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**Joanne Richardson**  
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BY COURIER

February 1, 2019

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**EB-2018-0190 - Wataynikaneyap Power LP Application for Leave to Construct New Transmission Lines and Associated Facilities in Northwestern Ontario – Intervenor Submission**

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In accordance with Procedural Order No. 2 please find the Hydro One Remote Communities written submission on the above proceeding.

An electronic copy of this has been filed through the Ontario Energy Board's Regulatory Electronic Submission System (RESS).

Sincerely,

ORIGINAL SIGNED BY JOANNE RICHARDSON

Joanne Richardson

**IN THE MATTER OF** an application made pursuant to sections 92 and 97 of the *Ontario Energy Board Act, 1998* by Wataynikaneyap Power GP Inc. on behalf of Wataynikaneyap Power LP for approval to construct a total of approximately 1,724 kilometres of electricity transmission lines and associated facilities in northwestern Ontario

**Hydro One Remotes Communities Inc.**

**Intervenor Submission**

**February 1, 2019**

1. Pursuant to Ontario Energy Board (“OEB”) Procedural Order #2 (“PO #2”) issued December 14, 2018, Hydro One Remote Communities Inc. (“Remotes”) provides this submission on the leave to construct seeking to construct a total of approximately 1,724 kilometres of electricity transmission lines and associated facilities in northwestern Ontario (“the Project”) brought forward by Wataynikaneyap Power GP Inc. on behalf of Wataynikaneyap Power LP (“Wataynikaneyap Power” or “Watay”). Through this submission, Remotes would like to highlight certain issues that will need to be addressed prior to and during the execution of the Project in order to effectively ensure, consistent with section 96 of the *OEB Act, 1998*, that prices, reliability and quality of service are maintained for all customers, and, more specifically, Remotes’ customers

Price

2. Remotes is an integrated generation and distribution company licensed to generate and distribute electricity within 21 isolated communities in northern Ontario. Consistent with the Board’s decision in RP-1998-0001, Remotes is 100% debt-financed and is operated as a break-even company with no return on equity.
3. Remotes serves approximately 4,100 customers. Most of Remotes’ customers are eligible for Rural and Remote Rate Protection (“RRRP”) under Section 79 of the Ontario Energy Board Act, 1998. O. Reg. 442/01 requires the Board to calculate Rate Protection for these customers and requires that Remotes charge rates that are not based on the cost of service. Consequently, most customers within Remotes pay rates below the cost of service. Evidently, any corresponding price increase in electricity as a result of the Project is important to Remotes customers.
4. The need for the Project has already been determined by an Order in Council issued by the Government that recognizes the need to power remote communities of the north. Remotes appreciates, however, that bill impacts for all Ontario ratepayers will still need to be assessed by the OEB in its review of the public interest in this proceeding. Remotes asks that during that review, the OEB also give due consideration to the rate implications on Remotes’ customers whom already endure many inequities and hardships affecting their ability to pay for the cost that will be recovered from the Remotes’ distribution network<sup>1</sup> (i.e., the 4,100 Remotes customers) as a result of the Project.
5. About two-thirds of Remotes’ revenues come from RRRP. Remotes already operates under a cost recovery model applied to achieve breakeven results of operations after the

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<sup>1</sup> Wataynikaneyap Power LP Interrogatory Response HORCI 16 – December 3, 2018

inclusion of PILs. Any excess or deficiency in remote rate protection revenues necessary to lead to breakeven results of operations is added to, or drawn from, the RRRP variance account, which was established in 2002 precisely for this purpose. Remotes will continue to utilize the RRRP variance account in the foreseeable future.

6. With respect to RRRP, as documented in Exhibit J, Tab 3, Schedule 1, the additional RRRP for Hydro One Remotes is estimated to be \$103.69M. Remotes will not be in a position to justify this incremental spend in future rate filings as these incremental costs are solely attributed to the Project and do not result from any actions of Remotes. Remotes will refer to the costs approved in this Application as the reference for any requested increase to RRRP due to this Project.
7. Community readiness can have a significant impact on the costs and schedule of the Project and the reliability afforded to the affected customers. There has been much discussion on community readiness in the discovery phase of the proceeding<sup>2</sup> because the community readiness of Independent Power Authorities (“IPAs”) is critical to the success of the Project and the successful transition of current IPA customers to Remotes. Communities will need ongoing support throughout the process to ensure that project timelines are not negatively impacted by delays in readiness; failure to assist communities could cause delays analogous to the delays experienced by Pikangikum outlined in HORCI IR 9.
8. In its simplest form, community readiness means ensuring that the distribution system is designed, maintained, and operated in compliance with O. Reg. 22/04. However, it also includes the gathering and processing of accurate customer data, joint use information, distribution system mapping, and material inventory, as well as, storage and accommodation facility construction.<sup>3</sup> Remotes will not consider service transfer of any IPAs without all community readiness work being complete in advance of the transfer. Moreover, Remotes will not fund any community readiness activities required to execute this Project through its distribution revenue requirement.
9. There are specific community readiness concerns related to Wawakapewin that have made part of the record in this proceeding. Remotes fully supports serving Wawakapewin should the community so desire; however, in order to serve the community of Wawakapewin, Remotes requires that the community has reliable, suitable, year-round

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<sup>2</sup> Wataynikaneyap Power LP Interrogatory Response to HORCI 2, 3, 9 and 10 and Wataynikaneyap Power LP Interrogatory Response to OEB Staff 2, 3, 9 and 10 – December 3, 2018

<sup>3</sup> Wataynikaneyap Power LP Interrogatory Response to HORCI 2 – January 21, 2019

access either by air or road to safely and efficiently transport people and equipment to the community. This access is not currently available in Wawakapewin. Funding of the construction and longer term maintenance of a road or an alternate solution will need to be determined prior to Remotes being able to serve the community. Ensuring that an access plan is developed and agreed to by all parties should proceed without delay as this will impact the Wawakapewin's ability to access power.

### Reliability

10. As confirmed by Watay and supported in evidence, current reliability of communities served by Remotes is significantly better than the proposed transmission connection. Remotes' customers will see a degradation in reliability as a result of the Project. There is consensus that back-up power is necessary for all communities including IPAs. The current communities served by Remotes are mostly well positioned to provide electricity under a back-up generation operating model. The communities currently served by IPAs on the other hand are likely not as well positioned to provide reliable electricity. IPA diesel plants will require investments to address environmental, reliability and operational issues.
11. Analogous to Remotes' position on community readiness, Remotes will not assume any responsibility for these IPA back-up generation investments. Portions of the upgrade work should be done well in advance of grid connection since most planning cycles for generation upgrades exceed one or more years. Furthermore, it is apparent that costs will be incurred to transition existing plants to back-up generation operation in addition to whatever future capacity upgrades and maintenance costs will be incurred to operate these facilities. The level of that spending is not fully known at this time. Ownership, operation and liability limitation considerations for the IPA stations require discussion amongst all the involved parties to ensure a sustainable operating model can be developed and implemented. Remotes therefore submits that given the amount of time necessary to develop consensus on complex arrangements such as these it would be prudent for the proponent and all affected parties to immediately initiate discussions on the development of a funding and operating structure to ensure that any envisioned back-up power is available when required<sup>4</sup>.

### Promotion of Renewable Energy

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<sup>4</sup> Wataynikaneyap Power LP Interrogatory Response to HORCI 2 - Transmission outage estimates per community range from 0.75%-1.65% of the year

12. Remotes would like to identify that it currently has the REINDEER renewable program in place which pays rates based on the avoided costs of diesel to renewable energy producers which is in excess of the current grid connected renewable rates. Given the remote location of our customer communities, it is reasonable to understand that the economic, logistical, and technical challenges of renewable power development, operations and maintenance are significant and not directly comparable to other parts of the province. Positive economic and environmental benefits are being provided to customer communities through the REINDEER renewable program however these existing REINDEER contracts will be cancelled once connected to the grid. It is unlikely that grid connected renewable rates will be sufficient to encourage the development or operations and maintenance of further renewable connections in the north. Remotes submits that consideration should be given to how this Project will continue to promote renewable energy sources in the north and how impacts to existing renewable programs can be mitigated.

Conclusion

13. In summary, Remotes encourages the further development of access to electricity for northern remote communities. Remotes suggests that degrading reliability and development of suitable backup solutions as well as the ability to pay for increased service costs will be of the utmost concern to our customer base and should factor greatly into any decision or part thereof rendered by the Board.
14. All of which is respectfully submitted.