

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 THE NISHNAWBE ASKI NATION

December 15, 2008

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Interrogatories from the Nishnawbe Aski Nation ("NAN") based on the pre-filed evidence of Hydro One Remote Communities Inc. (the "Applicant")

Interrogatory #1

Ref: Exhibit A, Tab 2, Schedule 1, Pages 1 to 4

Given the shortage of skilled workers identified by the Applicant, and the high costs of having such workers travel to and from First Nation communities served by the Applicant, has the Applicant (or any of its affiliated organizations such as Ontario Power Generation, Hydro One, etc.) developed any training programs for Aboriginal persons living in such communities to have them operate and maintain diesel generators and related equipment?

If not, does the Applicant have any plans to institute such training programs for Aboriginal residents living in the communities served by the Applicant? If not, why not?

Has the Applicant done any cost/benefit analysis of having Aboriginal residents already living in First Nations communities help operate and maintain diesel generators and related equipment of the Applicant? If so, please provide a copy of such cost/benefit analysis.

Concerning "customer arrears" and the alleged cost pressures facing the Applicant as a result of such arrears, has the Applicant produced customer arrears data for each First Nation community served by the Applicant. If so, please provide the annual data for *each* First Nation community served by the Applicant for the years 2006, 2007, and 2008. Please also provide the total for all communities served by the Applicant for those three years.

Does the Applicant believe that increasing the rates to the average customer (whether residential, Standard A, or otherwise) by 4 to 5%, as proposed in the Application, will relieve or resolve the problem of customer arrears?

Does the Applicant agree that increasing rates, as proposed in the Application, will likely aggravate the problem of customer arrears in First Nations communities?

Has the Applicant conducted any studies which indicate that customer arrears are likely to increase if the proposed rate increases are approved? Alternatively, has the Applicant produced or commissioned any studies on the issue of customer arrears generally? If so, please produce a copy of any such studies.

Does the Applicant agree that the principal source of customer arrears in the communities served by the Applicant, especially First Nations communities, is the fact that these communities have limited funds to spend on the necessities such as electricity?

Interrogatory #2

Ref: Exhibit A, Tab 3, Schedule 1, Pages 1 to 7

Provide particulars to explain in more detail the statement that "Remotes is 100% debt-financed and operates as a break-even business".

As between the Applicant and Indian and Northern Affairs Canada ("INAC"), have there been any disputes as to what expenditures constitute "ongoing operation and maintenance of the system" on the one hand, and "funding capital related to system expansions and capital upgrades" on the other hand? Has either the Applicant or INAC prepared a list of items, activities, and equipment that identifies whether the item, activity, or equipment is considered to be part of ongoing operation and maintenance of the system as opposed to capital related to system expansions and upgrades? If so, please provide a copy of that list.

Is there any dispute resolution process as between the Applicant and INAC to settle controversies over whether an expenditure is on account of operation and maintenance as opposed to on account of system expansion and capital upgrades? If so, what is that process?

Given the recent and significant decline in diesel fuel prices, please provide an updated graph, based on current diesel fuel prices for 2008 and estimated fuel prices for 2009, for the graph on p. 6.

The Applicant has advised that its conservation program saved 300,000 litres of fuel in 2008. Does the Applicant have further conservation programs to introduce in 2009 and thereafter? If so, what reductions in litres of fuel (also expressed as a percentage of the total diesel fuel used by the Applicant on an annual basis) does the Applicant expect to realize from such further conservation programs in 2009, 2010, and thereafter?

Interrogatory #3

Ref: Exhibit A, Tab 7, Schedule 1, Page 2 of 2

Has the Applicant had any discussions with Hydro One (or any other agency) relating to the extension of any of the transmission lines shown on the Map of Remotes' Service Territory to eliminate the need for diesel generation in any First Nation communities currently served by the Applicant? If so, provide particulars of such discussions, including any relevant documentation.

Has the Applicant prepared or commissioned any feasibility or cost/benefit study showing what the costs of maintaining existing off-grid diesel generation will be in the foreseeable future (i.e. over the next two decades) as compared to the overall costs of connecting at least some of the First Nation communities currently served by the

Applicant to the transmission grid operated by Hydro One? If so, provide a copy of any such study.

Interrogatory #4

Ref: Exhibit A, Tab 8, Page 7 of 8

Provide particulars relating to the “long-term debt” of the Applicant. What costs and expenditures comprise this debt?

Interrogatory #5

Exhibit A-9-1, Attachment 3, Page 8 in the Financial Statements (December 31, 2007)

The “generation assets” used in the generation of electricity are identified as including “hydro-electric equipment, wind turbines, diesel generators, and tank farms”. Are there any other generation assets of the Applicant not listed in the Financial Statements?

Has the Applicant prepared or commissioned any feasibility or cost/benefit study showing how costs could be reduced by shifting from diesel generation in any First Nation communities served by the Applicant to renewable forms of energy, such as wind turbine, hydro-electric generation, or solar energy? If so, please provide a copy of any such study.

If the Applicant has not prepared or commissioned such a study, why has that not been done given the significant increase in diesel fuel costs, customer arrears, and the shortage of skilled labour which has been experienced by the Applicant during the past few years?

Interrogatory #6

Ref: Exhibit A, Tab 15, Schedule 1, Pages 1 to 3

What was the nature of the “information session” held by the Applicant on August 20, 2008? Please provide particulars describing in more detail the information session.

Who from First Nations communities was invited to attend the session? Who determined the list of invitees for the session?

What written information was distributed to attendees at the information session? If the written information was different from or in addition to that found at Exhibit A-15-1, Appendix B, please provide a copy of such written information.

What specific plans does the Applicant have to use “local resources” to reduce staff transportation costs in servicing First Nations communities?

What are the specific plans of the Applicant in respect of its self-described measures to control fuel cost increases, including enhancing the efficiency of generating stations, improving the use of winter roads, improving fuel supply contracts, and implementing a customer demand management program? Please provide particulars, including any written information relating to same.

What “potential renewable resources” have been identified in several First Nations communities, as indicated in the Applicant’s evidence? Please identify such resources and the locations of such resources. Please also provide any feasibility or similar studies which the Applicant has prepared or commissioned on such resources.

What programs to develop renewable resources in partnership with First Nations are planned for 2009? Please provide particulars as well as any written material relating to such programs.

Interrogatory #7

Ref: Exhibit A-15-1, Appendix B, Pages 1 to 29

In its materials at Exhibit A-15-1, Appendix B, which appear to have been used for the information session on August 20, 2008, the Applicant estimates that the monthly increase being proposed for the average Standard A customer would be approximately \$57/month, while the average residential customer would incur an increase of approximately \$5/month. Please provide recalculated figures for these estimates based on current costs for diesel fuel (given that diesel fuel prices have declined significantly since August 2008).

Why does the Applicant believe that increased costs in First Nations communities which are served by the Applicant should be “shared between customers and RRRP.”

Does the Applicant agree that the circumstances of such communities are unique given their economic and social conditions (e.g. average unemployment rates of between 65% to 95%)?

Does the Applicant agree that it would be more consistent with the objective of ensuring equal access to electrical power, as well as the broader goal of sustainability (which the Applicant, OPG, Hydro One, and the Ontario Power Authority have all embraced), to have the RRRP pay for most of the proposed increase, while keeping increases for consumers well below the proposed increase of 4 to 5%?

Interrogatory #8

Ref: Exhibit C1, Tab 2, Schedules 1 and 2

Data from the Canadian Government indicates that average diesel fuel prices have plummeted since July and August 2008 such that they are currently at levels comparable to the prices which existed in December 2005. (See the Natural Resources Canada website at http://fuelfocus.nrcan.gc.ca/prices_byyear_e.cfm?ProductID=5)

In Exhibit C1, Tab 2, Schedule 1, Pages 1 to 4, the Applicant provides a summary of OM&A Expenditures based on higher diesel fuel prices for 2009, which higher prices have not actually materialized. Please recalculate the figures on the various charts provided in this Schedule based on *current* diesel fuel prices.

Interrogatory #9

Ref: Exhibit C1, Tab 2, Schedule 4, Pages 1 to 4

The Applicant states that the Standard A (i.e. government) accounts make up approximately 13% (by number) of the customers of the Applicant but account for 93% of the outstanding arrears (based on 2007 figures).

The Applicant also advises that “payment plan arrangements and federal government support for those arrangements are being negotiated”. What is the current state of such negotiations? Please provide particulars.

Given that the Standard A accounts constitute almost all of the outstanding customer arrears for the Applicant, why is the Applicant proposing a large increase in rates for Standard A accounts?

Does the Applicant not agree that raising customer rates (for residential consumers, Standard A accounts, and other customers) will likely result in an increase in defaults on accounts because there are simply no funds available to pay for the electricity being provided?

Would the First Nations communities dependent on services from the Applicant not be better served by the Applicant relying more heavily on the RRRP to prevent further customer arrears from arising?

Interrogatory #10

Ref: Exhibit E1, Tab 1, Schedule 1, Page 3 of 3

Ref: Exhibit G1, Tab 1, Schedule 1, Pages 1 to 4

Ref: Exhibit G1, Tab 2, Schedule 1, Pages 1 to 10

For Exhibit E1, Tab 1, Schedule 1, Page 3 of 3, please provide a recalculated Table 2 (Comparison of Revenue Requirements: 2006 v. 2009) after inputting into the OM&A figures the current price for diesel fuel for all of the communities served by the Applicant. Please also advise how the new figures based on the current price for diesel fuel affect the following:

- (a) the overall required budget of the Applicant for 2009;
- (b) the rate increases which result for each customer class served by the Applicant. In other words, given the significant decline in fuel prices since July and August 2008, and assuming that the Applicant's funding request under the RRRP remains the same (i.e. as outlined in the Application), what is the proposed rate increase for each class of customers (e.g. residential, Standard A, etc.) that results when the figures based on current fuel prices are run through the Applicant's accounting program?

For Exhibit G1, Tab 1, Schedule 1, Pages 1 to 4, and assuming that the Applicant's funding request under the RRRP remains the same (i.e. as outlined in the Application), please provide the revised figures which result when the current cost of diesel fuel is run through the Applicant's accounting program for each of the tables on pp. 2 to 4.

For Exhibit G1, Tab 2, Schedule 1, Pages 1 to 10, please provide the revised figures for the tables in this Exhibit which result when the current cost of diesel fuel is run through the Applicant's accounting program. In doing so, assume that the Applicant's funding request under the RRRP shall remain the same (i.e. as outlined in the Application).

If the Applicant needs to revise any other tables containing in its pre-filed evidence in order to produce the revised tables identified above, NAN requests that the Applicant provide such additional information as part of the response to this interrogatory.