EB-2017-0049

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c.15, (Schedule B);

AND IN THE MATTER OF an Application by **Hydro One Networks Inc.**, pursuant to the *Ontario Energy Board Act* for an Order or Orders approving electricity distribution rates and charges commencing January 1, 2018;

> Interrogatories of Rogers Communications Canada Inc. to Hydro One Networks Inc.

> > January 24, 2018

Note: in providing your responses, please do not simply make reference to another document from this or another proceeding. Please reproduce the response in full. Thank you. Your efforts are appreciated.

Proposed Pole Attachment Rate

ISSUE 51. Are the proposed specific service charges for miscellaneous services over the 2018 – 2022 period reasonable?

Rogers-01

- **Ref:** Exhibit H1, Tab 2, Schedule 3, p.102 EB-2015-0141 – Decision and Rate Order (4 August 2016) (the "**EB-2015-0141 Decision**")
- 1. In its Application, Hydro One proposes pole attachment charges using the methodology approved in the *EB-2015-0141 Decision*. Please confirm that Hydro One is still proposing the rates set out in its Application based on this methodology.
- 2. If Hydro One is no longer proposing the rates set out in its Application, please:
 - (a) explain what rates are being proposed and describe in detail the methodology used to derive the proposed rates.
 - (b) provide all of the data used to derive the proposed rates. Where Hydro One is relying on assumptions, please identify and explain those assumptions.
 - (c) explain in detail the reasons for any differences between the rates proposed in its Application and the rates that are now being proposed.

Ref: Exhibit Q, Tab 1, Schedule 1

3. Please confirm that the updated information filed by Hydro One on December 21, 2017 as Exhibit Q has no impact on any of the assumptions or data used by Hydro One to derive its proposed pole attachment charges in its Application.

Rogers-02

- Ref: Exhibit H1, Tab 2, Schedule 3, p.102
 EB-2015-0304 Framework for Determining Wireline Pole Attachment Charges (the "PAWG Proceeding")
 EB-2015-0304 Draft Report of the Board, 18 December 2017 (the "PAWG Draft Report")
- 1. In its Application, Hydro One states that it has calculated Joint Use Telecom charges from 2018 to 2022 using the methodology approved in the *EB-2015-0141 Decision* and proposes adopting these charges until the OEB issues its decision in the *PAWG Proceeding*. Once that decision has been issued, Hydro One states that it will revisit its charges to comply with it prospectively.

In the interim, Hydro One has taken the \$41.28 rate approved in the EB-2015-0141 Decision and adjusted it for the years 2016 to 2022 using inflation rates and Hydro One's productivity factor. Yet, in the *PAWG Draft Report*, Board staff recommend that the proposed universal rate of \$52 be adjusted for inflation but <u>no</u> productivity factor. Please explain why Hydro One chose the use of a productivity factor.

2. Your general rate application includes new proposed electricity rates for Norfolk Power, Haldimand County Hydro and Woodstock Hydro. Please complete the following table.

	Date acquisition closed	# of joint use poles owned	Current pole attachment rate
Norfolk Power			
Haldimand County Hydro			
Woodstock Hydro			

- (a) Are you proposing to apply the proposed pole attachment rates for Hydro One to these three LDCs?
- (b) Have you done any kind of analysis to demonstrate that these three LDCs share substantially similar pole costs and number or telecom attachers as Hydro One has used in the EB-2015-0141 proceeding and as updated in this hearing?
- (c) Do any of these three LDCs have pole-sharing arrangements with Bell Canada similar to the one Hydro One has with Bell?

Number of Poles

- **ISSUE 46.** Are the inputs to the cost allocation model appropriate and are costs appropriately allocated?
- **ISSUE 51.** Are the proposed specific service charges for miscellaneous services over the 2018 2022 period reasonable?

Rogers-03

1. In respect of Hydro One's joint use poles (*i.e.*, those poles with telecom or other third party attachers), provide the following information for the sizes of poles shown as at the end of 2017. If 2017 values are not available, use 2016 values.

Pole Height	Total no. of joint use poles	Total Net Book Value	Average NBV/pole	Average Current Installed Cost
30				
35				
40				
45				
50				
55				
60				
65				
Above 65				
TOTAL				

2. In respect of Hydro One's <u>non-joint use</u> poles (*i.e.*, those poles with <u>no</u> telecom or other third party attachers), provide the following information for the sizes of poles shown as at the end of 2017. If 2017 values are not available, use 2016 values.

Pole Height	Total no. of non-joint use poles	Total Net Book Value	Average NBV/pole	Average Current Installed Cost
30				
35				
40				
45				
50				
55				
60				
65				
Above 65				
TOTAL				

3. If a standard joint use pole that is designed to accommodate telecom attachments is 40 feet in height, under what circumstances would a pole need to be either less than 40 feet or more than 40 feet (e.g., to accommodate generator facilities)? Please provide your answer using the table below.

Pole Height	When pole is used	Types of attachers
30		
35		
40		
45		
50		
55		
60		
65		
Above 65		

4. If a telecom attacher only requires a 40 foot pole for its purposes, please explain, using suitable economic and regulatory principles, why it is reasonable to include in the pole attachment rate for telecom attachers, the costs of larger and more expensive poles that are required by other parties and not the telecom attachers. In other words, why should telecom attachers contribute to the costs of larger poles in circumstances where they do not require the additional height?

Rogers-04

Ref: Depreciation rate of 1.7%

1. We understand that, based on a depreciation rate of 1.7%, Hydro One employs an average useful pole life of approximately 59 years. Using the table below, please provide the number of joint use poles that were replaced pursuant to a proactive pole replacement or other capital program (as opposed to replacement as part of ongoing maintenance), including poles that were replaced prior to the end of their useful life. Please describe the nature and purpose of the programs that were adopted for these pole replacements.

	2014	2015	2016	2017
No. of joint use poles replaced				
%age of joint use poles replaced				
No. of joint use poles replaced prematurely (i.e., prior to end of their useful life)				
%age of joint use poles replaced prematurely				

2. In each of the years 2014 to 2017, how many poles were replaced prematurely due to the requirements of Hydro One, other LDCs or third party generators?

Attachers and Attachments

- **ISSUE 46.** Are the inputs to the cost allocation model appropriate and are costs appropriately allocated?
- **ISSUE 51.** Are the proposed specific service charges for miscellaneous services over the 2018 2022 period reasonable?

Rogers-05

1. Please complete the following table using the most current information available (2017 or 2016). Reference to "telecom" means *wireline* attachments.

Attacher or Attachment	No. of Units	Current Rate	Annual Revenues	Proposed Rate	Annual Revenues
Reciprocal pole-sharing arrangements					
Bell (Full)					
Bell (Clearance or Service)					
Other Telecom (Full)					
Other Telecom (Clearance or Service)					
LDC or Generator Telecom					
TOTAL					
No pole-sharing arrangement					
Bell (Full)					
Bell (Clearance or Service)					
Other Telecom (Full)					
Other Telecom (Clearance or Service)					
LDC or Generator Telecom					
TOTAL					
Other attachments					
Generator power facilities					
LDC power facilities (excl Hydro One)					
Streetlights					
Bell antennas and other wireless equip.					
Antennas and other wireless equipment					
Other (signs, banners, traffic lights)					
TOTAL					
GRAND TOTAL					

- 2. For <u>each</u> attacher above that does not pay the OEB-approved pole attachment rate for telecom attachers, provide the pole attachment rate that is charged to the attacher, explain how the applicable rate was determined and why it is different from the OEB-approved pole attachment rate for telecom attachers.
- 3. For <u>each</u> attacher above that does not pay the OEB-approved pole attachment rate for telecom attachers, provide the pole attachment rate that Hydro One has proposed for each of the years 2018-2022. Explain how the proposed rate for each attacher was determined and why it is different from what Hydro One has proposed for telecom attachers.
- 4. If circumstances permit Hydro One to apply the findings of the Board in its future decision from the *PAWG Proceeding* to its telecom pole attachment rate, will Hydro One change or otherwise revisit the different rates it proposes to charge the other attachers described in Question 3?
- 5. For the "other attachers" listed below, please describe where on the joint use pole the attachment would typically be located, and how much space has been allocated for or dedicated to such attachment.

Attacher or Attachment	Location on pole	Space allocated or dedicated
Generator power facilities		
LDC power facilities		
Streetlights		
Antennas and other wireless equipment		

- 6. Has Hydro One entered into any agreements with telecommunications or other companies that will allow these companies to attach antennas or other wireless equipment to the poles of Hydro One, now or in the future? What is the pole attachment rate under these agreements?
- 7. If wireless attachment rates to hydro poles are, for the most part, unregulated and Hydro One is allowed to charge "market" rates for wireless attachments to its joint use poles, how does Hydro One intend to adjust the pole attachment rate for wireline telecom attachments to reflect the additional revenues it will receive from wireless attachments? If you do not intend to adjust the wireline attachment rate, please provide a rationale for this decision and explain why it would still be reasonable from a rate-making perspective.
- 8. In the EB 2015-0141 proceeding, you calculated the "actual" average number of attachers per pole of 1.3 by dividing the total number of attachers (746,204) by the total "poles that contain joint use" (576,068).

(a) Please confirm that the total number of attachers used in this calculation included all of the attachers listed in the table in Rogers-05(1). If not, please advise which attachers are not included and explain why they were not included.

Does the calculation include any attachers that are <u>not</u> listed in the table shown in Rogers-05(1)? If so, please describe the type and quantity of attachers.

- (b) Please explain, from a rate-making perspective, how a single pole attachment rate for telecom attachers can be calculated based on a mix of different attachers that do not all pay that rate. For example, if a pole attachment rate is calculated based on the number of telecom attachers and streetlights, but the streetlights do not pay an attachment fee, doesn't that mean that Hydro One is not recovering all of its costs and therefore the ratepayers are subsidizing them? Please explain this discrepancy and support your explanation with calculations.
- (c) If we accept the equal sharing methodology (as Hydro One and the OEB have done) and that methodology allocates the *common costs* of a pole across the users of the pole <u>equally</u>, regardless of the nature of configuration of the attachment, do you believe that it is reasonable that streetlights should pay an attachment rate of only \$2.04? Please provide an explanation for your answer. If you answer is "no", how would you recommend that this disparity be corrected?
- (d) The equal sharing methodology also requires an attacher to be responsible for 100% of the costs of the dedicated space it uses on a joint use pole. Yet, attachers such as generators that require at least 10 feet of dedicated space pay an attachment rate of only \$28.61. Please reconcile this anomaly with the mechanics of the equal sharing methodology. How would you correct it?

Net Embedded Cost

- **ISSUE 46.** Are the inputs to the cost allocation model appropriate and are costs appropriately allocated?
- **ISSUE 51.** Are the proposed specific service charges for miscellaneous services over the 2018 2022 period reasonable?

Rogers-06

- **Ref:** Net Embedded Cost (NEC) per pole of \$944.59 (based on 2014 year-end value) Pole Maintenance Expense of \$5.52 per pole (Response to Board Staff Interrogatory #2.1(10))
- 1. We need to understand exactly how the costs associated with pole replacement costs have been included in the pole attachment rate to ensure that there has been no double-counting. It is possible that they have been included in *Pole Maintenance Expenses*, as well as been capitalized in *Account 1830*.
 - (a) Does your calculation of \$5.52 per pole for *Pole Maintenance Expenses* include all or a portion of the costs of ongoing pole replacement? If so, provide a value for such expenses, with supporting detail.
 - (b) Are the capitalized costs associated with the replacement of your joint use poles included in *Account 1830* and hence your calculation for the Net Embedded Cost per pole?
 - (c) If your assertion is that these costs are not included in *Account 1830*, then demonstrate, with specific supporting evidence, how these costs have been accounted for.
 - (d) If such costs have been included in Account 1830, provide a value for these costs (or your best estimate) for each of the 10 years from 2006 to 2017. If you are providing an estimate, explain the rationale for doing so, as well as who from Hydro One, including their title and job description, prepared this estimate.
 - (e) Please show the necessary adjustment to the NEC of \$944.59 to ensure that there is no double-counting of pole replacement costs. Provide all supporting assumptions and calculations.
 - (f) If it is not reasonably possible to adjust the NEC, then show what adjustments must be made to *Pole Maintenance Expense* to ensure that there is no double-counting. Provide all supporting assumptions and calculations.

- 2. The following questions have to do with Hydro One's assets that are situated on the poles owned or operated by others (*e.g.*, Bell Canada).
 - (a) Confirm that power assets and other equipment owned or operated by Hydro One that are located on poles owned by Bell or other third parties are included in *Account 1830* and hence your calculation for NEC per pole.
 - (b) If your assertion is that these assets are not included in *Account 1830*, then demonstrate, with specific supporting evidence, which account such assets have been included.
 - (c) If such costs have been included in Account 1830, provide a value for them (or your best estimate) for the years 2015, 2016 and 2017. If you are providing an estimate, explain the assumptions and rationale for doing so, as well as who from Hydro One, including their title and job description, prepared this estimate. Please show how the number was obtained with supporting calculations and documents.
 - (d) Please show the adjustment to the NEC of \$944.59 necessary to remove these costs.
- 3. The following questions have to do with make-ready costs paid by telecom attachers.
 - (a) Provide the value of make-ready costs paid by telecom attachers to Hydro One in respect of their attachments in each of the years 2015-2017 and the accounts in which these amounts were recorded.
 - (b) Confirm that third party telecom make-ready costs and other third party contributions to the capitalized installed costs of joint use poles are included in *Account 1830* and hence your calculation for NEC per pole.
 - (c) If your assertion is that these costs are not included in *Account 1830*, then demonstrate, with specific supporting evidence, which account such costs have been included.
 - (d) If such costs have been included in Account 1830, provide a value for them (or your best estimate) for each of the years 2015, 2016 and 2017. If you are providing an estimate, explain the assumptions and rationale for doing so, as well as who from Hydro One, including their title and job description, prepared this estimate.
 - (e) Please show the adjustment to the NEC of \$944.59 necessary to remove these costs.

- 4. The following questions have to do with guying and anchoring provided on joint use poles.
 - (a) Confirm that, when the addition of a telecom attachment requires additional guying and anchors for a joint use pole, the telecom attacher is responsible for the costs of such guying and anchors.
 - (b) Confirm that the costs of guying and anchoring required for a joint use pole that has <u>no</u> telecom attachments are included in *Account 1830* and hence your calculation for NEC per pole.
 - (c) If your assertion is that these costs described in paragraph (b) are <u>not</u> included in *Account 1830*, then demonstrate, with specific supporting evidence, in which account such costs have been included.
 - (d) If the costs described in paragraph (b) are included in Account 1830, provide a value for them (or your best estimate) for each of the years 2015, 2016 and 2017. If you are providing an estimate, explain the assumptions and rationale for doing so, as well as who from Hydro One, including their title and job description, prepared this estimate.
 - (e) Please show the adjustment to the NEC of \$944.59 necessary to remove these costs.

Rogers-07

1. We understand that, over the last several years, Hydro One has replaced several pole lines with significantly larger (60-70 feet) poles to accommodate the facilities of generators.

We also understand that, in some cases, the generator constructed the pole lines and then assigned them to Hydro One, while in other cases, it paid for the cost of the new poles less the depreciated value of the existing poles.

- (a) For the last 10 years, how many poles were replaced with new poles to accommodate these generators?
- (b) Please describe in detail the accounting reconciliation that was conducted in respect of these replacement poles and confirm that such assets were included in *Account 1830*. If the costs of these assets are not included in *Account 1830*, then demonstrate, with specific supporting evidence, in which account such costs were included.

Pole Maintenance

- **ISSUE 46.** Are the inputs to the cost allocation model appropriate and are costs appropriately allocated?
- **ISSUE 51.** Are the proposed specific service charges for miscellaneous services over the 2018 2022 period reasonable?
- **Ref:** Pole Maintenance Expense of \$5.52 per pole (Response to Board Staff Interrogatory#2.1(10))

Rogers-08

- 1. In the EB-2015-0141 proceeding, the Board accepted a value of \$5.52 per pole for *Pole Maintenance Expenses* (prior to the 15% deduction for power-only assets). According to your evidence, this number is based on the total of *Line Patrol* costs of \$5.4M and *Defect Correction* costs of \$3.3M, divided by the total number of all of Hydro One's poles (1,575,195).
 - (a) Please describe in detail all of the activities that are conducted for each of *Line Patrol* and *Defect Correction*. Provide the recorded costs for each activity.
 - (b) Describe how the costs were determined for each activity listed in (a) above (*e.g.*, time studies, invoices, time-keeping records).
 - (c) From which Account Codes to these expenses originate (e.g., 5120, 5135)? Please show the amounts used from each Account Code in the above expenses and how such amounts were determined, including all assumptions, methodologies and calculations.
 - (d) Do the costs claimed in *Pole Maintenance Expenses* include any costs from Account Codes 5125 and 5020? If yes, provide the amounts and an explanation as to why costs from these Account Codes should be included in *Pole Maintenance Expenses*.
 - (e) In the PAWG Proceeding, Hydro One proposed that 5% of Account 5120 -Maintenance of Poles, Towers and Fixtures should be allocated to pole maintenance. Please reconcile the costs claimed above with your proposal in the PAWG Proceeding. If it is indeed different, please explain why and which one is the more appropriate methodology for this current proceeding.
 - (f) Do any of the amounts claimed in *Pole Maintenance Expenses* include expenses for activities related to pole replacement? If yes, what is the amount? If not, where do such expenses occur?

Pole-sharing Arrangements

- **ISSUE 46.** Are the inputs to the cost allocation model appropriate and are costs appropriately allocated?
- **ISSUE 51.** Are the proposed specific service charges for miscellaneous services over the 2018 2022 period reasonable?
- *Ref:* EB-2015-0141 Hydro One Reply (17 June 2016)

Rogers-09

1. In the Reply Argument for the EB-2015-0141 proceeding, Hydro One states as follows:

Hydro One has explained how the Bell agreement factors into the calculation of the average number of attachers. Hydro One uses all third party permitted attachments, divided by the number of Hydro One owned poles that contain attachments, to arrive at its number of attachers per joint use pole. *Removing Bell attachments from the calculation will decrease the number of attachers per pole, thereby increasing the pole attachment rate. [Emphasis added.]*

We still have difficulty understanding the last statement. In our view, removing Bell attachments from the calculation is only part of the correction. One must also remove the poles with the Bell-only attachments, as demonstrated by the example below.

		Include Bell-only attachments	Exclude Bell-only attachments
Attachers	# of joint use poles	# of attachers	# of attachers
Both Bell and Rogers	30	60	60
Bell only	60	60	-
Rogers only	10	10	10
Total	100	130	70
Total # of poles		100	40
Calculation		130/100 = 1.3	70/40 = 1.75

Based on the above illustration, do you still hold the view that removing Bell attachments from the calculation will decrease the number of attachers per pole, thereby increasing the pole attachment rate? If your answer is "yes", please explain why you do not agree with the other calculation shown above and where

its logic falls apart. In particular, please explain why it would make sense to deduct the Bell-only attachments without deducting the corresponding Bell-only poles.

- 2. Your calculation for average number of attachers per pole includes poles on which Bell is the only attacher. Please explain, using suitable economic and regulatory principles, why it is acceptable for telecom attachers to contribute to the costs of poles they do not occupy (*i.e.*, the Bell-only poles).
- 3. At page 45 of the *PAWG Draft Report*, the Board addresses the relationship between LDCs and Bell as follows:

The OEB is of the view that Bell and LDCs both have equal bargaining power, and access is not an issue as both own poles that have the possibility of accommodating the other party. *Presumably, Bell Canada and LDCs have reached agreements that are reflective of parties' costs. The OEB assumes that the 60/40 ownership ratio selected represents the differences in space, costs, and other requirements essential for each of the parties to share a pole.* The OEB also notes that LDCs and Bell are actively maintaining these balances – a recent OEB Decision and Order, for example, granted Hydro One approval to sell seven poles to Bell for the purpose of maintaining the ownership balance between Bell and Hydro One, as per the Joint Use Agreement. *The OEB is of the view that Bell is effectively paying the rate "in kind" where there are these reciprocal agreements.* Where there is no reciprocal agreement, Bell pays the OEB approved pole attachment charge. *[Emphasis added.]*

Further, at p.10 of the *EB-2015-0141 Decision*, the Board states as follows:

The OEB finds that Hydro One's reciprocal arrangement with Bell has no impact on the pole attachment charge. Bell "pays" for its attachments to Hydro One's poles by allowing free access for Hydro One to Bell's poles. No money changes hands. *Contrary to the Carriers' repeated statements, Bell does not pay for 40% of Hydro One's pole costs. [Emphasis added.]*

Let's look at each of the statements emphasized in italics above.

"Presumably, Bell Canada and LDCs have reached agreements that are reflective of parties' costs."

(a) Is this a correct presumption? If so, please explain how Bell and Hydro One have reached an agreement that is reflective of their costs. If this presumption is not correct, explain why. If the agreement is not reflective of the parties' costs, what does it reflect or purport to reflect? "The OEB assumes that the 60/40 ownership ratio selected represents the differences in space, costs, and other requirements essential for each of the parties to share a pole."

- (b) Is the above assumption correct? If so, please explain how and why the 60/40 split was derived.
- (c) Do you believe this arrangement with a 60/40 split and zero reciprocal attachment rates ensures that Hydro One is recovering an appropriate share of its costs from Bell and there is no subsidy from the ratepayers to Bell? Please demonstrate that this is so. (Please do not respond with the assertion that whatever Hydro One charges Bell, Bell would charge Hydro One even more and therefore it is revenue neutral to the ratepayers. We understand that premise. What we are concerned here is with the recovery of costs, which is a separate concept from revenue neutrality.)
- (d) Have you performed any kind of analysis to demonstrate that the value to Hydro One of having access to Bell-owned poles for no additional charge, including not having to install (capital avoidance) and maintain the poles, is equivalent to the pole attachment revenues Hydro One would otherwise collect from Bell?

Regardless of whether you have or have not performed this analysis, please provide the analysis described above.

"The OEB is of the view that Bell is effectively paying the rate "in kind" where there are these reciprocal agreements."

(e) Do you agree with the above statement? Why or why not?

Have you performed any kind of analysis to demonstrate that the value Bell has provided to Hydro One by installing 40% of the poles Hydro One has access to is equivalent to the annual pole attachment fees it would otherwise pay to Hydro One?

Regardless of whether you have or haven't performed this analysis, please provide the analysis described above.

(f) As we understand the above statement, which we believe is shared by Hydro One, the value of the poles Bell installs for Hydro One's use (*e.g.*, the CAPEX to build the poles plus the present value of 59 years of OPEX) is equivalent to 59 years of the pole attachment fees Bell would otherwise pay to use Hydro One's poles. Please explain how this value is <u>always</u> equivalent to the forgone revenues from Bell regardless of what telecom pole attachment rate is used. In other words, is it Hydro One's assertion that Bell's contribution to the poles to which Hydro One has access is equal to what Bell would pay in pole attachment fees if that fee was \$22.35? \$37.60? \$41.28? \$52.00? Please demonstrate how this calculation works, showing all assumptions and historical data.

"Contrary to the Carriers' repeated statements, Bell does not pay for 40% of Hydro One's pole costs."

(g) Say that Bell and Hydro One determine and agree that they require a 1000 poles between them and decide to build them under the 60/40 polesharing arrangement. With an installed cost of, say, \$1000 per pole, Bell goes ahead and builds 400 poles at a cost of \$400,000 and Hydro One builds 600 at a cost of \$600,000. Hydro One has access to all 1000 poles at a cost of \$600,000.

Under a different scenario, Bell agrees to contribute to 40% of Hydro One's costs in building 1000 poles in exchange for a right to access these poles at no cost. Therefore, similar to the above scenario, Hydro One has access to all 1000 poles at a cost of \$600,000.

Please explain how these two scenarios are different.

- 4. Imagine a world where Bell is the only telecom attacher and Hydro One and Bell have entered into their current 60/40 pole-sharing agreement.
 - (a) Do the contractual arrangements and financial obligations of the parties ensure that the ratepayers are not in any way subsidizing the costs of the poles that are allocated to Bell? Why or why not?
 - (b) Do the contractual arrangements and financial obligations of the parties ensure that Hydro One is recovering the common costs of the poles associated with the telecom attacher (Bell)? Why or why not?
- 5. If all of the telecom attachers other than Bell were to remove their attachments from Hydro One's poles and build their own poles or go buried, would the ratepayers now be required to subsidize the costs of the poles that are attributable to Bell? Why or why not?
- 6. Please provide copies of all agreements with any party (including without limitation Bell Canada, other telecom attachers, other LDCs, and municipalities) that relate to:
 - (a) the right of that party to attach to Hydro One poles;

- (b) the right of Hydro One to attach to the other party's poles; or
- (c) the right of both Hydro One and the other party to attach to jointly-owned poles.

Vegetation Management

- **ISSUE 46.** Are the inputs to the cost allocation model appropriate and are costs appropriately allocated?
- **ISSUE 51.** Are the proposed specific service charges for miscellaneous services over the 2018 2022 period reasonable?

Rogers-10

- 1. In the *PAWG Proceeding*, you proposed that 33% of vegetation management costs embedded in *Account 5135* should be allocated to telecom attachers. The Board has since endorsed this approach in its *PAWG Draft Report*. Yet, as we understand it, under its pole-sharing arrangement with Hydro One, Bell is only responsible for 10% of the vegetation management costs for the joint use poles it shares with Hydro One. Please explain why Hydro One proposed 33% in the *PAWG Draft Report* but only requires Bell to pay 10%. How was the 10% determined?
- 2. Please demonstrate exactly how the 33% allocation of vegetation management costs to telecom attachers was determined, showing all calculations, assumptions and drawings.
 - (a) In theory, would the 33% allocation be applied to <u>all</u> of the costs Hydro One deems part of vegetation management (*e.g.*, line clearing and brush control) taken over its entire pole population?
 - (b) Does the 33% allocation take into account the differences and diversity in vegetation among in Hydro One's three forestry zones: (1) Eastern, (2) Northern and (3) Southern?
 - (c) Does the 33% allocation take into account the fact that there are significantly more telecom attachments located in the Eastern and Southern zones, as well as in more heavily populated urban areas, all of which require less vegetation management than in the Northern zone?
- 3. Please confirm that if pole must be replaced to accommodate the equipment of a telecom attacher, the telecom attacher is responsible for the full cost of replacing that pole and that ownership of the new pole will reside with Hydro One.

We understand that, under its pole-sharing arrangement with Hydro One, Bell is only required to pay the residual value of the replaced pole as opposed to the full value. Please explain why this discrepancy exists and, from a cost recovery point of view, which practice you believe is correct.