



# ONTARIO ENERGY BOARD

**FILE NO.:** EB-2015-0004 Hydro Ottawa Limited

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**VOLUME:** 2

**DATE:** October 16, 2015

**BEFORE:** Emad Elsayed Presiding Member

Allison Duff Member

Christine Long Member

THE ONTARIO ENERGY BOARD

Hydro Ottawa Limited

Application for electricity distribution rates for  
the period from January 1, 2016 to December 31, 2020.

Hearing held at 2300 Yonge Street,  
25th Floor, Toronto, Ontario,  
on Friday, October 16, 2015,  
commencing at 9:46 a.m.

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VOLUME 2  
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BEFORE:

EMAD ELSAYED	Presiding Member
ALLISON DUFF	Member
CHRISTINE LONG	Member

A P P E A R A N C E S

MAUREEN HELT	Board Counsel
VIOLET BINETTE LEE HARMER	Board Staff
FRED CASS	Hydro Ottawa Limited
LESLIE MILTON JENNIFER McALEER PAM DINSMORE	Rogers Communications Partnership, TELUS Communications Company and Quebecor Media ("the Carriers")
DAVID PEAKER	Allstream
MICHAEL PIASKOSKI KEVIN RICHARD	Rogers Communications
MARK RUBENSTEIN	School Energy Coalition (SEC)
MICHAEL JANIGAN	Vulnerable Energy Consumers' Coalition (VECC)

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1 Friday, October 16, 2015

2 --- On commencing at 9:46 a.m.

3 DR. ELSAYED: Good morning. Please be seated.

4 Good morning. We continue today our oral hearing of  
5 the Hydro Ottawa incentive rate application which was filed  
6 on April 29, 2015.

7 My name is Emad Elsayed, and with me on the Panel are  
8 my fellow Board Members, Ms. Christine Long and Ms. Allison  
9 Duff.

10 The purpose of today's hearing is to provide an  
11 opportunity for the parties to cross-examine Hydro Ottawa  
12 Panel, the Carriers' Panel, and AllStream Panel on the  
13 unsettled issue of the pole attachment rate.

14 I trust you have all received the OEB's decision and  
15 Procedural Order No. 9 regarding Hydro Ottawa's motion  
16 concerning the costs recovered by the Carriers from third  
17 parties. You have also been informed in the same  
18 procedural order that the OEB plans to undertake a policy  
19 review of miscellaneous rates and charges commencing this  
20 year, which will include a review of pole attachment rate  
21 methodology and treatment of third-party revenues. The  
22 procedural order also asked parties to be prepared today to  
23 make submissions on whether the decided-upon pole  
24 attachment rate in this proceeding should be made interim.

25 With that, may I have appearances, please?

26 **APPEARANCES:**

27 MR. CASS: Good morning, Mr. Chair. Fred Cass for  
28 Hydro Ottawa.

1 DR. ELSAYED: Good morning.

2 MS. McALEER: Good morning, Mr. Chair. Jennifer  
3 McAleer on behalf of the Carriers.

4 DR. ELSAYED: Good morning.

5 MS. MILTON: Leslie Milton on behalf of Rogers  
6 Communications Partnership and Telus Communications Company  
7 and Quebecor Media Inc., collectively referred to as the  
8 Carriers.

9 DR. ELSAYED: Good morning.

10 MR. PIASKOSKI: Michael Piaskoski for Rogers  
11 Communications.

12 MS. DINSMORE: Pam Dinsmore, Rogers Communications.

13 DR. ELSAYED: Good morning.

14 MR. RICHARD: Kevin Richard from Rogers  
15 Communications.

16 DR. ELSAYED: Good morning.

17 MR. PEAKER: Good morning. It is David Peaker from  
18 AllStream Inc.

19 DR. ELSAYED: Good morning.

20 MR. JANIGAN: Good morning, Mr. Chair. Michael  
21 Janigan on behalf of VECC.

22 DR. ELSAYED: Good morning.

23 MR. RUBENSTEIN: Good morning, Panel. Mark Rubenstein  
24 on behalf of the School Energy Coalition.

25 DR. ELSAYED: Good morning.

26 MS. HELT: Good morning, Panel. Maureen Helt, counsel  
27 with the Board, and with me I have Violet Binette, case  
28 manager, Board Staff, and Lee Harmer.



1 DR. ELSAYED: Good morning.

2 MS. McALEER: Mr. Chair, I neglected to mention that,  
3 to my left is David McKeown, who is one of the witnesses on  
4 behalf of the Carriers.

5 DR. ELSAYED: Good morning. Any preliminary matters?

6 **PRELIMINARY MATTERS:**

7 MS. MILTON: Mr. Chairman, yes, we do have some  
8 preliminary matters we would like to raise. The first is  
9 with respect to Hydro Ottawa's proposal to introduce new  
10 evidence, both documentary and oral, in-chief. And the  
11 second issue relates to what is within the scope of this  
12 hearing following your procedural order yesterday, so what  
13 is the meaning of the methodology that was determined in  
14 the 2005 decision.

15 So with your permission, we would like to make  
16 submissions on both of those issues.

17 DR. ELSAYED: Okay. Any other preliminary matters  
18 before we proceed with this? Please go ahead.

19 MS. MILTON: Ms. McAleer will speak first on the issue  
20 of the new evidence that Hydro Ottawa is proposing to  
21 tender.

22 DR. ELSAYED: Okay.

23 **SUBMISSIONS BY MS. MCALEER:**

24 MS. McALEER: Thank you, Mr. Chair. I noted from your  
25 introductory comments that you reiterated the purpose of  
26 today's hearing, which was clearly stated in Procedural  
27 Order No. 9 and, in particular, that the point of today's  
28 proceedings is the cross-examination of the different

1 Panels.

2       It came to our attention late on Wednesday that the --  
3 Hydro Ottawa intends to lead new evidence in-chief this  
4 morning; that that is the first thing that they intend to  
5 do. And we submitted a letter to the Board yesterday, and  
6 I trust that it made its way to you and you had the  
7 opportunity of reviewing it. So I don't intend to spend  
8 very much time addressing this point, but I will say there  
9 are, in fact, four points that are of concern to the  
10 Carriers.

11       The first is that you have clearly provided procedural  
12 orders throughout this process which are of assistance to  
13 the parties in preparing and knowing what is to be expected  
14 of them, and you were clear in your Procedural Order No. 9  
15 that the purpose of the hearing today is to provide an  
16 opportunity to the parties for cross-examination of the  
17 Hydro Ottawa, AllStream, and the Carrier witnesses as to  
18 the issue of the appropriate pole rate attachments. You  
19 were very clear in that procedural order as to today's  
20 purpose, and there certainly was no reference to further  
21 evidence in-chief. And that was consistent with the  
22 Procedural Order No. 8 that you had previously issued,  
23 indicating that the OEB does not find additional evidence  
24 is warranted and agrees that proceeding to an oral hearing  
25 followed by written arguments is the most efficient  
26 approach.

27       So from the Carriers' perspective, we were guided by  
28 those two procedural orders, and we didn't expect that

1 there was going to be further evidence in-chief this  
2 morning. So we were quite surprised to receive that e-mail  
3 from Mr. Cass late on Wednesday.

4 So our submission to you on the first point is that  
5 you have issued procedural orders and, pursuant to the  
6 rules, rule 4, as I am sure you are aware, every party  
7 shall comply with the applicable procedural orders. Rule  
8 33.01 also indicates that the parties are to follow the  
9 orders of the Board.

10 And in our respectful submission, those orders should  
11 be final. They should not be up for discussion or  
12 negotiation. Once the Board has issued an order and it is  
13 clear, then there shouldn't be any further ability for  
14 parties to come back to you and say, "Well, you know, we  
15 want to conduct the hearing in a different manner." That  
16 is not our prerogative. That is your prerogative, and you  
17 have set that guidance already.

18 The second issue is with respect to the timing of the  
19 notice and the procedural-fairness issues that that raises  
20 for the Carriers. As I indicated, this was first raised  
21 with us at 4:46 p.m. on Wednesday. As you know, this  
22 application was filed in April of 2015. Since that time,  
23 there has been significant evidence filed, interrogatories,  
24 a technical conference, undertakings given, undertakings  
25 answered, procedural orders made. And the Hydro Ottawa  
26 actually served a compendium for today's purposes with the  
27 documents they intended to rely upon in cross-examination.  
28 They responded to OEB staff with respect to time estimates

1 as to what was going to occur today. At no point did they  
2 raise the issue of further evidence in-chief until  
3 Wednesday.

4 That obviously puts the Carriers at a disadvantage,  
5 because we don't know what it is they intend to do this  
6 morning. We don't know what the nature of this new  
7 evidence is. We do know that they provided 11 pages of  
8 additional documents that we had not seen previously, and  
9 so it is not simply a rehashing or a summary of evidence  
10 that has already been given. This is, in fact, new  
11 evidence, as we understand it, and certainly the documents  
12 we have received are new documents.

13 So that, again, provides prejudice to the -- or causes  
14 prejudice to the Carriers because we are going to hear the  
15 evidence for the first time this morning, if it is  
16 permitted, and we have no opportunity to consider it,  
17 review it, decide whether or not we need evidence in  
18 response. We won't know until we hear it.

19 And with all due respect, that is not, I think, the  
20 way in which this Board would like to have its hearings  
21 run. There is a procedure, and it is entitled to give  
22 procedural fairness to the parties so that we do have the  
23 opportunity to respond and consider, and we simply won't  
24 this morning.

25 The third point is whether or not this is even  
26 relevant. Again, we have no particulars as to the nature  
27 of the evidence that Hydro Ottawa intends to call. You  
28 have been clear in your Procedural Order No. 9 as to

1 narrowing the scope of these proceedings. And I think  
2 there is an issue as to what they intend to do is even --  
3 is it even relevant, given the narrower scope of these  
4 proceedings.

5 The last point really ties all three in together, and  
6 that is the integrity of this Board process. And with --  
7 respectfully, our submission to you is that you obviously  
8 should be very concerned about maintaining the integrity of  
9 your processes, the respect for your Board orders; that  
10 procedural fairness to all parties should be foremost  
11 concern for you; and if you were inclined to allow new  
12 evidence at this very late stage, that that would call into  
13 question the integrity of this process and certainly raise  
14 issues with respect to the procedural fairness of these  
15 proceedings.

16 There is no reason why this evidence is coming in at  
17 this late stage. And, in our respectful submission, it  
18 should not be permitted.

19 DR. ELSAYED: Thank you.

20 Mr. Cass, any response?

21 **SUBMISSIONS BY MR. CASS:**

22 MR. CASS: Thank you, Mr. Chair. First, Mr. Chair,  
23 with respect to the reading or interpretation of the  
24 procedural order that's been put to you, that procedural  
25 order does indeed indicate that the purpose today is cross-  
26 examination. I don't doubt that that is the main reason we  
27 are here today.

28 It can't possibly be the case, though, that that

1 should be interpreted to mean that is the only thing we are  
2 going to do today is cross-examination. Clearly we're not.  
3 The procedural order itself goes on to indicate there will  
4 be an oral argument-in-chief today. So there is nothing in  
5 the procedural order, in my submission, to suggest that  
6 cross-examination would be the only thing we would do  
7 today.

8 Further on that point, in my submission, it is a  
9 matter of practice that, when a witness Panel is put on the  
10 witness stand, there is an opportunity for examination-in-  
11 chief, cross-examination, and re-examination. It is fully  
12 my expectation that, when this Panel finishes cross-  
13 examination, I will have an opportunity for re-examination.  
14 That would be a denial of natural justice if there was no  
15 re-examination. The procedural order doesn't refer to re-  
16 examination. That is how examinations occur: examination  
17 in-chief, cross-examination and re-examination.

18 And, thirdly, on this main proposition about what the  
19 procedural order means, these witnesses have not yet  
20 adopted their evidence under affirmation. There was never  
21 any doubt in my mind that there would have to be at least  
22 some cross -- I'm sorry -- examination-in-chief of all  
23 witnesses to have them adopt their evidence under  
24 affirmation. So this proposition that there was no  
25 expectation of examination-in-chief today is not something  
26 that is even workable, because the witnesses have to adopt  
27 their evidence under affirmation. So those are my primary  
28 points.

1           Now, I have just four other quick points about the  
2 proposed examination-in-chief itself. First, it is  
3 intended to be very brief. It is targeted at 15 minutes or  
4 less, and I think that should be quite achievable.

5           Second, in my submission, there is nothing in it that  
6 would or should be a surprise to the Carriers.

7           Third, and in my experience this is different than  
8 what often happens with examination-in-chief at this Board.  
9 The presentation was provided in advance on Wednesday of  
10 this week to the Carriers. That doesn't always happen.  
11 But we thought it would be useful for the Carriers to see  
12 that presentation. If they had follow-up questions arising  
13 from the presentation, they had an opportunity to see it  
14 and think about it.

15           But fourth, and most importantly, the reason for the  
16 examination-in-chief, aside from having the witnesses  
17 explain their role in the evidence and adopt their  
18 evidence, which I think would be standard in any case  
19 before the Board, the reason for any further examination-  
20 in-chief was intended to help the Board, particularly in  
21 light of the discussion that we had when the witnesses were  
22 here previously in front of the Board. We thought it would  
23 be helpful to have some pictures, to try to get some common  
24 understanding of terminology, and to help the Board with  
25 some of the concepts underlying the application.

26           If the Board feels that that part of it will not be  
27 helpful to it and it doesn't need to hear any of that, I  
28 think the applicant is fine with that. We will need -- we

1 would expect to have the witnesses introduce their role in  
2 the evidence and adopt their evidence under affirmation.  
3 But if the Board feels it needs nothing further, that is  
4 not a problem for us.

5 Our intent was to help the Board particularly in light  
6 of what happened when we were here previously. We felt,  
7 again, that some pictures, some understanding of the  
8 terminology, some understanding of what underlies the  
9 application would be helpful to the Board.

10 Thank you.

11 DR. ELSAYED: Thank you.

12 Ms. Helt, do you have any comments?

13 **SUBMISSIONS BY MS. HELT:**

14 MS. HELT: Yes. Thank you, Mr. Chair. I would submit  
15 that what Mr. Cass has suggested to you with respect to the  
16 usual process for Board proceedings, and in fact in many  
17 tribunals when there are hearings, there is an opportunity  
18 for direct examination. Although the clear letter of the  
19 procedural order talks about cross-examination, it is Board  
20 Staff's view that that is not the sole reason for today's  
21 proceeding and that there normally is a period or an  
22 opportunity for the applicant to have its witnesses, first  
23 of all, as Mr. Cass has indicated, adopt its evidence and  
24 be affirmed or sworn and then to provide a short  
25 presentation.

26 I have reviewed the 11-page document that was  
27 provided, and, in my view, I don't think that by  
28 introducing it on Wednesday evening and having it presented



1 to the Board today would cause, in Staff's submission,  
2 prejudice to the Carriers. They do have an opportunity to  
3 ask questions with respect to that document, so I don't  
4 think that there is an issue of procedural fairness that  
5 would be violated by allowing this to occur. Those are  
6 Board Staff's submissions.

7 DR. ELSAYED: Thank you.

8 MS. DUFF: Just to confirm, that was provided to you,  
9 Ms. Helt? I don't think the Board members received copies.

10 MS. HELT: No, we do have it. It was filed amongst  
11 all of the parties. That's correct.

12 MS. DUFF: Thank you.

13 [Board Panel confers]

14 DR. ELSAYED: Okay. We would allow Hydro Ottawa to  
15 proceed with the examination-in-chief, but underlining the  
16 fact that there should not be any new evidence in that  
17 introduction. It should -- as you mentioned, Mr. Cass, if  
18 it is just an overview of some of the terminology that  
19 would help everybody, that should be the extent of it.

20 So with that, please proceed.

21 MS. MILTON: If I could make some brief submissions  
22 with respect to our understanding of what is encompassed  
23 within the methodology that is out of scope by reason of  
24 yesterday's procedural order.

25 DR. ELSAYED: Yes.

26 **SUBMISSIONS BY MS. MILTON:**

27 MS. MILTON: Very brief, Mr. Chairman. I will be  
28 referring to the 2005 decision, specifically appendix 2 of

1 that decision. We have copies if it would be helpful to  
2 hand those up.

3 DR. ELSAYED: Is that the issue around the term that  
4 we used in Procedural Order No. 9, the number of attachers?

5 MS. MILTON: Well, in our view, clearly that is part  
6 of the methodology. We believe the methodology is also --  
7 you indicated some examples of what was included within the  
8 methodology in the procedural order, and we agree with  
9 those statements. But we also think the methodology is  
10 somewhat broader than that, so we just wanted to put to you  
11 what our understanding is of the methodology.

12 I also wanted to put on the record that, just for  
13 purposes of putting it on the record, we do object to that  
14 determination. We don't believe it is possible to  
15 establish a just and reasonable rate without investigating  
16 methodology, and we do not believe, as a matter of  
17 procedural fairness, that the Board can fetter its  
18 discretion in this manner or, more particularly, to decline  
19 to hear evidence before it that is relevant to the  
20 determination that is being made and that is to determine a  
21 just and reasonable rate for pole attachment.

22 But that being said, without prejudice to that  
23 objection, we want to put on the record now what our  
24 understanding is and what the scope of this hearing is now,  
25 for purposes of understanding what is eligible to be raised  
26 in direct and in cross-examination today.

27 DR. ELSAYED: Okay. Just to make sure I understand, I  
28 guess what we tried to explain in Procedural Order No. 9 is

1 that we have an approved methodology at this point, and the  
2 scope of this proceeding is limited to the use of that  
3 methodology. We have also indicated that there is an  
4 initiative that is being undertaken to review that  
5 methodology in the future as a policy review, and the  
6 outcome of that could be a change to methodology. But for  
7 the purpose of this proceeding, we would limit it to the  
8 implementation of the current approved methodology.

9 And, as you know, in the same order, the same  
10 procedural order, we said that we would hear submissions  
11 today. Given that we know that initiative is coming, we  
12 would hear submissions as to whether the rate that we would  
13 determine as part of this proceeding should be interim  
14 pending the outcome of the policy review.

15 So I am not sure if that answers your question, but  
16 that is the limitation that we have established, because  
17 what we're working with now is a methodology that is now  
18 one that has been approved by the Board and has been  
19 implemented by the Board.

20 MS. MILTON: Yes, Mr. Chairman. We understand that.  
21 But what we wanted to clarify was our understanding of what  
22 that methodology is. So it is 2.5 attachers.

23 But, in addition to that, we think there are other  
24 elements of that methodology, such as it clearly doesn't  
25 include an annual escalator or inflation factor. In our  
26 respectful submission, that is not a part of the decision  
27 2005 methodology. There is no reference to that anywhere  
28 in the decision. If you go to appendix 2, there is no

1 annual escalator.

2 In our respectful submission, that methodology also is  
3 based on historical costs. Not forecast cost. An integral  
4 element of that methodology is forecast cost. I mean --  
5 excuse me -- historical cost. So, in our submission,  
6 questions this morning about should we be using historical  
7 versus forecast cost would be out of scope. Similarly,  
8 questions relating to whether or not there is an inflation  
9 factor or an annual escalator would be out of scope.

10 We also say that the 2005 methodology clearly required  
11 that the direct costs -- so the administrative costs and  
12 the productivity loss costs -- are divided by the number of  
13 attachers. So we would say, as well, that is a part of the  
14 methodology that is now out of scope for discussion. That  
15 is the way the rate should be determined.

16 We say, also, that the exclusion of power-specific  
17 assets from net embedded costs used to calculate capital  
18 carrying costs and from depreciation cost was part of the  
19 2005 methodology. So, again, we say, based on Procedural  
20 Order No. 9, those are parts of the 2005 methodology, and  
21 we should not be hearing further cross-examination on those  
22 issues this morning. That is part of the methodology, and  
23 those power-specific asset costs must be excluded.

24 So I wanted to table that as our understanding of the  
25 methodology, and we now see today's hearing as being  
26 extremely focused and really simply on the specific cost  
27 inputs that go into those direct costs and indirect costs,  
28 those amounts that Hydro Ottawa has tabled, as well as the

1 number of poles that are used to determine the per pole  
2 cost.

3 So I thought it would be useful to clarify that that  
4 is our understanding of what the 2005 decision methodology  
5 is. And it is really just following exactly from that  
6 appendix 2 that is in the decision and applying that which  
7 we understand to be what we're here for today. And  
8 consistent with that decision, the Board said, if an LDC  
9 thinks the province-wide rate is inappropriate, it can come  
10 back to us with new costs. So that is what we're limited  
11 to doing today, is coming back and looking at those cost  
12 inputs that were identified in that appendix.

13 So I don't know if that is helpful or not, but that  
14 was what I wanted to clarify --

15 DR. ELSAYED: Any comments, Mr. Cass, on this?

16 MR. CASS: I do, Mr. Chair. Thank you. If I may.

17 **REPLY SUBMISSIONS BY MR. CASS:**

18 First, on the submission that the Board's ruling -- or  
19 the Board's decision and procedural order somehow fetters  
20 the Board's discretion, I'm not sure how that could  
21 possibly be the case. As you have pointed out, Mr. Chair,  
22 the Board is going to have a separate proceeding in which  
23 it will be looking at the methodology. It currently has an  
24 approved methodology. The Board will be entertaining  
25 submissions as to whether any decision in this case based  
26 on the approved methodology should be interim. It  
27 completely escapes me how that could possibly be a  
28 fettering of the Board's discretion.

1           If that is a fettering of the Board's discretion, it  
2 implies the Board can't make a ruling in any case, make a  
3 decision, without an argument it has somehow fettered its  
4 discretion. It is a decision made in this case by the  
5 Board with the understanding that there is another  
6 proceeding that will be going ahead and that there is an  
7 opportunity to make submissions here about interim rates in  
8 the meantime. There is no fettering of discretion.

9           The primary concern that we have, Mr. Chair, on  
10 methodology -- and I recognize immediately that it arises  
11 from the wording of the procedural order -- is this issue  
12 about the number -- average number of attachers per pole  
13 and whether that is indeed a methodology issue.

14           In our submission and in our minds, that is an input  
15 to the methodology and not an element of the methodology.

16           I just have a few submissions on that. I will try to  
17 be quick. First, if one looks at the decision that  
18 established the methodology -- that is the RP-2003-0249  
19 decision -- there is a heading of the decision that is  
20 specifically about methodology, and methodology is  
21 addressed under that heading. And then the number of  
22 attachers and costs come after that under separate  
23 headings. They are not under the methodology heading --

24           DR. ELSAYED: I just interrupt you for a second, Mr.  
25 Cass, just to save some time. We have discussed that  
26 issue, because we know that --

27           MR. CASS: Yes.

28           DR. ELSAYED: -- that is an element that came up, and

1 the term that was used in that procedural order was not  
2 intended to be the number of attachers. We meant to say  
3 the number of overlashers. So the number of attachers is  
4 within the scope of the proceeding, because it is -- we do  
5 agree that it is an input to the methodology.

6 MR. CASS: Thank you, sir. I don't think I need to  
7 say anything more, then. Thank you.

8 MS. MILTON: Mr. Chairman, with all due respect, we  
9 have to respond to that. We saw this procedural order.  
10 We've read this procedural order. It said the methodology  
11 including -- including the number of attachers.

12 In our view, it is an integral element of the  
13 allocation factor that was approved in the 2005 decision.  
14 It is not a cost. It is clearly not a cost. It does not  
15 fall within the permission the Board gave for an LDC like  
16 Hydro Ottawa to come back with new cost inputs.

17 We have prepared this morning following the release of  
18 that procedural order that the number of attachers was not  
19 in play. We would suffer, in my submission, extreme  
20 prejudice if that issue is now back in play this morning.

21 MS. DUFF: Just a clarification question. So I want  
22 to understand the four areas that -- the inputs versus the  
23 methodology in which you are raising.

24 One: The annual escalator and the inflation factor,  
25 the idea of historical costs versus forecast; is that  
26 correct? I want to make sure I have got a complete list.

27 MS. MILTON: So the list of what we say is part of the  
28 methodology? That is, I think, what you were -- we're

1 saying the -- I guess it is a wording thing, and it is my  
2 mistake, yes.

3 So what we say is out of scope, because we're just  
4 applying the 2005 methodology.

5 MS. DUFF: Is it your submission that you want that in  
6 scope today?

7 MS. MILTON: No, we do not.

8 MS. DUFF: Fair enough. Thank you.

9 Second one: direct costs, the whole idea of the  
10 productivity loss costs, the productivity factor being in  
11 the direct cost. The indirect and direct costs, numbers  
12 that go into that, is that an input, or is that a  
13 methodology?

14 MS. MILTON: The cost inputs that Hydro Ottawa is  
15 submitting for those elements of the methodology, we  
16 believe, are for discussion this morning. They're in  
17 scope, yes.

18 MS. DUFF: Thank you.

19 Third: the power-specific assets. I mean, this is  
20 the whole net embedded cost. Do we exclude the power-  
21 specific assets? Is that an issue that you want to be  
22 discussing today that you consider that an input?

23 MS. MILTON: Our submission was that the methodology  
24 requires that those be excluded, so there shouldn't be room  
25 for argument on that now, because we're just applying the  
26 methodology.

27 MS. DUFF: Okay. And the fourth was the number of  
28 attachers that -- the 2.0 as proposed by Hydro Ottawa and



1 the 2.5 as in Mr. McKeown's evidence; is that correct?

2 MS. MILTON: In our submission, that is out of scope  
3 of this hearing because it is an integral part of the  
4 methodology that was approved in 2005.

5 MS. DUFF: Thank you. Those are my questions.

6 DR. ELSAYED: The basis for my comment was that, when  
7 you look at the -- any methodology, there is a method to  
8 arrive at a certain number at the end. And then there is a  
9 number of inputs, depending on circumstances do change.  
10 The whole idea of conducting that policy review or looking  
11 at things today is that -- and the basis for some of what  
12 Hydro Ottawa has applied for is that there are certain  
13 things that do change. Some of those input parameters do  
14 change. The method stays the same.

15 And that is why, for example, as I mentioned, the  
16 number of attachers we consider as a Panel to be within the  
17 scope because it is not static. It doesn't stay the same.  
18 The method is the same. The method has not changed since  
19 2005. That is the distinction we're trying to make -- or  
20 we were trying to make in PO No. 9.

21 MR. RUBENSTEIN: If I can make some submissions? If I  
22 can make some submissions responding to the Carriers'  
23 position?

24 DR. ELSAYED: Okay. Please go ahead.

25 **SUBMISSIONS BY MR. RUBENSTEIN:**

26 MR. RUBENSTEIN: With respect to this issue, first, I  
27 disagree with my friends with respect to the number of  
28 attachers. It is clear by how the decision is set out --

1 and I agree with you; it first looks at what the  
2 methodology is -- is appropriate, and then goes down into  
3 the costs and the attachers. The number of attachers is  
4 not an integral part of the methodology at all.

5 I would also say, with respect to the question about  
6 procedural fairness, we were put in the same position after  
7 reading the procedural order yesterday about is the number  
8 of attachers and inputs -- Ms. Helt from Board Staff  
9 circulated an e-mail to all counsel saying that this would  
10 be discussed as a preliminary matter, and we prepared for  
11 either eventuality. So I don't think that is a fair  
12 position for the Carriers to take.

13 With respect to what is a methodology, the other  
14 issues, I fully disagree with my friends. They are being  
15 very picky of determining what is -- what was considered in  
16 the methodology and what was not.

17 So an example: First, it is our view that, if the  
18 question should use historical cost or forecast cost is  
19 clearly a question of the input to the methodology.

20 I recognize in the CCTA decision -- and that is a lot  
21 to do with the historical anomaly of how that decision went  
22 from the CRTC all the way to the Board and through the  
23 Supreme Court in a 10-year period of time that historical  
24 costs were used as a -- it was a licence amendment, not a  
25 rate application.

26 Clearly if we're setting costs for distribution  
27 customers on 2016 amounts, a question which can be cross-  
28 examined on and asked is: Should we be using input for

1 2016? Clearly it would be at least the ratepayers' point  
2 of view that it is. The fact that it used historical costs  
3 -- to be clear, it never said what historical costs you  
4 would even use. Would it be -- in this case, would it be  
5 2013 costs as my friends have proposed, or should it be  
6 2015 costs? In theory, those are historical costs for the  
7 purpose of setting a 2016 rate. So we think that clearly  
8 has absolutely nothing to do with methodology at all.

9       With respect to the 15 percent power fixture, I accept  
10 it is a matter of discussion of the input. But it is  
11 clearly not that you must remove aspects of power fixtures  
12 from the net embedded cost. It is a discussion of the  
13 input, but it doesn't reference how you get to those  
14 numbers in the CCTA decision at all.

15       The fact is that how those costs were originally done  
16 for the Milton Hydro decision, it was done specific. It  
17 didn't deal with the way that we're now having to deal with  
18 that in this case.

19       Last, with respect to the escalator, the Board is  
20 setting rates for five years for distribution customers.  
21 It is a custom IR application for 2016 to 2020. The  
22 question is: Well, what exactly do you do for the purpose  
23 of setting rates for the pole attachers?

24       In the CCTA decision, it was one rate for the  
25 province, and maybe the interpretation one could make, I  
26 guess, is that was supposed to last for a long time. I  
27 mean, that's what ended up happening.

28       But if we have costs -- it would be our position, if

1 you have costs for the five years coming up, those are just  
2 simply inputs, and maybe an escalator is not the  
3 appropriate way as Hydro Ottawa has proposed. But clearly  
4 inputting costs or doing it by way of an escalator to  
5 determine the change of costs within the scope of the  
6 methodology, it is clearly in scope in this proceeding.

7 Those are my submissions.

8 DR. ELSAYED: Thank you. Any other comments? Okay.  
9 I suggest we take a short break, maybe 10 minutes, until  
10 about 10:30. And we will resume with the hearing plan when  
11 we come back. Thank you.

12 --- Recess taken at 10:20 a.m.

13 --- On resuming at 10:48 a.m.

14 DR. ELSAYED: Thank you. Please be seated.

15 **DECISION**

16 Ms. Milton, you have raised five areas which you  
17 consider to be out of scope for the purpose of this  
18 proceeding. We are of the view that these five topics are  
19 within the scope of today's proceeding. To the extent that  
20 you wish to cross-examine or present evidence on these  
21 issues, you should do so. To the extent that you are not  
22 prepared to proceed after the examination of the Hydro  
23 Ottawa Panel by the intervenors and Board Staff today, then  
24 we will hear your submission with respect to how you will  
25 be prejudiced by proceeding today. Okay?

26 So with that, I would like to proceed then with the  
27 examination-in-chief by Hydro Ottawa.

28 MR. CASS: Mr. Chair, I apologize. I don't mean to

1 disrupt things or throw you off a particular plan. I'm  
2 just wondering about the settlement document.

3 The reason I raise it is it seems to me that, whether  
4 or not the Board accepts the settlement document, more or  
5 less sets the stage as to whether we have just one issue to  
6 go to hearing. So I am just wondering where we are in  
7 terms of acceptance of the settlement document. My  
8 apologies. I don't mean to disrupt your schedule. I know  
9 we have things to get done today.

10 DR. ELSAYED: What I can tell you is that, based on  
11 our review of the settlement document and the  
12 clarifications that you made in our last oral hearing, we  
13 are still in the process of looking at some elements of the  
14 settlement proposal, and we will come up with a decision as  
15 soon as we can.

16 MR. CASS: All right. Thank you, sir.

17 [Board Panel confers]

18 DR. ELSAYED: Maybe with respect to that, Mr. Cass,  
19 one of the areas that we have some questions about is the Y  
20 factor and the treatment of the cost of the buildings. And  
21 if we may just take a couple minutes, Ms. Duff has a  
22 question about that, and if we can ask it now, that might  
23 help our thinking.

24 MR. CASS: Yes, indeed, Mr. Chair. The witnesses who  
25 are sitting in the witness area now were here for issue  
26 4.11. Mr. Simpson actually came along today. You may  
27 recall that he answered many questions in relation to the  
28 settlement document. But he is here as well, if needed, to

1 join the Panel.

2 But certainly, yes, I think the Panel would be quite  
3 pleased to answer any questions about the settlement  
4 document, potentially with Mr. Simpson, if needed.

5 MS. DUFF: They're all affirmed?

6 MR. SIMPSON: Yes.

7 DR. ELSAYED: Okay. You go ahead, please.

8 **HYDRO OTTAWA - PANEL 1**

9 **Angela Collier, Previously Affirmed**

10 **Casey Malone, Previously Affirmed**

11 **Pamela Jones, Previously Affirmed**

12 **Bill Bennett, Previously Affirmed**

13 **Geoff Simpson, Previously Affirmed**

14 **QUESTIONS BY THE BOARD:**

15 MS. DUFF: I did have a question, so regarding the Y-  
16 factor treatment and what was being -- the settlement  
17 agreement saying that was being decided in this case versus  
18 being deferred to a subsequent application which a rate  
19 rider would be determined and proposed to be added for the  
20 building. There is a ceiling, as I read the settlement  
21 proposal, of the 73 million. That is a net figure; is that  
22 correct?

23 MR. SIMPSON: That is correct. The 73 million is the  
24 ceiling on the upcoming construction for the new  
25 facilities. There is also the matter of the land that we  
26 have already purchased, but, yes, there is a ceiling on the  
27 upcoming costs.

28 MS. DUFF: And I had a discussion with Mr. Cass when

1 we were in the prior hearing about what would be the  
2 format. Like, would you be applying for that rate rider,  
3 and it is an application for one, and really what was being  
4 decided in this proceeding versus being deferred to that  
5 subsequent application. That is really the sense of my  
6 questioning.

7 Is it implicit that there is -- to the extent that  
8 that 73 million exists, that future application and that  
9 future Panel, do they -- could only make a decision on  
10 prudence with regard to any monies spent over the  
11 73 million net?

12 MR. SIMPSON: That is our intent, our understanding of  
13 the settlement agreement, that anything up to the cap, if  
14 you will, is being approved within this agreement. And the  
15 mechanics of it becoming a rate rider would be, I guess,  
16 normal mechanics of it becoming a rate rider but not  
17 subject to an additional prudency review.

18 MS. DUFF: Usually when capital expenditures, there's  
19 a review of capital expenditures, but there is no rate  
20 impact in this proceeding associated with that review of  
21 those capital expenditures. Traditionally the prudence  
22 review happens when the capital expenditures are spent and  
23 it is about to go into rate base, which would be the  
24 subject of the subsequent application. Is that correct?

25 So I am just concerned, if I can state that, to  
26 understand is there somehow that this Panel is -- when that  
27 amount goes into rate base, when you go to build the rate  
28 rider and there is that application, there is no prudence

1 review at that stage.

2 MR. CASS: So, Ms. Duff, again, I hope this is  
3 responsive to the question. The understanding would be  
4 that, under the Y factor, the amount up to the ceiling  
5 would flow through the Y factor. To the extent that there  
6 is any amount over the ceiling in respect of which there  
7 would be a prudence review, that would happen upon the next  
8 rebasing at the end of the term of the custom IR plan.

9 So up to the ceiling, it is like an amount that is in  
10 the capital budget, except it flows through the Y factor.  
11 But, you know, it's the same treatment for the purposes of  
12 the custom IR plan as other capital items. They're  
13 accepted up to the ceiling. To the extent that the ceiling  
14 is exceeded, that would be addressed at rebasing.

15 DR. ELSAYED: So maybe clarification on that. You  
16 made that analogy, Mr. Cass. So why is it that it is not  
17 included in the capital program and treated differently?

18 MR. SIMPSON: We've chosen to treat it differently  
19 based on the potential timing of when that would come in.  
20 Of course, we're still shooting and aiming for the timing  
21 and the cost as we've budgeted and put forward within the  
22 application, but there are factors that could change that  
23 timing.

24 It is a generational investment for us, a very  
25 material investment for us. And to the extent that the  
26 timing and the value is not certain at this point, we  
27 thought it appropriate to only put it into rate base and  
28 have it charged to our customers at the time that both the



1 timing is confirmed and the amount is confirmed.

2 DR. ELSAYED: But is it because of the -- like, there  
3 are, I'm sure, other projects in your portfolio that are  
4 also uncertain in terms of timing and magnitude. So why is  
5 this one special?

6 MR. SIMPSON: The magnitude would be the key factor.  
7 As I say, it is a generational investment for us of a size  
8 that we won't see again for many, many years. So the  
9 magnitude is the key factor in this point, yes.

10 DR. ELSAYED: So you're just looking for some  
11 certainty in terms of recovery at a certain amount?

12 MR. SIMPSON: Correct. And we thought that would be  
13 the most appropriate way to bring it forward, for purposes  
14 of having it come forward and be a charge to our  
15 ratepayers, added to our rate base and charged to our  
16 ratepayers at the appropriate time and for the appropriate  
17 amount.

18 DR. ELSAYED: And that appropriate time would be when  
19 it is --

20 MR. SIMPSON: When it is in-service.

21 DR. ELSAYED: In-service?

22 MR. SIMPSON: For us. Effectively, when we have moved  
23 into our new administrative building.

24 DR. ELSAYED: Thank you.

25 MS. LONG: I want to be very clear on the record.  
26 What you are asking this Panel to decide is the prudence of  
27 the \$73 million spend for the new facilities. Am I  
28 correct?

1 MR. SIMPSON: That is correct. As a ceiling to those  
2 expenditures, yes.

3 MS. LONG: And that is the intervenors' understanding  
4 of the settlement proposal as well? I'm looking at the two  
5 intervenors that are here today.

6 MR. RUBENSTEIN: Sorry, I don't have the agreement in  
7 front of me. But, yes, that is generally our understanding  
8 as well.

9 If I could make a comment with respect to the  
10 mechanism issue that was -- from Ms. Duff's question?

11 It is similar to how the Board has handled -- or my  
12 understanding of what the Board's expectations with respect  
13 to the advanced capital model would be a similar mechanism.  
14 Essentially, the prudence would be determined in that  
15 rebasing and a rate rider, when it is going to go in, would  
16 occur at some other proceeding.

17 It is also similar to the capital pass-through  
18 mechanism under Union Gas's incentive regulation framework.  
19 It is not identical, but the idea is there would be a  
20 proceeding if it is a leave to construct or some other  
21 proceeding to determine the prudence of what the project  
22 is.

23 But it actually doesn't get put into rates until some  
24 other rate proceeding when it goes in-service, or in their  
25 annual update. And then any amounts above it, there would  
26 be a prudence review for it.

27 MR. CASS: If I could try it this way, Ms. Long, I  
28 hope this is helpful. As the Board has discussed with the

1 witnesses, an option would have been to include it in the  
2 capital budget as with the rest of the capital budget.  
3 Upon a settlement, when the Board accepts the settlement,  
4 that would be effectively accepting the prudence of it.

5       The difference with this particular item is it is very  
6 large, and for Hydro Ottawa to assume that this large  
7 expenditure, the full \$73 million, is going to happen on a  
8 particular timing and build it into the capital budget and  
9 present that is something that needs to be -- for  
10 acceptance by all parties and the Boar, just raises an  
11 issue as to whether it is more fair -- perhaps the full  
12 \$73 million won't be spent; perhaps the timing will be  
13 different.

14       Given the magnitude of this number, rather than  
15 putting it in the capital budget, the variance account and  
16 the Y factor treatment was seen to be just a more fair  
17 treatment of it. But it doesn't -- in my mind, it doesn't  
18 change the prudence part of it that much. If it had been  
19 in the capital budget at \$73 million based on a particular  
20 timing, it would be the same situation in relation to the  
21 capital budget and the Board's acceptance of a settlement  
22 agreement.

23       The only difference is that, you know, it is going  
24 through the Y factor treatment just to take into account  
25 the magnitude and the timing of the expenditure, and the  
26 potential impact of that. I don't see a strong difference,  
27 from a prudence point of view, is what I am trying to say,  
28 when one compares the two treatments, building it into the

1 capital budget or doing it through the Y factor treatment.

2 MS. LONG: I guess my question, Mr. Cass, was with  
3 respect to -- we've heard from both you and your witnesses  
4 about the magnitude of this capital spend. And as you well  
5 appreciate, if this Panel is deciding prudence of that  
6 amount, we need to be satisfied. And sometimes that can be  
7 difficult to do through a settlement when we don't have a  
8 great amount of evidence with respect to that contained in  
9 the settlement agreement.

10 So that is one of the reasons that we are asking you  
11 these questions, and one of the reasons that we're taking  
12 some time to consider the settlement agreement, because it  
13 is a very large spend.

14 MS. DUFF: And I would add that having an advanced  
15 capital module combined with a custom IR has not been  
16 approved by this Board yet.

17 DR. ELSAYED: Just one further question on including  
18 it in the capital program: If it were included in the  
19 capital program and the Board approves your capital  
20 program, what would be the main difference, then, between  
21 treating it that way and treating it through a Y factor?  
22 Would it be mostly the timing as to when it is built into  
23 rates or charged to customers? What would be the  
24 difference between those two scenarios?

25 MR. SIMPSON: Yes. It would be primarily the -- you  
26 know, any variation that may come as we go forward related  
27 to the timing and even potentially the magnitude, but  
28 primarily more likely the timing of when it is appropriate

1 for us to put it in rate base and charge it to our  
2 customers.

3 DR. ELSAYED: So if you did put \$73 million in your  
4 capital program at a certain time and there is a difference  
5 in either the magnitude in what you spent or the timing,  
6 that is one scenario, and how we would deal with that, if  
7 the Board approved that capital expenditure.

8 The other scenario is dealing with through a Y factor.  
9 I just want to make it very clear. Why would you treat it  
10 through a Y factor as opposed to through a capital program,  
11 given that, in either scenario, the Board is approving the  
12 magnitude?

13 MR. BENNETT: Just, in my mind, for clarification. So  
14 in our original application, my group put together the  
15 capital program. We had included the land as part of the  
16 capital to be recovered now. So the \$19 million, we had  
17 included that initially to be recovered as part of this  
18 discussion. It is rolled into the Y factor activity, so  
19 there is not exactly the same timing, if it is included in  
20 the capital budget in the years that we had initially  
21 proposed.

22 DR. ELSAYED: All right.

23 MR. RUBENSTEIN: From the ratepayers' perspective and  
24 why we favour this approach, first is the purpose and that  
25 is simply that, if there is a timing difference in the  
26 evidence, and Mr. Simpson's comments is there is some  
27 uncertainty about the exact timing of when those -- when  
28 the building will go in-service -- ratepayers will be

1 paying for an amount in rates that will not -- where there  
2 will be no -- where the building will not actually be in-  
3 service. They will be overpaying.

4 Now, there is a capital -- there is a general  
5 cumulative capital variance account that deals with -- in  
6 some way, to correct this issue is to ensure that, if there  
7 is delays or underspending, that customers are held whole.

8 The problem, though, is that would only be -- it is  
9 disposed of at the end of the period, because this is such  
10 a significant amount of money and the rate impact would be,  
11 you know, significant in that year if there is no -- if it  
12 doesn't go in-service.

13 Instead of waiting until the end of the plan term for  
14 customers to get their money back essentially, this would  
15 ensure there is an alignment between when the in-service  
16 period is and when the rates -- for small amounts over the  
17 entire capital project, you expect there may be some delay,  
18 but the variance account mechanism works with the  
19 disposition at the end.

20 But for such a significant amount, there becomes  
21 intergenerational equity issues because there may not be  
22 the same customers, and while you are protecting in some  
23 way the variance account, it can never be perfect. But  
24 because of the size, it is important to match it as well as  
25 we can.

26 DR. ELSAYED: Thank you, Mr. Rubenstein. We can now  
27 proceed with the examination-in-chief, I think.

28 Examination-In-Chief by Mr. Cass:

1 MR. CASS: Thank you, sir. And as has been pointed  
2 out, the witnesses have been affirmed previously. So I  
3 will just proceed to ask them a few questions.

4 First of all, Panel, I wonder if each of you could  
5 just briefly explain your role at Hydro Ottawa and, more  
6 specifically, the topic areas you address in relation to  
7 the issue before us now, issue 4.11.

8 MS. JONES: So my name is Pamela Jones; I'm the  
9 manager of policy and research regulatory affairs group.  
10 In that role, I am responsible for coordinating Hydro  
11 Ottawa's response to policy consultations in front of the  
12 OEB as well as the Ministry of Energy.

13 Today the topics I will be addressing include the  
14 OEB's policy determinations stemming from 2003-0249 as well  
15 as questions related to Hydro Ottawa's custom incentive  
16 regulation rate application.

17 MS. COLLIER: Hi, I'm Angela Collier. I'm the  
18 director of finance at Hydro Ottawa. My role on this Panel  
19 is one of a supporting role to Mr. Malone in terms of the  
20 calculations and other financial aspects of the pole  
21 attachment rate, including depreciation, net book value,  
22 and those types of items.

23 MR. BENNETT: Bill Bennett, I'm the director of asset  
24 management. In that role, we look after the distribution  
25 system planning. We look after distribution records, and  
26 my team looks after distribution standards, and we look  
27 after all of the distribution capital program and project  
28 management. And so as part of the rate process, we were

1 involved with putting together the pole replacement  
2 activity and some of the productivity discussion around  
3 pole replacement.

4 MR. MALONE: Good morning. My name is Casey Malone.  
5 I'm manager of distribution policies and standards, and I  
6 will be looking at the activities that compose our rate  
7 data. My group at Hydro Ottawa actually handles the pole  
8 attachment process and agreements. I have had over 20  
9 years of experience specifically with the third-party pole  
10 attachment process, and I have had positions managing the  
11 asset planning and distribution design sections over the  
12 years. I have also been one of Hydro Ottawa  
13 representatives on the Ottawa utility coordinating  
14 committee. It's a forum where all the local utilities get  
15 together on a monthly basis and discuss issues, standards,  
16 coordination, or efficiency out in the road allowance.

17 With respect to my involvement to RP-2003-0249, I  
18 provided technical support to the Electrical Distributors  
19 Association as well as the Canadian Electrical Association.  
20 And I was also part of the CCTA MEARIE model pole  
21 attachment agreement negotiating committee.

22 MR. CASS: Thank you. Panel, were you responsible for  
23 Hydro Ottawa's written evidence on the pole attachment  
24 matter, including answers to interrogatories and answers to  
25 undertakings?

26 MR. MALONE: Yes, we were.

27 MR. CASS: And do you adopt that evidence in this  
28 proceeding?



1 MR. MALONE: Yes, we do.

2 MR. CASS: All right. Now, Mr. Malone was going to  
3 walk the Board through the presentation that we spoke of  
4 earlier. I don't know if the Board Panel Members have  
5 copies or perhaps it could be brought up on the screen.

6 MS. HELT: We will provide it to the Board Panel.  
7 Would you like that marked as an exhibit?

8 MR. CASS: Yes, please.

9 MS. HELT: Mr. Cass? Pole Attachments Field  
10 Considerations Document provided by Hydro Ottawa will be  
11 marked as Exhibit K2.1.

12 **EXHIBIT NO. K2.1: POLE ATTACHMENTS FIELD**  
13 **CONSIDERATIONS DOCUMENT PROVIDED BY HYDRO OTTAWA.**

14 MR. CASS: So, Mr. Malone, could you please just go  
15 through this with the Board?

16 **PRESENTATION BY MR. MALONE:**

17 MR. MALONE: Yes. This is just a brief -- I would  
18 like to call it a Pole Attachment 101. So we're all sort  
19 of talking the same language. Over the proceedings over  
20 the last few months, there's probably been questions on do  
21 you mean this or do you mean that, so this is a very basic  
22 and hopefully informative presentation.

23 So we're going to talk about the anatomy of a 40-foot  
24 power pole, technical safety, field identifications,  
25 telecom attachments with a few examples and some field  
26 activities.

27 So with respect to the model 40-foot pole, key  
28 elements are the lower spaces, the buried space, and

1 clearance space that are common to everyone. When we get  
2 up to the communication space, Hydro Ottawa provides up to  
3 a maximum of three support strands. Depending on the LDC  
4 or the jurisdictions, that may vary. But we endeavour to  
5 provide that for the attachers. Sometimes it is not always  
6 possible, and we provide them notice of some restricted  
7 areas. Typically it is those sensitive heritage commercial  
8 strips where there might be some limitations.

9       Going up the pole, we have the safety separation space  
10 for the telecommunications workers, and at the top of the  
11 pole, we have the power space.

12       Just as an item on the clearance -- and we will see  
13 this on one of the later slides -- is that there is a lot  
14 of activity happening down in the clearance space as well.

15       Ontario regulation, by its very definition, came in,  
16 in 2004. It was about safety requirements around  
17 electrical distribution systems. At that time, we weren't  
18 fully appreciative what the impact was. So there's been a  
19 lot of review and discussions by the Electrical Safety  
20 Authority who manages this regulation on behalf of the  
21 province.

22       With respect to pole attachments and attachers, the  
23 main criteria for review are clearance strength, grounding,  
24 and ultimately the province and the ESA holds the LDC  
25 responsible to ensure the attachers do comply with these  
26 requirements.

27       This is a little bit more illustrative example of the  
28 technical-safety aspects. Over on the left side, what we

1 see is a telecommunications strand and some telecom cables.  
2 Coming off the telecommunications support strand, there's a  
3 bond wire going up to the pole ground that goes up and down  
4 the pole, up to the distribution neutral system, and then  
5 down to the pole owner's grounding system.

6 Over on the right side, we look at elements of  
7 strength through the pole, the anchoring and the hardware  
8 to ensure that they are installed -- designed, installed,  
9 and actually maintained for public safety -- and clearance  
10 above vehicles as per CSA standard.

11 Hydro Ottawa requires the telecoms to identify their  
12 attachments in the field and submit their particular  
13 identification methods to us so we can publish it to all,  
14 and we do that through the Ottawa Utility Coordinating  
15 Committee, so there are no secrets up on the pole. It is a  
16 very public space, and we want to make sure it is well-  
17 maintained.

18 With respect to mergers and acquisitions between  
19 telecoms, attachments are not retagged, but rather the  
20 identification chart is updated, and what I have done is I  
21 have noted on the actual tags above by red underline which  
22 ones were bought by other carriers.

23 So over time, that is the natural progression of  
24 movement between the asset owners, but the equipment still  
25 remains out on the poles.

26 Just at the bottom of this slide, we note that there  
27 is current telecom attachers as of earlier this week paying  
28 the Ontario Energy Board rate. We have 43,543. The actual

1 current telecom attachments -- and it's probably a bit low,  
2 because we only started really tracking that in 2006 in our  
3 GIS system -- currently we have 78,688. That doesn't  
4 include the streetlights, which are an additional 13,265  
5 attachments paying the OEB rate.

6 MS. DUFF: Excuse me. I have a question: The 78,688,  
7 is that in your evidence anywhere?

8 MR. MALONE: No. No. We -- In this example of --

9 MS. McALEER: Madam Chair, I -- or, sorry, not Madam,  
10 Mr. Chair, Ms. Duff, I was a little slow in my objection  
11 there. I didn't appreciate when I heard that number that  
12 it was not in evidence, and I understand now that it has  
13 not previously been in evidence. I understand from a brief  
14 discussion with Ms. Milton that we may be of the view that  
15 that number is incorrect.

16 So in keeping with the Board's previous order that the  
17 purpose this morning was to recap the evidence that has  
18 already been put on the record and that we are not to be  
19 getting into new evidence today, then I object to that  
20 evidence being put on the record at this point in time.

21 MR. CASS: I don't think anything in particular turns  
22 on the number, Mr. Chair, so it can be removed if the Board  
23 so desires.

24 DR. ELSAYED: Please carry on, and then we will  
25 decide, I guess, on whether some or all of this would be  
26 off the record.

27 MR. MALONE: With respect to page 7, this is  
28 illustrative of an attacher overlashing to itself. In this

1 particular case, Rogers has purchased other telecoms in the  
2 Position No. 1 at the top of the communication space on the  
3 pole, which provides Rogers with two support strands for  
4 their network.

5 The middle one was -- in position number 2 was an  
6 older Bell Canada contact, and they're slowly going through  
7 their system and retagging their field equipment.

8 So over on the right picture, it is a very simple  
9 illustration of -- you have this support strand that's made  
10 of steel. You have telecommunications cable. It could be  
11 copper; it could be fibre, various different types. They  
12 all look black.

13 And there is this small wire that lashes the cables to  
14 the support strand to support it. So, as another cable  
15 comes along, you have another lashing wire, and that  
16 process is called overlashing.

17 So in the photo on the left, Rogers has 10 attachment  
18 -- cable attachments on two support strands and they pay  
19 one annual --

20 MS. McALEER: Sorry, I object. Members of the Panel,  
21 I don't know what the purpose of this evidence is. This  
22 certainly is new. This calculation, these numbers have not  
23 been previously provided in Ottawa Hydro's evidence. We  
24 would take issue with that.

25 We don't know what pole is being referred to, and we  
26 certainly wouldn't want the Board to get the impression  
27 this is the case on every pole. And in keeping with your  
28 previous ruling, this just should not be within the scope

1 of what we are hearing this morning.

2 DR. ELSAYED: Thank you. I suggest we keep the  
3 presentation to the concept and stay away from numbers or  
4 reference to specific entities.

5 MR. MALONE: Very good. So on this next slide, eight,  
6 we have two support strands, an upper and a lower. In the  
7 case of both the upper and lower, one of the Carriers own  
8 both the support strands and, in this case, you have other  
9 third-party Carriers overlashed to those support strands.

10 As well, you'll notice going down the pole are  
11 telecommunications cables, tipping down through the  
12 clearance space to move into their underground network  
13 system.

14 With page 9, this illustrates a typical overhead  
15 serviced residential neighbourhood. Probably in the late  
16 60s into the 70s, underground neighbourhoods, residential  
17 neighbourhoods started becoming popular, so this would have  
18 shown somewhere between anywhere -- you know, 1920 to the  
19 mid-1960s, very typical out there.

20 MS. McALEER: Members of the Panel, I object once  
21 again. You have already made a determination that issues  
22 with respect to methodology, number of -- sorry,  
23 methodology with respect to the overlashing, that none of  
24 that is part of the scope of today's hearing. And again,  
25 this is new; this is new evidence. If I wasn't clear  
26 before, we didn't receive this document until Wednesday  
27 evening, and I don't know what the purpose is of going  
28 through these slides and putting the names of these

1 Carriers, describing -- my understanding was that Mr.  
2 Malone was simply going to say, "Here is a pole; here is  
3 the clearance space. This is what we're talking about. If  
4 you were confused with respect to where is separation  
5 space, here it is on a pole."

6 That is not what is happening here. In my respectful  
7 submission, it is improper and it should be put to a stop  
8 now.

9 DR. ELSAYED: Well, as I mentioned, I think for the  
10 purpose of illustrating visually what we mean by certain  
11 terminology, I personally -- I'm not sure about the rest of  
12 the Panel, but I find that useful. However, I do agree  
13 with you. And as I mentioned in my earlier remark, that we  
14 should stay away from referring to specific entities or  
15 specific numbers that are not within the scope of today's  
16 proceeding.

17 So we will make a determination at the end of this  
18 proceeding as to the status of this document. But, again,  
19 I would stress the fact that we should just stay with the  
20 concept and with the terminology, just visually explaining  
21 what we have been talking about all along and nothing  
22 beyond that.

23 MR. MALONE: Yes. We won't be talking specifically  
24 about any carrier names or specific numbers.

25 DR. ELSAYED: Thank you.

26 MR. MALONE: Okay.

27 MS. McALEER: Mr. Chair, Mr. Malone was providing  
28 evidence about what was typical during the 1960s and 1970s,

1 what a neighbourhood looked like. All of that, in my  
2 respectful opinion, should not be permitted.

3 MR. CASS: Mr. Chair, I am remaining quiet on the  
4 assumption that, to the extent this needs to be addressed,  
5 it can be done later. I don't agree with any of these  
6 things that are being said about the examination-in-chief,  
7 but I will remain quiet for now.

8 DR. ELSAYED: Okay. Please continue.

9 MR. MALONE: We just have two more slides.

10 On delayed transfers, after Hydro Ottawa has  
11 transferred its power equipment to the new pole, it can  
12 wait up to several months for telecommunications companies  
13 to transfer to the new pole, which requires Hydro Ottawa to  
14 a return visit to remove its old pole and reinstate the  
15 area --

16 MS. McALEER: Members of the Panel, I hesitate to  
17 object, but I have to. This is new evidence. We are now  
18 hearing evidence with respect to a separate issue, which  
19 has been clearly titled "Delayed Transfers." Obviously,  
20 Mr. Malone is now trying to put forward evidence with  
21 respect to what he sees as delay on behalf of the Carriers,  
22 and he is going to continue over the next two slides, I  
23 anticipate, to provide you with his evidence about his  
24 interpretation of delay caused by Carriers. And that is  
25 new, and it has not been previously disclosed to the  
26 Carriers.

27 MR. CASS: Mr. Chair, this is not new evidence at all.  
28 It is in fact addressed in the evidence of Mr. Richard,



1 which I will be questioning him about during cross-  
2 examination. It is not new.

3 MS. McALEER: Well, that's fine. I have no objection  
4 to Mr. Cass cross-examining Mr. Richard on that. But if  
5 Mr. Cass is, at this point, attempting to provide new or  
6 reply evidence -- if that is what he is trying to do, this  
7 is not the time to do it. It should have been done  
8 earlier.

9 [Board Panel confers]

10 MS. McALEER: And Ms. Milton is pointing out to me  
11 that there is nothing about delay in Mr. Richard's  
12 evidence.

13 MS. DUFF: If there is reference, perhaps you could  
14 provide it, Mr. Cass.

15 DR. ELSAYED: All right.

16 MR. CASS: In Mr. Richard's evidence, if the Board has  
17 it or if it can be brought up on the screen, one could  
18 start at page 5, paragraph 11(d).

19 "If the poles have wireline attachments, the  
20 wireline attachers are notified and advised as to  
21 when they must relocate their wireless  
22 attachments to the new poles. The transfer of  
23 the wireline attachments must be done after the  
24 new poles are installed and after the power cable  
25 and equipment have been moved, but before the old  
26 poles are removed."

27 So that is exactly what Mr. Malone is addressing, the  
28 fact that the power equipment and cables are moved first

1 when the new poles are installed.

2 Then there is a period in which Hydro Ottawa can't do  
3 anything while the wireline attachers move their cables and  
4 any other attachments. And then Hydro Ottawa, at that  
5 point, comes back to move the -- remove the old poles.  
6 That is exactly what is in 11(d).

7 In paragraph 13, there is a discussion about the  
8 extent to which Hydro Ottawa considers it necessary to  
9 conduct a field inspection to confirm the attachments have  
10 been moved prior to the removal of the old pole. This is  
11 precisely the type of procedure that Mr. Malone is talking  
12 about where there is a period in which Hydro Ottawa does  
13 its initial work to move its cable. Then there is a period  
14 of delay while it waits for the wireline attachers to move  
15 their cables, and then Hydro Ottawa comes back to remove  
16 the old poles. That is all he is talking about.

17 MS. McALEER: May I reply to that? That is a process  
18 issue. If one characterizes it as delay or not is a matter  
19 for argument. But I go back to the ruling that you have  
20 already made this morning, which is that there is to be no  
21 new evidence this morning. And if, in fact, Mr. Cass wants  
22 to cross-examine Mr. Richard on that, he is free to do so.  
23 But if, in fact, he wanted to lead new evidence in response  
24 to Mr. Richard's evidence, he had an opportunity to do that  
25 and he did not do so. This morning is not the time to do  
26 it, and you have already, and you have already made a  
27 ruling that it isn't.

28 DR. ELSAYED: Okay. What we would do for this exhibit

1 is that we will determine, based on the discussion we had,  
2 what goes on the record and what doesn't. So with that, I  
3 guess, we're finished with the examination-in-chief. And  
4 we can now proceed, unless there are any other questions,  
5 to cross-examination by Mr. Janigan.

6 **CROSS-EXAMINATION BY MR. JANIGAN:**

7 MR. JANIGAN: Thank you, Mr. Chair. Panel, my name is  
8 Michael Janigan. I represent VECC in this matter. And I  
9 would like to start off by establishing what the historical  
10 pole count is that we're dealing with for Hydro Ottawa.

11 And I have had two exhibits. One is a cross-  
12 examination compendium of September 28th, 2015 --

13 MS. HELT: Mr. Janigan, we could perhaps mark that as  
14 Exhibit K2.2, and we will provide a copy of that to the  
15 Panel now. I believe it has been provided to all of the  
16 parties as well.

17 **EXHIBIT NO. K2.2: CROSS-EXAMINATION COMPENDIUM OF**  
18 **SEPTEMBER 28TH, 2015**

19 MR. JANIGAN: Okay. And --

20 MS. HELT: I am just looking at the Carriers -- just a  
21 moment, Mr. Janigan. Did the Carriers receive a copy, or  
22 do you need a hard copy?

23 MS. McALEER: It would be preferable if we could have  
24 a hard copy.

25 [Mr. Janigan passes document to Carriers' counsel]

26 MS. HELT: All right. Thank you, Mr. Janigan.

27 MR. JANIGAN: And the other exhibit is marked VECC  
28 Exhibit 1, and I'd have to mark it -- could I -- if I could

1 get an exhibit number appropriate for the hearing.

2 MS. HELT: We will mark as Exhibit K2.3 VECC Exhibit  
3 1, displaying specific charges for pole access.

4 **EXHIBIT NO. K2.3: VECC EXHIBIT 1.**

5 MS. HELT: And we have a number of additional copies  
6 here.

7 MR. JANIGAN: In dealing with my compendium, I wonder  
8 if you could turn up page 4 in the response to Carriers'  
9 No. 6(a). And if you have that, here you appear to outline  
10 how you derive the net embedded cost per pole. I would  
11 like to try to deal with the issue of the number of poles  
12 and service used in this calculation.

13 The value you have used is 47,978. Am I correct on  
14 that?

15 MR. MALONE: Yes. That was for the end of 2013.

16 MR. JANIGAN: Okay. And in response to JTC1.8, which  
17 is at page 8 of my compendium, you clarified that the  
18 47,978 reflected the 2013 pole count for wooden poles and  
19 that the total count for 2013 of poles owned by Hydro  
20 Ottawa and in-service was 28,352 (sic) after one includes  
21 the 537 non-wooden poles. Am I correct on that?

22 MR. MALONE: Would you repeat that last number? That  
23 was 28,000...

24 MR. JANIGAN: It was 48,352 after you add in the 537  
25 non-wooden poles.

26 MR. MALONE: Yes. I think Mr. Bennett addressed that  
27 during the technical conference, in terms of the non-wood  
28 poles.

1 MR. JANIGAN: Okay. And so am I correct in saying  
2 that this higher pole count, this 48,352, is the number  
3 that should be used in the rate calculations if we are  
4 looking at 2013 costs?

5 MR. MALONE: Yes. That would -- we would take the  
6 total population versus ones with attachers. So there  
7 would be the difference between the two.

8 MR. JANIGAN: Okay. So that is the correct number for  
9 rate calculation purposes.

10 MR. MALONE: Yes. Yes.

11 MR. JANIGAN: Thank you.

12 I wonder if you could turn up page 5 of the  
13 compendium. And this is -- I would like to -- I'm sorry.  
14 Could you turn up page 12 of my compendium, and in  
15 particular the response to Carriers' 11(f)? Do you have  
16 that before you?

17 MR. MALONE: Yes, we do.

18 MR. JANIGAN: And specifically the table 1 that is on  
19 page 12. And here we see historical pole counts for the  
20 years 2010 to 2014. And for 2013, the count is 47,978, the  
21 same as the pole count value you presented in Carriers'  
22 6(a). Does this mean that all of the historical values in  
23 this table up to 2014 are just for wooden poles?

24 [Witness Panel confers]

25 MR. MALONE: Yes. Table 1 reflects Hydro Ottawa's  
26 wood pole population in-service.

27 MR. JANIGAN: Do you have a similar history for your  
28 total pole count, including non-wooden poles, for the

1 period 2009 to 2014? If you don't, could you undertake to  
2 provide one?

3 MR. MALONE: I would ask Bill Bennett to address that  
4 with DSP.

5 MR. BENNETT: I don't believe there is a similar table  
6 available for -- at this point. I mean, the other poles we  
7 would be talking about would be a small quantity of  
8 concrete poles and composite poles. There is very little  
9 maintenance done on those poles. So the vast majority of  
10 the activity is with wood poles.

11 MR. JANIGAN: Okay. I note in the notes to table 1  
12 you explain that the forecast pole count for 2015 is based  
13 on the average decline of poles in-service as between 2009  
14 and 2014, which was roughly 175 per year.

15 MR. BENNETT: That was the estimate that was used at  
16 the time. In fact, right now, I believe we have added 68  
17 poles in 2015 to date. So the estimate wasn't as accurate  
18 as we would have liked.

19 MR. JANIGAN: Okay. Well, if I wanted to update the  
20 2015 forecast pole count to also include non-wooden poles,  
21 would a reasonable approach be to look at the trend in  
22 total pole count that you provided and apply that to the  
23 2014 total actual count that you can provide?

24 MR. BENNETT: Based on our information right now, no.  
25 As I say, we used at the time the -- a reduction in 2015.  
26 In fact, there hasn't been a reduction in the number of  
27 poles in 2015.

28 MR. JANIGAN: Okay. So if I was -- what would be the

1 most accurate way to get a snapshot of total pole count  
2 history?

3 MR. BENNETT: Total pole count history? It would be  
4 difficult in the sense -- as we've described before, our  
5 GIS system is actual. So to go back and extract the  
6 previous numbers is not possible through our GIS system.

7 We can go back through records of activity and try to  
8 piece that together, but I would say that the non-wood  
9 poles that are in GIS today are probably pretty close to  
10 the non-wood poles that were in GIS last year or the year  
11 before, so on for the last five years.

12 MR. JANIGAN: So if I wanted to project the total pole  
13 count, including non-wooden poles for 2015, would it be  
14 reasonable to just add the 2013 value for non-wooden poles  
15 of 537 to your projected 2015 pole count of 47,650?

16 MR. BENNETT: Yes.

17 MR. JANIGAN: Okay. And if you could turn to page 14  
18 of my compendium, here I believe it is indicated that the  
19 total number of poles, as of August 18, 2015, was 47,912.

20 Can you confirm for me that this includes all poles,  
21 both wooden and non-wooden?

22 MR. MALONE: That would have been just wooden poles,  
23 as of this summer.

24 MR. JANIGAN: Okay. And the total as of that date,  
25 would it be -- once again, would I be adding in another  
26 value for non-wooden poles? That is different than 537  
27 that we discussed earlier?

28 MR. MALONE: Yes. As Mr. Bennett stated, that would

1 be correct.

2 MR. JANIGAN: What would that value be as of August  
3 18, 2015?

4 MR. BENNETT: I'm not sure as of August 18, 2015, but  
5 it would be basically the same number we were talking  
6 about.

7 MR. JANIGAN: So there wouldn't have been any increase  
8 between 2013 and 2015?

9 MR. BENNETT: In non-wood poles?

10 MR. JANIGAN: Yes.

11 MR. BENNETT: No.

12 MR. JANIGAN: Okay. On page 12 of the compendium,  
13 would I be correct in saying that nowhere on the record to  
14 date is there a forecast of the total pole count for the  
15 years 2016 to 2020?

16 MR. BENNETT: In our information, you're asking about?  
17 Did we do that?

18 MR. JANIGAN: Yes.

19 MR. BENNETT: Not that I know of.

20 MR. JANIGAN: Okay. And would it be appropriate to  
21 use the same approach we just discussed for 2015 to further  
22 project the total number of poles that will be in-service  
23 for each of the years 2016 through 2020 to give us a  
24 forecast consistent with the capital spending forecast in  
25 the settlement agreement?

26 MR. BENNETT: Are you suggesting that we carry on with  
27 a reduction of 175 year over year for that period?

28 MR. JANIGAN: And adding on the five -- it doesn't



1 appear the non-wooden poles are increasing in number. So  
2 you would add on the 532 we discussed earlier?

3 MR. BENNETT: Yeah. I mean, again, I'm going on the  
4 latest information. I would project that, in fact, the  
5 number of poles for 2016 through 2020 would be basically  
6 steady at the number we would see in 2015.

7 MR. JANIGAN: So the pole loss that you referred to  
8 would not be significant, or would be replaced?

9 MR. BENNETT: Based on the plans that we have at this  
10 point, there's no projected reduction in the number of  
11 total poles in the system.

12 MR. JANIGAN: So the 2015 number would be a good  
13 number for that projection, in your opinion?

14 MR. BENNETT: In my opinion.

15 MR. JANIGAN: Okay. There's a small point we didn't  
16 catch at the technical conference that I would like to  
17 clear up. If you could turn to page 21 of my compendium,  
18 and in 1(a), which is part of Carriers 1(a), you state that  
19 the 35,663 number for 2013 is the number of poles with  
20 third-party attachments. And in part 1(c) of that same  
21 interrogatory response, you go on to list the actual third  
22 parties with wireline attachments. Am I correct on that?

23 MR. MALONE: That's correct.

24 MR. JANIGAN: And if you look at page 26 of my  
25 compendium, here you provide the calculation of the number  
26 of third-party attachers per pole in 2013, and you note  
27 that the number of poles used in the calculation is  
28 slightly less.

1 MR. MALONE: Yes, that was a typo on our part. It  
2 should have reflected 35,663, as noted in Interrogatory  
3 Response No. 1 to the Carriers --

4 MR. JANIGAN: Okay.

5 MR. MALONE: -- as you noted on page 21 of your  
6 compendium.

7 MR. JANIGAN: Okay. So, if I wanted a value for the  
8 number of poles in 2013 that had third-party attachers who  
9 paid you, whether it be an OEB-approved rate or some other  
10 rate for the privilege, what would the correct number be?

11 MR. MALONE: 35,663.

12 MR. JANIGAN: And if I wanted a value for the number  
13 of poles in 2013 that had third-party attachers who paid  
14 you the OEB-approved rate, what number of poles would that  
15 be?

16 MR. MALONE: 56,347. That was attachers, not  
17 attachments. That was -- the OEB rate would be per  
18 attacher.

19 MR. JANIGAN: Per attachers, right. And the number of  
20 attachers who paid the OEB-approved rate was 56,347?

21 MR. MALONE: Yes. And that would be 56,347 attachers  
22 paying the OEB rate.

23 MR. JANIGAN: Okay. Thank you. I wonder if you could  
24 turn up my compendium, page 34.

25 This is part of a technical conference undertaking  
26 JTC1.17, and in this undertaking, you sought to clarify  
27 some of the numbers you provided in Carriers interrogatory  
28 16 and in part (a) of JTC1.17, and you provide a breakdown

1 of wireline attachments, total wireline attachments  
2 reported in Carrier 16 as between those that pay the full  
3 OEB rate of \$22.35 and those that pay some other rate with  
4 the overall total of a number of attachments being 55,082  
5 for 2013.

6 Am I correct on that?

7 [Witness Panel confers]

8 MR. MALONE: Yes. The revised table 1 has the  
9 wireline, excluding street lighting.

10 MR. JANIGAN: Okay. And in both part (a) and (c), I  
11 believe you clarified that the 55,082 does not include  
12 attachments by the City of Ottawa, the Village of  
13 Casselman, Hydro One Networks, and the RCMP.

14 MR. MALONE: That is correct.

15 MR. JANIGAN: Okay. Now, for Hydro One Networks, does  
16 it exclude both Hydro One Network's power attachments in  
17 the power space and Hydro One's communications attachments  
18 in the communications space?

19 MR. MALONE: Yes, it does. The Hydro One power  
20 equipment is a separate agreement that we had dealt with on  
21 our last visit. The low-voltage control cable in the  
22 communications space are the -- also not included, which is  
23 from a technical undertaking -- it was about 391 and being  
24 reduced.

25 MR. JANIGAN: And with respect to the communications  
26 attachments excluded, roughly how many communications  
27 attachments did Hydro One Networks have that they paid you  
28 for in 2013?

1 MR. MALONE: I am just looking up the response to an  
2 undertaking from technical conference on that.

3 From technical conference Undertaking JTC1.6, Hydro  
4 One Transmission had 391 low-voltage control cables. As  
5 mentioned in the response, they're currently not paying for  
6 an attachment fee, a legacy installation. Hydro One is  
7 currently removing that legacy equipment as it migrates  
8 over to other facilities. Not on our poles.

9 MR. JANIGAN: That is the power attachments?

10 MR. MALONE: No. That is the low-voltage control  
11 cable in the communications space.

12 MR. JANIGAN: Okay.

13 MR. MALONE: Power attachments are up in the power  
14 space.

15 MR. JANIGAN: Okay. And the 391, then, therefore,  
16 does not attract any payment by Hydro One to Ottawa?

17 MR. MALONE: No. As Hydro One has stated on that,  
18 they're in the process of removing that legacy system.  
19 We've been working with them diligently, and if this  
20 continues over the next number of years, we're going to be  
21 having an agreement and an associated rate if they can't  
22 remove all of it, and it's going to be ongoing. But at  
23 this time, they have an undertaking to remove those -- that  
24 legacy equipment. It looks like telecommunications cable.  
25 What we've had is Hydro One not to allow any overlash with  
26 third-party carriers to that so the removal can be done  
27 fairly simply.

28 MR. JANIGAN: Okay. Now, for the City of Ottawa, am I

1 correct that there are fibre attachments as well as  
2 streetlight attachments?

3 MR. MALONE: That is correct.

4 MR. JANIGAN: And are they both excluded from the  
5 55,082 count for 2013 or just the streetlights?

6 MR. MALONE: Just the streetlights. City of Ottawa  
7 has 13 fibre optic cable attachments on Hydro Ottawa poles  
8 as of the end of 2013 which they pay the Board rate and is  
9 included in the table 1 on your page 34.

10 MR. JANIGAN: So do all of the fibre attachments --  
11 are they on poles with streetlight attachments as well?

12 MR. MALONE: Those 13 poles, yes, they are on poles  
13 with streetlights, so the -- coincidental, it is a small  
14 section of street in Ottawa.

15 When we run our annual invoicing query, it looks at  
16 the company, and if it sees one or multiple attachments, it  
17 only attracts it as a one-rate cost. It doesn't multiply.

18 MR. JANIGAN: So they will either pay streetlights or  
19 fibre attachment?

20 MR. MALONE: Exactly.

21 MR. JANIGAN: Okay. And in the technical conference,  
22 I believe it was indicated that the RCMP, on page 16, that  
23 you -- which you've also excluded from the 55,082, also  
24 pays the full OEB rate. Am I correct on that?

25 MR. MALONE: Your page 16?

26 MR. JANIGAN: Sixteen.

27 MR. MALONE: Is it your --

28 MR. JANIGAN: Oh, no, I'm sorry. It is on page 16 of

1 the technical conference. You might not have to turn it  
2 up. If you probably --

3 MR. MALONE: Okay. Yes. The RCMP -- actually, for  
4 the two attachments that they have on our poles, the  
5 agreement that was executed with them several -- or a  
6 number of years ago, pre-Board decision, they're paying \$50  
7 a pole for their attachments for those two particular ones  
8 per year.

9 MR. JANIGAN: So based on these responses, I take it  
10 that there would be more than the -- I believe it was  
11 46,173 that we discussed that you received payment over and  
12 above streetlight attachments and received the full OEB  
13 rate?

14 MR. MALONE: Yes. So that would exclude the Hydro One  
15 Power, Hydro One low voltage control cable, and the RCMP.

16 MR. JANIGAN: Okay. Now, at page 26, the Carriers'  
17 4(a) used 2013. And if we look at page 14 of my  
18 compendium, JTC1.17, you were asked to reconcile the  
19 response to Carriers' 4(a) with the response to Carriers'  
20 16. Your response referred to JTC1.7, but this undertaking  
21 only deals with 2015 and doesn't address 2013. Do you see  
22 what I am getting at there?

23 [Witness Panel confers]

24 MR. MALONE: Yes. Looking at the two, JTC1.5 and 1.7,  
25 there's a difference of 1.5 years of attacher differences.

26 MR. JANIGAN: Okay. Rather than sort of torture these  
27 numbers, is it possible if I summarized -- if I can  
28 summarize this overall? If I was looking at the year-end

1 2013 value for the number of third-party, non-streetlight  
2 attachments that Hydro Ottawa received payment for, whether  
3 it be the full OEB rate, a partial rate, or under the Hydro  
4 One agreement, what would that number be?

5 [Witness Panel confers]

6 MR. JANIGAN: I am happy to take an undertaking on  
7 that.

8 MR. MALONE: Yes. We will take an undertaking,  
9 just to ensure clarity.

10 MR. JANIGAN: Okay.

11 MS. HELT: Mr. Janigan, to just to be clear, then,  
12 you're seeking the year-end 2013 value of the number of  
13 third-party attachments that Hydro Ottawa has received  
14 payment for, and this includes full or partial attachments  
15 for the year 2013. Is that correct?

16 MR. JANIGAN: Received payment, whether it be for the  
17 full OEB rate, partial rate, or under the Hydro One  
18 agreement.

19 MS. HELT: All right. So that will be undertaking  
20 J2.1.

21 **UNDERTAKING NO. J2.1: TO PROVIDE YEAR-END 2013 VALUE**  
22 **OF THE NUMBER OF THIRD-PARTY ATTACHMENTS THAT HYDRO**  
23 **OTTAWA HAS RECEIVED PAYMENT FOR, WHETHER IT BE FOR THE**  
24 **FULL OEB RATE, PARTIAL RATE, OR UNDER THE HYDRO ONE**  
25 **AGREEMENT; ALSO TO PROVIDE THE NUMBER OF THIRD-PARTY**  
26 **ATTACHMENTS FOR WHICH HYDRO OTTAWA RECEIVED THE FULL**  
27 **OEB RATE IN 2013**

28 MR. JANIGAN: And the second part -- either that or a

1 new undertaking, I was also looking for the number of  
2 third-party attachments for which Hydro Ottawa received the  
3 full OEB rate in 2013.

4 MR. MALONE: As part of the undertaking?

5 MR. JANIGAN: Please.

6 MS. HELT: All right. So we will include that then as  
7 part of undertaking J2.1.

8 MR. JANIGAN: Now, which of those two values do you  
9 see as appropriate to use as the 2013 value for non-  
10 streetlight attachments in Carriers 4(a), for the purpose  
11 of calculating the number of attachers per pole?

12 MR. MALONE: That was the number of carrier attachers,  
13 or the number of poles with carriers attached to it?

14 MR. JANIGAN: Let me make sure that I've got the right  
15 -- yes, it is the number of -- it is the calculation that's  
16 done in 4(a), Carriers 4(a). It is the value that you are  
17 using for the non-streetlight attachments in that formula,  
18 for the purpose of calculating the number of attachers per  
19 pole.

20 MR. MALONE: Yes. As we corrected a few minutes  
21 earlier, the bottom number of poles with attachers is  
22 35,663, and we're really looking at the numerator in terms  
23 of that being both the telecom cables as well as  
24 streetlights. So you are talking with or without  
25 streetlights on that particular calculation?

26 MR. JANIGAN: Well, we have two numbers, basically.  
27 One, we have the number of attachments for which you  
28 receive a payment of any kind.



1 MR. MALONE: Yes.

2 MR. JANIGAN: And the other one being the number of  
3 attachments where you receive the full OEB rate, which is  
4 the most appropriate to use in calculating the number of  
5 attachers per pole?

6 [Witness Panel confers]

7 MR. MALONE: This came up at our last meeting with the  
8 Board Staff identifying clearances, partials and  
9 overlashes. Some of those legacy items at less than Board  
10 rate, which is reflected in the -- I'm just trying to find  
11 your page number -- that breaks that out where, in this  
12 case, the answer on 4(a) was only full Board rate numbers:

13 "Having asked the question of what would be  
14 appropriate, probably -- that's your page 34. So  
15 on your page 34, JTC 1.17, we break out, you  
16 know, the full rate fee, and then others at a  
17 lower percentage of the provincial rate. But, in  
18 fact, if I understand your question, should those  
19 clearances, overlashes and partials, be used to  
20 include -- to calculate the total number of  
21 telecom attachments?

22 "Yes."

23 MR. JANIGAN: Okay. Thank you. I wonder if you could  
24 take a look at my page 14, which is JTC 1.5.

25 MR. BENNETT: Could I just go back to your previous  
26 question, just so we're clear we're answering what you  
27 asked?

28 MR. JANIGAN: Sure.

1 MR. BENNETT: What was provided before was the  
2 attachments attracting the OEB rate and compared to the  
3 number of poles they were on. What you were looking for  
4 was all attachments including attachments not at the OEB  
5 rate, i.e., that have been identified in your table 1.

6 MR. JANIGAN: Yes.

7 MR. BENNETT: So the -- if we were to include them in  
8 there at an OEB rate, that would be appropriate in my  
9 opinion. They're not at the OEB rate, so it's not apples  
10 to apples, if you like, when you're looking at the number  
11 of attachers per pole. This is legacy stuff.

12 MR. JANIGAN: Okay. That contradicts the answer I got  
13 before that.

14 The most appropriate value to use, in your opinion, is  
15 still those numbers of attachers that pay the full OEB  
16 rate; is that what you're saying?

17 [Witness Panel confers]

18 MS. COLLIER: So just to be clear, if you were going  
19 to add those numbers in at the lesser rates, you wouldn't  
20 add the quantities here. We would pretty much add the  
21 dollars, and then divide by the 22.35 equivalent to get an  
22 approximate quantity, so that it is all apples to apples.

23 MR. JANIGAN: Okay. And if you did that, what would  
24 you arrive at?

25 MS. COLLIER: Well, you would just take the two in  
26 that revised table 1, undertaking JTC1-17. You would just  
27 take the revenues of the two and then divide by the 22.35  
28 to get your volume.

1 MR. JANIGAN: Okay. And you would think that that  
2 would be the appropriate value?

3 MS. COLLIER: Yes.

4 MR. JANIGAN: Okay. Thank you. I wonder if you could  
5 turn up page 14 of my compendium, which is the response to  
6 undertaking JTC1.5, and the definition of telecom attachers  
7 used in creating this table on page 1 is -- or at least  
8 what this table encompasses, as I understand it, it did not  
9 include RCMP attachments, but does include City of Ottawa  
10 fibre attachments and Hydro One communications attachments.

11 MR. MALONE: It does include Hydro One low-voltage  
12 control cables, but not RCMP.

13 MR. JANIGAN: Not RCMP. Does it include the City of  
14 Ottawa fibre attachments?

15 MR. MALONE: Yes, it does.

16 MR. JANIGAN: Okay. The second question I have with  
17 respect to this table is whether or not -- whether for  
18 these parties it includes all attachments or just  
19 attachments for which Ottawa Hydro was paid. And I think  
20 you told me earlier that Hydro One Networks is not paid,  
21 but is exiting from the attachment process?

22 MR. MALONE: Yes, that's correct. Their low-voltage  
23 control cable in the communications space are in the  
24 process of removing it. And for their power attachments in  
25 the power space they do provide, through our agreement, an  
26 attachment rate as approved by the Board.

27 MR. JANIGAN: Okay.

28 MS. DUFF: Mr. Janigan, could I ask a question?

1 MR. JANIGAN: Sure.

2 MS. DUFF: Just for clarification, we have been using  
3 this label --

4 MS. HELT: I'm sorry, Ms. Duff. I can't hear your --  
5 is your microphone on?

6 MS. DUFF: I don't turn it on.

7 MS. HELT: All right. It's just not...

8 DR. ELSAYED: It should be on.

9 MS. DUFF: The dais mic is on. Can you hear me?

10 MS. HELT: Yes.

11 MS. DUFF: It is just -- perhaps it is a labelling  
12 issue, and I just want to make sure I understand.

13 There is a legacy -- prices that have -- or rates that  
14 have been determined prior to that 2002 case, those legacy  
15 rates. And then we have been discussing -- and that is  
16 what I think of that term.

17 And then we were talking about the RCMP and the  
18 village. Are those included or -- are those included in  
19 the legacy or not?

20 MR. MALONE: The RCMP are not. The municipal  
21 attachments are, be it street lighting or fibre, cable.

22 MS. DUFF: So are there three categories? There's  
23 full -- there's the attachers that are paying the full  
24 rate. There is the legacy attachers paying the legacy  
25 rate. And then is there a third where there are these  
26 other agreements, the \$50 a pole?

27 MR. MALONE: Yes. The only oddball agreement would be  
28 the RCMP for their two attachments.

1 MS. DUFF: Oh. And it is two at \$50?

2 MR. MALONE: Yes.

3 MS. DUFF: Thank you.

4 MR. JANIGAN: And with respect to this, this includes  
5 all attachments for which Hydro Ottawa is paid, and that is  
6 paid at any rate? Am I right on that?

7 MR. MALONE: The rate for the Carriers, as well as  
8 Bell Canada and street lighting, is at the OEB rate, less -  
9 - as mentioned earlier by Ms. Duff -- some of these legacy  
10 ones, which are a percentage of the OEB rate.

11 MR. JANIGAN: And is there any other legacy ones that  
12 we haven't discussed?

13 MR. MALONE: Clearance, overlash, partial. No. Those  
14 are the three legacies.

15 MR. JANIGAN: Okay. And if I look at the numbers in  
16 table 1F, if I add the two numbers in your footnote, the  
17 43,825 and the 13,516, I get 57,341.

18 MR. MALONE: What page are you on in your compendium?

19 MR. JANIGAN: Page 14.

20 MR. MALONE: Sorry, okay.

21 MR. JANIGAN: But if I work through the table,  
22 multiplying the number of poles with one attachment times  
23 one and the number with two attachments times two, and so  
24 on, all the way through, and sum the results, I get a  
25 different number, which is 56,964. Can you explain why  
26 this difference arises?

27 [Witness Panel confers]

28 MR. MALONE: Would you just repeat the two locations?

1 Is this on table 1F?

2 MR. JANIGAN: That's correct. I can take an  
3 undertaking on that, if it is better.

4 MR. MALONE: We would accept an undertaking.

5 MS. HELT: Mr. Janigan, if you could just repeat the  
6 undertaking for the record, please.

7 MR. JANIGAN: Can you explain the difference between  
8 the total expressed in the footnote of JTC1.5 with the  
9 total arrived at by working through the tables multiplying  
10 the number of poles times attachments?

11 MS. HELT: That will be Undertaking J2.3.

12 **UNDERTAKING NO. J2.2: TO EXPLAIN THE DIFFERENCE**  
13 **BETWEEN THE TOTAL EXPRESSED IN THE FOOTNOTE OF JTC1.5**  
14 **WITH THE TOTAL ARRIVED AT BY WORKING THROUGH THE**  
15 **TABLES MULTIPLYING THE NUMBER OF POLES TIMES**  
16 **ATTACHMENTS**

17 MS. HELT: Oh, sorry, J2.2.

18 MR. JANIGAN: I wonder if I could also ask the  
19 difference between table 1F and table 1H. The title  
20 suggests that table 1H includes wireless antennas and RCMP  
21 attachments which are not in table 1F. However, the values  
22 in the two tables are exactly the same.

23 MS. HELT: Do you want that to be part of the same  
24 undertaking, if Hydro Ottawa is prepared to give that?

25 MR. JANIGAN: Well, they may be able to answer that  
26 question right away. Can you?

27 MS. HELT: All right.

28 MR. MALONE: Well, we can provide a partial answer.

1 MR. JANIGAN: Okay.

2 MR. MALONE: The antenna is on a pole where the  
3 telecom attacher is already present. So, again, they only  
4 attract one rate. So if they have fibre on it and an  
5 antenna, as per the Board's decision, they're only paying  
6 once per pole.

7 So in this case all three tables are on a per attacher  
8 rather than a per attachment basis.

9 MR. JANIGAN: Okay.

10 MR. MALONE: Oh, and the -- in table 1(h), there's the  
11 two RCMP attachments, but they're not showing up in the  
12 count. So we're off by two on that, about 48,000 count.

13 MR. JANIGAN: Okay. Now, overall, if I wanted to have  
14 an August 2015 value for the number of third-party  
15 attachments that Hydro Ottawa received payment for, whether  
16 it be the full rate, the partial rate, or whatever is due  
17 under the Hydro One agreement, including both Hydro One  
18 communications and powerline attachments, and the number of  
19 poles involved, what would the two numbers be?

20 MR. MALONE: You are asking for the final total number  
21 of poles for payment?

22 MR. JANIGAN: Yes, please. And I can take an  
23 undertaking on that as well, given my time constraints  
24 here.

25 MR. BENNETT: So just for clarification, I am not sure  
26 if we have actually run that query completely. We did some  
27 queries in August 2015 as part of the process. Don't know  
28 if we ran that query. If we didn't run the query, we would

1 have to run it as of today for argument's sake to generate  
2 the total number of paid attachments and the total number  
3 of poles as of today. We could endeavour --

4 MR. JANIGAN: Would that be a difficult calculation to  
5 do?

6 MR. BENNETT: If we can get a hold of the right guy  
7 back at the office, I think we can probably generate it.

8 MR. JANIGAN: Okay. Thanks very much.

9 MS. HELT: So then that will be Undertaking J2.3, and  
10 it is for the total number of paid attachments and the  
11 total number of poles as of August 2013? Is that correct?  
12 2015?

13 **UNDERTAKING NO. J2.3: TO PROVIDE THE TOTAL NUMBER OF**  
14 **PAID ATTACHMENTS AND THE TOTAL NUMBER OF POLES AS OF**  
15 **AUGUST 2015.**

16 MR. JANIGAN: That's correct. And if you could  
17 separate out the number that are paying the full rate, that  
18 would be good.

19 MR. CASS: Sorry, it would be as of today?

20 MR. JANIGAN: Yes.

21 MS. HELT: Yes.

22 MR. CASS: The GIS system operates in a way that  
23 you --

24 MS. HELT: Yes.

25 MR. CASS: -- draw up information.

26 MR. JANIGAN: That's fine.

27 MR. CASS: Currently, but not historic.

28 MR. MALONE: Just as a note, we're looking at our GIS



1 system and what alterations have to be done for historical  
2 values as well on a go-forward basis, but we're not there  
3 yet.

4 MR. BENNETT: Just for clarification, you wanted the -  
5 - in each category the attachments? So full -- you want  
6 streetlights separate from...

7 MR. JANIGAN: I think the most important would be the  
8 partial payors from the full payors.

9 MR. BENNETT: Okay.

10 MR. MALONE: Okay.

11 MR. JANIGAN: If I could take you to page 14 of my  
12 compendium, in JTC 1.5, you indicate that there are  
13 currently 13,516 streetlight attachers. Would I be correct  
14 in stating that this does not represent all of the street  
15 lights in the service area, and some of Ottawa's and  
16 Casselman's streetlights are attached to poles not owned by  
17 Hydro Ottawa?

18 MR. BENNETT: That would be correct.

19 MR. JANIGAN: And as well that there are Hydro Ottawa  
20 poles with more than one streetlight on them, for which the  
21 municipality only pays for one attachment?

22 MR. BENNETT: There would be some of those.

23 MR. JANIGAN: So would it be reasonable to see a  
24 difference between the number of streetlights you provide  
25 power to and the number of streetlight attachments that  
26 attract a pole access charge?

27 MR. BENNETT: Yes. I mean, we provide power to  
28 roughly -- I can look up the number -- 55,000 streetlights,

1 and as you have defined here, there's roughly 13,500 that  
2 are attached to our poles.

3 MR. JANIGAN: I wonder if you could turn to page 39 in  
4 my compendium, and this is a response to Carriers 2(f).

5 Here the Carriers asked if you were aware of any plans  
6 to significantly increase the number of third-party  
7 attachments, and the response was no.

8 Now, to clarify from a timing perspective, do entities  
9 looking to make new attachments to your poles typically  
10 approach you with at the last minute, or do they enter into  
11 discussions early on in the planning process?

12 MR. MALONE: A bit of both. Usually when there's a  
13 large program in the telecom sector, we may get a heads-up  
14 potentially a year in advance.

15 MR. BENNETT: Specifically in part (f), there was a  
16 reference to an announcement by Bell Canada rollout. So  
17 the answer to the question maybe wasn't comprehensive. So  
18 we were aware of the Bell Canada activity. In fact they're  
19 done in Ottawa; they're finished their rollout.

20 The activity was largely overlash, their new cables to  
21 their existing plant. So the response is in reference to  
22 that, that there is -- in that plan, we saw nothing that  
23 would add significantly to the number of wireline  
24 attachers.

25 MR. JANIGAN: Okay. I wonder if I could have you turn  
26 up page 25 of my compendium and, as well, if you could also  
27 look to page 26 and page 37.

28 MR. MALONE: That was 27 and not 37?

1 MR. JANIGAN: Thirty-seven. Now, in your rate  
2 calculations, you've used 2.0 as the number of third-party  
3 attachers per pole. Is that correct?

4 MR. MALONE: That is correct.

5 MR. JANIGAN: And in Carriers 4 on page 26, you  
6 indicate that the total number of attachers per pole was  
7 1.58 in 2013. And in JTC1.7 at page 37, you indicate that  
8 the number as of August 2015 was 1.68, both of which are  
9 below 2.0; correct?

10 MR. MALONE: That is correct.

11 MR. JANIGAN: Would you agree with me that, if one  
12 took this increase of 0.1 attachers every two years and  
13 extrapolated it through to 2020, the end of your custom IR  
14 period, the increase over 2015 would be just .25 attachers  
15 and result in an overall value for 2020 of 1.93 third-party  
16 attachers per pole?

17 MR. MALONE: We haven't done the math, but generally  
18 yes. We have seen over the last 10 years the number of  
19 telecom attachers has decreased. We suspect it is through  
20 mergers and acquisitions. What we have looked at is, in  
21 using this number looking at a historical view back to  
22 2005, there was a non-recovery of about \$5 million.

23 MS. DUFF: Can I interject? Mr. Malone, when you talk  
24 about -- I will read to you. Is that unique attachers?  
25 You say attachers; am I talking about a physical or actual  
26 per pole?

27 MR. MALONE: Yes, it is per pole. If you look at the  
28 Board's decision, they talk about per pole for the 22.35.

1 MS. DUFF: Yes.

2 MR. MALONE: The electrical --

3 MS. DUFF: The fact you raised the mergers and  
4 acquisition point, I am trying to understand the relevance  
5 of that.

6 MR. MALONE: So if telecom A has, let's say, 10,000  
7 attachments and telecom B has 5,000, and telecom A buys  
8 telecom B, the net number of attachments under telecom A  
9 won't be, let's say, 15,000; it may be 11,000.

10 MS. DUFF: Okay. But using that example that you just  
11 did right there, there was two companies that had  
12 attachments. One -- now there is only one company.

13 MR. MALONE: Yes.

14 MS. DUFF: So how many attachers do you have?

15 MR. MALONE: One.

16 MS. DUFF: Thank you.

17 MR. BENNETT: But it depends if they're on the same  
18 pole.

19 MS. DUFF: Yes.

20 MR. BENNETT: So if all of them were on all of the  
21 poles, you would lose all 5,000 attachments in that  
22 process.

23 MS. DUFF: Yes, thank you.

24 MR. JANIGAN: Do you have any information to suggest  
25 that the approach that I took you through of looking at the  
26 number of increased attachers per year would not be  
27 appropriate for projecting the number of attachers per  
28 pole?

1 [Witness Panel confers]

2 MR. MALONE: Your suggestion, from a mathematical  
3 point of view, would be correct. What we're seeing in the  
4 market is just the opposite.

5 MR. JANIGAN: Okay. So you expect to have -- this  
6 trend towards more mergers is not going to continue?

7 MR. MALONE: No. We anticipate more mergers down the  
8 road.

9 MR. JANIGAN: I think we're agreeing with the same  
10 thing. What I am suggesting is that it is likely that the  
11 number of attachers per pole will be less than the 2.0 that  
12 you project.

13 MR. MALONE: Yes. Yes, that's true.

14 MR. JANIGAN: Okay. Thank you.

15 Mr. Chair, I don't know when you would like to take a  
16 break. I have about 30 minutes left.

17 DR. ELSAYED: Why don't you continue, and we will take  
18 a break after you finish.

19 MR. JANIGAN: Okay.

20 I wonder if you could turn up, on page 42 of my  
21 compendium, Carriers 12(a). And here you have set out a  
22 derivation of the administration costs used in your rate  
23 derivation. Am I correct in saying that all of the costs  
24 used here are for 2013?

25 MR. MALONE: Yes, that's what we stated in response  
26 (a).

27 MR. JANIGAN: Now, if I wanted to escalate these costs  
28 just to, say 2016, or 2020, would it be appropriate to

1 apply the 2.1 percent year escalation that you reference in  
2 page 48, which is Carriers' number 18, for OM&A?

3 MR. MALONE: That would be the Conference Board of  
4 Canada inflationary rate over those -- that period.

5 MR. JANIGAN: I believe that's what you cite.

6 MR. MALONE: Yes.

7 MR. JANIGAN: Would that be an appropriate escalator?

8 [Witness Panel confers]

9 MR. MALONE: Our finance person, Angela, just reminded  
10 me that if the same number of permits and -- were coming  
11 through that year, that would be a fair extrapolation.  
12 Again, the number of administrative costs would vary year  
13 to year, depending on the request coming through from those  
14 attachers.

15 MR. JANIGAN: So I take it, it wouldn't be  
16 unreasonable to use that?

17 MR. MALONE: Yes. 2.1 would be reasonable.

18 MR. JANIGAN: Now, Mr. McKeown has asserted in the  
19 evidence for the Carriers that the loss in productivity for  
20 pole replacement should be excluded because the cost was  
21 already included in the embedded costs of the pole used to  
22 determine indirect costs. I don't have his evidence in my  
23 compendium, but it is found on page 11, paragraph 60.

24 MR. MALONE: That's in reference to Mr. McKeown's item  
25 in terms of loss of productivity cost results and double  
26 recovery?

27 MR. JANIGAN: That's correct. Page 11, paragraph 60  
28 of his evidence, that he argues for the exclusion of a loss

1 in productivity for pole replacement.

2       However, you look at page 57 of my compendium, he  
3 adopted the evidence of Kevin Richard, which claimed that  
4 there were no lost productivity costs associated with pole  
5 replacement because the replacement of a pole always  
6 required the deployment of at least two separate crews at  
7 separate times regardless of whether the pole has wireline  
8 attachments, and that is found at paragraph 10.

9       Could I get your view on this assertion?

10       MS. McALEER: Sorry, just before the witness answers  
11 the question, I want to be clear here. This Panel, as I  
12 understand it, are here as fact witnesses. They're not  
13 experts on costing. They're not experts on trends in the  
14 telecom industry.

15       And I just want to be careful that we're not treading  
16 into what should properly be the subject of expert  
17 evidence. So I haven't heard the answer yet, but the  
18 question gives me concern that this witness is being asked  
19 to provide opinion evidence.

20       MR. CASS: Well, I take exception to that statement.  
21 Most certainly, Mr. Chair, I would think that these  
22 witnesses know more about the costing on behalf of Hydro  
23 Ottawa than anyone involved in this proceeding. So to  
24 suggest that they don't have expertise in costing is just  
25 completely wrong. And this Board frequently allows opinion  
26 evidence as well as fact evidence and does not draw a  
27 bright line between the two when it is accepting evidence  
28 from any witnesses at all.

1 MS. McALEER: Members of the Board, I suspect this is  
2 something that we are going to address in our written  
3 submissions to you, but I wanted to put my position on the  
4 record so that there is no confusion. The position of the  
5 Carriers is that these witnesses have been tendered as fact  
6 witnesses. They have not been tendered or qualified as  
7 expert witnesses, and they should not be providing opinion  
8 evidence on matters of costing or trends in the industry.

9 Certainly we understand that, as part of their role,  
10 they do a certain amount of forecasting, but I think the  
11 question goes beyond that, especially in light of the fact  
12 that the witness is being asked to provide his opinion with  
13 respect to the opinion evidence of Mr. McKeown.

14 MR. JANIGAN: Mr. Chair, I am actually asking a  
15 question of fact here, is whether or not the replacement of  
16 a pole always requires the deployment of at least two  
17 separate crews at a separate time. The conclusion leads to  
18 some -- to an opinion as to productivity. But the question  
19 I'm asking them is something that they're well versed in,  
20 whether or not this, in fact, is true.

21 MS. McALEER: That is not how the question was  
22 originally stated, but if counsel is prepared to state the  
23 question as he just did, then I have no objection to that  
24 question being asked.

25 MR. JANIGAN: Panel, you have seen the statement set  
26 out in the evidence of Mr. Richard to the effect that  
27 replacement of a pole always required the deployment of at  
28 least two separate crews at a separate time regardless of



1 whether the pole has wireline attachments.

2 Can you comment on whether that is factually correct?

3 MR. MALONE: Unfortunately, this morning during  
4 examination-in-chief, there was the final slide that we did  
5 not address, and it really talked about timelines on  
6 delayed transfers. Unfortunately, through these hearings,  
7 there's a perception of delayed transfers being a negative  
8 issue rather than a positive or a neutral issue.

9 Our view is that it is just a fact. The Carriers are  
10 not going out and replacing our poles. So someone has to  
11 replace the pole, transfer their assets. And then someone  
12 else is going to come back a day, a week, a month, a year  
13 later to transfer their assets. It is just the way it is  
14 done. It's not good. It is not bad. It is just the  
15 coordination process.

16 What we've stated in our loss of productivity is that,  
17 in fact, because of the delay process that's just built in,  
18 we're just looking at cost recovery for that loss of  
19 productivity.

20 MR. BENNETT: To be clear on the question, so in  
21 comparing a situation where there is no carrier attachments  
22 on the pole, we would go out, transfer our equipment, pull  
23 the butt, be gone. There could be multiple crews depending  
24 on the size of the job. We could have a contractor in  
25 digging pole holes ahead of time; our crew come later and  
26 do some of the work. A larger job, there will be multiple  
27 visits to the worksite on larger jobs to do various aspects  
28 of the work.

1 But specifically with regards to the pole itself with  
2 attachments and without, if there are no attachments, it is  
3 a straightforward activity that can be done at the same  
4 time, coordinated at the same time. As Casey described, if  
5 there is wireline attachments, it can't. You cut the pole  
6 off; you leave the pole there until the carriers transfer  
7 their plant. You come out and inspect to see if that's  
8 been done. As it's done, you remove the butts. So there  
9 is a difference between the two scenarios, for sure.

10 MR. JANIGAN: And the second scenario, I take it, may  
11 involve a separate trip by a separate crew to accomplish  
12 the replacement?

13 MR. BENNETT: It could be a separate crew. It could  
14 be the same crew. Again, depending on the type of location  
15 and the type of work, the poles could be adjacent or they  
16 could be in different locations in a neighbourhood, for  
17 example.

18 On the poles, the attachments vary. So there is  
19 simple attachments; there is dips on the poles; there is  
20 splices on the poles. So the attachment transfers actually  
21 take place over a staged period of time depending on what  
22 type of attachments they are, how difficult it is to  
23 relocate them.

24 So, you know, what we described as the loss in  
25 productivity is the extra effort that it takes for our  
26 crews, for our people, to handle that project and that type  
27 of scenario. And it often takes one, two, three visits,  
28 more, depending on the staging of that activity.

1 MR. JANIGAN: Thank you. I wonder if I could refer  
2 you to page 61 of my compendium. And here we're looking at  
3 Carriers' interrogatory 7(b), table 1. I hope I've got  
4 that page reference correct.

5 And you have set out a revised rate calculation based  
6 on IFRS, which I understand from the technical conference  
7 of August 13, 2015, page 40, is what you have now indicated  
8 you will use in the calculations. Am I correct on that?

9 MR. MALONE: Yes. That was the --

10 MS. COLLIER: What page? Yes, that's correct.

11 MR. JANIGAN: Okay. However, as I understand it,  
12 you're still proposing to use the 2013 year-end net book  
13 value for account 1830 as opposed to the average net book  
14 value for that year in the calculation of carrying costs.

15 MS. COLLIER: Yes, we chose 2013. We had planned to  
16 do this calculation for a long time. We, you know, had the  
17 most data in relation to 2013 in terms of the number of  
18 permits processed and the hours of GIS.

19 So from a consistency point of view, we chose to stick  
20 with 2013 data in all respects. As a result, we did use the  
21 year-end values versus the average. If we were to use  
22 2016-2020, we would obviously use the average values. But  
23 using average for 2013 didn't make a lot of sense because  
24 it is further away from the period that we are trying to  
25 set the rates for.

26 MR. JANIGAN: Okay. If I could refer you to Carriers  
27 7 on page 60, the net book value that you were using in  
28 Carriers 7 is based solely on the assets recorded in

1 account 1830. Am I correct on that?

2 MS. COLLIER: Yes.

3 MR. JANIGAN: And are there assets that third-party  
4 attachers use and whose costs are not recorded in account  
5 1830?

6 MR. MALONE: Yes, that's correct. We see the  
7 attachers using services from account 1835 and account  
8 1806.

9 MR. JANIGAN: And does Hydro Ottawa have third-party  
10 attachers that are using its system neutral?

11 MR. MALONE: Yes. That would be account 1835. That  
12 would be the neutral and the grounding of the poles, so  
13 that would be a multi-grounded neutral system that is used,  
14 and as identified in the examination-in-chief on that one  
15 photograph.

16 MR. JANIGAN: And these costs are not included in the  
17 rate determination calculation?

18 MS. COLLIER: That's correct.

19 MR. JANIGAN: And Hydro Ottawa does not charge  
20 separately for this?

21 MS. JONES: That's correct.

22 MR. JANIGAN: Also, are there any easement or right-  
23 of-way costs associated with your poles that are recorded  
24 on your books.

25 MR. MALONE: Yes. That was account 1806 that we were  
26 referring to earlier.

27 MR. JANIGAN: And so third-party attachers aren't  
28 being allocated any of these costs under the current

1 methodology?

2 MS. COLLIER: That's correct.

3 MR. MALONE: Just as a side note on rights-of-way off  
4 public road allowances, in CRTC decision 99-13, there was a  
5 number that 92 percent of the poles are along public roads.

6 Running it through our GIS system as of a week ago, 64  
7 percent of Hydro Ottawa poles are along the public road  
8 allowance and in the delta, 36 percent are actually off  
9 roads. So you are trying to get a perspective of where do  
10 you need land rights versus what are along public roads and  
11 no easements are required.

12 The other factor you have to take into account is that  
13 half our electrical system is overhead and -- 49 percent  
14 are overhead and 51 percent is underground. So that gives  
15 you an idea of the ratio if you were to address land  
16 rights.

17 MR. JANIGAN: Certainly they're costs that are not  
18 abnormal to incur when you are dealing with third-party  
19 attachers?

20 MR. MALONE: That is correct.

21 MR. JANIGAN: If I could go back once again to  
22 Carriers No. 7 on page 3 -- page 62, you've got a revised  
23 calculation of the proposed 2016 pole attachment rates  
24 where the indirect costs of poles are based on IFRS.

25 Now, the indirect costs that you have included here  
26 are depreciation, OM&A, and carrying costs. Am I correct  
27 on that?

28 MS. COLLIER: Depreciation, pole maintenance expense,

1 and carrying costs, yes.

2 MR. JANIGAN: And at the technical conference on  
3 August 13, Hydro Ottawa acknowledged that the 6.7 percent  
4 used for carrying costs did not include any allowance for  
5 income taxes.

6 MS. COLLIER: That's correct.

7 MR. JANIGAN: And since there is no distinct line for  
8 income taxes, would you agree that the \$57 that is set out  
9 here does not include any allowance for income taxes?

10 MS. COLLIER: That's correct.

11 MR. JANIGAN: Would you agree that income taxes are a  
12 cost for Hydro Ottawa and should be included in the  
13 determination of rate?

14 MS. McALEER: Members of the Panel, I am going to  
15 object at this point. Most of the cross-examination by Mr.  
16 Janigan has consisted of questions seeking clarification  
17 with respect to figures that have been provided by Hydro  
18 Ottawa, and, in my submission, there is nothing improper  
19 about that.

20 But the last couple of questions we've now strayed  
21 into a field which I will charitably characterize as  
22 friendly cross-examination. And I think as everybody in  
23 the room understands, Mr. Janigan's client, VECC, is not  
24 adverse in interest to Toronto Hydro with respect to the  
25 issue of the pole rate and the number in the pole rate.  
26 Mr. Janigan's clients obviously are allied with Hydro  
27 Ottawa's position with respect to what the pole rate should  
28 be at this point in the proceeding.

1 I appreciate that, previously in the proceeding, that  
2 there may have been issues where VECC was adverse in  
3 interest to Hydro Ottawa, but those have been resolved, and  
4 the only issue that is left on the table is the pole rate.

5 And it's my submission that there should be no cross-  
6 examination of this nature, this friendly-type of cross-  
7 examination. It's improper, and it's abusive of the  
8 process. The rule is you get to cross-examine if you are  
9 adverse in interest, and VECC and Hydro are not adverse in  
10 interest when it comes to the pole rate.

11 MR. JANIGAN: Thank you, Mr. Chair. I appreciate my  
12 friend pleading my case for me. But I would say that VECC  
13 disagrees with the rate that has been calculated by Hydro  
14 Ottawa and is in the process of showing those components  
15 and those inputs that may be missing from that rate and,  
16 hence, the purpose of my cross-examination.

17 I can move on from that question to one that may be a  
18 little more --

19 MS. DUFF: I would like some more information on that  
20 capital cost. I was going to ask about that, the carrying  
21 cost of the 6.7. So if you don't do it, I will.

22 MR. JANIGAN: Perhaps, Member Duff, you can proceed,  
23 and I will follow up.

24 MS. DUFF: No. I was just going to -- I will wait  
25 until the end, and we will see what cross-examination  
26 unfolds and what information is on the record.

27 MR. JANIGAN: Okay. Thanks, Member Duff.

28 Let me try to state something that would be less

1 controversial for my friend.

2 At the technical conference on page 111, Hydro Ottawa  
3 indicated that the carrying cost percentage would change to  
4 8.04 percent if taxes were factored into the ROE component.

5 MS. COLLIER: That is correct.

6 MR. JANIGAN: And if we return to the table 1 on  
7 Carriers No. 7, I would like to work through with you the  
8 implications of using 8.04 percent as opposed to 6.7  
9 percent.

10 First, if we look at line E, would you agree that  
11 using the 8.04 percent would change the carrying costs from  
12 \$105.11 to \$126.13?

13 MS. COLLIER: Subject to check, yes.

14 MR. JANIGAN: And that this, in turn, would change  
15 line J, the total cost per pole in 2013 dollars, from 53.86  
16 to 59.30, which when escalated to 2016 would yield \$63.11.

17 MS. COLLIER: Subject to check, yes.

18 MR. JANIGAN: Okay. Thank you.

19 I wonder if you could turn up Exhibit H, tab 1,  
20 Schedule 3, page 3, which is located at page 70 of my  
21 compendium. And you have set out here your proposed  
22 specific charge for access to poles for each of the years  
23 2016 to 2020, and we can see it increasing from \$57 in 2016  
24 and 2017 to \$58 in 2018 through 2020.

25 Now, in VECC 50, at page 73, we asked about the  
26 escalation factor used to adjust specific charges over the  
27 custom IR period, and in parts A and B of that response,  
28 you indicated that, except for depreciation and carrying



1 costs, cost drivers for these charges were escalated to 2.1  
2 percent per annum. Is that correct?

3 [Witness Panel confers]

4 MS. COLLIER: To my knowledge, what was actually done  
5 was we took the total 57 and escalated it.

6 MR. JANIGAN: Okay. Now, does this mean that the O&M  
7 components of the pole access charge -- and that would be  
8 the direct costs and the maintenance component of the  
9 indirect costs -- would be escalated at 2.1 percent per  
10 annum?

11 MS. COLLIER: Yes.

12 MR. JANIGAN: Okay. And has this 2.1 percent  
13 escalation factor for the O&M component of specific charges  
14 changed as a result of the settlement agreement?

15 MS. COLLIER: Yes.

16 MR. JANIGAN: And can you indicate how it's changed?

17 MS. COLLIER: As per the settlement agreement, it is  
18 1.91.

19 MR. JANIGAN: Okay. Thank you. Now, I wonder if I  
20 could have you turn up Exhibit K2.3, which is the single  
21 page, as well as page 75 of my compendium.

22 Now, am I correct that the distribution rates to be  
23 charged to customer classes over the custom IR period are  
24 based on forecasts of the costs for each year using a rate-  
25 setting model wherein Hydro Ottawa's capital requirements  
26 are recovered on a cost-of-service basis and operations,  
27 maintenance, and administrative requirements are based on  
28 an I minus X formula?

1 MS. JONES: That's correct.

2 MR. JANIGAN: And, in your view, if the required  
3 information is available, would it be more appropriate to  
4 similarly base the rates to be charged for access to poles  
5 based on the cost forecast for each year 2016 through 2020  
6 rather than simply applying an escalation factor to 2013?

7 MS. JONES: Yes.

8 MR. JANIGAN: And if you could turn to Exhibit K2.3.  
9 And we've set out a derivation of the specific charge for  
10 access to poles using your methodology for 2013 as revised  
11 in Carriers 7 and for 2016 through 2020 using the forecast  
12 values for the same inputs. In the last column, we have  
13 referenced the sources that we have used. Have you had a  
14 chance to review the exhibit?

15 MS. COLLIER: We have.

16 MR. JANIGAN: Are there any corrections required to  
17 the data used?

18 MR. BENNETT: I will speak to the -- and I think this  
19 question came up earlier. It was part (c), about the  
20 number of poles. I think the reducing it by 175 per year  
21 is a very, very conservative estimate of the number of  
22 poles. As I said previously, I would say the 2015 numbers  
23 flat would be more appropriate.

24 MR. JANIGAN: Okay. And in terms of the correction  
25 that is required to this table, I would take it as a minor  
26 effect?

27 MR. BENNETT: Yes.

28 MR. JANIGAN: Okay.

1 MS. COLLIER: I mean, a few other comments just on the  
2 calculation: As we just mentioned, the inflationary factor  
3 for the settlement agreement is slightly different than  
4 you've stated in the far right column. As well, the  
5 carrying costs, WACC factor that you have used is the -- is  
6 not the pre-tax number. So -- which is as indicated in  
7 decision RP-2003-0249.

8 MR. JANIGAN: What effect would also the weighted  
9 average cost of capital number that was filed yesterday in  
10 the Board have on these figures?

11 MS. COLLIER: It would increase. We did some rough  
12 calculations. It would increase your carrying-cost  
13 percentage to a little over 7 percent if you use the pre-  
14 tax and the number that was released yesterday.

15 I didn't run the full calculation through to the  
16 bottom, but...

17 MR. JANIGAN: Is it possible that those calculations  
18 could be run using that number?

19 MS. COLLIER: Absolutely.

20 MR. JANIGAN: Okay. Could I have an undertaking on  
21 that, please.

22 MS. HELT: Undertaking J2.4.

23 MR. JANIGAN: Thank you.

24 MS. COLLIER: Just to clarify the undertaking, I am  
25 just changing the WACC to use the Board-approved rate from  
26 yesterday and apply the pre-tax amount.

27 **UNDERTAKING NO. J2.4: TO CHANGE THE WACC TO USE THE**  
28 **BOARD-APPROVED RATE FROM YESTERDAY AND APPLY THE PRE-**

1           **TAX AMOUNT .**

2           MR. JANIGAN:   Okay.   Would you agree that the  
3   resulting rates using this approach are materially  
4   different than the escalation approach?

5           MS. COLLIER:   Yes.

6           MR. JANIGAN:   And would you also agree that the rates  
7   derived using this approach provide for more equitable  
8   sharing of the cost of poles between your distribution  
9   companies and the third-party attachers?

10          MS. McALEER:   I object to that question.   That is a  
11   question that goes to a methodology issue, and it is my  
12   understanding that the methodology point, with respect to  
13   what is fair and reasonable from an equal sharing versus  
14   proportionate share and so on is not a proper scope of  
15   today's proceedings.

16          MR. JANIGAN:   I will withdraw the question.

17                         Thank you for your patience, Panel.

18          Mr. Chair, those are all my questions for this Panel.

19          DR. ELSAYED:   Thanks, Mr. Janigan.

20                         I think we will take the lunch break now.   We will  
21   review the timelines that we have distributed to you  
22   earlier.   It doesn't look now that we may be able to go  
23   through everything today, but you may want to review your  
24   time estimates as well and see if -- we will take 45  
25   minutes, if that is okay with everybody, and resume at  
26   1:45.   Thank you.

27                         --- Luncheon recess taken at 12:58 p.m.

28                         --- On resuming at 2:34 p.m.

1 DR. ELSAYED: Please be seated. Just a couple of  
2 comments before we continue.

3 We will have a hard stop about 4:30, so we will review  
4 where we are at that point, and decide how we deal with the  
5 remaining issues.

6 The other thing that I just want to take a minute to  
7 ask Hydro Ottawa about -- which I should have done at the  
8 beginning -- is the status of the lead/lag study, which was  
9 one of the outstanding items in the settlement proposal.

10 MR. SIMPSON: I will speak to that. The lead/lag  
11 study is coming along. We have a draft report that we're  
12 reviewing internally. So we expect that next week we will  
13 have it distributed.

14 DR. ELSAYED: I suppose, based on the settlement  
15 proposal, at that point we'll have to determine whether we  
16 deal with it through a Board decision or agreement by the  
17 parties. Okay.

18 I also understand that, Mr. Rubenstein, you have no  
19 questions, which then will take us to Ms. Milton.

20 Are you prepared to do your cross now?

21 MS. HELT: Actually, Mr. Chair, Board Staff does have  
22 a few questions, and I think it would probably be best, as  
23 we will only be five minutes or so, if we proceed before  
24 the Carriers.

25 DR. ELSAYED: Okay, please go ahead.

26 **CROSS-EXAMINATION BY MS. HELT:**

27 MS. HELT: I have provided to the parties and to the  
28 witness Panel a document that Board Staff prepared, that I

1 would ask that we mark as an exhibit. I understand there  
2 are no objections from my friends with respect to  
3 introducing this as an exhibit.

4 It is a chart prepared by Board Staff relying on the  
5 evidence on the record of Hydro Ottawa's pole attachment  
6 charges comparison.

7 If we could mark it as Exhibit K2.4?

8 **EXHIBIT NO. K2.4: CROSS-EXAMINATION COMPENDIUM FOR**  
9 **BOARD STAFF**

10 MS. HELT: Just to explain the chart to the Panel, you  
11 will see that it really replicates the charges set out in  
12 appendix 2 to the RP-2003 decision, and the first column  
13 actually reflects the numbers for the various components of  
14 direct cost and indirect cost in the RP-2003 decision, with  
15 a comment column which is just really to explain and help  
16 provide context to that particular cost next to it.

17 Then you will see a column, "Hydro Ottawa response to  
18 Carriers No. 7", a revised column, and then a comment next  
19 to that to provide context.

20 Then the third component to this chart is the table  
21 from page 24 of Mr. McKeown, the Carriers' evidence revised  
22 column with a comment.

23 So I take it the Hydro Ottawa witness Panel does have  
24 this exhibit before you? Yes?

25 MR. MALONE: Yes, we do.

26 MS. HELT: Thank you. One of the questions I would  
27 like to ask you -- actually this just follows from Mr.  
28 Janigan's cross-examination, and we were talking about the

1 loss in productivity.

2 And I understand that Hydro Ottawa has confirmed --and  
3 I believe you confirmed this at the technical conference --  
4 that the costs of replacing poles, including all crew  
5 visits, are included in account 1830. Is that correct?

6 MR. MALONE: Yes. Currently it is in 1830; we're  
7 looking at adjusting it.

8 MS. HELT: Therefore, they're being recovered and  
9 should not be included in loss in productivity, is that  
10 correct?

11 [Witness Panel confers]

12 MR. MALONE: There's two components. The site visit  
13 to verify that the attacher has transferred is not in  
14 account 1830.

15 MS. HELT: Oh, it's not? Okay.

16 MR. MALONE: No. And the second visit for the crew to  
17 remove the old pole is in account 1830, and then it is --  
18 there's the allocation factor applied to it at the bottom.  
19 So it is not the full amount being carried through into the  
20 rate at this point.

21 MS. HELT: So it's not included in the loss in  
22 productivity determination? Is that correct?

23 MS. COLLIER: So just under the loss in productivity  
24 calculation, there's two -- there's two variables of the  
25 pole replacement.

26 The first one is field verification, which is a small  
27 crew going to see if the communication is removed from the  
28 pole, and thus we can send an actual bucket truck crew to

1 remove the pole. So that first component, which kind of  
2 totals 81,000 in our calculation, is not in 1830.

3 The second component of the returning crew actually  
4 removing the pole is in 1830. But to Mr. Malone's point,  
5 in the indirect costs there is only a small portion being  
6 recovered as per the allocation factor. So it is not a  
7 full amount in the --

8 MS. HELT: Loss in productivity?

9 MS. COLLIER: Yes.

10 MS. HELT: Okay, thank you. If we can go to line D,  
11 net embedded cost per pole, Hydro Ottawa has an amount  
12 there of \$1,569. And is my understanding that this  
13 includes not only wooden poles, but composite poles, that  
14 sort of thing. Is that correct?

15 MS. COLLIER: The dollar value is for the entire  
16 account 1830, so it would include all poles.

17 MS. HELT: All types of poles. And the -- if we look  
18 on line D to the value in the RP-2003 decision, it is \$478.  
19 And my understanding of that is that is just based on  
20 wooden poles, is that correct -- or on a 40-foot bare  
21 wooden pole?

22 MR. MALONE: That's our understanding. That is 1995  
23 Milton Hydro number was Milton using composite or concrete  
24 poles twenty years ago, we're not sure.

25 MS. HELT: Right.

26 MR. MALONE: But I think the assumption is yes, it is  
27 probably wood.

28 MS. HELT: Okay. So would Hydro Ottawa be able to



1 give an estimate of what -- if you're looking at the cost  
2 or the net embedded cost of a bare 40-foot pole, what that  
3 would be today?

4 In other words, an equivalent to the 478 from the RP-  
5 2003, what would it be today, on the basis of a 40-foot  
6 bare wooden pole?

7 [Witness Panel confers]

8 MR. BENNETT: Perhaps you could repeat that. I just  
9 wanted to be clear, that you know, there are attachments on  
10 all types poles in Ottawa, concrete, composite wood poles.

11 MS. HELT: Right. But I am just trying to see what  
12 would the equivalent be of the 478, if you were using a  
13 bare 40-foot pole.

14 MR. BENNETT: What does bare mean in your definition.

15 MS. HELT: As it was in the RP-2003 decision, it was  
16 used on the basis of a bare 40-foot wooden pole.

17 MR. BENNETT: I guess that's -- I haven't seen the  
18 definition of what a bare 40-foot wooden pole means.

19 MS. HELT: All right. So there is no dispute, though,  
20 that \$1,569 is the cost now that you are saying the net  
21 embedded value, and that is based on a composite-type -- a  
22 composite range of different types of poles?

23 MR. BENNETT: It is based on our full inventory of  
24 poles, yes.

25 MS. HELT: All right. Okay, I don't believe we have  
26 any other questions. That's all from Board Staff. Thank  
27 you.

28 DR. ELSAYED: Thanks, Ms. Helt. Ms. Milton.

1           **CROSS-EXAMINATION BY MS. MILTON:**

2           MS. MILTON: I want to just pick up on just a couple  
3 of points from the chart that Ms. Helt was referring to.

4           And I will start with the question: Would you agree  
5 with me -- would you agree with me that the decision 2005  
6 methodology established a per attacher pole attachment  
7 rate?

8           MR. MALONE: Per attacher per pole per year.

9           MS. MILTON: With a per attacher rate.

10          MR. MALONE: Yes. We would agree on that.

11          MS. HELT: Microphone.

12          MR. MALONE: The decision is on a per pole basis. I  
13 think the implication there is it doesn't come out and say  
14 per attacher, but it is applied as a per attacher per pole.

15          MS. MILTON: It is applied as a per attacher rate per  
16 pole, correct?

17          MR. MALONE: Yes.

18          MS. MILTON: So that means the rate applies to every  
19 attacher to the pole? At least the streetlight attachers  
20 and telecom attachers, it applies to every attacher to the  
21 pole?

22          MR. MALONE: Yes.

23          MS. MILTON: So if that's the case, would you agree  
24 with me that the costs that are recovered through that rate  
25 should be per attacher cost?

26          MR. MALONE: Our difficulty was on the administration  
27 cost under direct that the Board did not divide by the  
28 number of attachers.

1 MS. MILTON: Would you agree with me that if it is a  
2 per attacher rate the costs you should recover would be per  
3 attacher costs?

4 MR. MALONE: Generally speaking, yes.

5 MS. MILTON: And maybe an example would help. So if,  
6 for example, your admin costs were \$2 pole per year, and  
7 you have one attach -- you have two attachers, excuse me,  
8 so your per pole admin cost is \$2 per pole per year, you've  
9 got two attachers. Your pole attachment rate should  
10 recover \$1 per attacher per year per pole. Should it not?

11 MR. MALONE: When we did our calculations earlier this  
12 year, that was one of the differences between the  
13 administrative and loss of productivity where in fact  
14 looking at the Board decision administration wasn't divided  
15 out and loss of productivity was by the number of  
16 attachers.

17 So I know you are not going there, but, you know, with  
18 your question, yes. You would probably divide by the  
19 number of attachers.

20 MS. MILTON: Right. Because if you applied \$2 to two  
21 attachers you would be getting \$4 per pole per year,  
22 wouldn't you, Mr. Malone?

23 MS. COLLIER: Yes, mathematically that's correct. The  
24 underlying assumption in that is that we have the correct  
25 number of attachers.

26 MS. MILTON: Right. And that is my example. But you  
27 would be over-recovering unless you have a per attacher  
28 cost. Correct?

1 MS. COLLIER: Correct.

2 MS. MILTON: All right. And if we just look at the  
3 table that Board Staff just circulated, and I just wanted  
4 to clarify the comment.

5 So beside the Hydro Ottawa response to Carriers No. 7,  
6 the revised column, and then beside that there is the  
7 comment column. And the comment column there says: Total  
8 admin cost divided by number of poles with attachments. I  
9 just want to confirm. There was no division in that case  
10 by the number of attachers in your evidence, correct?

11 MR. MALONE: That's correct.

12 MS. MILTON: And similarly for the loss in  
13 productivity cost, there was no division in your evidence  
14 by the number of attachers, correct?

15 MR. MALONE: That's correct.

16 MS. MILTON: All right. Now, I wonder if we could  
17 just go to Carriers 14, I believe. Carriers 14(d). That  
18 is Carriers 14, and it is on page 3 of 3 of that response.  
19 There is a table 1.

20 There is a reference there to, it's the capital  
21 contribution and number of poles affected. And as I  
22 understand it, what this relates to is third-party  
23 contributions that you've had towards the net or the  
24 embedded costs of your poles; is that correct?

25 MS. COLLIER: Yes.

26 MS. MILTON: And who would be paying those  
27 contributions?

28 MS. COLLIER: A variety of people. Road authorities.

1 MR. MALONE: Could be specific customers like  
2 developers or property owner, road authority. As we noted  
3 in one of our other responses, how much make-ready work was  
4 provided by Carriers, which was, like, less than 50,000  
5 over five years.

6 MS. MILTON: Sorry, Mr. Malone, are these -- these  
7 numbers are not make-ready work. My understanding is these  
8 are contributions to the costs of pole replacements. Am I  
9 misunderstanding?

10 MR. MALONE: You're correct. The make-ready work  
11 really has never replaced any of Hydro Ottawa poles. So it  
12 wouldn't be attracted under capital contribution towards a  
13 pole.

14 MS. MILTON: And would Bell be a company that pays  
15 some of these capital contributions?

16 MR. MALONE: Since our five-year historical review  
17 window, we reviewed that portion, and Bell never had  
18 requested Hydro Ottawa to change any of its poles, nor  
19 provide any contributions to that.

20 MS. MILTON: And once you receive these capital  
21 contributions, who owns the pole?

22 MS. COLLIER: Hydro Ottawa.

23 MR. MALONE: Yes.

24 MS. MILTON: The entirety of the pole?

25 MR. MALONE: In this case Hydro Ottawa. If we're  
26 changing to somebody else's pole, then it is not under this  
27 table.

28 MS. MILTON: But these are the contributions for then

1 -- to poles that you own, correct?

2 MR. MALONE: That's correct.

3 MS. MILTON: Now, are these amounts netted out of the  
4 amounts in account 1830?

5 MS. COLLIER: No, they're not.

6 MS. MILTON: Now, I understand that in the settlement  
7 proposal Hydro Ottawa proposes to create a deferral account  
8 for wireless attachment revenues; is that correct?

9 MS. JONES: Yes, that's correct.

10 MS. MILTON: And am I correct in understanding that  
11 below a certain revenue threshold all funds in that  
12 deferral account would be retained by Hydro Ottawa?

13 MS. JONES: During the five-year term, but at the end  
14 of the five-year term all amounts will be disposed -- would  
15 be disposed, upon our refile and our rebasing.

16 MS. MILTON: But who will get those funds?

17 MS. JONES: It will go to ratepayers.

18 MS. MILTON: Your electricity ratepayers, correct?

19 MS. JONES: If there are any funds --

20 MS. MILTON: And you would agree with me that you're  
21 proposing that under your allocation methodology that these  
22 third party that pay the pole attachment rate, they're  
23 contributing to more than 50 percent of the costs of your  
24 poles? Would you agree, that is your proposal?

25 MS. JONES: I'm not clear on what you mean by "the  
26 allocation".

27 MS. MILTON: The allocation of the indirect or common  
28 costs of the pole under your allocation factor, you're

1 proposing an allocation of 25.9 percent with two attachers.  
2 So you are proposing to recover 25 percent plus from one  
3 account attacher and then another 25 percent plus from a  
4 second attacher, so you are recovering under the  
5 methodology more than 50 percent of your pole cost from the  
6 third-party attachers that would be paying the rate.

7 MS. DUFF: If there is a specific reference within the  
8 settlement proposal, that would be helpful, so that we  
9 could all follow along with the exact words.

10 MS. JONES: So the deferral account that is being  
11 referenced is on page 22 of the settlement proposal.

12 MS. DUFF: Thank you.

13 MS. MILTON: So you would agree with me that none of  
14 the funds in that deferral account would be reimbursed to  
15 people that pay the pole attachment rate, correct?

16 MS. JONES: Just so that we're clear, these are  
17 revenues gained from wireless attachments that may or may  
18 not be attached to our poles during the two-16 to '20  
19 period.

20 MS. MILTON: Correct. But if they're attached to your  
21 poles they're using your poles, correct?

22 MS. JONES: They're using the pole.

23 MS. MILTON: And they benefit from the buried space,  
24 correct?

25 MS. JONES: The wireless attachment?

26 MS. MILTON: Well, they're on the pole.

27 MR. MALONE: So over the last ten years, we've noted  
28 that we've had antennas with the Carriers and we're down to

1 one antenna.

2 So looking forward, yes, there will be a general rate  
3 review of wireless attachments. Specifically to your  
4 question, there will be a recovery for wireless. We don't  
5 anticipate a lot.

6 Having had that ten years' experience compared to the  
7 rest of Ontario --

8 MS. MILTON: Mr. Malone, will any of the funds in the  
9 deferral account be distributed back to people who pay the  
10 pole attachment rate?

11 MS. COLLIER: No. Per the settlement agreement it  
12 goes back to the electricity ratepayers.

13 MS. MILTON: Thank you.

14 Now, I understand that Hydro One has some attachments  
15 in the power space on your pole. Is that correct?

16 MR. MALONE: That's correct.

17 MS. MILTON: And I understand that they're currently  
18 paying a rate -- or in 2014, they paid a rate of \$28.61 for  
19 those attachments, is that correct?

20 MR. MALONE: Yes. But that rate has been replaced by  
21 Board decision EB-2013-0416 with a higher rate.

22 MS. MILTON: Would you agree with me that that rate  
23 was approved for Hydro One?

24 MR. MALONE: That rate was put forward to the Board by  
25 Hydro One, and it was for LDC with power attachments.

26 MS. MILTON: Would you agree with me that that rate is  
27 for use of ten foot feet of a pole, the new rate that will  
28 replace the \$28.61? So the rate for ten feet of pole is --



1 the bottom rate, that is for ten feet, the use of ten feet  
2 of space on a pole?

3 MR. MALONE: So when we look at the power space, we  
4 have the bottom of the power space which we have the  
5 neutral, and then one owner owns the neutral and -- we're  
6 actually talking about energized conductors above that.

7 So reading the Hydro One approved rate, it is for ten  
8 feet of power space above the neutral.

9 MS. MILTON: And that rate for the ten feet of space,  
10 I believe it is around the \$43 mark. Would I have that  
11 correct?

12 MR. MALONE: On page 15 of 17 of Hydro One's approved  
13 tariffs or rates and charges effective January 1, 2015, ten  
14 feet equates out to \$46.88.

15 MS. MILTON: And that is for the use of ten feet of  
16 space, correct? We've just been there --

17 MR. MALONE: This question is more about methodology,  
18 and how the Board and Hydro One applied its rate  
19 determination.

20 I'm not sure what methodology -- you would have to go  
21 back to the rate decision EB-2010-0228 where the Board,  
22 Hydro One and intervenors were generators on Hydro One  
23 poles.

24 I'm not current with what was the actual methodology  
25 in the power space.

26 MS. MILTON: Just to confirm, you're asking for  
27 \$57 from a communications attacher that gets use of some  
28 portion of two feet of space. And the rate that you will

1 apply to a power attacher for ten feet of space is \$46.88  
2 per pole, correct?

3 [Witness Panel confers]

4 MR. MALONE: First, it's not just two feet. But there  
5 is the safety separation space at the pleasure of the  
6 communications attacher; the power companies don't require  
7 that. So that is just a little bit above five feet of  
8 space.

9 As well, typically Hydro One -- and this rate reflects  
10 a rural setting. When you get into an urban area, the pole  
11 dynamics and how much you can put on the pole changes  
12 slightly.

13 MS. MILTON: I believe your evidence is that the  
14 street light attachments are frequently in the separation  
15 space. Is that correct, Mr. Malone?

16 MR. MALONE: We've seen them in the communication  
17 space. We have seen them in the separation space, yes.

18 MS. MILTON: And you earn separate electricity  
19 revenues from those street light attachments attached to  
20 your poles, is that correct?

21 MR. MALONE: They're treated -- are you talking about  
22 the energy consumption?

23 MS. MILTON: Yes, you earn energy consumption revenues  
24 from those attachments, is that correct?

25 MR. MALONE: Similar to any of the Carriers with their  
26 amplifiers being unmetered, they pay an unmetered approved  
27 Board rate, which is totally separate from the pole  
28 attachment rate, as stated in the pole attachment

1 agreement.

2 MS. MILTON: That's all of our questions. Thank you,  
3 Mr. Chairman.

4 DR. ELSAYED: Any questions from the Panel?

5 **QUESTIONS BY THE BOARD:**

6 MS. DUFF: I have one question. In your proposal for  
7 the two attachments per pole -- if I said that right; I am  
8 doing this off the top of my head -- why did you propose  
9 two, when the number is never two in any of your  
10 calculations?

11 MR. MALONE: Let me sort of just interpret your  
12 question. You're asking why we used two rather than 1.58?

13 MS. DUFF: Yes.

14 [Witness Panel confers]

15 MR. MALONE: This brings up a broader issue and you're  
16 asking why did we not use a lower number of attachers per  
17 rate.

18 We were very conservative when we started these  
19 calculations a year ago with respect to the attachers, and  
20 not just in that particular area.

21 You know, as it was mentioned by Mr. Janigan this  
22 morning about the weighted cost of capital, we used a pre  
23 post tax rate with no PILs. We didn't include all other  
24 plant accounts like 1835.

25 A lot of other associated costs with communications,  
26 enquiries, complaints around poles many we never included,  
27 all to the benefit of the attachers. So we were very  
28 conservative in the number by rounding up to two.

1           We could be criticized for being so generous to the  
2 Carriers. Unfortunately, they don't view it as that, but  
3 we thought we were providing a very conservative  
4 calculation.

5           MS. DUFF: Okay. And the other question I have is  
6 regarding revenue offsets when you're designing rates for  
7 that.

8           Is there any reason why, in designing a rate to be  
9 used as an offset, that you would exclude -- again, sorry,  
10 I should say the topic. The carrying cost, the 6.7, the  
11 excluding of taxes from the tax implications of that.

12           Why would you exclude that? Is there anything hinging  
13 on that with respect to it being a revenue offset?

14           MS. COLLIER: That was an oversight. The Board  
15 decision of 2003-0249 was quite clear that the 11.42 used  
16 at the time was pre-tax.

17           In our calculation, we used the 6.7 Board-approved  
18 which was not pre-tax, and we should not have done that.  
19 We should have used the 8.04, as mentioned earlier today.

20           MS. DUFF: Thank you. Those are my questions.

21           DR. ELSAYED: I do have a question related to Ms.  
22 Milton's question about the deferral account.

23           Her earlier concern -- and I guess I am just going to  
24 read from the transcript of the last oral hearing -- she  
25 said that:

26                        "So to the extent that the parties to the  
27 settlement proposal consider that by creating  
28 this deferral account, wireless attachments or

1           the revenues from those wireless attachments are  
2           somehow removed from consideration of the pole  
3           attachment rate, Rogers, Telus and Quebecor  
4           oppose that portion of the settlement agreement."

5           I just want to make it clear whether there is any link  
6           really between one and the other. In other words, if the  
7           Board decides to approve the settlement proposal, does that  
8           in any way, in that angle, affect particularly on that  
9           issue of the pole attachment rate?

10          MS. JONES: Correct. So in this case, and in creating  
11          the deferral account, we do see the rate being decoupled  
12          from the revenue, because the revenues that are anticipated  
13          -- and as are to be captured in that account -- are those  
14          that would result from what we understand to be an upcoming  
15          proceeding in front of the Board -- or initiated by the  
16          Board to look at whether there will be continued regulation  
17          of wireless attachments and in particular of the rate of  
18          wireless attachments.

19          So to the extent that a market rate were to -- if in  
20          the eventuality that Hydro Ottawa were to be allowed to  
21          charge a market rate, then this account was designed to  
22          capture the revenues from that rate and then give them back  
23          to ratepayers.

24          DR. ELSAYED: Thank you.

25          Ms. Milton, any comment on this?

26          MS. MILTON: I don't think you can decouple them,  
27          because you've got -- you're recovering the common costs of  
28          a pole. If there is something else on the pole that you

1 are recovering those costs from, and you're applying an  
2 equal sharing methodology which you are telling us we have  
3 to apply, you have to consider everyone in that  
4 calculation.

5 And, I mean, we will argue that more fully in final  
6 argument, but that is our position. They're interrelated.  
7 If the number of attachers is on the table, then the  
8 potential for revenues from wireless attachers is very much  
9 on the table. You can't expect some group of pole  
10 attachers to pay huge portions of the common cost of a  
11 pole, and then Hydro Ottawa to go off and generate revenues  
12 from other people from that pole and not consider that when  
13 you set the rate. And that's our position.

14 MS. JONES: If I may, the expectation is that there  
15 will no longer be a regulated rate. And so therefore the  
16 rate will become whatever the market will bear. So in that  
17 case it would be a negotiation.

18 But regardless, the revenue resulting from that rate  
19 is what would be captured in this account and given to  
20 ratepayers.

21 MS. COLLIER: Just to be clear, the revenue --

22 MS. JONES: It's an offset --

23 MS. COLLIER: -- today is zero.

24 DR. ELSAYED: Sorry, just to...

25 MS. COLLIER: Just to be clear, the current revenue to  
26 date from wireless attachments is zero. We have one, but  
27 the attacher is already paying on a per attacher pole, so  
28 we don't collect any additional revenue.

1 DR. ELSAYED: Thank you.

2 Ms. Duff, do you have a comment? Okay.

3 Any redirect, Mr. Cass?

4 MR. CASS: No, sir, thank you.

5 DR. ELSAYED: Thank you. So I think we will -- unless  
6 there is anything else, I would just like to thank the  
7 Hydro Ottawa Panel, and maybe we will take a short break to  
8 just allow for the change of the Panels and bring the  
9 Carriers' Panel on. So how about maybe ten minutes, and we  
10 will continue. Thank you.

11 --- Recess taken at 2:24 p.m.

12 --- On resuming at 2:34 p.m.

13 **CARRIERS - PANEL 1**

14 **Adrian MacDonald**

15 **Kevin Richard**

16 **David McKeown**

17 DR. ELSAYED: Please be seated.

18 Okay. Ms. Milton, do you want to introduce -- or --

19 MS. McALEER: I will do that, thank you, Mr. Chair.

20 It is Ms. McAleer.

21 What I will do is we have a combination of  
22 representatives from the Carriers that are represented by  
23 Ms. Milton and myself, and also an individual from  
24 Allstream, who is represented by Mr. Peaker.

25 So I will introduce the two people on the board that  
26 we brought today. The first is David McKeown, and we will  
27 be tendering Mr. McKeown as an expert, and I will get into  
28 his background and the particular area in which we seek to

1 have him tendered as an expert.

2 Then in the middle we have Kevin Richard, and Mr.  
3 Richard is an employee of Rogers.

4 Perhaps what I will do at this point is turn it over  
5 to Mr. Peaker to introduce the AllStream representative.

6 MR. PEAKER: Thank you. We have brought with us Mr.  
7 Adrian MacDonald, who is senior manager right-of-ways and  
8 building access with AllStream.

9 DR. ELSAYED: Thank you.

10 MS. McALEER: And then, Members of the Panel, before  
11 moving on to tender Mr. McKeown as an expert, with respect  
12 to Mr. Richard, perhaps I could just simply ask him very  
13 introductory questions with respect to his position and  
14 have him adopt his report, and then that will be the end of  
15 my questions for Mr. Richard.

16 DR. ELSAYED: Okay.

17 MS. McALEER: So Mr. Richard, could you please inform  
18 the Panel as to your position with Rogers?

19 MR. RICHARD: Yes. I am currently the outside plant  
20 engineering manager and I have a staff of fourteen people  
21 that manage new area projects, including applying for hydro  
22 consent for pole attachments.

23 MS. McALEER: All right. And you have prepared, prior  
24 to today, written evidence which was tendered to the Board  
25 on August 21, 2015?

26 MR. RICHARD: Yes, that's correct.

27 MS. McALEER: And you have that evidence before you  
28 today?



1 MR. RICHARD: Yes I do.

2 MS. McALEER: And you adopt that evidence?

3 MR. RICHARD: Yes, I do.

4 MS. McALEER: Thank you. So then, Members of the  
5 Panel, I will move on to Mr. McKeown who, as indicated, is  
6 being tendered by the Carriers as an expert in these  
7 proceedings.

8 So, Mr. McKeown, you have previously prepared a report  
9 that was dated August 21, 2015.

10 MR. MCKEOWN: Yes.

11 MS. McALEER: And I understand that that report was  
12 subsequently amended further to the technical conference?

13 MR. MCKEOWN: That's correct.

14 MS. McALEER: And those amendments have been filed  
15 with the Board, as far as you understand?

16 MR. MCKEOWN: Yes, they have.

17 MS. McALEER: Mr. McKeown, is your mic on? I am even  
18 having a hard time hearing you, so maybe just step a little  
19 closer to the mic.

20 All right. So, Members of the Panel, we are going to  
21 seek to tender Mr. McKeown as an expert.

22 So I would like to start by asking you some questions  
23 about your background, Mr. McKeown. Could you explain to  
24 the Panel your educational background?

25 MR. MCKEOWN: I'm a certified general accountant,  
26 which has been folded into a larger organization known as  
27 the Certified Professional Accountants, and I've held that  
28 designation for about thirty years.

1 I have an undergraduate degree in economics.

2 MS. McALEER: Where is that degree from?

3 MR. MCKEOWN: University of Toronto.

4 MS. McALEER: Do you recall when it was obtained?

5 MR. MCKEOWN: In 1979.

6 MS. McALEER: Okay. And as you were working towards  
7 obtaining your designations as a CPA and CGA, did you in  
8 fact embark on any studies or courses related to costing?

9 MR. MCKEOWN: Yes, both as a -- in the program for the  
10 Certified General Accountant, there were costing courses  
11 that I needed to take, of course. While earning that  
12 designation, one of the requirements was to work for an  
13 employer in the accounting field, and I worked for a  
14 regulator and we used different types of costing, but  
15 primarily rate base, rate of return for the companies that  
16 were regulated.

17 In addition, I took courses and took in conferences  
18 that dealt with costing-related issues, as well as  
19 regulatory issues.

20 MS. McALEER: And I understand after obtaining your  
21 degree, at one point you started working for what was then  
22 Unitel; is that correct?

23 MR. MCKEOWN: Yes. I started my career actually at  
24 the Ontario Telephone Service Commission, which was the  
25 regulator of the independent telephone companies in  
26 Ontario.

27 And from there went to CNCP, which became Unitel.

28 MS. McALEER: Am I correct you were at Unitel from

1 1984 to 1995?

2 MR. MCKEOWN: That's correct.

3 MS. McALEER: And can you tell the Board about the  
4 last position you held at Unitel? What was that position?

5 MR. MCKEOWN: My title was director, policy and  
6 costing. My responsibilities included regulatory areas  
7 that Unitel was concerned about, primarily the introduction  
8 of competition to the telecommunications market.

9 Much of my time was spent on the costing methodologies  
10 used by the telephone companies. Unitel was required to  
11 pay what was called a contribution, or a payment, in order  
12 to support local telephone rates. And that was derived  
13 through a costing methodology that was used by the  
14 telephone companies and overseen by the CRTC.

15 MS. McALEER: And I understand that you then moved on  
16 to Rogers in 1995.

17 MR. MCKEOWN: Yes, I was there for three years as vice  
18 president, regulatory. My focus was on telecom-related  
19 issues, and again I was involved in introduction of  
20 competition, primarily in the local markets and again,  
21 because there were payments and rates involved, much of my  
22 time was spent looking at the cost studies that the  
23 telephone companies filed to support those rates.

24 MS. McALEER: You say much of your time. Are you able  
25 to attribute a percentage to the amount of time you spent  
26 on costing-related issues?

27 MR. MCKEOWN: I'm going to say 50 percent, but it's  
28 hard to determine that.

1 MS. McALEER: And I understand you then left Rogers in  
2 1998 to form your own company?

3 MR. MCKEOWN: Yes, I have been an independent  
4 consultant since that time.

5 MS. McALEER: And that company is View Communications.

6 MR. MCKEOWN: Correct.

7 MS. McALEER: And you are the president.

8 MR. MCKEOWN: I am.

9 MS. McALEER: Members of the Panel, I should say that  
10 Mr. McKeown has filed with his evidence -- it is appendix 1  
11 to his evidence -- a summary of his work experience as an  
12 independent consultant. It doesn't specify his educational  
13 background or the work history that we just reviewed, but  
14 that is -- has already been filed, appendix 1.

15 In that document -- Mr. McKeown, do you have that  
16 document in front of you, appendix 1 to your original  
17 evidence? I will give you a moment to find it.

18 MR. MCKEOWN: Sure, thank you. I've got that.

19 MS. McALEER: You have it. I understand there is a  
20 correction with respect to the timeline at the end of the  
21 first paragraph. It currently indicates from 1984 to 2004  
22 he held progressive positions at Unitel. It is supposed to  
23 be 1984 to 1995, is that correct?

24 MR. MCKEOWN: Yes. I should know those dates. That's  
25 correct.

26 MS. McALEER: So as president of View Communications,  
27 perhaps you could give the Panel an overview of the type of  
28 work you've done for the last eighteen years as an

1 independent consultant, specifically with respect to the  
2 issues that are before the Board and the subject matter of  
3 your report.

4 MR. MCKEOWN: In telecommunications, there's been a  
5 move towards forbearance or deregulation. But the CRTC  
6 continues to regulate their wholesale rates. These are  
7 services that are offered to competitors, so that they can  
8 provide services in competition not only with Bell, but  
9 with the cable carriers as well.

10 They're required to file these rates and, in support  
11 of the proposed rates, they must also file cost studies.

12 The cost studies are based on a methodology that the  
13 CRTC, along with the industry, has created.

14 Much of my work is with wholesale companies, companies  
15 that would like to compete with the incumbents, and I have  
16 been asked to look at those cost studies and provide  
17 comments to my clients so that they, in turn, can file  
18 comments on the proposed rates.

19 Other work includes looking at the actual methodology.  
20 So recently, for example, I was asked by a client to look  
21 at how certain common costs were recovered for wholesale  
22 services and whether the methodology was being applied  
23 correctly by the incumbents and what refinements could be  
24 made to that existing methodology.

25 MS. McALEER: And I understand, Mr. McKeown, that most  
26 of your work to date has been, as you said, as a consulting  
27 nature. You understand that your role here today is  
28 somewhat different?

1 MR. MCKEOWN: I understand that. I'm not -- I'm here  
2 to provide my expert testimony for the Board to consider in  
3 the context of this proceeding.

4 MS. McALEER: And you have signed the acknowledgement  
5 of expert's duty, the form that is provided by the Board?

6 MR. MCKEOWN: I have.

7 MS. McALEER: And you read that carefully before you  
8 signed it?

9 MR. MCKEOWN: Yes, I did.

10 MS. McALEER: And you understand that your obligation  
11 here today is to provide opinion evidence that is fair,  
12 objective, and non-partisan?

13 MR. MCKEOWN: Yes.

14 MS. McALEER: And you understand that you are to  
15 provide evidence that is related only to the matters that  
16 are within your area of expertise?

17 MR. MCKEOWN: Yes.

18 MS. McALEER: And that your primary goal here today is  
19 to provide assistance to the Board such as they may  
20 require?

21 MR. MCKEOWN: Yes.

22 MS. McALEER: And that all of those duties trump or  
23 prevail over any obligation you have to the parties that  
24 have actually retained you?

25 MR. MCKEOWN: Yes.

26 MS. McALEER: And in addition, most of your background  
27 has been in the telecommunications field. But in preparing  
28 your report you've had to look at the cost inputs of Hydro

1 Ottawa.

2 Can you provide the Panel with some explanation or  
3 background with respect to how your costing experience in  
4 telecommunications prepared you to review the Hydro Ottawa  
5 costing information and provide the opinion that you have?

6 MR. MCKEOWN: The questions and issues that arise from  
7 the pole attachment rates are very similar, if not  
8 identical, to many of the questions and issues that need to  
9 be addressed in the context of telecommunications services.

10 So we look at incremental costs, the direct costs  
11 associated with providing a service, and we need to  
12 consider how to recover fixed and common costs. Those need  
13 to be recovered somehow by a company, and if only the  
14 incremental costs were charged as a rate, there would be  
15 insufficient revenues for the recovery of those common  
16 costs.

17 How those common costs, though, should be recovered is  
18 a difficult question and one that I have had to deal with  
19 on behalf of clients many times.

20 MS. McALEER: And you have had the opportunity to  
21 review the Board's Procedural Order No. 9 and you  
22 understand that the scope of today's hearing has been  
23 limited and that some of the opinion evidence you had  
24 previously provided in your report is no longer within the  
25 scope of today's proceedings. You understand that?

26 MR. MCKEOWN: Yes.

27 MS. McALEER: With that, Members of the Board, I would  
28 like to qualify Mr. McKeown as an expert to provide opinion

1 evidence in regulatory cost allocation and cost-based rate  
2 design. So I am seeking to have him tendered as an expert  
3 in regulatory cost allocation and cost-based rate design.

4 DR. ELSAYED: Mr. Cass?

5 MR. CASS: Mr. Chair, I was not intending to get into  
6 issues of expertise, except that I heard a comment this  
7 morning to the effect that somehow Mr. McKeown's expertise  
8 would be considered superior to that of Hydro Ottawa's own  
9 witnesses.

10 Also, having heard now the areas in which Mr. McKeown  
11 is sought to be qualified as an expert in regulatory cost  
12 allocation and cost-based rate design, I didn't hear a  
13 groundwork laid for him to be an expert in those areas.

14 In any event, I would like to pursue some questions  
15 about his expertise. I can do that now or I can do that  
16 when cross-examination proceeds.

17 As well, Mr. Chair, before we even come to that, I  
18 might note, I don't think the witnesses were affirmed. We  
19 may have missed that.

20 DR. ELSAYED: Yes. I apologize. We should do that  
21 now, yes.

22 MR. CASS: I note as well that one of the witnesses  
23 has a computer. I am not objecting to that, but it is  
24 rather unusual, because none of us have any way of knowing  
25 what might be on the screen of the computer in front of the  
26 witness, so I don't know what the Board's approach is to  
27 that sort of thing, but I just note that as well.

28 DR. ELSAYED: Okay. So maybe we will start first with



1 affirming the witnesses.

2 MS. DUFF: My apologies. Just remain seated.

3 **Adrian MacDonald, Affirmed**

4 **Kevin Richard, Affirmed**

5 **David McKeown, Affirmed**

6 MS. McALEER: Mr. Chair, if I might respond to the  
7 comments by Mr. Cass.

8 If Mr. Cass is going to take issue with the  
9 qualification of Mr. McKeown, then I think the proper  
10 procedure would be for him to ask the questions that he  
11 thinks are appropriate at this stage, and then if he still  
12 is not prepared to agree that he be tendered as an expert  
13 as I have articulated, then I think the next step would be  
14 for Mr. Cass and I to make submissions to you with respect  
15 to whether or not he should in fact be tendered as an  
16 expert.

17 DR. ELSAYED: Thank you. Okay, Mr. Cass.

18 MR. CASS: I won't be long, Mr. Chair. Maybe just a  
19 few questions, if you don't mind.

20 Mr. McKeown, it is my understanding that you have  
21 never been accepted as an expert witness in any proceeding  
22 prior to this; is that correct?

23 MR. MCKEOWN: I believe I was accepted as an expert  
24 witness in 2006, Mr. Cass, before the energy board. Not as  
25 a cost expert, but as a regulatory -- as someone with some  
26 knowledge about regulatory forbearance.

27 MR. CASS: You are absolutely right. You have  
28 corrected me. My statement was wrong. You were accepted,

1 indeed, as an expert in an Ontario Energy Board proceeding  
2 that involved an issue of forbearance.

3 MR. MCKEOWN: Yes, sir.

4 MR. CASS: And that is the only time you have been  
5 accepted --

6 MR. MCKEOWN: That is the only time.

7 MR. CASS: Thank you for correcting me. You're quite  
8 right.

9 So just a couple of questions in relation to these  
10 areas of expertise. So regulatory cost allocation. You  
11 would agree with me, I'm sure, that Hydro Ottawa is a  
12 regulated utility. Its witnesses are quite versed in  
13 regulatory cost allocation.

14 MR. MCKEOWN: Yes. They seem to be.

15 MR. CASS: And insofar as that affects a utility  
16 regulated by this Board, would you consider that you have  
17 any greater expertise in regulatory cost allocation than  
18 Hydro Ottawa's own witnesses?

19 MR. MCKEOWN: I'm sure there is a great deal of  
20 overlap in our areas of expertise. The focus may be a  
21 little bit different amongst us, but I agree --

22 MR. CASS: But you don't have a greater expertise in  
23 regulatory cost allocation for a regulated electricity  
24 distributor than Hydro Ottawa's own witnesses, surely?

25 MR. MCKEOWN: Yeah, I -- I don't know the witnesses  
26 personally. And I was impressed with their testimony  
27 today. But I can't go beyond that.

28 MR. CASS: Okay. I was going to ask the same thing

1 about your other area, the other area, then. Cost-based  
2 rate design. Again, Hydro Ottawa has people -- staff who  
3 do rate design for the Energy Board as their jobs. Right?  
4 You would understand that?

5 MR. MCKEOWN: Yes.

6 MR. CASS: And any comment on the extent to which your  
7 expertise would exceed that of the Hydro Ottawa witnesses  
8 in that area?

9 MR. MCKEOWN: I would have no comment on that.

10 MR. CASS: All right. That's all, Mr. Chair, thank  
11 you.

12 DR. ELSAYED: Ms. McAleer, I --

13 MS. McALEER: No, so do I -- I don't think I yet have  
14 Mr. Cass's position as to whether or not he is prepared to  
15 accept Mr. McKeown as an expert in cost allocation and  
16 cost-based rate design.

17 MR. CASS: Mr. Chair, I am not at all persuaded that  
18 the groundwork has been laid for his expertise in those  
19 areas. However, I don't want to hold up this proceeding.

20 I am prepared to indicate I won't object, but  
21 certainly I think, you know, as the Board hears the cross-  
22 examination, the Board can give some weight to what the  
23 Board can understand from the answers to the questions is  
24 the extent of Mr. McKeown's real expertise.

25 So I suggest we just let it go to weight at the end of  
26 this, and we can proceed, and I won't object to the  
27 qualification of Mr. McKeown as an expert.

28 DR. ELSAYED: Okay. Is that okay?

1 MS. McALEER: So I understand that Mr. Cass is not  
2 objecting to him being qualified as a witness, as I have  
3 requested. So I would at this point then ask the Board to  
4 please qualify him as an expert in the field of cost  
5 allocation and cost-based rate design.

6 DR. ELSAYED: Oh, Mr. Rubenstein, any comment?

7 MR. RUBENSTEIN: I'm in a similar position as Mr.  
8 Cass. In my experience before the Board, the  
9 qualifications of a witness is not a strict as one would  
10 find in the civil courts. Generally, a lot of it goes to  
11 weight.

12 So I am not objecting to Mr. McKeown to be qualified  
13 as has been set out, and I think many of the questions are  
14 probably more appropriate -- at least in my experience  
15 before this Board -- as it goes to weight of the evidence.

16 DR. ELSAYED: Ms. McAleer, are you okay with the issue  
17 of qualifying Mr. McKeown and for the Panel to --

18 MS. McALEER: I fully appreciate, Members of the  
19 Panel, that the question of what weight to attribute to Mr.  
20 McKeown's evidence will be a matter that the parties will  
21 provide submissions to you in the future.

22 And that, of course, is completely within your  
23 discretion, to decide what weight you want to give his  
24 evidence.

25 At this point, I am simply asking you to tender him as  
26 an expert.

27 DR. ELSAYED: Yes, we are fine with that in the area  
28 of regulatory cost allocation and cost-based rate design.

1 MS. McALEER: Thank you, members of the Panel.

2 So I don't believe I have any further questions for  
3 Mr. McKeown, although I can't recall if I had him adopt his  
4 report. I don't think I did.

5 So, Mr. McKeown, the report that you originally  
6 prepared on August 21st and which you subsequently  
7 corrected, you adopt that as part of your evidence before  
8 the tribunal here today?

9 MR. MCKEOWN: Yes.

10 MS. McALEER: Thank you. Those are all of my  
11 questions.

12 DR. ELSAYED: Thank you.

13 MR. PEAKER: While we're on that point, Mr. MacDonald  
14 hasn't adopted his evidence yet. And now that he has been  
15 affirmed, perhaps we can do that.

16 Mr. MacDonald the evidence you filed with this Board  
17 on August 21st, do you adopt this as your evidence to the  
18 Board today?

19 MR. MACDONALD: Yes.

20 MR. PEAKER: Thank you.

21 MS. DUFF: And Mr. Richard as well?

22 MS. McALEER: He has already, thank you, Ms. Duff.

23 DR. ELSAYED: So I believe unless there is anything  
24 else, then we go to Mr. Cass for his cross-examination.

25 **CROSS-EXAMINATION BY MR. CASS:**

26 MR. CASS: Thank you, sir. Mr. Richard, if I could  
27 start with a few questions of you, please.

28 MR. RICHARD: Certainly.

1 MR. CASS: So I am starting by looking at page 2 of  
2 your evidence, I am sure you have that there. Just a few  
3 very basic questions to set a little bit of groundwork.

4 My understanding from page 2, I think this is set out  
5 quite explicitly, is that your evidence addresses three  
6 areas. I'm right so far?

7 MR. RICHARD: That's correct.

8 MR. CASS: Yes, and the three areas are -- I will  
9 paraphrase, and I hope you can accept my paraphrasing --  
10 first, some points about pole ownership as opposed to what  
11 you have referred to as being a tenant.

12 Second, some points about what you refer to as, I  
13 think, power-specific assets. And then third is the pole  
14 replacement process.

15 So those are the areas that you have given testimony  
16 on?

17 MR. RICHARD: Yes, that's correct.

18 MR. CASS: Now the first of those I don't intend to  
19 get into, the points about pole owner compared to what  
20 you've called a pole tenant, because I think the Board has  
21 indicated that is not within the scope of this proceeding.

22 So that will take me right to the second part of your  
23 Evidence, which is power-specific assets. Okay, you're  
24 with me so far?

25 MR. RICHARD: Yes, I am.

26 MR. CASS: I am looking at paragraph 8 on page 4 of  
27 your evidence, and you indicate -- you give a list of some  
28 items and you indicate the following are designed

1 specifically for and used solely by Hydro Ottawa.

2 So is it your evidence to this Board that all of those  
3 items you have listed under paragraph 8 are designed  
4 specifically for and used solely by Hydro Ottawa?

5 MR. RICHARD: You know, it might have been a better  
6 statement to state that they're not part of the telecom  
7 industry.

8 MR. CASS: I see, okay. Well, I suggest to you, Mr.  
9 Richard, first that if we look at number 18 of the items in  
10 your paragraph 8, that is towers, I'd suggest to you that  
11 outside of station yards, Hydro Ottawa doesn't have towers  
12 at all.

13 Do you have any reason to disagree with that?

14 MR. RICHARD: No. No, I don't have any reason to  
15 disagree.

16 MR. CASS: All right, thank you. Item 14, railings; I  
17 would suggest to you again Hydro Ottawa doesn't have these.  
18 Do you have any reason to disagree with that?

19 MR. RICHARD: No, I have no reason to disagree with  
20 that.

21 MR. CASS: All right. Item 19 refers to platforms.  
22 I'd suggest to you that Hydro Ottawa has no such platforms.  
23 Do you have any reason to disagree?

24 MR. RICHARD: No, I don't. And like I said earlier, I  
25 think that, you know, maybe I should have rephrased this  
26 point and made it such that they're not specific to  
27 telecommunication.

28 MR. CASS: All right, okay. Well, maybe we could just

1 pick -- I was going to go through others, but I won't do  
2 that.

3 But maybe we could just pick out one and that is item  
4 6, foundations, that you referred to in paragraph 8.

5 Now, would you agree with me that the foundations that  
6 are referred to in here are foundations in the ground to  
7 which poles are mounted?

8 MR. RICHARD: It was probably more thinking about  
9 towers and, you know, larger structures. Again, I think  
10 that like I stated, you know -- I think, you know, it  
11 probably would have been a more accurate statement if I  
12 would have said that these aren't part of the  
13 telecommunication --

14 MR. CASS: All right. Well, let me just go right to  
15 the bottom line and try to shorten this.

16 Specifically, of the items that you have referred to  
17 in paragraph 8, I will just give you the numbers -- numbers  
18 5, 8, 13, 14, 18 and 19 -- I'm going to suggest to you that  
19 the existence of those in Hydro Ottawa's system is  
20 negligible at best. Do you have any reason to disagree  
21 with that?

22 MR. RICHARD: I have no reason to disagree with that.

23 MR. CASS: Great, thank you.

24 Now, I will move on to the next area of your evidence  
25 which, as we discussed, is the pole replacement process,  
26 and perhaps we could turn to paragraph 11(d).

27 So what you are addressing here is the process for  
28 Hydro Ottawa when it replaces poles with wireline



1 attachments. Is that a fair statement?

2 MR. RICHARD: Repeat the question, please?

3 MR. CASS: Yes. What you're addressing in paragraph  
4 11(d) is Hydro Ottawa's replacement of poles when those  
5 poles happen to have wireline attachments. Is that a fair  
6 statement?

7 MR. RICHARD: Yes.

8 MR. CASS: And as I understand what you're saying, if  
9 poles have wireline attachments, the transfer of those  
10 wireline attachments is done after the new poles are  
11 installed, and the power equipment has been moved, and  
12 before the old poles are removed.

13 MR. RICHARD: That's correct.

14 MR. CASS: Is that fair?

15 MR. RICHARD: Yes, hmm-hmm.

16 MR. CASS: And then in Paragraph 13 of your evidence,  
17 you go on to discuss Hydro Ottawa's process of getting  
18 confirmation of removal of the wireline attachments before  
19 sending crews to remove the old poles. So that is  
20 something that Hydro Ottawa does, right?

21 MR. RICHARD: Yes.

22 MR. CASS: Okay. So I would suggest to you, Mr.  
23 Richard, that it is self-evident then that for a pole that  
24 has these wireline attachments, that there has to be  
25 planning, coordination, timing, execution elements that are  
26 different when Hydro Ottawa has to work with the wireline  
27 attachers as opposed to when it doesn't have those  
28 attachers on a pole. Right?

1 MR. RICHARD: Absolutely.

2 MR. CASS: It is self-evident.

3 MR. RICHARD: Yes.

4 MR. CASS: Okay, thank you. Mr. McKeown, I will move  
5 on to you, if you don't mind. I would like to start at  
6 paragraphs 90 and 91 of your evidence, if I may.

7 MR. MCKEOWN: Yes, I have that.

8 MR. CASS: So in paragraph 90, you're quoting from  
9 some Hydro Ottawa evidence, I believe it may be from the  
10 Distribution System Plan.

11 But in any event, you are quoting from a Hydro Ottawa  
12 Document, right?

13 MR. MCKEOWN: Yes.

14 MR. CASS: And this document is talking about  
15 replacement rate on average of 1,250 poles, right?

16 MR. MCKEOWN: Yes.

17 MR. CASS: And then in your paragraph 91, you go on to  
18 refer to this as replacement of poles at a rate of 10  
19 percent per year. Did you really mean 10 percent per year,  
20 Mr. McKeown?

21 MR. MCKEOWN: I took the words that are quoted at face  
22 value. Hydro Ottawa recommends a replacement rate on  
23 average of 1,250 poles a year in 2016 to '20, which  
24 represents 10 percent of the entire population of the  
25 distribution poles.

26 MR. CASS: Right. So if 1,250 poles was 10 percent of  
27 Hydro Ottawa's poles, we'd be talking 12,500 poles, right?

28 MR. MCKEOWN: Yes.

1 MR. CASS: And we know that, we know Hydro Ottawa has  
2 more than 12,500 poles, right?

3 MR. MCKEOWN: Yes.

4 MR. CASS: And you also come to a conclusion here at  
5 the bottom of paragraph 91 that this would represent --  
6 this rate per year would represent almost 50 percent of the  
7 entire pole population being replaced between 2016 and  
8 2020.

9 You don't really think that Hydro Ottawa was replacing  
10 half of its poles in 2016 to 2020?

11 MR. MCKEOWN: I don't know.

12 MR. CASS: No. Mr. McKeown, what this statement was  
13 really saying was that at the rate of 1,250 poles a year,  
14 from 2016 to 2020, at the end of that period that would be  
15 10 percent roughly of the poles, not 50 percent. Right?

16 MR. MCKEOWN: You're telling me that is what this  
17 statement means, so I would have to agree with that.

18 MR. CASS: Doesn't that make a lot more sense than 10  
19 percent, when you have agreed with me that 10 percent  
20 represents 12,500 poles, which is nowhere near  
21 representative of how many poles Hydro Ottawa has? Doesn't  
22 it make a lot more sense that this is saying -- that that  
23 rate per year, from 2016 to 2020, that would be 10 percent?

24 MR. MCKEOWN: It certainly does make a lot more sense,  
25 yes.

26 MR. CASS: All right. Thank you.

27 Mr. McKeown, what are weather-normalized street  
28 lighting attachments?

1 MR. MCKEOWN: Could you provide me a reference?

2 MR. CASS: Yes. Paragraph 104 of your evidence.  
3 What are weather-normalized street lighting attachments?

4 MR. MCKEOWN: That's a term that was used in the  
5 response to Carriers 16. I don't have any knowledge of  
6 what that --

7 MR. CASS: Can you point me to where that was used in  
8 the response to Carriers 16?

9 MR. MCKEOWN: Oh, I see. I can't offhand, but I will  
10 look for that source and provide it to you, but I can't do  
11 it at the moment.

12 MR. CASS: Can we get Carriers 16 up? I will try it  
13 another way, Mr. McKeown.

14 My understanding is that Hydro Ottawa filed a document  
15 which showed weather-normalized actuals and forecast data  
16 specifically of kilowatt-hours. And that this row that you  
17 have reproduced under paragraph 104 came from Hydro  
18 Ottawa's document that was showing weather-normalized  
19 kilowatt-hours. Is that ringing a bell with you?

20 MR. MCKEOWN: As I say, I would have to look. I don't  
21 have the source handy.

22 MS. McALEER: If Mr. Cass has that document with him  
23 and he can assist the witness, then I would suggest it be  
24 provided to the witness.

25 MR. CASS: Well, I have a ref -- I don't know where  
26 Mr. McKeown got this idea of weather-normalized street  
27 lighting attachments.

28 MS. McALEER: No, but you've just put to him --

1 MR. CASS: If we can get updated attachment C-1-B on  
2 the screen I can see if that is perhaps where he got it  
3 from.

4 I am going to need my glasses to read this, I'm sorry.

5 If we could scroll down, a little more, please. So if  
6 we look at where there is a heading, "street lighting", and  
7 there is a column for number of connections. I could be  
8 wrong. Correct me if I'm wrong, Mr. McKeown, but I believe  
9 that what is shown at paragraph 104 of your evidence as  
10 lighting attachments is the same number -- I might have  
11 said column. It is a row -- as this row -- oops -- of  
12 numbers or street lighting connections. Is that the case?  
13 Are these the numbers?

14 MR. MCKEOWN: The numbers are the same, yes.

15 MR. CASS: Is this where you got the numbers from?

16 MR. MCKEOWN: I can agree that they're the same  
17 numbers. But I can't honestly tell you this was the  
18 source. It appears to be the case.

19 MR. CASS: All right. And do you understand that  
20 street lighting connections are all the streetlights to  
21 which Hydro Ottawa provides power as opposed to those that  
22 are actually attachments on its poles?

23 MR. MCKEOWN: No, I didn't understand that  
24 distinction.

25 MR. CASS: All right. So you were under the  
26 impression then that there are something in the order of  
27 55,000 lighting attachments on Hydro Ottawa's poles?

28 MR. MCKEOWN: I would need to double-check that this

1 is the source where I took the numbers. And I do say, as  
2 you point out in my evidence, that these are lighting  
3 attachments.

4 MR. CASS: You indeed say that. I'm sorry I haven't  
5 got the reference for you. But I thought it had been  
6 stated in the evidence at least once that the lighting  
7 attachments were something like 13,250. Does that number  
8 not ring a bell with you?

9 MR. MCKEOWN: That number rings a bell with me.

10 MR. CASS: All right. So don't you see a disconnect  
11 here between 55,000 and 13,250?

12 MR. MCKEOWN: So during the technical conference I was  
13 asked about some of the forecasts, and I did say that I had  
14 some difficulty with the number of lighting attachments.  
15 And this was part of my difficulty. I couldn't reconcile  
16 all of the numbers that I saw from Hydro Ottawa. So  
17 you're --

18 MR. CASS: Do you still -- I'm sorry, I didn't mean to  
19 interrupt.

20 MR. MCKEOWN: You're asking me if I see a --

21 MR. CASS: I'm sorry.

22 MR. MCKEOWN: So you're asking me if I saw a  
23 disconnect, and, yes, I see that -- I certainly understand  
24 that the number 13,000 is much different than 54,000.

25 MR. CASS: Yes. And I'm not aware that Hydro Ottawa  
26 has ever put the words "lighting attachments" aside the  
27 numbers that appear at your paragraph 104. You did that,  
28 didn't you? You took these numbers and you described them

1 as lighting attachments, where Hydro Ottawa has never done  
2 that. Isn't that right?

3 MR. MCKEOWN: I don't know if Hydro Ottawa has never  
4 done that.

5 MR. CASS: You don't know.

6 MR. MCKEOWN: I don't know.

7 MR. CASS: Okay. Do you still think that you have an  
8 equal expertise in costing of equipment for an electricity  
9 distributor as Hydro Ottawa's own employees?

10 MR. MCKEOWN: I don't think I made that claim.

11 MR. CASS: Okay, you are not making that claim.

12 MR. MCKEOWN: That I have an equal understanding of  
13 equipment --

14 MR. CASS: Yes.

15 MR. MCKEOWN: -- needed for lighting?

16 MR. CASS: Yes.

17 MR. MCKEOWN: Is that your question?

18 MR. CASS: Don't you need to understand the equipment  
19 to do an appropriate costing analysis?

20 MR. MCKEOWN: No. I don't think that is the case. I  
21 mean, costing practitioners don't understand how widgets  
22 are made, necessarily. They don't need to have that level  
23 of understanding in order to do the costing. What they  
24 need is an understanding of the costs that are incurred to  
25 produce the widgets.

26 I'm not saying that understanding of the equipment  
27 itself is not helpful. It would be. But I think if you're  
28 asking me, do I need a full understanding of all of the

1 equipment that's being used in the context of pole  
2 attachments and poles, the answer is, no.

3 MR. CASS: But your evidence contains a fair amount of  
4 discussion about attachments, correct?

5 MR. MCKEOWN: Yes, it contains a lot of discussion  
6 about attachments.

7 MR. CASS: Yes. Indeed. And you chose to give this  
8 evidence in paragraph 104 about lighting attachments, and  
9 yet you didn't appreciate the difference between a lighting  
10 connection and a lighting attachment. Isn't that right?

11 MR. MCKEOWN: I didn't appreciate the difference  
12 between a lighting connection and a lighting attachment?  
13 Is that your question?

14 MR. CASS: Yes.

15 MR. MCKEOWN: It's certainly -- it's certainly  
16 possible that I have used lighting connections  
17 inappropriately.

18 MR. CASS: You're not accepting that? You still think  
19 that this could be lighting attachments that you have here  
20 at paragraph --

21 MR. MCKEOWN: It is lighting attachments.

22 MR. CASS: But you still think those could be the  
23 correct numbers for lighting attachments?

24 MR. MCKEOWN: Well, again, I really would like to go  
25 back to my notes to see whether the source that you have  
26 pointed me to is the source that I took these from --

27 MR. CASS: All right. Well, if you can --

28 MR. MCKEOWN: -- and if I had any other information



1 that could maybe assist. But at this point, I simply can't  
2 help you with that.

3 MR. CASS: All right. Well, if you are able to point  
4 me to anywhere where Hydro Ottawa described these numbers  
5 here as lighting attachments, please do so.

6 MR. MCKEOWN: Yes, sir.

7 MR. CASS: Thank you.

8 MS. HELT: So that will be undertaking J2.5 and it is  
9 for Mr. McKeown to advise where the numbers found in  
10 paragraph 104 of his evidence with respect to lighting  
11 attachments, where the source document is for those  
12 numbers.

13 **UNDERTAKING NO. J2.5: MR. MCKEOWN TO ADVISE THE**  
14 **SOURCE DOCUMENT FOR THE NUMBERS FOUND IN PARAGRAPH 104**  
15 **OF HIS EVIDENCE WITH RESPECT TO LIGHTING ATTACHMENTS.**

16 MR. CASS: Thank you. Now, Mr. McKeown, another  
17 element of your evidence is a suggestion -- perhaps I  
18 should take a step back.

19 You would agree with me, I'm sure, that what Hydro  
20 Ottawa has attempted to do in its cost-based analysis is to  
21 come up with pole attachment charges that will apply over  
22 the period from 2016 to 2020. I hope we can agree on that.

23 MR. MCKEOWN: That's my understanding, yes.

24 MR. CASS: Right. Would it also be your understanding  
25 that in order to do that at the time it was putting  
26 together its application, Hydro Ottawa worked with pole  
27 attachment costs from the end of 2013. Is that your  
28 understanding as well?

1 MR. MCKEOWN: It used pole attachment costs for the  
2 year 2013.

3 MR. CASS: Right. You don't understand that they took  
4 those costs as of the end of 2013?

5 MR. MCKEOWN: Maintenance costs, for example, are not  
6 at the end of 2013; they're for a 12-month period. It's --  
7 you can think of it as a snapshot versus a flow.

8 MR. CASS: Right, good point. So in relation to asset  
9 costs, it was the end of 2013?

10 MR. MCKEOWN: Sorry, could you repeat the question?

11 MR. CASS: Yes. I am just trying to make sure that we  
12 have the same understanding of Hydro Ottawa's proposal,  
13 which was that in attempting to come up with costs to use  
14 for the basis of a charge that would apply from 2016 to  
15 2020, Hydro Ottawa used asset costs as of the end of 2013.

16 MR. MCKEOWN: Yes. I understand that's what they've  
17 done.

18 MR. CASS: Right. And I am just trying to take this  
19 in little pieces. I'm sorry if my questions aren't as good  
20 as they always should be.

21 And you say that for this purpose, for asset costs,  
22 Hydro Ottawa should use an average across 2013. Are we in  
23 agreement so far?

24 MR. MCKEOWN: Yes.

25 MR. CASS: Right. So I am just wanting to pursue this  
26 with you.

27 I can certainly understand that if one wanted to know  
28 rate base for 2013 -- for 2013 purposes, that one would use

1 a rate based calculation that looks at an average for the  
2 year.

3 But is it not the case that when you are looking for  
4 numbers to apply from 2016-2020, that it would be better to  
5 use the end of 2013 numbers than to try to go even further  
6 backwards and take an average?

7 MR. MCKEOWN: No, I would disagree. If the premise of  
8 the calculation is to use 2013 costs, then the best way to  
9 identify those costs would be to take an average for that  
10 year, not at the end of the year.

11 MR. CASS: But I would suggest to you that the premise  
12 of the calculation is to use the best available costs at  
13 the time it is being done. Would you agree with that?

14 MR. MCKEOWN: Well, the evidence that was filed by  
15 Hydro Ottawa says that the costs were calculated for 2013.

16 MR. CASS: Yes.

17 MR. MCKEOWN: And given that it is 2013, I think the  
18 assets must be averaged for that period. Otherwise, you,  
19 as you've said, end up with a value at the end of the year  
20 rather than averaged over the year. It is misleading. It  
21 would be --

22 MR. CASS: It's not misleading, Mr. McKeown; it is a  
23 value to apply into the future. How is it misleading to  
24 take the value at the end of 2013 to apply it into the  
25 future for a period from 2016-2020?

26 MR. MCKEOWN: Well, I think it is irrelevant that it  
27 will be applied into the future.

28 The premise of the calculations is that you're using a

1 2013 cost base. If that's the case, for the same reason  
2 you would average it for ratemaking purposes for  
3 determining a rate base, you should determine the average  
4 asset value for the year and not take it as of December 31,  
5 2013.

6 MR. CASS: Well, okay. Would you agree with me that  
7 for the purposes of this calculation, the approach should  
8 be to use the best available costs?

9 MR. MCKEOWN: The premise of the Hydro Ottawa cost  
10 study is 2013. I took that as a given, and if 2013 costs  
11 are to be used, then the assets should be averaged over  
12 that period.

13 MR. CASS: Mr. McKeown, I think it is a very easy  
14 question. Are you agreeing or not agreeing that for the  
15 purposes of the calculation, one should use the best  
16 available costs?

17 MR. MCKEOWN: The best available costs are the average  
18 for 2013.

19 MR. CASS: Is that a yes or no, please?

20 MS. McALEER: Sorry, I object to the way the question  
21 was just framed. It is not proper to put to a witness in  
22 cross-examination that the answer has to be yes or no.

23 Mr. McKeown was in the process of answering the  
24 answer. He was trying to provide a full answer, and he was  
25 interrupted.

26 MR. CASS: I've asked the same question three times.  
27 It's a question --

28 MS. McALEER: That was going to be my next objection,

1 because that question actually has been asked three times  
2 and it has been answered three times.

3 MR. CASS: It has not been answered.

4 MS. McALEER: You may not be happy with the answer,  
5 Mr. Cass, but it has been answered.

6 DR. ELSAYED: Mr. McKeown, continue, please.

7 MR. MCKEOWN: I'm sorry, sir.

8 DR. ELSAYED: Did you finish with your answer?

9 MR. MCKEOWN: Yes, I have.

10 DR. ELSAYED: Okay, thank you. Please continue, Mr.  
11 Cass.

12 MR. CASS: Well, I will move on to another point, Mr.  
13 Chair.

14 So, Mr. McKeown, you will have to correct me if I'm  
15 wrong, because I know there's been revisions and I might  
16 not have the right number. But your final recommendation  
17 for the amount at which the Board should set the pole  
18 attachment charge, is that \$17.18? Or if not, please tell  
19 me what it is.

20 MS. McALEER: Members of the Panel, I again object to  
21 that question because I think it is misleading.

22 Mr. Cass should know that that numbers was when Mr.  
23 McKeown was providing evidence on a proportional share  
24 allocation. That is no longer the case; we are looking at  
25 an equal share allocation, so that is obviously not the  
26 number.

27 MR. CASS: Well, Mr. Chair, Mr. McKeown can and the  
28 question. His counsel doesn't need to answer them for him.

1 I just want to know what the number is.

2 MS. McALEER: Well, my objection was that the manner  
3 in which the question was put to the witness was  
4 misleading.

5 MR. MCKEOWN: Let me try to address it this way.

6 If you are referring to undertaking JTC 3.4, then the  
7 total cost per pole with attachments is \$18.24.

8 MR. CASS: Thank you. And the province wide charge  
9 approved by the Board back in March of 2005 was \$22.35 per  
10 pole per year?

11 MR. MCKEOWN: Yes.

12 MR. CASS: All right. So your recommendation is what?  
13 Is that more than four dollars less than the province-wide  
14 rate from back in 2005?

15 MR. MCKEOWN: Yes, it is.

16 MR. CASS: Right. Would you not agree with me that  
17 costs can only have gone up over the period from 2005 until  
18 2016, when this charge will go into effect?

19 MR. MCKEOWN: So the incremental costs have been  
20 reflected in the 2013 study that Hydro Ottawa provided, and  
21 they reflect the cost increases.

22 But the indirect costs are an issue about common cost  
23 recovery. It has to do with an allocation process. It  
24 really has very little to do with the cost of providing  
25 pole attachment.

26 We're talking about how to allocate costs that are  
27 common for attachers related to the pole to the parties  
28 that are attaching.

1           So that is the large basis for the difference that you  
2 see here.

3           MR. CASS: Right. But you did agree with me that the  
4 costs have gone up since 2005 --

5           MR. MCKEOWN: Incremental costs, yes. So in other  
6 words, the direct costs that you are looking at in the  
7 table, so that's the top portion where the direct costs are  
8 identified.

9           DR. ELSAYED: Just a clarification, Mr. Cass. I think  
10 what's being clarified is that the difference could partly  
11 or wholly related to a different methodology, which we  
12 indicate at the beginning is not within the scope of this  
13 hearing. So I just wanted to clarify that.

14          MR. CASS: Yes, thank you, sir.

15          And the \$18 number again, bearing in mind the Chair's  
16 comments about methodology, the \$18 number, that's less  
17 than half of the \$42 number that was recently approved by  
18 the Board in the Toronto Hydro case?

19          MS. McALEER: Again, I have to object to that.  
20 Everyone knows that in the recent Hydro Toronto case it was  
21 an equal share allocation. So to put -- sorry. Sorry.  
22 Oh, I'm sorry, I misspoke. I absolute -- that was the  
23 position of Hydro Toronto in that position. There was a  
24 settlement. There was a settlement in that case. So my  
25 apologies, I misspoke.

26          But again, we are comparing apples and oranges here,  
27 because that was a settlement number. Mr. McKeown has in  
28 his evidence provided his view back at the time when

1 methodology was still an issue before this Board on a  
2 proportional share allocation.

3 MR. CASS: Right. It was a pretty simple question,  
4 Mr. Chair. The \$42 number was approved by the Board in a  
5 Board decision. I just was asking Mr. McKeown to confirm  
6 that the \$18.24 number that he gave me is less than half of  
7 that. I don't think it is very complicated.

8 MR. MCKEOWN: I think that's the math.

9 MR. CASS: Right, okay. So can you help me. We're  
10 hearing about methodology, and I must say I am confused.  
11 Does your number change because of the Board's ruling on  
12 methodology? And if so, what is the number?

13 MR. MCKEOWN: I'm sorry, I don't understand the  
14 question.

15 MR. CASS: You gave me the \$18.24 number. Is that  
16 still your recommendation in light of the Board's ruling in  
17 the decision issued a couple of days ago or does the number  
18 change? Sorry if that is not a clear question.

19 MR. MCKEOWN: Could you refer me to the Board's  
20 decision as of a couple of days ago and how it pertains to  
21 the number? I'm simply not familiar with the details of  
22 the Board's decision or the process.

23 MR. CASS: Oh, sorry.

24 MR. MCKEOWN: But I would be happy to look at that and  
25 answer if I can.

26 MS. McALEER: I think there is some confusion here. I  
27 understand Mr. Cass to be referring to Procedural Order  
28 No. 9 in which the Board indicated the methodology was no



1 longer an issue and that we would only be interested in  
2 calculations that were on an equal share basis.

3 If the question for Mr. McKeown is, can he recalculate  
4 on an equal share basis, then he can. He will need time to  
5 do that. Those numbers are not in his report.

6 MR. CASS: So I think that the answer to my question  
7 is that the number is not -- 18.24 is not based on the  
8 ruling made by the Board about methodology.

9 MR. MCKEOWN: These numbers were prepared before the  
10 Board's letter, I believe. I haven't -- as you know, I  
11 haven't made any changes. I don't feel like I am being  
12 responsive, but it is that I don't really understand the  
13 question.

14 MR. CASS: Okay. Sorry. I will move on.

15 So I don't want to go back over methodology, but I  
16 would like to, if I can, just talk about some of the areas  
17 of your analysis and the extent to which they were or were  
18 not consistent with the Board-approved methodology. I hope  
19 to do this quickly, so I don't intend to have a methodology  
20 discussion with you, but would you agree with me that in  
21 the RP-2003-0249 decision the Board decided common or  
22 indirect costs would be charged on an equal basis, as  
23 opposed to a proportionate basis?

24 MR. MCKEOWN: Can you give me a reference for that,  
25 please?

26 MR. CASS: Yes. Page 7 of the decision.

27 MR. MCKEOWN: I have page 7.

28 MR. CASS: I am looking at the last sentence before

1 the heading "how many attachers should be assumed on  
2 balance. However, the Board prefers the equal sharing  
3 theory for the reasons stated"?

4 MR. MCKEOWN: Yes, I so that.

5 MR. CASS: So I am just trying to confirm some of  
6 these things. And your evidence is not based on equal  
7 sharing?

8 MR. MCKEOWN: No.

9 MR. CASS: Your evidence at paragraphs 112 and 113  
10 engages in a discussion of what you see as the advantages  
11 of pole ownership. Am I right?

12 MR. MCKEOWN: Yes.

13 MR. CASS: Right. And in the decision we were just  
14 looking at, the Board concluded that the impact of  
15 ownership is neutral. Right?

16 MR. MCKEOWN: Yes.

17 MR. CASS: Okay. Just moving on to another one. When  
18 the Board adopted the equal sharing approach in the  
19 decision that we just talked about, it included a  
20 separation space as part of the space for the  
21 telecommunications attachers. Am I right?

22 MR. MCKEOWN: Yes.

23 MR. CASS: Right. And your evidence is based on the  
24 Board Panel treating the separation space as common space?  
25 Is that right?

26 MR. MCKEOWN: I do provide reasons, and I can identify  
27 those for you.

28 MR. CASS: I am not intending to get into a

1 methodology discussion, if you don't mind. I am just  
2 trying to highlight the areas.

3 MS. McALEER: Sorry, I am objecting to this line of  
4 questioning. I don't know how it is relevant, given the  
5 narrow scope that this Board has indicated will be the  
6 scope of these proceedings pursuant to Procedural Order No.  
7 9.

8 If the witness isn't going to be able to expand upon  
9 why he decided to do something differently than they had in  
10 2003, which he shouldn't, because that is not the scope of  
11 the proceeding today, then I don't see how any of these  
12 questions are relevant.

13 MR. CASS: Well, Mr. Chair, it's completely relevant  
14 for this Board Panel to understand when it reads Mr.  
15 McKeown's evidence which parts are outside the methodology  
16 determination previously made by the Board.

17 I don't know how one can go through Mr. McKeown's  
18 evidence and form any views about it without knowing which  
19 parts are outside the Board-approved methodology. And that  
20 is all I am trying to do. I wasn't intending to be  
21 contentious, but apparently every question is contentious.

22 MS. McALEER: Well, now I object to that  
23 characterization, because I think it is unfair. But I  
24 think it is clear that when this report was originally  
25 prepared a methodology was still on the table. So a lot of  
26 this report is going to differ from what the Board has  
27 ordered is the scope of the hearing today.

28 With respect to whether or not the separation space

1 should be included as part of the communication space or  
2 not, I submit that the parties -- sorry, I suspect that the  
3 parties are going to have submissions for you as to whether  
4 or not that is part of the methodology in 2003 or it isn't,  
5 and we will leave that to our written submissions.

6 DR. ELSAYED: The question was raised about, if the  
7 calculations that Mr. McKeown did were based on the  
8 existing methodology, would the outcome be similar to what  
9 the current -- or the rate is that was established in 2005,  
10 I guess. Is that something you will be able to address?

11 MR. MCKEOWN: Sir, I would be happy to do that, but I  
12 would need to provide some explanation why I used the  
13 approach that's considered outside of the methodology.

14 DR. ELSAYED: When you say "the approach", being  
15 proportionate allocation --

16 MR. MCKEOWN: Exactly, yes.

17 DR. ELSAYED: So what I meant is --

18 MR. MCKEOWN: And -- I'm sorry.

19 DR. ELSAYED: If you were to accept what the Board  
20 decided at the time in terms of the preference for one of  
21 the two methods, would your number be the same as what they  
22 have come up with? I guess that is probably an unfair  
23 question to ask you since you haven't done the calculation.

24 MS. DUFF: Could I be a bit more specific? If you  
25 could turn to page 10 of your evidence. You compare the  
26 two methodologies. So assuming that -- if you don't mind,  
27 Mr. Cass?

28 MR. CASS: Thank you.

1 MS. DUFF: You assume -- under your proposed  
2 methodology you're assuming the number of attachers of 2.5.  
3 I want to make sure you have that page in front of you.

4 MR. MCKEOWN: Yes.

5 MS. DUFF: Under the proportional use you would use  
6 the percentage 12.5 percent, which you have used in your  
7 proposal.

8 MR. MCKEOWN: Yes.

9 MS. DUFF: If you were to use the equal sharing  
10 method, the percentage you would use instead, is that the  
11 20.9?

12 MR. MCKEOWN: Yes.

13 MS. DUFF: So when we go to your calculation, the  
14 final calculation using the 20.9 versus 12.5, can you  
15 provide that to the Board -- not on the spot, but I guess  
16 that is the basis for the question.

17 MR. MCKEOWN: Yes, I would be happy to do that, thank  
18 you.

19 MS. DUFF: Thank you.

20 MS. HELT: So that will be undertaking J2.6, then, to  
21 provide the calculation using both the 12.5 percent and the  
22 20.9 percent figures.

23 **UNDERTAKING NO. J2.6: WITH REFERENCE TO PAGE 10 AND**  
24 **THE COMPARISON OF THE TWO METHODOLOGIES, TO PROVIDE**  
25 **THE CALCULATION USING BOTH THE 12.5 PERCENT AND THE**  
26 **20.9 PERCENT FIGURES**

27 MS. DUFF: We can use our own calculators, but I think  
28 it would be best coming from you. So thank you.

1 MS. McALEER: I understood the undertaking to relate  
2 only to the 20.9. Did you also want the 12.5? I thought  
3 that was already provided.

4 MS. HELT: You're right. Thank you, Ms. McAleer.

5 DR. ELSAYED: Thank you. Mr. Cass, back to you.

6 MR. CASS: Pardon me.

7 DR. ELSAYED: Take your time.

8 MR. CASS: Also in the Board's determination in the  
9 EB-2003-0249 case, Mr. McKeown, it addressed the loss in  
10 productivity subject that has been talked about a little  
11 bit already in this hearing, right?

12 MR. MCKEOWN: Yes.

13 MR. CASS: And at appendix 2 of the decision, for  
14 example, one can see the Board's numbers that arrive at the  
15 bottom at the provincial rate.

16 That's at line K, but up above at line B is the loss  
17 in productivity numbers, right? Are you with me so far?

18 MR. MCKEOWN: \$1.23?

19 MR. CASS: Yes. Are you with me?

20 MR. MCKEOWN: Yes, I see that.

21 MR. CASS: Okay. And that was based on an MEA  
22 estimate from way back in 1991 of \$3.08, which was inflated  
23 and then divided by 2.5 pole attachers, right?

24 MR. MCKEOWN: Correct.

25 MR. CASS: And then back at page 8 of the decision,  
26 the bottom-half of the page, second last two paragraphs,  
27 there's considerable discussion about loss of productivity  
28 with numbers that cover a wide range, as you will see

1 there.

2 In fact, the Board comments that there is a wide  
3 variation in these costs and estimates, right?

4 MR. MCKEOWN: Yes, I see that.

5 MR. CASS: Manitoba Hydro's number, for example, was  
6 \$6.39. There is even reference to a \$32.81. Do you see  
7 that?

8 MR. MCKEOWN: Yes.

9 MR. CASS: Now, in your evidence, if we can look at  
10 the table following paragraph 115 of your evidence --

11 MR. MCKEOWN: I have that.

12 MR. CASS: Am I right in thinking that the total  
13 amount that you allowed for loss in productivity for pole  
14 was 45 cents?

15 MR. MCKEOWN: Yes. You will see we made an adjustment  
16 for the pole replacement field verification; we removed  
17 those costs.

18 MR. CASS: Yes. You didn't allow anything for pole  
19 replacement?

20 MR. MCKEOWN: Correct.

21 MR. CASS: So whereas in the 2005 decision, the Board  
22 had a number of \$1.23, which was based on a much older  
23 number with inflation, and it had evidence about much  
24 higher numbers, you ended up with 45 cents?

25 MR. MCKEOWN: That's not entirely fair because you are  
26 comparing apples and oranges. We can discuss why we  
27 believe that the verification cost should be removed. That  
28 might be a little bit more appropriate, and Mr. Richard can

1 help you with that.

2 MR. CASS: Okay, Mr. Richard, you can help me about  
3 why the verification cost should be removed? You agreed  
4 with me, as I understand it, that in a pole replacement  
5 situation that there's increased planning, coordination,  
6 timing and execution where there's wireline attachments as  
7 opposed to where there is not, right?

8 MR. RICHARD: Mm-hmm, yes.

9 MR. CASS: Okay. So what do you want to tell me about  
10 field verification?

11 MR. RICHARD: I'm not sure I understand the content of  
12 what I am supposed to --

13 MS. HELT: Sorry, microphone please, Mr. Richard.

14 MR. RICHARD: Sorry. Can you maybe elaborate?

15 MR. CASS: I don't actually know myself. Mr. McKeown  
16 referred it to you. I'm not sure what he was expecting you  
17 to say. Perhaps we will move on.

18 MR. MCKEOWN: Mr. Cass, just in an attempt to be  
19 helpful, we're obviously not understanding your question.

20 Let me try to paraphrase it and if I am incorrect,  
21 please correct me.

22 Your question is why did we remove the field  
23 verification cost from this calculation?

24 MR. CASS: No. My question was just confirming that  
25 what you -- the total amount you have allowed for loss in  
26 productivity, the total, is 45 cents. That was my  
27 question.

28 MR. MCKEOWN: Right. And my point was that we removed



1 some of the costs because they were inappropriate.

2 MR. CASS: Right. And Mr. McKeown was going to  
3 explain why you think something was inappropriate.

4 MR. MCKEOWN: I am Mr. McKeown.

5 MR. CASS: Sorry. You weren't going to. Mr. Richard  
6 was going to, then.

7 MR. MCKEOWN: And that's where I started. So I just  
8 want to confirm -- and I am paraphrasing the question, but  
9 correct me if I'm wrong. You want to know why we've  
10 removed that cost from the calculation? Is that --

11 I find it difficult to answer because I just don't  
12 know your question. I am not trying to be facetious or  
13 rude. I am just having difficulty understanding your  
14 question.

15 MR. CASS: I don't know how more clear I can be, so  
16 again I think it is best if we just move on.

17 You would agree with me, Mr. McKeown, that the  
18 difference between attachers per pole and attachments per  
19 pole is important, because a particular attacher pays only  
20 one charge for a pole regardless of the number of  
21 attachments it has on the pole?

22 MR. MCKEOWN: Correct.

23 MR. CASS: And you would agree me that when one  
24 attacher purchases another as we heard this morning, the  
25 effect is that the number of attachments has stayed the  
26 same, but the number of attachers on a particular pole may  
27 be reduced as a result of that?

28 MR. MCKEOWN: Yes, that's my understanding.

1 MR. CASS: Right. And Mr. Richard, this may be for  
2 you or Mr. McKeown, either of you.

3 My understanding is that Rogers in the Ottawa area  
4 acquired attachments that McLean Hunter had. Is that  
5 right?

6 MR. RICHARD: Yes, that is correct.

7 MR. CASS: All right. And Rogers acquired attachments  
8 of another company called Atria, I think.

9 MR. RICHARD: Yes, that's true.

10 MR. CASS: And the attachments of Telecom Ottawa had  
11 actually been acquired by Atria, which in turn was acquired  
12 by Rogers as you have indicated?

13 MR. RICHARD: Yes, that's right.

14 MR. CASS: And Mr. MacDonald, the attachments of AT&T  
15 Unitel were acquired by AllStream?

16 MR. MACDONALD: Yes.

17 MR. CASS: Right. So in fact, there has been  
18 consolidation of attachers in Ottawa, you would agree with  
19 that?

20 MR. RICHARD: Yes.

21 MR. CASS: And everything else being equal, this  
22 reduces the attachers per pole as opposed to the  
23 attachments per pole. Right?

24 MR. RICHARD: Yes, that's true.

25 MR. CASS: Thank you. And do you agree with me that  
26 according to the data filed in this case, that Hydro Ottawa  
27 calculated the average number of attachers per pole to be  
28 1.58 as of the end of 2013?

1 MR. MCKEOWN: Yes, I saw that number. I think that's  
2 incorrect, but I agree that that's what Hydro Ottawa has  
3 filed.

4 MR. CASS: And the Carriers asked Hydro Ottawa to  
5 update it and, as of August 2015, the number based on Hydro  
6 Ottawa's data was 1.61.

7 MR. MCKEOWN: Yes, I saw that.

8 MR. CASS: Right. And the same update indicated that  
9 average telecom wireline attachers with OEB charges was  
10 1.29 per pole. Right?

11 MR. MCKEOWN: Could you give me a reference for that,  
12 please?

13 MR. CASS: Yes. Response to undertaking JTC 1.5.

14 MR. MCKEOWN: I'm sorry. Could you repeat the  
15 question?

16 MR. CASS: Yes. It was just to confirm that the  
17 average telecom wireline attachers with OEB charges, based  
18 on that August 2015 update, was 1.29.

19 MR. MCKEOWN: Yes, there is an error in that  
20 calculation. You've used 33,869 in the denominator.

21 MR. CASS: What number would you get to?

22 MR. MCKEOWN: Sure. It will just take me a second to  
23 look that number up for you.

24 MR. CASS: Thank you.

25 MR. MCKEOWN: It's going to take me longer than I  
26 thought to put my finger on it, but I have it, so...

27 MR. CASS: I don't think a lot turns on it. It was  
28 more the 1.61 number that was of interest to me.

1           Where I am going --

2           MR. MCKEOWN: I can provide that to you if you would  
3 like the revised calculation.

4           MR. CASS: As I said, I don't think a lot turns on it.

5           MR. MCKEOWN: I'm just trying to respond to your  
6 question.

7           MR. CASS: Right. Well --

8           MR. MCKEOWN: Would you...

9           MR. CASS: I am not looking to create undertakings.  
10 If you had the answer there that would fine. I am not  
11 looking to create undertakings for you.

12           And witnesses, you would agree with me that both at  
13 the technical conference and at the first day of this  
14 hearing Hydro Ottawa attempted to get whatever information  
15 it could from the Carriers' own records to see whether  
16 there is any other information than Hydro Ottawa's  
17 information on number of attachments, and no information  
18 has been forthcoming from the Carriers that is any  
19 different from Hydro Ottawa's information? Right?

20           MR. MCKEOWN: None was presented.

21           MR. CASS: Okay, thank you. So I think I can move on  
22 to a few questions for you, Mr. MacDonald.

23           MR. MACDONALD: Sure.

24           MR. CASS: If you don't mind. As I understand your  
25 evidence, the, what I might call the main thrust of it has  
26 to do with Hydro Ottawa's net embedded costs for poles.

27           MR. MACDONALD: Yes.

28           MR. CASS: Is that fair? And you give some evidence

1 of what you understand to be costs of other utilities for  
2 net embedded costs per pole?

3 MR. MACDONALD: Yes.

4 MR. CASS: But we don't have representatives of any of  
5 these other utilities here to talk directly about this so  
6 that we can ask them questions about their costs and how  
7 they differ from Hydro Ottawa's. Right?

8 MR. MACDONALD: That's correct.

9 MR. CASS: Okay. One that you did refer to in  
10 Appendix A of your evidence is Toronto Hydro. But you  
11 didn't actually indicate a net embedded cost per pole for  
12 Toronto Hydro.

13 It's my understanding that in the case that you've  
14 referred to in Appendix A, you give the OEB case number and  
15 the date of the Board's decision, that Toronto Hydro's  
16 evidence was that at 1.61 attachers its net embedded cost  
17 per pole are \$1,922 per pole. Is that your understanding?

18 MR. MACDONALD: That may be what they presented.

19 MR. CASS: Yes. I did send out yesterday a little  
20 document -- I sent it out to everybody -- from that case  
21 with an indication that I would refer to it in cross-  
22 examination. Did you see that, Mr. MacDonald?

23 MR. MACDONALD: If you're referring to the technical  
24 conference undertaking response to the Energy Probe  
25 Research Foundation?

26 MR. CASS: Yes, indeed, thank you so much.

27 MR. PEAKER: And I'm sorry to interrupt, but I'm going  
28 to object to the introduction of that document into

1 evidence in this case. Mr. MacDonald in his evidence has  
2 spoken to net embedded costs as approved by other  
3 regulators, not to the evidence of parties that are not  
4 parties to this proceeding.

5 By contrast, the document you sent around yesterday is  
6 not an approved rate or an approved cost. It is simply  
7 evidence of a party who is truly not here, and it is  
8 hearsay, and I am going to object to its introduction and  
9 reference in this cross-examination.

10 MR. CASS: Mr. Chair, I am not sure why it really  
11 matters whether it had something to do with a Board  
12 approval. This was -- Mr. MacDonald referred in the  
13 appendix to his evidence to the Toronto Hydro case, and  
14 this was the evidence in the Toronto Hydro case about net  
15 embedded costs per pole.

16 The Board can attach whatever weight it deems  
17 appropriate to it, but it certainly seems to me to be  
18 relevant when Mr. MacDonald has, in his evidence, discussed  
19 net embedded costs of other utilities.

20 MR. PEAKER: Well, and we can certainly have an  
21 argument on weight, and of course that's in the Board's  
22 discretion. But in my view, in our view, there is a  
23 foundational difference between a set of costs that have  
24 gone through a regulatory proceeding, have been scrutinized  
25 by parties who are of -- also who are parties to that  
26 proceeding, and that have ultimately been approved by the  
27 Board. I mean, they have gone through the regulatory  
28 sifting process, in a way that evidence that is filed and

1 not approved has not. These are foundationally different  
2 -- foundationally different types of numbers and are wholly  
3 different and, in our view, that should -- if it goes to  
4 weight, the weight that should be placed on the document  
5 that Mr. Cass sent around yesterday afternoon should be  
6 zero.

7 DR. ELSAYED: Any response?

8 MR. CASS: Well, Mr. Chair, I have the document. The  
9 witness has already confirmed that the number at 1.61  
10 attachers was \$1,922. We have that on the record anyway.

11 I am not sure with that on the record why it is such a  
12 big issue to have the document, but I do have it here, and  
13 I am, you know, quite prepared to pass it around and ask  
14 the witness a couple more questions about it, if the Board  
15 will allow that.

16 I think it is completely relevant, especially because  
17 this witness himself put into issue net embedded costs of  
18 other utilities.

19 [Board Panel confers]

20 DR. ELSAYED: Okay. The Panel understands there  
21 wasn't a Board-approved, but it does -- really, it does go  
22 to an issue of weight, so we will just continue with the  
23 questions, and I understand you only have a couple  
24 questions?

25 MR. CASS: Yes, indeed.

26 MS. McALEER: I would like some clarification just  
27 with respect to that ruling, because I am a little unclear.

28 I understand that Mr. Cass now intends to ask the

1 witness questions with respect to that document, and you've  
2 decided that he can do so.

3 But it is a different issue as to whether or not he's  
4 then going to try and say that the content of that document  
5 or the rates in that document or that document itself  
6 should be evidence that this Panel should consider, and if  
7 you are considering doing that, then I echo Mr. Peaker's  
8 objection and say that you should not, that Mr. Cass,  
9 pursuant to your ruling, can ask questions of the witness  
10 with respect to that document, and the evidence that the  
11 witness gives will be evidence that you can consider, but  
12 with respect to what is in that document, that is hearsay,  
13 and it should not be evidence in this proceeding.

14 MS. DUFF: I have a question. In Appendix A it says  
15 "N/A under net embedded costs per pole under Toronto  
16 Hydro". Does that mean not available or not applicable?

17 MR. MACDONALD: Not applicable.

18 MS. DUFF: Thank you.

19 DR. ELSAYED: Mr. Cass, do you agree with that  
20 distinction that Ms. McAleer made about the use of that  
21 evidence?

22 MR. CASS: Again, Mr. Chair, I would say what I  
23 indicated before, that it is very common before this Board  
24 to bring in documents from other Board proceedings for the  
25 purposes of cross-examination.

26 I don't have many questions on this document. To the  
27 extent that parties want to make arguments about its value,  
28 they can do it. And as I said, it can go to weight, to the



1 extent that they have valid arguments.

2 I don't think it is an astounding proposition that I  
3 would have a document from another Board proceeding and ask  
4 the witness a couple of questions about it. The questions  
5 are not going to be -- they're going to take far less time  
6 than this argument has taken.

7 MS. McALEER: Again, I just want to clarify what the  
8 Board's ruling is. As I understand it, the Board has  
9 indicated -- has ruled that Mr. Cass can use this document  
10 to ask questions of the witness and, whatever the response  
11 is, the witness' response will be the evidence which you  
12 can consider.

13 But the document itself should not be entered into  
14 evidence. It is hearsay.

15 DR. ELSAYED: Okay.

16 MS. LONG: Do you actually have a copy of the  
17 document? I don't even have a copy of the document.

18 MS. HELT: I believe, Mr. Chair, that your ruling was  
19 that this document can be introduced as evidence in this  
20 proceeding, and it will be a matter of weight with respect  
21 to what value you give to the document, and parties can  
22 make that submission when they provide their submissions.

23 Is that correct? And if that is correct, then I am  
24 prepared to give this an exhibit number.

25 What I hear Ms. McAleer now objecting to is actually  
26 marking this as an exhibit.

27 MS. McALEER: Yes, Ms. Helt, that is my position. And  
28 I just wanted to understand what the Board's ruling was,

1 whether they are allowing this document. I object to that.  
2 But obviously, if the Board allows it the Board allows it  
3 and we will have submissions about weight.

4 But it wasn't clear to me what the Board's ruling was  
5 on that point.

6 DR. ELSAYED: Yes, I will confirm what Ms. Helt said.  
7 The Board's ruling was that it will accept the introduction  
8 of the document, but will decide on the weight that we will  
9 give to that document.

10 MS. HELT: Thank you, Mr. Chair. So then we will mark  
11 this as Exhibit K2.5, and we do have copies for you.

12 **EXHIBIT NO. K2.5: DOCUMENT FILED IN TORONTO HYDRO**  
13 **CASE**

14 DR. ELSAYED: Thank you. Mr. Cass, you said you have  
15 a couple of questions?

16 MR. CASS: Yes. It is probably just about two  
17 questions, Mr. Chair, on this document, if I may.

18 Do you have it?

19 MR. MACDONALD: Yes, I do.

20 MR. CASS: Great. Thank you. I just wanted to take  
21 you to line D of the table in this document, and just  
22 confirm with you that this is addressing net embedded costs  
23 per pole, as you were addressing in your evidence.

24 MR. MACDONALD: This document line item D is  
25 identified as net embedded costs per pole, yes.

26 MR. CASS: Are you aware of any other information  
27 besides this about Toronto Hydro's net embedded costs per  
28 pole that would be current as of the time of this

1 particular proceeding in which it was filed?

2 MR. MACDONALD: No, I'm not aware of any other  
3 information on that, no.

4 MR. CASS: Okay, thank you. That's all on that  
5 document, thank you.

6 Just a few other questions. One of the other examples  
7 you referred to in the appendix to your evidence is the net  
8 embedded cost that was used for the purposes of the 2005  
9 decision of the Board, right?

10 MR. MACDONALD: Yes.

11 MR. CASS: And as I think we have already heard, you  
12 would agree with me that this net embedded cost per pole  
13 was based on costs of Milton Hydro from 1995?

14 MR. MACDONALD: Yes.

15 MR. CASS: Okay, thank you. And just a few other  
16 questions. I would be interested if you could elaborate on  
17 what expertise or experience you have, if any, in the costs  
18 of installing hydro poles in Ottawa.

19 MR. MACDONALD: I don't have any experience in the  
20 costs of installing poles. My experience is on the ten  
21 years in the construction side in outside plant and  
22 telecom.

23 MR. CASS: I see, okay. So what you brought to this  
24 issue of net embedded costs, it is not based on any  
25 personal experience. It is drawing on these other sources  
26 that you referred to in appendix A of your evidence?

27 MR. MACDONALD: We're taking the net embedded costs  
28 per pole for the regulated rates at face value.

1 MR. CASS: Okay. But in terms of Hydro Ottawa's  
2 costs, you don't purport to know more about their costs  
3 than they do, I take it?

4 MR. MACDONALD: What I know and what I see is based on  
5 the net embedded costs in appendix A; Hydro Ottawa's costs  
6 seem extremely high.

7 MR. CASS: Right. But I am asking you about your  
8 knowledge of their specific costs, and how they might  
9 compare to anyone else's. You don't have any personal  
10 direct knowledge of Hydro Ottawa's costs?

11 MR. MACDONALD: I understand how it was calculated  
12 based on the evidence that Hydro Ottawa provided in the  
13 responses to the interrogatories, but no personal  
14 experience.

15 MR. CASS: Okay, thank you. Those are my questions,  
16 Mr. Chair, thank you.

17 DR. ELSAYED: Thank you.

18 Mr. Rubenstein, do you have any questions?

19 MR. RUBENSTEIN: I do. Thank you very much.

20 **CROSS-EXAMINATION BY MR. RUBENSTEIN:**

21 MR. RUBENSTEIN: Mr. McKeown, can I take you to  
22 paragraph 1 of your report?

23 MR. MCKEOWN: Yes, I have it.

24 MR. RUBENSTEIN: At paragraph 1 of your report, it  
25 starts off by saying:

26 "The purpose of this report is to review and  
27 provide comments on the pole attachment cost  
28 study prepared by Hydro Ottawa in the context of

1           its April 29, 2015, application for 2016-2020  
2           electricity distribution rates and charges, Board  
3           File No. EB-2015-004, revised on June 29, 2015."

4           Do you see that?

5           MR. MCKEOWN:   Yes.

6           MR. RUBENSTEIN:  And would I be correct that another  
7           way to premise what you were asked to do is you were asked  
8           to review the methodology and the proposed attachment  
9           rates, and the inputs of that methodology for the proposed  
10          attachment rate for Hydro Ottawa and determine if there was  
11          a better way to determine that methodology and those  
12          inputs?  Is that essentially what your report is doing?

13          MR. MCKEOWN:  No, I wouldn't go that far.  The study  
14          was to look at -- the purpose of my report was to look at  
15          the Hydro Ottawa cost study -- my term, not theirs -- and  
16          provide comments.

17          I didn't intend, nor was I asked to look at  
18          alternative methodologies.

19          MR. RUBENSTEIN:  I don't want to get into anything  
20          about the methodologies, but you did propose a different  
21          methodology, correct?

22          MR. MCKEOWN:  Pardon me?

23          MR. RUBENSTEIN:  You did propose a different  
24          methodology?

25          MR. MCKEOWN:  I understand that I have as a result of  
26          the correspondence.

27          MR. RUBENSTEIN:  All right.  But you didn't look at  
28          any other aspect.  You did agree with me that -- you would

1 agree with me that you also looked at other inputs as well,  
2 and determined if there was a better way to determine the  
3 proper inputs to the methodology?

4 MR. MCKEOWN: I looked at the study and made a number  
5 of observations, which I included in the report.

6 I had some difficulties with some specific areas we've  
7 already talked about; the need to average asset costs over  
8 the year, and I pointed that out.

9 I also made changes to the way the allocation was  
10 done, compared to what the Board had done.

11 MR. RUBENSTEIN: I understand that. I am just trying  
12 to understand, sort of at a high level, really what we're  
13 talking -- what you were retained to do, and what your  
14 report sets out to do.

15 And I am putting to you -- and correct me if I'm wrong  
16 here -- you looked at what Hydro Ottawa did and you said,  
17 well, you made a critique of it and you were determining  
18 what are the better ways to get to the pole attachment rate  
19 in your expert opinion?

20 MR. MCKEOWN: I had some issues obviously with the way  
21 the calculations were done, and that was the purpose of the  
22 report, to identify those and propose alternatives.

23 MR. RUBENSTEIN: And the basis of knowledge that you  
24 were using to determine what a better way to do it, or to  
25 make the critiques came from your experience of costing,  
26 and your costing knowledge and your experience and what you  
27 have been deemed an expert in? Is that fair?

28 MR. MCKEOWN: Yes.

1 MR. RUBENSTEIN: All right. And you would agree that  
2 this application -- what Hydro Ottawa is seeking in this  
3 broader application is the setting distribution rates and  
4 other service charges, as you've set out in paragraph 1,  
5 from 2016-2020?

6 MR. MCKEOWN: Yes.

7 MR. RUBENSTEIN: And Hydro Ottawa has determined for  
8 the cost inputs to their pole attachment rate using 2013  
9 data, am I correct?

10 MR. MCKEOWN: Yes.

11 MR. RUBENSTEIN: And when you -- you would agree with  
12 me if we're setting rates for 2016 and onwards, what we  
13 should be looking at is -- the best way to set that  
14 information is to use 2016 forecasts, would you agree with  
15 me?

16 MR. MCKEOWN: Well, there are some difficulties with  
17 that obviously, but the --

18 MR. RUBENSTEIN: I will walk you through -- we will  
19 talk about that. I just want to understand.

20 You have been deemed a costing expert. If we're  
21 setting forecasts -- if the idea is to set rates for 2016  
22 pole attachment rates, we would like to have 2016 data.  
23 That's the best way to do it; you would agree with me?

24 MR. MCKEOWN: In my view, the best way to look at it  
25 would be a long-run incremental cost. So you would look at  
26 the cost of providing the service over the next -- you  
27 would have to determine the term, but let's say ten years.

28 And you would look at the cost over that period of

1 time and discount those related cash flows. And that would  
2 provide you with a present value cost. And that would be  
3 the basis for determining the appropriate rate for that  
4 period.

5 The problem with that is, there are no incremental  
6 costs associated with the pole. There are incremental  
7 costs associated with what we're talking about as loss of  
8 productivity or loss in productivity, but there are no  
9 incremental costs associated with the pole. And so a  
10 discounted cash flow study doesn't work. You can't use it.

11 So you could say, well, let's just look at the  
12 incremental costs and we will use that to determine the  
13 rates. But that seems unfair. I mean, that's -- that's an  
14 issue for the Board to decide. It's not a costing issue.  
15 But there's a determination that some of those common costs  
16 associated with the pole should somehow be allocated.

17 And that's the reason we're using 2013. We're using  
18 historic costs, because we can't look at future costs  
19 associated with the pole itself.

20 We can't determine an incremental cost. It would be  
21 zero, and it wouldn't make any sense in this context. So  
22 the next-best value are the historical costs.

23 MR. RUBENSTEIN: And so I take it at sort of at a  
24 general level you understand Hydro Ottawa's application and  
25 how it proposed to set costs for distribution ratepayers?

26 MR. MCKEOWN: At a general level, yes.

27 MR. RUBENSTEIN: You would agree with me that it is  
28 based on setting forecast costs for each year from 2016



1 through 2020, correct?

2 MR. MCKEOWN: Yes. If I could just add, though -- and  
3 I didn't realize this until I was looking at the Hydro  
4 Ottawa materials. The Board has a very sophisticated  
5 methodology for allocating those common costs. So you've  
6 dealt -- the Board has dealt with the issue of how to  
7 include the common costs for the purposes of setting  
8 electrical rates. But there is no analogue for pole  
9 attachment rates. We don't have a methodology that's as  
10 sophisticated and as well-thought-out as the one -- as we  
11 have for electricity as we do for poles.

12 MR. RUBENSTEIN: So your distribution ratepayers will  
13 pay -- each individual distribution ratepayer based on the  
14 settlement agreement and based on the application, which --  
15 the format that Hydro Ottawa proposed, will pay their fair  
16 share for 2016 and onwards until 2020 costs.

17 It is your view, in your report, that pole attachers  
18 should pay their fair share, and I will leave that to how  
19 we determine that as an issue of methodology based on 2013  
20 costs. Am I correct?

21 MR. MCKEOWN: Yes. You need to use historical costs  
22 for the reasons I have said.

23 MR. RUBENSTEIN: And you don't think then distribution  
24 ratepayers should have used historical costs in setting  
25 distribution rates?

26 MR. MCKEOWN: No. I don't think there is any need to  
27 use historical costs for ratepayers, if I am understanding  
28 the question.

1 MR. RUBENSTEIN: Can you help me understand why  
2 distribution ratepayers should be treated one way and pole  
3 attacher ratepayers should be treated differently?

4 MR. MCKEOWN: Yes. So I'm sorry, I may not have been  
5 clear in my explanation.

6 So the best way to do a cost study is to look at  
7 future costs, because we're setting the rates for a future  
8 period. And what we do, we look at the costs during that  
9 period and we're looking at incremental costs. So what are  
10 the additional costs the firm will incur in order to  
11 provide the service?

12 And we look at, it could be a three-year period or as  
13 long as a ten-year period, depending on the life of the  
14 service and the assets. Once we have those cost estimates  
15 for that ten-year period, we discount those cash flows to  
16 the present. We determine a net present value of those  
17 costs.

18 So we've got the net present value of the incremental  
19 or additional costs that will be incurred to provide a  
20 service.

21 When we look at poles, it's difficult, because there  
22 are some incremental costs, but they're relatively low.  
23 The incremental cost of using a pole is zero. At least the  
24 incremental cost of using a pole that has been installed  
25 for the purposes of providing power to ratepayers, it  
26 already exists. There is no additional cost for the -- to  
27 Hydro Ottawa, except for the loss in productivity costs or  
28 the direct costs, but there are no additional costs to

1 Hydro Ottawa for someone to attach to that pole.

2 The pole cost is what it is. So that future-looking  
3 incremental cost study does not provide a good basis for  
4 determining a rate. Instead, what we have to do is look at  
5 historical costs, because those are the only costs we've  
6 got, and we determine those historical costs and determine  
7 a way of allocating those costs, which determines a great  
8 deal of -- which requires a great deal of judgment and  
9 subjectivity -- but there needs to be a method for  
10 allocating those costs to companies that attach to the  
11 pole. And that's the reason why we've used an  
12 historical cost in this context.

13 MR. RUBENSTEIN: Is that generally how they do costing  
14 studies in the telecommunication -- for telecommunication  
15 providers?

16 MR. MCKEOWN: Yes. With very few exceptions.

17 MR. RUBENSTEIN: All right. And I think we've had --  
18 I just want to confirm, because this -- have you ever done  
19 costing work for an electricity distributor?

20 MR. MCKEOWN: No, I haven't.

21 MR. RUBENSTEIN: And so if I posit to you that is not  
22 how the Board does costing...

23 MR. MCKEOWN: Right. That is not how the Board does  
24 costing, because the Board isn't looking at a specific  
25 service. It is looking at a rate base for Hydro Ottawa.  
26 It includes all of the allowed assets in order to determine  
27 a rate base.

28 So it is determining the total cost to providing

1 services to all of those customers. But the Board does  
2 have a methodology for allocating those common costs.

3 So in the pole attachment case, the pole is that  
4 common cost. For electrical distribution, the common costs  
5 are the distribution network, the equipment, plants that  
6 are common to all the customers.

7 So you've got a methodology for allocating those costs  
8 across different classes of customers. And that is the  
9 piece that we don't have in the context of pole  
10 attachments.

11 MR. RUBENSTEIN: Well, let me ask you about your  
12 methodology. So when you look at the indirect -- when you  
13 determine the indirect costs, you utilized -- and I  
14 recognize you made some adjustments to it, to deal -- but  
15 you took the net book value to determine the net book value  
16 per pole. You took the net book value for 2013, the  
17 average net book value, that is from historical costs. You  
18 made some adjustments to it, I recognize that, and you  
19 divided by the number of poles.

20 MR. MCKEOWN: That's correct.

21 MR. RUBENSTEIN: So if we have the 2016 net book value  
22 of poles on a similar basis that you had for 2013, why  
23 shouldn't we use that number?

24 MR. MCKEOWN: Because we don't -- so as I said, the  
25 best approach is to look at future-looking -- forward-  
26 looking costs, incremental costs. We don't have that. So  
27 the second-best alternative is to look at actual historical  
28 costs. So the costs that have been identified, recorded,

1 and can be proven, if you will.

2 MR. RUBENSTEIN: So why don't we then utilize 2015  
3 historical costs?

4 MR. MCKEOWN: We don't have those yet. We have 2014  
5 costs, and those could have been used, except that, I  
6 assume, because they weren't available to Hydro Ottawa at  
7 the time the application was filed, otherwise they would  
8 have used 2014.

9 MR. RUBENSTEIN: Putting aside what Hydro Ottawa did.  
10 I am asking you. You're the expert. You were looking at  
11 this study, and you were determining a better way to do it.  
12 Why didn't you do it using 2014 costs?

13 MR. MCKEOWN: Well, I don't -- yes, I could have. So  
14 the 2014 costs were filed at the end of June.

15 It would have given some time to prepare the  
16 calculations based on 2014.

17 I went with 2013 because that's what Hydro Ottawa used  
18 and they were readily available. We had other information  
19 supporting those costs. So instead of starting from  
20 scratch, I adopted 2013.

21 But I take your point. It could have been 2014.

22 MR. RUBENSTEIN: And do you expect -- I heard your  
23 criticism of using forecast costs because they're not  
24 proven. We don't know what, in the end result, they're  
25 going to be. Do I understand that, the problem of using,  
26 say, 2016 costs? Am I correct?

27 MR. MCKEOWN: Sorry, I didn't hear the question.

28 MR. RUBENSTEIN: One of the issues about using 2016

1 costs is that we don't actually know what the real costs  
2 are going to be at 2016. They're just a forecast.

3 MR. MCKEOWN: Right, yes.

4 MR. RUBENSTEIN: All right. Is it your belief that  
5 those costs will be materially different in the end? Do  
6 you have any knowledge if they would be materially  
7 different than what Hydro Ottawa says that they will be?

8 MR. MCKEOWN: A single cost may not. But there's an  
9 accumulative effect.

10 So if the costs increase and the poles decrease then,  
11 you know, we could get a materially different end result.

12 MR. RUBENSTEIN: But you recognize what you're talking  
13 about, ratepayers, that's how they set costs for  
14 distribution ratepayers. It is on a forecast and that is  
15 how the Board sets those costs.

16 MR. MCKEOWN: And that is how we did it for telecom  
17 services, too. It is just in pole attachments, we have  
18 this single, large common cost and we have to allocate it  
19 somehow amongst the users.

20 And that's -- it is a difficult question. I recognize  
21 that, and it is a challenge. But that is the challenge  
22 before us.

23 MR. RUBENSTEIN: All right. Let me ask you about the  
24 number of attachers. You have used the 2.5 number, am I  
25 correct?

26 MR. MCKEOWN: Yes.

27 MR. RUBENSTEIN: I think there was some discussion  
28 with Mr. Cass, but we can agree, based on JTC 1.7, that the

1 actual number of attachers per pole as of August 18th is  
2 1.68?

3 MR. MCKEOWN: Well --

4 MR. RUBENSTEIN: Do you agree with --

5 MR. MCKEOWN: I don't agree with that number at all.  
6 I think that's wrong.

7 Sorry, Mr. Cass was also asking me about the second  
8 number on 1.7 and if it is appropriate, and I did find my  
9 reference to it.

10 The number of 1.29 telecom attachers per pole uses a  
11 denominator of 33,869. So that includes -- so the purpose  
12 of that calculation was to look at -- and I am reading from  
13 1.7 now -- looking only at telecom wireline attachments  
14 with OEB rates. So we're only dealing with telecom  
15 wireline attachments.

16 And the numerator, 43,825, are the number of wireline  
17 telecom attachments. And the numerator -- or the number of  
18 poles, so 33,869, but that also includes poles that only  
19 have street lights on them.

20 And I've got the breakdown here. But as a result, the  
21 actual number is 1.49.

22 MR. RUBENSTEIN: Sorry. I want to ask about the 1.68  
23 now, that's the number that --

24 MR. MCKEOWN: I'm sorry.

25 MR. RUBENSTEIN: I recognize you had that discussion  
26 with Mr. Cass. But my question is the 1.68 number. Do you  
27 accept that number?

28 MR. MCKEOWN: No, I think that number is incorrect.

1 So we do have better information from Hydro Ottawa and if  
2 we include that, we end up with a much higher number.

3 So I can walk you through those, if you would like.

4 MR. RUBENSTEIN: It's probably best.

5 MR. MCKEOWN: Excuse me for just a second. And I  
6 think it may be repeating some of the things that we heard  
7 this morning, when Mr. Janigan was asking questions of the  
8 Hydro Ottawa board.

9 So we start with the telecom wireline attachments of  
10 46,173. But I think the calculation needs to recognize the  
11 existence of the other attachments, and those include the  
12 clearance attachments. And from JTC 1.17, we know that  
13 there is 1,952 of them.

14 Then there is the overlash and partial attachments, an  
15 additional 6,957. And then there is street lights, 13,265,  
16 which brings us to a total of 70,000.

17 MR. RUBENSTEIN: You're talking attachers or  
18 attachments?

19 MR. MCKEOWN: Attachments.

20 MR. RUBENSTEIN: But you would agree with me that the  
21 methodology from the CCTA decision is attachers.

22 MR. MCKEOWN: Right. So these are companies -- these  
23 are organizations that have attached and are paying a rate.

24 MR. RUBENSTEIN: So your number is that?

25 MR. MCKEOWN: Yes.

26 MR. RUBENSTEIN: All right. And is that 2.5 your  
27 number?

28 MR. MCKEOWN: No. It comes to 1.9.



1 MR. RUBENSTEIN: All right.

2 MR. MCKEOWN: So we are still a ways off, but we  
3 haven't included the City of Ottawa, the RCMP, Hydro One,  
4 either the power or the communications I believe, and there  
5 is no accounting for the banner attachments.

6 In addition to that, there is no recognition of the  
7 additional attachers that I believe will place greater  
8 demands on the Hydro Ottawa poles.

9 MR. RUBENSTEIN: I would like to ask you about that.

10 MR. MCKEOWN: Sure.

11 MR. RUBENSTEIN: And your view was -- and this is from  
12 paragraph 106 of your report -- sorry, 105, that the  
13 projections for 2016 and beyond are conservative. Am I  
14 correct? You said overly conservative, am I correct?

15 MR. MCKEOWN: I had an exchange with Mr. Cass about  
16 that.

17 MR. RUBENSTEIN: So let me then take you to paragraph  
18 106 and the big reason, at least how I read it, is that it  
19 is your view that Bell and other carriers will be expanding  
20 fibre and it will cause further increases in demand for  
21 attachments to Hydro Ottawa poles. Am I correct?

22 MR. MCKEOWN: Yes that's correct.

23 MR. RUBENSTEIN: Do you think that will increase the  
24 amount of attachments, or the amount of attachers?

25 MR. MCKEOWN: It will result in Bell attaching to  
26 poles where they are not already attached.

27 MR. RUBENSTEIN: And is it only Bell that would be --  
28 it is your belief that only Bell is going to be the carrier

1 or entity that will be increasing their attachments?

2 MR. MCKEOWN: No. But for Bell, it is significant.

3 So Bell has, as I set out in my evidence, has  
4 announced very recently that they're building fibre to the  
5 home.

6 So fibre to the home means that these very hair-thin  
7 strands of cable fibre -- fibre cable or fibre optical  
8 cable -- will be used all the way from the Bell building to  
9 the customer's home.

10 Now, right now, as you know, it is copper that goes  
11 into the premises, both business in most cases and  
12 certainly for residential customers, you see a pair or  
13 three or four pair of copper wires. They're noticeable in  
14 the basement.

15 That will be replaced by a fibre strand. And this is  
16 a sea change for the telecom industry

17 Toronto has been announced as having a Bell investment  
18 of \$1.1 -- well, a significant -- instead of me trying to  
19 rely on my memory, I can tell you that it is a very large  
20 investment by Bell and by Telus in Vancouver and Calgary,  
21 and it's happened in other locations. It will happen in  
22 Ottawa, because we're moving to a stage where instead of  
23 having an Internet service that provides, you know, ten or  
24 20 or 50 megabit service to an Internet service that  
25 provides 1,000 megabit service. That's huge, because it  
26 enables a whole different level of services.

27 And the companies have taken the position that they  
28 need to get this in quickly as possible because if they

1 don't they will lose customers to their nearest competitor.

2 MR. RUBENSTEIN: But is there anything to disbelieve  
3 the evidence we heard earlier from Hydro Ottawa that the  
4 rollout is complete in Ottawa?

5 MR. MCKEOWN: I don't think that rollout has started.  
6 They do not have fibre to the home in Ottawa.

7 MR. RUBENSTEIN: Can I ask, I mean, your -- what is  
8 the basis of your -- is that just your personal belief? I  
9 am just trying to understand your cost allocation rate  
10 design expert. What is your basis to say -- to counter  
11 what was said earlier by Hydro Ottawa that says that that  
12 rollout is complete?

13 MR. MCKEOWN: Sure. So Bell has completed a segment  
14 -- or the first phase of its fibre rollout. What they've  
15 done is completed fibre to the node, which means that they  
16 have taken this fibre-optic cable from their central  
17 offices, which are really the buildings that house their  
18 switches and computer equipment. They've taken fibre from  
19 those locations to a location in the neighbourhood. And  
20 from that location they convert it to copper. They use the  
21 existing copper base to provide Internet services. The  
22 Internet services are very good. 100, 200, 300 megabit per  
23 second, using a specific kind of technology.

24 But they're going one step further. They want to take  
25 the fibre not just to the node, but to each individual  
26 home, and they've announced that in Toronto.

27 And that's the program that they're just initiating.  
28 They've made no announcements about Ottawa yet. But it is

1 coming. In Toronto they've said that 70 percent of that  
2 fibre will be on Toronto Hydro poles. Now, that's  
3 remarkable, because currently only 50 percent of the copper  
4 is on hydro poles. In other words, they will have to  
5 increase their use of poles in Toronto by about 40 percent  
6 in order to do what they say.

7 MR. RUBENSTEIN: But just to be clear, you have  
8 nothing -- there is no evidence that you are aware of that  
9 says that this will happen in Ottawa, and that when Hydro  
10 Ottawa says the rollout is complete, you have nothing,  
11 there is no -- you can't provide us with anything,  
12 something to support that position?

13 MR. MCKEOWN: It is like saying, you know, Ottawa  
14 doesn't yet have Internet service. And I am predicting  
15 that someday it will.

16 In the same sense, it has Internet service level that  
17 will no longer be acceptable for customers, and Bell will  
18 have to roll it out because Rogers or another company will  
19 roll it out.

20 But, no, I can't tell you with 100 percent certainty.  
21 I don't know the future of what will happen in  
22 telecommunications, but there certainly will be a rollout  
23 of fibre to the homes, and that will require greater use of  
24 poles.

25 MR. RUBENSTEIN: Did you ask Bell? Did you go to  
26 Bell --

27 MR. MCKEOWN: I didn't need to. Bell said this.

28 MR. RUBENSTEIN: No, but did you ask Bell in Ottawa,

1 "What is your forecast of pole -- of attachments on poles?"

2 MR. MCKEOWN: No. But there is no reason why --  
3 there's no reason to think it will be any different in  
4 Ottawa than it is in Toronto.

5 MR. RUBENSTEIN: Did you ask -- let me ask you about  
6 other carriers. Did you ask the carriers that you were  
7 retained by to ask them about what their pole attachment  
8 forecasts were going to be for the test period, 2016 to  
9 2020?

10 MR. MCKEOWN: I did notice that there was a new  
11 company that acquired municipal rights-of-way from the city  
12 in order to build-out a fibre network, and its fibre  
13 network apparently will be on --

14 MR. RUBENSTEIN: That is not my question. My question  
15 is did you ask the Carriers that you were retained by,  
16 Rogers, Telus, Quebecor, about their forecasts?

17 MR. MCKEOWN: I didn't, but I didn't think there was  
18 any need to do that either.

19 DR. ELSAYED: Mr. Rubenstein, I am just mindful of the  
20 time. How much more time do you need?

21 MR. RUBENSTEIN: Those are my questions.

22 DR. ELSAYED: Okay, thank you.

23 Mr. Janigan, do you have any questions?

24 MR. JANIGAN: No. Mr. Chair, I don't believe I have  
25 any questions for this Panel.

26 DR. ELSAYED: Okay.

27 MS. HELT: Board Staff has no questions.

28 DR. ELSAYED: Okay. Thank you.

1 Any redirect?

2 MS. McALEER: No re-examination, thank you.

3 DR. ELSAYED: Okay, well, that helps.

4 Yes, any redirect for your witness?

5 MR. PEAKER: None for me either. Thank you.

6 DR. ELSAYED: Okay. I just want to mention that what  
7 is left of the hearing plan doesn't necessarily have to be  
8 done in oral hearing. So I just want to clarify the steps  
9 that will be coming.

10 We did ask for submissions on the question as to  
11 whether the rate that will be decided in this proceeding  
12 should be considered interim. And we will probably be  
13 asking for those submissions in writing.

14 We also were expecting to have an argument in-chief  
15 today, which we will probably do in writing as well,  
16 followed by final submissions and reply submissions by the  
17 parties.

18 Once we get the lead/lag study, that is a decision  
19 that needs to be made as well, that is outstanding, and  
20 then finally, of course, the Board Panel will have to make  
21 a decision about the settlement proposal.

22 So these are not necessarily to be done in that order,  
23 but will be done in the near future, hopefully.

24 So unless there is anything else, I would like to  
25 thank everybody for coming here today, and we are  
26 adjourned.

27 --- Whereupon the hearing adjourned at 4:32 p.m.

28