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Frank D'Andrea

Vice President
Regulatory Affairs

BY COURIER

March 16, 2018

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

Dear Ms. Walli,

EB-2017-0051 – Hydro One Remote Communities Inc. 2018 Revenue Requirement and Rates Application – Settlement Proposal Amendment

With respect to the above noted proceeding, subsequent to the Settlement Proposal filed on February 22nd, 2018, please find attached the following for the Board's review:

- Amendment to the Settlement Proposal drawn up between Hydro One Remote Communities Inc. and the intervenors, which Proposal seeks to settle Issue 5.4: *"Is the plan for First Nation relations appropriate and adequately explained?"* Issue 5.4 was the single outstanding issue from the previously filed Settlement Agreement.
- The attached Amendment is supported by Opiikapawiin Services LP ("OSLP"); who originally disagreed with the proposed settlement on Issue 5.4.
- The attached Amendment is also supported by Energy Probe and VECC the other intervenors in the proceeding.

Hydro One and the parties will present details of the Agreement and the proposed Amendment on March 19th as directed in Procedural Order # 4. Hydro One will be prepared to provide any additional information that the Board may require on the matter, and we therefore request that the panel make provision on March 19th to hear both the Original Proposal and the Amendment regarding the settlement of the last remaining issue.

Sincerely,

ORIGINAL SIGNED BY FRANK D'ANDREA

Frank D'Andrea

Encl. Settlement Proposal Amendment

SETTLEMENT AGREEMENT AMENDMENT

**Hydro One Remote Communities Inc.
Test Year 2018 Revenue Requirements and Rates**

EB-2017-0051

March 16, 2018

TABLE OF CONTENTS

Issue	Description	Page
Preamble		3
Overview		4
1.0 Planning		
1.2	OM&A: Is the level of planned OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained?	6
5.0 Other		
5.4	Is the plan for First Nation relations appropriate and adequately explained?	8
Appendix A		
	Settlement Proposal – Summary of Changes	11

PREAMBLE:

A Settlement Agreement was filed on February 22nd, 2018 by Hydro One Remote Communities Inc. (“Remotes”) for an Order or Orders approving the revenue requirement and customer rates for the generation and distribution of electricity to be implemented May 1, 2018.

Further to the Board’s Procedural Order No. 1 dated and issued December 14, 2017, a Settlement Conference was held on February 6 and 7, 2018, with the assistance of a third-party neutral facilitator, in accordance with the *Ontario Energy Board Rules of Practice and Procedure* (“Rules”) and the Board’s Settlement Conference Guidelines (“Guidelines”).

Remotes and the following intervenors (“the parties”) participated in the settlement conference:

- Energy Probe Research Foundation (“Energy Probe”)
- Vulnerable Energy Consumers Coalition (“VECC”)

Representatives from Opiikapawiin Services LP (“OSLP”), an intervenor, were not present at the settlement conference but did provide input and suggestions to Remotes via email, prior to the conference.

Board staff participated in the settlement conference but is not a party to the Settlement Agreement.

OVERVIEW:

During the Settlement Conference the parties were able to reach agreement on 13 of the 14 listed issues including Capital Costs, Operations, Maintenance & Administration (OM&A) costs, Revenue Requirement-related issues, including the accuracy of the requirement determination and compliance with OEB policies and practices, Accounting, including the appropriateness of the Rural and Remote Rate Protection (RRRP) Variance Account and most other related issues. The settlement positions for these issues were included in the original Settlement Proposal.

The parties were not able to reach agreement on Issue 5.4 – *“Is the plan for First Nation relations appropriate and adequately explained?”* Remotes and OSLP have continued discussions since the filing of the original Settlement proposal and Remotes is pleased to advise the Board that a proposed settlement on the final outstanding issue has now been reached.

OSLP has proposed that Remotes creates a new position to be present in the communities to support customers. In hearing OSLP’s proposal and having gained a better understanding on how this position would be used to address customer service issues and promote community engagement, Remotes supports OSLP’s proposal. Remotes further concludes that this position would also serve to better align Remotes with the OEB’s Renewed Regulatory Framework outcome of Customer Focus.

To fund this new position, Remotes will increase the annual customer engagement budget. Additional costs are expected to cover the program and logistical expenses associated with travel throughout the twenty-one communities to address issues, hear concerns and to foster better community and First Nations relations.

Including this Amendment, the overall financial impact of the Settlement Agreement is to reduce the total revenue requirement by \$2.90M, from \$56.689M to \$53.789M. This reduces the forecasted amount that Remotes would collect from the provincial ratepayers through the RRRP variance account from \$38.078M to \$35.178M.

As noted above, all parties agree that the Settlement Agreement is a comprehensive package proposal. Thus, individual components of the Settlement Agreement should not be considered or reviewed in isolation. The parties agree that the elements of the proposed settlement shall be in force with an effective date of May 1, 2018.

The particulars of this Amendment are detailed below by issue as set out in the application. Specifically, the items affected by this Amendment are:

- 1.2 (g) – Operations, Maintenance and Administration Costs – Customer Engagement,
- 5.4 – Planning for First Nations Relations,
- Appendix A - Settlement Proposal – Summary of Changes.

1.0 PLANNING

1.2 OPERATIONS, MAINTENANCE AND ADMINISTRATION COSTS

Is the level of planned OM&A expenditures appropriate and is the rationale for planning choices appropriate and adequately explained?

Settled

g) Customer Engagement

At the Settlement Conference, the parties discussed the OSLP request regarding the establishment of customer support in the communities. At that time, Remotes agreed to seek to add two more members to the Customer Advisory Board. This agreement remains in place. This does not impact the agreement reached on OM&A costs outlined earlier

Subsequently, the parties have agreed that Remotes will add a Customer Service and Community Relations Officer to promote available conservation, affordability and community programs in the twenty-one remote communities serviced by Remotes. The total annual, cost of this role, including program and logistical expenses, is estimated at \$483,000. This is incremental to the amount included in the original settlement agreement. See Appendix A for an updated summary of the changes resulting from the proposed Settlement and this Amendment.

Evidence: Customer Engagement is discussed in numerous exhibits throughout the application. However the pertinent evidence in relation to this issue is found in the following exhibits:

Pre-Filed Evidence:

Exhibit A, Tab 3, Schedule 1, Executive Summary of Application

Exhibit A, Tab 4, Schedule 1, Customer Service and Engagement Strategy

Exhibit B1, Tab 1, Schedule 1, Section 4.0, Capital Expenditure Plan

Exhibit D1, Tab 1, Schedule 1 Cost of Service Summary, Cost Drivers and Summary of OM&A Expenditures

Exhibit D1, Tab 1, Schedule 4, Customer Care OM&A

Exhibit D1, Tab 1, Schedule 5, Community Relations OM&A
Exhibit D2, Tab 1, Schedule 1, Cost of Service
Exhibit D2, Tab 2, Schedule 1, Mapping OM&A Expenditures to Grouped USofA
accounts
Exhibit D2, Tab 3, Schedule 1, Summary of Recoverable OM&A Expenses – Chapter 2,
Appendix 2-JA
Exhibit D2, Tab 3, Schedule 2, Recoverable OM&A Cost Driver Table – Chapter 2,
Appendix 2-JB
Exhibit D2, Tab 3, Schedule 3, OM&A Programs Table – Chapter 2, Appendix 2-JC

Interrogatories:

Exhibit I, Tab 01, Schedule 14	Exhibit I, Tab 01, Schedule 15
Exhibit I, Tab 01, Schedule 25	Exhibit I, Tab 02, Schedule 33
Exhibit I, Tab 03, Schedule 42	Exhibit I, Tab 02, Schedule 02
Exhibit I, Tab 02, Schedule 13	Exhibit I, Tab 03, Schedule 25
Exhibit I, Tab 04, Schedule 07	Exhibit I, Tab 04, Schedule 08
Exhibit I, Tab 04, Schedule 09	Exhibit I, Tab 04, Schedule 11

Supporting Parties:

Energy Probe Research Foundation (“Energy Probe”)
Opiikapawiin Services LP (“OSLP”)
Vulnerable Energy Consumers Coalition (“VECC”)

Parties taking no position:

None

5.0 OTHER

5.4 Is the plan for First Nation relations appropriate and adequately explained?

Settled

The parties at the Settlement Conference discussed Remotes' approach to improve relations with First Nations.

The parties accept that Remotes will maintain a sufficient budget to allow for translation of applicable material. This request is not impacted by the reductions to the OM&A budget agreed to in the Settlement Agreement.

Opiikapawiin Services LP ("OSLP") was concerned with Remotes' First Nations relations and suggested a couple of ways to improve it. OSLP reviewed the proposed settlement and felt it was insufficient to address their needs and therefore was opposed to the proposed settlement on this issue. Subsequently, OSLP has made a further specific proposal that Remotes has accepted. The proposal would provide for the hiring of a Customer Service and Community Relations Officer to promote available conservation, affordability and community programs in the twenty-one remote communities serviced by Remotes. Accountabilities of this role would include:

- Improve customer understanding, knowledge and access to available electricity affordability programs (OESP, LEAP) and the REINDEER program by discussing with communities, reaching out to local service organizations and by holding customer/community meetings,
- Identify and resolve customer/community issues by developing collaborative relationships with customers, local service boards (schools, healthcare) and community energy advisors to understand customer needs, priorities and dispute points,
- Promote Remotes' existing conservation program and other conservation and energy related opportunities to customers & communities (Provincial Affordability Program, NRCan programs),
- Work with local communities on planning grid connections to ensure that customers have a clear understanding of Hydro One Remotes' services and responsibilities, and,

- Assist with customer communications, including improving digital access, developing posters, community informational materials, etc.

The total annual, incremental cost of this role including program and logistical expenses is estimated at \$483,000. The cost estimate for the role breaks down as follows:

- A new, full-time, staff with an all-in, total cost of \$198,000 including salary and burden,
- Travel and other logistical expenses of \$135,000,
- Customer outreach, program delivery and promotion expenses will be based primarily on customer take-up of the underlying programs but total expenditures are estimated at \$150,000.

Currently, Remotes has two customer care agents in the billing department dedicated to working with customers on billing issues but no one specifically dedicated to community relations. These important activities are generally performed by Remotes' management on an as needed basis. Remotes supports OSLP's proposal since it will bring focus, organization and breadth to the community activities listed above and will benefit the customers across the communities.

Evidence: Plans to address First Nations Relations are discussed in numerous exhibits throughout the application. However the pertinent evidence in relation to this issue is found in the following exhibits:

Pre-Filed Evidence:

Exhibit A, Tab 3, Schedule 1, Executive Summary of Application

Exhibit A, Tab 4, Schedule 1, Customer Service and Engagement Strategy

Exhibit B1, Tab 1, Schedule 1, Section 4.0, Capital Expenditure Plan

Exhibit D1, Tab 1, Schedule 1, Cost of Service Summary, Cost Drivers and Summary of OM&A Expenditures

Exhibit D1, Tab 1, Schedule 4, Customer Care OM&A

Exhibit D1, Tab 1, Schedule 5, Community Relations OM&A

Exhibit D2, Tab 1, Schedule 1, Cost of Service

Exhibit D2, Tab 2, Schedule 1, Mapping OM&A Expenditures to Grouped USofA accounts

Filed: 2018-03-16
EB-2017-0051
Exhibit J
Tab 1
Schedule 2
Page 10 of 11

Exhibit D2, Tab 3, Schedule 1, Summary of Recoverable OM&A Expenses – Chapter 2, Appendix 2-JA

Exhibit D2, Tab 3, Schedule 2, Recoverable OM&A Cost Driver Table – Chapter 2, Appendix 2-JB

Exhibit D2, Tab 3, Schedule 3, OM&A Programs Table – Chapter 2, Appendix 2-JC

Interrogatories:

Exhibit I, Tab 01, Schedule 14

Exhibit I, Tab 01, Schedule 25

Exhibit I, Tab 03, Schedule 42

Exhibit I, Tab 02, Schedule 13

Exhibit I, Tab 04, Schedule 07

Exhibit I, Tab 04, Schedule 09

Exhibit I, Tab 01, Schedule 15

Exhibit I, Tab 02, Schedule 33

Exhibit I, Tab 02, Schedule 02

Exhibit I, Tab 03, Schedule 25

Exhibit I, Tab 04, Schedule 08

Exhibit I, Tab 04, Schedule 11

Supporting Parties:

Energy Probe Research Foundation (“Energy Probe”)

Opiikapawiin Services LP (“OSLP”)

Vulnerable Energy Consumers Coalition (“VECC”)

Parties taking no position:

None

Appendix A
Settlement Proposal – Updated Summary of Changes

	Issue	In Evidence	Changes Agreed
1.1	Capital	\$3,236M	\$323.5K reduction
1.2a	Operating Distribution	\$969K	\$1.5M reduction
	Minor Maintenance	\$457K	
	Forestry	\$11.640M	
	Generation Maintenance	\$4.919M	
1.2b	Fuel Costs	\$27.6M	\$1.7M reduction
1.2c	CDM	\$112K	\$51K reduction
1.2d	Regulatory Costs	\$90k	\$72K reduction
1.2e	Bad Debt	\$60K	\$60K reduction
1.2f	Pension Costs	\$687K	Demonstration that amounts actually paid equals amounts in the business plan to be collected
1.2g	OSLP Request	\$0K	Add 2 members to Customer Advisory Board <u>and hire a Customer Service and Community Relations Officer; \$483K increase</u>
4.2	RRRP Account	NA	Leave open until conclusion of current Hydro One Networks Motion on Tax changes
5.4	First Nations Relations		Remotes will maintain a sufficient budget to allow for translation <u>Remotes will hire a Customer Service and Community Relations Officer to promote available conservation, affordability and community programs in the 21 remote communities serviced by Remotes.</u>

Updates from the original settlement are highlighted in **Bold Underline**.
 Other Issues were settled without deviation from Remotes initial request.