

OEB STAFF INTERROGATORIES
Hydro One Remote Communities Inc.
Cost of Service Application
2018 Rates
EB-2017-0051

Exhibit A

A-Staff-1

Ref: Exhibit A / Tab 3 / Schedule 1 / Page 9

In the list of Specific Approvals Requested, Hydro One Remote Communities Inc. (Remotes) is seeking approval for specific service charges.

Please confirm that there are no changes to the specific service charges requested and Remotes is seeking approval to continue the existing service charges.

A-Staff-2

Ref: Exhibit A / Tab 3 / Schedule 1 / Page 7 and Schedule 2 / Page 4

The application notes that at the time of Remotes' last cost of service application in 2012, eight communities were in connection restrictions. Remotes has worked with Indigenous and Northern Affairs Canada (INAC) and First Nation communities to address the need for community growth. Only one community is currently facing restrictions and a project is planned starting in 2018, to remove the connection restriction in that community. However, in another section of the application (Schedule 2, page 4, lines 14-15), Remotes has indicated that at this time, only two communities remain in connection restrictions.

Please reconcile the discrepancy in the evidence and clarify the number of communities that face connection restrictions.

A-Staff-3

Ref: Exhibit A / Tab 6 / Attachment 3 / Report on Customer Service Research / Page 4

In the application, Remotes has provided survey results from the telephone survey conducted by Viewpoints Research. The research indicates that awareness of the Low-Income Energy Assistance Program (LEAP) is 33% while one in four is aware of the Ontario's Electricity Support Program (OESP).

What steps has Remotes taken to increase awareness of LEAP and OESP within the communities it serves?

A-Staff-4

Exhibit A / Tab 5 / Schedule 2 / Pages 1-8

Remotes has provided information about its reliability indicators, specifically the System Average Interruption Frequency Index (SAIFI) and the System Average Interruption Duration Index (SAIDI).

The service reliability indicators (SAIDI and SAIFI) excluding loss of supply have not shown improvement over the years. In fact, SAIDI has worsened in 2015 and 2016. Please indicate the measures that Remotes has implemented and intends to implement to improve SAIDI and SAIFI indicators going forward. Please provide a detailed response.

A-Staff-5

Exhibit A / Tab 5 / Schedule 2 / Pages 1-8

Remotes has referred to some major outages that have impacted its reliability indicators. In many cases, the emergency was compounded by a delay in securing a plane to fly to the community.

- a) When a major outage occurs, what are the steps involved in restoring power to the community?
- b) What is the average length of a major outage before power is restored?
- c) Has Remotes calculated the average cost of repairing a major outage? If yes, please provide details and the average amount.

A-Staff-6**Reponses to Letters of Comment**

Following publication of the Notice of Application and the Community Meeting, the OEB received three letters of comment. Sections 2.1.6 of the Filing Requirements state that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the Board related to the distributor's application. If the applicant has not received a copy of the letters or comments received at the community meetings, they may be accessed from the public record for this proceeding.

- a) Please file a response to the matters raised in the letters of comment referenced above. Going forward, please ensure that responses to any matters raised in subsequent comments or letter are filed in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

A-Staff-7**Hydro One Transmission 2017 and 2018 Revenue Requirement and Charge Determinant Decision and Order (EB-2016-0160)**

In the Hydro One Transmission Decision referenced above, the OEB disallowed the costs attributable to the Ombudsman Office in rates. How does this decision impact the Shared Services costs that Remotes has included in 2018 rates?

Exhibit B**B-Staff-8****Exhibit B / Tab 1 / Distribution System Plan (DSP), Pages 11-12**

Remotes has provided a list of its Conservation and Demand Management (CDM) programs over the past five years. Most of the programs listed have been discontinued due to poor intake or due to difficulty in engaging Band Councils as partners. Remotes has further noted on page 97 of its DSP that Remotes' customers have expressed a disinterest in CDM and shown a preference toward renewable energy generation.

- a) In Remotes' opinion, what are the main factors for the poor uptake of CDM programs over the years? Has Remotes considered including questions in its

customer satisfaction survey to explore the reasons for the limited interest in CDM programs within the communities?

- b) If Remotes' customers are not interested in CDM programs, has Remotes considered reducing the budget for CDM programs?
- c) Remotes has provided a description of a number of these programs: Community Conservation, Main-in-rebate, commercial lighting retrofit etc. Which of the programs are funded by IESO or INAC? Are any programs funded by Remotes? If yes, please provide details including costs.

B-Staff-9

Exhibit B / Tab 1 / DSP, Pages 14-15

The evidence notes that the provincial government plans to connect 16 remote communities to the transmission system. Nine of these communities are presently served by Remotes and seven are operated by Independent Power Authorities (IPAs). The provincial and federal governments have indicated that all communities must be served by a licensed distribution company to connect to the grid. Five IPAs have requested service from Remotes.

- a) When the nine communities that are presently served by Remotes move to receiving power from the transmission system, would they continue to be distribution customers of Remotes? Please provide a detailed response.
- b) When the 16 communities are connected to the transmission system, will the number of customers served by Remotes (distribution) increase or decrease?
- c) Assuming the communities are connected to a transmission system as per the timing in the North of Dryden Integrated Regional Resource Plan, what would be the impact on Remotes' revenues and load for the period 2017 to 2022?

B-Staff-10

Exhibit B / Tab 1 / DSP, Page 20

Remotes has provided a summary of cost savings for the years 2017-2022 (Table 2-4). The sources of cost savings includes Winter Road Fuel Savings, First Nation Fuel Savings, Meter Reader Savings, Operator Savings and Webshare Savings.

Please provide a more detailed explanation of how the cost savings will be achieved and how they are calculated?

B-Staff-11

Exhibit B / Tab 1 / DSP, Page 21

Remotes has listed some of the initiatives undertaken to reduce costs. Usually, Remotes reads its own meters but contacts the First Nation band councils for local employment.

Has Remotes considered installing smart meters to allow it to read meters remotely and recognize cost savings?

B-Staff-12

Exhibit B / Tab 1 / DSP, Page 23

Remotes has indicated that INAC is responsible for funding generation and distribution capital upgrades associated with load growth in First Nation communities served by Remotes.

For capital projects that receive funding from INAC, does Remotes add the cost of the projects to rate base?

B-Staff-13

Exhibit B / Tab 1 / DSP, Page 24, Lines 35-40

Remotes has indicated that there is a lack of skilled trades contract resources living in the communities, and there are very few contractors who work in them. Remotes employs regular and casual staff, apprentices and contract staff to complete capital and maintenance work. Work in the communities requires a number of different skilled trades including line maintainers, distribution technicians, environmental technicians, mechanics, electricians and carpenters who specialize in distribution system upkeep, generator upkeep and civil construction.

Does Remotes provide any training within the communities to increase or develop the skills of locals within the communities? If yes, please elaborate on the kind of training provided and the benefits to Remotes of these initiatives.

B-Staff-14

Exhibit B / Tab 1 / DSP, Page 33

The DSP indicates that Remotes performed a considerable amount of work to help the northern IPAs prepare for anticipated grid connection. Based on the proposed transmission line route, the IPAs would be connected before any of the communities served by Remotes are connected.

Was Remotes compensated for the considerable amount of work undertaken to help the northern IPAs prepare for anticipated grid connection? If yes, how were these costs calculated and accounted for?

B-Staff-15

Exhibit B / Tab 1 / DSP, Page 33

The Filing Requirements indicate that applicants must provide a discussion on how customers were informed of the proposals being considered for inclusion in the application and the value of those proposals to customers i.e. costs, benefits, and the impact on rates. OEB staff notes that Remotes did not include the "value of those proposals to customers i.e. costs, benefits, and the impact on rates." The only information provided is results from a customer survey that is limited to measuring customer satisfaction.

- a) Please provide a more extensive explanation of the value that was provided to customers of the proposals that were being considered for inclusion in this 2018 cost of service application. i.e. costs, benefits, and the impact on rates.
- b) Please specifically state how customers' feedback informed and were incorporated into the main elements of Remotes 2018 cost of service application such as capital expenditures, business plan and OM&A costs.
- c) What forms of outreach were employed to explain how the current application serves the needs and expectations of customers?
- d) Please identify any initiatives considered and/or undertaken by Remotes, including any analysis conducted, to optimize plans and activities from a cost perspective, for example, balancing cost levels of OM&A versus capital.

B-Staff-16

Exhibit B / Tab 1 / DSP, Pages 45-46

Remotes is planning to install new viper switches on its distribution system to protect upstream customers from downstream faults and to improve the cold load pick up capability of the system.

- a) What is the timeline of installing the new viper switches?
- b) What is the total cost of installing the new viper switches and what portion of these costs are included in the 2018 Test Year?

B-Staff-17

Exhibit B / Tab 1 / DSP, Pages 48

Remotes tracks its distribution losses as the difference between the energy generated and energy sold, measured as a percentage of the total energy generated (all in kWh). The target for the metric is 3.6% or less. Remotes has indicated that it exceeded its target in 2013, but has met the target since.

- a) What were the reasons for not meeting the target in 2013?
- b) Is electricity theft included in distribution losses?
- c) Is electricity theft an issue in Remotes service territory? If yes, please provide the revenue loss as a result of electricity theft for the years 2013 to 2017.

B-Staff-18

Exhibit B / Tab 1 / DSP, Pages 51-52

Most of Remotes' electricity is generated using diesel fuel since it is currently the most reliable and cost-effective method. Generators within the 19 generating stations burn diesel fuel to produce electricity, directly emitting greenhouse gases to the atmosphere. Remotes has noted that it has increased its direct emissions from electricity generation for the past years. This is due to increase in the electricity demand. Therefore, Remotes' focus is to reduce its net emission intensity.

Has Remotes evaluated the use of alternative generation technologies apart from solar and wind that could decrease its net emission intensity and reduce emissions from greenhouse gases? Please provide a detailed response.

B-Staff-19

Exhibit B / Tab 1 / DSP, Page 70

While discussing the replacement of diesel generators that are in a poor condition, Remotes has noted that Hillspport and Sultan are small communities that have temporary units that can be moved among the sites to manage the impact of an unplanned failure.

- a) Does Remotes provide service in other small communities that can take advantage of temporary movable units to manage the impact of an unplanned failure?
- b) Has Remotes conducted any analysis or studies to understand the cost impact of using temporary small or medium sized generators that can be moved within communities to manage the impact of an unplanned failure? Please provide a detailed response.

B-Staff-20

Exhibit B / Tab 1 / DSP, Pages 73-74

Remotes owns 4,662 poles, a large proportion of which are between 25 and 35 years old. Over the next 5 years, Remotes plans to replace 115 poles identified to be in poor condition.

- a) What is the average cost of replacing a pole?
- b) What is the average life of a pole in Remotes communities and is it different from other parts of Ontario?

B-Staff-21

Exhibit B / Tab 1 / DSP, Page 86

In table 4-8, Remotes has provided a list of generation related capital projects for the years 2018 to 2022. One of the categories include SCADA and PLC Replacement and high speed internet.

- a) Will Remotes be installing the high speed internet connection or will it be installed by a third party contractor?
- b) What is the total cost of installing the high speed internet connection and what portion of these costs are included in 2018 capital expenditures?

- c) Is Remotes sharing the cost of installing high speed internet with some telecom provider or the First Nation communities?
- d) Will the high speed internet connection only benefit Remotes or the entire community and other companies?

B-Staff-22

Exhibit B / Tab 1 / DSP, Page 87

Remotes has indicated that as per the Order-in-Council from the Provincial Government, 16 remotes communities are expected to be connected to the transmission system. Nine of these communities are presently served by Remotes and at least two more communities are expected to be served by Remotes in the future. While this will not affect investments according to Remotes, in the communities over the five-year period of the DSP, it has affected the investments INAC makes in generation assets. It is also expected that the construction activities of this new transmission line will affect Remotes planning considerations over the medium to long term.

- a) How has the proposed construction of the transmission system affected the investments INAC makes in generation assets? How is this change expected to impact funding that Remotes receives from INAC?
- b) Has Remotes considered deferring investments in generation overhaul or new generators as a result of the expected connection of some of the communities to the transmission system? If no, why not?

B-Staff-23

Exhibit B / Tab 1 / DSP, Page 92

In the DSP, Remotes has indicated that its service area is expected to expand to include three new communities during the forecast period. One of these, Cat Lake is already connected to the Hydro One Networks Inc. transmission system in northwestern Ontario; therefore, Remotes will only be responsible for power distribution in this community. The transfer is planned for 2018, is contingent upon an agreement with the community, and will result in a customer increase of 111.

- a) If Remotes were to distribute electricity in Cat Lake in 2018, does it have OEB-approved distribution rates to charge customers in the community of Cat Lake? If yes, please provide the distribution rate that will be charged and explain how the rate was derived?

- b) Has Remotes included the expected connection of 111 customers in the community of Cat Lake in its customer and load forecast?

B-Staff-24

Exhibit B / Tab 1 / DSP

While discussing capital expenditures, Remotes has referred to many projects/programs stating that expenditures are customer-initiated and fully recoverable.

- a) Please explain what “fully recoverable” means? In the case of such expenditures, does Remotes recovers all of its expenses including OM&A costs that are usually capitalized?
- b) Are any of the “fully recoverable” capital expenditures added to rate base?

B-Staff-25

Exhibit B / Tab 1 / DSP, Page 98

Remotes has not provided any information on customer engagement. There is some feedback from customers that is provided in the customer survey results and the Customer Advisory Group that offers advice on service policies and procedures, and ways to improve services within the communities. However, there is no information on how the perspective of customers was incorporated into the DSP and how Remotes was informed of its customers’ preferences in creating the DSP and planned capital expenditures.

- a) Please confirm whether Remotes initiated any customer engagement prior to formulating the DSP or preparing the cost of service application. If no, why not?
- b) Please explain how Remotes planned capital expenditures reflect customer preferences identified through customer engagement.
- c) Please identify any customer engagement that supports the further increases proposed in this application.

B-Staff-26

Exhibit B / Tab 1 / DSP, Page 104, Table 4-14

Remotes has provided the net capital expenditures for the period 2013 to 2022 and the percentage change in each of the years. In 2013, 2014 and 2015, Remotes' capital expenditures were significantly lower than planned.

- a) Please provide detailed reasons as to why actual capital expenditures in 2013, 2014 and 2015 were significantly lower than planned.
- b) Please update table 4-14 with 2017 actual capital expenditures.
- c) Considering that Remotes has underspent in previous years (2013 to 2016), how does Remotes plan to meet its forecast capital expenditures for the planned period, 2018 to 2022?
- d) While capital expenditures have declined during the 2013 to 2016 period, system O&M expenditures have not experienced any corresponding decline with the exception of 2016. Please explain the reasons for the disconnect between capital expenditures and system O&M expenditures.

B-Staff-27

Exhibit B / Appendix A / Business Cases for Material Investments, Pages 15-18

Remotes has indicated that the A unit diesel generator in Big Trout Lake is forecast to reach 55,868 engine-hours in 2019 and is rated to be in very poor condition. Remotes has proposed an engine replacement for this generator in 2019.

- a) What is the total cost to replace the A unit generator in Big Trout Lake?
- b) Will ratepayers be paying for the cost of replacement?
- c) Please confirm that replacement generators are paid for by ratepayers while generator installation in response to load growth is paid for by INAC or First Nation communities.
- d) Remotes has indicated that it has 57 diesel generators in service. How many of these generators have been replaced (paid for by ratepayers) over time?

B-Staff-28

Exhibit B / Appendix A / Business Cases for Material Investments, Pages 23-27

Remotes has provided information about its planned generator overhauls. Medium-speed engines (1,800 rpm) are overhauled after 20,000 engine hours and low-speed

engines (1,200 rpm) are overhauled after 42,000 hours. The average gross spending over the forecast period (2018 to 2022) is \$703,000 per year with \$608,000 budgeted for the 2018 Test Year.

What is the process involved in a generator overhaul and how long does it take to overhaul a typical generator?

B-Staff-29

Exhibit B / Appendix A / Business Cases for Material Investments, Pages 54-58

Remotes plans to connect the communities of Big Trout Lake and Wapekeka to combine the peak load. Remotes has indicated that the connection of the two communities through a distribution line would improve the ability to supply power from either diesel generation station under contingency situations, reducing the frequency and duration of outages in both communities. Remotes has also indicated that it has not connected stations together previously in the proposed manner.

Are there any other communities served by Remotes that can be connected in a similar manner as Big Trout Lake and Wapekeka?

B-Staff-30

Exhibit B / Appendix A / Business Cases for Material Investments, Pages 68-75

Remotes has indicated that its customers in Weagemow have requested funding through INAC to upgrade the generating station capacity. Subject to the availability and amount of INAC funding approved, the Weagemow upgrade would replace all four generators comprising the community's current generating station. Remotes has further noted that the community of Weagemow is anticipating connection to new transmission lines under the Remote Community Connection Plan.

- a) Please explain the rationale for replacing all four generators when it is anticipated that in the medium term the community of Weagemow will be connected to a new transmission system? Has Remotes considered replacing some of the generators rather than all four considering that the community is expected to be connected to a transmission system?
- b) What will be the expected utility of four new generators once the community is connected to a transmission system?

B-Staff-31

Exhibit B / Appendix A / Business Cases for Material Investments, Page 76

Remotes has expressed a concern with respect to transportation of heavy equipment to the community of Weagamow for the upgrade project. Remotes expects an all-season road to the community to be completed in 2017.

Please confirm whether the all-season road has been completed. If not, please provide an expected date of completion.

B-Staff-32

Exhibit B / Appendix B / North of Dryden Integrated Regional Resource Plan / Page 25

The northern portion of the North of Dryden sub-region is comprised of 21 remote communities, some of which are served by Hydro One Remotes. The Remote Community Connection Plan demonstrates a business case to connect 21 of 25 remote communities that currently rely on diesel generation, to the provincial transmission grid. For the purpose of this regional plan, 21 of the 25 communities are assumed to connect to Ontario's transmission system as per the IESO's Remote Community Connection Plan. Communities are expected to begin connecting in the early 2020s.

In Remotes' DSP, it has indicated that the Remote Community Connection Plan is still in its draft form, the connection dates for the communities served by Remotes are not firmly established at this time. Remotes also notes that the Remote Community Connection Plan will not affect investments in the communities over the five-year period of the DSP.

- a) Does Remotes expect that a new transmission system will not be in place in the early 2020s providing grid connection to some of the communities served by Remotes? If yes, please provide reasons.
- b) If some of the Remotes communities start getting connected to the transmission system in early 2020s, would Remotes need to re-evaluate some of its proposed investments in the DSP?
- c) In Remotes opinion, what is the expected timeline of communities served by Remotes getting connected to the transmission system under the Remote Community Connection Plan?
- d) Why is Remotes not considering altering or scaling down some of its proposed investment plans in light of the implementation of the Remote Community Connection Plan?

Exhibit D

D-Staff-33

Exhibit D1 / Tab 1 / Schedule 1 / Table 1 / Page 2

Remotes has provided the OM&A cost categories for the 2018 Test Year. Total OM&A expenses for the 2018 Test Year are forecasted at \$50.14 million.

- a) Please reconcile the 2018 OM&A expenses provided in Exhibit D1 with generation and distribution related OM&A expenses provided on page 16 and 18 (Tables 2-1 and 2-2) of the DSP.
- b) Please re-calculate the percentage year over year change for the period 2013 OEB-approved and 2013 actuals and confirm that the change is 9.8%.

D-Staff-34

Exhibit D1 / Tab 1 / Schedule 2 / Table 2 / Page 5

Generation Maintenance related OM&A costs for the 2018 Test Year have almost doubled as compared to 2013 OEB-approved amounts (94% increase).

- a) Please explain the drivers for the significant increase in Generation Maintenance related OM&A expenses.
- b) Does Remotes expect the trend of significant increases to continue during the planning period (2018 to 2022)?
- c) What were the total expenses for unplanned maintenance of engines during each of the years 2013 to 2017?
- d) What steps has Remotes taken to reduce occurrences of unplanned maintenance of engines?

D-Staff-35

Exhibit D1 / Tab 1 / Schedule 2 / Tables 1-4 / Pages 2-9

Please update Tables 1 to 4 with actual 2017 costs.

D-Staff-36

Exhibit D1 / Tab 1 / Schedule 2 / Table 5 / Page 11

Remotes has provided fuel costs including the average delivered cost per litre for 2018 in Table 5.

Please provide a similar table for the years 2013 to 2017 along with information on fuel lost as a result of spills, theft or other reasons.

D-Staff-37

Exhibit D1 / Tab 1 / Schedule 2 / Page 10-11

Remotes has indicated that the cost of delivery accounts for about 44% of the delivered price of fuel. Air delivery typically constitutes about 56% of fuel delivered to Remotes' communities.

- a) Are there any communities that received fuel deliveries by air in 2013 but are now delivered using all-weather road or winter road?
- b) When the nine communities served by Remotes get connected to the transmission system under the Remote Community Connection Plan, what changes does Remotes expect in terms of its fuel usage, costs and delivery?

D-Staff-38

Exhibit D1 / Tab 1 / Schedule 3 / Table 1 / Page 1

Remotes has provided distribution related OM&A expenses for the period 2013 to 2018. The expenses have been categorized under distribution maintenance and distribution operations.

- a) Please update the table with actual 2017 costs.
- b) The OEB-approved amount in 2013 rates was approximately \$3.0 million. Remotes has not spent the approved amount in any of the following years, from 2013 to 2016. The decrease in expenditures ranges from 19% to 51%. What are the drivers for the 2018 forecasted distribution related OM&A expenses (\$2.2 million) considering that Remotes has underspent its previous OEB-approved levels for the entire period 2013 to 2017?

D-Staff-39

Exhibit D1 / Tab 1 / Schedule 3 / Page 3 / Lines 6-8

In its evidence Remotes has indicated that increased distribution operations expenditures in 2015 compared to 2014 reflect increased costs related to a project to automate distribution data collection.

- a) Please provide more information on the project related to automate distribution data collection. How is this project different from the proposed investment on Supervisory Control and Data Acquisition (SCADA) and Programmable Logic Controllers (PLC) systems?
- b) Did the automation of distribution data collection resulted in any cost savings? Please provide a detailed response.
- c) Will the proposed investment in the SCADA and PLC systems achieve any cost savings during the planning period? If yes, please provide the estimated cost savings and how they have been accounted for in the test year.

D-Staff-40

Exhibit D1 / Tab 1 / Schedule 4 / Pages 2

With respect to customer care OM&A costs, higher customer care spending in 2013 as compared to the 2013 OEB-approved level is due to Remotes' involvement in the project design and implementation of the CIS billing system.

Please explain how customer care OM&A spending in 2013 increased as a result of implementation of a new billing system considering that costs related to major projects are usually capitalized.

D-Staff-41

Exhibit D1 / Tab 1 / Schedule 4 / Pages 2-3

Bad debt expense is made up of direct write-offs offset by recoveries, plus adjustments to the provision for bad debts. The bad debt allowance is based on a combination of applying model percentage against outstanding energy accounts receivables and specific identification of high risk receivables. Credits to bad debt expense in 2014 and 2016 reflect Remotes' success in negotiating payment arrangements with First Nation Band Councils. The credit in 2015 primarily reflects the successful early completion of a long term payment plan. Since January 2013, outstanding First Nation accounts

receivable have been reduced from \$4.4 million to \$2.6 million in December 2016. In fact, bad debt has not been an expense in 2014, 2015 and 2016 and has contributed to revenues.

- a) Please provide the actual bad debt expense for 2017.
- b) Why has Remotes included a bad debt expense of \$60,000 in 2018 considering that outstanding accounts receivable is \$2.6 million and Remotes has been successful in recovering previous outstanding payments in 2014, 2015 and 2016?
- c) Is Remotes of the opinion that it is not possible to recover any portion of outstanding accounts receivable of \$2.6 million in 2018?
- d) Please provide the average bad debt expense for the four years from 2014 to 2017.

D-Staff-42

Exhibit D1 / Tab 1 / Schedule 5 / Page 1

Community Relations expenses include various customer outreach activities, including a Conservation and Demand Management (CDM) program, the Customer Advisory Board (CAB) and public safety measures such as the joint use program.

- a) Please update Table 1 with 2017 actuals and provide a breakdown of Community Relations expenses as per the categories identified above.
- b) Please explain the joint use program

D-Staff-43

Exhibit D1 / Tab 1 / Schedule 5 / Page 2

With respect to CDM programs, Remotes has indicated that it has directed its conservation efforts towards Standard A customers and offers application-based programs.

What are application-based programs and what kind of CDM programs are offered to Standard A customers?

D-Staff-44

Exhibit D1 / Tab 1 / Schedule 5 / Page 2 / Lines 17-20

The Customer Advisory Board (CAB) consists of residential and commercial customers from within Remotes' service territory. The CAB offers advice on service policies and procedures, and ways to improve services within the communities.

- a) Does the CAB consists of Standard A and Non-Standard A customers?
- b) How many customers are usually in the CAB?
- c) Does the CAB provide advice or is consulted on Remotes' upcoming capital projects or its business plan? If no, why not?
- d) Is the CAB aware of Remotes' DSP and did they provide any input on the DSP?

D-Staff-45

Exhibit D1 / Tab 1 / Schedule 6 / Table 1 / Page 2

With respect to shared services, the costs related to System Services & Lease of Computer Equipment has increased from \$180,000 in 2013 (OEB approved) to a projected costs of \$261,000 in 2018.

Please explain the reasons for the significant increase in costs related to System Services and Lease of Computer Equipment.

D-Staff-46

Exhibit D1 / Tab 1 / Schedule 6 / Table 1 / Page 2

In the case of services provided by Hydro One under the shared service model, the costs for Supply Chain Services has been constant for the entire period 2013 to 2018.

- a) What services are included in Supply Chain Services?
- b) Why is the allocated amount constant for the period 2013 to 2018?
- c) How is the cost for Supply Chain Services allocated to Remotes?

D-Staff-47

Exhibit D1 / Tab 4 / Schedule 1

Please provide the actuarial valuation that underpins Remotes' 2018 pension contributions that are being sought for recovery in rates. In addition, please also provide the calculation that was used to allocate the applicant's share of the total Hydro One Inc. 2018 contributions (for both the Defined Benefit and Defined Contribution plans).

- a) Please also provide the total actual 2017 contributions made to both the Defined Benefit and Defined Contribution plans by Remotes.
- b) Please confirm that there has been no change in the methodology used to calculate and allocate Remotes' share of the total Hydro One Inc. contributions.

D-Staff-48

Exhibit D1 / Tab 4 / Schedule 1 / Table 2

At the above reference the applicant has indicated that it proposes to recover its test period OPEB costs on an accrual basis and provides a breakdown of the test period OPEB accrual expense in Table 2.

- a) Please provide the actuarial valuation that underpins the test period accrual expense being sought in rates.
- b) Please also provide the calculation used to allocate Remotes' share of the total Hydro One Inc. 2018 accrual expense.
- c) Please confirm that there has been no change in the methodology used to calculate and allocate Remotes' share of the accrual expense.

D-Staff-49

Exhibit D1 / Tab 4 / Schedule 1

At the above reference, Remotes discusses an upcoming update to the US GAAP accounting standard for pension and OPEB costs that will be effective from January 1, 2018.

- a) Please explain why Remotes is proposing to defer the impact of this accounting change on the current application when there is sufficient time to amend the application as needed?

- b) Please quantify what Remotes expects the impact to be on the test period pension and OPEB costs being sought in rates, as well as the impact on any other areas of the current application (i.e. depreciation).

D-Staff-50

Exhibit D1 / Tab 4 / Schedule 1, Report of the Ontario Energy Board on the Regulatory Treatment of Pension and OPEB Costs (EB-2015-0040), p. 8

In its September 14, 2017 Report on the Regulatory Treatment of Pension and OPEB costs (OEB Report), the OEB indicated that utilities proposing to set rates using a method other than accrual must support such a proposal with evidence, giving consideration to factors such as providing value to customers and assuring fairness to both present and future ratepayers, and the principles and practices enunciated in this Report.

Remotes has indicated that it has proposed to recover its pension expense for the test period on a cash basis because it believes that this method is more beneficial to its consumers than the accrual method as it results in a lower cost recovered through rates, it is more predictable, and the OEB had previously accepted cash payments related to its pension obligations as the basis of recovery since EB-2012-0137.

In accordance with the OEB Report, please provide evidence that supports the appropriateness of Remotes' continued use of the cash method to recover its pension costs. Please ensure that the evidence provided addresses the required areas as specified in the OEB Report. In addition, Remotes has indicated that the cash method results in lower rates to its consumers, however has not provided any analysis to support this statement. Therefore please also prepare an analysis similar to the one provided for OPEBs in Appendix 2-KA, which provides a historical analysis that compares the cash amount collected in rates and the accrual expense for the applicant's annual pension obligations (please complete the entire table).

D-Staff-51

Report of the Ontario Energy Board on the Regulatory Treatment of Pension and OPEB Costs (EB-2015-0040), p. 9-12

As outlined in the OEB Report on the Regulatory Treatment of Pension and OPEB Costs, effective January 1, 2018, utilities must use a variance account to track the difference between the forecasted accrual amount in rates and actual cash payment(s)

made, with an asymmetric carrying charge in favour of ratepayers applied to the differential.

- a) Can the use of an asymmetric carrying charge still achieve the desired outcome (i.e. to provide value to ratepayers for over collections) in the context of the break-even model that the applicant's business operates under? Please explain.
- b) If the response to the above is no, please provide other alternatives that could be considered in order to provide value to ratepayers with respect to any future over-collection of OPEB costs (i.e. accrual in excess of cash requirements).
- c) Please explain what the applicant has historically done with amounts that were over-collected with respect to its OPEB costs, as illustrated in Table 2 of Exhibit D1, Tab 4, Schedule1 and Appendix 2-KA.

D-Staff-52

Exhibit D1 / Tab 6 / Schedule 1 / Page 4 / Line 10

Remotes has indicated that expenses related to Land Assessment Remediation measures were lower in 2013 as compared to the amount approved in 2013 rates. The decrease between the 2013 OEB-approved amounts and 2013 actual amounts was as a result of a delay in the remediation of Pikangikum, Attawapiskat and Webequie.

- a) Does Remotes provide service to the community of Attawapiskat?
- b) Why did Remotes incur expenses for land remediation in the community of Attawapiskat and what kind of remediation measures were implemented?

D-Staff-53

Exhibit D1 / Tab 7 / Schedule 1 and Exhibit D2 / Tab 8 / Schedule 1

For purposes of calculating the 2018 test period regulatory income taxes, the applicant has indicated that the balance being claimed with respect to CCA excludes any CCA related to the revaluation of assets that occurred as a result of Hydro One's 2015 IPO.

- a) Similar to Hydro One's current distribution rates case, please confirm that it is the applicant's intention to defer litigation of the regulatory treatment of the tax benefits derived from Hydro One's recent IPO until the motion to review / appeal of the OEB's Decision on Hydro One's 2017/18 transmission rates case has been completed.
- b) If the response to the above is no, then please recalculate the test period utility income taxes in Exh D2-8-1 in accordance with the OEB's recent Decision on Hydro One's 2017/18 transmission rates case whereby the OEB has ordered that

the tax benefits from Hydro One's IPO be allocated 68%/32% between the shareholders and ratepayers respectively.

D-Staff-54

Exhibit D1 / Tab 7 / Schedule 1

At the above reference the applicant has indicated that it has recorded a \$682,000 tax adjustment to its December 31, 2016 audited RRRP variance account in order to reverse the impact of additional tax expense that was collected in rates because the Company was unable to claim CCA from January 1, 2015 to October 31, 2015 for tax purposes as a result of its IPO.

- a) Have the amounts in question already been collected from ratepayers or are they in the December 31, 2016 RRRP variance account balance?
- b) Please provide the detailed calculation of this adjustment along with a supporting narrative that explains these calculations.

D-Staff-55

Exhibit D2 / Tab 5 / Schedule 1

Remotes has provided a summary of wages and salaries for its staff over the historical and test period. The compensation for management staff has increased from \$704,673 in 2013 to \$819,814 in 2018, an increase of 16.3% over 2013 wages. However, the number of FTEs is the same as 2013 in this category. Similarly, society employees' total wages have increased from \$1,406,944 in 2013 to \$1,819,655 in 2018, an increase of 29.3% over 2013 with an addition of 0.5 FTE in 2018.

- a) Please explain why the OEB should approve the significant wage increases proposed for 2018 as compared to inflation, for management staff and society employees.
- b) Please confirm if the union agreement for wage increases in 2018 has been ratified by society employees.
- c) Please confirm whether Remotes had undertaken any relevant studies of its proposed increases in compensation/headcount on the basis of compensation benchmarking, or any other external comparators.
- d) Please explain the value that Remotes customers will receive as a result of the proposed salary increases in 2018.

D-Staff-56

Exhibit D2 / Tab 6 / Schedule 1

Remotes has provided a Regulatory Cost Schedule which includes certain one-time costs. One-time costs include intervenor costs and the amount for 2018 is \$80,000.

- a) What are the total estimated intervenor costs for this proceeding and how has Remotes accounted for the one-time nature of these costs?
- b) Does Remotes expect to incur \$80,000 in intervenor-related costs each year during a subsequent IRM period after rebasing?
- c) Are there any other one-time costs? If yes, please itemize them and explain how they have been accounted for in the test year.

D-Staff-57

Exhibit D2 / Tab 7 / Schedule 1

1. With respect to the test period amortization of environmental costs being sought in rates:
 - a) Please provide a continuity schedule of the environmental liability that starts from the audited closing 2016 balance and covers the bridge and test years. The format of the continuity schedule should be similar to Note 13 of the 2016 audited financial statements (excluding the breakout of the current portion).
 - b) It is not clear from the evidence filed what actual support underpins the estimate for the test year amortization of environmental costs. Please confirm that the applicant maintains some sort of spreadsheet that tracks the estimated future expenditures by year and from which the balance for the test period has been derived. Please also explain the process and record keeping involved.
 - c) Please provide a table that presents the amount of environmental cost amortization that was sought in rates over the last 5 applications (2013-2017) compared to the actual amortization costs incurred per the audited financial statements (please do the analysis by year). Provide explanations for any significant differences noted.
 - d) The evidence indicates that Remotes' reviews environmental costs annually to determine if any revisions are required. Please confirm that this review was performed in 2017 and that the amortization amount being sought in the test period is consistent with the results of this review.
2. Please explain how the estimates for asset removal costs in the test period are calculated and provide a table that compares what was sought in rates over the

last 5 applications (2013-2017) compared to what was actually incurred per the audited financial statements (please do the analysis by year).

D-Staff-58

Exhibit D2 / Tab 9 / Schedule 1

At the above reference, Remotes has provided historical tax returns. Based on a review of these tax returns, Remotes has been eligible to receive certain tax credits. Please explain why the impact of these tax credits was not considered in the calculation of the test period utility income taxes.

D-Staff-59

Exhibit D2 / Tab 9 / Schedule 1 / Attachment 6, 2016 Income Tax Return / Schedule 4

Schedule 4 of Remotes' 2016 income tax return indicates that there are non-capital losses being carried forward that will reduce taxable income in future years. Please indicate how these losses have been factored into the calculation of the test period regulatory income taxes in Exhibit D2-8-1. If they have not, please provide an explanation as to why their exclusion is appropriate.

D-Staff-60

Exhibit D2 / Tab 9 / Schedule 1 / Attachment 6, 2016 Income Tax Return / Schedule 10

The above reference illustrates that Remotes is entitled to receive a deduction for cumulative eligible capital (or effective January 1, 2017 the deduction under the *new CCA Class 14.1*) that is not being reflected in the calculation of the test period regulatory income taxes. Please explain what assets are included in the CEC pool and why the related deduction has been excluded from the calculation of the test period regulatory income taxes.

Exhibit E

E-Staff-61

Exhibit E1 / Tab 1 / Schedule 1 / Page 4

Please update the 2018 Cost of Capital in accordance with the OEB's Cost of Capital Parameter Updates for 2018 Cost of Service and Custom Incentive Rate-setting Applications issued on November 23, 2017.

Exhibit G

G-Staff-62

Exhibit G1 / Tab 1 / Schedule 1 / Page 1-4 and DSP, Page 8

Remotes has provided information on how it prepares its load forecast. The methodology is different from other electricity distributors in Ontario. Remotes tracks detailed monthly data on customer numbers and kWh usage by community and by class. This historical data provides the baseline for forecasting revenue usage / kWh sold. Adjustments are made to this baseline data for future years based on average historical growth in usage and historical annual customer changes.

- a) Please explain how the 2018 load forecast was derived and provide the supporting calculations and adjustments.
- b) Please provide the load forecast model in Excel format.
- c) In the DSP, Remotes has provided a summary of the forecast customer count for the period 2017 to 2022. Remotes expects to add 531 customers in 2019 related to the expansion in Pikangikum and 175 customers in 2020 in the community of Wunnumin Lake. The forecasted load is expected to increase from 62,565 MWh in 2018 to approximately 80,000 MWh in 2020 with the majority of load growth occurring in 2019. Has Remotes accounted for the load growth in 2019 and 2020 in its load forecast? If no, why not?
- d) Why has Remotes not used a multiple regression model or some other econometric model to prepare its load forecast?

G-Staff-63

Exhibit G1 / Tab 2 / Schedule 1 / Pages 3-4

In the table that provides current and proposed rates, Remotes has provided the rates for Standard A customers. With respect to services charges, Remotes does not have any service charges for Standard A customers.

- a) Please confirm whether Standard A customers pay a monthly service charge. If not, why not?
- b) If there are any errors in the table, please provide a revised corrected table.

G-Staff-64

Exhibit G1 / Tab 4 / Schedule 1 / Page 1

Remotes has two broad categories of customers, Standard A or government customers whose rates have been historically been set above cost, and those residential and general service customers who benefit from the Rural and Remote Rate Protection fund.

- a) What rates do residential and commercial customers that are not on First Nation reserves pay?
- b) What class and types of customers are included in Standard A?

G-Staff-65

Exhibit G1 / Tab 5 / Schedule 1 / Page 4

Remotes has provided the bill impacts for the different categories of customers.

Remotes has provided the bill impacts for Non Standard A general service three phase. These are customers who use three phase power. How is this customer class different from residential and residential seasonal customers? What type of power do residential and residential seasonal customers use?

G-Staff-66

Exhibit G1 / Tab 5 / Schedule 1 / Page 5

Remotes has provided a definition of Standard A customers and has noted the following exceptions:

- Canada Post Corporation, Hydro One Inc. or a subsidiary of Hydro One Inc.;
- social housing;
- a recreational or sport facility;
- a radio, television or cable television facility; and
- a library

What rates do customers that fall in the above categories pay?

Exhibit H

H-Staff-67

Exhibit H1 / Tab 1 / Schedule 1, Exhibit H2 / Tab 1 / Schedule 1 / Attachments 1-4

At the above reference, Remotes has requested the disposition of its December 31, 2016 audited Rural and Remote Rate Protection (RRRP) Variance Account balance.

- a) Given that the amounts recorded in the RRRP variance account for both 2015 and 2016 will be impacted by the final allocation (between shareholder and ratepayers) of the tax benefits arising from Hydro One's 2015 IPO, will Remotes be seeking to defer the disposition of its December 31, 2016 RRRP variance account balance until the motion to review / appeal of the OEB's Decision on Hydro One's 2017/18 transmission rates case has been completed?
- b) If the response to the above is no, then please recalculate the amounts recorded to the RRRP variance account in both 2015 and 2016 based on the OEB's recent Decision on Hydro One's 2017/18 transmission rates case, whereby the OEB has ordered that the tax benefits from Hydro One's IPO be allocated 68%/32% between the shareholders and ratepayers respectively.