

Hydro One Networks Inc.

7th Floor, South Tower
483 Bay Street
Toronto, Ontario M5G 2P5
www.HydroOne.com

Tel: (416) 345-5240
Cell: (416) 903-5240
Oded.Hubert@HydroOne.com

Frank D'Andrea

Vice President
Regulatory Affairs



BY COURIER

January 31, 2018

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

Dear Ms. Walli:

EB-2017-0051 – Hydro One Remote Communities Inc.'s 2018 Revenue Requirement and rates Application – Updated Interrogatory Response and Response to Community Meeting Concerns

Attached please find an updated interrogatory response for Exhibit I, Tab 1, Schedule 50 and Remotes' responses to the concerns raised at the OEB Community Meeting held on November 29, 2017 in Thunder Bay.

An electronic copy of the updated response has been filed using the Board's Regulatory Electronic Submission System and two (2) paper copies will be sent via courier.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea

cc. Parties to EB-2017-0051 (electronic only)

OEB Staff - Interrogatory # 50

Reference:

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

Interrogatory:

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).

Response:

As indicated in the Interrogatory Responses filed January 26, Remotes required more time to perform the calculations related to this IR. Please find below a chart showing the historical analysis comparing the cash amount collected in rates and the accrual expense for Remotes' annual pension obligations.

Updated: 2018-01-31

EB-2017-0051

Exhibit I

Tab 1

Schedule 50

Page 2 of 2

Pension \$K	1999 to 2012	2013	2014	2015	2016	2017	Total
Amounts included in Rates							
Cash recovered in Rates	6,948	911	1,203	1,084	712	586	11,444
Accrual Expense	6,881	1,638	1,094	994	767	591	11,965
Accrual basis - Cash basis	(67)	727	(109)	(90)	55	5	521

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Responses to Specific Concerns Raised at the OEB Community Meeting

The following is a summary of the concerns raised by customers at the OEB Community Meeting held on November 29, 2017 in Thunder Bay.

Bills High for Standard A Customers

Concern:

Schools and Band Councils are charged higher rates (Standard A) and this means that money is taken away from other budgets, resulting in less funding for schools, playgrounds and band offices.

Response:

Rates for Standard A customers are set under rules established by provincial government regulation that is meant to share the high cost of providing affordable service to residential customers in remote communities between government and grid-connected ratepayers. Remotes notes that from 2001 to 2016, annual inflation averaged 2.0%. Over the same period, Remotes' rate increases (for generation *and* distribution services) have averaged 1.1%. Remotes also notes that it has implemented a renewable energy net metering program that enables First Nation Band Councils and Government customers to reduce their electricity costs.

Customer Connections

Concern:

There is a concern that the high connection charges and time taken to connect a customer impact the level and pace of economic development in the community.

Response:

Under the Electrification Agreements, Indigenous and Northern Affairs Canada ("INAC") is responsible for paying for changes to the generation and distribution system associated with load growth, including connections. Connection charges are calculated based on the actual cost to connect, including materials, labour and transportation. In order to reduce the cost of connections, Remotes bundles its connection work by connecting multiple services or by performing connection work when staff is in the community doing other work. Remotes notes that normally connections are completed within ten days of the completion of Remotes' conditions being met, which include Electrical Safety Authority Inspection and payment. As stated at the Opiikapawiin Services Limited Partnership ("OSLP") meeting, many communities wait until late fall to request connections, which can result in schedule delays.

Alternative Sources of Energy

Concern:

There should be a focus on using alternate sources of energy to reduce the amount of diesel fuel used, since fuel costs have a significant impact on rates.

Response:

Remotes has two hydroelectric stations in service and owns small wind generators. Given that governments (federal and provincial) have made funding available to First Nation communities to develop renewable generation resources and because communities are interested these opportunities, Remotes introduced the REINDEER program to allow customers to build and install renewable generation and to sell power into Remotes distribution system. Since 2014, sixteen small projects have connected to community distribution systems, representing an increase in installed capacity of 348.5 kW. Remotes is also working with the communities of Whitesand, Fort Severn and Gull Bay to connect larger-scale renewable generation to the community distribution systems.

Disconnections and Reconnections

Concern:

Hydro One Remotes should have someone on site to reduce the number of disconnections and reconnections and the resulting charges.

Response:

Remotes has considered hiring local community members to assist with collections, but the small number of customers in each community means that establishing a community customer service liaison in each community would be more expensive than the current approach of having two centralized billing staff in Thunder Bay.

OEB Representation

Concern:

There is no representation on the OEB from the north.

Response:

Board members are appointed by the Lieutenant Governor in Council. Appointments are made according to the procedures of the Public Appointments Secretariat of the Government of Ontario. Interested parties may apply on-line at www.ontario.ca/publicappointments.

OEB Involvement

Concern:

The OEB should work closely with First Nations to provide reliable energy.

Response:

The OEB sets reliability standards for Licensed Distributors to ensure that customers have a reliable supply of electricity to their homes and businesses. The OEB also holds public meetings and makes its decisions through public hearings that allow customers to raise concerns about service, reliability and cost. Hydro One Remotes works with communities and strives to improve the level of reliable service it provides its customers.

Rate Affordability

Concern:

Customers cannot afford to pay high rates.

Response:

As stated at the meeting, Remotes rates for residential and commercial customers are lower than rates in the rest of the province. Rates for generation and distribution are bundled in Remotes' service territory and rate increases have been limited to inflation or less for over ten years. Remotes also notes that the OEB has established programs to help make electricity more affordable for lower income customers. The Ontario Electricity Support Program offers a monthly bill credit that significantly reduces electricity costs. The Low-Income Energy Assistance program offers customers who have fallen behind on their bills a grant of \$500 annually to help them avoid service disconnection. Remotes customers also benefit from the provincial Fair Hydro Plan and First Nation residential customers on reserves also benefit from a credit to the monthly service charge.