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Vice President and Chief Regulatory Officer
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BY COURIER

July 13, 2011

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

Dear Ms. Walli:

EB-2011-0021 – Hydro One Remote Communities Inc. Application for an Exemption from Sections of the Distribution System Code– Applicant Reply Submission

Please find attached a copy of the Hydro One Remote Communities reply submission for the above-mentioned proceeding. Two (2) hard copies will be sent to the Board via courier.

An electronic copy of the submission has been filed using the Board's Regulatory Electronic Submission System (RESS). The proof of RESS is attached.

Sincerely,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

Attach.

**HYDRO ONE REMOTE COMMUNITIES
REPLY SUBMISSION
EB-2011-0021**

1. INTRODUCTION

On March 1, 2011, Hydro One Remote Communities applied for an exemption from the following sections of the Distribution System Code:

Sections 2.7.1.2 and 2.7.1.3* Payment Arrangement Down Payments

Section 2.7.2 Minimum Length of Payment Arrangements

Section 2.8.1 Opening and Closing of Accounts, customer confirmation in writing

Section 4.2.2.3 Expiry of Notice

Section 4.3.3.1 (a) Deemed Date of Delivery of Notice

Section 6.1.2.1 Agreement in Writing

Section 6.1.2.2 Verbal Agreement

Section 7.10 Reconnection Standards

* Remotes initially asked the Board to consider this exemption in anticipation that that the proposed amendment would be approved. On March 31, 2011 section 2.7.1.3 was added to the DSC and as such is now part of Remotes request for exemptions.

2. REMOTES RESPONSE TO OEB AND NAN SUBMISSIONS

The purpose of this document is to respond to the submissions of OEB Staff and NAN. Remotes submits that the exemptions are required in order to balance the need to avoid much higher costs with the need to continue to offer its customers and local communities flexibility in paying bills.

As stated in its Application, “Remotes has developed collection practices that respond to the needs of its customers and the unique challenges posed by the isolation of its service territory” (EB-2011-0021, Page 4 Lines 3-4). These collection practices have not been

static but have evolved over time to respect the wishes and needs of the local Band Councils that Remotes serves.

Remotes has established working relationships with the local Band Councils in the communities it serves. Indeed, as stated in its application, Remotes believes that “Working closely with the local community is required, as Band Councils have the legal right to bar outside parties from reserve” (Page 4). Further, as stated on pages 6 and 7, “since 2007 Remote has not received a letter of complaint from a Band Council regarding its residential collection activities,” “even though Band Councils do not necessarily support service disconnections.” (Page 6).

The collection practices that Remotes has developed are well known and understood within its service territory. As shown in its response to OEB Staff #2, Remotes’ disconnection letters state that “When you receive this letter, now is the time to call the Billing Office at 1-800-465-5085 to make payment arrangements.” Further, as shown in the billing insert article provided in response to Exhibit I, Tab 2, Schedule 15 Remotes explains that

Before every trip, we notify the local Chief and Band Councils and notify every customer who is behind on their payments and encourage them to call our billing office at 1-800-465-5085 to make payment arrangements. Our aim is to always work with customers to develop payment plans to avoid disconnections. Please note that during a disconnection visit our employees are not able to negotiate payment options with you. They can only accept 100% of what is due to avoid disconnection.

As shown in Appendix C and D of its application, Remotes customers “tend not to pay during the winter months” (p. 6). Accordingly, in Remotes’ experience, long payment arrangements result in a larger number of customers with an outstanding balance and these customers have a larger outstanding balance, “which far exceeds available supports within the community” (p. 6).

As stated in on page 11 of its application, the exemptions it is requesting from the DSC balance its need to avoid extremely high bad debt expense and much higher overall costs with the need to be flexible about missed bills. Remotes recognizes that its service territory, business and customers are unique. In order to maintain good working relationships with local Band Councils, Remotes must behave with sensitivity and with flexibility to the needs of its customers and of the communities.