



EB-2005-0488

## NOTICE OF PROPOSAL TO AMEND THE DISTRIBUTION SYSTEM CODE

To: All Licensed Electricity Distributors  
All Other Interested Parties

### **Background**

The Ontario Energy Board (the "Board") is giving notice under section 70.2 of the *Ontario Energy Board Act, 1998* (the "Act") of its proposal to amend the Distribution System Code (the "Code").

The Code sets the minimum conditions that an electricity distributor must meet in carrying out its obligations to distribute electricity under its licence and the *Electricity Act, 1998*. All licensed electricity distributors in the province must comply with the provisions of the Code as a condition of their licence.

The purpose of the proposed Code amendments (the "Amendments") is to clarify the provisions in the Code related to expansions, alternative bids, and enhancements. The Amendments are intended to provide greater clarity regarding the rights and obligations of electricity distributors with respect to distribution system expansions necessitated by load customers requesting connections to the distribution system. The Amendments are attached to this notice.

The Board will not be granting cost awards in this matter.

### **Summary of the Amendments**

The Amendments are intended to:

- improve transparency by requiring distributors to use a uniform approach when estimating the costs used in economic evaluations and in determining the amount of the capital contribution distributors may require customers to pay for an expansion project;
- improve transparency in relation to the exchange of information by requiring more detailed information in offers provided by distributors to customers;
- establish requirements for the identification of work eligible for alternative bid in offers provided by distributors to customers;

- establish fair procedures regarding the collection of security deposits by a distributor for system expansions, if they choose to do so; and
- achieve a fairer allocation of costs between a distributor and a customer who chooses the alternative bid option by establishing rules related to the transfer of customer-built assets to distributors.

A synopsis of the key proposed changes to the Code is attached to this notice and it includes both a summary of the key proposed changes as well as rationale for the changes. The synopsis is not intended to be exhaustive of all of the changes that are reflected in the Amendments. The revisions proposed by the Board have resulted in a reorganization and renumbering of Chapter 3 of the Code relative to the February 24, 2005 Code. The Board has prepared a table of concordance to assist parties in comparing the Amendments with the February 24, 2005 Code. The table of concordance is also attached to this notice.

### **Anticipated Costs and Benefits of the Amendments**

The Board anticipates that parties will benefit from the clarifications that have been included in the Amendments as the Amendments allow parties to have a clearer understanding of their respective rights and obligations. The Board believes that the main benefits of the Amendments are:

- improved transparency in relation to the exchange of information between a distributor and its customers;
- a uniform and consistent approach to expansion processes; and
- a fairer allocation of costs between a distributor and a customer.

It is expected that distributors will incur additional costs due to the increased amount of information that they will be required to provide to customers, a new obligation to provide detailed estimates to customers who choose to pursue alternative bid, and to update their Conditions of Service with new security provisions. Customers may also face higher costs or extended obligations, for example, in the security deposit provisions of the Amendments. The Board anticipates, however, that ratepayers will achieve an overall benefit from more effective and efficient distribution systems. The Board also anticipates that distributors and customers will benefit from the clarifications in the Amendments as they will all have a clearer understanding of their roles, rights, and obligations.

In proposing the Amendments, the Board is of the view that the anticipated benefits outweigh any costs that might be incurred or borne.

### **Coming into Force**

The Board is proposing that the Amendments come into force 90 days after the date that they are published on the Board's website.

**Invitation to Comment**

All interested parties are invited to make written representations on the Amendments. The Board requests that the representation specifically reference the relevant sections of the Amendments.

Any person who wishes to make a written representation with respect to the Amendments must **file eight (8) paper copies** of the representation, **and an electronic copy** of the representation in both Adobe Acrobat (PDF) and Word, with the Board Secretary **by 4:30 pm on December 15, 2005**. Electronic copies may be submitted on diskette or by e-mail to [boardsec@oeb.gov.on.ca](mailto:boardsec@oeb.gov.on.ca). Your submission must quote file number **EB-2005-0488** and include your name, address, e-mail address and fax number.

The Code, the Amendments, the Synopsis of Key Proposed Changes to the Distribution System Code, the Table of Concordance, and all written representations received by the Board with respect to the Amendments will be available for public inspection on the Board's website at [www.oeb.gov.on.ca](http://www.oeb.gov.on.ca) and at the office of the Board during normal business hours.

If you have any questions regarding the Amendments, please contact Lisa Brickenden at 416-440-8113 or Paul Gasparatto at 416-440-7724, or call toll free at 1-888-632-6273.

**DATED** at Toronto, November 17, 2005.

ONTARIO ENERGY BOARD

*original signed by*

John Zych  
Board Secretary

Attachments:   A - Synopsis of Key Proposed Changes to the Distribution System Code  
                  B - Proposed Amendments to the Distribution System Code  
                  C - Table of Concordance

## **Attachment A - Synopsis of Key Proposed Changes to the Distribution System Code**

This synopsis describes, by subject-matter, some of the key proposed changes that are reflected in the Amendments.

The purpose of this document is to provide a brief synopsis of the salient aspects of the Amendments in an accessible format. It is intended to provide only an overview of the proposed changes that are reflected in the Amendments, and all comments made in this document are restricted to that context and purpose. For the specific proposed changes to the Code, recourse must always be made to the Amendments themselves and all matters of interpretation are dependent on the words of the Amendments proper and not this synopsis.

### **Capital Contributions**

Information transparency between a distributor and its customers is the most straightforward way to ensure that Code provisions related to expansions, alternative bids, and enhancements are effective, fair and transparent. It helps to clarify the distributor's obligations and to reveal an appropriate balance between the interests of both parties. Distributors need to carry out financial evaluations to ensure that expansions are economic for all of its ratepayers. Customers need to have the economic evaluation details both to help them decide whether or not to pursue an alternative bid and to ascertain whether the costs they are paying are fair and justifiable. Therefore, distributors will be required to provide economic evaluation details to customers if a capital contribution is required. The inputs and assumptions prescribed in Appendix B are appropriate for this purpose.

The lack of clarity as to when re-runs of economic evaluations should be carried out may be contributing to confusion on the part of both customers and distributors. Therefore, distributors will be required to run the economic evaluation twice: (1) when the expansion and/or connection is requested by the customer to determine if a capital contribution is needed; and (2) when the facilities are commissioned by the distributor. The second economic evaluation will be based on actual costs and it will be used to determine if capital contribution amount needs to be trued-up.

The Amendments that address these changes are contained in sections 3.2.1 through to 3.2.6, inclusive, 3.2.11, 3.2.18, and 3.2.27.

## **Enhancement Costs in Expansion Projects**

To improve transparency to customers of how enhancement costs are calculated, distributors will be required to annually set a per KW enhancement cost estimate to be factored in the economic evaluation of an expansion project. To reflect a typical year in the life of the distributor, the estimate will be based on a historical three-year rolling average of actual enhancement costs incurred in system expansions.

The Amendments that addresses these changes are in Appendix B.

## **Information in Offers Provided To Customers**

The Board does not believe it would be appropriate, let alone possible, for the Code to catalogue all of the potential specific activities or combination of activities that may comprise a distribution system expansion project. However, to improve transparency to customers of the work required in a project, distributors will be required to disclose in their offer to a customer the breakdown of any reinforcement costs associated with the expansion project.

The Board is also of the view that providing a more transparent connection process and more information in the offer to connect will assist in ensuring consumer protection and the efficient operation of the electricity market. Therefore, the Amendments clarify that in an initial offer, a distributor should be required to provide:

- a description of the work that is contestable and the work that is non-contestable;
- a description of materials, labour and estimated costs for both the contestable and uncontestable work; and
- the calculation, including all inputs, used to determine the capital contribution amount a customer may be required to pay (done in accordance with Appendix B of the Code).

The estimated costs for the contestable and uncontestable work must be broken down into the following categories: labour (including design, engineering and construction); materials; equipment; direct overhead (including administration); and indirect overhead.

To sustain the transparency of information between distributors and customers, once the customer has accepted the offer (including deciding upon whether or not to seek alternative bid on the contestable work), the detailed design is completed, and the plan approved, the distributor shall be required to, at cost, provide the customer with a more detailed quote itemizing the costs for the substantive elements included in each category.

The Amendments that address these changes are contained in sections 3.2.7 through to 3.2.11, inclusive.

### **Varying Standards of Work Eligible for Alternative Bid**

The Board believes that if a project requires a capital contribution from the customer, the customer should have an option to pursue an alternative bid on the contestable work. However, the Board is of the view that the Code needs to put restrictions on contestable work. Namely, the preliminary planning, design and engineering specifications of the work required for the distribution system expansion and connection and work involving existing distributor assets will be uncontestable.

To enable uniform treatment and mitigate costs, the Amendments clarify that the distributor is obliged to complete the non-contestable work when a customer chooses to carry out contestable work. Furthermore, the Amendments provide that the distributor has the right, and obligation, to ensure that the contestable work is done in accordance with the distributor's design and technical standards and specifications.

The above requirements are proposed in the interests of operational safety.

Finally, the Amendments maintain that a distributor has the right to recover its costs associated with a customer's choice of alternative bid (additional design costs, inspection, testing and commissioning costs). The Amendments also clarify that, with the introduction of transfer price requirements, these costs are to be included as part of the customer's expenses for the purposes of calculating the transfer price.

The Amendments that address these changes are contained in sections 3.2.13 through to 3.2.18, inclusive.

### **Collection of Security Deposits by a Distributor for System Expansions**

To reduce the risk to the distributor and its ratepayers, the Board believes that distributors should be allowed to collect reasonable security for both asset and forecast risk, if they choose to do so. The collection of security for asset risk is a common contractual requirement associated with the construction of capital assets. Distributors collect security for asset risk from contractors doing the work. The Board also believes that some degree of security for forecast risk is appropriate.

The Amendments provide that distributors can collect security and that the maximum allowed amount is up to 100% of the difference between the present value of the projected capital costs and on-going maintenance costs for the facilities and the capital contribution associated with the expansion. The Amendments also require that the security be returned to the customer except for certain situations (i.e., where the distributor needed to bring the facilities up to standard or the withholding of up to 10% of the security for up to a two year warranty period).

The Amendments that address these changes are contained in sections 3.2.19 through to 3.2.25, inclusive.

### **The Pricing for Asset Transfers**

Where capital contributions are required, customers may select the alternative bid option, construct the required facilities and transfer these assets to the distributor for on-going operation, management and maintenance. There is currently nothing in the Code that requires a distributor to purchase the assets from a customer nor are there any provisions in the Code regarding the price which a distributor must pay a customer when assets are transferred. This has resulted in situations where some distributors are paying only nominal amounts to customers when assets are transferred. This can occur even though the value of these assets is much greater than the required capital contribution amount. The Board is of the view that this practice is unfair to customers because it erodes the savings a customer may achieve by pursuing alternative bid.

Therefore, the Amendments provide that distributors must pay a transfer price for assets that were built through alternative bid and transferred to the distributor. The transfer price will be the lower of the cost to the customer to carry out the contested work or the distributor's estimated cost to do that portion of the system expansion work. The transfer price will be considered a cost to the distributor for the purposes of the second economic evaluation.

The Amendments that address these changes are contained in sections 3.2.16 through to 3.2.18, inclusive.

### **Format Changes**

Some formatting changes were made to sections 3.1 and 3.3 (formerly 3.4) of the Code. These changes were limited to: inserting letters in the place of bullet marks; semi-colons at the end of each clause instead of periods; using the lower case instead of the upper case at the beginning of each clause; and in one case, separating out two clauses from the main body of the section (section 3.1.4). There were no changes to the substance of these sections.

There were no substantive changes made to the section on Enhancements or the section on Relocation of Plant; however, the section numbers have changed.

### **Typographical Error**

A typographical error in Appendix B which describes how to calculate the present value of taxes has been corrected. The second reference to "Annual Capital Tax" has been corrected to be "Annual Income Tax". The associated formula has also been corrected.

## **Attachment B - Proposed Amendments to the Distribution System Code**

### **1 GENERAL AND ADMINISTRATIVE PROVISIONS**

Section 1.7 of the Code will be amended by adding the following sentence to the end of the section:

The amendments to this Code made by the Board on [insert date of final amendments] will come into effect 90 days after that date.

### **3 CONNECTIONS AND EXPANSIONS**

The text set out below will replace the text currently in Chapter 3 of the Code.

#### **3.1 Connections**

3.1.1 In establishing its connection policy as specified in its Conditions of Service, and determining how to comply with its obligations under section 28 of the *Electricity Act*, a distributor may consider the following reasons to refuse to connect, or continue to connect, a customer:

- (a) contravention of the laws of Canada or the Province of Ontario including the Ontario Electrical Safety Code;
- (b) violation of conditions in a distributor's licence;
- (c) materially adverse effect on the reliability or safety of the distribution system;
- (d) imposition of an unsafe worker situation beyond normal risks inherent in the operation of the distribution system;
- (e) a material decrease in the efficiency of the distributor's distribution system;
- (f) a materially adverse effect on the quality of distribution services received by an existing connection; and
- (g) if the person requesting the connection owes the distributor money for distribution services, or for non-payment of a security deposit. The distributor shall give the person a reasonable opportunity to provide the security deposit consistent with section 2.4.20.



- 3.1.2 A distributor shall ensure that all electrical connections to its system meet the distributor's design requirements, unless the electrical connections are separated by a protection device that has been approved by the distributor. If an electrical connection does not meet the distributor's design requirements, a distributor may refuse connection.
- 3.1.3 If a distributor refuses to connect a customer, the distributor shall inform the person requesting the connection of the reason(s) for not connecting and, where the distributor is able to provide a remedy, make an offer to connect. If the distributor is unable to provide a remedy to resolve the issue, it is the responsibility of the customer to do so before a connection may be made.
- 3.1.4 For residential customers, a distributor shall define a basic connection and recover the cost of the basic connection as part of its revenue requirement. The basic connection for each customer shall include, at a minimum:
- (a) supply and installation of overhead distribution transformation capacity or an equivalent credit for transformation equipment; and
  - (b) up to 30 meters of overhead conductor or an equivalent credit for underground services.
- 3.1.5 For non-residential customers, a distributor may define a basic connection by rate class and recover the cost of connection either as part of its revenue requirement, or through a basic connection charge to the customer.
- 3.1.6 All customer classes shall be subject to a variable connection charge to be calculated as the costs associated with the installation of connection assets above and beyond the basic connection. A distributor may recover this amount from a customer through a connection charge or equivalent payment.

## **3.2 Expansions**

- 3.2.1 If a distributor must construct new facilities to its main distribution system or increase the capacity of existing distribution system facilities in order to be able to connect a specific customer or group of customers, the distributor shall perform an economic evaluation, as described in Appendix B, of the expansion project to determine if the future revenue from the customer(s) will pay for the capital cost and on-going maintenance costs of the expansion project.

- 3.2.2 The distributor shall carry out a final economic evaluation once the construction of the expansion is completed. The final economic evaluation shall be based on actual costs incurred (including, but not limited to, the costs for the uncontestable work, any administration, inspection, testing, and commissioning costs for the contestable work and any transfer price paid by the distributor to the customer) and the methodology described in Appendix B.
- 3.2.3 The capital contribution that a distributor may charge a customer other than a generator or distributor to construct an expansion to the distributor's distribution system shall not exceed that customer's share of the difference between the present value of the projected capital costs and on-going maintenance costs for the facilities and the present value of the projected revenue for distribution services provided by those facilities. The methodology and inputs that a distributor shall use to calculate this amount are presented in Appendix B.
- 3.2.4 The capital contribution that a distributor may charge a generator to construct an expansion to connect a generation facility to the distributor's distribution system shall not exceed the generator's share of the present value of the projected capital costs and on-going maintenance costs for the facilities. Projected revenue and avoided costs from the generation facility shall be assumed to be zero, unless otherwise determined by rates approved by the Board. The methodology and inputs that a distributor shall use to calculate this amount are presented in Appendix B.
- 3.2.5 If a shortfall between the present value of the projected costs and revenues is calculated under section 3.2.3 or 3.2.4, the distributor may propose to collect all or a portion of that amount from the customer in the form of a capital contribution, in accordance with the distributor's documented policy on capital contributions by customer class.
- 3.2.6 If the capital contribution amount resulting from the final economic evaluation provided for in section 3.2.2 differs from the capital contribution amount resulting from the initial economic evaluation calculation, the distributor shall obtain from the customer, or credit the customer for, any difference between the two calculations.
- 3.2.7 If an expansion of the distributor's main distribution system is needed in order for a distributor to connect a customer, the distributor shall make an initial offer to connect the customer and build the expansion. A distributor's initial offer shall include, at no cost to the customer:

- (a) a description and estimate of the connection charges that would be payable under the offer as referred to in section 3.1;
- (b) whether the offer is a firm offer or is an estimate of the costs as set out in section 3.2.1 that would be revised in the future to reflect actual costs incurred;
- (c) reference to the distributor's Conditions of Service and information on how the customer requesting the connection may obtain a copy of them; and
- (d) whether a capital contribution will be required from the customer.

3.2.8 If the distributor will require a customer to pay a capital contribution, the distributor must, in addition to complying with section 3.2.7, also include in its initial offer, at no cost to the customer:

- (a) an estimate of the capital contribution that the customer will have to pay for the expansion;
- (b) the calculation used to determine the estimate of the capital contribution to be paid by the customer including all of the assumptions and inputs used to produce the economic evaluation as described in Appendix B;
- (c) whether the offer includes work for which the customer may obtain an alternative bid and, if so, the process by which the customer may obtain the alternative bid; and
- (d) a description of, and cost estimates for, the contestable work and the uncontestable work associated with the expansion broken down into the following categories:
  - (i) labour (including design, engineering and construction);
  - (ii) materials;
  - (iii) equipment;
  - (iv) direct overhead (including administration); and
  - (v) indirect overhead.

3.2.9 If the distributor's offer is an estimate, the distributor shall provide to the customer, at cost, a revised cost estimate based on changes in the customer's plans, additional design work, or as a result of the customer choosing to pursue the alternative bid option. The revised cost estimates that result from the customer choosing to pursue the alternative bid option may include, but are not limited to, the items listed in section 3.2.16. The revised cost estimate shall

itemize the costs for the major items in each of the categories listed in section 3.2.8(d) and shall be done in the following manner:

- (a) if the customer has not chosen to pursue an alternative bid, the distributor shall provide detailed estimates for all of the work; or
- (b) if the customer has chosen to pursue the alternative bid option, the distributor shall only be required to provide detailed estimates for the uncontestable work.

3.2.10 If the distributor's initial offer was a firm offer and the customer submits revised plans or chooses the alternative bid option, the distributor may provide, at cost, a new firm offer based on the revised plans or as a result of the decision to pursue the alternative bid option.

3.2.11 If the distributor's offer was not a firm offer, the distributor shall provide the customer with the calculation used to determine the final capital contribution amount including all of the assumptions and inputs used to produce the final economic evaluation as provided for in section 3.2.2. The distributor shall provide the final economic evaluation and final capital contribution amount to the customer at no cost to the customer.

3.2.12 Section 3.2.10 and the last sentence of section 3.2.11 do not apply to a customer who is a generator or is proposing to become a generator unless the customer's proposed or existing generation facility is an emergency backup generation facility.

3.2.13 Where the distributor requires a capital contribution from the customer, the distributor shall allow the customer to obtain and use alternative bids for the contestable work. The distributor shall require the customer to use a qualified contractor approved by the distributor for the contestable work. The distributor shall approve the qualified contractors in a non-discriminatory, fair, and reasonable manner.

3.2.14 The following work shall be uncontestable:

- (a) the preliminary planning, design and engineering specifications of the work required for the distribution system expansion and connection (specifications shall be made in accordance with the distributor's design and technical standards and specifications); and

- (b) work involving existing distributor assets.

3.2.15 If a customer chooses to pursue an alternative bid and uses the services of a qualified contractor approved by the distributor for the contestable work, the distributor shall:

- (a) require the customer to complete all of the contestable work;
- (b) require the customer to select, hire and pay the contractor's costs for the contestable work and to assume full responsibility for the construction of that aspect of the expansion;
- (c) require the customer to be responsible for administering the contract (including the acquisition of all required permissions, permits and easements) or have the customer pay the distributor to do this activity;
- (d) require the customer to ensure that the contestable work is done in accordance with the distributor's design and technical standards and specifications; and
- (e) reserve the right to inspect and approve, at cost, all aspects of the constructed facilities as part of a system commissioning activity, prior to connecting the constructed facilities to the existing distribution system.

3.2.16 In addition to the capital contribution amounts in sections 3.2.3 and 3.2.4, the distributor may also charge a customer that chooses to pursue an alternative bid any costs incurred by the distributor associated with the expansion including, but not limited to, the following:

- (a) costs for additional design, engineering, or installation of facilities required to complete the project;
- (b) costs for administering the contract between the customer and the contractor hired by the customer if the distributor is asked to do so by the customer; and
- (c) costs for inspection or approval of the work performed by the contractor hired by the customer.

If the customer chooses to transfer the expansion facilities to the distributor in accordance with section 3.2.17 and 3.2.18, the charges referred to above shall be included as part of the customer's costs for the purposes of determining the transfer price.

- 3.2.17 If a customer selected the alternative bid option and chooses to transfer the expansion facilities to the distributor, and provided that the right of the distributor under section 3.2.15(e) has been exercised should the distributor choose to exercise that right, the distributor shall pay the customer a transfer price. The transfer price shall be the lower of the cost to the customer to construct the expansion facilities or the distributor's estimated cost to do the same work (as set out in the distributor's initial offer).
- 3.2.18 Where a distributor is required to pay a transfer price under section 3.2.17, the transfer price shall be considered a cost to the distributor for the purposes of completing the final economic evaluation.
- 3.2.19 A distributor may require the customer to provide a security deposit for up to 100% of the difference between the present value of the projected capital costs and on-going maintenance costs for the facilities and the capital contribution required from the customer under section 3.2.3.
- 3.2.20 Once the facilities are energized and subject to section 3.2.21, if the distributor's offer was an estimate, the distributor shall annually return the percentage of the security deposit in proportion to the forecasted connections (for residential developments) or forecasted demand (for commercial and industrial developments) that materialized in that year (i.e., if twenty percent of the forecasted connections or demand materialized in that year, then the distributor shall return to the customer twenty percent of the security deposit). This annual calculation shall only be done for the duration of the customer connection horizon. If at the end of the customer connection horizon the forecasted connections (for residential developments) or forecasted demand (for commercial and industrial developments) have not materialized, the distributor shall be allowed to retain the remaining portion of the security deposit.
- 3.2.21 A distributor shall be allowed to retain and use the security deposit to cover the distributor's costs if the distributor must complete, repair, or bring up to standard the facilities. Complete, repair, or bring up to standard includes costs the distributor incurs to ensure that the expansion is completed to the proper design and technical standards and specifications, and that the facilities operate properly when energized.
- 3.2.22 In addition to section 3.2.21, under a firm offer, the distributor may retain up to ten percent of the security deposit for a warranty period of up to two years.

This portion of the security deposit can be applied to any work required to repair the expansion facilities within the two year warranty period. The two year warranty period begins when the facilities are energized. The distributor shall return any remaining portion of this part of the security deposit at the end of the two year warranty period.

- 3.2.23 Subject to sections 3.2.21 and 3.2.22, under a firm offer, the distributor shall return the security deposit to the customer when the facilities are energized.
- 3.2.24 Any security deposit required under section 3.2.19 shall be in the form of cash, letter of credit or surety bond. The distributor shall allow the customer to select the form of the security deposit.
- 3.2.25 Where any security deposit is in the form of cash, the distributor shall return the security deposit to the customer together with interest in accordance with the following conditions:
- (a) interest shall accrue monthly on the security deposits commencing on receipt of the total deposit required by the distributor; and
  - (b) the interest rate shall be at the Prime Business Rate set by the Bank of Canada less 2 percent.
- 3.2.26 Unforecasted customers that connect to the distribution system during the customer connection horizon will benefit from the earlier expansion and should contribute their share. In such an event, the initial contributors shall be entitled to a rebate from the distributor. A distributor shall collect from the unforecasted customers an amount equal to the rebate the distributor shall pay to the initial contributors. The amount of the rebate shall be determined as follows:
- (a) for a period of up to the customer connection horizon as defined in Appendix B, the initial contributor shall be entitled to a rebate without interest, based on apportioned benefit for the remaining period; and
  - (b) the apportioned benefit shall be determined by considering such factors as the relative load level and the relative line length (in proportion to the line length being shared by both parties).
- 3.2.27 A distributor shall prepare all estimates required by section 3.2 in accordance with good utility practice and industry standards.

### **3.3 Enhancements**

3.3.1 A distributor shall continue to plan and build the distribution system for reasonable forecast load growth. A distributor may perform enhancements to its distribution system for purposes of improving system operating characteristics or for relieving system capacity constraints. In determining system enhancements to be performed on its distribution system, a distributor shall consider the following:

- (a) good utility practice;
- (b) improvement of the system to either meet or maintain required performance-based indices;
- (c) current levels of customer service and reliability and potential improvement from the enhancement; and
- (d) costs to customers associated with distribution reliability and potential improvement from the enhancement.

### **3.4 Relocation of Plant**

3.4.1 When requested to relocate distribution plant, a distributor shall exercise its rights and discharge its obligations in accordance with existing legislation such as the *Public Service Works on Highways Act*, regulations, formal agreements, easements and common law. In the absence of existing arrangements, a distributor is not obligated to relocate the plant. However, the distributor shall resolve the issue in a fair and reasonable manner. Resolution in a fair and reasonable manner shall include a response to the requesting party that explains the feasibility or infeasibility of the relocation and a fair and reasonable charge for relocation based on cost recovery principles.

## **APPENDIX B**

The three amendments set out below will be made to Appendix B of the Code.

In Appendix B.1, entitled "COMMON ELEMENTS OF THE DISCOUNTED CASH FLOW MODEL", the following section will be added under the heading "Capital Costs":

- (d) A per kilowatt enhancement cost estimate – the per kilowatt enhancement cost estimate shall be set annually and shall be based on a historical three-year rolling average of actual enhancement costs incurred in system expansions.



In Appendix B.2, entitled “DISCOUNTED CASHFLOW (DCF) METHODOLOGY”, the formula for calculating the Total Annual Capital Expenditure will be amended to include the enhancement cost estimate described in section (d) above. Specifically:

Total Annual Capital Expenditure = (for New Facilities and/or Enhancement/Reinforcement Investments + Customer Specific Capital + Overheads at the project level).

This applies for implicated system elements at the utility side of the “Ownership Demarcation Line”.

Also in Appendix B.2, entitled “DISCOUNTED CASHFLOW (DCF) METHODOLOGY”, in calculating the present value of taxes, the last item listed under “b) PV of Taxes” will be changed to correct a typographical error. Specifically, from:

Annual Capital Tax = (Capital Tax Rate) \* (Net Operating Cash - Annual Municipal Tax – Annual Capital Tax)

to:

Annual Income Taxes = (Income Tax Rate) \* (Net Operating Cash - Annual Municipal Taxes – Annual Capital Taxes)

## Attachment C - Table of Concordance

### Proposed Amended Distribution System Code

This table has been prepared to assist interested parties in comparing the proposed amendments to the Code with the February 24, 2005 Distribution System Code. The listing of a source indicates that the subject-matter or a section of one document has been captured in the corresponding section of the other document. It does not imply that the subject-matter has been dealt with in the same manner or in the same terms.

February 24, 2005 Code	Proposed Code Amendment
3.1 Connections	3.1 Connections
3.1.1	3.1.1
3.1.2	3.1.2
3.1.3	3.1.3
3.1.4	3.1.4
3.1.5	3.1.5
3.1.6	3.1.6
3.2 Expansions	3.2 Expansions
3.2.1	3.2.1
3.2.2	3.2.7, 3.2.8
3.2.3	3.2.14(a)
3.2.4	3.2.8(d)
3.2.5	3.2.3
3.2.5.1	3.2.4
3.2.6	3.2.5
3.2.7	3.2.26
3.2.8	3.2.7, 3.2.8, 3.2.10
3.2.9	3.2.2, 3.2.6, 3.2.11
3.2.10	3.2.12
3.3 Alternative Bids	Subsumed into 3.2
3.3.1	3.2.8(c), 3.2.13, 3.2.14
3.3.2	3.2.8 and 3.2.13
3.3.3	Deleted
3.3.4	3.2.15
3.3.5	3.2.16
3.3.6	Deleted
	<p><b>The following clauses are new:</b></p> <p>3.2.2 (final economic evaluation)</p> <p>3.2.9 (revised cost estimates)</p> <p>3.2.11 (final economic evaluation)</p>

February 24, 2005 Code	Proposed Code Amendment
	3.2.17 (transfer price) 3.2.18 (transfer price) 3.2.19 (security) 3.2.20 (security) 3.2.21 (security) 3.2.22 (security) 3.2.23 (security) 3.2.24 (security) 3.2.25 (security) 3.2.27 (preparation of estimates)
3.4 Enhancements	3.3 Enhancements
3.4.1	3.3.1
3.5 Relocation of Plant	3.4 Relocation of Plant
3.5.1	3.4.1