



EB-2012-0137

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, 2013.

BEFORE: Paula Conboy
Presiding Member

Cynthia Chaplin
Vice-chair

**DECISION ON PARTIAL SETTLEMENT AGREEMENT
AND PROCEDURAL ORDER NO. 3**

BACKGROUND

Hydro One Remote Communities Inc. ("Remotes ") applied to the Ontario Energy Board (the "Board") on September 17, 2012, under section 78 of the *Ontario Energy Board Act*, 1998, seeking approval for changes to the rates that Remotes charges for electricity distribution, to be effective May 1, 2013. Additional evidence was required to complete the application which was filed by November 12, 2012. The Board assigned the application file number EB-2012-0137.

A Notice of Application and Hearing was published in English, French, Cree, Ojibway, and Oji-Cree languages, on or before January 22, 2013. In Procedural Order No. 1 dated February 28, 2013, the Board approved intervenor status and cost award eligibility for Cat Lake First Nation ("CLFN"), Energy Probe Research Foundation ("Energy Probe"), Nishnawbe Aski Nation ("NAN"), and the Vulnerable Energy Consumers Coalition ("VECC"), (collectively, "the Parties").

PARTIAL SETTLEMENT

On May 28 and 29, 2013, a settlement conference was held with the assistance of a facilitator. As a result of the settlement conference, Remotes and the Parties filed a Partial Proposed Settlement Agreement (the “Partial Agreement”), dated June 17, 2013. A settlement was reached on most of the issues in the proceeding. The Partial Agreement is included as Appendix A to this Decision.

FINDINGS

The Board commends the Parties for reaching a settlement on most issues in this proceeding.

The Board accepts the Partial Agreement.

The Board notes that Remotes has described the capital structure in the test year as temporary and that the capital cost may be affected by changes in the capital structure during the test year. Remotes indicated its intent to reduce its risk in the future by relying on more long-term and less short-term debt. The Board understands that increases or decreases in capital cost resulting from changes to the capital structure will be recorded in the Rural and Remote Rate Protection Variance Account USoA # 2405 (“RRRPVA”), and will be subject to a prudence review by the Board when Remotes next applies for disposition of the balance in that account.

THE UNSETTLED ISSUES

There are two unsettled issues. These are as follows:

- Issue # 2: Remotes’ request to increase rates by 3.45%; and
- Issue # 3 partially settled: whether the Standard A rates proposed by Remotes are applicable to certain customers in the geographically remote grid-connected communities.

The Board notes that Issue # 4, recovery from Rural and Remote Rate Protection of the residual revenue that is not recovered from Remotes’ customers, is settled except for the amount to be recovered annually. This amount is affected directly by Issue # 2 and is also slightly affected by Issue # 3.

The Board intends to proceed with the unsettled issues by way of written submissions.

The Board considers it necessary to make provision for the following matters related to this proceeding.

THE BOARD ORDERS THAT:

1. Board staff and intervenors may file written submissions on the unsettled issues. Those submissions shall be filed with the Board and delivered to Remotes and each intervenor no later than **July 12, 2013**.
2. Remotes may file a written reply submission addressing any issue raised in the submissions filed by Board staff or intervenors. The reply submission shall be filed with the Board and delivered to the intervenors no later than **July 19, 2013**.

All filings to the Board must quote file number **EB-2012-0137**, be made through the Board's web portal at, www.pes.ontarioenergyboard.ca/eservice/ and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available parties may email their document to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

DATED at Toronto, June 28, 2013

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX “A”

To the Decision

EB-2012-0137

Hydro One Remote Communities Inc.

SETTLEMENT AGREEMENT

SETTLEMENT AGREEMENT

Hydro One Remotes Communities Inc.
Test year 2013 Revenue Requirements and Rates

June 17, 2013

TABLE OF CONTENTS

<u>Issue</u>	<u>Description</u>	<u>Page</u>
Preamble		1
Overview		3
1. Remotes' 2013 Test Year Revenue Requirement		
(a)	Operations, Maintenance and Administration Costs	5
(b)	Depreciation and Amortization	8
(c)	Capital Cost	10
(d)	Taxes	13
(e)	External Revenues and Other Items	14
2. Associated Customer Rate Increase		17
3. New Geographically Remote Grid-connected Customer Rates		18
4. Rural and Remote Rate Protection for 2013 to off-set the Revenue Requirement		20
5. Rural and Remote Rate Protection Variance Account		21

**Hydro One Remotes Community Inc.
Test Year 2013 Revenue Requirements and Rates
EB-2012-0137**

SETTLEMENT AGREEMENT

PREAMBLE:

This Settlement Agreement is filed with the Ontario Energy Board (“the Board”) in connection with the application by Hydro One Remotes Communities Inc. (“Remotes”) for an Order or Orders approving the revenue requirement and customer rates for the transmission of electricity to be implemented May 1, 2013.

Further to the Board’s Procedural Order No. 2 dated and issued April 23, 2013, a Settlement Conference was held on May 28 and 29, 2013, with the assistance of a third-party neutral facilitator, in accordance with the *Ontario Energy Board Rules of Practice and Procedure* (“Rules”) and the Board’s Settlement Conference Guidelines (“Guidelines”).

Remotes and the following intervenors (“the parties”) participated in the settlement conference:

Cat Lake First Nation (“CLFN”)
Energy Probe Research Foundation (“Energy Probe”)
Nishnawbe Aski Nation (“NAN”)
Vulnerable Energy Consumers Coalition (“VECC”)

Board staff also participated in the settlement conference but are not a party to this Settlement Agreement.

Outlined below are the positions of the parties following the settlement conference. The issues are characterized as follows:

Settled: If the Settlement Agreement is accepted by the Board, the parties will not adduce any evidence or argument during the hearing on a settled issue, unless so directed by the Board, as the Applicant, and those intervenors who take any position on the issue agree to the proposed settlement;

Partially Settled: If the Settlement Agreement is accepted by the Board, the parties will adduce evidence and argument during the hearing only on those portions of the

issues on which the parties could not reach agreement, or as directed by the Board, as the Applicant and those intervenors who take any position on the issue were able to agree on some, but not all, aspects of the particular issue; and

Not Settled: The Applicant and those intervenors who take a position on the issue will adduce evidence and argument during the hearing on the issue as the parties were unable to reach agreement.

For ease of reference, the following outlines the status of the issues as outlined in the Settlement Agreement:

Settled: Issue completely resolved. Parties will not adduce evidence or argument at the hearing.	Partially Settled: Issue partially resolved. Parties may adduce evidence and argument at hearing on certain portions of the issue.	Not Settled: Issue not resolved. Evidence may be adduced and argument presented on entirety of issue.
# issues settled: 2	# issues partially settled: 1	# issues not settled: 2

The positions taken by the various parties on each of the settled issues are identified throughout the Settlement Agreement. A party who is noted as taking no position on an issue may or may not have participated in the discussion on that particular issue and takes no position on the settlement reached or on the sufficiency of the evidence filed to date.

The Settlement Agreement provides a brief description of each of the settled issues, together with references to the evidence filed. The supporting parties to each settled issue agree that the evidence in respect of that settled issue, as supplemented in some instances by additional information recorded in the proposal, supports the proposed settlement. In addition, the supporting parties agree that the evidence filed in support of each settled issue and the additional information as recorded herein contains sufficient detail, rationale and quality of information to allow the Board to make findings in keeping with the settlement reached. The attachments and appendices were prepared by the Applicant. The Intervenors are relying on the accuracy and completeness of the attachments and appendices in entering into this Agreement.

The Board's Settlement Conference Guidelines (p. 3) require the parties to consider whether a settlement agreement should include an adjustment mechanism for any settled issue that may be affected by external factors. Remotes and the other parties who participated in the Settlement Conference consider that no settled issues require such an adjustment mechanism other than those expressly set forth in this settlement agreement.

None of the parties can withdraw from the Settlement Agreement except in accordance with Rule 32 of the Board's *Rules of Practice and Procedure*. Finally, unless stated otherwise, the settlement of any particular issue in this proceeding and the positions of the parties in this Proposal are without prejudice to the rights of parties to raise the same issue and/or to take any position thereon in any other proceedings, unless explicitly stated otherwise.

The parties agree that the remaining unsettled issues should be dealt with during the argument phase of this proceeding, subject to further direction from the Board.

The parties agree that all positions, negotiations and discussion of any kind whatsoever that took place during the Settlement Conference and all documents exchanged during the conference that were prepared to facilitate settlement discussions are strictly confidential and without prejudice, and inadmissible unless relevant to the resolution of any ambiguity that subsequently arises with respect to the interpretation of any provision of this Settlement Agreement.

It is fundamental to the agreement of the parties that no provision of this Settlement Agreement is severable. If the Board does not, prior to the commencement of the hearing of the evidence in this proceeding, accept the provisions of the Settlement Agreement in their entirety, there is no Settlement Agreement unless the parties agree to the contrary.

For the Board's ease of reference, a List of Approvals Sought is attached as Appendix A.

OVERVIEW:

The parties were able to reach agreement on Revenue Requirement-related issues, including Operations, Maintenance & Administration (OM&A) costs, Capital Costs and Rate Base and on the issue regarding the Rural and Remote Rate Protection (RRRP) Variance Account. The parties were unable to reach agreement on the appropriate customer rate increase for 2013 and the new geographically-remote Grid-connected customer rates, and have therefore agreed that, with the concurrence of the Board, these issues should proceed to the argument phase, subject to further direction from the Board.

Remotes filed a rate application seeking a 3.45% increase in 2013 rates. The parties' efforts were focused on determining an appropriate Revenue Requirement, while balancing Remotes' need to continue to safely and reliably operate and to fund its work program.

The overall financial impact of the Settlement Agreement is to reduce the total revenue requirement by \$2,323K, from \$53,143K to \$50,820K.

As noted above, all parties agree that the Settlement Agreement is a broad package proposal. Thus, individual components of the Settlement Agreement ought not be considered or reviewed in isolation.

Only two issues remain outstanding – the appropriate customer rate increase and rates to be charged to the new geographically-remote Grid-connected customers.

The parties agree that the elements of the proposed settlement as well as the determinants arising from the final outcome of those issues listed as unsettled or partially settled shall be in force with an effective date of May 1, 2013. The existing rates were declared interim as directed in the Board's Interim Rate Order issued April 29, 2013. Subject to the timing of the Board's deliberations, Remotes proposes to implement a temporary rate rider during the balance of the first year of the Rate period.

The particulars of the Settlement Agreement are detailed below by issue as set out in the application.

1. REMOTE' 2013 TEST YEAR REVENUE REQUIREMENT

Settled.

The parties have agreed that the Remotes Revenue Requirement for 2013 will be \$50,820,000. This compares to the original plan of \$53,143,000 included in pre-filed evidence and interrogatories. The resulting reduction in the RRRP due to the changes in Revenue Requirement is \$2,323,000.

Details of the revised Revenue Requirement and changes to the RRRP are included in Attachment 1 and in the succeeding sections below.

1. (a) Operations, Maintenance and Administration Costs

The parties have agreed that the OM&A costs and the associated work volumes for 2013 will be revised downward in two areas.

- i. The parties agree that Remotes will lengthen the time taken to complete the forestry work on the Cat Lake line. This has the effect of deferring \$600,000 of the original planned spending of \$1,200,000 in 2013. Therefore, the proposed reduction in Revenue Requirement in 2013 is \$600,000.
- ii. The parties agree that the Community Relations function shall not exceed \$750,000. This compares to a plan included in evidence to more aggressively pursue this area at a cost of \$866,000. Therefore, the proposed reduction in Revenue Requirement is \$116,000.

Evidence: The evidence in relation to this issue includes the following:

Exhibit A, Tab 3, Schedule 1, Summary of Application

Exhibit A, Tab 3, Schedule 2, Financial Summary

Exhibit A, Tab 4, Schedule 1, Summary of Remotes Business

Exhibit A, Tab 6, Schedule 1, Compliance with Licence and OEB Filing Requirements for Electricity Distributors

Exhibit A, Tab 9, Schedule 2, Hydro One Governance and Control Framework

Exhibit A, Tab 10, Schedule 3, Affiliate Service Agreements (Appendices A, B, C, D & E)

Exhibit A, Tab 12, Schedule 1, Summary of Initiatives Based on Legislative Changes

Exhibit A, Tab 13, Schedule 1, Summary of Remotes' Policies

Exhibit A, Tab 14, Schedule 1, Planning Process and Appendix A, 2012 Business Plan Assumptions

Exhibit A, Tab 14, Schedule 2, Project and Program Approval and Control

Filed: June 17, 2013

EB-2012-0137

Exhibit J

Tab 1

Schedule 1

Page 6 of 24

Exhibit C1, Tab 1, Schedule 1, Cost of Service Summary

Exhibit C1, Tab 2, Schedule 1, Summary of OM&A Expenditures

Exhibit C1, Tab 2, Schedule 2, Generation OM&A

Exhibit C1, Tab 2, Schedule 3, Distribution OM&A

Exhibit C1, Tab 2, Schedule 4, Customer Care OM&A

Exhibit C1, Tab 2, Schedule 5, Community Relations Operations, Maintenance and Administration

Exhibit C1, Tab 2, Schedule 6, Shared Services and Other Administration Costs

Exhibit C1, Tab 2, Schedule 7, External Work

Exhibit C1, Tab 3, Schedule 1, Corporate Staffing

Exhibit C1, Tab 6, Schedule 1, Costing of Work

Exhibit C2, Tab 1, Schedule 1, Cost of Service

Exhibit C2, Tab 2, Schedule 1, Mapping OM&A Expenditures to USofA Grouping

Exhibit C2, Tab 3, Schedule 1, Comparison of Wages and Salaries

Exhibit C2, Tab 6, Schedule 1, 2009 Board Approved Vs 2009 Actuals OM&A

Exhibit D1, Tab 1, Schedule 1 Calculation of Rate Base

Exhibit E1, Tab 1, Schedule 1, Revenue Requirement

Exhibit E2, Tab 1, Schedule 1, Calculation of Revenue Requirement

Exhibit F1, Tab 1, Schedule 1, Appendices A, B, C and D

Pre-Filed Evidence, Filed October 30

Attachment 1, Filing Requirements References

Attachment 2, Revenue Requirement Work Form

Attachment 6, Table showing detail of O&M expenditures and variances by US of A

Exhibit I, Tab 1, Schedule 3

Exhibit I, Tab 1, Schedule 4 (and Attachments 1 & 2)

Exhibit I, Tab 1, Schedule 5 Exhibit I, Tab 1, Schedule 6

Exhibit I, Tab 1, Schedule 8 Exhibit I, Tab 1, Schedule 9

Exhibit I, Tab 1, Schedule 10 (and Attachment 1)

Exhibit I, Tab 1, Schedule 11 (and Attachment 1)

Exhibit I, Tab 1, Schedule 12 Exhibit I, Tab 1, Schedule 13

Exhibit I, Tab 1, Schedule 14 Exhibit I, Tab 1, Schedule 15

Exhibit I, Tab 1, Schedule 16 Exhibit I, Tab 1, Schedule 17

Exhibit I, Tab 1, Schedule 39 S Exhibit I, Tab 1, Schedule 40S

Exhibit I, Tab 1, Schedule 41 S Exhibit I, Tab 1, Schedule 42 S

Exhibit I, Tab 1, Schedule 43 S Exhibit I, Tab 1, Schedule 44 S

Exhibit I, Tab 2, Schedule 1 Exhibit I, Tab 2, Schedule 2

Exhibit I, Tab 2, Schedule 3 Exhibit I, Tab 2, Schedule 4

Exhibit I, Tab 2, Schedule 5	Exhibit I, Tab 2, Schedule 6
Exhibit I, Tab 2, Schedule 7	Exhibit I, Tab 2, Schedule 8-S
Exhibit I, Tab 2, Schedule 12-S	Exhibit I, Tab 2, Schedule 13-S
Exhibit I, Tab 3, Schedule 1	Exhibit I, Tab 3, Schedule 4
Exhibit I, Tab 3, Schedule 5	Exhibit I, Tab 3, Schedule 6
Exhibit I, Tab 3, Schedule 3-S	Exhibit I, Tab 3, Schedule 4-S
Exhibit I, Tab 4, Schedule 2	Exhibit I, Tab 4, Schedule 4
Exhibit I, Tab 4, Schedule (and Attachment 1)	
Exhibit I, Tab 4, Schedule 6	Exhibit I, Tab 4, Schedule 7
Exhibit I, Tab 4, Schedule 8	Exhibit I, Tab 4, Schedule 10
Exhibit I, Tab 4, Schedule 9 (and Attachments)	
Exhibit I, Tab 4, Schedule 11	Exhibit I, Tab 4, Schedule 13

Supporting Parties:

Cat Lake First Nation (“CLFN”)
Energy Probe Research Foundation (“Energy Probe”)
Vulnerable Energy Consumers Coalition (“VECC”)

Parties taking no position:

Nishnawbe Aski Nation (“NAN”)

1. (b) Depreciation and Amortization

The parties have agreed that Depreciation and Amortization costs and any associated work volumes or expenditures for 2013 will be revised downward in the following area:

The parties agree that the expenditures associated with remediating contaminated lands shall not exceed \$1,861,000. This compares to a planned level of land remediation included in evidence of \$2,713,000. Therefore, the proposed reduction in Depreciation and Amortization is \$852,000.

Evidence: The evidence in relation to this issue includes the following:

Exhibit A, Tab 3, Schedule 2	Financial Summary
Exhibit A, Tab 6, Schedule 1	Compliance with Licence and OEB Filing Requirements For Electricity Distributors
Exhibit A, Tab 12, Schedule 1	Summary of Initiatives Based on Legislative Changes
Exhibit A, Tab 14, Schedule 1	Planning Process
Exhibit C1, Tab 1, Schedule 1	Cost of Service Summary
Exhibit C1, Tab 4, Schedule 1	Depreciation and Amortization Expenses
Exhibit C1, Tab 4, Schedule 1, Appendix A	Depreciation Study
Exhibit C2, Tab 1, Schedule 1	Cost of Service
Exhibit C2, Tab 4, Schedule 1	Depreciation & Amortization Expenses
Exhibit E1, Tab 1, Schedule 1	Revenue Requirement
Exhibit E2, Tab 1, Schedule 1	Calculation of Revenue Requirement
Exhibit F1, Tab 1, Schedule 1, Appendix A	Variance Account Reconciliation
Exhibit F1, Tab 1, Schedule 1, Appendix B	Variance Account Reconciliation
Exhibit F1, Tab 1, Schedule 1, Appendix C	Variance Account Reconciliation
Exhibit F1, Tab 1, Schedule 1, Appendix D	Variance Account Reconciliation
Exhibit I, Tab 1, Schedule 3	
Exhibit I, Tab 1, Schedule 18 (and attachment 1)	
Exhibit I, Tab 1, Schedule 29	
Exhibit I, Tab 1, Schedule 45S	
Exhibit I, Tab 1, Schedule 46S	
Exhibit I, Tab 1, Schedule 47S	

Exhibit I, Tab 1, Schedule 48S
Exhibit I, Tab 1, Schedule 49S, Attachment 1
Exhibit I, Tab 1, Schedule 49S, Attachment 2
Exhibit I, Tab 4, Schedule 12

Supporting Parties:

Cat Lake First Nation (“CLFN”)
Energy Probe Research Foundation (“Energy Probe”)
Vulnerable Energy Consumers Coalition (“VECC”)

Parties taking no position:

Nishnawbe Aski Nation (“NAN”)

1. (c) Capital Cost

The parties have agreed that Capital Costs, specifically Interest Charges, for 2013 will be revised downward in the following 3 areas:

- i. Remotes will change the Working Capital percentage to 12%. This compares to the percentage included in evidence of 13% which is consistent with the OEB template. The resulting reduction in Revenue Requirement due to the change in working capital percentage is \$24,000.
- ii. The reductions in OM&A proposed in this Settlement Agreement result in a further reduction in working capital and therefore a further reduction in interest charges of \$3,000.
- iii. Remotes will temporarily maintain a capital structure of 44% Short Term debt and 56% Long Term debt for the remainder of 2013. This compares to the capital structure included in evidence of 4% short term, which is consistent with the structure of other utilities, and 96% long term. The resulting reduction in Revenue Requirement due to the temporary change in Capital Structure after accounting for the Working Capital change listed above is \$584,000. Remotes intends to alter the capital structure in the future to reduce interest rate risk by allowing for more long term debt. Any difference in the actual cost of debt related to the refinancing will accrue to the RRRP variance account and will not affect Remotes' customer rates.

Details of the Capital structure and the resulting interest costs are included in Attachment 2 herein.

Evidence: The evidence in relation to this issue includes the following:

Exhibit A, Tab 3, Schedule 2 Financial Summary (page 2)
Exhibit A, Tab 3, Schedule 2, Compliance with Licence and OEB Filing Requirements for Electricity Distributors
Exhibit A, Tab 6, Schedule 1, Compliance with Licence and OEB Filing Requirements for Electricity Distributors
Exhibit A, Tab 9, Schedule 2, Hydro One Governance and Control Framework
Exhibit A, Tab 14, Schedule 1, Planning Process and Appendix A
Exhibit A, Tab 14, Schedule 2, Project and Program Approval and Control
Exhibits B & D All plus attachment 4 filed October 30, 2012. (specifics below).
Exhibit B1, Tab 1, Schedule 1 Cost of Capital
Exhibit B2, Tab 1, Schedule 1, Cost of Long-Term Debt

Exhibit C1, Tab 6, Schedule 1, Costing of Work
Exhibit D1, Tab 1, Schedule 1, Rate Base
Exhibit D1, Tab 1, Schedule 2, Remotes' Distribution and Generation Assets
Exhibit D1, Tab 2, Schedule 1, Capital Programs
Exhibit D1 Tab 3, Schedule 1 Allowance for Funds Used During Construction
Exhibit D2, Tab 1, Schedule 1, Statement of Utility Rate Base
Exhibit D2 Tab 2, Schedule 1, Comparison of Capital Expenditures, Historic, Bridge and Test Year
Exhibit D2, Tab 2, Schedule 2, List of Capital Programs/Projects in excess of \$261K Test Year
Justification for Programs/Projects in Excess of \$261K and Attachments 1, 2 & 3
Exhibit D2, Tab 2, Schedule 4, Mapping In-Service Additions to Grouped USofA Accounts
Exhibit D2, Tab 3, Schedule 1, Continuity of Property Plant and Equipment
Exhibit D2, Tab 3, Schedule 2, Continuity Accumulated Depreciation
Exhibit D2, Tab 3, Schedule 3, Continuity of Construction Work in Progress
Exhibit D2, Tab 4, Schedule 1, Statement of Working Capital
Attachment 1, (filed October 30)
Attachment 2, (filed October 30) Revenue Requirement Work Form
Attachment 3, (filed October 30), Appendix 2-B Fixed Asset Continuity Schedule
Attachment 4, (filed October 30), Major Capital Projects, 2009, 2010, 201, 2012 & 2013
Attachment 7, (filed October 30), Depreciation Expense Detail by Asset Class Schedule
Exhibit E1, Tab 1, Schedule 1, Revenue Requirement
Exhibit E2, Tab 1, Schedule 1, Calculation of Revenue Requirement
Exhibit F1, Tab 1, Schedule 1, Regulatory Accounts Attachments A, B, C & D

Exhibit I, Tab 1, Schedule 3 a) & b)	Exhibit I, Tab 1, Schedule 23
Exhibit I, Tab 1, Schedule 6-a) & c)	Exhibit I, Tab 2, Schedule 1
Exhibit I, Tab 1, Schedule 7	Exhibit I, Tab 2, Schedule 9
Exhibit I, Tab 9, Schedule 1	Exhibit I, Tab 2, Schedule 10
Exhibit I, Tab 1, Schedule 13	Exhibit I, Tab 4, Schedule 3
Exhibit I, Tab 1, Schedule 20	Exhibit I, Tab 4, Schedule 5
Exhibit I, Tab 1, Schedule 21	Exhibit I, Tab 4, Schedule 6
Exhibit I, Tab 1, Schedule 22	Exhibit I, Tab 4, Schedule 14

Supporting Parties:

Filed: June 17, 2013

EB-2012-0137

Exhibit J

Tab 1

Schedule 1

Page 12 of 24

Cat Lake First Nation (“CLFN”)

Energy Probe Research Foundation (“Energy Probe”)

Vulnerable Energy Consumers Coalition (“VECC”)

Parties taking no position:

Nishnawbe Aski Nation (“NAN”)

1. (d) Taxes

No changes in 2013 Taxes are expected as a result of this settlement proposal.

Evidence: The evidence in relation to this issue includes the following:

Exhibit A, Tab 14, Schedule 1, Planning Process (and Appendix A, Business Plan Assumptions)
Exhibit C1, Tab 1, Schedule 1, Cost of Service Summary (page 4)
Exhibit C1, Tab 5, Schedule 1, Payments in Lieu of Corporate Income Taxes
Exhibit C1, Tab 6, Schedule 1, (page 4), Costing of Work
Exhibit C2, Tab 1, Schedule 1, Cost of Service
Exhibit C2, Tab 5, Schedule 1, Calculation of Utility Income Taxes, Attachments 1, 2, 3 & 4
Exhibit E1, Tab 1, Schedule 1, Revenue Requirement
Exhibit E2, Tab 1, Schedule 1, Calculation of Revenue Requirement
Exhibit F, Tab 1, Schedule 1, Appendices A, B, C & D
Additional Pre-Filed Evidence (Filed October 30) Attachment 1 and Attachment 2
Exhibit I, Tab 1, Schedule 24 (USofA 1562)
Exhibit I, Tab 1, Schedule 30

Supporting Parties:

Cat Lake First Nation ("CLFN")
Energy Probe Research Foundation ("Energy Probe")
Vulnerable Energy Consumers Coalition ("VECC")

Parties taking no position:

Nishnawbe Aski Nation ("NAN")

1. (e) External Revenue and Other Items

The parties have agreed that the External Revenue and Other items will be revised in two areas.

- i. The parties agree that revenue from external work for 2013 will increase by \$72,000. This increases external and other revenues from the \$514,000 included in evidence to \$586,000. Therefore, the proposed reduction in the net Revenue Requirement is \$72,000.
- ii. The parties agree that the regulatory accounts associated with IFRS and USGAAP will be discontinued. The outstanding balance in those accounts is approximately \$72,000. This amount will be discharged by Remotes and removed from revenue requirement.

Evidence: The evidence in relation to this issue includes the following:

External Revenue:

Exhibit A, Tab 2, Schedule 1	Application
Exhibit A, Tab 3, Schedule 2	Financial Summary
Exhibit A, Tab 14, Schedule 1	Planning Process
Exhibit A, Tab 9, Schedule 3 and Appendix F	Affiliate Service Agreements
Exhibit E1, Tab 1, Schedule 1	Revenue Requirement
Exhibit E2, Tab 1, Schedule 1	Calculation of Revenue Requirement
Exhibit E3, Tab 1, Schedule 1	Other Revenues
Exhibit F1, Tab 1, Schedule 1, Appendix A	Variance Account Reconciliation
Exhibit F1, Tab 1, Schedule 1, Appendix B	Variance Account Reconciliation
Exhibit F1, Tab 1, Schedule 1, Appendix C	Variance Account Reconciliation
Exhibit F1, Tab 1, Schedule 1, Appendix D	Variance Account Reconciliation
Exhibit I, Tab 3, Schedule 1	
Exhibit I, Tab 3, Schedule 11	
Exhibit I, Tab 1, Schedule 49S, Attachment 1	
Exhibit I, Tab 1, Schedule 49S, Attachment 2	
Exhibit I, Tab 3, Schedule 1S	

Load Forecast:

Exhibit G1, Tab 1, Schedule 3

Rural and Remote Rate Protection
Requirement

Exhibit I, Tab 1, Schedule 32 (and attachment 1)

Exhibit I, Tab 1, Schedule 33 (and attachment 1)

Service Quality Indicators:

Exhibit A, Tab 15, Schedule 1

Service Quality Indicators

Exhibit I, Tab 3, Schedule 3

Exhibit I, Tab 3, Schedule 2S

Green Energy Plan:

Exhibit A, Tab 16, Schedule 1

Green Energy Plan

Exhibit A, Tab 16, Schedule 1, Appendix A

Letter to OPA Regarding The Remotes
Green Energy Act Plan

Exhibit A, Tab 16, Schedule 1, Appendix B

OPA Letter of Comment: Basic Green
Energy Act Plan

Exhibit I, Tab 4, Schedule 4 (and attachment 1)

SLA's:

Exhibit A, Tab 9, Schedule 3

Affiliate Service Agreements

Exhibit A, Tab 9, Schedule 3, Appendix F

Distribution Licences:

Exhibit A, Tab 7, Schedule 1 (and attachment 1)

Electricity Distribution Licence ED-2003-
0037 Hydro One Remote Communities Inc.

Terms & Conditions:

Exhibit G1, Tab 3, Schedule 1

Terms and Conditions

Exhibit G1, Tab 3, Schedule 1, Appendix A

Hydro One Remote Communities
Conditions of Service

Filed: June 17, 2013

EB-2012-0137

Exhibit J

Tab 1

Schedule 1

Page 16 of 24

Supporting Parties:

Cat Lake First Nation (“CLFN”)

Energy Probe Research Foundation (“Energy Probe”)

Vulnerable Energy Consumers Coalition (“VECC”)

Parties taking no position:

Nishnawbe Aski Nation (“NAN”)

2. ASSOCIATED CUSTOMER RATE INCREASE

Not Settled. In the Application, Remotes is proposing to increase rates to the average customer in its service territory by 3.45%. Remotes calculated that percentage based on the average increase for Grid-connected customers approved by the Board in 2011. This is the same approach as that used in the Algoma Power Board Decision. The magnitude of the proposed 3.45% increase has not been agreed to by all of the intervenors.

Evidence: The evidence in relation to this issue includes the following:

Exhibit A, Tab 2, Schedule 1	Application
Exhibit A, Tab 3, Schedule 1	Summary of Application
Exhibit A, Tab 4, Schedule 1	Summary of Remotes Business
Exhibit E, Tab 1, Schedule 1	Revenue Requirement
Exhibit E2, Tab 1 Schedule 1	Calculation of Revenue Requirement
Exhibit G1, Tab 1, Schedule 1	Proposed Customer Rates
Exhibit G1, Tab 1, Schedule 3	Rural and Remote Rate Protection Requirement
G1, Tab 2, Schedule 1	Customer Bill Impacts
Exhibit G2, Tab 1, Schedule 1	Remotes Rate Schedule – Proposed
Exhibit G2, Tab 1, Schedule 2	Remotes Rate Schedule – Current
Exhibit I, Tab 1, Schedule 31	Exhibit I, Tab 3, Schedule 14
Exhibit I Tab 1, Schedule 32 (and Attachment 1)	Exhibit I, Tab 3, Schedule 5S
Exhibit I, Tab 1, Schedule 33 (and Attachment 1)	Exhibit I, Tab 3, Schedule 7S
Exhibit I, Tab 2, Schedule 14S	Exhibit I, Tab 3, Schedule 9S (and attachment 1)
Exhibit I Tab 3, Schedule 7	Exhibit I, Tab 4, Schedule 1
Exhibit I Tab 3, Schedule 8	Exhibit I, Tab 4, Schedule 13
Exhibit I Tab 3, Schedule 11	Exhibit I, Tab 4, Schedule 14, h), i), j)
Exhibit I Tab 3, Schedule 12	

Supporting Parties: NOT REQUIRED

Parties taking no position:

3. NEW GEOGRAPHICALLY REMOTE GRID-CONNECTED CUSTOMER RATES

Partially Settled. This Application seeks to establish rates for geographically-remote Grid-connected customers, including rates for “Standard A” customers and rates for “Residential” and “General Service” customers. The proposed uniform rates and rate schedules have been agreed to by all parties. However, the parties could not come to agreement on the applicability of “Standard A” rates being charged to certain customers.

Background

In 2010 the Ontario Government amended the *Electricity Act, 1998*, to require Remotes to serve Grid-connected communities in accordance with government Regulation. This amendment gave geographically-remote communities (those that are currently connected to the grid and those considering a connection) the option of being served by an established electricity distributor. Two communities, Cat Lake and Pikangikum, have now requested service agreements with Remotes. As a consequence, Remotes is seeking to establish rates for all of the said customers.

The Regulation governing the rates applicable to customers who are the subject of the 2010 amendment is O. Reg. 442/01 under the *Ontario Energy Board Act, 1998*, which sets out two broad categories of customers in Remotes:

- (a) “Residential” and “General Service” customers, being customers who receive Rural and Remote Rate Protection; and
- (b) “Standard A” customers, being customers occupying “Government premises,” which is defined in the Regulation (subject to certain exceptions that are not applicable here) as a facility that is funded in whole or part by the Crown or premises occupied by the Crown.

Evidence: The evidence in relation to this issue includes the following:

Exhibit A, Tab 2, Schedule 1	Application
Exhibit A, Tab 3 Schedule 1	Summary of Application
	Letters Between Pikangikum
Exhibit A, Tab 7 Schedules 2 & 3	First Nation and Ministry of
	Energy
Exhibit A, Tab 12, Schedule 1 (5.0 p 5 lines 3-18)	Summary of Initiatives Based on Legislative Changes

Exhibit G1, Tab 1, Schedule 2
Exhibit G2, Tab 1, Schedules 1 & 2
Exhibit I, Tab 1, Schedule 2 b) and c)
Exhibit I, Tab 1, Schedule 31 (and
attachment 1)
Exhibit I, Tab 1, Schedule 33 (and
attachment 1)
Exhibit I, Tab 1, Schedule 35 (and
attachment 1)
Exhibit I, Tab 1, Schedule 36S a) and c)
Exhibit I, Tab 1, Schedule 36
Exhibit I, Tab 3, Schedule 8
Exhibit I Tab 3, Schedule 9
Exhibit I, Tab 3, Schedule 13 (and
attachments 1 & 2)
Exhibit I, Tab 3, Schedule 10S (and
attachment 1)
Exhibit I, Tab 4, Schedule 15

Proposed Grid Connected
Customer
Remotes Rate Schedule

Exhibit I, Tab 1, Schedule
37, c)
Exhibit I, Tab 3, Schedule 10
Exhibit I, Tab 3, Schedule 11

Supporting Parties: NOT REQUIRED

Parties taking no position:

4. RURAL AND REMOTE RATE PROTECTION FOR 2013 TO OFF-SET THE REVENUE REQUIREMENT

Partially Settled.

The Revenue Requirement and load forecast upon which the Rural and Remote Rate Protection is to be set has been settled. However, given that the customer rate increase has not been settled (see Issue 2 above), this amount is therefore subject to change based upon the outcome of the proceeding. Once the customer rate increase is settled, the calculation can be reset to determine the RRRP amount. No other components to the RRRP calculation remain unsettled.

Evidence: The evidence in relation to this issue includes the following:

Exhibit A, Tab 2, Schedule 1	Application
Exhibit A, Tab 3, Schedule 1	Summary of Application
Exhibit A, Tab 3, Schedule 2	Financial Summary
Exhibit A, Tab 4, Schedule 1	Summary of Remotes' Business
Exhibit A, Tab 6, Schedule 1	Compliance with Licence and OEB Filing Requirements
Exhibit A, Tab 11, Schedule 1 Attachments 1, 2 &3	Hydro One Remote Communities Inc. Financial Statements
Exhibit E1, Tab 1, Schedule 1	Revenue Requirement
Exhibit E2, Tab 2, Schedule 1	Calculation of Revenue Requirement
Exhibit G1, Tab 1, Schedule 3	Rural and Remote Rate Protection Requirement
Pre-filed Evidence October 30	Attachment 2, Revenue Requirement Work Form
Exhibit I, Tab 1, Schedule 34	Exhibit I, Tab 4, Schedule 3, c)
Exhibit I, Tab 3, Schedule 14	

Supporting Parties: NOT REQUIRED

Parties taking no position:

5. RURAL AND REMOTE RATE PROTECTION VARIANCE ACCOUNT

Settled.

Remotes will continue with the maintenance of a Rural and Remote Rate Protection Variance Account.

Evidence: The evidence in relation to this issue includes the following:

Exhibit A, Tab 2, Schedule 1	Application
Exhibit A, Tab 3, Schedule 1	Summary of Application
Exhibit A, Tab 11, Schedule 1 Attachments 1, 2 & 3	Hydro One Remote Communities Inc. Financial Statements
Exhibit F1, Tab 1, Schedule 1	Regulatory Accounts
Appendices A, B, C & D	Variance Account Reconciliation
Exhibit G1, Tab 1, Schedule 3	Rural and Remote Rate Protection Requirement
Exhibit I, Tab 1, Schedule 30	Exhibit I, Tab 4, Schedule 3 c)
Exhibit I, Tab 1, Schedule 49S and Attachments 1 & 2	

Supporting Parties:

Cat Lake First Nation ("CLFN")
Energy Probe Research Foundation ("Energy Probe")
Vulnerable Energy Consumers Coalition ("VECC")
Nishnawbe Aski Nation ("NAN")

Attachment 1

Proposed Changes in Revenue Requirement for 2013

All numbers in \$000s

Evidence		
	Revenue Requirement	52,284
	Regulatory Account Clearing	859
	<i>RRRP</i>	787
	<i>IFRS</i>	72
		<hr/>
	Gross Revenue Requirement	53,143
	Less: Revenue From Customers	<hr/> (17,260)
		35,883
	Less: Other Revenues	(514)
<hr/> Rural and Remote Rate Protection (RRRP) Proposed in Evidence		<hr/> 35,369 <hr/>
 Settlement Adjustments		
Issue 1.(a)	OM&A Adjustments	(716)
	<i>Forestry</i>	(600)
	<i>Community Relations</i>	(116)
Issue 1.(b)	Depreciation and Amortization	(852)
	<i>LAR</i>	
Issue 1.(c)	Capital Cost	(611)
	<i>Interest Costs</i>	
Issue 1.(e)	External Revenue and Other Items	(144)
	<i>External Revenue</i>	(72)
	<i>IFRS/USGAAP</i>	(72)
		<hr/>
	Change to RRRP	(2,323)
<hr/> Rural and Remote Rate Protection (RRRP)		<hr/> 33,046 <hr/>

Attachment 2

Changes in Interest Expense

	Evidence	WC Adjustment	Capital Structure Adjustment*	Revised OM&A*#
OM&A	44,199	44,199	44,199	44,199
				<u>716</u>
				43,483
\$WC	13	12	12	12
WC	5,746	5,304	5,304	5,218
RB no WC	<u>35,344</u>	<u>35,344</u>	<u>35,344</u>	<u>35,344</u>
	41,090	40,648	40,648	40,562
STD	33	33	359	359
LTD	2,209	2,185	1275	1,272
Interest Expense	2,242	2,218	1,634	1,631
<i>Change from Evidence</i>		(24)	(584)	(3)
	SUM of INTEREST ADJUSTMENT			(611)

**This represents the temporary capital structure of 44% STD and 56% LTD*

\$716 is the sum of the OM&A change included in the proposed settlement (see Attachment 1 – Issue 1.(a))

Capital Structure Details

	Short Term Debt	Long Term Debt
Interest Rate	2.01%	5.60%
% of Rate Base		
Evidence	4%	96%
Settlement Proposal	44%	56%

Appendix A

List of Approvals Sought in Remotes' Application:

1. Remotes' 2013 Test Year Revenue Requirement of \$52,284 thousand (\$17,260 to be collected through customer rates).
2. Approval of associated customer rate increase of 3.45%.
3. Approval to establish Rural and Remote Rate Protection to off-set the revenue requirement at \$34,510 thousand as well as the forecast balance in the regulatory accounts of \$819 thousand for a total RRRP for 2013 of \$35,329 thousand.
4. Approval for new geographically remote Grid-connected customer rates.
5. Approval to retain the Rural and Remote Rate Protection Variance Account