

## **ONTARIO ENERGY BOARD**

**IN THE MATTER OF** the *Ontario Energy Board Act*,  
1998, S.O. 1998 c.15 (Schedule B), s. 78.

**AND IN THE MATTER OF** an application by Hydro One  
Networks Inc. to raise its electricity distribution rates  
effective January 1, 2018 and continuing each year for  
another 4 years, until December 31, 2022.

**EB-2017-0049**

### **CROSS-EXAMINATION COMPENDIUM**

#### **PANEL 1**

**ANWAATIN INC.**

**June 11, 2018**

# **TAB 1**

OEB Scorecard”), as set out in Exhibit A, Tab 5, Schedule 1 and Section 1.4 of Exhibit B1, Tab 1, Schedule 1, respectively;

- The continuation or creation of the various *regulatory accounts* discussed in Section 10 of this Exhibit;
- The *disposition of regulatory accounts* with a forecast net debit balance of \$30.9 million effective January 1, 2018, to be collected over a five-year period, at \$6.2 million per year;
- The proposed *specific service charges* detailed in Exhibit H1, Tab 2, Schedule 3;
- The creation of *new customer classes* discussed in Section 9 of this Exhibit; and
- *2018 rate schedules*, including terms and conditions of service, effective January 1, 2018, as set out in Exhibit H1, Tab 2, Schedule 1, which incorporate Hydro One Distribution’s proposed retail transmission service charge.

The requested 2018 revenue requirement reflects an increase of 1.9% over 2017 OEB-approved levels. The increase is largely attributable to rate base growth including associated increases in depreciation, return on capital and income tax expenses as described in Exhibit E1, Tab 1, Schedule 1. The increase is partially offset by a lower cost of debt and lower OM&A expense. After adjustment for a reduced load forecast (3.0%), the resulting average impact on distribution rates is an increase of 4.9% in 2018, and an average of 3.5% per annum over the Term.

In preparing this Application, Hydro One was acutely aware of the impact on customer rates arising from investments in the electricity system, an impact that is further exacerbated by a reduced load forecast, and of the clear preference of its customers for low electricity costs. As a result, the Application reflects the level of capital investment required to avoid degradation in overall system asset condition, to meet regulatory requirements and maintain current reliability levels. Further, OM&A reflects efficiency improvements and cost reductions to control the extent to which OM&A contributes to the increase in customer rates. The proposed level of 2018 OM&A reflects a small decline from 2017 OEB-approved levels. The planning process followed by Hydro One also resulted in significant reductions in investments in 2018, to mitigate customer rate

Witness: Oded Hubert

1 impacts in that year. As a result, the Application is responsive to Hydro One's  
2 customers' needs and preferences.

3  
4 Investments during the Term include:

- 5 • maintenance of the population of poles and distribution stations at materially the same  
6 condition level, without significant improvement in overall condition;
- 7 • investments in lines sustainment and lifecycle optimization;
- 8 • investments to comply with regulatory requirements such as PCB line equipment  
9 replacements;
- 10 • investment in an Integrated System Operations Centre, which replaces the existing  
11 backup power system control and telecommunication centres; and
- 12 • later in the term, some investments to begin replacement of smart meters that are  
13 reaching end-of-life.

14  
15 The components of the increased revenue requirement, and their individual contributions,  
16 are noted in Table 1 below. These components comprise certain factors that impact 2018  
17 rates, but which were outside of Hydro One's immediate control in developing its 2018-  
18 2022 distribution business plan (the "Dx Business Plan"). They include legacy rate base  
19 (resulting from necessary prior-year in-service additions), the need to clear regulatory  
20 deferral and variance accounts, and planned 2018 in-service additions that are to a large  
21 extent non-discretionary (e.g., accommodating the connection of load and generation  
22 customers, responding to storms damage and trouble calls, and complying with  
23 regulations and other requirements). As a result, to mitigate these effects, Hydro One  
24 has planned very few incremental system improvement or end-of-life capital investments  
25 in 2018.

## **TAB 2**

## **ANWAATIN RESPONSE TO HONI INTERROGATORY #1**

### **Interrogatory: HONI-01**

**Preamble:** At Exhibit A Tab 4 Schedule 2, Pages 3-4, Hydro One discusses a province-wide First Nations engagement session held in early 2017 and hosted by Hydro One's senior executives. Hydro One's evidence is that all of the 85 First Nation Chiefs from communities served by Hydro One and the Ontario First Nations Regional Organizations were invited to attend this engagement session. Reliability and Partnerships were cited as two of the top 5 concerns identified in this session.

During the Technical Conference (2T166-169) questions were asked by counsel for Anwaatin regarding a further First Nations engagement session that was held on February 21, 2018.

Hydro One is interested in Dr. Richardson's understanding of these engagement sessions and how these sessions have informed the views expressed in his evidence.

**Question:**

1. Please confirm Dr. Richardson was aware that First Nation members of Anwaatin attended the referenced 2017 and 2018 First Nation engagement sessions. If so, please indicate which First Nations attended either on their own behalf or on behalf of Anwaatin.
2. In preparing his evidence, what steps did Dr. Richardson take to understand why specific issues concerning investments in distributed energy resources were not raised at these sessions by First Nations attended either on their own behalf or on behalf of Anwaatin? Is Dr. Richardson aware of any reasons that precluded such matters from being raised? Alternatively, if Dr. Richardson is of the view that such matters were raised, please provide all materials presented and a summary of such discussions.

**Response:** 1. Dr. Richardson was aware that First Nation members of Anwaatin Inc. attended the 2017 HONI engagement session and were not

satisfied that HONI was taking prompt actions to address the reliability disparity and very significant negative impacts of poor reliability in their communities. Dr. Richardson was then engaged by Anwaatin to research and develop potential solutions that could be promptly and efficiently implemented to address the reliability crisis in the Anwaatin First Nation communities. After the filing of the HONI EB-2017-0049 Application, both Larry Sault, CEO of Anwaatin, representing Anwaatin First Nation members, as well as Anwaatin First Nations members attended the HONI 2018 engagement session. Mr. Sault hand-delivered and distributed the following written comments and questions to HONI representatives at the 2018 engagement session:

- i) *Poor system reliability and disproportionate negative impact on First Nations with Hydro One*
  - *There is an extraordinary and very real reliability disparity that First Nations communities are experiencing and have been experiencing for a long time - the disproportionate negative impact that that reliability disparity has specifically on First Nations communities.*
  - *Evidence shows that 60% of distribution assets serving First Nation communities are CDPP outliers (Customer Deliver Point Performance Standard “outliners” are the worst performing parts of the transmission system)*
  - *Delivery point reliability for A4L transmission line communities – Lake Nipigon First Nations to Geraldton/Ginoogaming/Aroland is 20.81 times worse than Ontario average - Four times worse than other Northern Ontario communities*
- ii) *First Nations communities have raised concerns about the high frequency and duration of power outages, particularly in northern Ontario. Some communities have also indicated that the electricity supply is not sufficiently reliable to serve businesses on reserve and are concerned about degrading Hydro One asset conditions on reserve.*
- iii) *Distributed Energy Resources (DERs) - North America’s electric power system generation resource mix is changing from the use of larger synchronous sources to the use of a*

*more diverse fleet of smaller sized resources with varying generation characteristics called Distributed Energy Resources or DERs which include renewables, energy storage and biomass generation*

- How is Hydro One creating First Nations investment/ownership opportunities, and other business partnership opportunities related to DERs in grid-connected communities?*
- How is Hydro One working with First Nations on DERs to improve system reliability given the very poor reliability of systems serving First Nations?*
- Given Hydro One's findings that some First Nation communities indicate that the electricity supply is not sufficiently reliable to serve businesses on reserve and are concerned about degrading Hydro One asset conditions on reserve, does Hydro One have plans to integrate DERs into areas of Northern Ontario that experience high frequency and duration of power outages to improve reliability? If such plans exist, please provide them.*
- Has Hydro One considered approaches to DERs and business partnerships with DERs, as potential accommodation for First Nation communities concerned about compensation, or the lack thereof, for Hydro One transmission and distribution assets on reserve land and off reserve but within traditional territories and treaty lands?*
- How does Hydro One's investment planning process consider appropriate planning criteria for the increasing scale of demand for DERs, especially for rural and First Nation customers seeking relief from reliability issues and increasing costs?*

2. Please see response to HONI-01(1).



## **ANWAATIN RESPONSE TO HONI INTERROGATORY #2**

### **Interrogatory: HONI-02**

**Preamble:** On September 7, 2017, OEB Staff prepared and filed in this proceeding a Community Engagement Report outlining the results of several engagement sessions undertaken with Hydro One customers affected by the 2018-2022 Hydro One Distribution Rates Application

Hydro One is interested in understanding how this information was taken into account by Dr. Richardson in preparing his evidence.

**Question:** 1. Which OEB Community Engagement Sessions were attended by Anwaatin Inc. representatives? In your response, please refer to the specific presentations described in the Community Engagement Report and where (1) matters relating to distributed energy resources were raised as issues of concern or topics of interest; or (2) the lack of consultation Hydro One had carried out with Anwaatin Inc. or its representatives prior to filing its 2018-2022 Distribution Rates Application.

2. If no presentations were made by Anwaatin Inc. or its representatives at any of these sessions, please provide Dr. Richardson's understanding why concerns regarding the lack of Hydro One's consultation with First Nations and other communities regarding distributed energy resources were not raised at that time?

3. Please provide all correspondence made prior to the filing of this Application between Anwaatin Inc. or its representatives to Hydro One and which evidence Anwaatin Inc. specific interest in the use of distributed energy resources and the need for Hydro One to address such matters in its 2018 Distribution Rates Application.

**Response:** 1. Please see Anwaatin's response to HONI-01.  
2. Please see Anwaatin's response to HONI-01.

3. Please see Anwaatin's response to HONI-01 and the May 3, 2018 joint letter of HONI and Anwaatin to the Ontario Energy Board (attached as Appendix A to this response) for communications that are not subject to settlement privilege.

## Appendix 'A' to Anwaatin Response to HONI IR #2 (3)



May 3, 2018

**Kirsten Walli**  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: EB-2017-0335**  
**Anwaatin Inc. Motion to Review and Vary Ontario Energy Board Decision in EB-2016-0160 ("Anwaatin MRV")**

This letter is provided by, and on behalf of, Anwaatin Inc. (**Anwaatin**) and Hydro One Networks Inc. (**HONI**) in relation to the Anwaatin MRV. We wish to advise the Board that Anwaatin and HONI are in the process of negotiating a potential solution to the reliability disparity issues that have characterized the A4L transmission line and challenged the First Nations communities that are served by it.

We hope to provide the Board and the two intervenors on the Anwaatin MRV with further information and developments on or before May 18, 2018, and would therefore ask that the Board refrain from issuing its Decision on the Anwaatin MRV until after that date in order to allow the Parties to continue their constructive dialogue.

Sincerely,

A handwritten signature in black ink, appearing to be "Lisa DeMarco", with a long horizontal stroke extending to the right.

Lisa (Elisabeth) DeMarco  
Senior Partner  
DeMarco Allan LLP

5 Hazelton Avenue, Suite 200  
Toronto, ON M5R 2E1  
TEL +1.647.991.1190

A handwritten signature in blue ink, appearing to be "Ferio Pugliese", with a stylized, cursive script.

Ferio Pugliese  
Executive Vice-President  
Customer Care and Corporate Affairs

**Hydro One Networks Inc.**  
483 Bay Street  
South Tower – Executive 8<sup>th</sup> Floor  
Toronto, Ontario M5G 2P5

FAX +1.888.734.9459  
[lisa@demarcoallan.com](mailto:lisa@demarcoallan.com)

[www.HydroOne.com](http://www.HydroOne.com)

## **TAB 3**

**Hydro One and First Nations Engagement Session  
Mandarin Room, DoubleTree by Hilton  
Thursday, February 9, 2017**

**SESSION REPORT**

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## Note Taking Summary of Hydro One Key Messages

- There is a new team at Hydro One who is committed to working with First Nations through honest and respectful engagement.
- Hydro One is working to improve service, responsiveness, and reliability of the power system.
- Hydro One committed to finding solutions to address the affordability challenges faced by First Nations.

## Note Taking Summary of First Nations Key Messages

- Hydro rates are burdensome for many First Nations, in particular for Elders and vulnerable people. There needs to be immediate and significant action to mitigate the high costs.
- First Nations are interested in exploring the idea that a unique rate for First Nations should apply to First Nations people both on and off reserve.
- First Nations must enjoy the benefit of resources that are drawn from their territories.
- Hydro One staff working in First Nations communities needs some level of cultural awareness training. This should include knowledge about land regimes and treaty relationships.
- Many First Nations are willing to engage with Hydro One in order to achieve results for First Nations communities and people.

## WELCOME

**Mr. Phil Goulais, Session Facilitator:** Mr. Goulais began the meeting by introducing Elder Andrew Wesley who provided an opening prayer and a smudge. Chief Reginald Niganobe, of Mississauga #8 First Nation, welcomed the participants on behalf of the Mississauga Nation, the host territory for the meeting, thanked the Elder for the prayer and acknowledged the sacred items in the room.

Mr. Goulais introduced himself to the room as a member of the Nipissing First Nation, where he was the Chief for many years. He is currently working part time on a contract with Hydro One, which has allowed him to work in many First Nations communities. He thanked the participants for sharing their knowledge and welcoming contractors into their communities with kindness. This work was part of a commitment to relationship building, which is still ongoing. Mr. Goulais shared that he expected many of the topics discussed on those community visits would be discussed at this session: Hydro One billing system sessions; career opportunities at Hydro One; and, procurement workshops for First Nations businesses.



benefitting from First Nations resources. This is also part of honouring the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). He also expressed frustration over having to go back to his community without an answer for high hydro rates. He is no longer “asking” for a response, he is “demanding” a response. It is time to share these resources.

**Ferio Pugliese, Executive VP, Customer Care and Corporate Affairs, Hydro One:** Mr. Pugliese expressed thanks to Mr. Goulais, Mr. Fontaine, Mr. Kakeway and everyone who worked on this event. He noted that Hydro One wants to listen and act on the things that they can and capture the attendees’ comments.

**Councillor Ted Williams, Chippewas of Rama:** Chief Williams stated he was attending to listen and hear some other issues out there. He said he was pleased for the opportunity to dialogue, but that action is best.

**Chief Greg Nadjiwon, Chippewas of Nawash Unceded First Nation:** Chief Nadjiwon noted he shared many of the previous comments from Chief Tom Bressette. He stated that he was attending to find out how to collectively move forward in true partnerships, true resources sharing and open and transparent communication. He notes that three decades ago the corporate mindset was flood the lands and deal with the rest after; however, the corporate mindset has changed towards Indigenous relations. For his community it has been a success story; they have a contact and the results happen quite quickly. The results are not always positive, but they get answers more quickly. He views this engagement as an opportunity to move the yardstick, to have a constructive day and network.

**Chief Daniel Miskokomon, Bkejwanong Territory (Walpole Island):** Chief Miskokomon notes that the Minister of Energy asked how we can change thinking. However, from his perspective Crown corporations do not listen to First Nations. Crown corporations must remember that they are accountable to First Nations and citizens, meaning they need to be more transparent in the way activities are undertaken and services delivered in his territory. He notes the changing tide, as evidenced by the Truth and Reconciliation Commission of Canada (TRC). There must be meaningful partnerships. Hydro distribution costs are very high. The Chief also identified the need for Hydro One staff to undertake cultural sensitivity training. Working with First Nations requires getting to know First Nations. In addition, Chief Miskokomon cited the need to look at alternative energy. This also means supporting First Nations in becoming educated on what is out there and ensure capacity within First Nations. This requires professional support in establishing First Nations owned and run utility companies on-reserve that will not include redistribution costs. All of these ideas require people to be more creative. The Chief reminded the group that non-Indigenous people are still visitors in the territory. Partnerships must be built based on trust.

**Chief James R. Marsden, Alderville First Nation:** Chief Marsden also shared support for the words of Chief Bressette. As far as this meeting, he was interested in discussing “blanket agreements.” What is it? He notes that in the ‘Addition to Reserve’ process, Indigenous and Northern Affairs Canada (INAC) asked for blanket agreements. They have never had a blanket agreement with Hydro One and asked if this type of agreement was required for his reserve.

One. She also expressed that there is a need for the federal government to participate in these discussions because of permitting and issues related to lands. She was also seeking a contact person within Hydro One who could discuss negotiating this new payment and who will pay for it.

**Errnol Gray, Councillor, Aamjiwnaang First Nation:** Councillor Gray noted he was participating to listen, but also to discuss the line crossing at the St. Clair river, which goes through First Nations and the Treaty area. He also noted that he is on a fixed income and has trouble paying his high hydro bills. His community signed an agreement in 1953 and the payments have not increased since. He suggests a new agreement needs to be negotiated.

**Chief Melvin Hardy, Biinjitiwaabik Zaaging Anishinaabek:** The Chief thanked the host for allowing them on their traditional lands as well as thanking his friend Elder Andrew Wesley. Related to the importance of land, the Chief noted that the youth go out on the land and sustain a relationship with, and right to, the land. He described his First Nation, which is found on the southeast side of Lake Nipigon. He suggested that Hydro One officials needed to spend some time living in some of the homes in his community. He wondered, if the government does not give First Nations authority over their own lands, why would Hydro One do it? He noted that it is cold in First Nations communities, which contributes to Elders and children getting sick. This is exacerbated when the power goes out. There is no compensation when the power goes out and communities are forced to collect their own wood and go without. Chief Hardy noted that his community is constantly in deficit because of high costs of hydro. He also identified that there had not yet been an engagement session in his community and that it needed to happen.

**Oded Hubert, Vice President, Regulatory Affairs, Hydro One:** Mr. Hubert welcomed the kinds of comments that attendees had been sharing as it is important for him, as a Hydro One official to understand the issues.

**Edward Skeid, Councillor, Wauzhushk Onigum First Nation:** Councillor Skeid asked that Hydro One staff take the comments made by the attendees seriously and take them to their superiors.

**Deputy Chief Fabian Blackhawk, Ochiichagwe'babigo'ning Nation (Dalles):** Deputy Chief Blackhawk began by acknowledging the sacred items in the room and the prayer from the Elder. He noted that he certainly relates to the comments made so far. He was looking for some direction on what this meeting is supposed to accomplish. He also shared that leaders and youth have told him many of the things that were already mentioned. It is tough to see all these people making money off First Nations resources and lands with First Nations people in poverty. His community signed an agreement for the hydro lines and cannot make any adjustments. Of the session, he expected an open dialogue to make good decisions to take back to his people.

**Harold Thiessen, Ontario Energy Board:** Mr. Thiessen expressed his intention to listen and learn.

**Gary Schneider, Vice President of Shared Services, Hydro One:** Mr. Schneider shared that he works on procurement as well as land matters. When it comes to the issue of land he has heard the frustration in the room and agrees that agreements with First Nations need to move forward.

**Amy Lickers, Chiefs of Ontario:** Ms. Lickers introduced herself as coming from Six Nations and works with the Chiefs of Ontario Chiefs Committee on Energy. She noted she attended the session to listen.

**Yvette Maiangowi, Energy Planner, Wikwemikong Unceded First Nation:** From her perspective, Ms. Maiangowi notes that nothing has changed; in fact the situation in her community has worsened. She also asked those in the position to negotiate agreements with First Nations to stand up. She noted a need for a clear path forward including timelines. She concluded by saying that the time for talking has passed.

**Craig Aldred, Wahgoshig First Nation (Abitibi #70):** Mr. Aldred noted a need to address distribution costs, as these high costs negate their efforts to build sustainable communities when the costs end up being covered by the bands. He expressed a need to develop long term solutions.

**Rob Globocki, Director, Customer Care, Hydro One:** He expressed to the participants that he was also here to listen and learn.

**Sara Mainville, Associate, Olthuis Kleer Townshend LLP:** Ms. Mainville introduced herself as an advisor to Regional Chief Day. She also does work with Grand Chief Peters on Hydro One opportunities. Ms. Mainville expressed that she was happy to attend and see many Chiefs in attendance.

**Grand Chief Gord Peters, Association of Iroquois and Allied Indians:** Grand Chief Peters noted that the Hydro One process has been a long process that they have been involved in for some time. He also acknowledged Chief Ava Hill from Six Nations for working on this issue. At the last All Ontario Chiefs Conference (AOCC), there was a meeting attended by the new Minister Thibeault who committed to developing a First Nations rate. This commitment was made 8-9 months ago. This remains the issue for the discussion at this session. He posed a number of questions including, what is the rate going to look like and how will that be brought to our communities? He heard that the distribution charge is one of the easier things to change, so wanted a commitment on that. He noted that should Ontario continue to privatize beyond 60% of Hydro One, the province would remain liable for all the damages that continue to flow. His community is the same as Alderville in that there are no agreements in place. They are dealing with the Additions to Reserve process and are 12 years in. He reminded the attendees that “you have to have full permit or cannot move ahead”. His community is still in the talking stages. He suggested that these are the things that become irritants in the process. In order to move forward, Grand Chief Peters says that we have to learn how to get along and there will have to be a better arrangement for First Nations.

**Chief Jim Leonard, Rainy River First Nation:** Chief Leonard describes his community as between Thunder Bay and Winnipeg near the American border. His community had engaged with Hydro One a number of years ago where they talked about past grievances and decided they need to set those aside to move forward. They acquired, constructed and commissioned a solar farm. Without technical support or shared engagement with Hydro One it is difficult to make these things happen. He was attending the engagement session to advance that process. He

saw it as important for Hydro One to listen to the grievances shared because they still impact First Nations, but also recognize that First Nations are ready to move forward. There is the potential for this to be a revenue stream and support to communities.

**Deputy Grand Chief Derek Fox, Nishnawbe-Aski Nation (NAN):** Deputy Grand Chief Fox began by thanking the Elder for the prayer. He described NAN as being comprised of 49 First Nations and 7 tribal councils. NAN communities extend from the Manitoba border to James Bay. This is a huge land mass and most communities are remote. People in these communities are passionate about their hunting, culture, water, river systems and language. Deputy Grand Chief Fox noted that he is from Treaty 3, Shoal Lake 40 where there are profound water issues. When he was younger he was driven to become a lawyer and learn the systems that govern. He expressed concern over claims to jurisdiction over Indigenous lands. He concluded by sharing that he was participating in the session to support NAN Chiefs, to listen, to talk about NAN initiatives and hoped to have a meaningful discussion.

**Jamie Scarlett, Executive Vice President, Chief Legal Officer, Hydro One:** Mr. Scarlett commented that he was attending the session primarily to listen and learn. Within his duties, he has some involvement in rates so hearing from the First Nations participants was impactful for him. He noted that he is appalled at how long it takes for Hydro One to deal with these issues. He offered his personal commitment to drive these issues forward to be dealt with in a clear, open, transparent and timely way. He reflected that he had heard the message that 'these are just words, but First Nations want actions.

**Chief Ted Roque, Wahnapiatae First Nation:** Chief Roque began by thanking the Elder and acknowledging the land where the meeting was held. He was attending the meeting to hear more about new rates. He noted that it would be great to see lowered rates and it would make a huge difference for his people. He recognized that there is only one year left in the Wynne government's mandate and he does not want to see these discussions get lost; whether the next Premier is Wynne or someone else, these negotiations must continue. He noted that there must be more sharing of resources and opportunities and true partnership.

**Andrew Wesley, Elder:** The Elder introduced himself as hailing originally from Fort Albany, but has been living in Toronto for many years. He shared that traditionally electricity was known as Thunderbird Fire. This demonstrates the close relationship between First Nations and mother earth.

**Deputy Chief Kevin Mossip, Zhiibaahaasing First Nation (Cockburn):** Deputy Chief Mossip shared that in his community hydro rates increased 72% in two years and this increase has caused hardships. He brought a message from his Council that the engagement session was in no way, shape or form to be considered consultation. In addition, his community would not agree to anything unless the hydro rates were lowered by 72%

**Warren White, Councillor, Naotkamegwanning First Nation:** Councillor White came to the meeting to speak for his community and see the faces of Hydro One. He notes that his Elders, the ones who are struggling, are paying the wages of Hydro One staff. He provided a welcome to the Chiefs, Grand Chiefs and Councillors. He noted that he knows how it feels to be accountable to the Chiefs and the community. He met with 35 Elders in his community last

week. They told him that the HST rebate does not impact their hydro bills. Each of those Elders was paying over \$1,000. He notes that he burns wood and his bill is still \$1,000. He states that he did not want to attend the meeting and did not want to hear the same rhetoric from Hydro One. There is a lack of trust with Hydro One. The delivery charges in his community average out to about \$250 each month, which amounts to \$50,000 a month for the whole community. Councillor White suggested that he plans to charge Hydro One double that amount to enter his community; this includes any hydro trucks. When Prime Minister Trudeau had his town hall recently there was a woman crying about hydro and the media was all over that. Yet when it comes to First Nations and their hydro rates, there is no media. He said something has to be done. He suggests that his community does not support Hydro One dealing through the Chiefs of Ontario as there are too many grievances that need to be dealt with including the dams in Treaty 3 and the flooding. He asked what Hydro One was willing to do about it. He expressed skepticism as he views Hydro One as only being motivated by money. He concluded by reaffirming that something has to be done otherwise his community would start charging Hydro One to come in.

**Annette Currie, Technician, Pic Mobert First Nation:** Personal Introduction

**Deanna Major, Councillor, Animakee Wa Zhing #37:** Councillor Major expressed that she would like to see the salary disclosure for Hydro One and an explanation of how those salaries are justified.

**Gary Allen, Executive Director, Grand Council Treaty #3:** Mr. Allen introduced himself and that he was attending on behalf of Grand Chief Francis Kavanagh, who is travelling with Minister Zimmer in Treaty 3 territory. Last year, prior to a meeting between Hydro One and Grand Chief White, Treaty 3 citizens were asked to send their hydro bills. They brought a binder full of these bills that demonstrated the exorbitant costs faced by his people. He also noted that he checked the sunshine list for Hydro One and saw over 600 employees earning more than \$100K. He found this incredible considering the suffering in First Nations communities. He shared his support for the Great Earth Law, the Sacred Law, and also the laws of the 28 First Nations in Treaty 3.

**Lance DeCaire, Technician, Wahta Mohawks:** Mr. DeCaire noted that the most pressing issue facing his community is the delivery charges and the impact that those high delivery charges have on the success of the community's economic development initiatives.

**Chief Rodney Noganosh, Chippewas of Rama First Nation:** Chief Noganosh began by reiterating the comments of previous speakers that there are many people that are upset with the situation. He also expressed concern that there was not a great deal of time on the agenda for discussion, which was upsetting given that Chiefs travelled far to attend. He noted the need to see results very quickly. First Nations should be exempted from delivery charges. People cannot pay those delivery charges and the communities always have to step in and help. He referred to an economic development project in Barrie and his expectation to receive information on that project so that they would be able to bid on those types of projects. He also expressed interest in learning about the 'blanket agreement' idea, because there has not been much information shared to date.



**Ted Snache, Councillor, Chippewas of Rama First Nation:** Councillor Snache began by thanking the Elder for the prayer. He noted that if he had a wish, it would be to have elections on the same day to build unity. He expressed the strength in First Nations communities, with young people getting education and women who are water keepers. He expressed that the Ontario Energy Board (OEB) hides behind legalese, but because First Nations are getting educated, that strategy will not work for long. He concluded by asking when the delivery charges will be eliminated for First Nations.

**Dave Mowat, Technician, Mississaugas of Scugog:** Mr. Mowat notes that the Ontario Energy Board said that if they can focus on the delivery charge, that will have the most impact on the consumer. He would like to know what is going on with that. He also asked what Hydro One is doing about a security plan.

**Chief Mary McCue-King, Beausoleil First Nation:** Chief McCue-King suggests that First Nations should not be talking to Hydro One because it is not the organization that sets the rates. Hydro One only makes a submission to the Ontario Energy Board; therefore, First Nations should be talking to the Ontario Energy Board before they approve the rates. The Ontario Energy Board should be consulting with First Nations.

**Chief [Name Not Heard]:** The Chief shared the belief of the previous speaker that First Nations are meeting with the wrong people. The Chief asked now that Hydro One has heard their concerns, what do they propose as the fix? He expressed frustration based on the belief that there are no decision-makers attending the meeting and there will therefore be no deliverables from the meeting. He would like to know the next steps? When can First Nations expect action?

**Chief Kevin Tangie, Brunswick House First Nation:** Chief Tangie noted that his community experiences the same issues identified by previous speakers and wants to hear answers, solutions and ideas.

**Jason Batise, Executive Director, Wabun Treaty Council:** Mr. Batise echoed the comments of previous speakers and shared a desire to hear practical solutions. He notes that a First Nations hydro rate was committed to, but that there is no mention of that and the elimination of the delivery charges in the Hydro One submission. He expressed that they had given practical solutions in earlier engagement sessions and they are not reflected in the submission.

**Warren Lister, Vice President, Customer Care, Hydro One:** Mr. Lister introduced himself as a new member of the Hydro One team and shared his commitment to changing the way they do business. He stated that he intended to listen and welcomed the opportunity to dialogue.

**John Onabigon, Councillor, Long Lake No.58 First Nation:** Councillor Onabigon shared that he was trying to get resource development for his community. He recounted that in the 1930s and 1940s; Hydro One built their dam and flooded his traditional territory without any regard for the impact on the community. However, he noted that the voice of his people is getting stronger and it is not acceptable that others get the benefits from resources taken from the land of his people. He stated that there is only one square mile left for his reserve and the rest has been flooded. There are many grievances and his people live below the poverty line. He stated that the message from his community has been consistent for years: that there must be a balance of

## **TAB 3a**

## **Canadian Manufacturers & Exporters Interrogatory # 15**

### **Issue:**

Issue 20: Does the application promote and incent appropriate outcomes for existing and future customers including factors such as cost control, system reliability, service quality, and bill impacts?

### **Reference:**

B1-01-01 Section 1.4 Page: 3 Table 8

### **Interrogatory:**

a) To the extent possible, please update the values in table 8 – Distribution OEB Scorecard to include the actuals for 2017, and the variance between 2017 actuals and target.

### **Response:**

a) Provided below is an updated version of Table 8 to include the actuals for 2017, and the variance between 2017 actuals and target. Updated Cost Control measures are not available for 2017 as audited 2017 actuals are not available.

**Table 8 – Distribution OEB Scorecard, including actuals for 2017, and the variance between 2017 actuals and target**

			Historical Results						Actual	Target			
RRFE Outcomes		Measure	2011	2012	2013	2014	2015	2016	2017	2017	2017 Target Variance	2018	
Customer Focus	Customer Satisfaction	Customer Satisfaction - Perception Survey %	77%	78%	80%	67%	70%	66%	71%	72%	-1%	74%	
		Handling of Unplanned Outages Satisfaction %	81%	79%	78%	75%	76%	75%	76%	76%	0%	77%	
		Call Centre Customer Satisfaction %	85%	84%	82%	81%	85%	86%	90%	86%	4%	87%	
		My Account Customer Satisfaction %	81%	84%	64%	75%	78%	79%	90%	81%	9%	83%	
Operational Effectiveness	Cost Control	Pole Replacement - Gross Cost Per Unit in \$	8,541	8,441	7,824	8,928	8,392	8,350	TBD	8,640	TBD	8,733	
		Vegetation Management - Gross Cyclical Cost per km \$**			New Program			TBD	New Program		TBD	3,600	
		Station Refurbishments - Net Cost per MVA in \$*	386,000	-	318,000	348,000	500,000	557,000	TBD	461,000	TBD	454,000	
	System Reliability	OM&A dollars per customer	456	451	498	551	453	455	TBD	TBD	449	TBD	455
		OM&A dollars per km of line**	4,723	4,676	5,109	5,654	4,719	4,773	TBD	TBD	4,712	TBD	4,773
		Number of Line Equipment Caused Interruptions	7,681	7,316	7,266	8,311	8,164	7,674	8,786	8,200	586	8,200	
		Number of Vegetation Caused Interruptions	6,113	6,953	5,791	6,540	6,944	7,439	7,800	6,900	900	6,500	
		Number of Substation Caused Interruptions	159	144	129	158	141	103	123	145	-22	145	
		SAIDI - Rural - duration in hours	8.2	8.2	8.1	8.6	9.1	9.1	9.4	9.1	0.3	9.0	
		SAIFI - Rural - frequency of outages	3.3	3.3	3.0	3.4	3.4	3.1	3.0	3.4	-0.4	3.4	
		SAIDI - Urban - duration in hours	2.7	3.2	2.2	2.8	2.8	2.4	2.4	2.8	-0.4	2.8	
		SAIFI - Urban - frequency of outages	1.6	1.7	1.6	2.3	1.4	1.6	1.4	1.7	-0.3	1.7	
		Large Customer Interruption Frequency (LDA's) - frequency of outages	New Measure		118	147	228	136	162	143	19	143	

\*There were no station refurbishment units matching the criteria completed in 2012.

\*\*Number of line kms are based on the annual OEB Yearbook of Electricity Distributors' report, with 2017 and 2018 targets based on 2015 line km actuals.

Witness: KIRALY Gregory



## **TAB 4**

**1.2 PRODUCTIVITY FACTOR**

The Productivity Factor (“X”) is equal to the sum of Hydro One’s Custom Industry Total Factor Productivity measure and Hydro One’s Custom Productivity Stretch Factor. Hydro One engaged Power System Engineering (“PSE”) to undertake a study of the Total Factor Productivity (“TFP”) for the electricity distribution functions of Hydro One and the Ontario industry (Exhibit A, Tab 3, Schedule 2, Appendix 1) and to undertake a custom econometric benchmarking study of Hydro One’s total distribution costs and recommend a Custom Productivity Stretch Factor (Exhibit A, Tab 3, Schedule 2, Appendix 2), consistent with the Handbook.

Based on these studies, Hydro One’s proposed Productivity Factor of 0.45% reflects the sum of the Custom Industry Total Factor Productivity measure of 0% and a Custom Productivity Stretch Factor of 0.45%. The proposed Total Factor Productivity measure is consistent with the industry TFP metric of 0% adopted by the Board in EB-2010-0379. The productivity stretch factor of 0.45% derived by the PSE study differs from the stretch factor of 0.6% assigned to Hydro One by the OEB, as determined by the total cost econometric model developed by Pacific Economics Group (“PEG”). As outlined in the PSE report, Hydro One believes that the dataset in PSE’s analysis, which includes utilities outside of Ontario, provides a more accurate benchmark assessment of Hydro One’s relative performance.

The Productivity Factor used in the RCI will not be updated annually over the 2019 to 2022 portion of the Custom IR term. In its total cost benchmarking study, PSE conducted a forward-looking analysis using Hydro One’s forecast costs for 2018-2022. This analysis concluded that Hydro One’s forecast costs are likely to continue to support a 0.45% stretch factor ranking throughout the incentive rate-setting period.

Witness: Oded Hubert

## **TAB 5**



## Total Factor Productivity Study of the Electric Distribution Functions of Hydro One and the Ontario Industry

**Prepared by:**

**Power System Engineering, Inc.**

**November 4, 2016**

analysis that is transparent and replicable. Productivity factors are typically measured using estimates of the long-run trend in TFP growth for the regulated industry.<sup>1</sup>

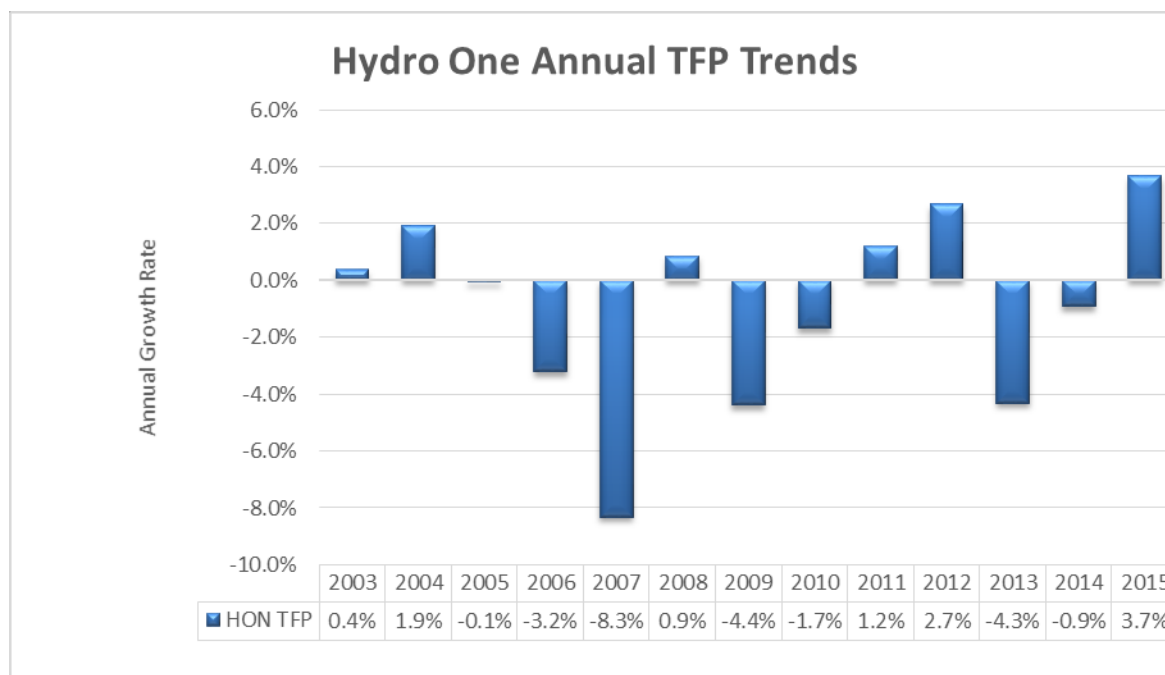
Lastly, the Renewed Regulatory Framework (RRF) stated on page 17,

The Board has concluded that X-factors for individual distributors under 4<sup>th</sup> Generation IR will continue to consist of an empirically derived industry productivity trend (productivity factor) and stretch factor, but will be based on Ontario Total Factor Productivity (TFP) trends.<sup>2</sup>

The outputs used for the industry TFP trends should also be generally based on billing determinants that are related to how the distributor collects revenue. However, in determining performance, other non-revenue producing, valued outcomes should be incorporated into the evaluation. The condition to have outputs and weights that approximate distribution revenue collection would exclude the use of the adjusted TFP index as the basis for the productivity factor in incentive regulation, even if we had an industry-wide measure of it.

The following figure provides the annual growth rates in Hydro One's adjusted TFP.

**Figure 1 Hydro One Annual TFP Growth Rates (Adjusted TFP)**



Hydro One has modest growth in 2003 and 2004, nearly zero growth in 2005, and then negative TFP in 2006 and 2007. Another two years of negative growth occurred during and right after the

<sup>1</sup> Ontario Energy Board. EB-2007-0673 Report of the Board on 3<sup>rd</sup> Generation Incentive Regulation for Ontario's Electricity Distributors. July 14, 2008. Page 12.

<sup>2</sup> Ontario Energy Board. Report of the Board on Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach. October 18, 2012.

## **TAB 6**

1   **3. Z-FACTOR**

2  
3   The challenge inherent in a five-year Custom IR is the need to contend with material,  
4   unexpected costs. The Revenue Requirement that Hydro One is seeking in this  
5   Application is expected to enable the company to carry out the work that is planned over  
6   the 2018 to 2022 test years. The applied-for Revenue Requirement is not sufficient to  
7   address the prudent costs of material events that are outside the control of the utility and  
8   have not been forecast. Therefore, Hydro One is proposing, consistent with the  
9   Handbook, that the Board's Z-factor mechanism be available over the 5-year term of this  
10   Custom IR Application. This is consistent with the principles of the RRF. The criteria  
11   that would apply to the use of the Z-factor mechanism are those outlined by the Board in  
12   Chapter 3 of the Filing Requirements for Electricity Distribution Rate Applications and  
13   the guidelines provided in section 2.6 of the Board's Report on 3<sup>rd</sup> Generation Incentive  
14   Regulation for Ontario's Electricity Distributors (July 14, 2008).

15  
16   Events that may necessitate the use of the Z-factor mechanism include:

- 17   • Extreme weather events such as storms;
- 18   • Investments that are government-mandated or otherwise outside of management's
- 19   control such as:
- 20       ○ Smart Meters or similar type programs;
- 21       ○ Conservation and Demand Management;
- 22       ○ Regional Planning;
- 23   • Changes to IESO market rules;
- 24   • Changes to OEB codes, policies or other directions;
- 25   • Changes to accounting frameworks or technical standards;
- 26   • Changes to government policy, legislation, or regulation, such as environmental laws;
- 27   and
- 28   • Any other one-time or ongoing events that meet the Z-factor criteria.

Witness: Oded Hubert