



ONTARIO ENERGY BOARD

STAFF SUBMISSION ON DRAFT RATE ORDER

**Hydro One Remote Communities Inc. 2018
Cost of Service Application
EB-2017-0051**

April 2, 2018

Background

Hydro One Remotes Communities Inc. (Remotes) is an integrated generation and distribution company licensed to generate and distribute electricity within 21 isolated communities in northern Ontario. Remotes is 100% debt financed and is operated as a break-even company with no return on equity. Remotes is wholly-owned by Hydro One Inc.

Remotes serves approximately 3,600 customers. Most customers within Remotes pay rates below the cost of service. The rates for Remotes' residential and general service customers are financially supported through a cross-subsidy from government customers within Remotes, through Indigenous and Northern Affairs Canada (INAC) capital contributions and the Rural or Remote Electricity Rate Protection (RRRP) fund. A significant portion of the revenue requirement of Remotes is funded through the RRRP¹.

Remotes filed a cost of service application dated August 28, 2017 with the Ontario Energy Board (OEB) pursuant to section 78 of the *Ontario Energy Board Act, 1998*, for an order or orders approving its 2018 revenue requirement and customer rates for the distribution and generation of electricity, effective May 1, 2018.

The OEB issued a Notice of Hearing on November 16, 2017. Energy Probe Research Foundation (Energy Probe), Opiikapawiin Services LP (OSLP) and Vulnerable Energy Consumers Coalition (VECC) were approved for intervenor status and cost eligibility.

A settlement conference was held on February 6 and 7, 2018 at the OEB. The settlement conference was attended by Remotes personnel, OEB staff, Energy Probe and VECC. OSLP did not participate in settlement discussions but did provide input and suggestions to Remotes via e-mail prior to the settlement conference. Remotes filed its settlement proposal on February 22, 2018. The parties reached a settlement on all issues in the proceeding with the exception of Issue 5.4 that related to Remotes' proposed plan for First Nation relations². OSLP opposed the settlement on this one issue.

OEB staff filed a submission on March 1, 2018, supporting the settlement proposal. With respect to the unsettled issue, OEB staff noted that the overall scope of the issue was sufficiently narrow and recommended that the issue be addressed through oral arguments on the Presentation Day.

¹ Of the requested revenue requirement of \$56.7 million, \$38.08 million (67%) was requested through the RRRP in the application.

² Issue 5.4: Is the plan for First Nation relations appropriate and adequately explained?

The OEB through Procedural Order No. 4 issued on March 5, 2018 accepted the suggestion of OEB staff and determined that it would hear oral arguments on the unsettled issue on Presentation Day along with the settlement proposal.

On March 16, 2018, Remotes submitted an amendment to the original settlement proposal³ reaching agreement on Issue 5.4 by all the intervenors. As part of the amendment, Remotes agreed to create a new position to address customer service issues and promote customer engagement. The total annual cost of this role, including program and logistical expenses, is estimated at \$483,000. Accordingly, Remotes added this amount to the settlement reached earlier. The impact of this change and the original settlement proposal is a reduction of \$2.9 million to the total revenue requirement⁴.

The Presentation Day was held on March 19, 2018 in which Remotes made a presentation on the settlement reached between the parties and responded to questions from the hearing panel. OEB staff sought some clarifications on the amendment to the settlement but did not oppose the comprehensive settlement reached amongst the parties.

The OEB accepted the settlement proposal at the oral proceeding subject to certain minor corrections. The OEB directed Remotes to file a corrected version of the settlement proposal and the amendment. The OEB also directed Remotes to file a draft rate order on March 26, 2018. Comments on the draft rate order were due April 3, 2018 and reply from Remotes to the comments is due by April 9, 2018.

Remoted filed a correction version of the original settlement proposal and the amendment on March 19, 2018 following the conclusion of the oral proceeding and filed the draft rate order on March 26, 2018.

OEB Staff Comments

OEB staff has reviewed the draft rate order and the attached tariff of rates and charges. OEB staff submits that the draft rate order accurately reflects the reductions agreed to in the settlement proposal and adjustments as per OEB policy. As suggested in the submission of OEB staff to the original settlement proposal, Remotes has updated the cost of capital parameters as per the OEB's Cost of Capital Parameter Updates for

³ Remotes Settlement Proposal dated February 22, 2018

⁴ The total revenue requirement as per the draft rate order is \$53.834 million

2018 Cost of Service and Custom Incentive Rate-Setting Application issued on November 23, 2017. OEB staff further notes that the reductions agreed to in the settlement does not impact rates. Remotes proposed a total rate increase of 1.8% across all rate classes with the balance of the proposed revenue requirement recovered through the RRRP. The reductions as a result of the settlement reduced the amount that will be recovered through the RRRP. Of the total revenue requirement of \$53.834 million, \$35.223 million will be recovered from provincial ratepayers through the RRRP.

In reviewing the tariff of rates and charges, OEB staff drew Remotes' attention to minor changes in the text of the individual rate schedules. Accordingly, Remotes re-submitted the draft rate order on March 28, 2018 reflecting the changes suggested by OEB staff. OEB staff has review the corrected draft rate order and is satisfied with the revisions. OEB staff submits that the OEB should approve the draft rate order as filed.

– All of which is respectfully submitted –