

BY E-MAIL

November 8, 2024

Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

Dear Ms. Marconi:

**Re: Hydro One Remote Communities Inc. (Hydro One Remotes)
Application for incremental funding for the Deer Lake Shoulderblade Falls
Hydroelectric Facility
Ontario Energy Board (OEB) File Number: EB-2024-0180**

In accordance with Procedural Order No. 1, please find attached the Ontario Energy Board (OEB) staff interrogatories in the above proceeding. The applicant and has been copied on this filing.

Hydro One Remotes' responses to interrogatories are due by November 22, 2024.

Any questions relating to this letter should be directed to Margaret DeFazio at margaret.defazio@oeb.ca or at 416-440-7674. The OEB's toll-free number is 1-888-632-6273.

Yours truly,

Original Signed By

Margaret DeFazio, P.Eng.
Senior Advisor, Electricity Distribution

Attach.

OEB Staff Interrogatories

Application for incremental funding for the Deer Lake Shoulderblade Falls Hydroelectric Facility

Hydro One Remote Communities Inc. (Hydro One Remotes)

EB-2024-0180

November 08, 2024

Please note, Hydro One Remotes is responsible for ensuring that all documents it files with the OEB, including responses to OEB staff interrogatories and any other supporting documentation, do not include personal information (as that phrase is defined in the *Freedom of Information and Protection of Privacy Act*), unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Staff-1

Ref. 1: p. 10

Preamble:

Hydro One states that “if this Application is approved, Remotes and Deer Lake will enter into an agreement under which Remotes will incur approximately \$547k per year in total costs. These total costs include costs (\$190k and \$75k) to operate and maintain the Hydel (described in sections 3.1 and 3.2) and amounts paid (\$78k and \$204k) to Deer Lake for road maintenance and for the electricity generated by the Hydel”.

Question(s):

1. Are the costs of \$190k and \$75k to “operate and maintain” the generating station by Hydro One Remotes, costs to Hydro One Remotes, or payments to Deer Lake?
 - a. Will the employees who plan and execute the work at the generating station be employed by Hydro One Remotes?
2. Are the costs to be paid to Deer Lake fixed for the contract period, or will the agreement include cost escalation each year?
3. What is the anticipated term of the agreement.
4. Please submit a copy of the agreement, or the most current draft of the agreement.

Staff-2**Ref. 1: pp 8-9**

Preamble:

Hydro One Remotes states that the power from the Shoulderblade Falls generating station is supplied to the community of Deer Lake by a 6km, 25kV distribution pole line, and that on April 16, 2024, Hydro One Remotes' "rights, title, and interest in, and to, the Hydel and associated distribution line was transferred to Deer Lake".

Question(s):

- a) Under the proposed agreement between Hydro One Remotes' and the community of Deer Lake,
 - 1) Who will be responsible for the costs for ongoing operation and maintenance of the 25kV pole line?
 - 2) Who will be responsible for the costs for ongoing operation and maintenance of the connection and transformation equipment located at both the Shoulderblade falls generating station and the diesel generating station.
- b) Regarding the 25kV pole line,
 - 1) Please provide the age distribution of the poles on the line.
 - 2) Please provide the most recent asset condition assessment of the line.

Staff-3**Ref. 1: p. 11****Ref. 2: EB-2022-0041 / Distribution System Plan 2023-2027 / p. 85 (pdf page 440)**

Preamble:

Hydro One Remotes states "Both Hydel generating units are past due on scheduled capital rebuilds based on operating hours and unit condition. This work was not performed as scheduled since future Hydel operations were uncertain but is necessary for future safe operation."

The 2023-2027 Distribution System Plan categorized the condition of both Hydel units as Fair.

Question(s):

- a) Does the \$75k in capital per year, over 2024-2027, include the referenced capital rebuilds?

- b) Will the proposed capital and maintenance expenditures be sufficient to maintain the condition of the unit assessments as “Fair” until the end of the agreement to provide back up generation, i.e., 2030?
- c) Are the annual capital and operating costs for 2025 forecast to be similar in each year until 2030, or are there forecast variations?

Staff-4

Ref. 1: p. 8

Preamble:

The Shoulderblade Falls generating station is a run-of-the-river generating station.

Question(s):

- a) Is the generating station able to operate at full capacity during winter months?
- b) For the past ten years, please provide
 - 1) The hours the station was not generating due to planned work at the station.
 - 2) The hours the station was not able to generate at full capacity, categorized by capacity and reason. For example, Reasons could include such items as low water levels, frozen water conditions and equipment failure.

Staff-5

Ref. 1: EB-2022-0041 / Distribution System Plan 2023-2027 / p. 80-81 (pdf page 436)

Preamble:

The following table has been reproduced from the Hydro One Remotes 2023-2027 Distribution System Plan.

Table 5.3-4: Actual Peak Loads by Community (kW)

Community	2017	2018	2019	2020	2021
Deer Lake	1,230	1,319	1,328	1,324	1,368

Table 5.3-5: Forecasted Peak Loads by Community (kW)

Community	2022	2023	2024	2025	2026	2027
Deer Lake	1,389	1,409	1,430	1,452	1,474	1,496

Question(s):

- a) Please provide the actual peak load of the Deer Lake community each year from 2022 through to 2024 year-to-date.
- b) Has there been new load or load growth in anticipation of connection to the Wataynikaneyap Power Limited Partnership (WPLP) Line in 2024?
- c) Please update the peak load forecast for Deer Lake, contained in Table 5.3-5, and expand to 2030.
- d) What is the estimated cost of upgrading the diesel generation station to meet the load in 2030?
- e) What is the estimated cost of upgrading the diesel generating station to meet the load in 2040?

Staff-6

Ref. 1: EB-2022-0041 / Distribution System Plan 2023-2027/ Appendix D/ pp. 21-22 (499-500 of pdf)

Preamble:

The Deer Lake DGS Summary submitted in as part of the 2023-2027 DSP states

“The Detroit genset is slated for replacement in 2022. That could be affected by the timeline of the transmission line connection...The generation portion of the station is sized to provide full backup until the mid 2040s. The electrical portion is more restrictive but is suitable until around 2030... Upgrades to the electrical equipment around 2030 would increase the capability of the station for over 10 years until the generating equipment becomes a limitation.”

Question(s):

- a) Was the Detroit genset replaced as planned?
 - 1) If not, please provide the plan
- b) Are the upgrades to the electrical equipment still contemplated?
- c) Please provide the most current estimate to upgrade the electrical equipment.

Staff-7**Ref. 1: p. 11**

Preamble:

Table 1 – Hydrel Historical and Forecast Costs compares the financial arrangements regarding payments to Deer Lake prior to the connection to WPLP; and after the connection to WPLP under this proposal.

Question(s):

- a) Please confirm that prior to connection to WPLP, on average for the past 10 years:
 - 1) Hydro One Remotes paid Deer Lake \$237k per year for “road and energy costs”.
 - 2) Hydro One Remotes was responsible for “OM&A Site Maintenance” of \$184k per year and “capital” work averaging \$37k per year.
 - 3) Hydro One Remotes saved \$682k per year that it would have otherwise had to pay for diesel fuel, due to the energy generated by the Shoulderblade Falls generation stations
 - 4) Hydro One Remotes benefitted to a total of \$224k per year due to the arrangement with Deer Lake regarding the Shoulderblade Falls generating station ($\$682K - \$184K - \$37K - \$237K = \$224K$).
- b) If OEB staff’s understanding is incorrect in part a), please explain.
- c) Please confirm that the variance in costs related to the Shoulderblade Falls generation station prior to connecting to WPLP compared to this proposal is a total of \$567k ($\$224k + \$343k$), or correct OEB staff’s understanding.

Staff-8**Ref. 1: p. 12****Ref. 2: EB-2022-0041 / Exhibit D / Tab 1 / Schedule 7 / p. 1****Ref. 3: EB-2022-0041 / Exhibit D / Tab 1 / Schedule 7 / Attachment 1**

Preamble:

Reference 2 stated, “The cost of Power OM&A is forecasted based on the grid power purchased rates charged Pikangikum” and was forecast in reference 3 to be \$0.13/kWh. The data prepared in the case EB-2022-0041 was prepared the filing date of August 31, 2022.

This application continues to use a cost of power of \$0.13/kWh as shown in reference 1.

Question(s):

- a) Hydro One Remotes now has historic costs of grid power for all of 2022, 2023, and part of 2024, as well as many more connection points, to forecast the cost of power from the grid connected communities. Was this additional information used to validate the \$0.13/kWh rate?
 - a. If yes, please provide the calculations. Please provide the calculations used to calculate the cost of power.
 - b. If Hydro One has not validated the \$0.13/kWh rate, please provide updated cost of power calculations based on recent data.
- b) Please explain if the global adjustment is included in the cost of power calculations, and why or why not.

Staff-9

Ref. 1: Table 1 / p. 10

Question(s):

- a) Please confirm that the proposal is to treat the costs for capital work at the Shoulderblade Falls generating station as expenses. Please explain.

Staff-10

Ref. 1: Table 1 / p. 6

Question(s):

- a) Hydro One Remotes pays for transmission services provided by WPLP. Please confirm that if this application is approved, there will be no reduction to the transmission services charges.

Staff-11

Ref. 1: Table 1 / p. 10

Ref. 2: Table 2 / p. 12

Ref. 3: Retail Settlement Code / p. 21, Appendix A

Preamble:

Hydro One Remotes is proposing to pay Deer Lake avoided the same cost for energy produced by the generating station as the IESO Power Costs for energy, forecast at \$204k per year.

Hydro One Remotes is further proposing to fund the generating station annual costs estimated at OM&A of \$190k, capital of \$75k and road maintenance of \$78k, for a total of \$343k.

The Retail Settlement Code (RSC) states:

A distributor shall purchase energy from an embedded retail generator within its service area where such embedded retail generator has indicated that it intends to generate electricity for delivery and sale directly to the distributor..... The price at which such energy sales shall be settled will be the competitive electricity price as described in Appendix "A" to the Code.

Question(s):

- a) Please explain the basis for Hydro One Remotes paying for the energy from the Shoulderblade Falls generating station at the same rate as it pays the IESO for energy, while also paying for the ongoing operating, maintenance and capital costs for the generation site.
- b) Is Hydro One Remotes proposing an exemption from the RSC in respect of payments related to the Shoulderblade Falls generating station? Please explain.
- c) To what extent has Hydro One Remotes discussed alternative financial terms, to what has been proposed in this application, with Deer Lake? Please provide details of those discussions.