

REGULATORY ACCOUNTS

1.0 DESCRIPTION OF REGULATORY ACCOUNTS

Remotes has two Regulatory Accounts: the Rural and Remote Rate Protection Variance Account RRRP (RRRPVA); and an Impact for USGAAP Account.

(in \$K)

	Historic				Bridge
Year	2013	2014	2015	2016	2017 Projected
Rural and Remote Rate Protection (USofA 2405)	1,985	4,579	2,760	1,644	5,262
Impact of USGAAP Account (USofA 1508)	0	0	0	0	0
Total	1,985	4,579	2,760	1,644	5,262

1.1 Remote Rate Protection Variance Account

Remotes conducts its operations under a cost recovery model applied to achieve breakeven results of operations after the inclusion of PILs. Any excess or deficiency in remote rate protection revenues necessary to ensure breakeven results in operations is added to, or drawn from, the RRRPVA. The account was originally established in 2003 pursuant to O.Reg. 442/01. In its RP-2005-0020/EB-2005-0511 Decision, and in its Decision in EB-2012-0137, the Board approved continuation of this account. Detailed information about the balances in this account from 2013 to 2016 can be found as Attachments 1 to 4 of this exhibit. This account is reported to the Board on a quarterly basis consistent with the Board's Reporting and Record Keeping Requirements.

1 No interest is applied to the RRRPVA given that the intent of the account is to serve as a
2 tool to achieve a break-even operating result. Adding interest would result in a circular
3 impact on the RRRPVA as the interest cost would itself impact that year's operating
4 result, causing a revision to the amount added to or withdrawn from the RRRPVA.

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6 **2.0 REQUEST FOR DISPOSITION OF ACCOUNTS**

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8 It is requested that Remotes' new rates will be effective and implemented on May 1,
9 2018, and that disposition of the accounts requested will commence on that date.

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11 **3.0 ESTABLISHMENT OF NEW DEFERRAL AND VARIANCE ACCOUNTS**

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13 Remotes does not require the establishment of any new Deferral and/or Variance
14 Accounts.

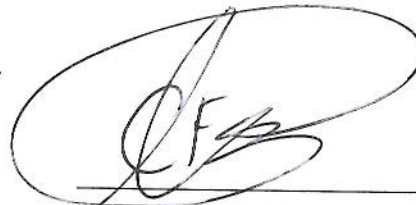
1 **CERTIFICATION OF EVIDENCE**

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3 TO: ONTARIO ENERGY BOARD
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6 The undersigned, being Hydro One's Senior Vice President, Finance, Chris Lopez hereby
7 certifies for and on behalf of Hydro One Remote Communities Inc. that:
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- 9 1. I am the Senior Vice President, Finance of Hydro One;
- 10 2. This certificate is given pursuant to section 3.2.5.3 of Chapter 3 of the Ontario
11 Energy Board's *Filing Requirements for Electricity Distribution Rate Applications*
12 (last revised on July 20, 2017); and
- 13 3. That Hydro One has robust processes and internal controls in place for the
14 preparation, review, verification and oversight of the account balances being
15 disposed.

16
17 DATED this 28th day of August, 2017.

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CHRIS LOPEZ

1 **REMOTES RURAL AND REMOTE RATE PROTECTION**
2 **VARIANCE ACCOUNT RECONCILIATION 2013 TO 2016)**

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4 Attachment 1: 2013 Rural and Remote Rate Protection Variance Account Reconciliation

5 Attachment 2: 2014 Rural and Remote Rate Protection Variance Account Reconciliation

6 Attachment 3: 2015 Rural and Remote Rate Protection Variance Account Reconciliation

7 Attachment 4: 2016 Rural and Remote Rate Protection Variance Account Reconciliation

HYDRO ONE REMOTE COMMUNITIES INC
Rural and Remote Rate Protection Variance Account Reconciliation 2013
For the year ended December 31, 2013
(in \$K)

		<u>Actual Revenues and Expenses (Audited)</u>	<u>Approved</u>	<u>Variance</u>
RRRP Variance Account, Opening Balance	1-Jan-2013	787		
Annual Rural and Remote Rate Protection		(32,259)	(32,259)	
RRRP Variance Account Recovery		(787)	(787)	
Total RRRP received		(33,046)	(33,046)	(33,046)
Revenues				
Energy		(14,985)	(17,260)	(2,275)
Other - Late Payment, Service Fees, External		(805)	(586)	219
Total Revenues	Note 1	(15,790)	(17,846)	(2,056)
Costs - OM&A				
Generation		12,966	10,585	2,381
Fuel		25,568	24,067	1,501
Power purchased		0	1,980	(1,980)
Distribution		1,461	2,980	(1,519)
Customer care		2,844	1,855	989
Community relations		520	750	(230)
Administration and other OM&A		1,427	1,157	270
External costs		206	61	145
Bad debt expense (recovery)		220	48	172
Depreciation		3,169	3,317	(148)
Amortization of environmental assets		1,656	1,861	(205)
Interest		1,088	1,631	(543)
Income taxes		(1,091)	(187)	(904)
Total Costs		50,034	50,105	(71)
Net (Income)/Loss [change in RRRP]		1,198		
RRRP Variance Account, Ending Balance	31-Dec-2013	1,985		

Note 1 - Hydro One Remote Communities conducts its operations under a cost recovery model applied to achieve an after-tax breakeven operation result. Any excess or deficiency in remote rate protection revenues necessary to breakeven is added to, or drawn from, the Remote Rate Protection Variance Account. Remote Rate Protection amounts received for the year ended December 31, 2013 were \$33,046 thousand. An additional \$1,198 thousand was recognized as revenue consistent with the break-even business model. The balance of the remote rate protection amounts received has been allocated to the remote rate protection revenue variance account as illustrated in this reconciliation.

HYDRO ONE REMOTE COMMUNITIES INC
Rural and Remote Rate Protection Variance Account Reconciliation 2014
For the year ended December 31, 2014
(in \$K)

		<u>Actual Revenues and Expenses (Audited)</u>	<u>Approved</u>	<u>Variance</u>
RRRP Variance Account, Opening Balance	1-Jan-2014	1,985		
Annual Rural and Remote Rate Protection		(32,259)	(32,259)	
RRRP Variance Account Recovery		0	0	
Total RRRP received		(32,259)	(32,259)	(32,259)
Revenues				
Energy		(16,784)	(17,260)	(476)
Other - Late Payment, Service Fees, External		(494)	(586)	(92)
Total Revenues	Note 1	(17,278)	(17,846)	(568)
Costs - OM&A				
Generation		14,242	10,585	3,657
Fuel		25,869	24,067	1,802
Power purchased		0	1,980	(1,980)
Distribution		1,879	2,980	(1,101)
Customer care		1,906	1,855	51
Community relations		554	750	(196)
Administration and other OM&A		1,492	1,157	335
External costs		172	61	111
Bad debt expense (recovery)	Note 2	(175)	48	(223)
Depreciation		3,040	3,317	(277)
Amortization of environmental assets		1,599	1,861	(262)
Interest		1,543	1,631	(88)
Income taxes		10	(187)	197
Total Costs		52,131	50,105	2,026
Net (Income)/Loss [change in RRRP]				2,594
RRRP Variance Account, Ending Balance	31-Dec-2014	4,579		

Note 1 - Hydro One Remote Communities conducts its operations under a cost recovery model applied to achieve an after-tax breakeven operation result. Any excess or deficiency in remote rate protection revenues necessary to breakeven is added to, or drawn from, the Remote Rate Protection Variance Account. Remote Rate Protection amounts received for the year ended December 31, 2014 were \$32,259 thousand. An additional \$2,594 thousand was recognized as revenue consistent with the break-even business model. The balance of the remote rate protection amounts received has been allocated to the remote rate protection revenue variance account as illustrated in this reconciliation.

Note 2 - Bad debt recovery of \$175 thousand reflects the impact of lower energy receivables due to successful long term payment arrangements and vigorous residential collections.

HYDRO ONE REMOTE COMMUNITIES INC
Rural and Remote Rate Protection Variance Account Reconciliation 2015
For the year ended December 31, 2015
(in \$K)

		<u>Actual Revenues and Expenses (Audited)</u>	<u>Approved</u>	<u>Variance</u>
RRRP Variance Account, Opening Balance	1-Jan-2015	<u>4,579</u>		
Annual Rural and Remote Rate Protection		(32,259)	(32,259)	
RRRP Variance Account Recovery		0	0	
Total RRRP received		<u>(32,259) (32,259)</u>		<u>(32,259)</u>
Revenues				
Energy		(16,272)	(17,260)	(988)
Other - Late Payment, Service Fees, External		(1,608)	(586)	1,022
Total Revenues	Note 1	<u>(17,880) (17,880)</u>		<u>(17,846) 34</u>
Costs - OM&A				
Generation		12,957	10,585	2,372
Fuel		23,250	24,067	(817)
Power purchased		0	1,980	(1,980)
Distribution		2,415	2,980	(565)
Customer care		1,733	1,855	(122)
Community relations		291	750	(459)
Administration and other OM&A		1,307	1,157	150
External costs		264	61	203
Bad debt expense (recovery)	Note 2	(1,105)	48	(1,153)
Depreciation		3,697	3,317	380
Amortization of environmental assets		1,222	1,861	(639)
Interest		1,661	1,631	30
Income taxes		628	(187)	815
Total Costs		<u>48,320 48,320</u>		<u>50,105 (1,785)</u>
Net (Income)/Loss [change in RRRP]				(1,819)
RRRP Variance Account, Ending Balance	31-Dec-2015	<u>2,760</u>		

Note 1 - Hydro One Remote Communities conducts its operations under a cost recovery model applied to achieve an after-tax breakeven operation result. Any excess or deficiency in remote rate protection revenues necessary to breakeven is added to, or drawn from, the Remote Rate Protection Variance Account. Remote Rate Protection amounts received for the year ended December 31, 2015 were \$32,259 thousand. Of that, \$30,440 thousand was recognized as revenue consistent with the break-even business model. The balance of the remote rate protection amounts received has been allocated to the remote rate protection revenue variance account as illustrated in this reconciliation.

Note 2 - Bad debt recovery of \$1,105 thousand primarily reflects the successful early completion of a long term payment plan.

HYDRO ONE REMOTE COMMUNITIES INC
Rural and Remote Rate Protection Variance Account Reconciliation 2016
For the year ended December 31, 2016
(in \$K)

		<u>Actual Revenues and Expenses (Audited)</u>	<u>Approved</u>	<u>Variance</u>
RRRP Variance Account, Opening Balance	1-Jan-2016	2,760		
Annual Rural and Remote Rate Protection		(32,259)	(32,259)	
RRRP Variance Account Recovery		0	0	
Total RRRP received		(32,259)	(32,259)	
Revenues				
Energy		(17,658)	(17,260)	398
Other - Late Payment, Service Fees, External		(1,556)	(586)	970
Total Revenues	Note 1	(19,214)	(17,846)	1,368
Costs - OM&A				
Generation		13,931	10,585	3,346
Fuel		23,669	24,067	(398)
Power purchased		0	1,980	(1,980)
OESP Payments to IESO		61	0	61
Distribution		1,991	2,980	(989)
Customer care		1,897	1,855	42
Community relations		138	750	(612)
Administration and other OM&A		1,487	1,157	330
External costs		342	61	281
Bad debt expense (recovery)	Note 2	(21)	48	(69)
Depreciation		3,392	3,317	75
Amortization of environmental assets		1,247	1,861	(614)
Interest		1,776	1,631	145
Income taxes		447	(187)	634
Total Costs		50,357	50,105	252
Net (Income)/Loss [change in RRRP]		(1,116)		
RRRP Variance Account, Ending Balance	31-Dec-2016	1,644		

Note 1 - Hydro One Remote Communities conducts its operations under a cost recovery model applied to achieve an after-tax breakeven operation result. Any excess or deficiency in remote rate protection revenues necessary to breakeven is added to, or drawn from, the Remote Rate Protection Variance Account. Remote Rate Protection amounts received for the year ended December 31, 2016 were \$32,259 thousand. Of that, \$31,143 thousand was recognized as revenue consistent with the break-even business model. The balance of the remote rate protection amounts received has been allocated to the remote rate protection revenue variance account as illustrated in this reconciliation.

Note 2 - Bad debt recovery of \$21 thousand reflects the impact of lower energy receivables due to successful long term payment arrangements and vigorous residential collections.