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Frank D'Andrea
Vice President, Reliability Standards and Chief Regulatory Officer

BY EMAIL AND RESS

October 1, 2020

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

Dear Ms. Long,

EB-2019-0045 – Hydro One Remote Communities Inc. – 2020 Distribution Rate Application – COVID-19 Foregone Revenue Rate Rider Model Submissions – Interrogatory Responses, Second Round

Please find attached Hydro One Remote Communities Inc.'s ("Remotes") responses to the second round of Ontario Energy Board ("OEB") staff interrogatories received September 30, 2020 on Remotes' COVID-19 Foregone Revenue Rate Rider Model submission.

This filing has been submitted electronically using the OEB's Regulatory Electronic Submission System and two (2) copies will be sent via courier.

Sincerely,

Frank D'Andrea

Frank D'Andrea

OEB STAFF INTERROGATORY #1

Reference:

Interrogatory:

On page 1 of its covering letter, Hydro One Remotes notes that the model was adapted based on the previously-approved inclining block rate structure, originally established in 2006. Hydro One Remotes references RP-2005-0020/EB-2005-0497.

Please confirm that this reference is incorrect, and the correct reference is RP-2005-0020/EB-2005-0511.

Response:

Hydro One Remotes confirms that the correct reference is RP-2005-0020/EB-2005-0511.

OEB STAFF INTERROGATORY #2

Reference:

Interrogatory:

Hydro One Remotes has adapted the OEB's model so that foregone revenue is equally allocated to all rate classes and rate blocks (or tiers). The resulting monthly fixed-charge rate rider, based on forecasted customer count, is 2.0%, evenly allocated across all of the rate classes with applicable monthly fixed charges. The resulting volumetric rate rider, based on forecasted customer usage is 1.42%, evenly allocated across all of the rate classes and tiers.

a) Please explain why Hydro One Remotes believes this methodology is appropriate.
b) Please confirm that this methodology would result in some rate classes subsidizing others. Please provide a discussion on why Hydro One Remotes believes this is appropriate in its circumstances.
c) Please provide a table showing a comparison of the bill impacts for all rate classes between Hydro One Remotes' proposed methodology and the methodology of the OEB's forgone revenue model.

Response:

a) Remotes is a unique distributor in Ontario and is exempt from the competitive market. Remotes generates electricity at diesel generating stations in certain isolated communities in the far north and distributes the electricity to customers in each community. Most of Remotes' customers are eligible for Rural and Remote Rate Protection ("RRRP") under Section 79 of the *Ontario Energy Board Act, 1998*. O. Reg. 442/01 (the "Act"). Under the Act, the Board is required to calculate Rate Protection for these customers and requires that Remotes charge rates that are not based on the cost of service. Similar to previous filing, EB-2013-0142, Remotes allocates evenly across all rate classes and blocks including rate riders, in an effort to be fair and transparent to all customers, as well as to maintain the overall integrity of the inclining block structures which are currently in-place.

b) Hydro One Remotes confirms that this methodology would result in some rate classes subsidizing others. Remotes believes that the principle of applying average increases to its customer rates is appropriate as this methodology is necessary to be fair and transparent to all customers, as well as maintain the overall integrity of the inclining block structures, which are currently in-place. It should be noted that the amount of cross-subsidization is immaterial based on the total foregone revenue associated with the Distribution Volumetric Rate ("DVR") of $169,356 and total net reallocation of $7,618. Overall, non-standard "A" year round residential customers (-$6,806.88) are primarily subsidized by standard "A" general service air access customers (+$6,149.79), with only minor variances in other rate classes ranging from -$547.61 to +$497.49.

Hydro One Remotes is small utility with limited customers and a variable load profile peaking in winter, as well as an inclining rate block structure (or tiers). The methodology of the OEB's forgone revenue model, assumes a fairly flat or consistent load profile as well as a broad customer base for allocation. When the OEB's traditional foregone revenue model is used, it can drastically impact the rates being recovered and in some cases, the rate rider ends up being well in excess of the previously approved 2% rate increase (rate rider % e.g. Non Standard A Seasonal Residential service classification – R4, First 1,000 kWh – 3.42%, Standard A Residential Road/Rail access service classification, First 250 kWh – 5.49%). The upcoming 2021 IRM filing will also consistently apply the same rate of escalation evenly, in-line with the inclining block structure, so all customers will experience the same rate change, once the rate rider is removed.

By example, Non Standard A, Seasonal Residential service with winter usage are faced with making up the majority of foregone revenue for the rate class. As well, the OEB methodology benefits those customers with increased usage, which works against the need for customer conservation.

c) Please see Attachment 1 of this response.