



PUBLIC INTEREST ADVOCACY CENTRE  
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

April 25, 2016

VIA MAIL

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge St.  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2016-0004 - Ontario Energy Board Generic Proceeding  
Natural Gas Community Expansion  
Interrogatory Responses of Vulnerable Energy Consumers Coalition  
(VECC)**

Please find attached the Interrogatory Responses associated with the Evidence filed on behalf of the Vulnerable Energy Consumers Coalition (VECC) in the above noted matter. The responses for the following parties:

Board Staff  
CCI  
Energy Probe  
School Energy Coalition  
OGA  
Southern Bruce

Yours truly,

Michael Janigan  
Counsel for VECC

S16.VECC. Staff1

Ref: Vulnerable Energy Consumers Coalition (VECC) Evidence, page 5

Vulnerable Energy Consumers Coalition's (VECC) evidence refers to two programs of the Federal Government in the 1980s that facilitated natural gas expansion to new communities: the Distribution System Expansion Program and the Canada Oil Substitution Program. Is VECC able to comment on how these two programs are similar to, or different from the Ontario government's Natural Gas Access Loans and Natural Gas Economic Development Grants (referred to at page 37 of VECC's evidence)?

Answer

The Distribution System Expansion Program and the Canada Oil Substitution Program are discussed in the Board's EBO 134 report<sup>1</sup> on page 4.

*"In the early 1980's, expansion of the natural gas distribution network was stimulated by federal government programs designed to reduce Canada's dependence on imported oil. One of these programs, the Distribution System Expansion Program (DESP), administered by the Department of Energy, Mines and Resources (EMR) provided funds to the gas utilities of Ontario in the form of contributions in aid of construction to assist in expansion of their distribution system.*

*DSEP was designed to facilitate specific types of system expansion Projects. The key criteria for funding such projects were the lack of financial viability and the volume of oil that gas would displace.*

*Another program, the Canada Oil Substitution Program (COSP), provided a grant to homeowners who converted from oil to natural gas. This program encouraged oil customers to convert to natural gas.*

*These EMR programs which encouraged expansion of the natural gas distribution system were phased out in 1984 and 1985."*

Mr. Hariton and Mr. Ladanyi do not have any additional information on hand about these two programs.

Ontario government's Natural Gas Access Loans and Natural Gas Economic Development Grants is were announced in a news release of April 24, 2015 and the OEB letter of February 18, 2015.

<https://news.ontario.ca/medt/en/2015/04/ontario-expanding-natural-gas-service-to-more-communities.html>

[www.ontarioenergyboard.ca/.../OEB\\_Letter\\_Gas\\_Expansion\\_20150218](http://www.ontarioenergyboard.ca/.../OEB_Letter_Gas_Expansion_20150218).

As the authors do not have any additional information on hand about these programs they are not able to comment on the programs or their similarities or differences with the two federal government programs in the early 1980's.

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<sup>1</sup> EBO 134 In the Matter of a Review by the Ontario Energy Board of the Expansion of the Natural Gas System in Ontario, *Report of the Board*, June 1, 1987

S16.VECC.Staff2

Ref: VECC evidence, page 12

In its summary of the Board's EBO 188 report, the VECC evidence states: "It is clear from the EBO 188 report that the Ontario Energy Board found that some level of cross-subsidy from existing customers to new system expansion customers over a period of decades was not undue."

EBO 188 requires a PI of 1.1 or greater for a utility's investment portfolio. Although new attachments and facilities may require cross subsidization in early years, over time that subsidy will switch such that the new attachments will be paying more than their actual costs. With a PI of 1.1, over time there should be very little cross subsidization (and in fact whatever cross subsidization there is would be from new customers to the previously existing customers). Does VECC believe that EBO 188 allows for a continuing cross subsidy from existing customers to new customers for the investment portfolio? Alternately, was the reference to a cross subsidy referencing the Rolling Project Portfolio, which does allow for the addition of projects that have a PI of 0.8 or greater?

Answer

No; existing customers of a utility following EBO 188 guidelines would only subsidize new system expansion project customers until the cross-over point is reached which typically occurs less than half way through the 40 year revenue horizon. Beyond that point, new system expansion customers would subsidize previously existing customers.



Ref: VECC evidence, pages 15-16

VECC in its evidence notes that the telecommunications service provision industry has long been characterized by large subsidies among various services. Historically, these subsidies were implicit, through charging below cost prices for the target services and above cost prices for remaining services. The traditional telephone companies were obliged to provide service that may not be financially viable in high cost serving areas. The subsidy compensated them for this obligation. The compensation is provided through the National Contribution Fund.

a) Please indicate whether the Canadian Radio-television and Telecommunications Commission (CRTC) is permitted to subsidise high cost serving areas through a specific legislation or section of the *Telecommunications Act* or is it within the broad powers of the CRTC.

b) Please indicate whether the CRTC has established the National Contribution Fund under a specific section of the *Telecommunications Act* or has it been established within its broad powers. If it has been established within its broad powers, please provide your opinion on whether the Ontario Energy Board has similar powers under the *Act*.

#### ANSWER TO PART (a)

Mr. Hariton has not been retained in a legal capacity in this proceeding, and hence what follows is not a legal opinion. Rather, it is a description of aspects of the role and evolution of subsidies for telecommunications subsidies in Canada.

As described in VECC's evidence, the telecommunications system in Canada has long utilized cross-subsides to keep rates for residential local voice service at affordable levels. This was done under the regulator's general powers, first under the *Railway Act* and since 1993 under the *Telecommunications Act*. The key sections are s. 27 and s. 47:

**27 (1)** Every rate charged by a Canadian carrier for a telecommunications service shall be just and reasonable.

**(2)** No Canadian carrier shall, in relation to the provision of a telecommunications service or the charging of a rate for it, unjustly discriminate or give an undue or unreasonable

preference toward any person, including itself, or subject any person to an undue or unreasonable disadvantage.

.....

47 The Commission shall exercise its powers and perform its duties under this Act and any special Act

(a) with a view to implementing the Canadian telecommunications policy objectives and ensuring that Canadian carriers provide telecommunications services and charge rates in accordance with section 27; and

(b) in accordance with any orders made by the Governor in Council under section 8 or any standards prescribed by the Minister under section 15.

The 1993 *Telecommunications Act* also introduced a set of policy objectives at s. 7. For purposes of this discussion, the key policy objectives are as follows:

7 It is hereby affirmed that telecommunications performs an essential role in the maintenance of Canada's identity and sovereignty and that the Canadian telecommunications policy has as its objectives

(a) to facilitate the orderly development throughout Canada of a telecommunications system that serves to safeguard, enrich and strengthen the social and economic fabric of Canada and its regions;

(b) to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada;

It is generally understood that these sections confer very general powers on the CRTC. Over the years, relying on s. 27 of the *Telecommunications Act* and the antecedent sections in the Railway Act, the CRTC has directed some of the funds generated through rates to existing customers to extend and upgrade basic service to unserved and underserved customers. This was done in the context of general rate cases under rate base rate of return regulation, and later under price caps, in the form of service improvement plans.

It turned out that the CRTC could also use funds generated from ratepayers to subsidize extension of the network for services beyond basic voice services.

In 2009, the Supreme Court found that the sections cited above also conferred power on the Commission to use money, obtained from existing ratepayers, to subsidize the extension of high speed Internet services.<sup>1</sup>

It should be noted that, neither the CRTC, in its initial decision to order such use of subsidies, nor the Supreme Court, in affirming the CRTC's decision, relied on the existing s. 46.5 of the *Telecommunications Act*.<sup>2</sup>

Generally, subsidies ordered by the CRTC and its predecessor regulatory agencies operated within a telephone company's operating territory, i.e. subsidies were cross-subsidies, where certain customers of a telephone company funded subsidies to other customers of the same company.<sup>3</sup> However, there were significant subsidies flowing between telephone companies as well. The main mechanism was the Revenue Settlement Plan between the various large incumbent telephone companies, acting as members of the Trans Canada Telephone System (TCTS), later known as Telecom Canada.

Under the Revenue Settlement Plan, revenues from inter-provincial and international long distance calls were pooled and "settled" or divided among the Telecom Canada members. Each member would first recover its costs incurred for serving this traffic. However, this left a significant surplus, which was then divided among the Telecom Canada members based in part on their need to recover local costs. The result was significant subsidies from Bell Canada and B.C. Telephone to the other members of Telecom Canada on the Prairies and in Atlantic Canada.<sup>4</sup> While the CRTC never formally approved the plan, it did approve the rates resulting from it on an on-going basis under s. 27, as being just and reasonable. Indirectly, therefore it was approving the cross-subsidy between customers of varying telephone companies.

Starting in 1992, the CRTC ordered incumbent telephone companies (ILECs or incumbent local exchange carriers) to allow new entrants into the long distance market to use the ILECs' local distribution facilities to originate and terminate long distance calls. In addition to requiring these new entrants to pay cost-based charges for such access, the CRTC also ordered them to pay

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<sup>1</sup> 2009 SCC 40, [2000] S.C.R. 764

<sup>2</sup> S. 46.5(1) of the Telecommunications Act reads: "The Commission may require any telecommunications service provider to contribute, subject to any conditions that the Commission may set, to a fund to support continuing access by Canadians to basic telecommunications services."

<sup>3</sup> Certain services, e.g. long distance voice, funded other service, e.g. basic local voice; urban customers cross-subsidized rural customers, and business customers cross-subsidized residential customers.

<sup>4</sup> The Revenue Settlement Plan is described and evaluated in detail in Telecom Decision CRTC 81-13, *Bell Canada, British Columbia Telephone Company and Telesat: Increases and Decreases in Rates for Services and Facilities Furnished on a Canada-wide Basis by Members of the TransCanada Telephone System and Related Matters*, 7 July 1981

contribution, in the form of so many cents per originating and terminating minute, to offset part of the lost subsidy from the ILEC's long distance services to the ILEC's basic local service. This explicit subsidy from one service provider to another, was ordered pursuant to the predecessor of s. 27 of the Telecommunications Act.<sup>5</sup>

In 1997, the CRTC opened the local telephony market to competition, ordering ILECs to provide access to new entrants for various facilities in their local networks, and in particular the twisted wire pair into customers' homes. This was accompanied by further significant growth in the subsidy pool collected from competitors and paid to ILECs, to keep rates for residential basic voice services affordable. Again, this was done pursuant to the CRTC's general powers under sections 7, 27 and 47.

In face of this growth in contribution paid by competitors to incumbents, concerns were raised as to the CRTC's jurisdiction to order such arrangements. In particular, competitors were concerned by the magnitude of the payments required of them. This concern was magnified by the operation of the Revenue Settlement Plan, whereby some of the contributions paid by competitors would flow to other telephone companies in whose operating territory they were not operating.

Rather than wait for a series of court challenges, Parliament inserted a new section in the Telecommunications Act, so as to explicitly confer on the Commission the power to do what it had done. Section 46.5, enacted in 1998, reads as follows:

**46.5 (1)** The Commission may require any telecommunications service provider to contribute, subject to any conditions that the Commission may set, to a fund to support continuing access by Canadians to basic telecommunications services.

**(2)** The Commission must designate a person to administer the fund.

**(3)** The Commission may regulate

- **(a)** the manner in which the administrator administers the fund; and
- **(b)** the rates, whether by requiring pre-approval of the rates or otherwise, charged by the administrator for administering the fund.

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<sup>5</sup> The CRTC had first established a contribution, to be paid by a competitor to replace lost cross-subsidy by an incumbent, in Telecom Decision 79-11, where the CRTC ordered Bell Canada to provide access to its local distribution facilities, to enable CNCP Telecommunications to offer private line and data services. However, the amounts involved were very small, and contribution from competitors only became significant as a result of Decision 92-12.

It should be noted that this section provides for subsidies “to support continuing access ... to basic telecommunications services.” It is an open question as to whether this provision applies to an extension of service, to unserved locations. As well, the provision only applies to basic service. It does not apply to services which have not been included in the definition of “basic”, e.g. high speed Internet access, as of this writing.

To conclude, it seems to be within the general power of the CRTC to establish subsidies to fund expansion of networks and services to unserved and underserved customers within an incumbent’s operating territory, as long as the subsidy is funded by ratepayers of that incumbent – regardless of whether the service being subsidized is basic or not. It may be within the general power of the CRTC pursuant to sections 7, 27 and 47 to set up subsidies for basic services, where funding includes ratepayers of all telecommunications service providers, as long as the subsidy is used for basic telecommunications services. However, given the doubt surrounding this second power, Parliament saw fit to add a provision to the *Telecommunications Act*, to confer an explicit power on the CRTC to this effect.

#### ANSWER TO PART (b)

The National Contribution Fund was established by the CRTC in Telecom Decision CRTC 2000-745, *Changes to the contribution regime*, 30 November 2000. In that decision, the CRTC did not set up a new contribution mechanism. Rather, it positioned the National Contribution Fund as a modified and improved version of existing contribution schemes.

Telecom Decision CRTC 92-12, entitled *Competition in the provision of public long distance voice telephone services and related resale and sharing issues*, dated 12 June 1992, established a mechanism for long distance competitors to contribute towards subsidizing primary exchange residential services. The Commission has made a number of changes to the contribution regime through various decisions. (paragraph 4)

The CRTC held that the principles governing the previous contribution mechanism were still valid:

The Commission believes that the criteria set out in Decision 92-12 are still valid for evaluating the proposed collection mechanisms, including sustainability, pricing

flexibility for all market participants and efficiency of administration. Decision 92-12 also indicated that the mechanism should collect the appropriate amount to achieve the basic service objective. (paragraph 8)

However, the CRTC added a number of other principles, given recent developments:

The Commission finds that additional contribution collection criteria and principles are appropriate for today's more competitive telecommunications industry. In particular, the collection mechanism must promote fairness, ratepayer equity, economic efficiency, technological neutrality and competitive equity. The mechanism must be fair to all market participants and should not adversely affect one service provider over another. It should also promote economic efficiency by limiting distortions in the telecommunications market. Further, the mechanism should be competitively-equitable by promoting the efficient allocation of resources and avoid unfair advantages to any service or service provider. The Commission also considers that the mechanism should be technologically neutral whereby service providers should not be penalized or favoured by their choice of technology. Finally, the mechanism should be equitable to ratepayers if more contribution is collected from users who make greater use of the network. (paragraph 9)

As regards inter-company subsidies, the Commission stated:

The current contribution collection mechanism already embodies some degree of inter-territorial subsidy. For example, in a call from Toronto to Vancouver, explicit subsidies flow from one ILEC to another by way of settlement which is based on contribution rates. (paragraph 37)

As can be seen the CRTC did not invoke 46.5 in setting up the NCF, but rather relied on continuity with existing contribution funds, established under the CRTC's general powers under the Telecommunications Act.

However, the CRTC did rely on s. 46.5 to extend the requirement to fund the NCF to all telecommunications service providers, even if supplying telecommunications services was ancillary or secondary to their main line of business:

Section 46.5(1) of the Act states that "[t]he Commission may require any telecommunications service providers to contribute, subject to any conditions that the Commission may set, to a fund to support continuing access by Canadians to basic telecommunications services." However, the Act does not identify what services could be contribution-eligible under a revenue-based mechanism. (paragraph 86)

Subsequently the CRTC invoked section 46.5 to include among contributors to the fund certain companies whose principal purpose was not to provide telecommunications services, but who did provide such services on an ancillary basis.<sup>6</sup>

In conclusion, it is not clear whether the CRTC would have had the power to establish the NCF in the form that it did, absent section 46.5. of the *Telecommunications Act*

As regards the powers of the Ontario Energy Board under its Act, I have noted the existence of several important cases dealing with this issue in the evidence, but have expressed no legal opinion with respect to the same.

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<sup>6</sup> See for example Telecom Order CRTC 2001-221, *Disputed issues submitted by the Contribution Collection Mechanism (CCM) Implementation Working Groups*, 15 March 2001 (including certain Internet Service Providers) and Telecom Decision CRTC 2002-57, *Canadian Satellite Communications Inc. - Contribution Regime*, 13 September 2002, at paragraph 13 (including a broadcaster).



Ref: VECC evidence, page 39

VECC's evidence states that the benefits of (subsidized) community expansion to existing customers "generally consist of increased economies of scale where a utility's fixed costs are shared among a larger group of ratepayers."

- a) Is VECC aware of any other benefits to existing ratepayers from subsidized community expansion?
- b) In VECC's view, are there significant opportunities for increased economies of scale for large utilities such as Enbridge Gas Distribution and Union Gas Limited?
- c) Is VECC aware of any analysis that could quantify the benefits to existing customers from increased economies of scale? Is it likely to exceed the costs to existing customers (using, for example, Union's proposal in EB-2015-0179)?

Answer

- a) In addition to the economies of scale, community expansion project customers will in the long run provide a cross-subsidy to other customers. In the long run, as mains, services and other assets in the expansion project depreciate while the utility continues to install facilities elsewhere on its system, the revenue requirement per customer in the expansion project will become lower than system average revenue requirement per customer. From that cross-over point on, expansion project customers will start to subsidize other customers on the system. Under current EBO 188 guidelines, the cross-over point for a marginal project is typically reached prior to half way through the 40 year revenue horizon.
- b) Yes, large utilities with widespread distribution networks can build a reinforcement main that serves multiple communities. Also, large utilities can add many customers without increasing head office administrative staff.
- c) If it can be shown that a gas distribution utility has a declining capital and operating cost per customer on a constant dollar basis, it would be an indication of economies of scale. Such a decline would also be partially the result of improved productivity through technological improvement.

Due to the relatively small number of expansion customers in EB-2015-0179 compared to the total number of Union Gas customers, the economies of scale will be relatively small and may not exceed the incremental costs to existing customers for many years.



S16.VECC.Staff5

Ref: Evidence of Parkland Fuel Corporation, Sections 4 and 7

Parkland Fuel Corporation (Parkland) in its evidence discusses “positive externalities” and potential concerns regarding the merits of universal access.

At page 39 of its evidence, VECC states: “Unlike telephone service or electricity, there has never been an authoritative policy of even a societal objective to make natural gas service universally available and affordable. The Board will have to determine if such a policy is in its mandate, or in the public interest, to implement within the current system of energy policy and regulation.”

Do the conclusions expressed by Parkland in any way influence VECC’s view on the merits of moving towards a universal service model for natural gas?

Answer

No; Mr. Hariton and Mr. Ladanyi are not advocating that the Board move to a universal service model for natural gas and they understand that neither is VECC.

S16.VECC.CCC1

Reference: General

Please specify whether any of the submitted material is intended to be accepted as expert evidence; if so, please specify precisely which assertions within the submitted material are intended to be expert opinions and identify the relevant expert.

Answer

The entire document is intended to be accepted as expert evidence. The submitted material is intended to be of assistance to the Board and the authors make no assertions.

George Hariton is an economist with 40 years of experience in the telecommunication industry. He has testified in numerous proceedings before the CRTC and other regulatory tribunals.

Tom Ladanyi is an engineer and accountant with 42 years of experience in the energy industry including 36 years in the natural gas industry. He has testified in numerous proceedings before the OEB and other regulatory tribunals.

In the submitted material Mr. Hariton is the relevant expert regarding material dealing with telecommunications, while Mr. Ladanyi is the relevant expert regarding material dealing with natural gas distribution.

S16.VECC.EP1

Ref: Ladanyi and Hariton Report Page 37 lines 1-11:  
London Economics Inc. Evidence pages 2&13

Preamble: Union and LEI have suggested that there are 4 options for funding CE projects.

Figure 1. Funding mechanisms

Funding mechanism	Description
Natural gas expansion ratepayers	Consumers of the natural gas are responsible for all the costs associated with the expansion of the natural gas distribution network into these areas
Internal utility cross-subsidization	Expansion costs are recovered from all customers of a utility by adjusting a utility's general rate base
Jurisdiction-wide cross-subsidization	Expansion costs may be recovered from all natural gas ratepayers within the jurisdiction
Taxpayer funded	Expansion is seen as a social benefit whose costs are borne by all tax payers

- Considering these options in turn, please provide a chart that shows your views on the advantage of each, including a Community Expansion Fund (Option 3).
- Why is a Community Expansion Fund superior compared to the other options? Please explain.
- In formulating your answer, consider the 5 considerations outlined on Page 37 of your evidence.

#### Answer

The 5 key considerations on page 37 of the Hariton and Ladanyi report pertain to what the authors refer to as a "Natural Gas Expansion Subsidy Fund" which is identical to "Jurisdiction-wide cross-subsidization" in Figure 1 of the London Economics Report reproduced in the question. As explained in the Hariton and Ladanyi report on page 37, OEB would have to take into account the following five key considerations if it determines that such a fund is in the public interest.

1. The extent of the importance and availability of natural gas
2. The ability of competitive alternatives to provide for perceived needs without a subsidy or at a reduced subsidy

3. Board's jurisdiction is confined to natural gas system
4. Unlike the Board's low income program, system expansion is not income based
5. Determination of the extent of the subsidy by computation of benefits to shareholders, and ratepayers in expanded facilities area or all utility customers.

The same five considerations would have to be taken into account if a "Taxpayer Funded" option is selected.

<b>Funding mechanism</b>	<b>Advantages</b>	<b>Disadvantages</b>
Natural gas expansion ratepayers	Fairness, 100% user-pay principle	Severely limits system expansion
Internal utility cross-subsidization	Current EBO188, allows for more system expansion, economies of scale and potentially lower costs for all ratepayers	Low income customers may subsidize higher income customers, barriers to competition
Jurisdiction-wide cross-subsidization	Removes barriers to competition, could allow for a greater amount of system expansion, and may be perceived by the public to be fairer than the current system because it removes the advantages of established utilities.	Potentially higher costs as it could result in a fragmented system with many small utilities, reduced economies of scale, less fair to established utilities which are forced to subsidize competitors
Taxpayer funded	Reduces the pressure on rates, may allow for the greatest amount of system expansion	May seem to be unfair since it forces non-consumers of natural gas to subsidize consumers

The authors assume that the "Community Expansion Fund" in the question is the same as the "Natural Gas Expansion Subsidy Fund" in its evidence or "Jurisdiction-wide cross-subsidization" in the London Economics report. The authors believe that it is an alternative that the OEB should consider but do not claim that it is necessarily superior to other options.

Question

Ref: Ladanyi and Hariton Report Page 39 lines 1-4

Preamble: These alternatives to recover natural gas system expansion costs are not income-based. This means that there may arise possible real and perceived inequities from the fact that lower income urban gas customers may be providing a subsidy for expansion of natural gas service to wealthier customers in rural and remote regions particularly cottage country.

- Confirm this "harm" is associated with any level of subsidy from existing ratepayers.
- Confirm that LIEP is available to low income customers.
- Should the LIEP also be used as part of Community Expansion program? Please discuss.
- Please provide an example or alternatively an illustration of a Community Expansion fund that inter-alia takes account of differences in Income Levels. Indicate the Costs/Sources of subsidies and benefits to the various participants.
- Should Low Income DSM Programs be specifically targeted at Low Income Community Expansion customers? Please discuss.

Answer

- Not confirmed; the word "harm" is not in evidence on page 39 lines 1-4.
- If you are referring to the Low income Energy Assistance Program (LEAP) the authors can confirm that LEAP is available to low income customers.
- The authors do not know whether LEAP would assist low income customers with additional amounts payable by them in rates for any customer contribution required for natural gas expansion to their residence.
- The authors are not aware of a community expansion fund that takes into account differences in income levels. If such a fund were to be put in place, it would place a large administrative burden on gas distribution utilities. Under current EBO 188 guidelines, for residential customers there is a 40 year customer revenue horizon. Utilities would have to track the household income of each residential premise for a period of as much as 40 years. The authors believe that the existing LEAP program is a more efficient method of dealing with the needs of low income customers.
- No; targeting such a program to specific projects may not be economically efficient. DSM programs should be optimized to achieve maximum savings at minimum cost system-wide and

not directed at a specific location. Expansion customers should have full access to available DSM programs, however.

### S16 VECC ENERGY PROBE 3

Please explain the "Reverse Auction" and how this would work. For example, at the time of the awarding of a gas distribution franchise, or at the time of the project application.

Provide examples of such auctions undertaken by Regulators and Government Department

Please discuss in detail how the RA would work, including for non-gas distribution options, such as Propane, LNG and geothermal

Please discuss the Reverse Auction objectives/outcomes from a ratepayer, Gas Utility and Community Expansion customer perspective

Please indicate the evaluation criteria that you would propose, including GHG reductions, energy conservation – CDM/DSM etc.

### ANSWER

Mr. Hariton is aware of a number of competitive auctions to bring telecommunications services, and in particular high speed Internet access, to residences in unserved or underserved areas. The response below discusses two recent examples; the Connecting Canadians program, part of the Canadian federal government's Digital 150 initiative; and the Connect America Fund, a major initiative by the Federal Communications Commission (FCC), the U.S. federal telecommunications regulator. Lessons applicable to utilities generally will be drawn.

#### Connecting Canadians

In 2014, as part of its Digital 150 initiative, Industry Canada announced a program, called Connecting Canadians, to subsidize the buildout of high speed Internet access to unserved and underserved areas. The objective was to connect 280,000 households at a cost of \$305 million. Through a national competitive auction, this program is now estimated to connect 356,000 households at a cost of \$180 million. As a result, 98 per cent of Canadian households will have broadband access at a speed of at least 5 Mbps by the end of 2017.

A call for applications was issued to Internet Service Providers (ISPs) on October 15, 2014, and closed on January 12, 2015. Projects underwent a two-stage review process. They were first screened for eligibility, with successful projects proceeding to a more detailed assessment stage. Selected projects were those that best met the objectives of the program.

For most projects, Connecting Canadians could fund up to 50 percent of eligible project costs. For projects serving very remote or Aboriginal communities, the program could fund up to 75 percent of eligible costs. Eligible costs were limited to one-time capital expenditures; ongoing costs were excluded.

For all projects Industry Canada determined the amount of the contribution by assessing how much was needed, in addition to other sources of revenues (including revenues from the services and subsidies from other groups or levels of government) so that proposed projects could be successfully completed.

Applicants could also seek up to 25 percent in additional funding from other federal sources, for a maximum federal contribution of 75 percent for most projects or 100 percent for projects serving very remote or Aboriginal communities.

Evaluations of proposals were on a competitive basis, given the limited funds available.<sup>1</sup> The evaluation criteria were grouped as follows:

- Essential criteria
  - Technology solution
    - Upload and download speeds (at least 5 Mbps up and 1 MBPS down), with access to at least 45 GB per month
    - Durability and reliability, based on quality of equipment, network redundancy, dedicated capacity
    - Technology neutral
  - Project management
    - Demonstrated ability to deploy and operate relevant infrastructure, either directly or through contracted resources
  - Open access
    - Allow third-party access, with the more access options the better
- Comparative criteria
  - Timeliness, in terms of completion date
  - Affordability, i.e. lower monthly costs to subscribers
  - Population coverage
  - Cost per household; percentage of total costs requested from the program; leverage of other sources of funding (provincial, community)
  - Sustainability, i.e. support for long term use of the network
    - Operations plan

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<sup>1</sup> A copy of Industry Canada's Applications Guidelines is attached to this response.



- Subscriber estimate
- Financial forecasts
- Technology solutions
- Scalability, i.e. build on existing initiatives and facilitate future initiatives

A similar set of criteria, suitably adapted to natural gas, could be used by the Ontario Energy Board

### Connect America Fund

Starting in 1997, pursuant to the Telecommunications Act of 1996, the Federal Communications Commission in the United States set up a Universal Service Fund to subsidize basic voice telephony service. This program had four components

- 1) A High Cost fund, to offset higher costs in rural and remote areas. In 2013 this amounted to \$4.17 billion
- 2) A Lifeline program, to subsidize access by low income households, with income below 135 per cent of the poverty line. In 2013 the subsidy was up to \$9.25 per month (\$25 in Native American Indian and Alaska Native tribal communities), and amounted to \$1.8 billion.
- 3) A rural health care program, videoconferencing to allow rural hospitals to access specialists in distant cities at affordable rates. This amounted to \$159 million in 2013.
- 4) Schools and libraries program (E-rate), paying 20% to 90% of broadband access costs in rural and remote areas based on need. In 2013 this amounted to \$2.2 billion.

The funding comes from a surcharge on all revenues from interstate and international telephone traffic. In the first quarter of 2016 this amounted to a surcharge of 18.2 per cent. The magnitude of the program has given rise to concerns that it is unsustainable. Some critics also consider it to be very wasteful.

In December 2011 the FCC decided to repurpose the High Cost fund, over a transition period of six to ten years, to subsidize residential access to high speed Internet instead of basic voice services.<sup>2</sup> In line with its new function the High Cost component of the Universal Service Fund was renamed the Connect America Fund (CAF).

Given the criticisms of the existing High Cost fund, the FCC determined to distribute subsidies under the CAF via competitive auctions. However, for political reasons, the FCC decided to give

<sup>2</sup> Connect America Fund et al., WC Docket No. 10-90 et al., Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17725, para. 156 (2011) (USF/ICC Transformation Order and/or FNPRM), FCC 11-161 (November 28, 2011), at paragraphs 156 ff.

incumbents a right of first refusal (RoFR) before proceeding to competitive auction for a given area. The FCC would offer each incumbent a subsidy in return for a commitment to provide service at a given speed (originally 5 Mbps, revised to 10 Mbps) to all residents in a given census tract (originally 100 per cent coverage, later modified to 95 per cent).

To determine the size of subsidies that would be offered under the RoFR, the FCC developed a cost model (the Connecting America Cost Model or CACM) to estimate the costs which an efficient service provider would incur to provide minimum acceptable service. Expected revenues would then be subtracted from the costs for a particular area, to determine the subsidy needed for that area. The CACM proved to be more difficult than expected to construct, taking some three and a half years and costing over \$5 million.

In parallel to the development of the CACM, the FCC established a Rural Broadband Experiment (RBE).<sup>3</sup> More particularly, the FCC set aside \$100 million to conduct competitive auctions on an experimental basis, in a limited number of eligible areas, and awarded subsidies to the winning bidders. The FCC then used the CACM to calculate the costs of providing service in these areas, and hence the subsidies required under the RoFR approach. This amount was compared the amount of subsidies it would pay out as a result of competitive auctions. Subsidies under the CACM approach were almost double the subsidies required by winning bidders in the auctions:

Bidders collectively requested \$69 million in annual support for category one for census blocks that collectively would receive \$149 million annually in model-based support.<sup>4</sup>

The FCC went on to defend its cost models as follows:

The fact that bidders proposed to serve an area for an amount lower than model-based support in no way calls into question the accuracy of the forward-looking cost model. There are many reasons why a bidder may be willing to serve an area for less than model-based support, such as access to other sources of funding, a different cost structure, and access to other assets that can be leveraged to provide broadband service. We note that many of the bidders in category one proposed to use wireless technology.<sup>5</sup>

The FCC's experience suggests that competitive auctions may have desirable consequences for the design and award of subsidies to extend service to unserved locations. Bidders may come up

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<sup>3</sup>Rural Broadband Experiments Order, 29 FCC Rcd at 8773-74 (July 2014) ORRRR Technology Transitions et al., GN Docket No. 13-15 et al., Order et al., 29 FCC Rcd 1433 (2014) (Tech Transitions Order or Tech Transitions FNPRM)

<sup>4</sup>Connect America Fund Report and Order, (December CAF Order), FCC 14-190, at footnote 193

<sup>5</sup>Ibid., at footnote 194

with innovative network designs and technologies, which may both improve level of service and lower the amount of subsidy needed.

### Lessons for Subsidies to Utilities

It is always dangerous to generalize from a handful of cases. However, the two subsidy programs described above have some potential lessons for subsidies to utilities more generally.

First, the traditional method of designing subsidies, i.e. payments to incumbents based on some estimate of their costs, may lead to subsidy amounts that are larger than necessary. Service costs for an expansion of service are difficult to estimate, and are typically a subject of much controversy. Relying on a competitive process avoids the need for estimating costs and will likely result in lower aggregate subsidy payments. As a result, competitive auctions may turn out to be less costly, both in the size of the subsidy fund and in the administrative resources to initiate and operate the program.

Second, competitive auctions may lead to new network designs and innovative technology, depending on the services being subsidized. This can lead to both lower costs and improved levels of service.

Third, the design and administration of subsidies should be as transparent as possible. Objectives should be clearly defined and focussed. If competitive auctions are to be used, criteria for evaluating bids should be explicit and made public well in advance.

Fourth, participation by various levels of government and by the communities involved increase the chances of success.

Attachment: *Industry Canada, Connecting Canadians, Application Guidelines.*

# Connecting Canadians

## Application Guidelines

October 2014

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## About the Program

The Government of Canada launched the Connecting Canadians program on July 22, 2014 as a key component of Digital Canada 150 - the federal government's strategy to help guide Canada's digital future. Connecting Canadians is one (1) of five (5) pillars supporting the strategy and is about ensuring that Canadians take full advantage and opportunity of the digital age and have greater access to high-speed internet across the country.

The Connecting Canadians program was created because the federal government recognizes that the significant up-front costs of telecommunications infrastructure can make it difficult for Internet service providers to generate a return on investment for extending service to rural and remote areas with lower population densities. The Connecting Canadians program will help ensure that citizens in rural, remote and northern parts of the country can enjoy the economic and social benefits offered by digital technologies.

The program's goal is to extend and enhance broadband Internet service for an additional 280,000 Canadian households in rural and remote areas. In most parts of the country, this will mean supporting projects that will increase speeds to at least 5 Mbps (down) and 1 Mbps (up) for areas that currently have slower, or no service, and for communities in Nunavut and the Nunavik region of northern Quebec it will mean support for projects that will extend or enhance service to at least 3-5 Mbps (down) and 512 kbps (up) for households that currently rely on satellite service for which service agreements are expiring in 2016. The program is divided into two (2) components: a "northern component", which will dedicate \$50 million to support projects in Nunavut and Nunavik that together would cover all the communities dependent on expiring satellite service agreements, and a "rural component", which will dedicate \$240 million to support projects across the rest of Canada.

## Eligibility

### Eligible Projects

Connecting Canadians will support projects that extend and/or enhance broadband infrastructure to establish robust, affordable broadband service in underserved areas. For the purposes of the program, a served area is one where households have coverage of at least 5 Mbps (down) and 1 Mbps (up) or more, and an underserved area is one where households have slower or no broadband coverage. The program has undertaken an extensive mapping exercise - with input from Internet service providers (ISPs), provinces and territories, and other government departments - to help determine where Canadian households have service of at least 5 Mbps (down) or more. The updated coverage maps published on Industry Canada's Website in October 2014 are intended to serve as a guide to applicants in identifying underserved areas where they would like to undertake projects to extend or enhance coverage.

Applicants will need to identify the area where they would extend or enhance coverage to at least 5 Mbps (down) and 1 Mbps (up), for the rural component, or at least 3 Mbps (down) and 512 kbps (up), for the northern component, and how many underserved households they are proposing to serve.

The area to be served can be of any geographic size, so long as it falls within a single province and the project is technologically and financially independent. Being technologically and financially independent means that the project does not depend on any other projects being approved in order to be viable. Applicants may submit multiple applications for multiple projects. Separate applications should be submitted for projects under the rural and northern components.

Projects may vary in size and scope. A project may be simple involving the upgrade of a few pieces of equipment or it may be more complex putting in place an extensive network that expands across a broad area.

### Eligible Recipients

Eligible recipients of the program are legal entities, incorporated in Canada, that operate broadband infrastructure and that meet the program's assessment criteria. These would include private sector companies, provincial, territorial, and municipal entities, and not-for-profit organizations. Individuals and federal entities (including Crown Corporations) are not eligible.

If the entity making an application to the program does not itself have a track-record in operating broadband infrastructure, it will be asked to demonstrate in the application that appropriate resources with experience deploying and operating broadband infrastructure are part of the project team/contracted resources.

### Eligible Costs

Connecting Canadians will fund one-time costs associated with deploying expanded or enhanced networks. Activities associated with deploying expanded or enhanced networks could include: engineering and design work, environmental assessments, the purchase and installation of equipment and infrastructure, and satellite capacity. To be eligible for reimbursement, activities and associated costs would need to be deemed reasonable and necessary in the assessment of the Minister, and carried out in compliance with the provisions of a signed contribution agreement. Without limiting the generality of the foregoing eligible costs would include:

- **Labour Costs**, meaning the portion of gross wages or salaries incurred for work which can be specifically identified and measured as having been performed or to be performed on the project. The payroll rate to be used is the actual gross pay for each employee (normal periodic numeration before deductions) working on the project. The payroll rate excludes all premiums (e.g. overtime), shift differentials, and any reimbursement or benefit conferred in lieu of salaries or wages;

#### Identifying Underserved Areas (Rural Component)

To identify an area as underserved, an applicant may refer to the map reference files at:

<http://www.ic.gc.ca/eic/site/028.nsf/eng/50016.html>, or offer its own

information to show that service to households is below the 5/1 Mbps threshold targeted by the program if there is a difference with the coverage identified by Industry Canada.

Information applicants could offer to show an area is underserved could include a survey of people living in the area or statements or letters from businesses/institutions/ residents. Applicants are encouraged to contact the program to discuss those differences prior to submission of an application.



- **Material Costs**, meaning those cost of materials which can be specifically identified and measured as having been used or to be used in the performance of the project;
- **Equipment Costs** such as servers, switches, fibre-optic cable, repeaters, radio equipment, towers, poles, back-up power supplies, shelters and network broadband connectivity devices including upgrades and adaptations;
- **Satellite Capacity Costs**, meaning the portion of the direct purchase or lease of bandwidth or capacity delivered over the physical medium of satellite which can be specifically identified and measured as having been used or to be used in the performance of the project. These costs will be measured in units of Mbps, MHz, or a quantity of satellite transponders;
- **Travel Costs**, meaning the cost of travel which is deemed necessary to the performance of the project. To be eligible, travel costs must clearly document the purpose of each trip. Travel expenses, at economy rates, shall be charged as actual costs, but only to the extent that they are considered reasonable by the Minister;
- **Other Direct Costs**, meaning those applicable costs, not falling within the categories of direct labour, direct equipment, direct material, direct satellite capacity, or direct travel costs, but which can be specifically identified and measured as having been incurred or to be incurred in the performance of the project and which are so identified and measured consistently by the recipient's cost accounting practices as accepted by the Minister.

Ineligible costs would include (but are not necessarily limited to):

- Contingency provisions;
- Insurance costs (e.g. construction, general liability, commercial, etc.);
- Land purchase costs;
- Costs to develop the Connecting Canadians program application;
- Existing capital assets including land, buildings, vehicles and other indirect, fixed, and/or capital costs;
- Customer-Premises Equipment (CPE): This refers to any terminal and associated equipment located at a subscriber's premises that is connected with a carrier's telecommunications network at a Demarcation Point. A "Demarcation Point" is the point where the local loop (the network transmission equipment) ends and the inside wire (which is the responsibility of the customer) begins;
- Any goods and services that are paid by donations or in-kind;
- Financing or carrying costs, loan and interest payments;
- Maintenance costs and other operational costs such as customer service;
- General office space and equipment i.e. photocopiers, furniture, telephones, computers, printers and office software;
- Advertising/promotion activities;
- Legal fees, survey fees, right of way/access fees;
- Radio and Spectrum licensing fees;
- Fees paid to members of a Board of Directors for their time;
- Research and development or pilot projects; and
- Volunteer services, opportunity costs, and standard discounts.

## Funding

The program aims to build on existing initiatives and leverage other sources of funding where possible. Applicants are encouraged to seek out provincial and territorial programs that support connectivity to determine how they can contribute to overall project funding.

For most projects, Connecting Canadians may fund up to 50 percent of eligible project costs. For projects serving very remote and/or Aboriginal communities, the program could fund up to 75 percent of eligible costs. For all projects, the amount of each contribution will be determined based on the assessed need to ensure that the proposed projects are successfully completed. Applicants may also seek up to 25 percent in additional funding from other federal sources, for a maximum federal contribution of 75 percent for most projects, or 100 percent for projects serving very remote and/or Aboriginal communities. Total government contributions, from all sources (federal, provincial, municipal) may not exceed 100 percent.

If a project proposes to serve *only* Aboriginal communities or a very remote area, it could receive up to the full 75 percent of funding from the program. If a project proposes to serve *a mix* of Aboriginal communities/very remote areas and other areas, only a portion of the project would be eligible for funding at the higher contribution limit. When seeking a contribution above 50 percent, applicants will be asked to identify the overall funding ratio (between 50-75 percent of eligible costs) they would be seeking from the program, and to provide an explanation of how they are allocating costs between the portion of the project that would be eligible for funding up to 75 percent and the portion that would be eligible at up to 50 percent.

The Targeted Household Spreadsheet (available on the program website:

<http://www.ic.gc.ca/eic/site/028.nsf/eng/50016.html>) identifies hexagons that are designated as very remote. Applicants will be asked to identify any Aboriginal communities to be served by the project. Program support would be in the form of a non-repayable contribution, and would be provided for selected projects in keeping with the provisions of a signed contribution agreement.

## Timelines

The application process will be open from noon (Eastern Standard Time) on October 9, 2014 to noon (EST) on January 12, 2015.

Applications will be assessed during winter 2015. Ministerial decisions on approval in principle are expected in spring 2015, with detailed due diligence and the negotiation of contribution agreements to follow in summer 2015. Projects where the program's contribution would exceed \$10 million are subject to additional government processes and may take longer to reach a decision point. Applicants whose projects are screened out of the assessment process would be notified by spring 2015.

Projects would begin once contribution agreements are signed and must be complete by March 31, 2019 (projects under the program's northern component must put solutions in place before current satellite service agreements expire). As an initiative under the government's Digital Canada 150 strategy, there is also a particular interest in as many projects as possible being complete by July 1, 2017, in order to connect as many Canadians as possible by Canada's 150<sup>th</sup> anniversary.

## Assessment of Proposals

Overall, the purpose of the assessment is to identify projects that offer the greatest value for Canadians in terms of extending robust, affordable broadband service to as many underserved Canadian households as possible. The assessment process has been designed to ensure that network providers and projects of various sizes will be considered. Ultimately, the Minister of Industry will select a mix of projects that, together, best meets the objectives of the program.

Projects will undergo a two-stage review process. The first stage will screen projects for eligibility, with successful projects proceeding to a more detailed assessment stage. The program's application form is designed to collect the information needed to evaluate projects against both the screening and assessment criteria. An overview of the selection criteria is below; detailed requirements are provided later in the guide in the section on completing the application form.

The assessment criteria outlined below are divided into distinct categories as a way for the program to look at different aspects of projects systematically, but many of these are intrinsically interrelated and it will be important for applicants to ensure consistency among the different elements of their project proposal. For example, the scalability and sustainability of a given project will be closely linked, and both will be contingent on the viability of the proposed technology solution. Applications for projects under the program's northern component will use the same form and undergo a similar assessment process as those for the rural component. Some of the selection criteria, however, differ for the northern component as described below.

### Eligibility Criteria

As part of the initial screening, the program will be looking for projects where the applicant identifies how their proposed project meets the following eligibility criteria:

- **Underserved area (s)** – that the project proposes to reach underserved households. (Does not apply to the northern component, where the underserved area is defined as the 25 communities in Nunavut and 14 communities in Nunavik currently served by satellite and service agreements are set to expire.)
- **Speed** - that the proposed technology solution will deliver at least 5 Mbps (down) and 1 Mbps (up), for projects under the rural component, or at least 3 Mbps (down) and 512 kbps (up) for projects under the northern component.
- **Funding** - the total project costs and funding sources, in keeping with contribution limits and supported with appropriate documentation.
- **Timeframe** – the timelines for project completion, with the projects to be completed no later than March 31, 2019 for the rural component, and for the northern component, be completed before current satellite service agreements expire.

## Assessment Criteria

There are two (2) categories of assessment criteria: *essential criteria*, against which projects will be assessed on their own individual merits as “meets”, “exceeds”, or “fails to meet” a minimum requirement, and *comparative criteria*, against which projects will be assessed in relation to other proposed projects. Applications must meet all essential criteria in order to be assessed against the comparative criteria. Where applicable, criteria have been defined to reflect the requirements for the rural and for the northern components of the program. Please note that projects will only be assessed against those criteria relevant to the particular component to which the project was submitted.

### Essential criteria:

To qualify as meeting the essential criteria:

- **Technology solution** – The applicant identifies a network solution that will deliver reliable service of at least 5 Mbps (down) 1 Mbps (up) to the identified households for the rural component, without duplicating existing infrastructure (3 Mbps down and 512 kbps up for the northern component). Any technology, or a mix of technologies, is eligible. Households would receive access to at least 45 GB/month under the rural component (20 GB/month for the northern component). Networks that are more robust in terms of durability and reliability will be marked as “exceeds” with respect to the minimum requirement for the technology solution. To assess durability and reliability, the program will look at the quality of equipment, type of spectrum, network redundancy, and dedicated capacity.
- **Project management** – The applicant demonstrates a track record in deploying and operating broadband infrastructure as well as sound financials (i.e. that the entity is solvent). If the entity making the application does not itself have a history of operating and deploying broadband infrastructure, it may demonstrate that it has the appropriate capacity within the project team through partnerships or contracted resources. Applicants that show a track record of having deployed and operated rural broadband will be marked as “exceeds” with respect to the minimum requirement for project management.
- **Open access** – The applicant describes how they will allow third-party access to elements of the proposed network. Applicants that make available greater options for open access will be marked as “exceeds” with respect to the minimum requirement for open access.

### Comparative criteria:

- **Timeliness** – For timeliness, projects with an earlier completion date will rate higher than projects with later completion dates. To receive the highest rating, projects would be required to have a planned completion date before July 1, 2017. For the northern components, projects would need to be able to deliver reliable service of at least 3 Mbps (down) and 512 kbps (up) to northern communities before current satellite service agreements expire.
- **Affordability** – For affordability, under the rural component, projects with a lower monthly cost for subscribers (for a plan providing a minimum 45 GB/month) will rate higher than projects with a higher monthly cost for subscribers. Under the northern component, projects with a

lower cost for subscriber (for a plan providing a minimum 20 GB/month) will rate higher, and cost to subscribers cannot exceed \$80/month.

- **Population Coverage** – For population coverage, projects that will provide access to more households and projects that will cover a greater area (in terms of the number of hexagons) will rate higher than projects providing access to fewer households/smaller areas. For the northern component, all households should have access.
- **Coverage Density** – For coverage density, projects that will reach a greater proportion of the underserved households within their target area will rate higher than projects that would reach a lower proportion of underserved households. For the northern component, all households should have access.
- **Cost/household** – Projects will rate higher the lower the (program) cost per household. The program will also look at the percentage of total project costs requested from the program and the requested amount of program funding.
- **Sustainability** – For the rural component, projects are expected to be sustainable for a period of at least five (5) years beyond completion. For sustainability, projects will rate higher the greater their potential to support long-term use of the network (as demonstrated in the operations plan, subscriber estimates, financial forecast, and technology solution). Under the northern component, information provided will be used to determine the applicant's feasibility to operate and maintain the network and broadband services for the duration of the program's funding support.
- **Scalability** – For scalability, projects will rate higher the greater their capacity over a five (5) year period following project completion to: provide higher speeds; provide increased network capacity to clients; expand to serve more clients (households and businesses) within the underserved area; and/or expand to serve a larger area. For the northern component, projects will rate higher the greater their capacity during the program's funding support.
- **Partnerships** – The program aims to build on existing initiatives and leverage other sources of funding where possible. Applicants are encouraged to seek out provincial and territorial programs that support connectivity to determine how they can contribute to overall project funding. Projects will rate higher the greater the level of collaboration among/support from different entities (e.g. service providers, private sector partners, government and community organizations) for the project, and the broader the objectives these partners are seeking to achieve beyond those of the program (e.g. social and economic benefits).

## Contact Us

The program has developed an online application form and templates to provide applicants with direction about the information being requested. The amount of information required for the application should be commensurate with the size and scope of the project. An example application form including supporting documents for a small project is available upon request.

If you have questions about the program, completing application documents, or the application process itself, please contact us at:

Telephone: 1-800-328-6189

Email: [ConnectingCanadians-UnCanadabranche@ic.gc.ca](mailto:ConnectingCanadians-UnCanadabranche@ic.gc.ca)

## Completing the Application Form

### Getting Started

Applications must only be submitted to the Connecting Canadians program via its customized application form.

Important information on using the Application Form:

- **PDF reader:** The application form is in Portable Document Format (PDF). To view a PDF document, an applicant must have a PDF reader installed. If an applicant does not already have such a reader, there are many available to download for free (see Annex 1 for the list of free readers).
- **Download the application form:** In order to download the PDF application form:
  - Go to the CCP website at: <http://www.ic.gc.ca/eic/site/028.nsf/eng/50016.html>
  - Right click on the link to the PDF document and select "Save Target As" (Internet Explorer) / "Save Link As" (Firefox) from the drop-down menu.
  - Save the file to a directory on your computer by clicking "Save".
- **Saving and editing the application form:** An applicant can save, edit and complete the application form off-line by using PDF reader software.
- **Active Internet connection:** An applicant must be connected to the Internet in order to submit the application form to the program.

### Submit early:

An applicant must account for a slight transmission delay when submitting the application form. Depending on the size of the attached documents and the type of internet connection in use, the delay can be anywhere from a few seconds to several minutes. It is strongly recommended that the application form and all attachments to the proposal be submitted at least 10 minutes prior to the closing deadline in order to reduce the risk of the proposal not being transmitted / submitted in time.



## Application Form Submission Requirements

For your convenience, specific instructions on what information is required to complete the application form are found in the following sections of this Guide.

Throughout the application form, an applicant will be asked to provide supporting documentation. If electronic versions of these documents are not readily available (network diagram, incorporation documents, etc.), an applicant may simply scan the hard copies and attach them. Please ensure that all applicable documentation is attached when submitting the completed application form.

In addition to the application form there are a **number of templates that have been provided**. These templates, like the application form, can be saved and edited off-line. Each template comes with specific instructions on how to fill it in. It is important that the templates are completed and attached to the completed application form. Information being requested in the templates is taken into consideration in the assessment process. Failure to provide the requested information in the templates may result in the application being deemed incomplete.

## Things to Remember

Use the "+" and "-" buttons to add or remove an information line. If there are multiple items and you want to change the order in which they appear, you can use the arrows (▲ ▼) to move them.

### Save as you go:

Remember that the application form will allow an applicant to draft the proposal, save it and return later to complete or revise it, print it and submit it.

### Applications have a maximum length:

Applications have a set overall maximum length. Each section will display their respective maximum number of characters allowed. Please note that spaces and hard returns are counted as characters and add to the total number of characters.

### Review your application before submitting:

Once the application is complete and is ready to submit, a thorough review is strongly recommended. Once the application form, templates and supporting documentation have been submitted ("Submit" button), the application is considered final.

### Keep a record of your application:

It is recommended that an applicant print their proposal before submitting it by using the "Print" button in the application form. The proposal can also be saved onto a desktop or data storage device (e.g. USB flash drive) by using the "Save As" button and naming it accordingly.

### Attachments:

Please ensure that **all required documents** are attached to the PDF form. To display a list of attachments, click the paperclip icon on the left side of the form.

To ensure that the uploading process runs smoothly, please click "Save" after attaching each file.

**Confirmation of Receipt**

A PDF confirmation page will be sent soon after the proposal has been successfully submitted. Please keep the confirmation document. If a confirmation of receipt is not received, there might have been a problem submitting the proposal. Verify that required documents/templates are attached and that all fields are filled in correctly.

If problems persist please contact the Connecting Canadians program for advice as soon as possible before the closing deadline to ensure that the proposal is submitted properly and on time.



## The Application Form

The Connecting Canadians' online application form contains nine (9) steps. Each step is explained below in further detail to assist with completing the form.

### Step 1 – Applicant and Contact Information

For item 1, indicate the funding stream that you are applying to. You can apply to the rural or northern components of the program. If applying to both, a separate application form must be submitted for each component. For the northern component please also indicate to which of the two (2) regions that you are applying.

For item 5 select from the dropdown menu the legal type that best describes the organization applying for funding. 'Limited Partnerships' or 'Joint Venture/Syndicate' arrangements are eligible provided that all of the parties involved are legal entities such as private sector companies, provincial, territorial, and municipal entities, aboriginal organizations and not-for-profit organizations that are incorporated in Canada. In addition, limited partnerships will only be accepted if **one legal entity** in the group assumes individual responsibility of signing the contribution agreement (should funding be approved), and therefore also assumes the legal responsibility of carrying out all terms of the contribution agreement.

For item 6, the mailing address must include complete information on the physical location, such as the floor, suite or room number, street number and postal code.

For item 8, provide the name, title, telephone number, fax number and e-mail address of the primary contact person for liaising with Industry Canada on matters involving the application. The person named should be an authorizing official of the organization who has **full authority to bind said organization** through funding agreements. An application submitted on behalf of multiple organizations should provide contact information for the primary applicant.

For item 9, include the name of an alternate contact in the event that the primary contact becomes unreachable. If there is to be no alternate contact, please leave this section blank.

### Attachments

There are three (3) required attachments for Step 1. These include:

1. Copies of constating document (such as articles of incorporation), registration and other relevant documents related to incorporation, limited partnership, joint venture, not-for-profit status etc.;
2. Independently prepared financial statements (audited or review engagement) for the last three (3) fiscal years: a) Income Statement; b) Balance Sheet; and c) Statement of Cash Flows including the most recent interim financial statements. If applicant has been in existence for less than three (3) years, provide all detailed financial information for time in existence. Note that financial statements are to provide financial information for the organization as a whole.

3. An organizational diagram that details the structure of your organization including any parent, subsidiary, affiliates, and related companies. The chart should be annotated to indicate respective mandates, reporting relationships, and details of ownership of such organization.

For all required attachments, the online application system will validate whether the minimum number of required attachments have been included with the application form.

#### **Additional Information about Financial Statements**

Independent financial statements prepared by an accountant with a "Notice to Reader" are also acceptable in lieu of audited or review engagement statements.

Recently established organizations (with less than three (3) years of operating history), will be considered provided they can demonstrate a financial capability to ensure adequate project financing obligations. This demonstration may take the form of a statement from a financial institution which verifies access to lines of credit or other sources of capital, Band Council resolution or similar statements from project funders/partners as appropriate. The information provided should be adequate to allow for an assessment of an applicant's financial capability to complete the project. Information provided in the financial statements will be used to assess the reasonableness of future revenue projections as well as the financial viability of the organization.

In the case of a newly established organization, the applicant must clearly describe the prior performance of its management team in developing and managing projects similar to the proposed project in Step 6 of the Application Form.

## **Step 2 – Eligibility Criteria**

Information provided in Step 2 will be used by program staff in the screening phase to determine whether or not the applicant meets the program's eligibility criteria. Only applications that meet the eligibility criteria will be evaluated further under the program's assessment criteria.

#### **Underserved Area**

In the space provided, briefly describe the underserved area proposed to be served by the project. The description should indicate province, nearest prominent town or community, general population, etc., that exists in or near the underserved area. In the box provided, indicate the total number of underserved households that will have broadband access as a result of the proposed project. The total number of underserved households entered here should align with the number calculated in Step 4.

#### **Speed**

A statement certified by a project technical authority confirming the ability of the technological solution to function as described and to deliver the minimum download and upload speed is required to meet this criterion.

The project technical authority should be the most senior representative of the proposed project which can attest that the proposed technological solution will (i) provide coverage to the number of underserved households indicated in Step 4 (Targeted Households) of the application form, (ii) function as described in the System Design and Logical Network Diagram sections of Step 5 (Technological

Solution), and (iii) deliver the proposed services described in the Internet Service Offerings section of Step 7 (Sustainability).

Please **ensure to attach** the certification statement when submitting the completed application form.

### **Funding**

In the space provided indicate the total project costs (both eligible and ineligible). For a list of eligible and ineligible costs please refer to the eligible cost section earlier in this guide.

Identify the amount of funding requested from the Connecting Canadians program and the amount that the applicant will contribute to the project, if applicable. If the applicant is seeking 100% funding support from all sources of funding including the Connecting Canadians program, then input "\$0" next to "Amount Applicant will contribute".

Applicants are strongly encouraged to seek other sources of funding for proposed projects. This includes financial assistance (grants, contributions, etc.) from all levels of government, anticipated or granted. This would also include applications for financial assistance which are still pending.

Opportunity is provided in the funding table to list the sources of any additional funding including the amounts committed by or requested from each source. An applicant is required to identify sources of funding that can be secured or reasonably be secured to cover all project costs. The amount of funds requested and the status of those applications must be clearly identified in the table.

Please ensure to include contact information for all other funding sources.

With respect to the amount that the applicant will contribute, please provide a statement from the applicant's chief financial officer (or other authorized representative of the applicant) confirming that the applicant has adequate funding in place for the project as an attachment to the completed application form.

This is a required attachment. Please **ensure to attach** the certification statement when submitting the completed application form.

If other sources of funding are contingent on the applicant receiving funding under the Connecting Canadians program, please indicate this in the attached statement along with any other contingencies that may be attached to the other sources of funding.

An applicant may also wish to include as an attachment to their completed application form other supporting financial documentation (e.g. a letter from a financial institution indicating the availability of funds to support the project).

### **Timeliness**

In the space provided please indicate the proposed start and completion dates for the project. Information provided in this section will be used to determine whether the project meets the timeframe of the Connecting Canadians program. It will also be used to compare projects proposing to serve the same general underserved area. Those projects that are able to complete sooner will be assessed more favourably, everything else being the same.

### Step 3 – Project Information

For applicants that are successful in their applications for funding under the Connecting Canadians program, the contribution amounts will be made public via government websites, media releases or other similar materials. Information provided in items 1 to 4 of Step 3 is intended to be used in whole or in part to assist Industry Canada in the preparation of any public announcements.

Please provide a title for your proposed project (*maximum 200 characters*).

Indicate which type of technology will be used to deliver broadband services by clicking next to the appropriate technology type. If the technological solution being proposed uses a combination of different technology types, check all that apply.

In the text box provided in item 3 provide a brief description of the project, i.e., how you would describe it to the general public. It is recommended you avoid including any confidential or proprietary information in the description. It is useful for the project description to highlight the key theme or purpose of the project, along with briefly answering the 'who,' 'what,' 'when,' 'where,' and 'why' of the proposal.

If the project is being carried out with the support of multiple partners, please identify them in the table provided in item 4 and indicate what role each will play in supporting the project (e.g. promotion, liaison, managerial / advisory support), and what benefits each partner seeks to achieve through the project, including those that go beyond the objectives of the Connecting Canadians program (e.g. social benefits through extension of network to health care facility, economic benefits from connecting local businesses, etc.).

### Step 4 – Targeted Households

Applicants are asked to describe the scope of their proposed project in terms of area and households. Two (2) attachments will be used to evaluate this: a market analysis (prepared by the applicant) and a completed Targeted Household Spreadsheet. The market analysis should set out the rationale and methods used by applicants in their assessment of the number of underserved households in the project. It should also correspond to the Targeted Household Spreadsheet and address any discrepancies between estimates of underserved households generated by Industry Canada and estimates generated by the applicant.

Industry Canada has developed the national broadband coverage map to estimate the current gap in access to affordable 5 Mbps residential Internet service. For consistency, this map is presented using Industry Canada's hexagon-shaped "spectrum grid cells" to display the distribution of population and households across Canada as well as existing broadband availability and the availability gap. The national broadband coverage map is composed of broadband coverage information collected from ISPs overlaid on demographic information obtained from Statistics Canada to estimate broadband availability in each hexagon. Each hexagon contains information on total population and household count (both served and underserved).

The Targeted Household Spreadsheet is a tabular summary of the national broadband coverage map. This map is available for download in various formats and should be used as a reference tool for completing the spreadsheet. To facilitate processing and application submission, the information in the

national broadband map and Targeted Household Spreadsheet has been divided into individual files by province and territory. Both the national broadband coverage map and the Targeted Household Spreadsheet are available on the Connecting Canadians website at:  
<http://www.ic.gc.ca/eic/site/028.nsf/eng/50016.html>.

Information about each hexagon has been pre-populated by Industry Canada and includes:

- A hexagon identification number;
- Municipality name;
- Latitude at the hexagon centre point;
- Longitude at the hexagon centre point;
- Estimated population as per the 2011 Census;
- Estimated total number of households;
- Estimated number of underserved households; and
- An identifier to indicate whether the area is deemed "very remote".

Applicants are to select the spreadsheet for the province or territory (Yukon or Northwest Territories) for which they are proposing to deploy broadband. If applying to the northern component, applicants are to select the spreadsheet for either Nunavut or Nunavik. Each spreadsheet lists the hexagons that are unique for that particular region.

#### **For Applicants Applying to the Rural Component**

After downloading the applicable spreadsheet, the first column lists all of the hexagons located within that particular province or territory. From this list, an applicant is to select the hexagons that correspond to the area in which they intend to provide broadband coverage; these may be individual hexagons that are geographically dispersed, a group of hexagons in close proximity, or any combination of the two. It is recommended that applicants utilize the corresponding map to identify the appropriate hexagons. The Municipality Name for each hexagon refers to the most populous municipality in the area as per the census data. It will not be possible to uniquely identify the hexagons using the Municipality Name field alone since in nearly all cases a single municipality name will be represented across several hexagons. Once hexagons are selected, there are several columns on the right of the spreadsheet (to the right of the columns that have been pre-populated by Industry Canada) that must be completed by the applicant. The total number of hexagons selected will be regarded as the underserved area that an applicant is proposing to serve and the applicant will need to demonstrate that the proposed project is technologically and financially feasible given the size and scope of the underserved area. Applicants may wish to submit multiple applications for different grouping of hexagons within a province or territory.



To illustrate, the following is a partial list of hexagons for the province of Alberta (not all columns of the spreadsheet are depicted below):

Hexagon Identifier	Municipality Name  (most populous census subdivision in the hexagon)	Latitude at Hexagon Centre  (degrees, fractional degrees)	Longitude at Hexagon Centre  (degrees, fractional degrees)
AB49001110	Forty Mile County No. 8	49.010395	-110.993944
AB49001114	Warner County No. 5	49.010424	-111.355624
AB49001115	Warner County No. 5	49.010400	-111.476209
AB49001116	Warner County No. 5	49.010424	-111.596743
AB49001117	Warner County No. 5	49.010408	-111.717327

Applicant's hexagon selection

In the above example, the two (2) hexagons highlighted have been selected by an applicant. If only these hexagons are chosen by the applicant then these two (2) hexagons will be collectively referred to as the underserved area for the purpose of assessing the proposed project.

Note that in Step 2 (Eligibility Criteria) of the application form, the description of the underserved area provided should correspond to the hexagons selected.

Once hexagons have been selected from the list, applicants are required to provide the following information as indicated in the spreadsheet template:

- The applicant's own assessment of the total number of underserved households in the selected hexagons;
- The total number of underserved households that the applicant is proposing to serve;
- The total number of underserved Aboriginal households that the applicant is proposing to serve (if any);
- A unique network element identifier for each piece of access equipment that will provide service to the selected hexagons, where multiple network identifiers are separated by commas; and
- If the applicant's assessment of the number of underserved households is not consistent with the estimates provided by Industry Canada (i.e., "Estimated Underserved Households"), please provide an explanation for the discrepancy in the last column of the template and/or make reference to the market analysis provided.

Once completed, the template will automatically compute the total number of households in the chosen hexagon(s), the total number of underserved households, and the total number of underserved households proposed to be served, and the total number of underserved households remaining. These totals are to be entered where indicated in items 1 to 4 of Step 4 (Targeted Households) of the application form.

Specifically:

- For item 1, enter the total number of households in the underserved area as identified by Industry Canada in the column titled "Estimated Total Households";
- For item 2, enter the total number of underserved households that the applicant has assessed there to be in the underserved area;
- For item 3, enter the total number of underserved households that the applicant is proposing to serve; and
- For 4, enter the total number of underserved households remaining.

The Targeted Household Spreadsheet is a required attachment. Please ensure to attach this document as well as your market analysis when submitting the completed application form.

#### **For Applicants Applying to the Northern Component**

For the northern component of the program, proposed projects are required to provide coverage to underserved households in all twenty-five (25) communities in Nunavut or all fourteen (14) communities in the region of Nunavik. As such, applicants are required to select all hexagons in either of the two northern regions and to complete the Targeted Household Spreadsheet for the applicable region (Nunavut or Nunavik), including their supporting market analysis.

For all applicants, item 8 please indicate the key businesses and institutions (if any) in the underserved area. The list could include community organizations, businesses, government organizations, health care facilities, or institutions such as schools and libraries. Although the emphasis is on the provision of broadband service to underserved households, the information provided is useful to inform the program of the broader economic and social benefits associated with the deployment of broadband services to the underserved area.

For the **rural component only**, indicate in item 9 whether the project will have an impact on one or more Aboriginal communities in the underserved area to be served by the proposed project. In the table provided please provide a list and a brief description of the Aboriginal communities that will have access to broadband services once the project has been completed.

#### **Step 5 - Technological Solution**

The information submitted under this section of the application form will be used by program staff to assess the essential criterion "Technological Solution". To be further considered under the program, applicants must meet this essential criterion. An applicant therefore must demonstrate that the proposed technological solution is appropriate in terms of being able to deliver reliable service in the underserved area. Specifically, information provided in this step will be used to evaluate how effective the proposed network is in delivering the speeds of at least 5.0 Mbps download and 1.0 Mbps upload (rural component) and at least 3.0 to 5.0 Mbps download and 512 kbps upload (northern component) to the number of underserved households indicated by the applicant in Step 4 of the application form. For the rural component, the information will also be used to assess the ability of the network to adapt to increased network capacity and demand over five (5) years from the project completion date.

**Geographical Network Map**

Provide as a separate document to your application form a geographical network map, preferably in MapInfo format, that shows all network components except where purely customer-premises equipment (CPE) is required. Other acceptable formats include: ESRI, AutoCAD, KML, or a raster image (such as PNG, JPG, BMP, etc.).

The map must illustrate the locations and approximate coverage areas for all network elements as well as distances between elements. 'Network elements' include towers and their heights (if wireless), central offices (COs), digital subscriber line (DSL) remotes, digital subscriber line access multiplex (DSLAM) units, cable TV, fibre-optic routing, repeaters, etc. Coverage should be clearly indicated as a shaded area as appropriate for the technology. For example, wireline coverage could follow roadways, while wireless coverage could represent a simulated or estimated coverage shape.

This is a required attachment. Please ensure to attach the completed Geographical Network Map and that it is clearly titled when submitting the completed application form.

**System Design**

In the space provided in item 2, provide a description of the system design used to deliver the broadband service. The design should cover the key network elements that enable connectivity from the end user to the Internet backbone including an explanation of network reliability and redundancy.

The system design description should cover the following:

- Identification and descriptions of key network elements that enable connectivity from the end-user to the Internet backbone.
- An explanation of network reliability, including redundancy, spares strategy, equipment mean time to repair (MTTR) objectives, backup power, etc.
- For wireless solutions, an explanation of spectrum usage that includes the frequency bands used, types of frequency band (e.g. licensed, unlicensed, secondary market), frequency licenses held (if applicable), how much spectrum is available in each band, the technology used, the morphology of the area, the topology of the area, and power levels at the user devices. If applicable, this should be provided for both access and backhaul spectrum.
- Specific advantages of using this particular technology solution, taking into account service offering capacity, speed, reliability and cost effectiveness.
- Assumed take-up rate.
- Network management strategy such as dedicated per-subscriber network capacity, oversubscription ratios, fair access policies, etc.

The space provided is limited to a maximum of 4000 characters; however, if you require additional space to describe your system design the text box immediately below allows for an additional 4000 characters.



**Logical Network Diagram**

Provide as a separate document to your application form a logical network diagram for the project.

The network diagram should include:

- Identification of all network elements indicated in the Geographical Network Map.
- The types of facilities used to connect the network elements (fibre, copper, microwave, etc.).
- Identification of the capacity (in terms of upload and download speeds) for each link in the network and of the overall network.
- The points of connection with backbone service providers, if applicable.
- The proposed points of connection for open access to the network, if applicable.
- Path/linkage between backhaul points as well as future linkage to a larger regional or provincial network with bandwidth capacity indicated for each link.
- For wireless solutions, a description of the spectrum range and an explanation of why it is believed to be the optimal design for the proposed network.
- Indication of how traffic originates and flows on the network, including the protocols used on each link and the technologies and standards used at each junction.

Please **ensure to attach** the completed Logical Network Diagram which is a required attachment and that it is clearly titled when submitting the completed application form.

**Network Capacity and Equipment Details**

Using the Network Capacity and Equipment Details Template provided at the Connecting Canadians website at: <http://www.ic.gc.ca/eic/site/028.nsf/eng/50016.html>, please provide details on the capacity of the equipment comprising the proposed network, i.e., for each network element. The template contains detailed instructions on how to complete it.

With the Logical Network Diagram and System Design, information provided in the template will be used by program staff to evaluate the capacity of the network to deliver the speeds (download/upload) and internet service offerings proposed. The information will also aid in evaluating the scalability of the network.

This is a required attachment. Please **ensure to attach** the completed Network Capacity Template when submitting the completed application form.

Information provided in the template may be shared with other federal government departments and agencies as determined by the Minister of Industry Canada in order to assess any potential risks related to the overall integrity of network security for the proposed project.

**Scalability**

In the space provided, for projects submitted under the rural component, describe the ability of the network to adapt to increased speeds and/or usage demand over the five (5) years following the completion of the project. For projects submitted under the northern component, describe the ability of the network to adapt to increased speeds and/or usage demand for the duration of program's funding support. Specifically, address the ability of the network to accommodate forecasted subscriber projections and increases in usage demands including the network's ability to deliver speeds higher than

5.0 / 1.0 Mbps (3.0 Mbps / 512 kbps for the northern component), and paths to upgrade the system and add additional capabilities in the future.

The space provided is limited to a maximum of 4000 characters; however, if you require additional space to describe the scalability of the network the text box immediately below allows for an additional 4000 characters.

Program staff will use the information provided in this section and others of the application form to assess the ability of the proposed project to scale in light of increased numbers of subscribers, Internet usage and speeds as well as the operational capacity of the proposed project to implement scalable solutions will be assessed.

#### **Open Access**

Applicants will be subject to existing regulatory requirements. This includes any fees and/or services subject to CRTC regulation and Industry Canada licensing and tower policies and regulations. In addition, all networks must be in compliance with the requirements set out in the Telecommunications Act, and the Radiocommunication Act.

Applicants should demonstrate how they would provide third party access to elements of the proposed network. It is expected that providers who are not subject to CRTC regulation related to third party access will still provide open access options to their network which would not interfere with the sustainable operations of the network.

For applicants subject to CRTC regulation, please describe how the proposed project will comply with all applicable open access requirements. Those not subject to CRTC regulation should explain how the proposed project will provide open access. Applicants must describe at least one way in which open access will be provided. Typical options include the following:

- Towers: Third party access to physical space on a tower, and the terms and conditions that may apply.
- Colocation: Third party access to physical space in buildings, shelters, cabinets and/or racks, and the terms and conditions that may apply.
- Wholesale: Point-to-point data services that could be provided, and the terms and conditions that may apply.
- Resale: Opportunities for a third party to resell access services, and the terms and conditions that may apply.

If you have an established open access policy or list of open access related services and/or fees, you may copy it into the text box or attach it as a separate document to the completed application form.

The space provided is limited to a maximum of 4000 characters; however, if you require additional space to describe open access the text box immediately below allows for an additional 4000 characters.

## Step 6 - Project Management

The information submitted under this section of the application form will be used by program staff to assess the essential criterion "Project Management". In order to be further considered under the program, a proponent must pass this essential criterion. An applicant therefore must demonstrate that it has the capacity to manage the proposed project and bring it to successful completion.

This capacity includes both administrative and technical capabilities. The applicant and collaborators should have strong project management, financial control and technical development skills. Where weaknesses exist, remedial measures should be explained.

### Project Team

Under item 1, the applicant must provide the qualifications of the project management team, including their years of experience and relevant expertise. In the table provided, please give the names of the key individuals of the project management team along with prior or current experience that highlight the team's track record as relevant to executing the proposed project. Provide a brief description of the project team's capacity to deliver in areas such as engineering, designing, developing and/or operating broadband networks or other infrastructure projects of similar size, scope and complexity.

For example, you may wish to explain how your organization has the expertise to achieve the objectives of the project and carry out the project activities by describing your previous experience (e.g., previous federal/provincial funding and results of past contribution agreements), and/or how your organization has the capacity (e.g., sufficient human resources capacity, appropriate governance structure, and financial management) to achieve these objectives and carry out project activities.

The space provided is limited to a maximum of 4000 characters; however, if you require additional space to describe the project team the text box immediately below allows for an additional 4000 characters.

An applicant may also wish to provide supporting documentation (e.g. resumes, past awards etc.) as further evidence of the project management team's qualification as an attachment to the completed application form. Please ensure that the title of the attachment clearly indicates that it is in support of item 1 (Project Team) of Step 6.

### Contractors and Consultants

In some cases, the project team may not have the necessary experience or skill sets required to meet the essential criterion of 'Project Management'. In these cases, you may choose to engage contractors or consultants who will support and contribute to the overall management of the project.

In the table provided, please identify the names of key contractors and/or consultants and provide a description of their experience and skills as they related to the proposed project.

An applicant may also wish to provide supporting documentation (e.g. resumes, past awards etc.) as further evidence of contractor and/or consultant's qualification. Any supporting documentation can be provided as an attachment to the completed application form. Please ensure that the title of the attachment clearly indicates that it is in support of item 3 (Contractors and Consultants) of Step 6.

**Project Schedule**

For item 5, you are required to complete and attach a project schedule, preferably a Gantt chart, to the completed application form. The detailed project schedule should clearly indicate that the project is well-planned and has defined activities and a critical path with key milestones for key project stages, including: a) network design; b) securing of all relevant licenses, permits and agreements (including duty to consult obligations, if applicable); c) site preparation d) equipment procurement; e) equipment deployment; f) network testing; and g) network completion and operational.

Activities must be logically sequenced with realistic timelines, and include an estimated start date and completion date for each of the key project stages.

This is a required attachment. Please **ensure to attach** the completed project schedule when submitting the completed application form.

Program staff will use this information to assess the reasonableness of project implementation as well as the feasibility of project timeliness.

**Project Budget**

Applicants are required to complete and submit a project budget using the Project Budget Costing Template available at the Connecting Canadians website at: <http://www.ic.gc.ca/eic/site/028.nsf/eng/50016.html>. Instructions on how to complete this document are included in the template.

Financial support under the Connecting Canadians program is intended to complement, not replace, funding received from other sources for the proposed project. Applicants are required to disclose all actual and potential sources of funding for their project.

Contribution funds received from the Connecting Canadians program may only be used for expenses directly related to the activities of the approved project.

The Project Budget Costing Template is a required attachment. Please **ensure to attach** the completed template when submitting the completed application form.

Program staff will use the information provided in the template to assess the reasonableness of project costs.

**Risk Analysis**

In the table provided in item 7 (Risk Analysis) of the form, you are required to complete a risk analysis that identifies relevant risks associated with project implementation, if any, to a timely completion of the proposed project and mitigation strategies to manage these risks. The risk identified should cover all key project stages identified in the project schedule as well as project funding and sustainability. The risk analysis should include an assessment of the possibility, impact and associated mitigation strategy.

The table provides dropdown menus under "Likelihood of Occurring" and "Impact on Project". From these menus you can indicate the probability of the occurrence and impact of a particular risk by selecting either "High", "Medium" or "Low".

The text box immediately below the risk analysis table contains additional space if you wish to provide additional information about project risks and associated mitigation strategies.

## **Step 7 – Sustainability**

For the rural component, an applicant must demonstrate that the resulting broadband service is financially and technologically sustainable over the long term (minimum five (5) years after project completion) and that the service will remain affordable to consumers.

Under the northern component, information provided in Step 7 (Sustainability) of the application form will be used to determine the applicant's feasibility to operate and maintain the network and broadband services for the duration of the program's funding support.

### **Operational Plan**

In the space provided in item 1, please describe how you plan to operate, manage, and maintain the proposed broadband network including network monitoring and continuous improvements. This should include:

- A description of any external managed services which will support network management or operation functions;
- A description of the necessary sales, operational, billing and other systems that are or will be in place; and
- An explanation of measures to maintain quality of service, including proposed maintenance schedules, handling of network component failures, potential system congestion and customer equipment failures.

The space provided is limited to a maximum of 4000 characters; however, if you require additional space to describe your operational plan the text box immediately below allows for an additional 4000 characters.

### **Advertising and Promotion**

In the space provided in item 3, please describe the strategies to advertise and promote the broadband service in the underserved area (e.g. direct mail, signage, print advertising etc.) including a description of the applicant's customer-service policies.

The space provided is limited to a maximum of 4000 characters; however, if you require additional space to describe your advertising and promotion activities the text box immediately below allows for an additional 4000 characters.

### **Internet Service Offerings**

Applicants are required to provide a list of service plans to be offered over the network by completing and submitting the Internet Service Offering Template available at the Connecting Canadians website at: [http://www.ic.gc.ca/eic/site/028.nsf/eng/h\\_00587.html](http://www.ic.gc.ca/eic/site/028.nsf/eng/h_00587.html).

Applicants proposing to implement a backhaul/transport solution will need to provide information about the service plans of the last-mile providers that will be utilizing the proposed backhaul services. Please ensure to include provider names.



In completing the template, an applicant should provide the following information:

- Advertised name of each service plan;
- Type of subscriber (residential, business or other). If other, please specify in the template;
- Whether a service plan is subject to a fair access policy. For plans that are subject to such a policy, describe the policy in the text box provided at the bottom of the template.
- Advertised speeds, both download and upload;
- Standard monthly subscription costs to end users, excluding any taxes, fees and/or surcharges;
- Initial installation and activation costs including Customer-Premises Equipment (CPE) purchase charges (if applicable) to first-time customers subscribing to a service plan;
- Ongoing CPE rental fees to end users;
- Monthly download usage cap per service plan and any additional download cost per Gigabit for data in excess of the usage cap;
- If any of these costs are waived for the proposed project the waived cost should be included and noted as being waived; and
- If any of these costs are reduced as part of marketing or contract initiative, both the reduced price and the full price along with the duration of the special pricing should be included.

In addition to providing a text box for describing fair access policies, the template also provides a further text box for applicants wishing to provide any additional information about their service plans that is not captured in the table provided.

This is a required attachment. Please **ensure to attach** the completed Internet Service Offering Template when submitting the completed application form.

Program staff will use the information provided in the template to assess the affordability of the 5.0 Mbps (down) / 1.0 Mbps (up) service plan in rural areas, 3.0 to 5.0 Mbps (down)/512 kbps (up) in the North.

#### **Broadband Subscriber Estimates**

For the rural component, applicants are required to provide broadband subscriber projections for a period of five (5) years from the project completion date. Subscriber forecasts are to be broken down by type (residential, business, or other) and name of each available service plan, along with a description of the methodology used to derive the forecasts by completing and submitting the Broadband Subscriber Estimates Template available at the Connecting Canadians website:

[http://www.ic.gc.ca/eic/site/028.nsf/eng/h\\_00587.html](http://www.ic.gc.ca/eic/site/028.nsf/eng/h_00587.html)

Under the northern component, an applicant is required to provide broadband subscriber projections for the duration of the program's funding support.

Applicants that are proposing to implement backhaul-only (i.e. transport-only) solutions will need to include the operating name(s) of any last-mile providers utilizing the applicant's proposed backhaul solution along with the last-mile providers' forecasted subscriber projections and service plans. Applicants will need to provide evidence to demonstrate that backhaul services will be utilized by last-mile providers.

Identified service plans should match those provided in the Internet Service Offering Template, enabling assessors to easily cross-reference between the two documents.

This is a required attachment. Please **ensure to attach** the completed Broadband Subscriber Estimates Template when submitting the completed application form.

#### **Pro Forma Financial Forecast and Assumptions**

For the rural component, applicants are required to submit pro forma financial statements (on an annual basis) for a five (5) year forecast period from the project completion date: Income Statement, and Statement of Cash Flows including financial assumptions. Under the northern component, applicants are required to submit pro forma financial statements for the duration of the program's funding support.

General guidance in preparing the pro forma statements:

- Statements should be submitted in Excel format and include formulas and assumptions when relevant.
- Link subscriber estimates to the pro forma forecast. The revenue projections for broadband services should reflect the subscriber estimates provided in the Broadband Subscriber Estimates. For projects proposing backhaul solutions only, projections should be based on forecasted backhaul service revenues obtained from last-mile providers.
- The pro forma should only reflect the project and not the applicant's organization.
- Income Statement should reflect all revenues and expenses for the five-year period following the project completion date.
- Revenues should reflect all direct revenues to be generated by the project. Applicant may consider segmenting their revenue by either customer type and/or service type.
- Revenue assumptions should encompass such factors as market size; take rates, average revenue per customer, growth rates, etc.
- Applicants are to include all interest expense specifically related to any debt incurred to support the project. Applicants should include interest expense for: 1) borrowing of new short and long-term debt to support financing of the project or 2) interest expense associated with a capital lease.
- Applicants are to provide the basis for estimating all other network expenses, including maintenance, utilities, rental or leasing of capital assets, etc.
- Provide a clear rationale for estimating marketing and sales expenses.
- Provide method used to estimate backhaul expenses.

This is a required attachment. Please **ensure to attach** the completed pro forma financial statements when submitting the completed application form.

#### **Step 8 – Supporting Documentation**

The completed Application Form and all required attachments are to be included at the time of submission in order for the form to be submitted successfully. Failure to do so may result in the Application being deemed incomplete.

The following is a list of documents to be submitted along with the completed application form. Those that are mandatory have been noted as such.

1. Independently prepared financial statements (audited or review engagement) for the last three (3) fiscal years (*mandatory*). See Additional Information about Financial Statements.
2. An organizational diagram that details the structure of your organization, including any parent, subsidiary, affiliates, and related companies (*mandatory*)
3. Copies of legal and any current documents related to incorporation, partnership, joint venture, not-for-profit status, etc. (*mandatory*)
4. Project Technical Authority statement of certification (*mandatory*)
5. Confirmation of Applicant funding (if applicable)
6. Supporting documents from other funding sources (if applicable)
7. Targeted Household Spreadsheet and market analysis (*mandatory*)
8. Letters of support from businesses and institutions (if applicable)
9. Band Council Resolution, Tribal Council Resolution or other equivalent documentation from self-governing First Nations indicating support for the propose project (if applicable)
10. Municipal Council Resolution indicating support/approval for the proposed project (if applicable)
11. Geographical Network Map (*mandatory*)
12. Logical Network Diagram (*mandatory*)
13. Network Capacity and Equipment Details Template (*mandatory*)
14. Project Schedule (*mandatory*)
15. Project Budget Costing Template (*mandatory*)
16. Internet Service Offering Template (*mandatory*)
17. Broadband Subscriber Estimates Template (*mandatory*)
18. Pro Forma Financial Statements (*mandatory*)
19. Lobbyist Declaration (*mandatory*)



Applicants are required to complete the *Lobbyist Declaration* form available at the Connecting Canadians website at: [http://www.ic.gc.ca/eic/site/028.nsf/eng/h\\_00587.html](http://www.ic.gc.ca/eic/site/028.nsf/eng/h_00587.html). This is a required attachment. Please **ensure to attach** the declaration form when submitting the completed application form.

## 20. Environmental Assessment Screening Report (if applicable)

Applicants need to verify if their proposed project includes activities that are listed in the Canadian Environmental Assessment Agency's (CEAA) *Regulations Designating Physical Activities* established under the *Canadian Environmental Assessment Act, 2012*. To access the list of *Regulations Designating Physical Activities*, please visit <http://ceaa.gc.ca/default.asp?lang=En&n=9EC7CAD2-1>.

If the proposed project will undertake no Designated Physical Activities and it is not a Designated Project (as per CEAA 2012) or will undertake no activities on federal lands then an environmental assessment screening report is not required.

If either condition applies, an applicant is required to submit a signed environmental assessment screening report as part of the application process. The screening report is available at the Connecting Canadians website at: [http://www.ic.gc.ca/eic/site/028.nsf/eng/h\\_00587.html](http://www.ic.gc.ca/eic/site/028.nsf/eng/h_00587.html)

The screening report as well as the description of the project will be used to determine if an Environmental Assessment (EA) is required.

## Step 9 – Declarations

Applicants are required to check appropriate boxes in the declaration section of the application form. Please ensure to complete the signature block at the end of the form before submitting.

## Contribution Agreement

Following project approval, a contribution agreement will be prepared for signature by the successful applicant (now known as the recipient) and the Crown laying out the legally binding responsibilities and obligations of both parties.

The contribution agreement includes the terms and conditions of funding, the description of project costs, the method of funding disbursement, the anticipated results and the time line for project completion, and reporting requirements.

When the contribution agreement is signed, work on the project may begin and claims for reimbursement of eligible costs may be submitted to Industry Canada in accordance with the agreement.

Payments to recipients are based on either reimbursement of eligible costs or advances. All advances are subject to approval and limited to the immediate cash requirements of the recipient and will not exceed the cash management provisions as set out in the agreement.

Once Industry Canada receives the final accounting of eligible costs incurred by the recipient and all requirements of the agreement have been met to the satisfaction of the Minister the final payment of the contribution will be disbursed.

Please note that applicants **should not assume any commitment** on the part of Industry Canada until ministerial approval for the project has been obtained and a contribution agreement has been signed by both the applicant and by Industry Canada.

## Reporting Requirements

Successful recipients will be required to demonstrate accountability for use of the funds and must meet the reporting requirements on project expenditures and activities, the results/outcomes of the project, and achievement of performance indicators as identified in the contribution agreement.

Under the terms and conditions of the contribution agreement, a recipient will be required to provide:

- Periodic progress reports describing the progress of project activities.
- A final performance report at the end of the project describing the results of the project.

The frequency of reports is determined based on the risk of the recipient/project as determined by the program. Other reports may be required at the Minister's discretion.

## Additional Requirements

Applicants whose projects are selected will be required to comply with a number of government policies and expectations.

Applicants will be expected to use a fair, competitive and transparent procurement process to ensure best value for money when supplies, equipment and services are purchased or personnel are hired.

Applicants are required to disclose any other government assistance received prior to or during the course of the agreement related to the eligible costs supported by the program. The contribution amount may be reduced or recovered for any amount exceeding the program's stacking limit.

Some other areas to consider are described below.

## Communications and Promotion

In accordance with the Federal Identity program, applicants who receive funding are required to acknowledge the role and contribution of the Government of Canada in all of its and program partners' public communications. Instructions on the form of acknowledgement and the use of official government identifiers will be provided to successful applicants.

## Security

Information provided in the application form and templates may be shared with other federal government departments and agencies as determined by the Minister of Industry Canada in order to assess any potential risks related to the overall integrity of network security for the proposed project.

### **Confidentiality, Access to Information Act and Privacy Act**

In accordance with the provisions of the *Access to Information Act*, the public has a right of access to information in records under the control of a government institution.

You should be aware that all information in your applications (including supporting material) may be subject to release upon request under the *Access to Information Act*. You should also be aware that contact information and other information about specific individuals that you include in your submission may or may not be considered "personal information" under the *Privacy Act*. Such information is subject to release upon request under the *Access to Information Act* or the *Privacy Act*.

Please refer to the *Access to Information Act* (<http://laws-lois.justice.gc.ca/eng/acts/A-1/>) and the *Privacy Act* (<http://laws-lois.justice.gc.ca/eng/acts/P-21/index.html>) for additional information.

### **Canadian Environmental Assessment Act**

In accordance with the *Canadian Environmental Assessment Act*, applicants who receive funding are required to satisfy the environmental requirements of all regulatory bodies having jurisdiction over the involved communities or the project. More information about the federal environmental assessments may be found online at <http://www.ceaa-acee.gc.ca/default.asp>.

To learn more about the Canadian Environmental Assessment Act, visit <http://laws-lois.justice.gc.ca/eng/acts/C-15.2/>

### **Act Respecting the Ministère du Conseil exécutif**

An organization located in Québec receiving more than half of its financing from the Government of Québec (consolidated revenue fund) may be subject to the *Act Respecting the Ministère du Conseil exécutif* (R.S.Q., c. M-30).

For more information, visit [https://www.saic.gouv.qc.ca/secretariat/loi\\_en.htm](https://www.saic.gouv.qc.ca/secretariat/loi_en.htm)

In order to obtain funding, applicants from Québec will have to demonstrate their compliance with the Act, either by producing a document by which they declare they are not covered under M-30; or, for organizations covered under M-30, by providing supporting documentation from the Government of Québec.

For additional information regarding this, contact the Ministère des Affaires Municipales et de l'Occupation du territoire.

### **Duty to Consult Aboriginal Communities**

There is a duty to consult Aboriginal groups if a federally funded project will undertake infrastructure in, or affecting an Aboriginal community. This duty takes effect when the Crown contemplates conduct that might adversely impact established or potential Aboriginal rights, which are protected and affirmed under the *Constitution Act, 1982*.

**Lobbying Act and Values and Ethics Code for the Public Service**

Applicants must comply with the *Lobbying Act* throughout the application process and the life of the project. For more information on lobbying and the *Lobbying Act*, please visit the website of the Office of the Commissioner of Lobbying of Canada at <http://www.ocl-cal.gc.ca>

Applicants will also have to comply with the Values and Ethics Code for the Public Service. Code can be consulted at the following link: <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=25049>

Applicants are required to complete submit their Lobbying Declaration available at the Connecting Canadians website at: [http://www.ic.gc.ca/eic/site/028.nsf/eng/h\\_00587.html](http://www.ic.gc.ca/eic/site/028.nsf/eng/h_00587.html)

**Official Languages Act**

In accordance with Part IV of the *Official Languages Act*, where contributions are made to non-governmental voluntary agencies that serve the public in both English and French, the agreement will provide for communications with the public and delivery of service in both official languages.

For more information, visit <http://laws.justice.gc.ca/en/O-3.01>

**Telecommunications Legislations and Policies**

Applicants must comply with all applicable requirements of the Telecommunications Act, the Canadian Telecommunications Common Carrier Ownership and Control Regulations, the Radiocommunications Act, the Radiocommunication Regulations and all applicable Canadian Radio Television and Telecommunications Commission (CRTC) rules, regulations, policies and decisions.

## Annex 1 – Application Form Q&As

### *Where can I download the latest version of the PDF reader?*

To access the Portable Document Format (PDF) version of the application form you must have a PDF reader installed. If you do not already have such a reader, there are numerous PDF readers available for free download or for purchase on the Internet:

- [Adobe Reader](#)
- [Foxit Reader](#)
- [Xpdf](#)
- [eXPert PDF Reader](#)

### *I forgot to keep a copy of the proposal that I just submitted. How can I request a copy?*

Please contact the Connecting Canadians Branch to see if your proposal was received. You can reach the Branch via email at [ConnectingCanadians-UnCanadabranche@ic.gc.ca](mailto:ConnectingCanadians-UnCanadabranche@ic.gc.ca) or by phone at 1-800-328-6189.

### *I tried submitting my proposal but the system “times out” and I don’t see a confirmation page. What should I do?*

If a confirmation page was not displayed, there is a strong possibility that your proposal was not received. Please contact the Connecting Canadians Branch to see if your proposal was received. You can reach the Branch via email at [ConnectingCanadians-UnCanadabranche@ic.gc.ca](mailto:ConnectingCanadians-UnCanadabranche@ic.gc.ca) or by phone at 1-800-328-6189.

### *I cannot view the attachments which I attached in the form. How can I see them?*

To display a list of your attachments, click the paperclip icon on the left side of the form.

### *I submitted a proposal but have not received the confirmation yet. How can I ensure my proposal was sent to the program?*

The confirmation is displayed on your screen right after you have pressed the “Submit” button. If you did not receive a confirmation message that your proposal was submitted, please resubmit it using the “Submit” button on the last page.

### *When I paste content into a text box in the application form, the text cuts off. Why?*

If you are inputting text from a word processing file (e.g. Microsoft Word, Notepad, etc.) into the PDF form, please remember that all fields have a maximum length which is displayed in each question. The application form character count feature takes into account all spaces and hidden characters, including hard returns. If there is a difference between the application form and the one included in your word processing document, the application form’s count will prevail. It is always a good practice to remove unwanted spaces as this can help lower the character count.

**Tips for Apple users and downloading the application form with various browsers (Safari, Chrome, Firefox and Opera)**

*When I try to open the application form (PDF) with Safari as the browser, a new screen opens and displays a message saying "Please Wait" indicating that my PDF viewer may not be able to display the content. What do I do?*

If you move your mouse to the bottom-middle on the page, a new menu with four icons (see example below) will appear that give you the option to save it and download it to your computer.



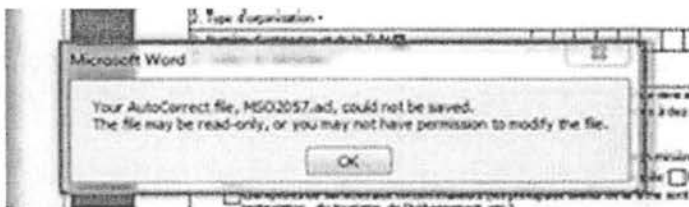
*When I try to open the application form using Chrome as the browser, a new screen opens and displays a message saying "Please Wait" indicating that my PDF viewer may not be able to display the content. What do I do?*

If you move the mouse to the bottom-right on the page, a new menu with six icons (see example below) will appear that give you the option to save it and download it to your computer.



If you are trying to open the application form using **Firefox** and/or **Opera** as the browser, a pop-up window will be displayed asking you to Open or to Save (download) the form to your computer. Please choose the option that is most convenient for you.

*I received this error when inserting a document/text file (.txt, .doc, etc.) "Your AutoCorrect file, MSO2057.acf, could not be saved. The file may be read-only, or you may not have permission to modify the file."*



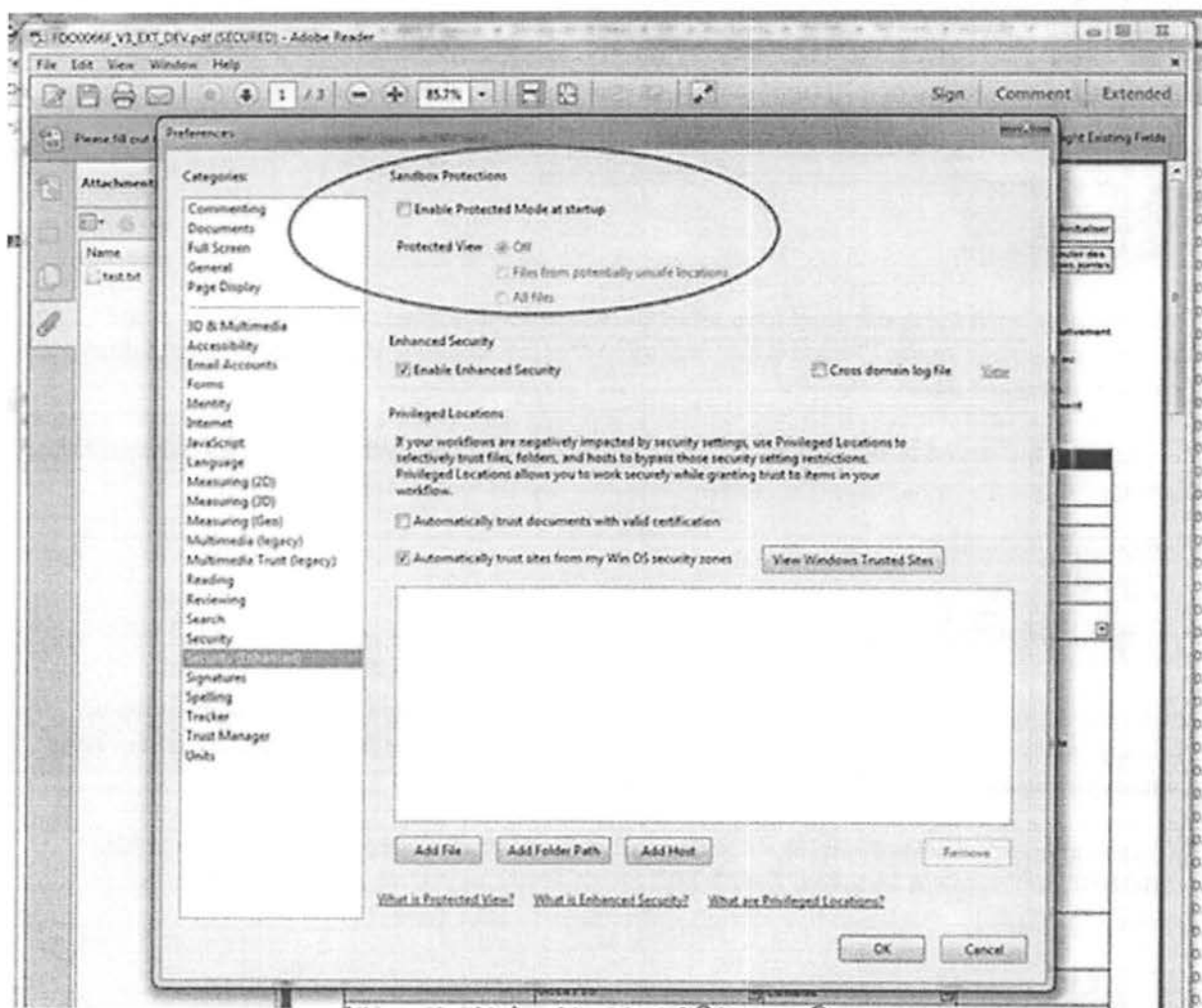
## Solution

For a permanent solution, you may consider disabling the security feature "Enable Protected Mode at startup".

Follow the instructions below:

1. Open Adobe Reader
2. Select Edit>Preferences from the menu

3. Select Security Preferences
4. Uncheck the "Enable Protected Mode at startup" checkbox



S16 VECC SCHOOL ENERGY COALITION 1

[Hariton/Ladanyi Report, p.19] Before the introduction of the *Telecommunications Act, 1993*, and more specifically section 46.5, what legal basis did the CRTC act under to allow it to create the subsidy regimes discussed in the report?

ANSWER

Before the introduction of the *Telecommunications Act* 1993 the CRTC relied on the provisions of the *Railway Act* (under which telecommunications was regulated at the federal level in Canada) requiring that rates be just and reasonable (introduced in 1968) and not unjustly preferential or unduly discriminatory (introduced in 1906). These requirements were carried over to the *Telecommunications Act* of 1993, where they are now found at s. 27(1) and s. 27(2) respectively..

Section 46.5 was not included in the original version of the *Telecommunications Act* of 1993, being introduced by amendment in 1998.

See also the response to S16 VECC BOARD STAFF 3.



[Hariton/Ladanyi Report, p.37] Has the CRTC's National Contribution Fund achieved its objectives? If the Board is considering implementing a similar approach to the National Contribution Fund, what concerns would Mr. Hariton and Mr. Ladanyi have? What lessons can the Board learn from the experience of the National Contribution Fund?

#### ANSWER

In Mr. Hariton's opinion, the National Contribution Fund has achieved its objective. As shown in the CRTC's annual Communications Monitoring Report for 2014, over 99 per cent of Canadians had wireline basic voice service in 2009 (see Table 5.3.5). This means that service is both available (the network has been built out to virtually all premises) and affordable (the prices are acceptable to virtually all Canadians). While this percentage has been declining slightly in recent years, reaching 95.8 per cent in 2014, this drop is not due to lack of affordability or accessibility. Rather, it is due to increasing substitution of mobile telephony and of voice over Internet protocols (VoIP).

Correspondingly the size of the NCF has decreased from almost \$1 billion in 2001 to some \$115 million for 2016. The definition of basic service is currently being reviewed by the CRTC, and it is possible that the NCF will shrink even further. Alternatively, there are proposals before the CRTC to re-purpose some of the funds currently in the NCF, to be used to subsidize a similar set of programs, but for broadband access by residences, instead of local voice telephony.

If the Board were to implement an approach similar to the National Contribution Fund, there would be a number of concerns, including identifying the parameters of the program, the kinds of activities to be funded, the amount of funding for different activities, and the sources of the funding. These would be specific to natural gas.

Mr. Hariton flags the following concern arising from the CRTC's experience with the NSF. The amount of subsidy to be paid out for targeted services was calculated based on costs of provision less expected revenues. There was considerable controversy as to the definition and methodology used for calculating the relevant costs. Specifically, there was disagreement as to whether existing plant used in a project should be valued at historic or book Value, or at economic or replacement cost. Other issues concerned the treatment of spare capacity, the most efficient deployment of plant and equipment, differences in costs across different service providers, and the proper markup to contribute toward the recovery of fixed common costs.

It is based in part on this experience that Mr. Hariton recommends that subsidies not be based on costs of providing service. An attractive alternative is a reverse auction process, as described in more detail in the response to S16 VECC ENERGY PROBE 3

Question

1. [p. 29, 37] Please confirm that the “pooled source of funds” approach is intended to be limited to natural gas expansions, and not to include other fuel sources or technologies such as geothermal. Please advise whether the authors agree that, but for any limitations on the Board’s jurisdiction, expanding the pooled source of funds concept to include other environmentally beneficial fuel sources or technologies would be an appropriate policy direction.

Answer

The pooled source of funds is intended to be limited to natural gas expansion by OEB regulated gas distribution utilities that provide services to the public under OEB approved rates. To be included companies offering alternative fuel sources would need to become OEB regulated utilities offering services to the public under OEB approved rates in order to protect the public from subsequent rate increases that have not been reviewed and approved by the OEB.

S16.VECC.OGA2

Ref [p. 30, 38]

Please confirm that the competitive auctions being proposed are limited to natural gas as the only competing fuel source, and not to include other fuel sources or technologies such as geothermal. Please advise whether the authors agree that, but for any limitations on the Board's jurisdiction, expanding the auction concept to include other environmentally beneficial fuel sources or technologies would be an appropriate policy direction.

Answer

The competitive auctions being proposed are limited to OEB regulated natural gas distribution utilities offering services under OEB approved rates.

If the auction concept were to be expanded to companies offering alternatives these companies would need to become OEB regulated utilities offering services to the public under OEB approved rates. Otherwise OEB regulated gas distribution utilities which are required to disclose their costs and revenues in public hearings would be competing against companies that are not under any such requirement. (also, please see answer S16.VECC.OGA1)

S16 VECC OGA 3

Please confirm that, in a reverse auction, it would be appropriate to include in the criteria for bidding quantification of any differential environmental impacts, if material.

ANSWER

Mr. Hariton confirms that, in a reverse auction of the kind described by VECC, it would be appropriate to include among the evaluation criteria, any differential environmental impact, if material. This is independent of the scope of the proposed mechanism and the nature of the potential suppliers of energy that are to be considered.

S16. VECC SOUTHERN BRUCE 1

Reference: i) Evidence of Hariton and Ladanyi, Conclusion (pages 39-40)

a) Please confirm that in principle it would be reasonable for the OEB to consider implementing a mechanism along the lines of the National Contribution Fund that has been implemented by the CRTC and that the primary reason that this type of mechanism is not being recommended by VECC is the lack of clarity with respect to the OEB's jurisdiction to do so.

ANSWER

Mr. Hariton states that the National Contribution Fund is described in VECC's evidence as an example of one possible approach that the Ontario Energy Board might wish to consider in its deliberations in this proceeding.