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March 11, 2009

BY EMAIL ONLY

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2008-0232
Hydro One Remote Communities Inc. – 2009 Rates Rebasing Application
Argument of Energy Probe

Pursuant to Procedural Order No. 2, issued February 27, 2009, please find attached two hard copies of the Argument of Energy Probe Research Foundation (Energy Probe) in the EB-2008-0232 proceeding for the Board's consideration. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Glen MacDonald, Hydro One Remote Communities Inc. (By email)
John D. Strung, Rogers Partners LLP (By email)
Peter T. Faye, Counsel to Energy Probe (By email)
Intervenors of Record (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: EnergyProbe@nextcity.com Internet: www.EnergyProbe.org

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
Remote Communities Inc. for an order approving just and
reasonable rates and other charges for electricity distribution
to be effective May 1, 2009.

Final Argument On Behalf Of
Energy Probe Research Foundation

March 11, 2009

**HYDRO ONE REMOTE COMMUNITIES INC.
2009 RATES REBASING APPLICATION
EB-2008-0232**

**FINAL ARGUMENT
OF
ENERGY PROBE RESEARCH FOUNDATION**

How these Matters came before the Board

- 1. On August 29, 2008, Hydro One Remotes Inc. (the “Applicant” or “Remotes”), filed a cost of service rates rebasing application with the Ontario Energy Board (the “Board”) seeking an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2009. Updated evidence was filed by the Applicant on November 28, 2008.**
- 2. On September 12, 2008, the Board issued a Notice of Application and Hearing. Energy Probe submitted a Notice of Intervention on September 12, 2008. On September 28, 2008, the Board re-issued the Notice of Application and Hearing.**
- 3. The Board issued Procedural Order No.1 on November 17, 2008, outlining the interrogatory schedule. Pursuant to Procedural Order No.1, Energy Probe filed its interrogatories on December 15, 2008. Responses were filed by the Applicant on January 19, 2009.**
- 4. The Board issued Procedural Order No.2 on February 27, 2009, stating that the proceeding would move directly to written submissions and outlining a schedule for the filing of argument.**

Argument Overview

5. **Energy Probe has conducted itself as an all issues intervenor throughout this proceeding.**

6. **In its Argument, Energy Probe will not seek to explore all outstanding issues before the Board, but will be examining those issues of concern to Energy Probe where we believe we can be of most assistance to the Board.**

7. **Energy Probe has reviewed Board staff's submissions, filed March 5, 2009, and in general supports them, subject to the following additional submissions.**

Generation OM&A

8. **Remotes has described in the evidence¹ its intention to encourage development of renewable generation to offset diesel generation in the communities it serves. By interrogatory, Energy Probe questioned Remotes proposal to offer the avoided cost of diesel generation for power generated from renewable sources. Remotes response² to Energy Probes Interrogatory #6 c) suggests that its sole concern in such a transaction is to maintain its breakeven objective as a not for profit provider of electricity services.**

9. **Energy Probe submits that entering into a contract for renewable power at the avoided cost of diesel generation is not prudent and does not protect the interests of all ratepayers in the province who bear the cost of RRRP. Other mechanisms for supporting renewable sources of generation should be explored that do not commit ratepayers to fund the RRRP on the basis of petroleum fuel costs long after diesel generation has been replaced by new renewable technologies.**

¹ Exhibit C1, Tab 2, Schedule 2, Page 3

² Exhibit H, Tab 2, Schedule 6 c)

10. Energy Probe further submits that Remotes status as a not for profit provider of electricity services does not exempt it from the obligation to control costs or to develop strategies to minimize RRRP costs over the long term.

Development Costs of Renewable Energy

11. Remotes has included \$253,000 in its 2009 OM&A for Engineering and Assessment studies of potential renewable energy project sites. Energy Probe's Interrogatory #7 asked Remotes how it would recover that investment. Remotes responded that, in the event that it does not acquire an equity interest in projects that proceed, it would expect to recover its costs in its revenue requirement.³

12. Energy Probe accepts that investments that do not result in renewable projects should be recovered in Remotes revenue requirement. However, investments that result in renewable projects but do not provide an equity position for Remotes appear to be grants to the developers of those projects. Energy Probe questions why Remotes would not require an equity position or other consideration for its investment in those projects.

Use of Local Labour Resources

13. Remotes has noted in the evidence its employment of local residents for various maintenance and operating tasks. Energy Probe's Interrogatory #8 inquired about expanded opportunities for local residents to acquire the trades skills necessary for greater involvement in system operation. Remotes response was that skilled trades are recruited through Hydro One Networks and the Power Workers Union and that local residents are free to apply for positions.⁴

³ Exhibit H, Tab 2, Schedule 7 a)

⁴ Exhibit H, Tab 2, Schedule 8 b)

14. Energy Probe submits that Remotes should develop innovative strategies that allow local residents to acquire skills that would permit more involvement in building, operating and maintaining the community power system. This could reduce the need for outside resources to be deployed for that purpose and result in both greater local employment and lower overall costs to provide service.

Smart Meters

15. Energy Probe notes and supports Board staff submissions on Smart Meter proposals in Remotes application. It further submits that because converting these communities to Smart Meters does not appear to have sufficient benefits to justify the costs, Remotes should investigate what options it may have to opt out of the Province's Smart Meter plan.

Deferral and Variance Accounts

16. Energy Probe wishes to bring to the Board's attention that it has become concerned with the manner in which the RRRP Variance Account is currently structured. Therefore, Energy Probe submits that, in particular, it fully supports the Discussion and Submission outlined on Page 10 of the Board staff's submission in respect of the Board requiring the Applicant to provide sub-totals for the components that contribute to the overall balance in the RRRP Variance Account and a break out of OM&A expenses.

Costs

17. Energy Probe submits that it participated responsibly in this proceeding. Energy Probe requests the Board award 100% of its reasonably incurred costs.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

March 11, 2009

**Peter Faye
Counsel to Energy Probe Research Foundation**