

Hydro One Networks Inc.

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BY EMAIL AND RESS

October 19, 2022

Ms. Nancy Marconi
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

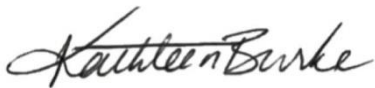
Dear Ms. Marconi,

EB-2022-0041 – Hydro One Remote Communities Inc. – 2023 Revenue Requirement and Rates Application – OEB Staff Error Checking Questions

Attached please find Hydro One Remote Communities Inc.'s (Remotes) responses to OEB Staff's error checking questions received on October 6, 2022.

An electronic copy of the responses has been submitted electronically using the OEB's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in black ink that reads "Kathleen Burke".

Kathleen Burke

CLARIFYING QUESTIONS
HYDRO ONE REMOTE COMMUNITIES INC.
EB-2022-0041

OEB Staff Question #1:

Please correct the calculation for total weighted cost rate in Table 1 (Exhibit E/Tab 1/Schedule 1).

Hydro One Remote Communities Inc. Response:

This is a typo; the total weighted cost rate should be 4.49%. Please see Attachment 1 for the revised Table 1 in Exhibit E, Tab 1, Schedule 1.

OEB Staff Question #2:

Please confirm whether the disposal amount for buildings & fixtures in 2020 and all disposal amounts in 2023 should be positive or negative and provide an explanation. (Chapter 2 appendices 2-BA)

Hydro One Remote Communities Inc. Response:

For 2020, the disposal amount for buildings and fixtures is correct. The disposal amount for buildings and fixtures recorded in Chapter 2 Appendix 2-BA does not represent a true disposal, rather the assets were transferred to a different class as three of the administrative building assets were incorrectly classified as generation building assets. Hence OEB Account 1620 (Generation Plant) Buildings & Fixtures is a negative \$313,608 and OEB Account 1908 (General Plant) Building & Fixtures is a positive \$313,608.

For 2023, the disposal amounts were incorrectly input. The disposal Cost amounts in Column F of Chapter 2 Appendix 2-BA should be reflected as negative amounts and the disposal Accumulated Depreciation amounts in Column L of Chapter 2 Appendix 2-BA should be reflected as positive amounts. Please see Attachment 2 for the updated Chapter 2 Appendices - Appendix 2-BA.

OEB Staff Question #3:

The billing and collecting and administrative and general expense amount in Chapter 2 appendices 2-JA and in A-01-07-06 2.1.13 Statement of Operations do not match. Please explain or reconcile the difference.

Hydro One Remote Communities Inc. Response:

The amounts for the billing and collecting and administrative and general expense in the Statement of Operations in Exhibit A, Tab 1, Schedule 7, Attachment 6 are incorrect. The USofA 6205 Donations amount was inadvertently included as part of the billing and collecting

line item, but should have been included as part of the administrative and general expense line item. Please see Attachment 3 for the revised Exhibit A, Tab 1, Schedule 7, Attachment 6, which now aligns with the Chapter 2 Appendix 2-JA.

OEB Staff Question #4:

Please explain the difference in retirements/disposal amounts for 2018 in Chapter 2 appendices 2-BA and in B-01-02-02 Continuity Cost.

Hydro One Remote Communities Inc. Response:

The difference in the retirement/disposal amounts for 2018 is the adjustment of -\$301K noted in Exhibit B, Tab 1, Schedule 2, Attachment 2. Please see below for reconciliation.

	2018
Continuity Cost Total (Exhibit B-01-02-02)	
Retirements (Column G)	\$(3,016)K
+ Adjustment (Column J)	<u>\$ (301)K</u>
Disposals Cost Total (Exhibit A-02-02-01 - Appendix 2-BA)	\$(3,317)K

This adjustment represents an inadvertent recording of transformers as a sale by the Fixed Assets Group at the end of 2018, which was not detected until early 2019 and was reversed and corrected at that point in time. Please see Attachment 4 for the updated Exhibit B, Tab 1, Schedule 2, Attachment 2.

OEB Staff Question #5:

Please explain the difference in retirements/disposal amounts for 2019 in Chapter 2 appendices 2-BA and in B-01-02-03 Continuity Acc Dep.

Hydro One Remote Communities Inc. Response:

Similar to the response to OEB Staff Question #4 above, the difference in the retirement/disposal amounts for 2019 is the adjustment of \$189K noted in Exhibit B, Tab 1, Schedule 2, Attachment 3, refer to the reconciliation below. Please see Attachment 5 for the updated Exhibit B, Tab 1, Schedule 2, Attachment 3.

	2019
Continuity Acc. Dep. Total (Exhibit B-01-02-03)	
Retirements (Column G)	\$(3,041)K
+ Adjustment (Column J)	<u>\$ 189 K</u>
Disposal Acc. Dep. Total (Exhibit A-02-02-01 - Appendix 2-BA)	\$(2,851)K

OEB Staff Question #6:

The amounts in the total column of "Table 2 - OPEB Costs Included in Rates", in Exhibit D, Tab 4, Schedule 1, Page 4, do not agree with those in the Excel Appendix 2-KA (HORCI_CoS Appl_ Exh_D-04-01-01_20220914). Are the differences due to 2018 OEB-approved amounts that are shown in both files, but not included in the total column as part of "Table 2 - OPEB Costs Included in Rates" or another reason?

Hydro One Remote Communities Inc. Response:

The Appendix 2-KA shows an incorrect value. The Total amount (over the 2018 to 2023 period) in Column K of Appendix 2-KA includes both the Board Approved 2018 amounts and the 2018 Actual amounts in error. The 2018 Board Approved amount should not be included in the Total amount in Column K of Appendix 2-KA. Please see Attachment 6 for the revised Exhibit D, Tab 4, Schedule 1, Attachment 1 (Appendix 2-KA update); which now aligns to Table 2 in Exhibit D, Tab 4, Schedule 1.

OEB Staff Question #7:

Although Remotes suggested in Exhibit D, Tab 5, Schedule 1, Page 8 that it has provided a reconciliation between accounting additions (per the rate base calculations) and the tax additions used for UCC purposes (per the regulatory tax calculations), OEB staff notes that there may be some discrepancies noted as follows:

a. The 2019 capital additions do not match between:

- i. \$3,360,960 in HORCI_CoS Appl_ Exh A-02-02-01_20220914 (Appendix 2-BA, Appendix 2-C); and
- ii. \$3,070,700 in HORCI_CoS Appl_ Exh_D-05-01-01_20220914 (line 97), HORCI_CoS Appl_ Exh_B-01-02-02_20220914, and HORCI_CoS Appl_ Exh_B-01-02-06_20220914

b. The 2020 capital additions do not match between:

- i. \$2,557,000 in HORCI_CoS Appl_ Exh_B-01-02-02_20220914, HORCI_CoS Appl_ Exh_B-01-02-06_20220914, HORCI_CoS Appl_ Exh A-02-02-01_20220914 (Appendix 2-BA, Appendix 2-C); and
- ii. \$2,470,900 in HORCI_CoS Appl_ Exh_D-05-01-01_20220914 (line 97)

Hydro One Remote Communities Inc. Response:

- a. The difference in the capital additions for 2019 is attributable to the adjustment as previously noted in the responses to OEB Questions 4 and 5 above resulting from an inadvertent recording of transformers as a sale by the Fixed Assets Group at the end of 2018, which was not detected until early 2019 and was reversed and corrected at that point in time. Please see below for reconciliation.

	2019
Current Year Additions (Exhibit A-02-02-01 (Appendix 2-BA, Appendix 2-C))	\$3,361K
Less: Total Adjustment	\$(290)K
Accounting Additions (Exhibit D-05-01-01, Exhibit B-01-02-02, Exhibit B-01-02-06)	\$3,071K

- b. The difference in the 2020 capital additions is attributable to proceeds of disposition of \$86.1K which reduce UCC for tax purposes in computing the net additions of \$2,470.9K shown on Exhibit D, Tab 5, Schedule 1, Attachment 1.

	2020
Additions (Exhibit B-01-02-06)	\$2,557.0K
Less: Proceeds of disposition	(\$86.1)K
Net Additions (Exhibit D-05-01-01)	\$2,470.9K

OEB Staff Question #8:

The depreciation expense (excluding those related to environmental costs) for 2018, 2019, and 2020 do not match between:

- a. \$3,319,000, \$3,378,000, and \$3,194,000 respectively in HORCI_CoS Appl_Exh B-03-01-01_20220914
- b. \$3,424,000, \$3,280,000, and \$3,108,000 respectively in HORCI_CoS Appl_Exh D-05-01-01_20220914

Hydro One Remote Communities Inc. Response:

The depreciation expense in Exhibit D, Tab 5, Schedule 1, Attachment 1 includes gains on the sale of assets (which is added back for tax purposes as part of depreciation). Excluding the gains on the sale of assets, the depreciation expense ties to the Exhibit B, Tab 3, Schedule 1, Attachment 1 as noted below:

	2018	2019	2020
Depreciation Expense (Exhibit D-05-01-01)	\$3,424K	\$3,280K	\$3,108K
Less: Accounting (Gains)/Loss	(\$105K)	\$98K	\$86K
Depreciation Expense (Exhibit B-03-01-01)	\$3,319K	\$3,378K	\$3,194K

OEB Staff Question #9:

The December 31, 2020 UCC of \$54,744,944, as per the tax return at Exhibit D, Tab 5, Schedule 2, does not match HORCI_CoS Appl_ Exh_D-05-01-01_20220914 of \$38,531,000.

Hydro One Remote Communities Inc. Response:

The UCC and CCA on the tax returns per Exhibit D, Tab 5, Schedule 2 include additional depreciable property relating to the fair market value revaluation that arose from the deemed disposition and reacquisition from the IPO. As noted in Exhibit D, Tab 5, Schedule 1, any tax deductions arising from fair market revaluation on the IPO deemed reacquisitions (IPO Bump) should accrue to the shareholders; consistent with the OEB Decision and Order EB-2020-0194. As such, the UCC and CCA related to the IPO Bump have been excluded in Exhibit D, Tab 5, Schedule 1, Attachment 1, resulting in difference for UCC and CCA for 2020 and 2021 as follows:

	UCC		
	Tax Return (Exhibit D-05-02)	IPO Bump	Calculation of Utility Income Taxes (Exhibit D-05-01-01)
2020	\$54,745K	\$16,214K	\$38,531k
2021	\$54,782K	\$14,914K	\$39,868k

	CCA		
	Tax Return (Exhibit D-05-02)	IPO Bump	Calculation of Utility Income Taxes (Exhibit D-05-01-01)
2020	\$4,312K	\$1,429K	\$2,883K
2021	\$4,439K	\$1,300K	\$3,139K

OEB Staff Question #10:

The December 31, 2020 CCA of \$4,311,721, as per the tax return at Exhibit D, Tab 5, Schedule 2, does match to HORCI_CoS Appl_ Exh_D-05-01-01_20220914 of \$2,882,700.

Hydro One Remote Communities Inc. Response:

Please see response to OEB Staff Question #9 above.

OEB Staff Question #11:

The December 31, 2021 UCC of \$54,782,263, as per the tax return at Exhibit D, Tab 5, Schedule 2, does not match HORCI_CoS Appl_ Exh_D-05-01-01_20220914 of \$39,868,000.

Hydro One Remote Communities Inc. Response:

Please see response to OEB Staff Question #9 above.

1 **OEB Staff Question #12:**

2 The December 31, 2021 CCA of \$4,438,974, as per the tax return at Exhibit D, Tab 5, Schedule 2,
3 does not match HORCI_CoS Appl_ Exh_D-05-01-01_20220914 of \$3,139,000.

4
5 **Hydro One Remote Communities Inc. Response:**

6 Please see response to OEB Staff Question #9 above.
7

8 **OEB Staff Question #13:**

9 In all of the worksheets in Exhibit H, Tab 2, Schedule 1, Attachment 7 and HORCI_CoS Appl_ Exh_H-
10 02-01-07_20220914, the 2018 OEB-approved pension OM&A is noted as \$687,000. However, the
11 OM&A amount in Exhibit D, Tab 4, Schedule 1, Page 2, "Table 1 - Pension Costs" is \$491,000. Is
12 the difference of \$196,000 due to capital amounts that have been shown as OM&A in all of the
13 worksheets in Exhibit H, Tab 2, Schedule 1, Attachment 7 and HORCI_CoS Appl_ Exh_H-02-01-
14 07_20220914 or another reason?

15
16 **Hydro One Remote Communities Inc. Response:**

17 The OEB-approved OM&A - Pension Cost amounts were incorrectly input into Exhibit H, Tab
18 2, Schedule 1, Attachment 7. The OEB-approved pension OM&A amount is the \$491K as noted
19 in Exhibit D, Tab 4, Schedule 1, Page 2, "Table 1 - Pension Costs". Please see Attachment 7 for
20 the revised Exhibit H, Tab 2, Schedule 1, Attachment 7.

ATTACHMENT #1

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3 Revised page 3 in Exhibit E, Tab 1, Schedule 1 to reflect corrections to Table 1.

should be applied to any additional notional (or deemed) debt that is required to balance the capital structure.”² Accordingly, the deemed long-term debt is calculated at 4.63%.

6.0 COST OF CAPITAL SUMMARY

Remotes’ 2023 rate base is \$56,218k which results in a weighted average cost on rate base of 4.49%, as shown in the table below.

Table 1 - 2023 Cost of Capital

Particulars	(in \$k)	% Of Rate Base	Cost Rate (%)	Weighted Cost Rate %	Cost of Capital (in \$k)
Deemed short-term debt	2,249	4.0%	1.17%	0.05%	26
Third Party long-term debt	43,000	76.5%	4.63%	3.54%	1,991
Deemed long-term debt	10,969	19.5%	4.63%	0.90%	508
Total	56,218	100%		4.49%	\$2,525

The historical 2018 to 2022 debt summary schedules have been provided at Appendix 2-OB at Exhibit A, Tab 2, Schedule 2, Attachment 1. The capital structure and cost of capital for the last Board Approved Year 2018 and the Test Year 2023 have been provided at Appendix 2-OA at Exhibit A, Tab 2, Schedule 2, Attachment 1.

² EB-2008-0232, Decision and Order, April 30, 2009, p. 12

ATTACHMENT #2

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Revised 2023 Fixed Asset Continuity Schedule (Appendix 2-BA) on page 11 in Exhibit A, Tab 2, Schedule 2, Attachment 1. An updated version of this exhibit in MS Excel format has also been filed separately.

CCA Class ²	OEB Account ³	Description ³	Cost				Accumulated Depreciation				Net Book Value
			Opening Balance ⁵	Additions ⁴	Disposals ⁶	Closing Balance	Opening Balance ⁵	Additions	Disposals ⁶	Closing Balance	
	1609	Capital Contributions Paid	\$ -			\$ -	\$ -			\$ -	\$ -
12	1611	Computer Software (Formally known as Account 1925)	\$ -			\$ -	\$ -			\$ -	\$ -
CEC	1612	Land Rights (Formally known as Account 1906)	\$ -			\$ -	\$ -			\$ -	\$ -
N/A	1615	Land	\$ 407,800	\$ -	\$ -	\$ 407,800	\$ 407,800	\$ -	\$ -	\$ 407,800	\$ -
1	1620	Buildings & Fixtures	\$ 7,017,995	\$ -	\$ -	\$ 7,017,995	\$ 3,539,286	\$ 170,538	\$ -	\$ 3,709,824	\$ 3,308,171
17	1650	Reservoirs Dams & Water	\$ 670,778	\$ -	\$ -	\$ 670,778	\$ 670,778	\$ -	\$ -	\$ 670,778	\$ -
17	1665	Fuel Holders Produce	\$ 8,554,493	\$ 839,190	\$ -	\$ 9,393,683	\$ 4,194,283	\$ 344,830	\$ -	\$ 4,539,113	\$ 4,854,570
17	1670	Prime Movers	\$ 19,041,713	\$ 4,169,735	\$ 1,667,894	\$ 21,543,554	\$ 7,963,984	\$ 1,301,085	\$ 1,667,894	\$ 7,597,175	\$ 13,946,379
17	1675	Generators	\$ 9,758,817	\$ 1,628,582	\$ 651,433	\$ 10,735,966	\$ 5,254,258	\$ 463,076	\$ 651,433	\$ 5,065,901	\$ 5,670,065
17	1680	Accessory Electric Equ	\$ 2,024,592	\$ 294,713	\$ -	\$ 2,319,305	\$ 1,293,222	\$ 78,879	\$ -	\$ 1,372,101	\$ 947,204
17	1685	Misc Power Plant Equ	\$ 6,000,140	\$ 355,589	\$ -	\$ 6,355,729	\$ 2,795,255	\$ 139,665	\$ -	\$ 2,934,920	\$ 3,420,809
N/A	1805	Land	\$ 294,456	\$ -	\$ -	\$ 294,456	\$ -	\$ -	\$ -	\$ -	\$ 294,456
CEC	1806	L&Rights	\$ 234,126	\$ -	\$ -	\$ 234,126	\$ 206,401	\$ 3,442	\$ -	\$ 209,843	\$ 24,283
47	1808	Buildings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13	1810	Leasehold Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1815	Transformer Station Equipment >50 kV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1820	Distribution Station Equipment <50 kV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1825	Storage Battery Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1830	Poles, Towers & Fixtures	\$ 4,410,788	\$ 426,005	\$ 42,601	\$ 4,794,192	\$ 952,759	\$ 79,341	\$ 42,601	\$ 989,499	\$ 3,804,693
47	1835	Overhead Conductors & Devices	\$ 2,745,106	\$ 262,884	\$ 42,061	\$ 2,965,929	\$ 562,383	\$ 42,452	\$ 42,061	\$ 562,774	\$ 2,403,155
47	1840	Underground Conduit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1845	Underground Conductors & Devices	\$ 292,254	\$ -	\$ -	\$ 292,254	\$ 153,148	\$ 6,780	\$ -	\$ 159,928	\$ 132,326
47	1850	Line Transformers	\$ 2,681,388	\$ 95,830	\$ 19,166	\$ 2,758,052	\$ 916,083	\$ 63,646	\$ 19,166	\$ 960,563	\$ 1,797,489
47	1855	Services (Overhead & Underground)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1860	Meters	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1860	Meters (Smart Meters)	\$ 1,976,335	\$ 2,015,149	\$ 403,030	\$ 3,588,454	\$ 348,016	\$ 178,711	\$ 403,030	\$ 123,697	\$ 3,464,757
N/A	1905	Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1908	Buildings & Fixtures	\$ 13,424,562	\$ 2,285,692	\$ -	\$ 15,710,254	\$ 3,503,910	\$ 291,237	\$ -	\$ 3,795,147	\$ 11,915,107
13	1910	Leasehold Improvements	\$ 115,183	\$ -	\$ -	\$ 115,183	\$ 116,398	\$ 11,518	\$ -	\$ 127,916	\$ 12,733
8	1915	Office Furniture & Equipment (10 years)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	1915	Office Furniture & Equipment (5 years)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	1920	Computer Equipment - Hardware	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
45	1920	Computer Equip.-Hardware(Post Mar. 22/04)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50	1920	Computer Equip.-Hardware(Post Mar. 19/07)	\$ 27,337	\$ 6,500	\$ -	\$ 33,837	\$ 12,813	\$ 6,093	\$ -	\$ 18,906	\$ 14,931
10	1930	Transportation Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	1935	Stores Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	1940	Tools, Shop & Garage Equipment	\$ 86,802	\$ 19,500	\$ 9,841	\$ 96,461	\$ 37,030	\$ 9,791	\$ 9,841	\$ 36,980	\$ 59,481
8	1945	Measurement & Testing Equipment	\$ 77,554	\$ 19,500	\$ 7,810	\$ 89,244	\$ 43,310	\$ 12,442	\$ 7,810	\$ 47,942	\$ 41,302
8	1950	Power Operated Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	1955	Communications Equipment	\$ 20,332	\$ -	\$ -	\$ 20,332	\$ 21,019	\$ -	\$ -	\$ 21,019	\$ 687
8	1955	Communication Equipment (Smart Meters)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	1960	Miscellaneous Equipment	\$ 374,668	\$ 84,500	\$ 111,269	\$ 347,899	\$ 192,213	\$ 40,247	\$ 111,269	\$ 121,191	\$ 226,708
47	1970	Load Management Controls Customer Premises	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1975	Load Management Controls Utility Premises	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1980	System Supervisor Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1985	Miscellaneous Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1990	Other Tangible Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	1995	Contributions & Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	2440	Deferred Revenue ⁷	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2005	Property Under Finance Lease ⁸	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Sub-Total	\$ 80,237,219	\$ 12,503,369	\$ 2,955,105	\$ 89,785,483	\$ 33,184,347	\$ 3,243,773	\$ 2,955,105	\$ 33,473,015	\$ 56,312,468
		Less Socialized Renewable Energy Generation Investments(input as negative)				\$ -				\$ -	\$ -
		Less Other Non Rate-Regulated Utility Assets (input as negative)				\$ -				\$ -	\$ -
		Total PP&E	\$ 80,237,219	\$ 12,503,369	\$ 2,955,105	\$ 89,785,483	\$ 33,184,347	\$ 3,243,773	\$ 2,955,105	\$ 33,473,015	\$ 56,312,468
		Depreciation Expense adj. from gain or loss on the retirement of assets (pool of like assets), if applicable ⁹									
		Total						\$ 3,243,773			

Less: Fully Allocated Depreciation

10		Transportation	
8		Stores Equipment	
47		Deferred Revenue	
		Net Depreciation	\$ 3,243,773

ATTACHMENT #3

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Revised Statement of Operations in Exhibit A, Tab 1, Schedule 7, Attachment 6. An updated version of this exhibit in MS Excel format has also been filed separately.

HYDRO ONE REMOTE COMMUNITIES INC.
2021 Distribution Financial Statements mapping reconciled to USofA Trial Balance

Statement of Operations (Year ended December 31, 2021)

Financial Statement item	USofA Accounts	Audited Financial Stmts \$K	Adjustments A	Regulated \$K
REVENUE				
Energy sales	4000, 4006, 4010 , 4020, 4025 , 4035, 4050, 4055, 4062, 4066, 4068, 4750	22,713		22,713
Rural rate protection	4080	39,228		39,228
Other Revenue	4082, 4084, 4210, 4225, 4235, 4325 , 4375, 4390, 4398, 6035	1,330		1,330
TOTAL REVENUE		63,271	0	63,271
COSTS				
Purchased power	4705 , 4708, 4710, 4720	1,584		1,584
Operation, maintenance & administration		20,607	(20,607)	0
Operation	4510, 4550, 4555 , 5005, 5010, 5012, 5014, 5015, 5016, 5017, 5020, 5025, 5030, 5035, 5040, 5045, 5050, 5055, 5060, 5065, 5070, 5075, 5085 , 5090, 5095	34,481	5,111	39,592
Maintenance	4610, 4635 , 5105, 5110, 5112, 5114, 5120, 5125, 5130, 5135 , 5145, 5150, 5160, 5165, 5170, 5172, 5175 , 5178, 5185, 5186, 5190, 5192, 5195		11,770	11,770
Billing and Collecting	5310, 5315, 5320 , 5330, 5335 , 5340		1,409	1,409
Community Relations	5410, 5415, 5420, 5425		407	407
Administrative and General Expenses	1556, 1565, 4330 , 4380, 5605, 5610, 5615 , 5620, 5625 , 5630, 5635, 5640, 5645, 5655 , 5665, 5670, 5675 , 5680, 6105, 6205		1,910	1,910
Depreciation and amortization	5705, 5715 , 5740	4,835		4,835
Gain on disposition of assets	4355	0		0
TOTAL COSTS		61,507	0	61,507
Income before financing charges and income taxes		1,764	0	1,764
Financing charges	6005, 6010, 6035, 6040	1,764		1,764
Income before income taxes		-	-	-
Income tax expense (recovery)	6110	0		0
NET INCOME (LOSS)		0	0	0
Comprehensive Income	4375	19		19

* **Bold** "US of A" Account Numbers denote accounts with 2021 balances

A OM&A expenses reallocated to specific categories

ATTACHMENT #4

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Revised Exhibit B, Tab 1, Schedule 2, Attachment 2. An updated version of this exhibit in MS
Excel format has also been filed separately.

HYDRO ONE REMOTE COMMUNITIES INC.
Continuity of Property, Plant and Equipment
Year Ending December 31
Historical (2018-2021), Bridge (2022) & Test (2023) Years
Total - Gross Balances
(\$000s)

Fixed Assets

<u>Line No.</u>	<u>Year</u>	<u>Opening Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Sales</u>	<u>Transfers In/Out</u>	<u>Adjustment (Note 1)</u>	<u>Closing Balance</u>	<u>Average</u>
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<u>Historic</u>									
1	2018	67,967	4,455	(3,016)	-		(301)	69,105	68,536
2	2019	69,105	3,071	(3,041)	-		287	69,422	69,264
3	2020	69,422	2,557	(379)	-			71,600	70,511
4	2021	71,600	5,821	(1,494)	-			75,927	73,764
<u>Bridge</u>									
5	2022	75,927	5,769	(1,460)	-			80,236	78,082
<u>Test</u>									
6	2023	80,236	12,502	(2,955)				89,783	85,010

Notes:

Property Plant and Equipment balances do not include inventory held as "Future Use Assets"

Note 1 - This adjustment represents an inadvertent recording of transformers as a sale by the Fixed Assets Group at the end of 2018, which was not detected until early 2019 and was reversed and corrected at that point in time.

ATTACHMENT #5

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Revised Exhibit B, Tab 1, Schedule 2, Attachment 3. An updated version of this exhibit in MS
Excel format has also been filed separately.

HYDRO ONE REMOTE COMMUNITIES INC.
Continuity Accumulated Depreciation
Year Ending December 31
Historical (2018-2021), Bridge (2022) & Test (2023) Years
Total - Gross Balances
(\$000s)

Fixed Assets

<u>Line No.</u>	<u>Year</u>	<u>Opening Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Sales</u>	<u>Transfers In/Out</u>	<u>Adjustments (Note 1)</u>	<u>Closing Balance</u>	<u>Average</u>
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
<u>Historic</u>									
1	2018	27,821	2,925	(3,016)	-		(195)	27,535	27,678
2	2019	27,535	2,867	(3,041)	-		189	27,550	27,543
3	2020	27,550	2,834	(379)	-			30,005	28,778
4	2021	30,005	3,058	(1,494)	-			31,569	30,787
<u>Bridge</u>									
5	2022	31,569	3,075	(1,460)	-	-		33,184	32,377
<u>Test</u>									
6	2023	33,184	3,244	(2,955)	-	-		33,473	33,329

Note 1 - This adjustment represents an inadvertent recording of transformers as a sale by the Fixed Assets Group at the end of 2018, which was not detected until early 2019 and was reversed and corrected at that point in time.

ATTACHMENT #6

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Revised Appendix 2-KA in Exhibit D, Tab 4, Schedule 1, Attachment 1. An updated version of this exhibit in MS Excel format has also been filed separately.

Appendix 2-KA

OPEBs (Other Post-Employment Benefits) Costs

A Please indicate if OPEBs were recovered on a cash or accrual accounting basis for each year since the distributor started to recover OPEBs in distribution rates from

Notes:

(Please add any information to explain the accounting basis used for OPEBs cost recovery in rate setting. If basis is other than Cash or Accrual, an explanation is required.)

Hydro One utilizes the accrual method for accounting of Other Post-Employment Benefit ("OPEBs") costs. The accrual method is appropriate because it reflects the costs incurred during the time period and, as such, more accurately attributes those costs to the appropriate ratepayers.

B Please complete the following table:

OPEBs (in \$K)	Board Approved 2018	2018	2019	2020	2021	2022	2023	Total
Amounts included in Rates								
OM&A	\$ 909	\$ 813	\$ 945	\$ 1,308	\$ 997	\$ 1,257	\$ 1,292	\$ 6,612
Capital	\$ 363	\$ 326	\$ 553	\$ 302	\$ 332	\$ 360	\$ 417	\$ 2,290
Total	\$ 1,272	\$ 1,139	\$ 1,498	\$ 1,610	\$ 1,329	\$ 1,617	\$ 1,709	\$ 8,902
Paid benefit amounts	\$ 605	\$ 144	\$ 182	\$ 272	\$ 258	\$ 383	\$ 394	\$ 1,633
Net excess amount included in rates relative to amounts actually paid.	\$ 667	\$ 995	\$ 1,316	\$ 1,338	\$ 1,071	\$ 1,234	\$ 1,315	\$ 7,269

C Please describe what the distributor has done with the recoveries in excess of cash payments:

The Capital component of OPEB costs is recovered over the useful life of the assets to which it is capitalized and not in the years noted. Therefore, the Net Excess as noted does not represent the excess recovery in each year.

ATTACHMENT #7

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Revised Exhibit H, Tab 2, Schedule 1, Attachment 7 to reflect the correct OEB-approved pension OM&A amount. An updated version of this exhibit in MS Excel format has also been filed separately.

HYDRO ONE REMOTES COMMUNITIES INC
Rural and Remote Rate Protection Variance Account Reconciliation Summary (with breakout of Pension Costs and OPEBs)
For the years ended 2018 to 2021
(in \$K)

	Approved					Actuals					Variance
	2018	2019	2020	2021	Total	2018	2019	2020	2021	Total	Total Approved vs Total Actuals
RRRP Variance Account, Opening Balance	Note 1					1,218	4,541	6,089	5,598		
Annual Rural and Remote Rate Protection	(35,223)	(35,223)	(35,223)	(35,223)	(140,892)	(35,223)	(35,223)	(35,223)	(35,223)	(140,892)	0
Subsidy increase deferred	0	0	0	0	0	2,964	(2,964)	0	0	0	0
Total RRRP received	(35,223)	(35,223)	(35,223)	(35,223)	(140,892)	(32,259)	(38,187)	(35,223)	(35,223)	(140,892)	0
Revenues											
Energy	(17,612)	(17,612)	(17,612)	(17,612)	(70,448)	(18,104)	(20,876)	(22,348)	(22,585)	(83,913)	(13,465)
Other - Late Payment, Service Fees, External	(999)	(999)	(999)	(999)	(3,996)	(1,394)	(1,240)	(840)	(1,330)	(4,804)	(808)
Total Revenues	(18,611)	(18,611)	(18,611)	(18,611)	(74,444)	(19,498)	(22,116)	(23,188)	(23,915)	(88,717)	(14,273)
Costs - OM&A											
OM&A - Pension Costs (Note 2)	491	491	491	491	1,964	543	427	486	465	1,921	(43)
OM&A - OPEBs (Note 2)	909	909	909	909	3,636	813	945	1,308	997	4,063	427
OM&A - Other	19,943	19,943	19,943	19,943	79,772	18,252	19,716	19,392	19,144	76,504	(3,268)
Fuel	25,900	25,900	25,900	25,900	103,600	29,406	30,251	29,166	34,481	123,304	19,704
Cost of power	0	0	0	0	0	14	1,463	1,779	1,584	4,840	4,840
Depreciation - Pension Costs	42	42	42	42	168	18	21	17	20	76	(92)
Depreciation - OPEBs	31	31	31	31	124	26	45	22	26	119	(5)
Depreciation - Other	3,503	3,503	3,503	3,503	14,012	3,275	3,312	3,070	3,355	13,012	(1,000)
Amortization of environmental assets	1,032	1,032	1,032	1,032	4,128	942	3,851	870	1,435	7,098	2,970
Interest	2,052	2,052	2,052	2,052	8,208	1,793	1,822	1,813	1,765	7,193	(1,015)
Gain on asset disposition	0	0	0	0	0	0	0	0	0	0	0
Income taxes	(69)	(69)	(69)	(69)	(276)	(2)	(2)	(3)	0	(7)	269
Total Costs	53,834	53,834	53,834	53,834	215,336	55,080	61,851	57,920	63,272	238,123	22,787
Net (Income)/Loss [change in RRRP]	0	0	0	0	0	3,323	1,548	(491)	4,134	8,514	8,514
RRRP Variance Account, Ending Balance	0	0	0	0		4,541	6,089	5,598	9,732		

Note 1 - In Remotes COS Application (EB-2017-0051) for 2018-2022 Rates, the RRRPVA 2016 audited balance of \$1644K was not cleared due to outstanding questions related to pension and income tax adjustments resulting from the Initial Public Offering of Hydro One Limited. This issue has been resolved, and resulted in a reduction of \$682K in the RRRPVA for an opening 2017 balance of \$962K (as documented in Exhibit H, Tab 2, Schedule 1, Attachment 1). With actual costs exceeding revenue by \$256K in 2017, the resulting opening 2018 balance is \$1,218K (as noted above).

Note 2 - Refer to Exhibit D-04-01

HYDRO ONE REMOTES COMMUNITIES INC
Rural and Remote Rate Protection Variance Account Reconciliation 2018
(with breakout of Pension Costs and OPEBs)
For the year ended December 31, 2018
(in \$K)

		<u>Actual Revenues and Expenses (Audited)</u>	<u>Approved</u>	<u>Variance</u>
RRRP Variance Account, Opening Balance	1-Jan-2018	1,218	Note 1	
Annual Rural and Remote Rate Protection		(35,223)	(35,223)	
Subsidy increase deferred	Note 2	2,964	0	
RRRP Variance Account Recovery		0	0	
Total RRRP received		(32,259)	(32,259)	(35,223)
Revenues				
Energy		(18,104)	(17,612)	492
Other - Late Payment, Service Fees, External		(1,394)	(999)	395
Total Revenues	Note 3	(19,498)	(19,498)	(18,611)
Costs - OM&A				
OM&A - Pension Costs	Note 4	543	491	52
OM&A - OPEBs	Note 4	813	909	(96)
OM&A - Other		18,252	19,943	(1,691)
Fuel		29,406	25,900	3,506
Cost of power		14	0	14
Depreciation - Pension Costs		18	42	(24)
Depreciation - OPEBs		26	31	(5)
Depreciation - Other		3,275	3,503	(228)
Amortization of environmental assets		942	1,032	(90)
Interest		1,793	2,052	(259)
Gain on asset disposition		0	0	0
Income taxes		(2)	(69)	67
Total Costs		55,080	55,080	53,834
Net (Income)/Loss [change in RRRP]		3,323		
RRRP Variance Account, Ending Balance	31-Dec-2018	4,541		

Note 1 - In Remotes COS Application (EB-2017-0051) for 2018-22 Rates, the RRRP variance account balance was not cleared due to outstanding questions relating to pension and income tax adjustments resulting from the Initial Public Offering of Hydro One Limited. This issue has been resolved and the opening 2018 balance is \$1,218k based on the carryover of the 2017 ending balance outlined in Exhibit H, Tab 2, Schedule 1, Attachment 1.

Note 2 - Starting in 2018, Remotes was to receive RRRP funding of \$35,223k as per the EB-2017-0051 rate order. However, the subsidy increase of \$2,964k was deferred by the OEB until the following year, thus Remotes only received funding of \$32,259k in 2018.

Note 3 - Hydro One Remote Communities conducts its operations under a cost recovery model applied to achieve an after-tax breakeven operation result. Any excess or deficiency in remote rate protection revenues necessary to breakeven is added to, or drawn from, the RRRP Variance Account. Remote rate protection amounts received for the year ended December 31, 2018 were \$32,259k (as the subsidy increase of \$2,964k was deferred and received in 2019). An additional \$3,323k was recognized as revenue, consistent with the break-even business model. The balance of the remote rate protection amounts received has been allocated to the RRRP variance account as illustrated in this reconciliation.

Note 4 - Refer to Exhibit D-04-01

HYDRO ONE REMOTES COMMUNITIES INC
Rural and Remote Rate Protection Variance Account Reconciliation 2019
(with breakout of Pension Costs and OPEBs)
For the year ended December 31, 2019
(in \$K)

		<u>Actual Revenues and Expenses (Audited)</u>	<u>Approved</u>	<u>Variance</u>
RRRP Variance Account, Opening Balance	1-Jan-2019	4,541		
Annual Rural and Remote Rate Protection		(35,223)	(35,223)	
Subsidy increase deferred	Note 1	(2,964)	0	
RRRP Variance Account Recovery		0	0	
Total RRRP received		(38,187)	(38,187)	(35,223)
Revenues				
Energy		(20,876)	(17,612)	3,264
Other - Late Payment, Service Fees, External		(1,240)	(999)	241
Total Revenues	Note 2	(22,116)	(22,116)	(18,611)
Costs - OM&A				
OM&A - Pension Costs	Note 3	427	491	64
OM&A - OPEBs	Note 3	945	909	(36)
OM&A - Other		19,716	19,943	227
Fuel		30,251	25,900	(4,351)
Cost of power		1,463	0	(1,463)
Depreciation - Pension Costs		21	42	21
Depreciation - OPEBs		45	31	(14)
Depreciation - Other		3,312	3,503	191
Amortization of environmental assets		3,851	1,032	(2,819)
Interest		1,822	2,052	230
Gain on asset disposition		0	0	0
Income taxes		(2)	(69)	(67)
Total Costs		61,851	61,851	(8,017)
Net (Income)/Loss [change in RRRP]		1,548		
RRRP Variance Account, Ending Balance	31-Dec-2019	6,089		

Note 1 - Starting in 2018, Remotes was to receive RRRP funding of \$35,223k as per the EB-2017-0051 rate order. However, the subsidy increase of \$2,964k was deferred by the OEB until 2019, when it was released to Remotes resulting in a total received funding of \$38,187k in 2019.

Note 2 - Hydro One Remote Communities conducts its operations under a cost recovery model applied to achieve an after-tax breakeven operation result. Any excess or deficiency in remote rate protection revenues necessary to breakeven is added to, or drawn from, the RRRP Variance Account. Remote rate protection amounts received for the year ended December 31, 2019 were \$35,223k plus the amount of \$2,964k that was deferred in 2018. An additional \$1,548k was recognized as revenue, consistent with the breakeven business model. The balance of the remote rate protection amounts received has been allocated to the RRRP variance account as illustrated in this reconciliation.

Note 3 - Refer to Exhibit D-04-01

HYDRO ONE REMOTES COMMUNITIES INC
Rural and Remote Rate Protection Variance Account Reconciliation 2020
(with breakout of Pension Costs and OPEBs)
For the year ended December 31, 2020
(in \$K)

		Actual Revenues and Expenses (Audited)	Approved	Variance
RRRP Variance Account, Opening Balance	1-Jan-2020	6,089		
Annual Rural and Remote Rate Protection		(35,223)	(35,223)	
RRRP Variance Account Recovery		0	0	
Total RRRP received		(35,223)	(35,223)	(35,223)
Revenues				
Energy		(22,348)	(17,612)	4,736
Other - Late Payment, Service Fees, External		(840)	(999)	(159)
Total Revenues	Note 1	(23,188)	(18,611)	4,577
Costs - OM&A				
OM&A - Pension Costs	Note 2	486	491	(5)
OM&A - OPEBs	Note 2	1,308	909	399
OM&A - Other		19,392	19,943	(551)
Fuel		29,166	25,900	3,266
Cost of power		1,779	-	1,779
Depreciation - Pension Costs		17	42	(25)
Depreciation - OPEBs		22	31	(9)
Depreciation - Other		3,070	3,503	(433)
Amortization of environmental assets		870	1,032	(162)
Interest		1,813	2,052	(239)
Gain on asset disposition		0	-	0
Income taxes		(3)	(69)	66
Total Costs		57,920	53,834	4,086
Net (Income)/Loss [change in RRRP]		(491)		
RRRP Variance Account, Ending Balance	31-Dec-2020	5,598		

Note 1 - Hydro One Remote Communities conducts its operations under a cost recovery model applied to achieve an after-tax breakeven operation result. Any excess or deficiency in remote rate protection revenues necessary to breakeven is added to, or drawn from, the RRRP Variance Account. Remote rate protection amounts received for the year ended December 31, 2020 were \$35,223k. A reduction of revenue of \$491k was recognized, consistent with the break-even business model. The balance of the remote rate protection amounts received has been allocated to the RRRP revenue variance account as illustrated in this reconciliation.

Note 2 - Refer to Exhibit D-04-01

HYDRO ONE REMOTES COMMUNITIES INC
Rural and Remote Rate Protection Variance Account Reconciliation 2021
(with breakout of Pension Costs and OPEBs)
For the year ended December 31, 2021
(in \$K)

		Actual Revenues and Expenses (Audited)	Approved	Variance
RRRP Variance Account, Opening Balance	1-Jan-2021	5,598		
Annual Rural and Remote Rate Protection		(35,223)	(35,223)	
RRRP Variance Account Recovery		0	0	
Total RRRP received		(35,223)	(35,223)	(35,223)
Revenues				
Energy		(22,585)	(17,612)	4,973
Other - Late Payment, Service Fees, External		(1,330)	(999)	331
Total Revenues	Note 1	(23,915)	(18,611)	5,304
Costs - OM&A				
OM&A - Pension Costs	Note 2	465	491	(26)
OM&A - OPEBs	Note 2	997	909	88
OM&A - Other		19,144	19,943	(799)
Fuel		34,481	25,900	8,581
Cost of power		1,584	0	1,584
Depreciation - Pension Costs		20	42	(22)
Depreciation - OPEBs		26	31	(5)
Depreciation - Other		3,355	3,503	(148)
Amortization of environmental assets		1,435	1,032	403
Interest		1,765	2,052	(287)
Gain on asset disposition		0	0	0
Income taxes		0	(69)	69
Total Costs		63,272	53,834	9,438
Net (Income)/Loss [change in RRRP]		4,134		
RRRP Variance Account, Ending Balance	31-Dec-2021	9,732		

Note 1 - Hydro One Remote Communities conducts its operations under a cost recovery model applied to achieve an after-tax breakeven operation result. Any excess or deficiency in remote rate protection revenues necessary to breakeven is added to, or drawn from, the RRRP Variance Account. Remote rate protection amounts received for the year ended December 31, 2021 were \$35,223k. An additional \$4,134k was recognized as revenue, consistent with the break-even business model. The balance of the remote rate protection amounts received has been allocated to the RRRP variance account as illustrated in this reconciliation.

Note 2 - Refer to Exhibit D-04-01