

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

FINAL ARGUMENT OF THE NISHNAWBE ASKI NATION  
(March 25, 2009)

**Procedural Orders relating to Final Submissions**

1. On February 27, 2009, the Ontario Energy Board (“Board”) issued Procedural Order No. 2 which outlined a schedule for the filing of written submissions and reply argument from party intervenors, Board Staff, and Hydro One Remote Communities Inc. (“Remotes”).
2. The Nishnawbe Aski Nation (“NAN”) is a First Nations organization representing 49 First Nations communities covered by Treaties No. 5 and 9. Many of those communities obtain their electricity from diesel generators, some of which are operated by Remotes and some of which are operated by independent power authorities.
3. NAN communities account for a significant number of the communities served by Remotes. As such, they have a direct interest in this application before the Board.
4. Owing to an oversight at the office of NAN’s counsel, the existence of Procedural Order No. 2 only came to counsel’s attention in mid-March 2009.
5. Upon request by NAN’s counsel, the Board subsequently issued Procedural Order No. 3, dated March 19, 2009, permitting NAN to file its written submissions by March 25, 2009, and providing that Remotes could file any reply submissions within 7 calendar days of NAN filing its submissions.
6. NAN appreciates the indulgence of the Board in providing an extension of time to deliver its submissions.

**Remotes’ Proposed Rate Increase for 2009 of 4.4% is too high**

7. Remotes is proposing to increase rates to the average customer in its service territory by 4.4%, which Remotes advises is the average increase for grid connected customers approved by the Board in 2008, based on existing applications.
8. NAN submits that, given the unique circumstances facing communities served by Remotes, the allowable rate increase be restricted to 2.0% rather than 4.4%, for the reasons outlined herein.

9. Remotes asserts in its Summary of Application (EB-2008-0232, Exhibit A, Tab 2, Schedule 1) that major changes have occurred since its last application. Those changes, which have apparently imposed cost pressures on Remotes, were identified as:

- a. increases in diesel fuel prices;
- b. customer arrears;
- c. ongoing inflation;
- d. increased safety and environmental regulation; and
- e. industry-wide shortages of skilled workers, in particular skilled trades staff.

10. NAN submits that the proposed increase of 4.4% in rates is simply too high given current economic and social conditions in NAN communities and the lack of alternative sources of electricity. While the broad policy changes under Bill 150 (the proposed *Green Energy Act, 2009*) may eventually lead to the development of renewable energy sources in NAN communities, any benefits will not likely be realized for many years.

11. NAN further submits that economic considerations alone cannot and should not be the beginning and end of the Board's consideration of Remotes' rate increase application. As noted herein, the very nature of the RRRP and the reasons for providing financial assistance to service remote communities are premised on economic considerations playing a subordinate rather than a dominant role in that task.

**Rationale behind the RRRP as a means to fund generation and operating costs in communities served by Remotes**

12. A principal purpose of the RRRP is to ensure that all communities in Ontario receive a reliable supply of electricity at reasonable cost.

13. The RRRP is *based* on the principle that it is equitable and just for ratepayers in the province who are fortunate enough to be connected to the provincial grid to help defray the costs of residents who live in communities dependent on more costly means of generating electricity. Many NAN communities fall into the latter category.

14. The RRRP, by its very nature, is a redistributive scheme designed to ensure that all residents of Ontario enjoy a reliable electricity supply at reasonable cost. Further, the *different* classes of consumers who are eligible for financial support under the RRRP have been given such support because of various historical, social and economic factors, and policy commitments by the Ontario Government. "Cost effectiveness" for all ratepayers in Ontario has not been the principal criterion or value underlying the RRRP.

15. It is submitted that, in addition to the RRRP, other means should be employed by Remotes to reduce or control its costs. Those measures could include a greater investment in conservation and demand management programs, greater use of winter roads to truck diesel fuel into communities, increased storage of diesel fuel in Remotes

communities, the installation of computerized fuel management systems on generators, and so on.

16. NAN also believes that Remotes could re-examine its administrative costs with a view to introducing cost cutting measures at that level. In most organizations, management oversight costs can be reduced by more effective scheduling of site visits, reducing the number of persons needed to perform specific tasks and, where appropriate, by outsourcing.

17. NAN also understands that distribution line work for Remotes is often performed by Hydro One Networks and that there may be a “bump up” or premium charged for services rendered by Networks to Remotes. If that is indeed the case, some consideration should be given to eliminating any such premium because, in NAN’s submission, it is inconsistent with the objective that Remotes should not be operating at a profit. If profits are being made by Networks for services rendered to Remotes, then it means that Remotes may be paying more for the cost of a service which it should be paying or, alternatively, providing on its own account.

18. A modest investment in the alternative measures, as described above, would likely reduce the need for Remotes to increase its rates by the 4.4% for 2009, and thereafter.

### **Communities served by Remotes face considerable challenges**

19. NAN submits that the challenges faced by communities served by Remotes are significant compared to grid-serviced communities in Ontario.

20. In Remotes’ summary of its application, Remotes observed that, among other things, rising diesel fuel costs and customer arrears have contributed to cost pressures.

21. It is NAN’s position that the specter of rising diesel costs has not materialized to the extent predicted by Remotes and, accordingly, the proposed rate increase for 2009 should be restricted to 2.0%.

22. On the issue of rising diesel fuel prices, NAN notes that Remotes initially identified such prices as one reason in support of the proposed 4.4% rate increase. However, when NAN indicated in its interrogatories that diesel fuel prices (which spiked during the Summer months of 2008) had declined precipitously in late 2008, Remotes, in its answers to NAN’s interrogatories, downplayed the impact of diesel fuel increases in its request for a rate increase.

23. Remotes also stated that any savings to be realized from the decline in diesel prices during late 2008 should be applied first to reduce the amount to be drawn from the RRRP for 2009 as opposed to the rates to be charged to its customers.

24. It is NAN's submission that the significant decline in diesel prices during late 2008 should be used to reduce the proposed rate increase from 4.4% for 2009 to a lower percentage, instead of being used simply to reduce any draw on the RRRP to defray the costs of generating and distributing power in remote communities.

25. Further, on the issue of arrears, NAN believes that the arrears which have arisen on an annual basis-- regardless of whether they relate to residential users or Standard A customers-- indicate a general problem that the rates currently being charged to consumers in Remotes communities are simply too high for the residents in those communities to bear.

26. It is therefore submitted that increasing rates by 4.4% in 2009 would simply add to the problem of arrears and put undue economic pressure on consumers in Remotes communities.

27. In its evidence filed with the Board, Remotes states that, based on 2007 figures, Standard A (i.e. government) accounts make up approximately 13% of the customers of Remotes but they account for 93% of the outstanding arrears.

28. In NAN communities, principal Standard A customers are Band offices and other tenants, which include health care facilities, and police services. The people who work in these facilities are ordinarily members of the community itself. Thus, the distinction between Standard A customers and residential customers only has relevance for the electricity rate being charged to a particular building. The people who use residential and Standard A buildings in NAN's communities are the same group of people.

29. By and large, NAN communities do not have distinct residential, commercial, or industrial sectors which use electricity for different purposes or at different rates or intensities. In short, there is no large industrial or commercial sector which can be used as a source of revenue to keep residential rates at a lower level.

30. The small and tight-knit nature of NAN communities means that any increase in electricity rates-- be it for residential users or Standard A customers -- will be felt by the entire community. Since one of the purposes of the RRRP is to ensure that small communities not connected to the grid do not suffer consequences for being isolated from the grid, the proposed rate increase of 4.4% should be reduced to 2.0% with the RRRP being used to pay the differential between those two figures.

31. Although Remotes advises that it does not believe that there is a direct link between rate increases and arrears, Remotes has also admitted that it has not completed any studies on that issue and that it does not wish "to speculate on what is the principal source of customer arrears in the communities it serves." (See EB-2002-0232, Exhibit H, Tab 3, Schedule 1, pp. 1-5)

32. Since Remotes does not operate to generate a profit, and purpose of the RRRP is to ensure that rural and remote customers enjoy a reasonably-priced source of electrical power in their communities, NAN submits that it would lie in the discretion of the Board to fix the maximum rate increase for 2009 at 2.0% instead of 4.4%.

**Proposed Green Energy Act, 2009 (Bill 150)**

33. The statutory or regulatory environment for electricity generation, transmission, and distribution is changing rapidly and significantly as a result of Bill 150. Given the distance of many NAN communities (whether they are served by Remotes or not) from the provincial grid, the development of renewable energy sources in NAN territory may require greater capital investment and considerable time before any NAN communities will have a reliable alternative to diesel generation.

34. NAN does not agree with the submissions of Energy Probe 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 Ontario who bear the cost of the RRRP.

35. The criteria and outcomes promoted by Bill 150 represent a fundamental shift in what will be considered to be of “value” in the development and operation of generation projects.

36. The proposed *Green Energy Act, 2009* represents an attempt to take into account the long-term environmental impacts which have traditionally been ignored by narrow “cost effectiveness” criteria applied in the development of electricity projects in the past.

37. The ratepayers contemplated by Bill 150 are not simply current ratepayers. Ratepayer interests will include the environmental, social, and financial interests of future generations in Ontario. Bill 150 is founded on the premise that there is greater inherent value in renewable energy sources to generate electricity than in non-renewable sources. As such, traditional economic analysis may, in the near future, cease to be the principal tool to evaluate the viability and practicality of energy projects.

38. Long-term funding under the RRRP for renewable energy projects is not only prudent but it would be consistent with the values and objectives promoted by Bill 150, including the Feed-in Tariff Program which is being developed by the OPA.

39. Further, NAN is somewhat surprised that Remotes has advised in its Reply that:

The initiatives to purchase renewable energy at the avoided cost of diesel generation are intended as a short term startup solution only. In the longer term it is expected that renewable energy will be purchased within a price range reflective of its production cost and market value. Remotes is currently working with the OPA to develop a program and pricing for the longer term.

40. NAN and other communities currently served by Remotes are relying on continued support under the RRRP (or a similarly constituted program) to facilitate their development and transitioning to renewable energy sources.

41. Without long-term support from the RRRP or a similar program, such transitioning may not be possible.

#### **Funding request by Remotes relating to the RRRP**

42. NAN communities served by Remotes acknowledge the importance of the RRRP in keeping electricity rates at a reasonable level for consumers in its communities.

43. NAN therefore supports Remote's funding request for \$27,845,000 from the RRRP in this application.

44. However, as noted herein, NAN believes that the proposed rate increase of 4.4% for 2009 should be limited to 2.0%, with Remotes relying more heavily on conservation and demand management programs, delivery of diesel fuel using winter roads, greater storage of diesel fuel at the sites where such fuel is consumed, the application of electronic technology to increase the efficiency of diesel generators, introducing measures to reduce administrative costs, and continued reliance on the RRRP.

#### **RRRP Variance Account**

45. NAN has reviewed the Board Staff Submission, dated March 6, 2009, and is in agreement with the Board's submission that "sub-totals for various factors that contribute to the overall balance in the RRRP Variance Account" should be provided to ensure transparency.

46. NAN's position is that more detailed information concerning the various costs, expenses, and taxes which are tracked to produce figures for the RRRP Variance Account would assist all stakeholders in determining the role played by each type of expense in contributing to Remotes' operations, including its debt.

#### **Costs in this Proceeding**

47. NAN respectfully requests that it be entitled to recover its costs as a party intervenor in this proceeding in accordance with the tariff and rules established by the Board.