

**Hydro One Networks Inc.**

483 Bay Street, North Tower, 15th Floor  
Toronto, Ontario, Canada  
M5G 2P5



**LAW**

Michael Engelberg, Assistant General Counsel  
Telephone: (416) 345-6305  
Fax: (416) 345-6972  
E-mail: [mengelberg@HydroOne.com](mailto:mengelberg@HydroOne.com)

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July 18, 2013

Ms Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700, P.O. Box 2319  
2300 Yonge Street  
Toronto, Ontario M4P 1E4

Dear Ms Walli:

**EB-2012-0137 – Hydro One Remote Communities Inc. 2013 Rate Application – Submission**

Enclosed is the Submission of the Applicant, Hydro One Remote Communities Inc., filed pursuant to the Board's Procedural Order No. 3 dated June 28, 2013.

Yours very truly,

ORIGINAL SIGNED BY MICHAEL ENGELBERG

Michael Engelberg

cc: intervenors

**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

## **SUBMISSION OF HYDRO ONE REMOTE COMMUNITIES INC.**

Pursuant to the Board's Procedural Order No. 3 dated June 28, 2013, the Applicant, Hydro One Remote Communities Inc. ("Remotes"), was granted leave to file a written reply submission with respect to the submissions of Board staff and intervenors on the issues remaining unsettled after the Board's acceptance of the Partial Agreement included as Appendix A to the Board's Decision dated June 28, 2013.

The two unsettled issues are: Issue #2 (Remotes' request to increase rates by 3.45 per cent); and Issue #3 (Whether the Standard A rates proposed by Remotes are applicable to certain customers in the geographically-remote grid-connected communities).

Remotes' submissions are as follows.

### **Issue #2 (Remotes' request to increase rates by 3.45 per cent)**

Remotes is not proposing to increase rates based on the increase in underlying costs, which would result in an increase greater than the amount being proposed. Instead, Remotes is proposing to make rate adjustments based on the Ontario LDC average increase in rates, and in a manner consistent with O. Reg. 442/01 made under the *Ontario Energy Board Act, 1998*, and the approval granted by the Board in EB-2007-0744. Remotes' use of the 3.45 per cent amount is consistent with the methodology approved by the Board in Remotes' most recent Cost of Service Application (EB-20080232), which was based on the average increase granted by the Board for customers of grid-connected distributors. Remotes also relied on the Board's approvals (in EB-2009-0278 and EB-2011-0152) of rates for customers of Algoma Power Inc., whose customers, like Remotes' customers, also benefit from Rural and Remote Rate Protection.

Remotes submits that its use of the said methodology serves to help shelter its customers from much of the cost increases in the remote North, such as higher cost of fuel and transportation. Use of the said methodology results in increases that are the same as the average distribution rate increases approved by the Board for LDCs in Ontario as a whole. This broad-based increase tends to be more moderate in magnitude and therefore this methodology is beneficial to Remotes' customers.

In response to the submission of Nishnawbi Aski Nation (“NAN”) filed in this proceeding on July 12, 2013, Remotes states that the Board has developed a program to make electricity rates affordable for low-income customers and that Remotes, like every other Ontario distributor, implemented the Low-Income Energy Assistance Plan (“LEAP”). Within Remotes’ service territory, LEAP is administered by the Ontario Native Welfare Administrators through the local social assistance office in each community. Furthermore, Remotes has undertaken efforts each year to publicize the program, and the funds have never been fully subscribed.

Contrary to the impression left by NAN in its submission, Remotes’ rates for non-Standard A customers are lower than most comparable rates at LDCs across Ontario. For example, Remotes demonstrated in Exhibit I, Tab 3, Schedule 12 that its non-Standard A rates are substantially lower than the rates charged to the majority of Hydro One Networks Inc.’s customers across all rate classes.

Remotes also disagrees with NAN’s suggestion that customers in Remotes’ service territory face a more stringent collection regime than that faced by customers elsewhere in the Province. The facts are, however, that not only does Remotes not disconnect customers for non-payment during the winter months, but also Remotes provides its customers with much longer notice periods than is the practice of other distributors during the months when Remotes does disconnect for non-payment.

Remotes therefore submits that its request for a 3.45 per cent increase in rates is not only reasonable and appropriate but is also grounded in a number of Board decisions on similar matters.

**Issue #3 (Whether the Standard A rates proposed by Remotes are applicable to certain customers in the geographically-remote grid-connected communities)**

It is the Government of Ontario, not Remotes, that has determined who is eligible for Rural and Remote Rate Protection (“RRRP”). That determination was made by the Government in s. 79(2) of the *Ontario Energy Board Act, 1998*, and in O. Reg. 442/01 made under that statute. The applicable portion of the Regulation states that in addition to the persons described in subsection 79(2) of the statute, the following class of consumers is eligible for rate protection:

“Consumers who occupy premises, other than government premises, in a remote area.”

The same Regulation defines “government premises” as:

“Premises occupied by the Crown in right of Canada or Ontario or a facility that is funded in whole or in part by the Crown in right of Canada or Ontario, but does not include premises occupied by:

- (a) Canada Post Corporation, the Services Corporation or a Subsidiary of the Services Corporation, or

- (b) social housing, a library, a recreational or sports facility, or a radio, television or cable television facility.”

Therefore, customers who receive Government funding are not eligible for RRRP, and it is therefore necessary for Remotes to establish a Standard A grid-connected rate for such customers, as Remotes has proposed in this Application.

The submission of Cat Lake First Nation (“Cat Lake”) filed in this proceeding on July 12, 2013, states in part at paragraph 11,

“Should Remotes apply Standard A rates to the community-owned and operated facilities such as the school, teacher accommodation, water treatment plant, municipal garage, lift stations, heated water mains, fire station and Band office, the community will be required to use operating funds designated for other purposes to pay for the electricity used by these facilities.”

Although Remotes acknowledges that Aboriginal Affairs and Northern Development Canada’s funding for electricity used in community facilities is reduced when communities connect to the grid, the facts are that some funding is still made available and that Remotes’ proposed rate of 29.02 cents per kWh is much lower than the Standard A rates charged to off-grid customers. Further, Remotes points out that the proposed Standard A rate for grid-connected customers is approximately the same as the Institutional rates approved by the Board and charged to government customers in Fort Albany, Kashechewan and Attawapiskat, which are also “geographically-remote, grid-connected communities.”

Cat Lake has also submitted, at paragraph 12 of its submission, that:

- (a) Standard A rates should apply only to those accounts that are recognized by the federal or provincial government as Standard A service through their respective funding formulas to the community or where they pay for the service directly; and
- (b) the Standard A service definition, when not recognized by the funding agency, is discriminatory against the community when the comparable service is provided to a private customer at a reduced rate.

The submission of Board Staff filed in this proceeding on July 12, 2013, expresses concern about the effect of the proposed rates on customers who will be classified as Standard A customers. However, the fact is that, as shown in the Application (at Exhibit I, Tab 3, Schedule 13, attachment 1), a Standard A rate of 62.53 cents per kWh is currently being charged to customers, whereas Remotes’ proposal is for a much lower rate. Therefore, Remotes submits that its proposed rate relief for existing Standard A customers should not be delayed.

The Government of Ontario made a decision, as evidenced by the Regulation, to expressly differentiate between facilities receiving no government funding and facilities receiving government funding. The purpose of the differentiation was to assist facilities receiving no government funding by qualifying them for RRRP, while not assisting facilities already

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receiving government funding. Remotes submits that such differentiation is not “discrimination” having the pejorative meaning implied by Cat Lake in its submission.

***ALL OF WHICH IS RESPECTFULLY SUBMITTED.***

ORIGINAL SIGNED BY MICHAEL ENGELBERG

Michael Engelberg  
Counsel for the Applicant