

EB-2017-0051

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, Sch. B, as amended;

AND IN THE MATTER OF the Application by Hydro One
Remote Communities Inc. for electricity rates and proposed
revenue requirement effective May 1, 2018

Interrogatories of Energy Probe Research Foundation

January 3, 2018

Hydro One Remotes 2018 Rate Application Energy Probe IRs

EP IR #1

Reference: Exhibit A, Tab 3, Schedule 1, page 2, table 1

Please re-calculate the breakdown of the revenue requirement, but hold the percentage of revenue requirement recovered through rates (as opposed to RRRP funds) the same in this application as was approved in EB-2012-0137.

EP IR #2

Reference: Exhibit A Tab 3 Schedule 1 Pages 2 and 3; Business Plan 2017-2022

Preamble: The 2018 Rates Application is based on Rebasing/Cost of Service

Please indicate in detail with reference to the RRFE, how rates will be set for 2019-2022, including timing of future applications.

EP IR #3

Reference: HORCI Business Plan 2017-2022

Preamble: The HORCI Business Plan 2017-2022 Projects that operating costs (OM&A) will increase from \$50 million to \$60 million and the RRRP increase from \$38 million to \$60 million over the next 5 years 2018-2022.

- a) Please indicate the main drivers for these significant increases.
- b) Discuss how such an outlook fits with the goals of the OEB and RRFE.
- c) Discuss how HORCI will mediate this scenario.

EP IR #4

Reference: Exhibit A, Tab 3, schedule 2, page 2-3

Preamble: Remotes states that costs to the utility will increase significantly in the event that a winter road is not built.

- a) Since 2013, how many times has a winter road not been built?
- b) What increased costs are directly attributable to the lack of a winter road?
- c) Please provide a table clearly laying out what additional costs will be borne by Hydro One in the event that a winter road is not built?

- d) How does Hydro One deal with the increased costs from the lack of a winter road? Does it come from the RRRP variance account?

EP IR #5

Reference: Exhibit A Tab 3 Schedule 2, attachment 1, pages 2-3

- a) Please provide any updates on cost/schedule of the Kingfisher Lake project.
- b) Please provide any cost estimates of the Gull Bay First Nation solar and battery project?
- c) How are the costs from the Gull Bay solar and battery project recovered? Is Hydro One directly responsible for those costs?
- d) Will the power and costs from the Gull Bay project be calculated in the same way as other renewable energy projects – i.e. in the form of diesel power saved?

EP IR #6

Reference: Exhibit A, Tab 3, Schedule 3, pages 1-3

Please provide any cost-benefit analysis done in regards to the REINDEER program?

EP IR #7

Reference: Exhibit A, Tab 3, Schedule 3; DSP Figure 2-8

Please provide the results of the REG and Net Metering Programs for each historic year and a forecast for the 2018 Test Year. Please include totals and the following breakdown:

- HORCI-owned, FN/private-owned and Government REG installations and MWh
- FN and Government Net Metering installations and MWh.

EP IR #8

Reference: Exhibit A, Tab 3, Schedule 3 attachment 1, page 2

Please update Hydro One's diesel cost forecasts for 2017 and subsequent years if they have changed.

EP IR #9

Reference: Exhibit A, Tab 3, Schedule 1 Page 6; G2, Tab 1, Schedule 1

- a) Please provide Forecast and Actual Loads for 2013-2017 with a breakdown/estimate of Billing Units per Class
- b) Please provide the key assumptions for the 2018 Load Forecast, including communities connected, changes in customer count, conservation, REG, Net Metering etc..
- c) There is Conflicting evidence regarding when Cat Lake will become a Remotes Distribution Service area. Please clarify, including what is the condition and what will happen to the Cat Lake generators and other assets?
- d) Please provide a sensitivity assessment of the 2018 Load Forecast on Billing Units and Rates.(e.g.± 10%)
- e) Has Remotes assessed the impact of weather on the Load Forecast? Please provide relevant information related to the sensitivity of the 2018 forecast to weather.

EP IR #10

Reference: Exhibit A, Tab 4, Schedule 1, attachment 2 page 31

- a) How did Hydro One calculate the total bill for other distributors?
- b) What power consumption was used to calculate monthly bills?
- c) Are Hydro One’s various residential rate classes included in the chart (UR, R1 and R2)?

EP IR#11

Reference: Exhibit A, Tab 5, Schedule 1; Exhibit D2, Tab3, Schedule 4

Preamble: The Scorecard includes \$/Mwh as a metric, but no data are reported.

- a) Please provide in tabular and chart format, the Total cost/customer and per MWH generated/distributed for the historic years 2013-2016, 2017 Bridge(E) and 2018 Test year(F). Reconcile to Table 1 D1-01-02 and Table 1 D1-01-03
- b) Please provide in Tabular and Chart format, the O&M Costs (excluding Fuel) per unit of Load expressed as \$/Mwh for each of Generation and Distribution for the historic years 2013-2016, 2017 Bridge(E) and 2018 Test year(F)
- c) Ref. Exhibit A, Tab 5, Schedule 1; Exhibit B1. DSP Section 2.3
- d) Please provide the definition(s) HORCI uses for Loss of supply, specifically whether this/these are based on loss of generation or all parts of the system.
- e) Provide a detailed description of the steps HORCI will be undertaking in 2018-2022 to reduce outages due to Loss of Supply and Scheduled Maintenance. Address each in detail including also programs to reduce outages due to defective equipment.
- f) What are the 2018-2022 internal Targets for reducing Loss of Supply and Scheduled maintenance and defective equipment
- g) Please provide a chart/projection of the SAIDI and SAIFI with/without Loss of Supply 2018-2022 and compare to historic and bridge years.

EP IR #12

Reference: Exhibit A, Tab 5, Schedule 1, page 9

- a) Since 2013, how many major events has Hydro One Remotes excluded as a result of its own definition of force majeure that wouldn't have been excluded using standard metrics (those used by Hydro One Distribution, for example)?
- b) Does Hydro One keep a log of these events? If so, please provide that evidence.

EP IR #13

Reference: Exhibit A, Tab 5, Schedule 1, pages 10-12

- a) Please update the performance charts with 2017 data.
- b) Update the scorecards with 2017 data.

EP IR #14

Reference: Exhibit A, Tab 3, Schedule 1 Table 2; D2-05-01 and D2-05-02

- a) Please reconcile 2018 Compensation/Salary Cost between A-03-01 Table 2; D2-05-01 and D2-05-02.
- b) Based on Appendix 2K data, please explain in detail why HORCI added 10 FTE and \$1.5 million in compensation in 2013, following the EB-2012-0137 Board-approval of Staffing/compensation Costs.
- c) Please describe the cost offsets that HORCI used to accommodate this increase.
- d) Please discuss what is to prevent similar increases following the 2018 rebasing year?

EP IR #15

Reference: Exhibit A, Tab 6, Schedule 1

Preamble: In the Board's decision in the EB-2016-0160 proceeding it determined Hydro One's executive compensation was too high.

"The OEB finds that the significant increases in compensation levels for senior executives and for members of the Board of Directors that Hydro One Limited has introduced have not been justified for recovery in OEB regulated rates for transmission services."

- a) Hydro One Remotes is proposing to recover a portion of executive costs (President/CEO/Chairman services) in its rates. Has Hydro One Remote adjusted those costs in the wake of the Board's Decision?

- b) What is the dollar amount of corporate management costs that are included in Hydro One Remote's rates?

EP IR #16

Reference: Exhibit A, Tab 6, Schedule 1

Preamble: In a recent conference relating to Hydro One's distribution application, the utility admitted that it was planning on ending its contract with Inergi?

Will ending the Inergi contract have any impact on Hydro One Remote's costs? If so, what is the dollar figure?

EP IR #17

Reference: Exhibit A, Tab 6, Schedule 1, attachments 1 and 2

Please update these two attachments.

EP IR #18

Reference: Exhibit B1, Tab 1, Schedule 1

Preamble: On page 20 of the DSP, Hydro One Remotes lays out its summary of annual cost savings.

- a) Are the savings between 2018-2022 incremental or cumulative?
- b) Can Hydro One confirm that it's proposing to increase annual cost savings by just \$273K between 2018 and 2022.
- c) Can Hydro One confirm that it increased annual cost savings by \$3.3 million between 2013 and 2016.

EP IR #19

Reference: Exhibit B1, Tab 1, Schedule 1

Preamble: On page 47 of the DSP, Hydro One's evidence shows that spending as a percentage of its business plan has decreased from 2014 to 2016.

- a) Please provide a detailed response for why Hydro One's performance on spending its approved budgets has gotten worse in recent years.

EP IR #20

Reference: Exhibit B1, Tab 1, Schedule 1

Preamble: On page 49 of the DSP, Hydro One says that diesel generation efficiency depends “largely” on the load profile of the community the generator is servicing.

- a) What is the most efficient load profile?
- b) When Hydro One pays renewable energy generators for the power they provide based on avoided diesel costs, does it consider the impact these renewable energy generators have on the efficiency levels of diesel generators?

EP IR #21

Reference: Exhibit B1, Page 59 Figures 3-1 and 3-2 to 3-6 Distribution System Plan 2018-2022

Preamble: Figure 3-6 shows the age demographics of the 57 Diesel units in the generation fleet assets (Table 3-2) ranging from 1-22 years

- a) Please explain why this is not a normal distribution (like Transformers and Poles Figures 3-8, 3-9).
- b) What is the basis of the regulatory depreciation rate/life for diesel units?
- c) Please provide documentation on the ACA methodology, cycle and process for assessment of need for Renewal of diesel generation assets, as shown in Figure 3-5. In particular, please provide the links between ACA and run hours and/or other parameters.
- d) Does HORCI base its diesel unit renewal policy solely on run hours and/or other factors, such as historic reliability, load/customers served?
- e) Please explain in detail the criteria and weightings used in the renewal/replacement decisions for P1 Generation Assets.

EP IR #22

Reference: Exhibit B1 DSP Tables 3-6 and 3-7: Figure 4-1 and Table 4-2

- a) Please provide an explanation why the 2018-2022 Capital Plan for System Renewal of generators is appropriate/optimal from a risk/reliability/cost perspective.
- b) Did HORCI decision/planning rely on Business Cases for each year (such as those filed for 2018) or undertake a multi-year cost/reliability assessments/scenarios to support its Plan? If the latter please file this(ese).
- c) For other P1 Distribution Assets, does HORCI use the same ACA Models and approach as Hydro One Networks? Please discuss/compare and provide examples for Poles and Transformers.

EP IR #23

Reference: No Reference-DSP-Customer Owned Generators

- a) Please list by Customer, Location and installed Capacity all customer owned generators (above a reasonable materiality threshold) in HORCI service territory
- b) What is the current interconnected capacity
- c) What is the potential interconnected capacity
- d) List all current agreements and locations and capacity for mutual generation support/back up

EP IR #24

Reference. Exhibit B1 Distribution System Plan Section 4.1.8.3 Page 96.

Preamble: HORCI is now expected to become a standalone electricity distributor in Cat Lake and other communities that under the Remote Communities Connection Program are/will be connected to Hydro One Networks or First Nations transmission .

Please provide a discussion and comments on a hypothetical Business Model that separates Generation and GSU from Distribution and Customer Service.

EP IR #25

Reference: Exhibit B1, Tab 1, Schedule 1, page 109 of DSP, Table 4-15

Please provide this table with net capital expenditures with 2017 data and compare actual to budget spending.

EP IR #26

Reference: Exhibit D1, Tab 1, Schedule 2, page 14

Preamble: Hydro One was planning on purchasing power from Cat Lake and Pikangikum in 2013, but that never occurred.

What happened to the money in 2013 that was budgeted for the cost of purchases related to those communities? Did it flow back into the RRRP variance account?

EP IR #27

Preamble: According to O. Reg. 197/17, First Nations Delivery Credit, “an on-reserve consumer who is a member of a band within the meaning of the Indian Act (Canada) is eligible to receive a delivery credit from a licensed distributor...”

- a) Does this apply to Hydro One Remotes?
- b) Does the Delivery Credit have any impact on Hydro One Remote’s revenue application?
- c) If so, is there a threshold of revenue requirement that Hydro One Remote is supposed to receive from customers (which will be funded from the Delivery Credit) versus that which will come from the RRRP?

EP IR #28

Reference: Exhibit C1, Tab 1, Schedule 1; Exhibit C2, Tab 2, Schedule 1

- a) Starting with the EB-2012-0137 Board-Approved 2013 Rate Base of \$41,091,000, and Capital Expenditures of \$6,135,000, please provide schedule that provides a reconciliation to the continuity schedule at Exhibit C2-02-01 Attachment 1
- b) Provide a schedule that shows forecast and actual asset additions and associated opening and closing Rate Base for the historic years 2013-2017. Reconcile to the Continuity schedules at Exhibit C2-02-01 Attachments 2-6, C2-04-01 and to the 2018 Rate Base amount of \$44,445,000 in C1, Tab 1, Schedule 1
- c) If Capital Expenditures and In-service assets in 2018 and beyond are as stated in evidence, “lumpy”, what does HORCI intend to do to ensure Rate base and rates reflect actual In Service Assets?
- d) Please discuss options including an In-Service Asset revenue requirement deferral/variance account (similar to Hydro One Networks).

EP IR#29

Reference: Exhibit C1, Tab 2, Schedule 1; EB-2017-0049 Exhibit C1, Tab 2, Schedule 1 Attachment 7

Preamble:

- 1) The Remotes’ overhead capitalization rate is a calculated percentage representing the amount of Common Corporate Functions and Services (“CCFS”) overhead costs that are required to support capital projects in a given year.
- 2) Shared Services Costs include Corporate Common Expenses
- 3) Hydro One Distribution in the second reference indicates Hydro One proposes:
 - Increasing 2015 OEB-approved Corporate Management expense by inflation from \$2.4 million to \$2.5 million in the 2018 test year plus recovery for \$1.3 million in costs associated with Hydro One’s Ombudsman;

- Decreasing ‘Other OM&A – Other Costs’ (page 33 of Exhibit C1, Tab 1, Schedule 7) by \$1.3 million to remove Long Term Incentive Plan (“LTIP”) costs related to the CEO, CFO and CLO.
- a) Have these adjustments been incorporated into Remotes’ 2018 CCFS costs for capitalization and shared services?
 - b) If not please make the necessary adjustments

EP IR#30

Reference: Exhibit D1, Tab 1, Schedule 2 Page 5 and Table 2

- a) Please provide more detail on the major additions and costs of the Generation Maintenance Program between 2013 and 2017.
- b) Please Provide specific information on annual labour costs over the period
- c) Please explain in more detail why the Generation Maintenance Program and costs is increasing further in the Test Year (labour costs, higher achievement etc.).

EP IR#31

Reference: Exhibit D1, Tab 1, Schedule 2 Pages 11-12

- a) Please provide Table(s) that show for each historic and Bridge year 2013-17:
 - Actual Fuel volumes delivered
 - The Fuel Loss between Purchase and Utilization- Volume and % for each year.
 - The average landed cost of the fuel \$ and per unit for each year
 - The breakdown of the fob Purchase Price and Delivery Costs.
- b) Please provide unit delivery cost ranges per km for air delivery (56%) all-weather road delivery (13%), winter road delivery (18%) and First Nation contracts (13%).
- c) Please describe in more detail HORCI’s program for lowering fuel costs in 2018.

EP IR#32

Reference: Exhibit D1, Tab 1, Schedule 3 Page 2

- a) Please Provide a Table and a Chart showing details of the Forestry Program 2013-2017(E) and 2018(F) including line kms serviced, annual costs and Unit costs.
- b) Provide/include a projection for the outlook period 2019-2022.

EP IR#33

Reference: Exhibit B1 DSP Figure 1-7; Exhibit D1, Tab 1, Schedule 5 Page 2

Preamble: Remotes therefore decided to continue to offer residential programs through an application-based program, and to also offer its commercial customers separate application-based programs. The move to application-based programs resulted in lower program spending part way through 2015 and 2016 and is also reflected in the bridge and test years.

- a) Please update DSP figure 1-7 for 2017
- b) Please provide information on the 2018 Residential and Commercial application-based CDM Programs, including budgets, Kwh targets and measures.
- c) Please provide a summary of 2018 CDM Programs offered by IESO
- d) Please provide a summary of the conservation programs offered by Federal Government

EP IR# 34

Reference: Exhibit B1 DSP Figure 1-7; Exhibit D1 Tab 1 Schedule 5 Page 2

- a) Please provide references to any Studies that HORCI has made or has access to regarding efficient lighting retrofit in Remote Communities.
- b) Please provide in Tabular form, estimates, with supporting notes/calculations based on the OEB/IESO CDM Manual:
 - Total HORCI Service area Lighting Loads MWh
 - Commercial Lighting Loads MWh
 - Current penetration of Commercial Efficient Lighting (LED etc)
 - Residential Lighting Loads MWh
 - Potential MWh savings from efficient lighting. (Gross and Net of calculated increase in residential electric heat load)
 - Current estimated penetration of Residential efficient lighting (LED etc)
 - Electricity Cost Savings potential (based on Avoided cost) at 10-80% penetration levels.
 - Lighting retrofit costs at 10-80% penetration levels.
- c) List in detail and discuss all barriers and necessary incentives to deployment of energy efficient lighting in HORCI-serviced communities

EP IR#35

Reference: D1, Tab 5, Schedule 1 Table 3 -Service Costs and Labour Rates

Preamble: The 2018 HORCI labour rate for a RC Technician is \$169 plus expenses.

- a) Please provide a Table and Chart showing the Board approved 2013 RCT labour rate and estimates of the rates for 2014-2017.

- b) Provide Total RCT costs including labour and expenses for each year and position this as a percentage of Total Service costs.
- c) Has Remotes' benchmarked its costs, including labour rates to other Canadian Utilities that service Remote Communities (e.g. BC Hydro/Fortis, Manitoba Hydro and Hydro Quebec)? If so please provide copies/summary extracts of the benchmark studies.
- d) If not, given the RRFE requirements for Benchmarking, will Remotes undertake such Benchmarking Studies?