't make sense.

5 And so I think that's it's not a barrier, it's
6 reality. So some of this, we have gone through this
7 process. That needs to be recognized, as well.

8 And on your slide with innovation and efficiency in
9 the middle there, I think the issue on R&D, which can
10 provide significant benefit to the segment, is that it
11 often needs a cost/benefit analysis, to support any
12 spending, and sometimes that's difficult to do in an R&D
13 type environment.

14 And then the issue is: How do we share that
15 experience and information across the industry so that we
16 can take advantage of best practices?

17 Anyway, some feedback on your report.

18 MR. GASPARATTO: Thank you.

19 We will go back to the room for a couple of questions.

20 MS. DADE: Thank you very much. I just want to go
21 back to a couple of the -- pardon me, Christine Dade from
22 Horizon Utilities.

23 There was a couple of things, I think, on the report
24 that I am looking at that I still think are barriers that
25 we should talk about and just put it out there.

26 One of them is political. We have been put in the
27 position of being a political football and the recipient of
28 rules and changes that make some things difficult for the

1 utilities to do.

2 And these are things beyond the control of the
3 customer service rules, for one, have made a big impact,
4 and that has an impact on a utility.

5 As Grant was saying, do you do monthly billing,
6 bimonthly billing? We might be legislated to do monthly
7 billing. Certainly, that was the thought process of about
8 a year ago. We know that's more of a cost and that's a
9 direct cost. Whether it's good socially for everybody, we
10 have to balance that.

11 So I think that we have to really recognize that there
12 are political issues that have come up, and we have been
13 put in and been squeezed.

14 We also have been subject of three very big reports
15 that have come out from the government over the past year
16 and a half. And I think that we're all sort of sitting
17 here saying: Hey, what's happening with this?

18 The distribution sector report made some very strong
19 recommendations. The Drummond report made recommendations.
20 The Auditor General's report made recommendations.

21 They may or may not be picked upon, picked up, and
22 said: We are going to do this; we are going to put this
23 into place.

24 I think we are all sort of sitting here saying: Hey,
25 what's going on? Could this possibly be?

26 Another issue, too, is, as we do work on shared
27 services and being innovative or trying out different
28 things, we see LDCs that have taken the step and have done

1 shared services.

2 And I am going to use the Langley issue, totally,
3 where there is street lighting done within a separate
4 jurisdiction from a utility, and it's, you know, it's blown
5 up, okay, so it goes down a different level. The OEB says,
6 Hey, you are okay to do that. That's no problem. Then
7 Langley says, Ah, we are still not happy with that. We are
8 taking it to the Divisional Court, or -- I hope I've got
9 the right court.

10 Anyway, I am thinking an LDC, who tends to be very,
11 very risk-adverse, is going to say, holy -- thank you.

12 [Laughter]

13 Glad I caught myself there. We are not going to go
14 down that path first, because it's going to be a cost, and
15 what is the balance of this cost to our ratepayer, because
16 in effect it has to go back down to that, and are we going
17 to take risk of that cost. So those are the things we are
18 looking at all the time.

19 I also think too that the OEB's perspective on some of
20 the barriers would be also very beneficial to LDCs and
21 others as we read this report. The OEB in itself can just
22 give an idea and say, You know, we have seen over the past
23 so many years the difficulties or the issues that have come
24 up under the ARC.

25 You know, you can -- you know, the changes to -- the
26 rules have changed. Yes, you can; no, you can't; yes, you
27 can; no, you can't; yes, you can; no, you can't. I think,
28 though, that the OEB could give us a really good

1 perspective on that and say, generally, how we see it from
2 this level as the regulator, where are -- where the
3 struggles are.

4 I think it would be a great perspective for us to have
5 as an overall general view, and I think the OEB can also
6 take a look at that in seeing how it has -- the difference
7 between 307 utilities down to 78 utilities. I think just a
8 nice summary of that would be good to see that change,
9 specifically as we move into this type of shared services
10 and with the ARC and doing things and making things more
11 efficient.

12 Certainly we have seen changes. We have seen
13 different things. LDCs with the OEB have done a lot of new
14 things in reporting and keeping track of different things,
15 so we see the efficiencies that are happening, and can
16 there be more, and I think that the OEB would give us a
17 good perspective of that.

18 MR. GASPARATTO: Do you want to take a break soon, but
19 Mark, did you have -- you had your hand up a little
20 earlier, and then the gentleman in front.

21 MR. GARNER: Thank you, Paul. Yes, I wanted to
22 respond to the gentleman from Ottawa River, because he was
23 talking about small utilities, and also about the
24 benchmarking issue. Oh, sorry, Mark Garner from VECC,
25 thank you.

26 And the reason I think this is so important is, the
27 word "efficiency" gets thrown around a lot. I hear it all
28 over the place. But I don't see it measured. And when you

1 see these cases, as people know, in rate cases, the
2 difficulty is the cost of an efficiency measure is very
3 measurable and the savings are very ephemeral, because the
4 savings happen later in time, and when you are looking at
5 that, the scope of the utility has changed, things have
6 changed. So it's very hard to really measure what those
7 savings are.

8 That is why data becomes very important. And I want
9 to give you an example, and luckily I am not under oath,
10 because the example is PowerStream and Innisfil. They are
11 both very close together. Innisfil is embedded inside of
12 PowerStream.

13 On the board's metrics on OM&A per customer, it
14 appears that PowerStream is much more efficient on that
15 basis. I think the number I have is about \$183 per
16 customer, versus Innisfil's 280. So Innisfil being the
17 small utility, 14,000 customers, versus 332, seems to be so
18 inefficient on that basis.

19 However, if you adjust that number for the amount of
20 OM&A that's capitalized and the capital projects of those
21 two utilities, you will find out that the actual flow of
22 dollars, OM&A dollars, is virtually the same. I.e., those
23 utilities don't appear to be different on that measure at
24 all.

25 I think that's very important as you go forward
26 because, as intervenors and looking at the customers'
27 perspective, we are looking for ways to measure
28 efficiencies that really exist, not the ones that are

1 talked about, not the one -- but really actually happen.
2 And to my mind, benchmarking becomes an important part of
3 that.

4 The second point I would like to respond to is from
5 EnWin's perspective about affiliates and these rules, and I
6 have a lot of sympathy with changing the ARC in that
7 argument. I think there is a lot of bureaucracy in that
8 whole mechanism. But customers are looking for two things,
9 right? They are looking to make sure they are getting
10 value, and they are looking to make sure they are getting
11 charged the right cost.

12 One of the things you raised at the beginning of this
13 presentation was that some utilities were asking about
14 whether they could do distribution work in other
15 distribution territory. And as far as I know, they are
16 allowed to do that today. The question is, is how they
17 allocate those costs among then the customers.
18 Distributors are allowed to do distribution work.

19 So the question from distributors when they do that is
20 how they are allocating those costs back and forth to each
21 other so that the right ratepayer gets charged.

22 When you enter into an affiliate, however, ratepayers
23 are rightfully saying, Well, you want to set up another
24 company. We have a question, and that question is, is this
25 company more efficient than the alternatives?

26 Nothing stops utilities today from creating a massive
27 billing company. They could do that tomorrow if they want
28 as an affiliate. The question, of course, we would ask is,

1 Well, there are other billing companies. Are they better
2 at doing this than you are?

3 And it seems to me that's a legitimate question that
4 has to be answered, because we are asking, is the ratepayer
5 getting the best deal?

6 So, you know, there is nothing wrong with efficiencies
7 and that, but it seems to me you have to -- if you are
8 going to take affiliate, you have to go out and take those
9 risks too, and it seems to me that's part of the issue that
10 utilities have, which is to be low-risk, and there are
11 risks when you want to go and chase those efficiencies.

12 Thank you, Paul.

13 MR. GASPARATTO: Thank you.

14 One more question, and then we will take a break.

15 MR. COWAN: Glen, it was just a clarification. Allan
16 Cowan from Hydro One. I think on your shared-services
17 scope slide you had a bullet there on fully allocated costs
18 as one of the issues raised, and I just was trying to
19 clarify that. That could also be an issue, in terms of any
20 shared-service offerings that may come about on the scale
21 side as well, in -- I wanted to make sure that was
22 captured, that, for instance, if a utility -- offering
23 utility was putting together a deal for a service, whatever
24 it may be, and under restrictions that could also be there,
25 that the pricing had to be at a fully allocated cost, that
26 could be a deal-breaker.

27 There needs to be certain flexibility in pricing of
28 offerings, to the extent that it is a win/win for both the

1 customers of the service provider offering their service
2 and the receiving LDC's customers. To the extent there
3 could be some sort of flexible pricing, I think that should
4 be reflected.

5 MR. WOOD: Thank you. What I was reporting on is
6 where the issue came up, and the issue came up primarily in
7 the discussion of scope. I mean, that's where it was
8 raised. But, yes, I can see that it would apply there as
9 well. Thanks.

10 MR. GASPARATTO: Okay. Let's take a break. It's just
11 a few minutes before a quarter after 11:00. Let's go to 25
12 after 11:00. So we will take a break. 25 after 11:00, if
13 you can come back. That's ten, 12 minutes. And I think
14 when I come back I will want to throw it back over to the
15 phones to see if there's a few questions out there. But
16 anyways, it's been great so far. But let's take a break.

17 --- Recess taken at 11:12 a.m.

18 --- On resuming at 11:29 a.m.

19 MR. GASPARATTO: So I promised that we would see if
20 there were more questions from our telephone attendees.

21 TELEPHONE MODERATOR: Thank you. So once again,
22 please press star 1 if you have a question.

23 We have a question from Jim Huntingdon.

24 MR. HUNTINGDON: Hi, everyone. This is Jim Huntingdon
25 from Niagara-on-the-Lake Hydro.

26 I think have more of a comment. I have been in my
27 position now for about 15 years, in a senior position here,
28 and I think most of my colleagues would agree most of the

1 cost drivers are not really addressed in this report.

2 I think we have to look at the fact that we are
3 subsidizing FIT. Nobody in the utility business is billing
4 and collecting 525 and not subsidizing.

5 LEAP, we are not social agencies. I don't think we
6 should be involved in LEAP.

7 Retailers, I beg anyone to show me that anybody is
8 economically better with a retailer.

9 The MDM/R, that is going to add another dollar to
10 everybody's bill, and we can do the internal work here.

11 Bill print, every time we get new energy minister, we
12 also have to pay for bill print changes.

13 You know, the OEB has -- is arm's length from the
14 government, and I think they have mandate to ensure the
15 well-being of customers. Nobody's caring about customers.

16 I think this report is missing a focus that we should
17 be having this conversation, to meet with the government or
18 at least push back to the government a bit - not
19 necessarily this government, but even future governments -
20 that there's too much subsidization in our business.

21 The Drummond and the panel report are focussing on
22 amalgamation to solve our woes, but really we need to have
23 this other conversation.

24 Thank you.

25 MR. GASPARATTO: Thank you.

26 Just a comment, again, in all fairness.

27 The objective of this initiative was to look at the
28 OEB's rules and codes and things and see -- and what those

1 are, maybe change or not change that would inhibit the
2 ability of distributors to become more efficient.

3 So I think Jim's comments are valid, but that wasn't
4 what the report was meant to cover.

5 Anyway, are there more questions on the phone?

6 TELEPHONE MODERATOR: We have no further questions
7 registered at this time.

8 MR. GASPARATTO: Thank you.

9 So I throw it back, before we move on. Is there --
10 Mike?

11 MR. ANGEMEER: Michael Angemeer from Veridian.

12 Just going back to the first part of your
13 presentation, you talked about, I think, one of the next
14 steps is looking at other jurisdictions and how they might
15 do some of these things around shared services or co-ops
16 or...

17 Will that review also include the interrelationships
18 between companies in other jurisdictions that have things
19 like water and wastewater services and gas services and
20 possibly other utility services? Will that be part of that
21 review?

22 MR. GASPARATTO: Open to -- yes.

23 MR. WOOD: I hope that that's the intent.

24 MR. GASPARATTO: Anything that's relevant, yeah.

25 MR. WOOD: The intent, Mike, would be that we look at
26 how other jurisdictions deal with the regulatory issues.

27 So one of those that identified was the issue around
28 transfer pricing. So that would certainly be part of that.

1 MR. ZARUMBA: Good morning. I am Ralph Zarumba from
2 Navigant.

3 I am spearheading that part of the study and right now
4 it is a work in progress, and any comments or requests that
5 you may have, since we haven't completed that scope of
6 work, would definitely be invited, because it is still not
7 too late to change things or expand questions, et cetera.

8 MR. GASPARATTO: Thanks, Ralph.

9 Okay. Sir?

10 MR. KEECH: Thank you. It's Jim Keech from Kingston.

11 I think the initial comment after the presentation was
12 looking for just feedback on the report accuracy, did it
13 capture what we said.

14 And I think my first comment would be, generally
15 speaking, I think you did a pretty good job, at least from
16 our perspective in Kingston. We had some different
17 comments and I think they were relatively well captured.

18 And I particularly -- and this doesn't necessarily
19 come from what we said, but I particularly liked one of the
20 comments you made in your very last slide. And I may not
21 have the wording quite right, but it was sort of around not
22 one size fits all; like, there are different ways that we
23 as distributors can achieve efficiency.

24 I think that's a bit refreshing, particularly in light
25 of the panel report that came out, that basically, to me,
26 looked at only one option, and that was through
27 consolidation. So I think the fact that you are looking at
28 a number of different ways is good.

1 That being said, I have a bit of nervousness -- and
2 this probably is addressed more to the Ontario Energy Board
3 than to Navigant -- because if I look at the sheet that
4 came out from today, and even in the first couple of pages
5 of your report, it does talk about -- again, this is not a
6 quote, but sort of making sure that the way is paved for
7 MAADs, for more consolidation to take place.

8 And also having heard the Chair of the Ontario Energy
9 Board speak in the last month - and I can't get the date
10 exactly right - and talk about the process that you were
11 going through and today's meeting, there seemed to me to be
12 an emphasis on achieving efficiencies through
13 consolidation, again. And I think she made reference to,
14 well, that was what came out in the panel report.

15 So although I like what I see in your report, I think
16 it's looking at a number of options, I do have some
17 nervousness that, at the end of the day, we are back at
18 just looking at consolidation.

19 So that's just a comment I want to make.

20 The other comment in regards to what was in the report
21 is -- I think you did a pretty good job of capturing it --
22 I do think that in regards to the scope issue -- and just
23 because of our model in Kingston; that's obviously what I
24 am focused on -- I do think there are other ways of
25 achieving efficiency. So generally, when you talk about
26 scope, electricity, water, wastewater, everybody looks at
27 billing.

28 I mean, that's a great way to do it, and whenever we

1 talk about the efficiencies, we have -- the comment is we
2 can send one bill out for four services, as opposed to, you
3 know, three, four bills and stamps and whatnot, but there
4 are a number of other ways that you can actually achieve
5 the efficiencies.

6 And if you go back to the circle drawings that you
7 guys had, where you kind of listed what inputs you got from
8 people achieving efficiencies through consolidations and
9 you coloured in the different ones, I think you could
10 actually colour the majority of these in looking at scope,
11 as well.

12 Now, the engineering one, maybe not so much, but I
13 think all the customer service ones, the CDM, obviously,
14 and I think there are actually in some ways bigger ways of
15 achieving CDM, if you look at electricity, water,
16 wastewater, gas, as opposed to just electricity.

17 The administration, I would say the same.

18 The regulatory affairs may be a bit different. There
19 are regulatory issues on the water and wastewater side, but
20 they are different from electricity, so maybe not quite the
21 efficiencies there at the control room. I would say yes,
22 as well.

23 And even some of the metering issues, because you do
24 have water meters, you do have gas meters.

25 So I think if you are going to really look at the
26 efficiencies you can achieve from scope, we need to get
27 away from: Yeah, it's great to send it one bill.

28 There is a lot more that we can do.

1 The other comment that I will make and then maybe come
2 back to this a bit later, I think a concern of people
3 looking at achieving efficiencies through scope -- and we
4 got this, so Kingston, we got this very loud and clear from
5 the panel. And I think everybody knows who I am referring
6 to when I say "the panel." It was: Yeah, you guys have
7 done this. You make it look easy, but others aren't going
8 to be successful. Like, this is just too complicated.

9 So it is doable. It is complicated. I think there
10 are things from a regulatory standpoint that could be
11 changed to make it easier, because I think there is a lot
12 of opportunity wasted on sort of jumping through the hoops
13 that we could be doing better things with.

14 So I think there could be some changes in regulation,
15 but even in addition to that, I think if there was just a
16 change in attitude from the regulator and from the
17 government in regards to the scope issue, that would go
18 miles, actually a lot further than a change in regulation.
19 Thanks.

20 MR. GASPARATTO: So I will follow up on a few of
21 those. Sorry, change of attitude, could you -- I am not
22 quite sure what you meant by that, as opposed to --

23 MR. KEECH: So what time is lunch break?

24 [Laughter]

25 So the change in attitude, and although I am joking
26 about it, I am very serious about that. And I think -- I
27 mean, the regulations were designed for, I think, a
28 different type of industry and a different type of market

1 that was envisioned ten, 15 years ago that we are not
2 really into today.

3 And at that time, for those of us that were around,
4 there was this view that, so the PUCs, for whatever reason,
5 had to be abandoned, and we needed a very pure LDC electric
6 utility, very pure, and I know for us, such as Kingston,
7 Peterborough - there's a few others that have done similar
8 - there were a lot of hoops that we had to jump through to
9 kind of get where we are today. And maybe a good
10 representation of what I mean by "attitude", so we will get
11 calls from our peers in the industry saying, you know, We
12 like your model. We are interested in doing something like
13 this, and we'd like you to share some advice how you got
14 there.

15 But it's kind of like, But don't tell anybody. Like,
16 particularly, don't let the OEB know or the province know
17 that we are looking at this, because it's viewed as, Yeah,
18 it's probably good for the customer, but it's going to be
19 frowned upon, and we are going to be penalized. So that's
20 the type of thing that I mean by "attitude".

21 And the attitude, in fairness to the OEB, probably
22 needs to come from the province, and I think the province
23 needs to realize that the electric customer, the water
24 customer, the sewer customer, the gas customer are actually
25 all the same person.

26 And we may be jumping through hoops to achieve
27 efficiencies on our electric bill, but we may at the end --
28 so "we" in Kingston, if we were to go down that road, we're

1 going to put the costs up for the water and the sewer, and
2 that doesn't mean one subsidizing the other, because one is
3 not. They are very, very clear sets of books.

4 But there is a lot of other ways of achieving
5 efficiencies, and that's kind my long-winded answer to the
6 attitude, but I think that's the first thing that's got to
7 be changed, and then, you know, your legislation and
8 regulation can follow that.

9 MR. WILLIAMS: Jim, I just want to clarify something.
10 When you talk about the water, the electric, and the gas
11 customer, when you talk about economies of scale, so if I
12 understand correctly, if through your model you are
13 achieving savings for all of those customers, the focus on
14 the electricity customer only looks at the savings for
15 those customers. Is that your point? And potentially
16 what's missed, if you will, are the savings that would be
17 realized for those other customers.

18 MR. KEECH: Yeah, that's exactly it, Todd, yes.

19 MR. WILLIAMS: Thank you.

20 MR. GARNER: I also wanted to just comment, your first
21 point about your concern about the focus on consolidation,
22 I can assure you that we are looking at everything, and the
23 idea was, well, is there any -- you know, what could the
24 Board change or do to help support those people that do
25 want to consolidate, and I'm very interested in all the
26 other -- the shared services, the scale and, you know,
27 things that distributors want to do.

28 You know, as I said from my -- when I first got in, I

1 said, What is it that you want to do, and what are we doing
2 to stop you from wanting to do that?

3 MR. KEECH: That's a good comment, to get back, and I
4 think -- and by no means am I here speaking on behalf of
5 the industry, but if you go through again what the Panel
6 did -- and we had an option -- or we had the opportunity to
7 present a couple of times -- there seemed to be a real
8 interest in things beside consolidation, but I think
9 everybody's very aware of how the report came out.

10 MR. GASPARATTO: Okay. Thank you very much.

11 By the way -- okay. And I don't know if there is any
12 -- the attendance is going around. I am not sure who is
13 here today and who is here representing consumers or even
14 private business, but what I hear a lot of when I talk to
15 distributors about the activities that they want to get
16 into and do more other things, a lot of times I hear from
17 the contract or the business-side people saying, No, I need
18 this business. This is my business. Regulated
19 distributors should stay out of it. And I was just
20 wondering if there is anyone in the room with a comment
21 from that point of view with concerns about, you know, what
22 could -- what distributors want to do and what the Board
23 may let them do, whatever. Sir. Go ahead.

24 MR. CLARK: Wayne Clark, representing Association of
25 Major Power Consumers. I guess first confession, I am a
26 Hydro One pensioner.

27 [Laughter]

28 And the disconcerting thing about the presentation

1 this morning is, these are the same answers I would have
2 given you 15 years ago. And I guess, rather than get into
3 giving a position, I would rather ask a simple question to
4 follow up what you said, and it's been troubling me all
5 morning, and that is, did this survey look or talk to
6 utility service providers as well as utilities, people that
7 provide billing services, the Electrical Contractors
8 Association, people that currently supply CIS systems, and
9 perhaps other suppliers as well?

10 Because one of the things that hits me is if you are
11 relatively small organization - and we saw that earlier
12 bubble chart there with all the functions - it's hard to do
13 a lot of things really well, and there are other people
14 that specialize in that sort of thing, and rather than
15 expand scope, sometimes the best economies are to be had by
16 reducing your scope.

17 My last consulting engagement inside the utility was
18 for a very large [mic malfunctions]

19 [Multiple Speakers]

20 MR. GASPARATTO: Just on that point, the two mics
21 together are linked, so if you try --

22 MR. CLARK: Yes. My last consulting engagement
23 directly for a utility was for a utility with 4 million
24 distribution customers, and they were -- I was working
25 indirectly for another consultant, and the mandate was to
26 get 30 percent of the costs out of the meter-to-cash
27 business, and that was done, but it wasn't -- the utility
28 turned it over to an outsourcer because they knew they

1 couldn't achieve it themselves, simply put, and they
2 decided they were an asset management company, they were
3 not a customer-service company per se, customer service
4 important, but not their core strength.

5 So I guess the question is, is this study looking at
6 that sort of thing of actual promoting reductions and scope
7 in order to gain efficiency in the core business?

8 MR. GASPARATTO: I would think, yes. I mean, again,
9 the study specifically is looking at what we hear, as far
10 as what needs to be changed in our rules, but I think one
11 of the options that we hope are explored, you know, isn't
12 just one distributor -- if one distributor is going to take
13 on and do stuff for other people, those people need to
14 offer up those services, and we certainly hope that -- you
15 know, we want to talk about that too and the options of,
16 you know, you know what? I want to stop. I am a
17 distributor. Maybe I can -- I am okay to giving my billing
18 system away and to -- and let it be run by someone else,
19 because I will save some money. We want to explore -- hope
20 to hear and explore that too. So to the extent that we
21 can, yes.

22 MR. WILLIAMS: And if we go back to -- I mean, one of
23 the questions -- and it's up on the slide now -- is -- and
24 Glen asked it -- have we covered everything? And if -- I
25 hear you saying there is actually -- or potentially there
26 is another dimension -- or there is another slice to this,
27 which would be -- I don't know what I would call it, an
28 outsource model or outsource certain of those services

1 where there would be opportunities to reduce costs. Is
2 that correct?

3 MR. CLARK: That's the sort of thing I am wondering
4 about.

5 MR. WILLIAMS: Yeah. Yeah. And it's not up here.

6 MR. WOOD: It effectively would be a variation of
7 shared services, but the shared service provider is another
8 company, whether that's, you know, a Daffron or a Harris or
9 something, or, you know, someone who offered that service,
10 and that was -- we didn't go out in the consultation in the
11 survey. We didn't speak to service providers. But that
12 certainly came up from distributors and stakeholders, who
13 raised that as a possibility, and we tried to reach out to,
14 you know, stakeholders who would, you know, potentially
15 have those -- represent those interests.

16 MR. SHEPHERD: I had a comment, but first I will
17 comment on that. I was surprised that the people that the
18 utilities would be completing against if they expand their
19 scope were not talked to, HVAC Coalition, the ECAO, people
20 like that. I would have thought that's an obvious group.

21 But the comment on outsourcing, I think it's important
22 to look at Enbridge, that has outsourced all of their
23 customer care, essentially all of their customer care, over
24 a 12-year period and has the best control of their customer
25 care costs of any of the utilities in the province.

26 So that tells you that outsourcing can work if you do
27 it right.

28 The thing I actually wanted to raise when I first

1 pushed the button was Jim talked about consolidation and
2 the issue associated with the focus on consolidation. I
3 want to talk about a narrower component of consolidation.
4 And I looked around to make sure Paula is not in the room
5 because she is sitting on the panel that is considering
6 this right now.

7 There are a number of utilities in the province right
8 now that have logical service areas that are served by
9 Hydro One.

10 Kingston is a good example, where half of Kingston is
11 served, in fact, by Hydro One. Sudbury is another one.
12 And there are many others that are in that situation.

13 Is there something the Board could do to help
14 regularize that situation so that the natural distributors
15 for the areas get the whole area? I'd be interested in
16 whether there are some distributors in the room that have
17 some comments on that, including Hydro One, of course.

18 Schools see that as a very big problem, because often
19 the areas that should be in the urban distributor are, in
20 fact, where the new schools are being built. And so we
21 have a particular concern about this.

22 MR. GASPARATTO: Before anyone answers to that, just
23 to Jay, some of those organizations you talked to were
24 approached and just weren't able to arrange interviews or
25 participation. So we did make attempts to some of those
26 organizations.

27 But I turned it around. Jay had a question about --
28 obviously, I have no comment on that concept, but if other

1 distributors have views on -- and it came through the
2 paper, I saw it in the paper, about -- yeah, I think it was
3 covered in the panel's report too, about expanding out the
4 natural boundaries or whatever for the distributor.

5 I don't know whether Hydro One wants to jump in.

6 MR. COWAN: Allan Cowan, Hydro One.

7 Obviously there is a live case on before this Board
8 right now, that -- this decision will probably go a long
9 way to determine how this issue is going to be handled
10 going forward.

11 One of the things we always have to remember: To the
12 extent one utility loses customers, the rates of their
13 existing customer base are going up. So anything to do
14 with service area amendments is going to be a balancing
15 act.

16 Where servicing area amendments have made sense in the
17 past, Hydro One has certainly consented to service area
18 amendments; in other cases, we have not.

19 It's just a case of what's in the best interest of the
20 consumers at the end of the day, of both the utilities,
21 what makes sense.

22 MR. ANGEMEER: Michael Angemeer from Veridian.

23 On that topic, seven of the nine communities that we
24 serve at Veridian are split between Hydro One and
25 ourselves.

26 And I think going forward, the idea that building
27 better cities and regions through looking at key
28 infrastructure is very important, and I think the

1 electrical infrastructure is a very important piece of
2 that.

3 And I think there is other pieces of infrastructure
4 that are very important to build better cities and regions,
5 as well, things like water and wastewater and district
6 energy and other things.

7 So I think those aspects as we go in the future have
8 to be considered as we look at ways to better optimize how
9 we deliver services to shareholders and municipalities.

10 MR. STEPHENSON: Hi. It's Richard Stephenson from the
11 Power Workers' Union.

12 I confess I am very confused and looking for some
13 guidance as to what the anticipated outcome of this process
14 is. And I don't mean specific, particular outcomes on a
15 particular issue, but -- I mean, this issue that we just
16 heard about, the service area amendment, strikes me as an
17 issue which is intrinsically an issue that has been and
18 will be subject to adjudications by the panel, various
19 panels, from time to time.

20 And so I am not -- I am assuming, frankly, that Board
21 Staff doesn't -- I am not sure what this group can do about
22 that one way or another. I am not sure that it's, so to
23 speak, the business of this group to get into that issue at
24 all.

25 Just like, for example, there are legislative reform
26 issues that could be -- that are engaged all over the place
27 here, is it within the scope, the mandate or the terms of
28 reference of this body -- whatever this body is -- to, for

1 example, have Bard Staff come up with recommendations to
2 advocate for legislative reform? Is that on the table or
3 not?

4 And if it is on the table, then we can address it, and
5 if it's not on the table, then we all know we don't have to
6 waste our breath on it.

7 So I really have some -- I just don't understand. I
8 am sorry, I am a bit confused as to what the terms of
9 reference of this particular proceeding are, so we can
10 actually address the things that are at least conceivably
11 on the table from an outcomes perspective.

12 MR. GASPARATTO: So I will comment on that.

13 The terms of reference -- and I think the introductory
14 letter basically speaks to the terms of reference -- is we
15 have heard that distributors think there are ways that they
16 can become more efficient, but there are things, policies
17 that the Board has, including legislation -- we recognize
18 that -- that may limit their abilities to do that.

19 And the idea was to get feedback from the group as to
20 what, as I said before, what do you want to do and what's
21 stopping you.

22 Definitely, we know that there will be things that
23 come up that -- the idea, we'll have a list of issues that
24 you have all provided in this report and here today. And
25 some of them are going to be: Well, that's a legislative
26 thing; it isn't within the Board's power to change.

27 But do we -- and then a decision has to be made, to
28 your point, as far as: Does the Board want to go to the

1 government and suggest changes? And we don't know what
2 decisions are.

3 And there is going to be a list of things, and some
4 are going to be: Okay, that's purely within the Board's
5 control. This isn't in the Board's control, but maybe we
6 can make some comments. And there are things that will
7 come through decisions in the future.

8 So what we are trying to gather up today is a list of
9 issues and opportunities and insight into what it is -- we
10 want to hear what it is that you think the Board could
11 change to help you become more efficient. And some of
12 those things maybe there is nothing we can do about; some
13 of those things maybe there is.

14 But at this stage, it's gathering and hearing from you
15 what the issues are, first.

16 Jay?

17 MR. SHEPHERD: Can I respond to Richard's comment on
18 service area optimization?

19 That area is currently governed by, basically, the
20 result of a generic proceeding from 10, 12 years ago.

21 I would have thought it's a legitimate potential
22 outcome of this process to recommend to the Board that it
23 engage a review of the rules associated with that. If a
24 number of distributors say: We could operate more
25 efficiently if we had the geographic area that's natural to
26 our boundary.

27 So I think it's legitimate, a legitimate
28 recommendation to say this should be reviewed.

1 MR. GASPARATTO: Well, I certainly agree as far as
2 it's -- put it on the list and consider it.

3 Mark?

4 MR. GARNER: Mark Garner from VECC.

5 I just want to follow up with that, because -- both
6 comments, because there are, it seems to me, four elements
7 that you can change here.

8 One is the codes; that's what you are looking at.

9 One is regulatory reform or legislative reform, which
10 you can only recommend.

11 The other one is the MAADs applications, how things
12 happen in a regulatory format for you there.

13 And the other one is rate incentives of some type.

14 And the thing I would like to see talked about in the
15 report is this issue of logical area. I would like to make
16 sure that as you look at that you are not just considering
17 the idea of Hydro One and urban territory.

18 And Hydro One -- love it or not -- is stuck with this
19 issue of the other one, which is where you have utilities
20 like Westario, which basically amalgamate many urban
21 utilities surrounded and embedded inside of a Hydro One
22 territory. Again, the question is: What is the logical
23 service territory?

24 And it seems to me in that case one of the questions -
25 and it was raised - or one of the issues that was raised
26 earlier by Patrick was this issue about incentives and rate
27 incentives, and Hydro One has real concerns and legitimate
28 concerns about, you know, a spiral inside their company, a

1 rate spiral inside their company, and it doesn't seem to me
2 the regulators turned their mind to that issue in order to
3 try and find incentives for Hydro One to do what makes
4 sense for all the customers -- all the customers, not just
5 the remaining customers of Hydro One. So what's the best
6 thing for the territory of Westario.

7 And if there is a best thing that Hydro One, if it
8 wins on that one, have to give away those benefits, or does
9 it get to keep those and share those with its customers.

10 Those are the things I think you have to look at, is
11 where are the incentives going for those utilities, and
12 right now the incentives for Hydro One are very -- there is
13 a lot of disincentive to make any rational change because
14 of the way the Board simply looks at its customer base as a
15 whole and doesn't dissect the company any further than
16 that, and it seems to me that's very important if you are
17 going to have Hydro One play a key role in rationalization
18 of the distribution system.

19 MR. HEWSON: Sorry, I am not any more use to these
20 buttons than anybody else. Mark, your point about
21 incentives, and Patrick's point, raised in my mind
22 something. I just wanted to make sure everybody was
23 thinking about while we are talking about this.

24 As part of the renewed regulatory framework, the
25 Board, you know, came out and said, Okay. We are going to
26 be very outcome-based. We are going to look at performance
27 measurement. We are looking at a new rate-setting
28 mechanism.

1 One of the things they haven't started looking at, but
2 they did definitely commit to, is the whole area of
3 incentives and what are the regulatory mechanisms to
4 encourage utilities to undertake some of the things we are
5 talking about today, and including the innovation area,
6 which, you know, was probably an area that the Board
7 referred to more than things like incenting service-area
8 alignment or improvements or anything to do with
9 rationalizing load transfers.

10 But I think in general the Board is trying to signal
11 that it's going to look at, what are mechanisms to make
12 sure if utilities make good -- make business decisions that
13 create benefits and improved productivity, is there a
14 mechanism for, you know, that to be recognized on a longer-
15 term, or, you know, what's the appropriate mechanism. I
16 think they talked about efficiency carry-overs, so...

17 MR. GARNER: Can I just - Mark Garner again from VECC
18 - address that? Thank you, Brian. Because I think what --
19 as you look at that, what's clear to me, anyways, is that
20 one of the things that has to be looked at is the transfer
21 of benefit, because really what happens in these cases is
22 there are benefits and disbenefits going on between one
23 utility that basically get transferred over to another
24 utility, and without considering that you don't create an
25 incentive for everybody, so you don't create incentive for
26 Hydro One to do the right thing because there are benefits,
27 but none of them will accrue to Hydro One, and you have to
28 ask yourself, well, the wrong outcome is happening then.

1 Hydro One takes the wrong step, because it's going to not -
2 it's going to have disbenefits, even though as a society we
3 get benefits from that -- its actions.

4 And to me that's sort of an issue about how you
5 transfer those benefits as between utilities. That's the,
6 to me, the key difference. Right now everything is done on
7 looking at this utility, that utility, as opposed to, if
8 these two utilities make this action, there will be an
9 overall benefit. Unfortunately, the benefits don't flow
10 the way that the utility -- to incent the right utility, to
11 make the choice of doing that, and that's what I would like
12 to think about.

13 MR. SHEPHERD: Just following up on what Mark said, he
14 is talking about transfer of benefits in the context of,
15 for example, Hydro One versus Horizon or something like
16 that, but I wonder if that same concept can be considered
17 with respect to the risk associated with innovation.

18 And I am just throwing this out as a possibility, and
19 I am sure other people have thought of it: Is it within
20 the Board's mandate, do you think, to implement some sort
21 of program in which utilities that take risks associated
22 with innovative approaches have those costs socialized
23 across the industry, at least on an interim basis, if they
24 are going to the share the results with everybody? Is that
25 something that makes some sense? What do people think?

26 MR. ANGEMEER: Michael Angemeer from Veridian. I
27 think that's an interesting concept. I think that view was
28 expressed maybe a few years back when they talked about

1 some kind of a fund that would be paid for by a penny or
2 something off ratepayers' bills that would be used for
3 innovative approaches that could then be shared and made
4 into best practices and distributed across different
5 utilities in the province.

6 So I don't know what the mechanism looks like, but I
7 think some way to allow that to happen to the benefit of
8 all the people in Ontario would be a good idea.

9 MR. GASPARATTO: Okay. Thank you.

10 Was there a question in the back there somewhere? No?
11 Well, I'd like to take -- oh hang on one second then. I
12 will just check with the -- Anne, I'll just check with the
13 people on the phone.

14 TELEPHONE MODERATOR: Thank you. Participants on the
15 phone lines, please press star 1 if you have a question.

16 We have a question from a participant. Please state
17 your name and proceed with your question.

18 MR. WUNDERLICH: Hello, this is Richard Wunderlich
19 from Siemens, just to identify myself as which body do I
20 represent.

21 I would like to comment back on a few statements about
22 the purposes, in terms of reference. My question would be
23 -- and I think the feedback in general has been that while
24 the overall approach and structure and the contribution of
25 everyone in the room is significant and valuable, probably
26 one of the intentions was to establish a longer list of
27 what are the discussion points, and I think one perspective
28 that needs to be taken is to look literally globally at the

1 trends in identifying where the utility sector overall
2 appears to be heading.

3 I think a lot of the conversation is distinctly an
4 Ontario conversation, and for example, you know, the
5 conversation around adding new services or enabling new
6 services and facilitating, you know, enhanced scale and
7 scope of that. There is not much consideration being given
8 by the Ontario market for that possibility, I believe
9 mostly because the Ontario market doesn't believe it to be
10 possible.

11 If you look into other jurisdictions around the world
12 you will find a lot of opportunity where really the premise
13 is that the utility is a significant contributor to the
14 infrastructure and that the services and the ability to
15 leverage services on the core offering is a significant
16 value literally to the wealth of a region, and I think that
17 really taking that kind of an approach, saying what is the
18 art of the possible and how is that performing in different
19 regions would be a significant contributor to this dialogue
20 and to how can Ontario gain and garner opportunity for
21 improved efficiency.

22 MR. GASPARATTO: Thank you.

23 Richard, do you have any suggestions, as far as, we
24 talked about, there's success in other jurisdictions, what
25 some of those would be?

26 MR. WUNDERLICH: So I personally have been interacting
27 quite a bit with the U.K., with Germany, with Italy. Some
28 of the activity we have done recently is try to expose some

1 of the thought leaders from those countries to select
2 utilities, organizations in the province.

3 It is clear that in some instances some of the same
4 challenges are out there. You know, for instance, there is
5 a conversation underway in Ontario about, how do you manage
6 and measure business case development if in fact
7 investments are so-called diffused to other participants in
8 the sector. You know, Italy is challenged with that,
9 Germany is challenged with that. In many cases it's strong
10 policy direction that makes a statement about where does
11 the society want to go to, that then facilitates an easier
12 regulatory framework construction that is clear and precise
13 for the utilities to interact with.

14 One really interesting example of that is in fact
15 Munich Utilities.

16 [Reporter appeals]

17 MR. GASPARATTO: Sorry, we're losing you, Richard.
18 Could you speak up a bit?

19 MR. WUNDERLICH: Oh, sorry. An example -- another
20 example is in Germany, in Munich, a highly integrated
21 utility offering multiples of services, really in the
22 broadest context of what is a utility, and the really --
23 you know, the large benefit in behind that is stakeholder
24 management, and simplifying the constituent's life in
25 total. So that addressing the issues, for instance, that
26 were brought up about there is not enough real estate on
27 the bill to offer more services, those kinds of challenges
28 need to be literally solved so that we get the possibility

1 for the synergy.

2 MR. GASPARATTO: Thank you.

3 Sorry, any other people on the phone that would like
4 to the make a comment?

5 TELEPHONE MODERATOR: Thank you. We have the next
6 question from Andrew Sasso. Please go ahead.

7 MR. SASSO: Hi. Andrew Sasso from EnWin.

8 Just to pick up, first, on the last set of comments, I
9 think that's absolutely key, and I think if you look at
10 utilities like EnWin and Kingston and others who have
11 looked at their mandate more broadly -- but I wouldn't just
12 say -- those are just scope.

13 Guelph, on any number of fronts, and a number of the
14 utilities in the K-W Region are doing some very innovative
15 things that are really about being leaders in the
16 community, and looking for these broader opportunities.

17 And my sense is that over the past number of years,
18 coming out of the model that was developed in the late
19 '90s, there is a lot of scepticism and concern about how
20 that works, and whether the OEB has proper mandate in order
21 to allow this sort of thing to be done within an LDC.

22 I think there is enormous amount of social cost if
23 these opportunities are not leveraged, and think we need to
24 work through any type of misgivings or concerns or unease
25 with the regulator in a very open and transparent and
26 thoughtful way, to get any -- get out of the way -- get any
27 of those sorts of hurdles out of the way from a regulator
28 perspective.

1 But the reason I had actually punched in was I wanted
2 to comment on sort of the innovation and Jay's comment
3 about risk of innovation and funding that and so on.

4 I think most people or at least many people would
5 argue that good, worthwhile innovation should pay for
6 itself. I think there would be enormous backlash from the
7 community, from any number of communities, by increasing
8 rates in order to pay for innovation. You know, it smacks
9 terribly of the global adjustment and other unpopular
10 devices.

11 And I think that -- I think that a lot of the
12 efficiencies, certainly here in Windsor but I think in
13 other communities, have come about because you do the
14 business case and the real issue is if the business case
15 doesn't show you hitting your payback period for seven,
16 eight, 10, 12 years, that should be okay for a utility.
17 This is a long-run business. It should be okay to have a
18 payback period that's 12 or 15 years, I think.

19 And what we just have to do -- and I think it is a
20 "just have to do"; I don't think it's monumental -- is find
21 a way, whether it's because of consolidation or economies
22 of scope or other types of innovation, that we ensure that
23 the benefits of that kind of innovation flow back to
24 utilities.

25 And, Jay, you raised the question earlier about
26 whether the annual IR model basically satisfies that, and I
27 think there are a lot of utilities that would say: Well,
28 the problem is that then you are not dealing with all the

1 other things that a class of service is there to deal with.

2 And the new model is better than the old model, but I
3 don't think we can look to annual IR as an exclusive way to
4 deal with ensuring that you get back what's supposed to
5 flow through the business model.

6 MR. WILLIAMS: Andrew, it's Todd Williams. I just
7 want to clarify something and just try to make a linkage to
8 what Jay suggested.

9 Some of what we talked about with respect to
10 innovation was in regards to risk, so either the cost is
11 too high relative to what I expect to see as a payoff or a
12 sort of return -- so there is some disconnect there, and
13 you talked about a business case.

14 There was earlier discussion about whether or not the
15 distributors who innovate, whether they are able to retain
16 the benefits or how they flow to ratepayers and the timing
17 of that, so there is an uncertainty in terms of the
18 benefits and the period over which those will accrue.

19 If I understood Jay's suggestion, it was more on the
20 cost side, is to socialize those costs, which also help in
21 terms of that equation.

22 So I just put it back to Jay. Is that -- have I
23 interpreted that correctly?

24 MR. SHEPHERD: Yeah, I'm -- the model would be a cost
25 associated with connecting with Green Energy Plan, some of
26 which you are socializing.

27 MR. WILLIAMS: I just wanted to confirm. All right.
28 Thank you.

1 MR. GASPARATTO: Sorry, Amanda, you've been trying to
2 ask a question for a while.

3 MS. KLEIN: That's okay. Yes, I do have a question.
4 Thanks very much.

5 My question is about what's in scope for this process,
6 so going back to, I think, some questions around what we
7 actually are discussing.

8 And what I don't think I have heard yet is discussion
9 around procedural processes for applications before the
10 Board, so things like schedules and timelines and
11 regulatory rules and criteria, and clarity around those
12 types of things.

13 And I guess that the -- if the question is, to use
14 your words: What do distributors want to do, and what is
15 stopping distributors from doing that, then I would suggest
16 that something like this is quite important, because
17 certainly from the LDC perspective, regulatory certainty is
18 a critical input for business planning purposes, which of
19 course goes to efficiency.

20 And I guess this connects up with the point earlier
21 raised about how a critical part of a project like this is
22 to explore regulatory rules, and in particular the way in
23 which those regulatory rules may create barriers for
24 innovation and for internal efficiency.

25 So the question is: Is something like this part of
26 that discussion? Is that in scope? Or is that outside of
27 what we are looking at right now?

28 MR. GASPARATTO: The first thing I heard you ask about

1 was procedures and the application process.

2 MS. KLEIN: Correct, yes.

3 MR. GASPARATTO: And, yes, we didn't hear anything
4 about that, but definitely part of what we want to hear is
5 any room for improvement on the actual Board process.
6 Right?

7 MR. HEWSON: I might elaborate a little bit on that,
8 Paul.

9 So some of you will be aware that the Board has
10 undertaken with an outside firm interviews, research,
11 looking at its application process, timelines, how it does
12 settlement conferences. Notices are one of the things it's
13 working on right now.

14 That process is sort of another leg of activity that
15 the Board is looking at in ensuring that it has got the
16 most efficient process.

17 And presumably some of what you are talking about,
18 Amanda, is being dealt with there.

19 Maybe if the issue that you are raising is how does
20 the Board's process work better for a utility that's
21 looking at something new or innovative, how do they bring
22 that forward, as I think Andrew mentioned, I think that is
23 something that, at least, we want to make note of.

24 And I am not sure we could get very far in sort of
25 setting out a Board process or describing how a Board
26 process would work today, but in general, the process part
27 of our work is being dealt with by another group, just like
28 the measurement of all these efficiencies and how we

1 include it in rates and reward you or incent you is part of
2 another project, as well.

3 So we are trying to attack this from all the different
4 angles and make sure that the Board has all the
5 information.

6 MS. KLEIN: That's helpful. Thank you.

7 MR. GASPARATTO: Sorry, you had a question earlier.
8 Do you still have it?

9 MR. TAYLOR: Hi there. Andrew Taylor. I am counsel
10 to a group of mid-sized utilities that currently includes
11 Bluewater Power, Newmarket-Tay Power and Greater Sudbury
12 Hydro.

13 Just to make a point regarding a barrier to
14 consolidation, the clients that I represent, they are not
15 in support of the regional utility model that was put
16 forward by the Distribution Sector Review Panel.

17 But going back to what Jay was suggesting before,
18 which was some sort of socialized mechanism, that makes a
19 lot of sense from our perspective. And if I were to take
20 an example - for example, let's use Hydro One - if it were
21 to merge with a mid-sized utility, then, you know, the
22 concern would be that the costs or the rates for the mid-
23 sized utility would increase and there could be a benefit
24 to Hydro One's customers, and we understand that, and there
25 is a balancing act, and currently the regime, as it works
26 for a MAADs application, the Board looks -- or applies a
27 no-harm test, and, you know, a no-harm test is really about
28 perspective: Is there harm to one party, a group of

1 parties; or do we look at something that's more along the
2 lines of a net benefit test, and those are two different
3 tests, because, you know, when you use a net benefit test,
4 a net benefit test isn't used by the Board, but it is used
5 in terms of, like we saw in the Nexen deal, whether or not
6 there was going to be a net benefit to Canada as a result
7 of the Nexen deal.

8 Now, that test is different from the no-harm test, and
9 that my interpretation of "no harm" is that there can't be
10 any harm to anyone, but that's not really 100 percent
11 clear, that's not in stone, because the Board has a
12 flexible approach to, what does "no harm" mean in the
13 context of a MAADs application.

14 So that being said, I think it's likely to be the case
15 that where a mid-sized utility is going to merge with a
16 Hydro One type entity, that rates will go up, and therefore
17 that's a disincentive to amalgamation. So perhaps if there
18 were some socialized mechanism in place, something that's
19 analogous, say, to the remote -- rural and remote rate
20 protection plan that's already in place for certain
21 utilities in northern Ontario and First Nations utilities,
22 that perhaps that's a potential solution to deal with that
23 barrier to consolidation.

24 MR. GASPARATTO: Great, thank you.

25 MR. TAYLOR: Actually, while I have the microphone,
26 because I was going to make another point -- I may as well
27 just get it in now before -- in the report -- in the
28 Navigant report there is a reference to, on page 20, OM&A

1 savings in the range of 10 to 15 percent, and I understand
2 that that number came from the utilities that you spoke to.
3 That wasn't a number that was produced by Navigant.

4 So one of the concerns that my clients have is that,
5 how is that number created? How did you come up with that
6 number, or how did the utilities come up with that number,
7 and did that number come from a number of different
8 utilities, in terms of -- it must have, because there was a
9 range, right? Some may have said 10, some may have said
10 15, and others may have said something in between.

11 However, in order to ensure that that number is a
12 number that -- you know, if the Board is going to rely on,
13 I think that some empirical analysis should be conducted on
14 that range, the 10 to 15 percent, because we are not really
15 sure what that means. When somebody says, Yeah, we have
16 achieved 10 percent efficiency, we are not really sure
17 exactly what that means. Efficiency in what regard, for
18 what period of time, and what kind of costs does that
19 involve as well?

20 There is another side of the equation. There is the
21 efficiency side, but there is also the cost of merger, and
22 I understand that merger costs are typically not included
23 in rates by the Board, but certainly we have seen from the
24 distribution sector review panel's recommendations that if
25 utilities were to voluntarily merge, then those costs -- as
26 an incentive, those costs would be paid, or passed on to
27 ratepayers.

28 So all that to say that there is a grey area, in terms

1 of what those numbers mean, so I think that it would be
2 helpful, rather than pass those numbers on to the Ontario
3 Energy Board for consideration, for those numbers -- and
4 they very well could be correct, but for some sort of
5 empirical analysis to be conducted in conjunction with
6 those numbers, and not just with the merger efficiencies,
7 but as well as with the numbers associated with economies
8 of scope. I think some empirical analysis would be helpful
9 to the board.

10 I know that Greater Sudbury Hydro included a third-
11 party report in its recent cost-of-service rate
12 application, in which an efficiency savings number was
13 provided, and it was analyzed as a result of the economies
14 of scope that they have put into place.

15 So perhaps we could extend that type of empirical
16 analysis to go beyond mergers to also include economies of
17 scale and even economies of scope.

18 MR. WOOD: Yes, if I may comment just briefly, to be
19 clear, the information that's presented in the report and
20 that we presented this morning is based on what we heard
21 from stakeholders and distributors. So I think, you know,
22 earlier in the report it says, you know, we weren't trying
23 to quantify the level of savings associated with each of
24 these. That's certainly a question that we want to get
25 some feedback on, is how important are these relatively?
26 Which ones have the greatest potential?

27 But what we are reporting in, you know, in the report
28 is what we have heard from distributors, so distributors

1 have told us that they have saved -- those who have gone
2 through this type of process have achieved those levels of
3 savings. Those which have gone through scope, you know,
4 which are providing multiple services and are achieving
5 some efficiencies through economies of scope, also reported
6 significant savings, and I am sure that you can talk to
7 people in this room who, you know, will tell you what they
8 achieve, but it wasn't the intent of the report to try to
9 quantify that. You know, whether the Board wishes, you
10 know, how the Board wishes to address that I'll let Paul
11 speak to, but that certainly wasn't the intent, and part of
12 the discussion, as you said, you know, we wanted to have
13 today is to get feedback from the group.

14 You know, we talked with individuals. You know, part
15 of what we wanted to accomplish today is to get feedback
16 from the group on, you know -- so relatively, you know, how
17 important are each of these opportunities? How -- are
18 these opportunities appropriate in different circumstances,
19 and what are the barriers? You know, what can the Board do
20 with respect to barriers, you know, around each of these.

21 Just to respond to -- some earlier comments were made
22 around, you know, whether the report is in -- favouring,
23 you know, consolidation or one approach over another, and
24 that certainly was never the intent. The intent was to --
25 again, to feed back what we have heard from stakeholders
26 and distributors.

27 And there is diversity. I mean, there is -- I have
28 been around this industry a long time. There is diversity.

1 So there are different views as to, you know, what is
2 appropriate given your circumstances, what's appropriate
3 given different distributors' circumstances, and where the
4 best opportunities lie for, you know, for different
5 distributors, but that's part of what we want to talk about
6 today.

7 MR. TAYLOR: And just to be clear, we weren't pointing
8 a finger at Navigant in any way whatsoever. In fact, we
9 think the report is very good. And perhaps my comments on
10 -- in that regard were better directed at Board Staff. If
11 Board Staff is going to take this report and take the
12 comments from today, and ultimately prepare some sort of
13 proposal that it's going to provide to the Board, then
14 perhaps the additional considerations that I have raised
15 could be part of that report.

16 MR. GASPARATTO: I will take that under advisement. I
17 don't think any of the numbers that are in the report is a
18 factor in what we are worried about and considering today,
19 except to the extent of, what's the -- can we get a list of
20 priorities of actions. Whether a merger saved 10 percent
21 or 20 percent isn't really in scope of what we're doing,
22 but --

23 MR. TAYLOR: No, but I think, though, that ultimately,
24 if the Board is going to prioritize initiatives -- and
25 there are potentially a number of initiatives, all of which
26 won't likely be taken up all at the same time -- I think
27 that the numbers in regards to the benefits of certain
28 options could influence which -- or how the Board

1 prioritizes those options.

2 MR. GASPARATTO: Yes, understood. Thank you.

3 Sorry, Julie, did you have a question a while ago?

4 MS. GIRVAN: Just a couple of comments. Julie Girvan,
5 Consumers Council of Canada.

6 I just wanted to make sure at the end of the day that
7 I am correct and that we are talking about operational and
8 organizational efficiencies that benefit customers and
9 innovation in that context. I mean, I am not sure. I
10 think I agree with Andrew Sasso. I think he was trying to
11 say that, that the efficiencies flow back to utilities, and
12 I think he meant utility customers. I just want to make
13 sure that's the focus.

14 In terms of a socialization kind of mechanism, I think
15 we have to be somewhat careful about that. I think they
16 are complicated. I think they are hard to administer. I
17 am certainly open-minded, but I am not necessarily a big
18 advocate of those type of things to facilitate innovation.

19 What's innovation? And I think we saw a bit of that
20 in the context of the green energy plans, utilities sort of
21 wanting to try different things, and sometimes in the
22 absence of business cases say intuitively this is going to
23 be good thing.

24 So just, you know, back to -- I just want to make sure
25 that we are talking about creating an environment, reducing
26 barriers, that at the end of the day ultimately benefit
27 utility customers, and I want to make sure that's the
28 focus, and if I am wrong somebody can correct me.

1 MR. GASPARATTO: Well, hopefully that will happen. I
2 mean, everything we do is in the context of our whole
3 mandate, of just and reasonable rates.

4 I think the idea of what can we do to keep rates lower
5 is part of what we are trying to achieve here.

6 Actually, Richard, I think you had your hand up before
7 Jay.

8 MR. STEPHENSON: The issue I just wanted to raise as a
9 question of scope -- something which is not dealt with in
10 the report at all, but from our perspective something which
11 certainly could be in the report and we think should be in
12 the report -- if we are talking about improved efficiency,
13 as Navigant defines it in the traditional sense of
14 decreasing the level of input required to produce the same
15 level of output, the issue for us is: Why isn't management
16 of line losses by LDCs part of this exercise?

17 This is something that directly affects customer
18 bills. It is -- if there are cost-effective ways of
19 reducing line losses, it is to the benefit of customers.
20 It's something entirely within the control of LDCs. It's
21 something that is -- well, subject to theft. And it is
22 something that, currently, LDCs don't have any particular
23 incentive to manage under the current mechanisms, the suite
24 of regulatory mechanisms that they face.

25 And we just wonder why that wouldn't be viewed as an
26 LDC efficiency matter in scope in this proceeding.

27 MR. HEWSON: Richard, I think what you are raising,
28 though, is something that directly goes back to what I was

1 talking about around the idea of incentives.

2 Because if I heard correctly, what you said is the
3 utilities could be undertaking these activities, and in
4 fact, I think utilities do currently undertake lots of
5 activities that are focussed on trying to reduce losses,
6 either theft or technical losses.

7 But as far as an actual incentive, I think that's
8 something the Board is going to be looking at in terms of
9 the next phase around rate setting and performance.

10 So I don't think it's -- in terms of an organizational
11 or operational issue, are you raising a barrier that is in
12 front of the LDCs? Or are you really raising the fact
13 that, without having an incentive, they are not going to be
14 undertaking as much of it as they could be?

15 Just curious if you could clarify that.

16 MR. STEPHENSON: Well, I think this is all about the
17 Board's processes, licences, regulatory processes, et
18 cetera, that this seems to be addressing.

19 I mean, one of the issues, for example, that was
20 talked about earlier today was the whole concept of
21 outsourcing. I mean, outsourcing, it's not clear to me how
22 that's in scope, in the sense that outsourcing is something
23 that there is no apparent regulatory impediment to
24 outsourcing.

25 But I view it in the same category as that kind of
26 thing; it is something that -- if you were looking at
27 something that increases the level of output for a given
28 level of input, let's look at what the Board is doing and

1 not doing in order to facilitate potential improvements.

2 And I accept, Brian, that maybe this gets roped into
3 IRM or whatever, but if that's, in fact, the answer, then I
4 think -- let's put it this way. I think it behooves the
5 Board to actually look at it and decide very specifically
6 that that is, in fact, the answer, and that there isn't
7 something else here.

8 MR. GASPARATTO: Okay. Thanks.

9 Jay, did you have a question?

10 MR. SHEPHERD: I just wanted to follow up on what
11 Andrew Taylor was suggesting, asking the question: Can
12 somebody do an empirical analysis of merger savings?

13 And it appears to me that that's not as big a task as
14 it might first appear, and the reason is that we know that
15 at least PowerStream, Horizon and Integrys have already
16 done this analysis. They forecast what their merger
17 savings would be, and then they have gone back and they've
18 looked at whether they achieved them.

19 It may also be true that Niagara Peninsula and
20 Veridian and perhaps others have done the same thing.

21 It may be useful for the Board to look at those
22 existing studies, which I am sure could be made available
23 to the Board, and see not only what's the number -- that's
24 really not that helpful -- but also how did they do it,
25 what are the things that the merger created cost savings
26 in, because some of those might be replicable even without
27 mergers.

28 We know, in fact, having seen some of these studies,

1 that there are savings that happen after the merger but
2 didn't need a merger to make them happen.

3 So the Board might be able to draw from those
4 analyses, some of which are quite sophisticated.

5 That's my suggestion.

6 MR. GASPARATTO: Okay. Good. Thank you.

7 Jim?

8 MR. KEECH: Jim Keech, Kingston. I just -- two or
9 three comments in response to some other comments that have
10 been made.

11 There was a comment made in regards to scope, as to --
12 I think it was kind of framed up -- are we getting too big?
13 Are we looking at too many things, and could we be more
14 effective if we reduced our scope?

15 And I think that's a valid comment. And I would offer
16 up that those of us who have looked at achieving
17 efficiencies through scope is not saying that we are
18 offering everything or we are doing everything for the
19 customer.

20 So there are a lot of things that we do in Kingston,
21 although we have got a wider scope that we outsource. And
22 I think there are actually efficiencies and we get a better
23 price because we're outsourcing it for a myriad of
24 utilities, as opposed just to the electric utility.

25 So just to be clear, when we say expand through scope
26 it doesn't mean we are going do everything.

27 And one of the areas that I talked about was customer
28 care. And I think we achieve efficiencies through that.

1 We outsource a lot of that; we contract a lot of that out
2 because we can't do it as cheaply internally as we can by
3 outsourcing it.

4 The bill, another one. We do our own billing, but we
5 have somebody else print it, put a stamp on it and mail it.
6 And we can't touch their prices.

7 So we are looking at that.

8 And I would frame that up under what you have got in
9 the centre up there as internal efficiencies; to me, that's
10 just something we should be doing. I don't think we need
11 the Board or anyone to drive us towards that. That's what
12 we do.

13 A couple of other comments, as well.

14 So I think it was Jay was either just talking about it
15 or referenced another comment about actually being able to
16 show savings and the savings through mergers, whatnot. I
17 know we and I think some others who are also more focussed
18 on the savings through scope have done some significant
19 work in that way and we can provide some hard data on that.
20 So if there is an interest in that, we would be happy to
21 share it.

22 It's actually public knowledge what we did in
23 Kingston. We provided it to the panel.

24 And there was another comment, as well, I just wanted
25 to pick up on. And I think I am going to go back and
26 repeat some of this things I said initially, but there was
27 a comment that was made about the customer; you know, at
28 the end of the day we should be focussed on the customer.

1 Not on the utility, the utility customer.

2 And I fully, fully believe that. And again, so I am
3 going to talk to customers; not just the electric customer.

4 The electric customer also pays the water bill, the
5 sewer bill, and I think there are huge advantages, if we
6 look at it from that aspect, to the customer at the end of
7 the day.

8 Particularly with some of the infrastructure
9 challenges that we are going to face, not on the electric
10 side but on the water side, the wastewater side. If we
11 continue -- and now I am talking "we" as more community --
12 if we continue to manage and do things the way that we are
13 today all in our own little silos, I don't know how the
14 heck we're going to afford it in the long run.

15 If you look at -- again, I am talking us a little
16 offside here, if you look at the requirements that
17 communities are going to have to put in their water and
18 wastewater infrastructure over the next 10 years.

19 So in Kingston, we have done very detailed budgets.
20 Our water/wastewater costs are about 500 million over the
21 next 10 years. Our electric budgets are three million.
22 We only serve half, so can double that, but it just kind of
23 puts it in perspective.

24 There are huge issues here that we need to deal with,
25 and the government has to take a wider view than they have
26 to date.

27 Thanks.

28 MR. GASPARATTO: Thank you.

1 Mark?

2 MR. GARNER: Mark Garner for VECC.

3 I just want to follow up the issue about scope, and
4 actually follow up from what Jim has said. I understand,
5 and I think there is a lot of discussion we could have on
6 the PUC model versus the LDC model, and I take Jim's point
7 about the singular customer and water and electricity, et
8 cetera, but there are many LDCs, A, who have not organized
9 that way, including some private utilities who are not
10 organized that way that have to be considered.

11 Where I get nervous when you put scope in innovation
12 is where you start talking about scope like electric
13 vehicles. Then you get into the issue of, what is the
14 business of a utility, and those of us who have been around
15 long enough remember natural-gas vehicles and natural-gas
16 service stations and all sorts of stuff like that too.

17 The question about scope it seems to me the Board has
18 to or you have to ask yourself in the report is, what's
19 within scope and what's outside of scope. I for one think
20 there is a debate, and a discussion should be had about the
21 PUC versus LDC model and utilities who choose different
22 models and how they might be regulated differently or given
23 a different regulatory regime.

24 But I am less comfortable when people start taking
25 scope to mean, let's have a socialized fund, and pretty
26 soon let's have electric vehicles in it, and pretty soon,
27 you know, these type of innovations -- because, quite
28 frankly, utilities, whichever way they are formed, are not

1 generally what I would call the most risky or risk-takers
2 or innovators of social change, and that, you know, there
3 are better agents in society for that than utilities, quite
4 frankly, not that they don't do a good job at what they do.

5 So I think that some thought should be put into the
6 question about, what is the scope of the utility.

7 MR. GASPARATTO: All right. So we are getting close,
8 so Mike, do you have one comment from Mike...

9 MR. ANGEMEER: It's Michael Angemeer from Veridian. I
10 think I might have to respond to that last comment. I
11 think -- and we have shown through examples, and in the
12 future there will be a lot more opportunities to look at
13 how municipal infrastructure is built, and that includes
14 things like transit and charging and natural-gas vehicles
15 and all these kinds of things. It doesn't necessarily mean
16 the utility has to do it, but the utility can play a key
17 role in advising their municipal partners on what kind of
18 energy combinations will be best to power the things like
19 transits and vehicles in the future, which form a big part
20 of things like local pollution and CO2 emissions, which are
21 very important to municipalities.

22 That also provides a key opportunity for work with
23 educational institutions like universities and colleges to
24 work on research opportunities that will develop new
25 products and services that will put Ontario on the map from
26 taking things like electric trains and turning them into
27 hybrid kind of trains that nobody has seen before.

28 So those kinds of things will be very important in the

1 future, and I think utilities can play a key role, and you
2 are seeing that in other jurisdictions, I think, from the
3 perspective of things like district energy, where you have
4 in Sweden -- you have multi-service utilities that are now
5 branching out into selling those services to international
6 clients because they have 20 years of experience in
7 district energy.

8 So we have some great opportunities. We just have to
9 prioritize and focus those opportunities, and certainly the
10 utility is not the be-all and end-all to everything, but
11 certainly there are some big opportunities to help build
12 better cities and communities, and that really requires a
13 holistic perspective from the idea that all these things
14 take place in a municipal area, and intersections,
15 opportunities of the environment, and also municipal
16 infrastructure are very important. We have seen what's
17 happened with trying to locate generating plants, and the
18 integrating of generating plants and transit and all those
19 things into a municipal community is going to be a very
20 important part of how the future develops for Ontario and
21 makes us competitive.

22 Somebody just said that the tax rates are going to go
23 through the roof as water rates increase, and the
24 electricity rates are going to go higher as well, so how do
25 we make sure that we coordinate these things and do these
26 things better than other jurisdictions have.

27 MR. GASPARATTO: Thank you.

28 Before we go to lunch I would like to check to see if

1 there are any comments or questions from the people on the
2 phone.

3 TELEPHONE MODERATOR: Thank you. For those on the
4 phone lines, if you wish to ask a question, you may press
5 star 1 on your telephone keypad. Once again, please press
6 star 1 if you have a question. And we have no questions
7 registered at this time.

8 MR. GASPARATTO: Okay. So let's break for lunch.
9 It's quarter to one. Why don't we reconvene here at two
10 o'clock, and so that gives you an hour and 15 minutes for
11 lunch. I think by the time -- so start coming back for
12 quarter to two, and then by the time we get everyone
13 together it will be two o'clock, so thank you, and have a
14 good lunch.

15 --- Luncheon recess taken at 12:45 p.m.

16 --- On resuming at 1:56 p.m.

17 MR. GASPARATTO: Welcome back, everybody. Good
18 afternoon to those of you in room and on the phone. Great
19 discussion this morning.

20 What we would like to do right now is just -- I think
21 the approach would be to I want to go back to some of the
22 slides that Glen had produced, gone over this morning, and
23 talk about some of the specifics that are on the slides,
24 and get some -- make sure we understand that, especially
25 around the barriers, the opportunities and then the
26 barriers that were identified, and ask some questions
27 around that, and again, to make sure we fully understand.

28 So I will, I think, either turn it back to either Todd

1 or Glen to go through that process.

2 **PRESENTATION BY GLEN WOOD**

3 MR. WOOD: Thank you. Thanks, Paul.

4 So what we would like to do is, as we said earlier, we
5 wanted to really touch base and see did we capture
6 correctly what you had told us as we did the surveys. And
7 so if we can, we would like to work through, talk about
8 each of the opportunities individually, and particularly
9 talk about the barriers and the opportunities, to get a
10 better understanding of did we capture all the -- are these
11 the key barriers? And to get a sense from -- to get your
12 take on what might be done to address these barriers. If
13 you could change the regulations or change the codes and so
14 forth, what would you change to make it easier to pursue
15 these opportunities?

16 So let's start with the shared services where we are
17 talking about this is for services from LDC to LDC,
18 distributor to distributor.

19 And what we have got listed here are a set of barriers
20 based on what we have heard from the interviews that we
21 did. And I'd start with a question of: Are there other
22 barriers here that we've -- anything else that we've
23 missed? Are there other things that are not preventing but
24 maybe impeding, limiting your ability to pursue these types
25 of opportunities?

26 I just throw that out and ask for people's input.

27 MR. GASPARATTO: Anne, is there anyone on the phone
28 that wanted to make a comment about that question?

1 TELEPHONE MODERATOR: Thank you. For those on the
2 phone line, please press star 1 on your telephone keypad,
3 if you wish to ask a question. Once again, please press
4 star 1 to ask a question.

5 MR. GARNER: Mark Garner from VECC, and this question
6 is directed to Board Staff.

7 The bullet point:

8 "Clarity around the ARC. Need for an affiliate
9 if a distributor is providing distributor
10 services to another distributor."

11 Which is a lot of "distributors" in one sentence, by
12 the way.

13 I just don't -- is there a controversy in that -- with
14 the Board, that the ARC prohibits in any fashion a
15 distributor from undertaking distributor work for another
16 distributor? Can't get away from using "distributor."

17 [Laughter]

18 MR. WOOD: We'll throw in "LDC" every so often just to
19 mix it up.

20 What we were hearing in conducting the interviews,
21 what we were hearing was certainly uncertainty.

22 Some people that we talked to felt that if a
23 distributor was providing services to another distributor,
24 if it was services sort of as defined within sections 71
25 and 73, there were some who believed that an affiliate
26 would not be required.

27 Other people that we talked to said: Well, oh, no,
28 it's outside of your service territory, or for whatever

1 other reason, we feel that an affiliate is required.

2 And some people, frankly, were just not sure.

3 So the question is -- I mean, it may be providing a
4 clear direction to people, you know, or it may be a
5 question of people who aren't really immediately facing
6 this issue, just going: Well, geez, I haven't read the ARC
7 for a while and so I am not clear. To be fair to the
8 people that we were talking to, you know, this may not be
9 something that they have looked at recently.

10 MR. GASPARATTO: I guess, Mark, your question was, I
11 believe -- was your question: Doesn't the Board already
12 have a view on this? Is that kind of where you were going?

13 And I am not sure I know the answer to that.

14 MR. GARNER: Yeah. I guess I was wondering if the
15 issue was simply around the fact that it has not been made
16 clear enough, as has been insinuated, that in fact there is
17 no prohibitions to distributors doing distributor work, no
18 matter who they do it for. Or whether, in fact, the
19 Board's of the view there is a problem around that and we
20 need to solve it. So I am not quite sure.

21 MR. GASPARATTO: I think, as Glen said, that this is
22 feedback from -- what we heard was people are unclear, and
23 maybe the solution is the Board clears it up.

24 Colin, you were first.

25 MR. McLORG: Hi. It's Colin McLorg at Toronto Hydro.
26 Just in connection with a question that Mark asked,
27 one could raise the question of whether or not distributors
28 providing distribution services to other LDCs - notice the

1 artful use of "LDCs" - is something that should attract
2 exactly the same set of rules or degree of scrutiny from
3 the Board as would the activities of an LDC providing
4 services that are defined right now as distribution
5 services to non-distributor entities.

6 So for example, tree trimming might be an instance of
7 something that is clearly a distribution activity right
8 now. It's regulated by the Board. There is a revenue
9 requirement associated with it.

10 To the extent that two utilities want to simply
11 economize by doing that on a shared basis somehow, then it
12 doesn't really enter the contestable arena, but as soon as
13 a distributor provides that to a third party, then arguably
14 or at least in the view of some, maybe that does become a
15 contestable activity. And maybe there are different
16 considerations that enter, when it's really done as a
17 contestable activity, versus as a native distribution
18 activity conducted between distributors.

19 MR. GASPARATTO: Now, when you say "contestable," you
20 mean competitively? I mean, "contestable," I think in
21 terms of the DSC and what our customer can do instead of
22 the distributor. Is that -- do you mean in that term,
23 or...

24 MR. McLORG: No, I wasn't, and thanks for the
25 clarification, Paul.

26 What I meant was that it's provided on a competitive
27 basis by other non-utility providers.

28 MR. GASPARATTO: Right. Thanks.

1 Jay?

2 MR. SHEPHERD: Yeah, I can add another twist to that,
3 perhaps, and that is: Is there a difference between a
4 situation where the provider of the service is treating the
5 profits as outside of the regulated ambit or inside the
6 regulated ambit?

7 If they're sending their tree trimming crew out to a
8 neighbouring utility to help out, that's going to be,
9 normally, part of their regulated activities.

10 If they have a business of providing those services to
11 others, typically they are not going to share the profits
12 of that with anybody, including the ratepayers. In fact,
13 they're going to be reluctant to even disclose them.

14 That may well change whether this should be treated as
15 okay or not, I think.

16 MR. WILLIAMS: What would be the structure, just so I
17 understand? What would be the structure within an LDC for
18 them to -- are you talking about ring fencing the profits?
19 I am just not understanding --

20 MR. SHEPHERD: Well, they might well put them in an
21 affiliate on purpose so that they can provide the services
22 to as many people as they want, and buy them themselves
23 from the affiliate, but keep the profits from the other --
24 the services provided elsewhere.

25 MR. HEWSON: You are presenting the idea of which --
26 you know, there are a number of utilities in the province
27 that operate on the service corporation model. So they
28 have a utility services company that provides services for

1 themselves and others.

2 MR. SHEPHERD: But it doesn't need to be that broad.
3 So, for example, you have -- I know at least one utility
4 has a trenching company, and they provide those services to
5 other utilities. The trenching profit, I don't think -- I
6 could be wrong, but I don't think the trenching profits
7 offset revenue requirement. I think those profits are
8 kept, even though they are being provided to other
9 utilities, and to third parties, as well. It's a business.

10 MS. GIRVAN: The other side to that is what Hydro One
11 does with, like, storm assistance and stuff, is it becomes
12 a revenue offset. Right?

13 Oh, Julie Girvan, Consumers Council of Canada. Sorry.
14 Yeah, Hydro One's the other side of that.

15 MR. SHEPHERD: Yeah.

16 MR. WOOD: So going back to the initial question, are
17 there other barriers that we haven't listed here, I am not
18 hearing any. The next question that we wanted to get a
19 sense of is sort of, how significant are these barriers in
20 your -- you know, in decisions as to whether you would
21 pursue this kind of shared service arrangement between
22 utilities. And we have different examples of existing
23 shared-services arrangements, but, you know, if these types
24 of issues were addressed in a way that made it easier to
25 pursue this type of activity, you know, after, you know, a
26 few years have passed, how many utilities or how much
27 activity do you think there would be in this type -- in
28 this area? I mean, how much -- you know, would the CHEC

1 Group have more customers? Would there be more similar
2 types of structures in place if these barriers weren't in
3 place?

4 MR. SHEPHERD: Jay Shepherd. This leads to really the
5 first point on your slide, which is the lack of willing
6 partners, and how much of a barrier that is. I guess I
7 certainly would benefit from, and maybe others in the room
8 would benefit, if some of the utilities who feel that there
9 is a lack of willing partners could talk about why that is.
10 Why -- what is the resistance to doing this sort of thing?
11 Can anybody talk about that? There being none...

12 MS. DADE: I think part of the reason, Jay, is not
13 just on willing partners, but you have LDCs that are within
14 the municipal world, and they want to stay within the
15 municipal world, and they want to stay with their
16 shareholder, and there is issues about whether or not the
17 shareholder gets the certain dividend or how much money
18 they share within that, and if they believe they're within
19 a community. We hear that all the time, that there is a
20 community, and the municipality wants to keep that utility
21 within its municipality, and they don't want to share that,
22 and if it's not broke, why would we need to do?

23 I think to -- if you want to incent it or whatever, I
24 mean, there has to be sort of a direction to say -- you
25 know, maybe it's a carte blanche or whatever that says you
26 need to find 10 percent efficiency. Right now there is not
27 that direction. There is no real incentive to do any of
28 this. It's -- and, you know, frankly, a lot of -- some LDC

1 and a lot of LDCs, they don't have to be all at the same
2 standard. They don't all have to have the same service
3 quality or the same capability. Like, some LDCs have
4 control rooms and have SCADA systems, and there are other
5 LDCs that don't have that.

6 Now, there could be arguments that say, well, we don't
7 need it, but we are all also on the same level, and we all
8 want to play in the same park, so I think that's part of
9 the reason. I think that there are lots of different
10 things that we can do.

11 Again, there are challenges with the ARC to make sure
12 we do it right. You do do a revenue offset with some
13 stuff. That also speaks to the risk-averse situation that
14 LDCs have. If you take on a service to provide to another
15 municipality or a service like water, billing or whatever,
16 the issue can come up also that after five years or however
17 long your contract is they take that out to an RFP, which
18 is a natural business process, and if you lose that, then
19 you have to do the scramble about, again, how many people
20 you have or you don't have, you have to cut back and do
21 different things.

22 So those are natural and regular business things that
23 people go through, but those are the issues. And there
24 really -- right now there really isn't an incentive or a
25 reason for anybody to go out there and actually say, Well,
26 can we offer this to you at this point in time?

27 MR. HEWSON: Christine, if I get -- your point is most
28 -- a lot of the willing-partner issue is tied to the

1 incentive mechanism. So when I was talking about the Board
2 looking at incentives as part of the rate-setting
3 mechanisms going forward, that would address the willing-
4 partner issue?

5 MS. DADE: Brian, of course it depends on what it is
6 too, but there is also the balance of not just the
7 incentive, but it's also, you know, the recognition that
8 you are doing something that is reasonable and is giving
9 good value, and then you have some LDCs or other partners
10 in the community that are still moving along and not giving
11 the same sort of service or maintain their service
12 territory in the manner that they should be, and that's
13 hard, that's hard to watch, it's hard to see, and then, you
14 know, yes, maybe if these incentives go forward there has
15 to be a better balance, because lots of times -- and I have
16 said this before -- lots of times some of the rules and
17 regulations are set to the lowest common denominator, and
18 that's not always fair. There is huge diversity, and we
19 have to make sure that if we're all going to play in the
20 sandbox, we all have to meet the same standards.

21 MR. SHEPHERD: It sounds like -- and maybe I am adding
22 something to what Christine was saying -- it's not just
23 incentives. It's also expectations. And if you ramp up
24 the expectations you will get a better job. I mean, is
25 that simple?

26 MS. DADE: Thank you, Jay.

27 MR. WILLIAMS: Expectations, in terms of uniformity of
28 service levels, for example? Is that...

1 MR. SHEPHERD: Well, and the level at which you run
2 your utility. So there are utilities run similar to sort
3 of cottage industries. And I don't mean that in a
4 disparaging way. They are just, you know, local
5 activities, and there are lots and lots of utilities that
6 are run like efficient machines, well-run, and if the
7 expectation is the more well-run organization, that's what
8 you will get.

9 MR. GASPARATTO: Thank you. Let's check on -- to see
10 if anyone has any comments from the phone.

11 TELEPHONE MODERATOR: Thank you. Once again, for
12 participants on the phone lines, if you wish to ask a
13 question or state a comment, please press star 1.

14 We have a question from a participant. Please state
15 your name and proceed with your question.

16 MR. McALLISTER: Keith McAllister, Orillia Power. I
17 want to try and just stress one of the things that Jay said
18 or asked about, and when you look at willing partners, I
19 think the small LDCs have another concern, in that one of
20 our mandates is often to provide value to our shareholder,
21 and that value can come in many forms, including
22 reliability and service quality, such points we have with
23 our customers, but also more importantly is the economic
24 benefit it brings to our community.

25 So if you were to ask the shareholders at many small
26 utilities, you may find them saying no, because they would
27 be concerned about losing, you know, jobs within those
28 communities which they fought so hard to get, and I think

1 that's an important consideration.

2 So even if you came now and said, Oh, everybody has to
3 have a 10 percent efficiency, they would try and find ways
4 to do it, but the losses to the economic evaluation of
5 their value within the community would probably outweigh or
6 potentially outweigh, you know, a direct sale to somebody
7 else. I think that's an important one for people to
8 remember as well.

9 MR. GASPARATTO: Sorry, just, you cut out a little
10 bit. Orillia Power?

11 MR. McALLISTER: Orillia Power, yes.

12 MR. GASPARATTO: Keith, is it?

13 MR. McALLISTER: Yes.

14 MR. GASPARATTO: Thanks.

15 MR. HEWSON: Sorry, just to the gentleman on the phone
16 and anyone else in the room, that last comment, and maybe
17 where we started stray into the willing-partners discussion
18 about consolidation, I guess what I'd like to make sure I
19 understand, what needs or issues arise about getting LDCs
20 to want to share with LDCs.

21 MR. SHEPHERD: What I heard, Brian, was that if the
22 solution is that one utility's call centre will serve ten
23 utilities, that means that whoever is working the customer
24 care in your community doesn't have a job any more, and
25 that may be the right answer, and what far-flung
26 organizations do when they have multiple offices is often
27 they designate offices as having specialties, so that the
28 offices don't go away, they just become more efficient

1 because they have a specialty. I don't see why LDCs
2 couldn't do the same thing.

3 MR. GASPARATTO: Okay. I have a couple questions on
4 this slide. Were you planning on moving?

5 Well, I just wanted to ask -- I'm sorry, you guys
6 might -- there are a couple of points: Regulatory
7 uncertainty, clarifying issues, all sounds to me a little
8 like a need for some education, perhaps, and the Board to -
9 - at least Board Staff explain, point out things in the
10 code, that sort of thing.

11 We have tried that before with service quality
12 initiatives and that sort of different -- trying to explain
13 those things, and I found that we can't answer things that
14 we don't know there is a question to.

15 So is there an appetite, if we went down an
16 educational approach, for distributors to come to us with:
17 Here is a scenario; does it work or doesn't it?

18 So it's hard for -- it would be hard for us to try to
19 talk to something that we don't know what's going on, I
20 guess. We would need the input.

21 Some of that, we got some of that from this report,
22 but if you really want answers to questions, we need to
23 hear the question. And is there an appetite for
24 distributors to do that? Yes, no, maybe?

25 You know, sometimes people call in and say: Here is
26 what I am trying to do. And then we can consider that and
27 provide a bit of an answer, but generally, I guess, looking
28 for - Keith? Or, sorry, Jim?

1 MR. KEECH: Jim Keech, again.

2 So I think the quick answer to that is yes. And I
3 think being able to do that, with Board Staff realizing
4 that, at the end of the day, they are the regulator and
5 sort of not putting them in an uncomfortable position and
6 not putting us in an uncomfortable position, as well, so
7 that's a -- I think that's a kind of a tricky balance, but
8 I think if there was a mechanism that you could go have a
9 conversation, get some advice, without the concern that it
10 may come back at you when they put the regulator hat on.

11 And I am not saying that does happen, but that's just
12 a point.

13 MR. GASPARATTO: Thank you.

14 Brian, were you going to say something?

15 MR. HEWSON: Thanks, Jim.

16 I hope it doesn't happen. But I guess I am also
17 wondering if, as LDCs leave the room today, maybe having a
18 better understanding of what we are trying to do right at
19 this stage, if there are some more -- if there are some
20 scenarios you are willing to share with us.

21 Because to a certain extent, we have got some good
22 information out of the Navigant report, but we are still,
23 as we are doing now -- there is a lot of generality in
24 things. And it's really hard to, in a succinct way, to go
25 back to the Board and say: So utilities would like to do
26 shared services and we generally see a list of barriers.
27 And they go: But what are they at -- is anybody actually
28 looking at doing this? Has somebody actually attempted to

1 do this? Have they actually run into these barriers?

2 Or is it they think there is a barrier?

3 And I guess if there is -- and I realize people don't
4 want to talk necessarily in an open forum about things they
5 have started to plan or they have tried to do with other
6 utilities, but if there is some way of getting more input
7 like that to help us understand, it would be useful. If
8 you can share it in the room, it's even more useful,
9 because we can get other people's feedback about whether
10 those scenarios actually sound all that feasible.

11 MR. CLARK: Brian, I can't answer for a distributor,
12 obviously, but speaking on behalf of a customer group, if
13 your distributor puts forth a request at the OEB to get
14 what's being called here "a shared service" but which
15 really is outsourced from another -- to another utility, an
16 arrangement like that approved by the Board, I think as an
17 intervenor we would ask two questions.

18 First of all, is it the best possible deal for the
19 receiving utility? If it is, that's fine, because the
20 customers win. And they win to the max; they win to the
21 max, as they should.

22 And secondly, if it's not -- in other words, if there
23 is a more economical alternative -- then why are either
24 utility, either of the two outfits, doing that?

25 And to try and come up with some arrangement that
26 avoids that exposure to the outside market when you are
27 trying to move outside your territory with a service, I
28 think the Board would be on fairly thin ice trying to

1 approve such things, because fundamentally it could be seen
2 as anti-competitive. And I am not sure -- I mean, the
3 Board is there to regulate monopolies. I don't think it is
4 there to give them an advantage.

5 And I think it could be seen that way, very clearly.

6 I don't know if any of those are happening, but I
7 heard Colin's concerns and I take them to heart.

8 But I really think that you'd have to approach
9 providing services outside under the ARC; that would be my
10 sense of it.

11 MR. McLORG: Colin McLorg, again, from Toronto Hydro.

12 Wayne, I guess the thing that I was trying to suggest
13 is that two utilities could effectively cooperate with each
14 other and possibly share assets or something else like that
15 in the form of a joint venture, without necessarily having
16 to strike an affiliate to do that.

17 Or if it's necessary that they strike an affiliate
18 under the current regime, then should we consider a
19 liberalization so that utilities could share an asset or
20 some set of costs or something like that, or perhaps
21 jointly contract with a third service provider and get a
22 better price through kind of volume discounts or something
23 like that, and have the costs equitably shared between the
24 two utilities and recognized in ratemaking on that basis,
25 without there being an affiliate at all?

26 I am quite sensitive -- just to end off -- to your
27 concern that any time that a utility does want to enter the
28 competitive arena, then I think that, you know, the Board

1 already recognizes that there have to be safeguards around
2 what resources can be shared with the affiliate and how
3 they are costed and what happens to the revenues and so on
4 and so on.

5 And that, again, goes to the question of utility
6 philosophy and what kind of business they would like to be
7 in. But for the purpose of encouraging greater operational
8 efficiencies through the sharing arrangements that could
9 occur between utilities, maybe we should be looking for
10 arrangements that simply don't fit under the ARC because
11 there is no affiliate involved.

12 MR. CLARK: I hear you well, Colin.

13 The previous example, I think one of them that came up
14 was one LDC providing forestry services to another LDC,
15 which I would think should be competitively exposed. I
16 will put it that way.

17 But if you are looking at something such as, for
18 example, a service both have to have and both are willing
19 to share -- and "share" being no one is doing it for a
20 revenue stream while the other one is doing it for a
21 savings stream -- then I think that wouldn't get nearly the
22 opposition that just trying to sell services without being
23 in the ARC situation would be.

24 So I wouldn't disagree that, for example, you know, if
25 both are -- territories are adjacent and you both need --
26 you need a fleet headquarters somehow, you got garages and
27 all that stuff, or you maybe do -- you know, you have your
28 own testing lab or whatever it is, meter shop, that I don't

1 think would encounter near the concern that just selling
2 services to the adjacent utility for mutual benefit would
3 have.

4 There is a spectrum there, and I would expect that at
5 the Board you would find out where the line was.

6 MR. GASPARATTO: Thank you for your comments.

7 MR. WILLIAMS: I just want to -- that's good
8 discussion, and that's the kind of, I think, certainly the
9 discussion we want to have.

10 Brian asked the question earlier: If -- just snap our
11 fingers and say all of this stuff was resolved. And we
12 understand the balance and the tension between some of
13 these things, but if there are barriers and there are
14 misunderstandings, imagine that this was resolved, the
15 barriers were revolved.

16 What kind of activity would we foresee sort of three
17 to five years out with respect to shared services? Would
18 we expect to see an awful lot more? A little bit more?
19 Everybody's doing it?

20 I mean, just to get a sense of -- yes, good discussion
21 in terms of shared services, all these things, but if these
22 were all addressed, all obviously within -- the things that
23 are within the Board's purview, if they were addressed,
24 what would expect to see sort of three years down the road?

25 Yes? Christine?

26 MS. DADE: Since that would be a perfect world, I am
27 going to take the first stab at it.

28 I think what we would see, certainly if we moved to

1 regional planning, like regional distributors, as we talked
2 about that through -- in the distribution report, you would
3 see -- in that regional planning you would see all those
4 LDCs working together to be most efficient. It would be a
5 natural build, because we would be in that similar regional
6 area. There would be -- it would be better for all of us
7 to work together to find out the best and efficient way to
8 do it, not just on regional planning but for everything
9 that we do, because it would be -- and you would still
10 have, as Jay says, you still have pockets of different
11 things, and you have expertise, but we would probably look
12 at it in a manner that would benefit everybody in the
13 greater area. That's just how I would look at that. I
14 think that that -- it lends itself well to it.

15 Right now we are still sort of -- you know, you are in
16 that municipal environment of different things. You have a
17 service territory, and when you go outside of regional
18 planning or make regions, you have to deal with everybody,
19 all those LDCs. You have to deal with Hydro One, and, I
20 mean, they have a tremendous territory, and it's not always
21 easy to service all of those things.

22 So it would be -- it would lend itself more naturally.
23 That is where I think you would see more of the barriers
24 taken down.

25 MR. WILLIAMS: And was a condition of that world that
26 you talked about going beyond municipal? So was that a
27 sort of -- needed to get there in order to have that
28 different perspective on things, in addition to what we

1 talked about, in terms of what the Board can address -- or
2 could address?

3 MS. DADE: Can you phrase that again for me, Todd?

4 MR. GASPARATTO: You mentioned on the basis of a
5 regional utility, so would it take a regional utility to be
6 created to get where you were talking about?

7 MS. DADE: No, I don't think so. I would think that
8 you would say you have a regional area.

9 MR. TUCCI: She was talking about regional planning,
10 the integrated planning process that is going to put
11 utilities together, working together on integrated regional
12 planning, and that naturally makes them work together on
13 other things, and that was mentioned in the smart-grid
14 report, that we don't have to put formal things in to
15 facilitate smart-grid planning on a regional level, because
16 it's going to happen naturally when utilities get together
17 for other regional planning reasons, so...

18 MS. DADE: And we are making extra -- new steps too as
19 we go through the next cost-of-service models, the OEB
20 guidelines under the RFE, that says that -- say that you
21 have to do a five-year plan and you have to talk to your
22 neighbouring LDCs. You have to. That's the key word. You
23 have to, and it's reasonable to do, and I am just saying
24 that those things, as we may move forward, and if that's
25 what's going to be happening -- part of it, LDCs want to do
26 the right thing. You don't want to go down a path that you
27 are going to be -- you know, find you are going down a
28 path, and then you are going to be stopped there because

1 that's not really where it's going, and you need to be able
2 to say -- that's what happens in the regulatory world.
3 Things change at the last minute. In the political world
4 different things happen. So you want to make sure --
5 because we, you know -- I want to say LDCs are also very
6 concerned about the cost to their customer. You know, yes,
7 you have a monopoly within your service area, but you also
8 have to deal with your customer.

9 So it is not the intent of LDCs to, you know, not
10 service the customer or understand what the customer wants
11 to do. We want to do the best thing, to give them the best
12 value for their money and the best reliability. Every
13 utility wants to do that, and I think, you know, we all
14 need to recognize that, but we need to do it in a manner
15 that's efficient and that, you know, that doesn't cause
16 unnecessary cost that sometimes some of these things do.

17 So I am just saying in a perfect world that would be a
18 good thing.

19 MR. GASPARATTO: All right. Thank you.

20 Sorry, Mark had a question. I don't know if he still
21 has a question or comment, but...

22 MR. GARNER: It wasn't a question. It was, I think,
23 answering your question about -- and taking the contrarian
24 view that was just heard, is that if we are talking about
25 the ARC and we are talking about sharing services among
26 LDCs, and you have got -- eliminated all the issues around
27 that so that people can share those services, and there are
28 a number I can think of, even once you get past there, you

1 have to ask yourself the question about, why would any
2 utility bother to do it, because really, at the end of the
3 day, if it can be done less -- more efficiently, that is
4 all clawed back in the rate-making process for both
5 utilities. So I'd tree-cut myself, my utility, and it's
6 done under cost of service, and it's deemed to be fine.

7 Now I work with my neighbour utility and all the ARC
8 things are -- and how it gets regulated and reviewed and
9 everything is all gone away when I snap my finger. I am
10 still back to the point, aren't I, that in both those
11 utilities everything that gets saved gets clawed back,
12 right?

13 So there is motivation for me to do this. There is no
14 motivation for me to enter into an agreement with Toronto
15 if I'm running a utility, because ultimately when my case
16 comes forward all of the savings that's jointly made will
17 be clawed back there and clawed back here, and we will both
18 pay the cost of that service. None of us benefit from
19 doing it. So why do I bother doing it? Why go through all
20 of the work of doing it? Thank you.

21 MR. SHEPHERD: I think that may be an unnecessarily --

22 MR. GARNER: Pessimistic?

23 MR. SHEPHERD: -- cynical view of utility management.
24 I think there's lots of utility management who see driving
25 rates down for their customers as being a good thing, so --

26 MS. GIRVAN: Yes, it's not just a share -- I agree
27 with Jay. It's not just a shareholder. If you are going
28 to reduce the cost for your customers, to me that would be

1 a motivation.

2 MR. SHEPHERD: I think you want to make sure you are
3 not criticizing the utility for taking the risk or whacking
4 them around if it doesn't work out quite as much as they --
5 as well as they would have liked.

6 MR. GARNER: I totally agree with that.

7 MR. SHEPHERD: And recognizing when they are doing
8 that, I think you want to say, Hey, you are doing a good
9 job. But I don't think you need to write a cheque to get
10 utilities to do what they see as their core business
11 anyway, in a lot of cases.

12 MR. GARNER: Well, I think the point, though, was that
13 a utility has to be motivated to take the risk, to take on
14 all those costs and do that, but at the end of the day if
15 there is only a risk to that, there is -- you have got a
16 little -- a hurdle to get over. You have to decide to do
17 it, right?

18 MR. GASPARATTO: Thank you. You had -- I know you
19 have been trying to make a comment, Wayne.

20 MR. CLARK: Yes. Well, actually, two things. First
21 of all, I am on -- my attendance is very spotty, but I am
22 on the regional infrastructure planning, whatever that
23 whole title thing is.

24 MR. GASPARATTO: Yes, we noticed that about your
25 attendance. [Laughter]

26 MR. CLARK: Yes. So I am going to speak up for Bing,
27 because Allan hasn't done it. The idea of the regional
28 planning is regional planning when it's needed, but not

1 always necessarily regional planning. It's there to hit
2 solution -- problems and solutions that affect the
3 transmission system primarily. It's not meant to be a way
4 of getting LDCs together to chat around the table, and in
5 some cases it won't happen very frequently.

6 For example, I doubt that there will be very many
7 meetings between Hydro One, Kapuskasing, and Hearst. They
8 don't talk to each other. Not much goes on up there very
9 often.

10 So looking to that as sort of an envelope within which
11 other things are going to happen, I think is a bit of a
12 stretch, and that's just the way that process is coming
13 out. It's also a very complex process that will only be
14 undertaken when there is a fair amount of money on the
15 table.

16 The second thing -- and this pains me, because I am
17 going to part company with my fellow customer reps and take
18 Mark's position here -- is that I think what the OEB needs
19 to be doing with respect to regulating -- or incenting
20 excellence is to allow utilities that have excellent
21 performance to keep their profits and to be able to do it
22 consistently. If they are consistently at the top tier,
23 why shouldn't they be consistently making the most money?
24 It shouldn't be clawed back. I am with Mark on that one.

25 I mean, you may take some of it back. That happens in
26 the U.K. But, you know, for risks to be taken there has to
27 be some sustaining opportunity down the road. Any business
28 is going to act like that, and if we are going to treat

1 these people like businesses, that's what needs to happen.

2 MR. GASPARATTO: Okay. Christine, one more question
3 from the room.

4 MS. DADE: What I see is happening, to -- and I think
5 this is a real issue that's moving forward as LDCs come
6 forward with their cost of service. We are going into a
7 new format of rate cases, where we are going to go into a
8 five-year time period.

9 We are seeing LDCs coming forward now, and they are
10 not getting their full request for what they feel is their
11 need to supply, and to reg -- to supply to their service
12 territory, and it's, like, it's a cut.

13 This in itself is going to force LDCs to say, 'You
14 know what? I need to do something better.' Jim spoke
15 about it earlier. The cost of infrastructure for a lot of
16 LDCs within this province is going to go up, not just in
17 electricity, but it's going to be in water. Our water
18 systems are, you know, they are in desperate need of
19 repair.

20 We are going to have a price crunch. We are going to
21 have a price squeeze to our customers. So I think the
22 evolution of how we look at infrastructure within the
23 province has to be addressed, and I think that if an LDC
24 goes forward and they are not going to get -- or get their
25 revenue deficiency recognized, they have to do something.
26 I think that they need to be given a portal, I think they
27 need to be given help on this, because I think that is a --
28 that is going to be a very real issue with a lot of LDCs as

1 they move forward.

2 And there is uncertainty with the new format. We
3 don't know how things are going to unfold. Just, you know,
4 I have looked at two or three rate cases over the past year
5 of cost of service, and they have just been cut. Their
6 OM&A has been cut. That's a revenue deficiency
7 automatically. They have to carry forward with that for
8 another four years.

9 So there is things in place that are happening,
10 whether good or bad, that are going to force LDCs to try to
11 do things on an efficiency basis. It's not necessarily
12 that they are going to save here or save there. They just
13 have to deliver it better, and they are going to have to
14 find -- they're not going to be able to go to the people or
15 the OEB any more to get the revenue deficiency, and that is
16 reality. That's really what we have to look at. And
17 that's my comment.

18 MR. GASPARATTO: Thank you.

19 Let's see if there are any comments or questions from
20 our folks on the phone.

21 TELEPHONE MODERATOR: Thank you. Once again, for
22 participants on the phone lines, if you wish to ask a
23 question you may press star 1 on your telephone keypad.

24 We have a question from Andrew Sasso. Please go
25 ahead.

26 MR. SASSO: Thanks. Andrew Sasso from EnWin. A
27 couple points.

28 The first is -- just to join the chorus -- I think

1 anyone who doesn't believe that there is an inherent
2 incentive in a utility having low rates -- well, it is
3 certainly not the case here in Windsor, and I can't think
4 it's not the case in a lot of places.

5 I think that if you talked to shareholders or utility
6 management and you said: You have got a choice of being in
7 the -- among the lowest rates in the province or among the
8 highest rates in the province or among the average rates in
9 the province, all else being equal, the hands would be up
10 for low rates.

11 That's just the mentality that we have, and I think
12 it's a consequence of our public ownership and our
13 accountability to the public, not just through the
14 regulator but through our shareholders, in many, many, many
15 cases.

16 The second point -- and there was discussion about:
17 So what's the value of shared services? What does this
18 mean three to five years down the road?

19 One of the positives about shared services, I mean,
20 you might look at it as dating. There is an opportunity to
21 try out different relationships with other potential
22 partners, and that's enormously valuable.

23 It obviously isn't always going to lead there, and
24 that's fine, but it is a good opportunity. And utilities
25 that are working together on CDM or working together on
26 regulatory matters or operational matters -- you know, I
27 can tell you any time we have a major storm in Essex County
28 and Essex Power Lines or E.L.K. Energy call up our crews to

1 go out and help out, it develops a great deal of goodwill
2 and it builds relationships and communications that, for
3 example, are not there when Hydro One is not part of that
4 exchange.

5 It's just an opportunity that we do have. So I think,
6 you know, I wouldn't want to go so far as to say shared
7 services leads to consolidation; I don't think that that is
8 correct, but it certainly creates more avenues to do the
9 exploratory work.

10 And I think when it comes to initiatives like green
11 energy and so on, where it can actually put members of your
12 senior team or members of your board in other communities,
13 celebrating accomplishments in other communities, it breaks
14 down barriers.

15 And similarly -- and I know this is in the context of
16 economies of scale, but the same thing holds true with
17 economies of scope. Any time you can get beyond your
18 borders to interact with other utilities or other
19 companies, it -- we are generally operating in the service
20 area that we are, and things that pull us out there or
21 invite us out there or invite others in are positive in
22 terms of building those networks and relationships.

23 Thanks.

24 MR. GASPARATTO: Thank you.

25 Any other questions from the phone?

26 TELEPHONE MODERATOR: Our next question is from Alex
27 Palimaka. Please go ahead.

28 MR. PALIMAKA: Hi. I wanted to answer the question

1 that was posed. And the question that I heard posed was:
2 If the barriers that are identified are resolved through
3 this proceeding, how much activity will we see?

4 And I just want to make a simple point that that might
5 not necessarily be the right question to ask. I think it's
6 of a question of removing barriers. It's a question of
7 creating --

8 MR. GASPARATTO: Sorry, Alex. You are really quiet.
9 Could I get you to speak up?

10 MR. PALIMAKA: Sorry. Poor quality phone, I'm sorry.

11 The question that was asked was: What kind of
12 activity would be Board see if the barriers to efficiencies
13 were removed?

14 And I think the point that I wanted to make was it's
15 not just a question of removing barriers to these
16 efficiency measures, it's a question of creating
17 efficiencies.

18 If we go back half a decade to when the Board asked
19 itself the question of what it needs to do to remove
20 barriers to mergers, I think the Board's approach in that
21 proceeding was: The Board's role is not to incent mergers,
22 the Board's role is simply to remove barriers.

23 And if that's the same approach this Board is going to
24 take here, I think what you will see is you will see the
25 easy wins. You will see small sharing of services taking
26 place, but the major, the major initiatives, there is just
27 too much risk for a utility to take those on.

28 And I will use an example. And it's an example, I

1 think, that was talked about during the initial discussions
2 regarding the RRFE process.

3 And that was: If two utilities wanted to share a
4 billing system, that's potentially a \$10 million investment
5 by utility B. But they decide to work with utility A, and
6 because of that they are able to cut their cost down to the
7 \$5 million.

8 There was a suggestion by a Board representative that
9 perhaps there should be a mechanism for utility B to retain
10 some of those savings; in other words, to perhaps get a
11 financial return on the capital investment as if it had
12 been a \$10 million investment.

13 And I think I would go further, to say that, if we
14 were to use that example, utility A should actually receive
15 a benefit, as well, because they are taking on the risk of
16 sharing their billing system. That's not going to come
17 without sharing staff.

18 So I think the Board has to get creative, and I think
19 it has to make the philosophical choice that it's not just
20 looking to remove barriers, but it wants to create
21 incentives to efficiencies.

22 MR. GASPARATTO: All right. Thank you.

23 Any other comments on the phone?

24 TELEPHONE MODERATOR: Thank you. We have a question
25 from Richard Wunderlich. Please go ahead.

26 MR. WUNDERLICH: Hi. I am hoping the phone line
27 quality is better.

28 MR. GASPARATTO: It sounds a little better, Richard.

1 MR. WUNDERLICH: I am not sure -- it might be the
2 bridge or the conference dial-in quality, since a few of us
3 have had that problem.

4 So this is an unbelievably complex conversation, and I
5 am hoping that you can compile it, classify it and
6 categorize it, because the subject areas that have been
7 covered are very, very broad.

8 But if I take a step back to try to have a meaningful
9 interaction with it, one thing that happens normally, this
10 conversation about shared services, trends to outsourcing
11 and all these kinds of subjects, the normal way that
12 industry would look to see advantage from that is to enable
13 a kind of a gain share. And I think that gain share is
14 maybe the creative measure that the last speaker also was
15 trying to point at.

16 There has to be a way for everyone to have an
17 opportunity to benefit from the activity. There has to be
18 also a way to enable further innovation. So clawing
19 everything back on the savings doesn't enable the next
20 step; it also doesn't facilitate an approach that enables
21 taking of the risk.

22 And so the broader notion is establishing a means of
23 gain sharing. And that today is simply not, I think, able
24 or possible in the regulatory framework.

25 You can take shared services into different areas,
26 then. Maybe it's not necessarily a shared service, but a
27 shared asset, and how to manage a shared asset and how to
28 capitalize the asset and how to bring that into the regular

1 benefit of the local ratepayer. I think those questions
2 are underpinning a lot of this conversation.

3 And one slide up: Are these the issues? The problem
4 is that probably every issue identified has 10 forms of
5 subtlety underneath it that need to be considered in order
6 to facilitate the innovation and the investment that's
7 going to be required to enable reliable, sustainable energy
8 on an electric grid, and the possibility of capturing
9 synergies to other infrastructure like water is always
10 surfacing, right?

11 That's my feedback.

12 MR. GASPARATTO: Okay. Thank you. Mark?

13 MR. GARNER: Yes. Mark Garner, VECC.

14 I wanted to bring that back, because I think a lot of
15 the same points are being made, and bring it back to:
16 Let's not now wipe away all the problems that happened with
17 shared services under ARC, and with a utility going in
18 front of the Board.

19 Because what would happen now in an example of tree
20 trimming, for example, is that two utilities now must go
21 before the Board and prove two different things to the
22 Board: One, the cost of every tree it trims is a prudent
23 cost, and two, the number of trees it trims for its
24 territory is a prudent thing to do.

25 Right now, the way the regime works is both utilities
26 have to end up going in front of the Board to answer both
27 those questions. And presumably, one question -- is this a
28 prudent cost per tree we trim -- might be able to be

1 answered only once for both utilities.

2 And that's a difficult thing to do, because the
3 complication, of course, is in answering that question you
4 sometimes ask the question: Where else could you get trees
5 trimmed in your territory in alternative to which you have
6 done, and those may have two different answers for those
7 two utilities, right?

8 So the difficulty of shared services and shared costs
9 is how the Board undertakes to determine their prudence in
10 their two separate environments. And I think, as the
11 caller is pointing out, is that that's very complex, and
12 perhaps the Board should turn its mind to that regulatory
13 problem of allowing those two utilities to get through the
14 risk factors, the sharing factors, the prudence factors
15 only once, and never having to do it twice in each case or
16 once in each case.

17 That is a difficult problem, it seems to me, for the
18 Board to turn its mind to in how it determines, you know,
19 is this a prudent thing to do, an effective thing to do.

20 MR. GASPARATTO: Jay?

21 MR. SHEPHERD: Yes. And Enbridge, in fact, did
22 exactly that for their customer care. They made a separate
23 application, which the Board initially resisted, because it
24 had never seen anything like this before, one aspect of
25 cost of service being brought for multiple years, but they
26 came with the agreement of all their stakeholders, and so
27 the Board sort of had to listen to it, and it turned out
28 that it was the right way to handle it.

1 Andrew -- not this Andrew -- Andrew Sasso suggested
2 something that may be related to that, and that is, he
3 suggested the idea of sort of a -- the concept of an
4 advanced tax ruling, in this case advanced regulatory
5 ruling. If you want to do something innovative, is there
6 any reason why you shouldn't be able to come to the Board
7 and say, We are getting together. We want to do this
8 innovative thing. It's going to apply to all of us. Can
9 you please tell us it's okay? And right now that would not
10 generally be acceptable, but is there any reason why it
11 couldn't be?

12 MR. HEWSON: I guess, Jay, I wouldn't want to say
13 today, since we are listening and trying to gather up all
14 the suggestions, that it wouldn't be -- I am sure you can
15 imagine, and I can imagine, lots of process issues the
16 Board would have to go through thinking about it, but I
17 don't think it's something we shouldn't be bringing forward
18 on the list of options and ways that we might be able to
19 address at least some of the uncertainty and issues like
20 that for the utilities, yeah. I don't think it's
21 impossible.

22 MR. GASPARATTO: Okay. Let's move on to the next
23 slide.

24 MR. WOOD: So the next and somewhat related area that
25 we talked about is shared services around scope, and I will
26 start with the same question. This is the slide that we
27 had talked about this morning, and this summarizes what we
28 had heard from distributors and stakeholders.

1 So starting with the same question, have we captured
2 all of the -- are these the key barriers, are these the key
3 issues that might impede you in -- distributors in pursuing
4 efficiency gains? Jay.

5 MR. SHEPHERD: There is one at least that doesn't
6 appear to be included, and that is, there is whole areas in
7 which distributors are often involved, things like water
8 heater rentals and stuff like that, that are clearly
9 competitive businesses, and it appears to me that the
10 resistance of the competitive markets to utilities using
11 their monopoly base to compete with them is a big issue.

12 And, I mean, you see that with Langley Utilities in
13 Divisional Court right now, but it's not just that.
14 There's lots of examples of this. Enbridge used to be in
15 the -- basically owned almost all the water heaters in the
16 province, and now they are out of that business because the
17 competitive markets resisted that. I think that's a big
18 issue.

19 MR. GASPARATTO: Yes, thank you, because I am glad you
20 raised that point, because one of my questions were going
21 to be, what I have heard from the report is the type of
22 activities our affiliates do -- and correct me if I am
23 wrong -- is, say, other utility type work, and so there
24 doesn't need to be separation of staff or privacy and
25 information, because it brings no benefit to the affiliate.

26 So my question was going to be to that: But how many
27 affiliates are only in that kind of work? How many
28 affiliates do we have that are doing competitive type

1 businesses too? I mean -- and I guess some feedback from
2 you on that. I don't know, are there standalone utilities
3 that are just doing, you know, work for utilities, or is
4 there a lot of the affiliates out there that are into the
5 competitive business? Because that's the complaint that I
6 get, is what Jay mentioned, is that people that call
7 through to us is, well, is the Langley situation or is the
8 other competitors, and then -- so I just wanted to explore
9 the extent of the risk, the problem that's there. Wayne?

10 MR. CLARK: I guess just one observation from my work
11 in the -- outside of this room is that utilities seem to be
12 well in place in the meter-service-providing business, and
13 they seem to be doing a fairly good job of it. I assume
14 the Board is making sure that, you know, they are getting
15 full cost recovery and all that good stuff, but that seems
16 to be one area where several utilities have a fair bit of
17 expertise.

18 MR. GASPARATTO: And they are offering those services
19 into the market. Is that what you are saying?

20 MR. CLARK: They are offering them competitively
21 enough, and they are not just doing it next door. I have
22 got a client that's -- let's put it this way. If they went
23 another block further north they would be seeing polar
24 bears, and their meter services are coming out of
25 Peterborough, and very effectively, by the way.

26 MR. GASPARATTO: Right. Okay. Is there anyone on the
27 phone that has a comment on that?

28 TELEPHONE MODERATOR: Please press star 1 at this time

1 if you have a question or comment.

2 We have a question from Andrew Sasso. Please go
3 ahead.

4 MR. SASSO: Yes, Andrew Sasso from EnWin.

5 My comment is only in the sense that this slide here,
6 I think, narrows significantly the conversation about
7 scope. I don't think it is -- for the reasons I identified
8 in my preliminary remarks, I don't think that the,
9 actually, the biggest scope issues are ARC issues. I think
10 the bigger scope issues are about the OEB's home statute
11 and what's permitted within that.

12 I think -- you know, I took Mr. Wunderlich's
13 suggestion and over the break looked up the Munich utility
14 he was referring to, and I don't think it's too dissimilar
15 from a lot of the things many utilities down here are
16 trying to do. Obviously on a bigger scale and a bit of a
17 broader scale.

18 But what we really should be looking at in addition to
19 the ARC are these broader issues, and I think it's
20 absolutely -- there was some question, is it within the
21 purview of the OEB to be looking at legislative or
22 regulatory changes, and I guess my comment back is, if not
23 the regulator, then who? If the preference is to have
24 industry, if we advocate for something in its own right
25 through the EDA or otherwise, that's fine, but I think it
26 makes a lot more sense for the broader sector to come
27 together in consultation with the regulator and
28 consultation with ratepayers and other stakeholder groups

1 and, you know, work it out together here, not necessarily
2 on this call, but let's work it out and figure out, how
3 could section 71 be better worded or how could section 73
4 be better worded, if at all, and, you know, over the next
5 couple of years bring that back.

6 I think the key for utilities, those who are open to
7 being more PUCs than strict LDCs, is that a lot of this
8 stuff is in common. Asset management is common, field
9 operations are common, and those are things that don't even
10 include the back office. And what we are really becoming
11 is community service providers that are much more in
12 keeping with the legislative thought around municipal
13 service corporation under the Municipal Act than this very
14 narrowly defined LDC, which in many cases just never really
15 materialized.

16 And that's without dealing with competitive
17 activities, or at least activities that today are not
18 generally provided on a competitive basis in Ontario,
19 particularly water systems and wastewater systems and
20 street-lighting systems, or at least the ownership of
21 street-lighting systems.

22 So I would just encourage, you know, when we look at
23 these opportunities, shared-services scope, and all of
24 these points are really, you know, narrower, let's -- well,
25 and I see there is a different slide up now, so --

26 MR. WILLIAMS: And Andrew, that was -- the question --
27 I think we should have reminded folks that there are
28 actually two slides with barriers listed on them, because

1 we only had the one slide up, and certainly your comment
2 was valid with the one slide, but if we look at the two
3 together, I believe that the top point on this slide is
4 addressing the point that you raised.

5 MR. SASSO: Yes. No, I shouldn't have even dialled
6 in.

7 MR. WILLIAMS: Not at all. We should have shrunk the
8 font and put it all up on one slide.

9 MR. SASSO: I think we are good, then.

10 But just to reinforce those points, I think they are
11 really important if we want to really tap into
12 opportunities that are there today. It is very much about
13 being clear that this is something utilities can do, and as
14 long as they learn the best practices in terms of how to
15 allocate costs properly and be transparent about the costs
16 and all that kind of thing, we have got lots of experience
17 in the industry of doing it the right way. That's an
18 opportunity to build on.

19 MR. GASPARATTO: Okay. Thank you.

20 Any other comments on the phone?

21 TELEPHONE MODERATOR: We have another question from
22 Richard Wunderlich. Please go ahead.

23 MR. WUNDERLICH: It's not exactly a question; maybe
24 feedback and input that you guys might choose to comment
25 on.

26 But I think the thing that we need to consider is how
27 to enable and empower utilities, and the question is if all
28 new things are really the way to enable new possibilities,

1 new scope, for instance, then we need to consider that the
2 landscape and the art of the possible, again, is rapidly
3 changing. Innovation in general in industry is bringing
4 forward a lot of new solutions, and they are basically only
5 being facilitated through industry. And industry is, then,
6 therefore obviously looking in many cases on means to
7 establish business models and monetize these new offerings,
8 because, in fact, if they don't, the utilities in the
9 current construct feel like they can't in my cases.

10 I think the point that's coming out from Andrew from
11 EnWin is you have to look at it a little broader, and I
12 really am fully endorsing his commentary.

13 But the environment to facilitate the innovation and
14 the scope has to be there, actually, on a fair playing
15 field in both directions.

16 I think oftentimes what's missed is that the utility
17 may be able to innovate and provide new scope, the benefit
18 of how its operations will run. And if the possibility
19 doesn't exist, the utility actually will continue to have
20 actually almost a reduced service set relative to the
21 package that the constituents are after, and will always,
22 then, be almost on optimizing a diminishing return.

23 And you can look to different markets for that, but
24 normally every provider wants to provide a broader
25 portfolio, a more diversified portfolio of choice as a
26 means to establish, strengthen and maintain the customer
27 relationship.

28 Right now, the core or kernel LDC model is constrained

1 from considering some of those possibilities. And, again,
2 looking to Munich Utilities as an example, but there are
3 many utilities around the world, in fact, that are
4 leveraging that. And if you even look inside Canada, you
5 can find opportunities for that.

6 And most importantly, if you look at the synergies
7 between regional infrastructure, municipal infrastructure
8 and then the activities of a utility, you will find
9 multiples of duplicates of data sets and information being
10 prepared.

11 A classic example would be GIS, mapping of sewer
12 lines, water, electrical schematics by the utility,
13 telephone schematics by the telco -- so networks of
14 electrical and communications networks of water, gas and
15 electricity -- it's an absolute opportunity for actually
16 enhancing the infrastructure, but also enabling improved
17 efficiency.

18 And there is a service opportunity: How can a utility
19 leverage, say, skills in that area and put them forward
20 into the market, without immediately being regulated back
21 in one form or another for their creativity and innovation
22 to use the knowledge and systems that they have in place?

23 Feedback on that would be really great.

24 MR. WILLIAMS: One comment -- or just two
25 clarifications.

26 There was discussion this morning about, I think -- I
27 forget who said it, but someone said when the Board was
28 establishing the rules back in whatever it was, 1998 or

1 whatever, there was a focus on a pure LDC model.

2 And so to some extent what you are talking about in
3 terms of the opportunities looking forward was something
4 broader than a pure LDC model, I would think, that is --
5 sort of does other stuff.

6 And there was also discussion about the significant
7 infrastructure costs pending on a regional basis, and not
8 exclusively with electricity but also including water and
9 other services.

10 So the first point is: Is that sort of moving away
11 from the pure LDC model a key part of where you would see
12 things going?

13 MR. WUNDERLICH: There is -- that's a deep, deep
14 impact question.

15 And what I would -- yes, is the simple answer.

16 MR. WILLIAMS: And the other question about -- you
17 talked about a level or a play -- sorry, a fair or level
18 playing field working in both directions, and I am not
19 quite sure what you mean, "in both directions."

20 MR. WUNDERLICH: Well, we -- for instance in the
21 Ontario context, a big part of, let's say, the conversation
22 is around enabling innovation so that smart grid concepts
23 can be deployed. The smart grid directives have three
24 primary focus areas, one of them being customer engagement.

25 If you use the customer engagement side, a lot of
26 customer engagement activity ends up being behind the
27 meter, and that would not be within the monopoly control of
28 the utility.

1 If customer engagement is important -- and I would
2 propose it is -- customer engagement done well can be done
3 to the benefit of the grid. That means that you actually
4 need to take decisions about how to engage customers behind
5 the meter, in order to operate the distribution network
6 more effectively.

7 Today the business model is such that it comes out of
8 the non-regulated environment. We are literally --
9 intermediaries are looking at business models to engage
10 customers, monetize those models, solely the perspective of
11 deriving benefit from engagement rather than benefit from a
12 more efficient distribution network operation.

13 There are other examples for that, though. The one
14 that comes up often now is distributed energy resources and
15 the need for storage, and how do you facilitate and
16 monetize energy storage in the distribution network.

17 In the classic model, effective storage would be
18 implemented to the benefit of the distribution network and
19 the broader system. How do you capture the business
20 benefit and the ability for the pure LDC to actually
21 establish that business case in order to facilitate the
22 investment? Two examples I can think of.

23 You could pick another one, though, that would hit
24 into facilitating and enabling renewable generation. If
25 you look down the road five, 10 years from now, there are
26 projects underway in design and planning that would propose
27 that people will be building net zero infrastructure. That
28 implies that they may be putting a building in downtown

1 Toronto, in an urban centre or somewhere else, that, all
2 things being equal, wouldn't really require the grid -- if
3 you want to be negative, might not require the grid -- for,
4 say, 10 out of 12 months. But in those two months, it
5 might be a full-blown customer. The distribution network
6 would need to enable that location, but could only monetize
7 it in the paradigm two out of 12 months, and probably at a
8 reduced volume level than would be normally anticipated.

9 These things that are underway in the private sector,
10 to implement and deploy new technologies to enable new
11 business models. The freedom to explore those or consider
12 those and the benefits derived from those in the broader
13 distribution network operation, I would say today isn't
14 fully captured.

15 MR. WILLIAMS: So if we go back -- thank you.

16 If we go back to the -- if you can flip back one
17 slide, please, Glen?

18 So we had questions, barriers with respect to scope,
19 shared services with respect to scope.

20 Glen's question at the outset was: Have we missed
21 anything? Is there anything critical that we are missing?

22 So we have got the question about uncertainty when an
23 affiliate is required. There was a discussion about the
24 five-year term. There was discussion that others said
25 about, maybe that's part of business, that's the way it
26 works. Use of fully allocated costs. I think there was an
27 earlier discussion about gain-sharing, I think, with
28 respect to services between distributors, which may be

1 related to an alternative to fully allocated costs. The
2 privacy requirements, separation of staff we talked about.

3 So again, I think the -- Brian and Paul have said
4 earlier they are looking to make sure they understand the
5 barriers with respect to this. So if there is anything
6 that we are missing, sort of key stuff we haven't talked
7 about, let's make sure we cover it. So I will ask the
8 question again. Jim.

9 MR. WUNDERLICH: Sorry, it's Richard from Siemens.

10 Is the question to me whether I am covered with all
11 the bullets?

12 MR. GASPARATTO: No, actually, I think we were putting
13 it back out to everybody.

14 MR. WILLIAMS: Yes, yes, I think so, because we just -
15 - I mean, we want to make sure we cover with certainly good
16 discussion, but we do want to make sure we understand the
17 barriers as identified to make sure, are they complete, are
18 we missing anything, and what could the Board do, and I
19 think Jim Keech had a comment in response to that.

20 MR. KEECH: I think generally you have covered them
21 fairly well, and I will say that from experience that we
22 have gone through in setting up our corporations and
23 services company, but I want to go back to the comment I
24 made earlier today. I think there is actually a bigger
25 issue here that's still being missed, and it may not be the
26 OEB. It may be the government. It's an attitude. It's an
27 attitude. And, yes, for example this morning, so I have
28 been thinking about that.

1 So I can show that our model delivers a good
2 economical service to the residents of the City of
3 Kingston. When I come forward here to do my cost-of-
4 service application, because we are a virtual utility we
5 get treated with suspicion as to, What are you hiding, how
6 are you cross-subsidizing things, as opposed to saying, Oh,
7 there is efficiencies from this model. Show us this model
8 and embrace it, and I think that's where we need to be
9 going.

10 MR. WILLIAMS: Thank you.

11 MR. GASPARATTO: Sorry, again, it seems no more
12 comments here. Any more comments on the the phone?

13 TELEPHONE MODERATOR: Once again, for participants on
14 the phone lines, if you wish to ask a question or have any
15 comments please press star 1.

16 We have a question or comment from Paula Zarnett.
17 Please go ahead.

18 MS. ZARNETT: Thank you. It's Paula Zarnett,
19 representing Canadian Federation of Independent Business.
20 I guess I'd like to try and make a comment that synthesizes
21 my concerns arising from various parts of this discussion.
22 And my concern is with decisions made looking at only one
23 part of the issue. And listening to Jim Keech and his
24 comment crystallized it for me. His business model deals
25 with sharing of services and resources among a cross-
26 section of utilities, and when the costs are scrutinized I
27 don't have a sense that there is any mechanism to say, in
28 aggregate, is there a benefit before looking at how those

1 benefits get shared amongst the water, the gas, the
2 electricity, and so on, and we have had, unfortunately, a
3 number of instances in the last number of years where
4 arrangements where there has been a sharing of services or
5 a widening of scope has been dismantled because of problems
6 resulting from the allocation of that value between the
7 electricity customer and the water customer or wherever the
8 benefits are, given that a customer is a customer and
9 really sees no difference from their side as to whether the
10 saving is a dollar on their electricity bill or a dollar on
11 their water bill or a dollar with some other service.

12 I think it's really important to just move it up a
13 notch and first say, will this or that co-operative
14 arrangement be successful in producing a better state than
15 we have today, so that no solutions are babies thrown out
16 with the bath water. That's my comment.

17 MR. GASPARATTO: Thank you.

18 Jay?

19 MR. SHEPHERD: Yes, I think I agree with that, and I
20 just sort of -- this also, I think, answers Jim's question,
21 because I think that the issue here is an issue of
22 transparency. The Board only regulates the electricity
23 side, and so insists that that part is transparent. But
24 you can't do what Paula's talking about unless you make the
25 whole thing transparent.

26 If you do that, if you make the whole thing
27 transparent, if somebody like Kingston -- I am not picking
28 on you, Jim. You are not the only one that has a virtual

1 utility. But if someone like Kingston comes in and says,
2 Here's the whole story. Here is all the books of our
3 related utility, and here's how we are splitting up.
4 Nothing is hidden, and here is why it's the benefit, then
5 the only thing you're talking about after that is whether
6 the benefit is being fairly split up between the various
7 components. That's not hard.

8 It's when it ceases to be transparent, which is the
9 norm in most of the applications, that the Board Staff and
10 intervenors start to get a bit suspicious about it, because
11 we can't see the whole picture, and it's easily solved
12 through transparency, because I think we all agree that
13 these economies of scope generally benefit the customers.

14 MR. GASPARATTO: Thank you.

15 No other comments in the room? Any other comments on
16 the phone?

17 TELEPHONE MODERATOR: Once again, please press star 1
18 for any questions or comments. And we have no further
19 questions or comments.

20 MR. GASPARATTO: Thank you. So we will move ahead.
21 Back to you.

22 MR. WOOD: The next question really would be the same
23 as we'd asked in talking about scale. Some of the reasons
24 for not pursuing this relate to regulatory barriers, so the
25 question really is, if the regulatory barriers could be
26 addressed, if we could achieve clarity and remove those
27 regulatory elements that might impede you. You know, do
28 you -- do people think that, you know, three to five years

1 from now we would see more examples like Kingston? Would
2 this become more common amongst distributors who want to
3 serve their -- in various ways serve -- work with their
4 municipalities or do other shared services that would
5 increase their scope?

6 MR. GASPARATTO: Or all the issues that you raised for
7 the previous slide still apply here.

8 MR. WOOD: Yes, or does it go back to, you know, the
9 lack of a business case, or are there other things that
10 would prevent distributors from pursuing this kind of an
11 opportunity? In other words, if distributors are not doing
12 this today, is it primarily because of regulatory barriers,
13 or is it primarily because of, you know, business case?

14 MR. GASPARATTO: Or the other issues that you guys
15 have raised.

16 MR. WOOD: Or other issues, yes.

17 MR. GASPARATTO: Mark?

18 MR. GARNER: I am just trying to follow the
19 difference, because it seems to me there is fundamentally a
20 big difference to the discussion about economies of scope
21 have regulatory barriers, we all understand, because it
22 involves aspects of a utility that aren't regulated by the
23 Ontario Energy Board at a minimum, and the other things
24 that Jim has talked about and Jay has talked about.

25 I am having a harder time understanding what the
26 economies-of-scale issue is with regulation, what are the
27 barriers and why you are assuming they are the same. I
28 understand the ones on scope, on scale, which is really

1 about consolidating and becoming larger.

2 MR. GASPARATTO: I don't believe it's about
3 consolidation.

4 MR. WOOD: Yes, we are not talking here about
5 consolidation. We are talking here about shared service
6 arrangements, the type of, you know, of service where a
7 distributor is offering, to use a simple example, billing
8 and collection services or providing customer services for
9 water and wastewater. You know, there is a number of
10 distributors who are already doing that. Would more do
11 that if the uncertainty were removed or some of these other
12 issues were removed? Again, is the barrier -- is what's
13 preventing distributors, more distributors, from doing
14 this. Those regulatory concerns - or even if you remove
15 those, would you say: Yeah, but I can't make the business
16 case?

17 We are just trying to get a relative weighting of how
18 important regulatory changes are relative to those other
19 considerations. And I don't know if you can comment on
20 that, Jim.

21 MR. KEECH: So it would make a difference. There are
22 some LDCs who have no interest in this. I think I need to
23 point that out. There are some LDCs that have no interest
24 and, to be quite frank, think this whole discussion is a
25 waste of time. So there's a part of the industry who -- it
26 doesn't matter what you are doing -- are just are not
27 interested.

28 But then from personal experience -- and I think I

1 have touched on this a couple of times today -- we or I
2 have been approached a number of times by other LDC to talk
3 about kind of what is the model, how do you to it, and with
4 the majority of them, when they kind of look at the hoops
5 they have to jump through, it really doesn't go very far.

6 So I know there would be some movement. I am not sure
7 there would be a lot of movement.

8 The other issue with this, you have another political
9 aspect, as well, that that's the municipality. So you
10 would have a municipality like Kingston, who very much
11 endorses this model. And I know of a few others that do
12 and would like to see this happen, but then with the
13 politics between municipalities and LDCs sometimes, there
14 is that barrier there, as well, that I think needs to be
15 recognized.

16 And what we are talking about here, I think, or at
17 least what I have been talking about is operations, so a
18 services company. It's not the ownership issue, which puts
19 a whole, whole other wrinkle into it.

20 So the short answer, there would be some, but then
21 again, there are a number who just have no interest.

22 MR. WOOD: And something we clearly heard in talking
23 to distributors and -- distributors in particular was that
24 there is different business philosophies.

25 Some have said clearly they want to stick to their
26 knitting; they see themselves as being solely electrical
27 distributor.

28 And others see this as an opportunity.

1 MR. WILLIAMS: Does anyone have a different
2 perspective from what Jim said in terms of the opportunity?
3 So there is -- Jim's statement was a fair number have no
4 interest, but if there were addressed, there would be some,
5 recognizing, though, that there is political and other
6 considerations that are nothing to do with the Board, so to
7 speak.

8 Does anyone have a different view on sort of the
9 opportunity going forward?

10 MR. GASPARATTO: So no one in the room yet.

11 Anyone on the phone have a comment?

12 TELEPHONE MODERATOR: Thank you. We have a few
13 questions or comments. The first one would be from Rene
14 Gatien. Please go ahead.

15 MR. GATIEN: Hi, it is Rene Gatien from Waterloo North
16 Hydro.

17 My comment -- actually, I had one earlier on, but I
18 will jump in on this conversation, and I think it's the
19 item of scale.

20 And the item of scale has to do with different sizes
21 of utilities who may have different functions within the
22 utility, and the issue of how are you able to use the
23 services in one utility to help or augment another utility.

24 An example I would give is if I have to work for two
25 and a half bodies in a function, I hire two people and try
26 to do with without that other half-body.

27 If another utility had need for a half-body, there is
28 a real barrier there that I can't hire that third person

1 and use two and a half bodies' worth for our customers and
2 the other half body for that other utility at a probably a
3 more efficient worker savings for both utilities.

4 So is there a manner and a means in which that can
5 take place, without having to do affiliates, because some
6 of us have looked at doing it under an affiliate. and it
7 becomes a little complicated and you lose the efficiencies?

8 And then the other part is probably to the question
9 that Jay put forward or the comment he put forward earlier.

10 I guess if we are going to do that, then what kind of
11 transparency would intervenors want to see? Is it
12 something that's simple enough as saying: All right, if I
13 hire somebody that's working at another utility and hire
14 them do X amount of hours of work, am I charged on a cost
15 recovery basis, what it costs them on an hourly basis plus
16 some admin fee to send me an invoice, and that's about it?

17 Is that sufficient, or do you need something more than
18 that?

19 MR. GASPARATTO: Right. Okay. I don't know if you
20 are answering or asking a question there, or just don't
21 have an answer for that. But thank you, Rene -- sorry, I
22 just wanted to confirm, when you were saying with a
23 utility, did you mean another utility like the gas company
24 or did you mean another electricity distributor?

25 MR. GATIEN: Another electricity distributor, and this
26 is where the scale question comes in.

27 Someone may not have enough scale to justify a body
28 within their utility. They may be able to get that service

1 from another utility. However, the issue is the regulatory
2 barriers, and not wanting to have to strike up an affiliate
3 just to provide a bit of service, yet it would save
4 customers on both ends.

5 MR. GASPARATTO: Right. Okay. Thank you.

6 We can move on to the next phone person.

7 TELEPHONE MODERATOR: Thank you. Our next question or
8 comment is from Andrew Sasso. Please go ahead.

9 MR. SASSO: Just some other barriers -- Andrew Sasso
10 from EnWin. Just some other barriers that are out there.

11 I certainly agree with -- Jim Keech's comment put it a
12 little bit more bluntly. There are turf wars. You can get
13 that on issues of scale, but you also get that on matters
14 of scope.

15 Another barrier is just sort of the provincial
16 culture, provincial mentality. I think if this was
17 initiated on a wider scale, a broader scale than it is
18 today, there would just have to be some legwork done with,
19 for example, the Ministry of the Environment, so that they
20 had some sense of comfort with utilities getting -- LDCs
21 getting more involved with water utilities.

22 Similar to that, there are particular legal
23 requirements and experience requirements that a utility
24 needs in order to operate a water system in particular;
25 also wastewater, but to sort of maybe a lesser extent.

26 And, you know, there would also be any issues if the
27 -- if the water utility has any kind of debt instruments or
28 the electricity utility has any kind of debt instruments

1 that might preclude movement or require approval by
2 debenture holders or some other creditor, in order to move
3 into a discrete area of business.

4 So I am very much in favour of economies of scope, but
5 those are some -- if everything was changed today, it
6 wouldn't be immediate. Those are considerations that would
7 cause everything to take some time.

8 To put it into a bit of a frame of reference, in
9 Windsor, we have had essentially one company or one family
10 of companies or one group of employees or however you want
11 to put it, who have been working on electricity and water
12 since before 1929. And when we did our most recent
13 innovations over the past year to bring electricity and
14 water even closer together and draw out even more shared
15 services, it still took over a year of, I will call it,
16 almost monthly meetings with boards in order to get their
17 heads around it and work through the kinks.

18 So you need the culture, and even when you have it, it
19 still takes some time.

20 But it's worth it, and two points that I am not sure
21 come out in the package is it's worth it because, right
22 now, we are certainly seeing the opportunities on
23 demographics.

24 Just as we have a huge turnover of staff, as we all
25 know, in the electricity sphere, there is a huge
26 generational turnover in staff in water utilities and
27 wastewater utilities. So that's a real opportunity.
28 That's where you can start looking at replacing two

1 positions with one body, who can do things both in the
2 electricity steer and the water sphere. Obviously not in
3 all functions, but in a lot of functions. So there is a
4 real prime opportunity.

5 And the point which I think came up a little bit in a
6 previous comment, maybe in Rene's comment, is you have to
7 not just look at the savings, but also look at the added
8 value.

9 And when we go -- you know, we serve 85,000
10 electricity customers, but we also serve in a very active
11 way -- not just billing, but in a very active operational
12 way -- we serve 70,000 water customers. So we are staffed
13 in a real life, I will call it, financial statement basis,
14 we are staffed as a utility of 155,000 customers, not as a
15 utility with 85,000 customers. And there are certain
16 things that we are able to do, certain experience we are
17 able to hire and contract for that we wouldn't be able to
18 do if we were, you know, I will call it the size of
19 Kitchener Wilmott, which is one of the ten largest, but in
20 a broader sense serves fewer customers by far than we do.

21 The last point I want to make, in terms of just
22 barriers that might get identified or not, and it ties into
23 a comment Brian made earlier on: I think we need to be
24 mindful that a lot of what we are talking about in this
25 efficiencies initiative are topics that in part because of
26 regulatory uncertainty are areas that utilities may be
27 somewhat guarded in talking about.

28 And so while I appreciate Brian's sort of invitation

1 or Navigant's invitation to provide studies, and let's have
2 a dialogue, and I think that's the right spirit, we should
3 certainly acknowledge that many utilities are going to be
4 very reluctant to be entirely forthcoming, at risk of, all
5 of a sudden you are getting called out on, you know, I
6 don't know, doing some sort of street-lighting thing or
7 water-heater thing or whatever, that the Board is, you
8 know, maybe not been mindful of in the past, and all of a
9 sudden you file something, and they are very mindful of it.

10 And so anyway, we just have to -- I think it's very
11 good that Navigant is involved to that point, very
12 important that Navigant's involved, so that utilities can
13 have maybe a degree of separation in raising some of their
14 more detailed points that they may not be comfortable
15 sharing directly with the retailer -- or with the
16 regulator, at least at this stage.

17 MR. GASPARATTO: Okay. Thank you. First thing, Anne,
18 are you able to tell me how many questions we still have on
19 the phone?

20 TELEPHONE MODERATOR: Certainly. Other than Mr.
21 Sasso, we would have two others.

22 MR. GASPARATTO: Two others. Okay. Question to the
23 group: We promised an afternoon break. Do you want an
24 afternoon break? I do want to finish up by 4:30. Do you
25 feel like just pushing through, or... Everyone is shaking
26 their head to not have a break? Okay. So we will just
27 continue on.

28 Okay. So let's go to the next question on the phone,

1 or comment.

2 TELEPHONE MODERATOR: Thank you. So our next question
3 or comment is from Richard Wunderlich. Please go ahead.

4 MR. WUNDERLICH: I have the pleasure of following
5 Andrew. So the question originally was would it -- what --

6 MR. GASPARATTO: Sorry, Richard, you are back to not
7 being able to hear you.

8 MR. WUNDERLICH: Hello? Can you hear me?

9 MR. GASPARATTO: No, it's getting worse, actually.

10 MR. WUNDERLICH: How is this?

11 MR. GASPARATTO: No, sorry, we can't hear you at all.

12 MR. WUNDERLICH: So I can't -- it's not in my control.
13 Sorry, I will pass.

14 MR. GASPARATTO: Now you are a little better, whatever
15 is going on there.

16 MR. WUNDERLICH: So I was going to come back to the
17 original question, what would be the uptake if questions
18 were resolved, and the comments -- one of the comments we
19 had was, a lot of utilities want to stick to their
20 knitting, and I think that's in today's frame, that's not
21 in the construct of what would happen if things were made
22 easier.

23 MR. GASPARATTO: Okay. Sorry, Richard, it's just, we
24 are going to have to -- we just can't hear you in the room,
25 so I don't want you to put all your words of wisdom to --
26 unheard, so maybe we will -- maybe you can try contacting --
27 -- we will move on the next person and maybe try contact --
28 I don't know if you can -- if the operator can put you back

1 again, but let's move on to the next person on the phone.

2 TELEPHONE MODERATOR: Our next question is from Darius
3 Vaiciunas. Please go ahead.

4 MR. VAICIUNAS: Good afternoon, everyone. I wanted to
5 touch on something that Rene had just raised a little while
6 ago, talking about the whole issue of the half body, and
7 that was a very real issue that many of the smaller
8 utilities in the CHEC Group faced, and the formation of the
9 CHEC Group and hiring staff within the CHEC Group was
10 really the way we handled that whole issue, was, if you
11 can't justify having a full body for yourself, maybe you
12 could justify having a tenth of the body by, you know,
13 sharing that cost through that co-operative organization,
14 and that seems to have worked out quite well.

15 There has been another question that has been -- keeps
16 coming up: Well, how many utilities would actually share
17 services if the regulatory issues were out of the way, if
18 the ARC issues were out of the way, and I have been
19 listening to the conversations all day, and I am having a
20 hard time trying to discern from the conversations and the
21 discussions whether utilities are actually talking about
22 sharing services or selling services to another utility,
23 and I think that those are two very, very real and
24 distinctly different issues. Selling services to another
25 utility does get into the ARC issues, does create issues
26 with questions from competitive service providers.

27 Sharing services between utilities is truly a
28 different picture. If, you know, two utilities got in

1 together, purchased a billing system, shared the costs,
2 then that's different than setting up a system and then
3 selling that service to a third utility or to a second
4 utility, and I think that maybe as you move forward with,
5 you know, this whole process, need some clarity on that
6 whole question, is this sharing or is this selling.

7 MR. GASPARATTO: Right. And also, if there is
8 selling, is there distributors willing to buy.

9 MR. VAICIUNAS: Well, exactly, and that becomes the
10 question as to, well, you know, would I actually invest in
11 going down this process, or, you know, should I create an
12 affiliate that now is kind of isolated from the utility
13 because I am taking a risk? Well, if I am trying to create
14 a business that I am going to sell something to another
15 utility, then I am really concerned, is there going to be a
16 market out there, and if I am concerned that there is a
17 market, then what I am doing is I am trying to compete
18 against somebody who might be selling a product.

19 If I am truly sharing a service, then that's a couple
20 of utilities or three utilities or five utilities actually
21 getting together and making a unified purchase of a product
22 and then using that, like sharing a bucket truck, or
23 sharing a billing system. I mean, there are examples out
24 there where multiple utilities got together, purchased a
25 billing system collectively, and are using it collectively.

26 So I can see where down the road it makes -- it could
27 make more sense, when we are talking about other venues or
28 other places we could go into, there is equipment, you

1 know, certain types of equipment in the utility industry,
2 bucket trucks for example, the super-long ones. We don't
3 need them every day. That could be something that could be
4 shared, and something that we might think about using in
5 the future if all the hurdles are out of the way.

6 MR. GASPARATTO: Right. Does anyone have any comment
7 on the sharing versus selling versus buying debate? No.

8 MR. VAICIUNAS: Thank you.

9 MR. GASPARATTO: Thank you, Darius.

10 On the phone, is there anyone that wants to comment
11 from the phone?

12 TELEPHONE MODERATOR: Once again, please press star 1
13 if you have any questions or comments.

14 We would have Richard Wunderlich. Please go ahead.

15 MR. GASPARATTO: Okay, Richard. Let's see if we can
16 make this one work.

17 MR. WUNDERLICH: So very quickly -- how is the sound
18 quality?

19 MR. GASPARATTO: Better, thank you.

20 MR. WUNDERLICH: Awesome.

21 So the original question was, what would change going
22 forward if the barriers were simplified, and one comment
23 was a lot of utilities would like to stick to their
24 knitting, and I think that's a comment based on the current
25 circumstance. I think the future is that utilities are
26 going to need to address more services in order to remain
27 viable, and what we are missing today is working on
28 business cases that consider those possibilities.

1 Today business cases are reviewed in the current
2 construct, and whether they are successful or not, no one
3 says, Let's redo the whole business case if this barrier
4 wasn't here. There is some discussions and some working
5 groups trying to do that kind of work in order to better
6 inform, but to date we don't know. There is no quantified
7 answer to that question in the Ontario context.

8 MR. GASPARATTO: Good, thank you.

9 I will turn it back to my friends.

10 MR. WOOD: SO we are going to move on and talk about
11 opportunities around consolidation. And I think this will
12 be -- we will end on -- this will be the last of these that
13 we go through.

14 The barriers that we have listed -- and this time
15 there is only one page. I got them on to one -- the
16 barriers related to consolidation, you know, we were told
17 about business risk, we were told about issues in terms of
18 limits on partners' ability to benefit from operational
19 savings, concerns around the access to private capital, we
20 talked about service area amendments.

21 Are these -- and we have had a fair bit of discussion
22 around the issues of consolidation, and have, I think,
23 strayed into this in talking about shared services a little
24 bit, but are there any barriers -- particularly in regards
25 to regulatory barriers -- that we have missed in this
26 listing?

27 Is this a reasonably complete list of the significant
28 barriers that might impede distributors from pursuing

1 consolidation?

2 MR. WILLIAMS: One additional item that was mentioned
3 this morning, if I recall correctly, was with respect to
4 the merger costs.

5 So we talked about any premium paid for assets,
6 ability to recover operational savings, but I recall there
7 was a discussion this morning, a mention of, you know,
8 there are sort of transaction, transition, amalgamation
9 costs. And I think we should probably add that to our list
10 as a potential barrier.

11 And I forget who mentioned it, but I thought someone
12 mentioned it this morning.

13 MR. HOEY: I think one of the other issues besides
14 being able to recover those costs, if -- the regulatory
15 formula that we use is that the net book value will be
16 transferred over and that any market premium will earn zero
17 return, for all intents and purposes.

18 So that obviously is one barrier, but coincident with
19 that barrier is that there is an opportunity cost then,
20 too, because if you have a limited amount of capital, and I
21 have choices, then why would I choose to do consolidation
22 at six, seven percent or something less if my transaction
23 costs aren't even recovered, versus putting more capital
24 into my own system that I know, if it's prudent, will be
25 recovered at nine, over nine percent with a regulatory
26 proceeding.

27 So it's not just that you are not recovering; it is
28 that you are now also competing against how you could use

1 that same dollar in another fashion and get a higher
2 return.

3 And so that's what -- that's -- you know, that's an
4 implicit barrier that will occur in every transaction, but
5 here it becomes a little bit more explicit.

6 MR. WILLIAMS: Interesting. Good point.

7 MR. GASPARATTO: Is there anyone on the phone that
8 would like to comment on this issue?

9 TELEPHONE MODERATOR: Once again, please press star 1
10 if you have a question or comment.

11 And we have no questions or comments on the phone
12 lines.

13 MR. GASPARATTO: Okay. I did want to ask, there was a
14 comment made, and I don't know if anyone that's
15 participating made it, that LTLT results in inefficient
16 service agreements or arrangements.

17 Can someone describe to me how that -- what becomes
18 inefficient in some of these arrangements? No? Okay.

19 MR. WOOD: Does anyone here or on the phone want to
20 address that? I can explain a little bit, but there may be
21 someone who has been through it.

22 The issue that was -- the way that the issue was
23 raised and it was raised by more than one -- in more than
24 one interview that we held, was that the current rules
25 require distributors to resolve all their boundary -- long-
26 term load transfers around their boundaries.

27 In instances where the distributor can make
28 arrangements with a neighbouring distributor, they may

1 transfer those customers to the neighbouring distributor.

2 In -- but in some instances that requires a service
3 area amendment, and in some instances that has not been --
4 they have not been able to or have not been willing to or
5 for whatever reason have not made such an amendment or
6 agreed to a boundary adjustment to reflect those long-term
7 load transfers.

8 And after I describe all this, hopefully somebody will
9 step in and refine the answer, but anyway...

10 Where they haven't been able to work out these
11 boundary issues, the alternative has been to string a line
12 down the road and pick up those customers and pick up that
13 load, the net result being that you have one distributor's
14 assets on one side of the road and the other distributor's
15 assets running down the other side of the road. It's not
16 the most efficient -- or it's an inefficient way of
17 providing service to those customers.

18 That's how it was -- that's how it was described and
19 how I understand it, and if someone -- if someone wants to
20 elaborate on that, that would be great.

21 MR. GARNER: I always love LTLT, so I would just like
22 to jump in.

23 I think you described it perfectly well, perfectly
24 fine, but I always think the issue isn't really that at
25 all.

26 That LTLT isn't inefficient; it is unfortunately the
27 other issue above there, I think, which is about the
28 service area of Hydro One, or the other utility.

1 And where the LTLT really is --

2 MR. WOOD: I didn't mention utility names in any of
3 that description, did I? I was --

4 MR. GARNER: No, but whatever utility.

5 My point is that the LTLT is really a fishing rod into
6 your territory that you get to keep. And the minute you
7 let that go, you lose all that service territory.

8 So utilities get incented to hold on to that one
9 customer, and string a line all the way down there, really
10 under a different ambit, to maintain and hold on to the
11 territory that may be one day filled up with customers.

12 And that seems to me the issue that needs to be
13 resolved. People are building plants sometimes only for
14 the simple reason of not having to give up service
15 territory to the utility who is serving the customer at
16 this moment in time. And that's unfortunate, and I think
17 leads to a regulatory issue about: Is that the way that
18 problem should get resolved? Should that utility have to
19 give up that territory in order to resolve that problem?

20 Right? So I don't think the LTLT is inefficient. I
21 think the inefficiency is about boundaries and where your
22 boundaries stop, and if you have long line somewhere, you
23 now own a piece of territory that's yours and you are not
24 going to give it up.

25 MR. HOEY: Mark, it's -- I kind of tend to view it a
26 little bit differently.

27 The boundary for our franchise is where it is, and you
28 serve the customer the least-cost way possible. And if

1 that means that the physical line comes from another
2 distributor, that's the least-cost way, but you don't lose
3 your customer just because the physical connection is with
4 someone else. You're taking full responsibility for the
5 customer. It would be no different than putting a
6 generator there at that particular customer's premise and
7 saying they are our customer and we will make sure that the
8 generator is operating 24/7/365.

9 So it's question of: Is your franchise area your
10 franchise area or is it not?

11 And if it is, then I will, as the local distributor,
12 figure how to serve that customer in the least-cost manner
13 possible, which may be a physical connection with a
14 neighbouring utility.

15 That doesn't mean that you have to move the boundary.
16 There is no reason to move the boundary. It is
17 incorporated in the cost.

18 And the problem now is that the boundaries are set,
19 and now we are doing the LTLTs and what we are doing is we
20 are incurring additional costs to serve the same customer,
21 who already has electricity today with additional costs.

22 It doesn't make a lot of sense. I mean, it just
23 doesn't -- they already have electricity so why are we
24 changing who their physical -- who their biller is, not
25 necessarily who their physical supplier is.

26 It doesn't -- the relationship is already there.

27 MR. GARNER: I'd agree with you, it's about boundary.

28 I think that is where we totally agree.

1 MR. HOEY: Yes.

2 MR. GARNER: I totally agree.

3 I think where I would disagree is that it isn't
4 without cost. So if you forget about customers and
5 whatever, first of all, you don't find in industries where
6 -- you're served by a cable company and you get billed by a
7 different cable company. The person who serves you with
8 plant is the person who serves you, period.

9 MR. HOEY: That's not true in the gas industry. In
10 the gas industry in Ontario, physical plant moves between
11 Enbridge and Union Gas, and they are billed by who has the
12 franchise. It's not by who has the line that goes there;
13 it's by who has the franchise.

14 And I know that's for a fact because I have done them,
15 so...

16 MR. GARNER: Leaving that aside, for a minute, the
17 next point is that there is a transaction cost to that
18 arrangement, right?

19 You have an arrangement where you have physical plant
20 with somebody serving you, and then you have to create
21 another transaction between two utilities, the physical
22 producer and the virtual producer.

23 So there is an inefficiency there.

24 I think what needs to be resolved is -- the issue, as
25 I think we are both saying, is the issue about the
26 franchise is really the problem.

27 Eventually one day, if the utility is never going to
28 serve that customer physically, the question that arises is

1 -- and it doesn't have plant there -- why not transfer the
2 customer to the physical utility and do it, if they are
3 going to have a plant there?

4 MR. HOEY: No, but the opposite question is why would
5 you transfer? What -- all the costs are there right now.
6 There is no reduction in cost. There will be no reduction
7 in costs if you move one customer between one utility and
8 the other. That won't change the billing cost between the
9 two, it won't change the service cost, it won't change the
10 asset cost. Nothing will change other than the regulatory
11 cost that would incur by transferring the customer from one
12 place to the other.

13 MR. HEWSON: Sorry, Patrick, I just wanted to follow
14 up on that, because I thought what Mark was getting at is,
15 is the transaction cost, which I hear from utilities, they
16 have -- at some point during the year they have to go back
17 and do a reconciliation, because they've -- the serving
18 utility is providing a service all during the year, but
19 they are not getting paid for it. They are in fact getting
20 zero dollars for it. And then at the end of the year there
21 has to be some mechanism to true-up so that the utility
22 that's been collecting money for the whole year on the
23 notion of providing service, but they aren't providing the
24 service, has to pay the other, and I think that's the
25 transaction cost.

26 MR. GARNER: That's right. There is an inherent
27 inefficiency, and has to be, because the plant isn't yours,
28 so if the plant, it needs repair or the customer calls,

1 there has to be a transaction that goes on between the
2 physical producer and the virtual server in order for that
3 customer now to get service. Those are all transactional
4 costs that don't need to occur, which happens when you have
5 a non-physical producer producing the service.

6 MR. HOEY: But it happens today too. When a
7 contractor goes out to fix a line because a service line is
8 down, there is a transaction cost that goes with it. So
9 think of the physical supplier as nothing more than a
10 contractor, and that occurs all over our industry right
11 now. I don't see that as any additional cost. I don't --
12 and if it is, it's de minimis, extremely de minimis, in
13 terms of cost. But to fix the system, you are talking
14 about millions of dollars to fix something that is de
15 minimis, in terms of the current arrangement.

16 MR. COWAN: I totally agree with Patrick on that too.
17 The system is working.

18 MR. GARNER: Which one -- that was, sorry, Hydro One
19 that made that?

20 MR. COWAN: Allan Cowan, Hydro One.

21 MR. GARNER: Thanks, Allan.

22 MR. CLARK: Wayne Clark, AMPCO. It's always
23 embarrassing to be on the side of my former employer, but I
24 managed several areas in Hydro when I was there, and we
25 always had a few of these, and to describe this as material
26 and relevant I think is a huge stretch. This is not a big
27 issue. I frankly don't know why the Board even bothered
28 addressing it.

1 I was astonished when I heard that the Board wanted
2 these things eliminated because, frankly, they worked their
3 little bit of administration, and they are a pain. If you
4 want to solve the issue, solve the consolidation issue and
5 you will have a lot less of them, but you are not going to
6 get -- you are not going to get measurable improvements in
7 utility efficiency by going after this puppy.

8 MR. GASPARATTO: Good, thank you. Thank you for
9 helping me understand that better.

10 Is there anyone on the phone that has a comment?

11 TELEPHONE MODERATOR: Please press star 1 at this time
12 if you have a question or comment.

13 And we have a question from Rene Gatien. Please go
14 ahead.

15 MR. GATIEN: Hi, it's Rene Gatien from Waterloo North
16 Hydro.

17 When this thing first came up with the distribution
18 system code group years ago, there was some description of
19 a problem, and I am going to say that I don't think the
20 solution matched the problem. I would agree with Wayne
21 that it's not material and relevant, and much as we try to
22 discourage that these things had to be done in a time line,
23 that's what was put through.

24 And the issue that also happens, it's not just an area
25 -- or, sorry, a boundary issue. The boundary issue are
26 probably the ones that are not nearly as material and
27 relevant, but there are cases where only part of a
28 municipality belongs to one utility and part of a

1 municipality belongs to another, so it's a significant
2 boundary or franchise-area issue.

3 The other one that does come along is, if a utility
4 has only certain amount of growth available, and by losing
5 that one or two customers their ability to service a new
6 subdivision in their franchise is going to get challenged,
7 I can assure you they are going to build that whole line or
8 whatever to get out there, because that's the future growth
9 and future revenues, since nothing else is available to
10 them.

11 There is also situations where in the middle of a
12 franchise area that is owned completely by a municipal LDC
13 there will be a feeder that goes out through another
14 utility's area, and in some cases those utilities have not
15 wanted to give up that feeder, so you end up with a feeder
16 inside a service area and some customers connected to that
17 feeder, even though that municipally, and probably the more
18 important thing, from a tax perspective, they pay their
19 taxes to a municipality who owns the municipal hydro that
20 they reside in, but they get a bill from another utility.

21 So it causes a lot of angst, but I am not sure that
22 the whole thing is material and relevant, that we have to
23 solve it immediately and bill all these different pole
24 lines and things.

25 I think that's just some background to add to what
26 Glen was looking for earlier on. So there is a variety of
27 situations across the province. I think we can find
28 efficiencies in much better ways than trying to attack

1 those things in a very vast manner.

2 MR. GASPARATTO: Okay. Thank you.

3 Energy is waning, I can tell. The day is moving on.
4 My thoughts were, just before we wrap it up, open -- again
5 open the floor to anyone that has any comments, additional
6 comments, about the issues we talked to today or something
7 we missed.

8 MR. STEPHENSON: Hi, it's Richard Stephenson. I
9 actually am interested in next steps. Where do you foresee
10 this going, and what is the next opportunity for feedback,
11 input, and so forth?

12 MR. GASPARATTO: Okay. Thank you. I think Brian will
13 cover that. Do you want to do that in a summation at the
14 end?

15 MR. HEWSON: Yes, sure.

16 MR. GASPARATTO: Okay. Thank you for the question.
17 Anything else? Wayne?

18 MR. CLARK: I had a couple of suggestions, and the
19 first is that I think the Navigant study should have
20 included the sorts of things that get done in other
21 jurisdictions to improve efficiency of the sorts -- the
22 sort of things that other jurisdictions may have done and
23 done successfully in order to incent improved efficiency in
24 distributors.

25 With all respect, if you ask a bunch of utilities in
26 Ontario, you are going to get very Ontario-specific
27 answers. They're going to be very specific to the
28 situation here. And all the stuff I saw in your slides,

1 it's all nice stuff, but it all seems to speak to an
2 underlying problem of scope and scale, that maybe the LDCs
3 in Ontario don't have the scale to support the scope of
4 work that they try to undertake in-house, and I think
5 looking at other jurisdictions would be helpful.

6 The second is that if the OEB genuinely believes --
7 and I believe as an intervenor they should have some
8 concern about the efficiencies of distributors, because the
9 cost of distribution in Ontario has been one of the more
10 rapidly increasing costs of energy in total over the last
11 several years -- I believe the OEB should be concerned
12 about that, but I think one of the first things the OEB
13 itself may wish to do is to start to establish some
14 regulatory performance metrics; in other words, how well is
15 the OEB doing overall over the last several years at
16 incenting productivity, or is that not working, and I
17 think, you know, if the OEB is to really do a good job of
18 this, it has to get a handle on how it is doing its job at
19 managing not only the health of the industry but the
20 interests of the customers.

21 And to be quite frank, customers have not been doing
22 too well in the last few years when it comes to
23 electricity, and I quite understand not all of that is OEB,
24 but I also understand, looking at your own yearbooks,
25 energy sales have been going down and return on equity has
26 been going up in the business, while return on equity
27 everywhere else has been going down, and that should be a
28 concern to any customer. When they're being served by

1 regulated entities that are clearly doing better than they
2 are, they should be looking at the regulator. Just being
3 honest about that.

4 MR. GASPARATTO: Okay. Thank you for your comments.

5 Anyone else here in the room? Okay. Then just one
6 last check for people on the phone with any comments, final
7 comments.

8 TELEPHONE MODERATOR: If you have any final comments
9 or questions please press star 1 on your telephone keypad.

10 We have a question or comment from Jim Huntingdon.
11 Please go ahead.

12 MR. HUNTINGDON: Hi, I just wanted to jump back in
13 with a pitch for line loss reduction. I think I perhaps
14 speak for a number of utilities here when I say that we
15 develop our capital budget with a focus on rebuilding our
16 plant, better serving our customer, and through that
17 improving our outage indices.

18 To fully realize line loss savings, I think you have
19 to go beyond normal or good utility practice. And I can
20 maybe give you a quick example here.

21 If we are building a new line to serve perhaps future
22 load growth and all that of 300 amps of load, we could
23 choose a 400-amp capacity cable. And, you know, that would
24 be a good utility practice and obvious choice, but if you
25 studied that a little further, if we put in 600-amp cable,
26 it would certainly improve line losses.

27 But many utilities prefer to keep those savings and
28 invest them in other areas of system improvements.

1 So I will make a pitch for presenting this as a custom
2 CDM project. Those additional enhancement costs can be
3 quantified along with line loss savings; there is programs
4 that can generate this very quickly and easily.

5 I think you'd be amazed across the province if we were
6 allowed to do this. It would certainly put a real dent in
7 conservation.

8 MR. GASPARATTO: Okay. Thank you. Sorry, and just to
9 clarify, what would be your recommendation on how to
10 achieve that?

11 MR. HUNTINGDON: I think I have been told that custom
12 CDM projects involving line loss reduction have been turned
13 down in the past.

14 I may be incorrect in that, but certainly if the
15 Energy Board would consider these custom projects where you
16 can go in and you can quantify an overbuild that is
17 specifically targeted at reducing line losses, there would
18 be a true benefit to customers through line loss reduction.

19 MR. GASPARATTO: Okay. Thank you.

20 Again, anyone else on the phone?

21 TELEPHONE MODERATOR: Thank you. Our next question or
22 comment is from Andrew Sasso. Please go ahead.

23 MR. GASPARATTO: Andrew, you really should have drove
24 here or something.

25 MR. SASSO: I know, eh? I want to finish by totally
26 agreeing and also totally disagreeing with Wayne's
27 comments.

28 I totally agree that it's important for the Board as

1 part of this, and maybe even for Navigant as part of this,
2 to take a look at the effectiveness of the regulator in
3 ensuring efficiency.

4 But I want to totally disagree with what I think the
5 conclusion will be, at least in respect of distributors'
6 efficiency, which is the focus of this initiative.

7 I think it's for the regulator or Navigant to take a
8 look at where distribution rates were in 2000 and where
9 they were in 2006 and where they were in 2012.

10 Certainly say around -- around here, our rate in 2013
11 will be the -- within 51 cents of what it was in 2006.
12 It's a 1.6 percent increase over seven years. So I think
13 that's actually -- I think both the utility and the
14 regulator and the stakeholders who have been involved over
15 that span have done a remarkable job. And I think you
16 can't just stop by looking at rates.

17 I wouldn't -- I don't think ROE is particularly
18 critical to that, but it is a good indicator that we have
19 an increasingly financially viable industry. We look at --
20 whether it's line loss, whether we look at service quality
21 indicators, whether we look at the CAPEX that's taking
22 place, I think there a lot of indicators that would suggest
23 that not only have we been efficient, we have been more
24 effective in doing what we are supposed to be doing.

25 And I don't know if, when Brian does his closing
26 remarks, if he is going to be looking for any feedback in
27 terms of next steps or if he is just going to deliver them
28 and then close this out, but, you know, I think we might,

1 some of us might, have some thoughts on what next steps
2 could be.

3 Because I certainly think this has been productive and
4 -- anyway, I will just leave it there for now.

5 MR. GASPARATTO: Okay. Thank you.

6 Anyone else on the phone?

7 TELEPHONE MODERATOR: Thank you. We have no further
8 questions or comments on the phone lines.

9 MR. GASPARATTO: All right. Then we will start to
10 wrap it up. I guess I will turn it over to Brian for
11 closing remarks.

12 **CLOSING REMARKS**

13 MR. HEWSON: Thanks, Paul, and thank you for -- those
14 on the phone and in the room today for, I think, a really
15 good discussion.

16 As we started out today, we said this was about
17 hearing from all of you, about what you thought about what
18 Navigant had learned through the interviews, but as well
19 what other ideas you thought Staff should be bringing
20 forward for the Board's consideration.

21 And I think that we heard some pretty key things that
22 the Board needs to consider around areas that maybe aren't
23 necessarily in the scope of this particular initiative, but
24 are things that are on the Board's radar.

25 And, you know, as I started out today, I will repeat
26 again. This is -- this initiative is part of the Board's
27 overall focus on how to ensure the utility sector --
28 distribution, all the utility sector -- is being as

1 efficient as possible and focused on productivity
2 improvements and overall customer value.

3 And so we talked a fair bit this morning and it came
4 up again many times, the need for this to be considered in
5 connection with the work the Board is doing on performance,
6 performance benchmarking, rate-setting, and as I said, the
7 future work it's planning to do this year on incentives and
8 regulatory mechanisms to make sure that its overall
9 objectives on performance are being met.

10 And to not forget about one of the other key
11 efficiency initiatives that the Board has ongoing, that I
12 think Amanda raised, around efficiency of the regulatory
13 process. And some of the comments that came up very early
14 in the day and again later about: If you are going to
15 undertake something, how do we have to look at our process
16 or modify our process to make it more practical for
17 utilities, if they want to come forward and seek some
18 direction or comfort with something they are moving forward
19 with? I think those are good suggestions we will have to
20 take back.

21 As well, how do we have to look at the regulatory
22 timeline and cycle to possibly address new ideas,
23 innovative ideas around being more organizationally and
24 operationally efficient?

25 But getting back to the specifics we are reporting
26 back on, I think we got a lot of confirmation of what
27 Navigant heard, and that's very helpful to us. We got some
28 additional good ideas to look at other things around

1 organizational and operational efficiencies that utilities
2 could be undertaking.

3 And so I appreciate all of that.

4 I think it's really important for us to make sure we
5 are hearing from the people who are actually trying to
6 implement these things, or have, like Jim, and get the
7 consumer stakeholder feedback that allows us to identify to
8 the Board: Here are the potential ideas, here are the
9 potential risks, here are the concerns that are going to
10 come up.

11 So to answer Richard's question, our next step is
12 really just to pull together what we have heard through the
13 Navigant survey and what we have heard today, and provide
14 the Board, really, a list of: Here are the different ideas
15 utilities have and opportunities they are looking at or
16 they would like to look at, and the challenges or barriers
17 that they are identifying, and some response back based on
18 what we have heard today about what's the potential for
19 these.

20 Because, at a very kind of high, medium, low level,
21 not a detailed analytical determination of: If you
22 implement this, there will be X percent savings, but just
23 to give the Board a general idea of what types of barriers
24 there might be to utilities being able to go forward and
25 achieve the kind of efficiency that the Board is focused on
26 for them.

27 And so it's briefing of the Board. There are no
28 anticipated next steps at this point, until we go back and

1 say: Here is what we have heard.

2 And what I anticipate, and how this has been laid out
3 with the Board when we started it, is they are going to
4 give us some high-level feedback on: Here are some areas
5 to look at, Staff. And then we will have further process.

6 You will see Paul, you will see me, you may see other
7 Staff coming out with either lists of questions, papers, or
8 more meetings, where we want to to sit down and talk about
9 specific types of challenges, barriers, whatever word you
10 want to use, and how they might be modified.

11 That's going to be in concert with the work around the
12 other types of things that you've identified would be
13 really critical to actually having some of this change
14 actually happen, like the regulatory mechanisms, rate-
15 setting mechanisms, that would effect utilities being able
16 to move forward.

17 So I don't know that we are really looking for any
18 feedback on that, as far as the next step. We will be
19 looking for your feedback once we have got the all-
20 important Board feedback on what we should start looking at
21 or potentially look at.

22 And with that I would just like to thank everyone for
23 showing up today and -- sorry, Jay?

24 MR. SHEPHERD: Before you say thank you, will we see
25 that document, that report, you presented to the Board?

26 MR. HEWSON: I would have to say probably not. It's
27 intended as a, you know, a brief to the Board. Now, what
28 you will see is if the Board decides to do something with

1 it, then -- and move forward, they will be putting
2 something out, but, you know, this is an exercise the Board
3 asked us to undertake to gather some information and just
4 -- that's what we're doing.

5 MR. SHEPHERD: Well, I guess I will put to you the
6 suggestion that that list of opportunities, barriers, and
7 potentials, it would be very useful if it's made public.

8 MR. HEWSON: Well, and I will take that back as well,
9 Jay, so --

10 MR. TAYLOR: And Brian, if I could also add to that, I
11 think Jay is absolutely right. You know, this was a great
12 session we had today. You know, we've got people on both
13 sides of the fence here who seem to be agreeing on many of
14 the issues, which is quite rare, so why don't we continue
15 with this type of process, and I would strongly recommend
16 or request that if we had an opportunity to see that
17 document before it goes to the Board and provide further
18 feedback before the Board makes any decisions or starts
19 down any particular roads for initiatives. You know, maybe
20 it would be of assistance to the Board to hear our
21 feedback.

22 MR. HEWSON: Amanda?

23 MS. KLEIN: I think I am probably echoing the same
24 thing.

25 MR. HEWSON: That is what I was guessing.

26 MS. KLEIN: Yes, there certainly -- this has been a
27 very valuable discussion, and we are certainly grateful to
28 everybody who's participated in it, but I think from our

1 perspective and, it sounds like, from others' perspectives
2 there have been some new items that have emerged out of the
3 conversation today, certainly some further feedback that we
4 would very much welcome the opportunity to be able to
5 provide, if that's in the form of further submissions or
6 comments on a draft briefing for the Board or whatever
7 might be the appropriate mechanism, but it would be a shame
8 to cut it off at this point when there is a still a lot
9 more that is very timely, probably, to explore.

10 MR. HEWSON: Well, and as I said, we are going to
11 probably be giving the Board a high-level overview of what
12 we have heard, and then they will decide what the next
13 steps are, but I will make sure that this is taken back for
14 their consideration.

15 And with that, I think we can say thank you, and we
16 are adjourned.

17 MR. GASPARATTO: Yes, thank you very much, everyone.
18 So those people on the phone, we are done, so you can
19 disconnect and head on with your day. Thank you, Anne, for
20 all your help.

21 TELEPHONE MODERATOR: Thank you.

22 --- Whereupon the meeting concluded at 4:11 p.m.

23

24

25

26

27