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December 15, 2008

BY EMAIL & BY COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2008-0232
Hydro One Remote Communities Inc. – 2009 Rates Rebasing Application
Energy Probe Interrogatories

Pursuant to Procedural Order Number 1, issued by the Board on November 17, 2008, Energy Probe Research Foundation (Energy Probe) is hereby providing two hard copies of its Interrogatories to the Applicant. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Glen MacDonald, Hydro One Remote Communities Inc. (By email)
John D. Strung, Rogers Partners LLP (By email)
Peter T. Faye, Counsel to Energy Probe (By email)
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Ontario Energy Board

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

AND IN THE MATTER OF an application by Hydro One
Remote Communities Inc. for an order approving just and
reasonable rates and other charges for electricity distribution
to be effective May 1, 2009.

**INTERROGATORIES OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

December 15, 2008

**HYDRO ONE REMOTE COMMUNITIES INC.
2009 RATES REBASING APPLICATION
EB-2008-0232**

**ENERGY PROBE RESEARCH FOUNDATION
INTERROGATORIES**

Interrogatory # 1

Ref: Exhibit A, Tab 3, Schedule 1, page 7

Starting at line 21, the schedule notes cost efficiency improvements including “improved the coordination of flights to transfer staff and equipment”. Please provide details of air transport to remote communities as follows:

- a) Are any of the remote communities served by regularly scheduled flights of commercial airlines? Does Remotes use these services if available?**
- b) Who provides air transportation to communities not served by regularly scheduled commercial airlines?**
- c) What does “improved coordination of flights” referred to in the excerpt consist of? How many flights have been saved annually by this initiative? How much money has this saved on an annual basis?**

Interrogatory # 2

Ref: Exhibit A, Tab 3, Schedule 1, page 7

Line 22 refers to cost efficiency obtained by “improved ... use of winter roads”. Please provide details as follows:

- a) How has Remotes “improved” its use of winter roads?**
- b) How has this resulted in cost savings?**
- c) How much has been saved by this strategy?**
- d) Who builds and pays for winter roads?**
- e) What are typical travel times on winter roads to reach remote communities? How does this typical travel time compare to air transport travel times?**

Interrogatory # 3

Ref: Exhibit A, Tab 7, Schedule 1, pages 1 – 2

Page 1 of this schedule lists the communities served by remotes. Page 2 shows these communities on a map of the province along with other communities with Band Council operated electricity systems. Please explain:

- a) Who makes the decision whether a remote First Nations community is served by Hydro One or by a Band owned system?**
- b) Are Band owned systems supported by the Rural and Remote Rate Protection Plan?**
- c) If not, are Band owned systems receiving either direct or indirect subsidies comparable to RRRP from government agencies?**
- d) If Band owned systems are subsidized by government, does this subsidy get transferred with the system when Remotes takes over responsibility for a Band owned system like Marten Falls? If yes, has this subsidy been included in the financial impact of acquiring Marten Falls?**

Interrogatory # 4

Ref: Exhibit A, Tab 1, Schedule 1, page 2

Lines 20-26 describe the planned acquisition of Marten Falls electricity system by Remotes. Please explain:

- a) What is the process for Remotes to acquire a band council owned system like Marten Falls?**
- b) Is there a similar process for Band Councils to acquire Remote's systems?**
- c) Is Remotes required to purchase the existing generation and distribution system? If yes, how is the system valued?**
- d) Will Remotes be required to pay for bringing the systems up to its standards? If yes, how much does Remotes estimate this will cost?**
- e) Does Remotes have a policy to actively acquire Band owned systems?**
- f) Does Remotes have a policy to encourage Band Councils to take over responsibility for electricity systems in their communities?**

Interrogatory # 5

Ref: Exhibit C1, Tab 2, Schedule 2, page 3

Lines 14 and 15 of the schedule refer to “environmental improvements associated with waste heat projects”.

- a) Please explain what the waste heat projects consist of.**
- b) Does Remotes have any combined heat and power projects?**
- c) Has Remotes considered waste heat recovery for space and/or domestic water heating in remote communities?**

Interrogatory # 6

Ref: Exhibit C1, Tab 2, Schedule 2, page 3

Lines 22 and 23 describe Remotes intention to purchase power from renewable sources “at a price based on the avoided cost of diesel fuel”.

- a) What would the avoided cost of diesel fuel per kWhr be for the most recent year that Remotes has the necessary data to calculate it?**
- b) How does this compare with the expected cost of production of renewable power projects?**
- c) Why does Remotes propose to pay for renewable power based on the avoided cost of diesel rather than on a negotiated price more related to the cost of production of the renewable power?**
- d) If First Nations groups develop renewable power projects, will they be responsible for operation and maintenance of the plants or will Remotes operate and maintain them?**

Interrogatory # 7

Ref: Exhibit C1, Tab 2, Schedule 2, pages 3 – 4

Lines 25-29 on page 3 and lines 1-4 on page 4 of this schedule describe potential hydro resources and Remotes intention to spend \$253 K in 2009 for engineering and assessment studies of the sites.

- a) Does Remotes intend to be an equity partner in these developments? If not, how does Remotes expect to recover its costs for helping develop these sites?**
- b) Is INAC providing any financial or technical support for development of renewable energy options?**
- c) Are other government agencies providing financial or technical support for development of renewable energy options?**

Interrogatory # 8

Ref: Exhibit C1, Tab 2, Schedule 3, pages 1 – 2

This schedule discusses Distribution OM&A.

- a) Does Remotes employ local residents in these communities to perform any of the distribution maintenance work?**
- b) What opportunities exist to train and employ local residents to perform more of the distribution maintenance tasks?**

Interrogatory # 9

Ref: Exhibit C1, Tab 2, Schedule 3, page 3

Lines 8-9 refer to Remotes plan to install Smart meters in remote communities starting in 2009. It is Energy Probe's understanding that Smart meters are intended to reduce demand at peak times by linking the cost of power to time of use thereby avoiding costs of increased peak generating capacity.

- a) Does the same concept apply to remote communities? For example, does Remotes expect to reduce the number of generating units required in a community through the implementation of Smart meters?**

- b) Does Remotes intend to introduce time of use rates with Smart Meters?
- c) Would there be any effect on the RRRP required to support remote communities?

Interrogatory # 10

Ref: Exhibit D1, Tab 2, Schedule 1, page 7

Starting at line 17, the following statement appears:

“Line inspections will identify conditions that require capital work to bring the Distribution System up to current standards, as prescribed by Section 4.4 of the *Distribution System Code* and by the Electrical Safety Authority under O.Reg 22/04 made under the *Electricity Act, 1998*.”

- a) Please provide specific section references of the Distribution System Code and O.Reg.22/04 that require existing distribution systems to be brought “up to current standards”.
- b) Who is meant by “current standards”? Are these Remotes internal distribution standards or external standards?

Interrogatory # 11

Ref: Exhibit D1, Tab 2, Schedule 1, page 8

This page of the schedule describes Facilities Capital. Table 1 on page 2 of the schedule shows bridge year expenditure of \$679 k and test year expenditure of \$639 k for Facilities Capital:

- a) How much of the capital expenditure in each of the bridge and test years is attributable to work on the Thunder Bay Service Centre?
- b) How much is attributable to work on staff houses?
- c) What comprises “outbuildings”? Are generator buildings included in this category?