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Vice President and Chief Regulatory Officer
Regulatory Affairs



BY COURIER

September 17, 2012

Ms. Kirsten Walli
Secretary
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
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 – Summary of September 11, 2012 Discussion Between Remotes and NAN

On December 23, 2010, Hydro One Remote Communities Inc. (“Remotes”) filed an application with the Ontario Energy Board (the “Board”) and on March 1, 2011 filed an updated application for a licence amendment under section 74 of the Ontario Energy Board Act, 1998 (the “Act”). Remotes sought exemptions from the following sections of the Distribution System Code (“DSC”) dealing with collections practices: 2.7.1.2; 2.7.2; 2.7.1.3; 2.8.2; 4.2.2.3; 4.2.3.1(a); 6.1.2.1; 6.1.2.2 and 7.10

On October 12, 2011, the Board issued an Interim Decision and Procedural Order No. 3 in this matter. That order required Remotes to “initiate discussions with NAN representatives regarding collection practices, treatment of arrears, payment arrangements and disconnection procedures for low income customers in NAN communities.” On June 28, Remotes filed a report with the Board on its discussions with NAN and noted that NAN intended to file a proposal on the exemption requests.

On July 20, 2012, the Board issued Procedural Order No. 4, which set out a timeframe for NAN to file a proposal with Remotes and which provided for further discussions between Remotes and NAN.

On August 20, 2012 as per the Board’s Procedural Order No. 4, NAN filed a Proposal to Hydro One Remotes in this matter. On September 11, NAN representatives and representatives from Remotes met to discuss this proposal, (meeting summary is attached). Remotes and NAN had a full and frank discussion of NAN’s proposal and Remotes gained a better understanding of NAN’s concerns.

Remotes is of the view that the exemption requests are required as they balance the requirement for Remotes to collect from its customers with the needs of the customers and the communities. However, NAN and Remotes were able to agree on some enhancements to Remotes’ operations that would

improve communications between Remotes and its customers about the collection and disconnection processes.

Remotes and NAN agreed that Remotes cannot meet the Standard for Reconnection set out in the Code without incurring significant additional costs. NAN suggested that Remotes develop a service standard for reconnection and publicize this standard. Remotes agreed to develop a standard and to communicate this standard to NAN communities and customers and will update its Conditions of Service to describe this standard.

Remotes and NAN also had a lengthy discussion on the issue of payment plans. NAN believes that customers in Remotes' service territory should not face a stricter regime than in the rest of the province. NAN is also concerned that, unless Remotes adopts the payment plans in the DSC, Remotes' customers would not qualify for LEAP funding since the rules for LEAP require that the LEAP grant help the customer avoid disconnection. The average arrears owed by customers who applied for LEAP funding in Remotes' service territory this spring ranged between \$335 and \$649, showing that, under Remotes current collection procedures, LEAP funding is sufficient to assist customers.

NAN suggested that Remotes and NAN continue to discuss the exemption requests, and that NAN would agree to an extension of the one-year exemption granted by the Board. Remotes does not believe that further discussion would change either party's position and respectfully requests that the Board approve these requested exemptions on a permanent basis.

Yours truly,

ORIGINAL SIGNED BY SUSAN FRANK

Susan Frank

**Hydro One Remote Communities, Nishnawbe Aski Nation
Distribution System Code Exemption Request
Discussions on NAN Proposal
Valhalla Inn, Thunder Bay
September 11, 2012
8:30-1:00**

Attendees

Nishnawbe Aski Nation (NAN)	Hydro One Remote Communities (Remotes)
Ben Cheechoo	Bob Giguere
Jason Smallboy	Una O'Reilly
Mel Stewart	Nicole Kaufman
Doug Cunningham (Counsel)	Michael Engelberg (Counsel)

SUMMARY OF DISCUSSION

Issue: Payment Arrangements, Sections 2.7.1.2, 2.7.1.3 & 2.7.2

NAN	Remotes
<p>NAN proposes that Remotes comply with Sections 2.7.1.2, 2.7.1.3 and 2.7.2 as written.</p> <p>Code amendments are more generous than Remotes' program; other customers pay 10-15% of outstanding balances, why should NAN customers in the Remote north face a stricter system? NAN residents are among the poorest in the province so should get the same benefits.</p> <p>NAN is in agreement with Remotes request for exemption from Sections 4.2.2.3 & 4.2.3.1 and believes two disconnection trips each year is less disruptive than more frequent trips and keeps costs down. The bundling of trips is more important than the arrears.</p> <p>The rules for Low-income Energy Assistance Program (LEAP) funding require the customer being able to pay their arrears. Do Remotes' customers qualify for LEAP grants if they are required to pay 50% up front?</p>	<p>Remotes does not believe long term payment arrangements are practical without more frequent disconnection trips.</p> <p>Previous experience with year-long payment plans was that more customers were left disconnected, with much higher balances, beyond individual and community resources. Remotes believes its current practice is fair, balancing long notice periods with shorter payment arrangements and is the lowest cost option.</p> <p>Remotes supports 2 collection trips per year. This however limits the ability to enter into long term payment arrangements. Remotes is required to collect from its customers for the electricity they use. Bad debt expense and the number of service disconnections will increase if payment arrangements extend over the winter months.</p> <p>According to the LEAP reports from Remotes' service provider, the Ontario Native Welfare Administrators Association (ONWAA), average customer arrears by month for customers accessing the program this year ranged between \$335 and \$650. LEAP grant amounts are sufficient to assist customers to avoid disconnection.</p>

<p>In its upcoming Cost of Service Submission, is Remotes requesting an increase from its customers to pay for the LEAP funding? NAN residents should not pay into the LEAP. This cost should be paid for by the subsidy.</p>	<p>RRRP is funded by ratepayers, not government. Customers, including NAN residents in grid-connected communities pay into RRRP. These customers currently pay higher rates than Remotes' residential customers. Remotes will be filing a cost of service rate submission this fall. The funds for LEAP will be included in its revenue requirement. The OEB will decide whether the funding is sourced through its own customer rates or the customers who fund RRRP or a combination of the two sources. Remotes has proposed a similar approach as in its last cost of service, where its own customers rates increase and RRRP also increases.</p>
<p>Issue: Opening and Closing of Accounts (Sections 2.8.1, 6.1.2.1 and 6.1.2.2)</p>	
<p>NAN</p>	<p>Remotes</p>
<p>NAN supports Remotes' request for exemption from Section 2.8.1. NAN agrees that Remotes should be able to set up an account for a customer who has not met the 15 day rule to deliver a letter confirming that the customer would be responsible for the account. NAN does not support an exemption from Sections 6.1.2.1 and 6.1.2.2. Why is Remotes seeking these exemptions?</p> <p>NAN is concerned that the request for exemption from Section 6.1.2.1 would allow Remotes to transfer arrears from one person to another person.</p> <p>NAN believes that Remotes should invest in a telephone system that could record telephone calls and should permit an email acknowledgement of the request for service.</p> <p>NAN believes that an education process is required so that customers understand that if they move into a house, the lights will not go on unless they have agreed to take responsibility for an account. Similarly, customers need to understand that unless</p>	<p>Remotes requested an exemption from Section 2.8.1 to allow for this flexibility. If Remotes is not also exempted from Sections 6.1.2.1 and 6.1.2.2, Remotes would not be able to charge these new customers for the electricity they have used.</p> <p>Remotes does not transfer arrears from one customer to another person. Remotes staff are aware that this practice is not legal. If further details of these reported instances are provided, Remotes will investigate and appropriately address the matter.</p> <p>Remotes does not believe that the issue is keeping a record of a service request. Remotes believes that the issue is that customers do not notify Remotes when they move. Remotes does accept electronic service requests and requests from housing managers.</p> <p>Remotes agrees that education is required and does work closely with the Band Housing managers to try to explain the rules to new customers. Remotes believes that the alternative to an exemption from these rules is to disconnect the service unless and</p>

<p>they call to cancel account, they continue to be responsible for payment. Language may be a barrier to understanding these requirements.</p> <p>NAN also suggests that Remotes inform customers of the requirement to set up accounts through posters in English and the local language, and by exempting customers who call for service from connection and disconnection fees.</p>	<p>until the new customer agrees to assume responsibility for the service. Although customers may learn to inform Remotes when they move if service is disconnected, Remotes believes this would be disruptive to the community and would increase the number of trips required into the communities increasing Remotes' overall costs.</p> <p>Remotes agrees that a bilingual poster may be a low cost alternative to remind community members to call for service or to cancel service.</p>
Issue: Reconnection Standards Section 7.10	
NAN	Remotes
<p>NAN understands that Remotes cannot reconnect a customer within two days without incurring significant costs. NAN would like Remotes to develop a reconnection standard that it could meet, whether it is 2 days, 2 weeks or 3 weeks, document that standard and inform customers of the standard so that customers understand the service they can expect.</p> <p>NAN is concerned that exemption from 7.10 might also exempt Remotes from Section 2.7.1A of the Code and will investigate this further and follow up if required.</p>	<p>Remotes agrees that customers should understand the standard of service they can expect and will develop a standard that it can meet for reconnecting customer accounts and will inform NAN, its communities and its customers of that standard.</p> <p>Remotes does not believe that exemption from Section 7.10 would exempt Remotes from Section 2.7.1A. Remotes also believes that Section 2.7.1A of the Code does not set out a requirement, but is permissive.</p>
Issue: Standard Timelines for Disconnection Notice, Sections 4.2.2.3 and 4.2.3.1	
NAN	Remotes
<p>NAN supports Remotes request for exemption from these timelines as two collection trips per year are less disruptive to the communities.</p> <p>Similar to its request for documentation of Reconnection Standards, NAN believes that Remotes should document its collection procedure and timeframes. Customers should understand this procedure so that they know when Remotes is not entitled to carry out a disconnection notice.</p>	<p>Remotes believes that customers do understand its collection procedure and noted that customers and band councils have been informed of this procedure through letters, bill inserts, and disconnection notices. Remotes will investigate whether there are additional ways to inform and educate customers.</p>

Issue: Remotes does not have agreements with First Nations to serve these communities and does not have the right to enter reserves without permission from the First Nation.	
<p>What formal agreements are in place between Remotes and First Nation communities?</p> <p>Does Remotes request permission to when entering First Nation communities?</p>	<p>Remotes does not have formal agreements with its communities (except Marten Falls). The Electrification Agreements are with AANDC and relate primarily to cost sharing rather than conditions of service.</p> <p>Remotes does not request permission to enter reserve to do its work. Each community Remotes serves requested service through Band Council Resolutions and communities are free to request termination of this service.</p> <p>However, Remotes does <i>inform</i> Band Councils when entering the reserve to perform work.</p> <p>Prior to collection trips, Remotes notifies the Band Council when the trips are scheduled and is in frequent contact in the weeks and days leading up to the trip. The date of the trip is confirmed the Friday before the trip. Further, on the day of the trip, Remotes' field staff report to the Band Council office to advise of their presence before disconnecting any service.</p> <p>For all other work (Generation, Distribution, Civil, Engineering and Health, Safety & Environment), notices are sent to Band Offices by fax on the Monday of the week the crew will be present. The notification details the type of work being performed, the effective dates and who to contact with any questions or concerns.</p>
NAN reiterated concern regarding disconnected homes deteriorating.	Remotes confirmed that Band Councils are offered an opportunity to pay for the cost of keeping vacant houses connected to the system in order to prevent deterioration of these assets; they are not required to pay the arrears from the previous occupant.
NAN agreed that it would be interested in knowing more about the upcoming application.	Remotes noted that it will file a Cost of Service Rate Application this fall and offered to brief NAN on the submission.