

## OEB issues decision on Hydro One Remote Communities' 2023 major rate application

### DECISION

On March 2, 2023, the Ontario Energy Board (OEB) issued its [Decision and Rate Order](#) on an application by Hydro One Remote Communities Inc. (Hydro One Remotes) for approval to change the rates it charges for the distribution and generation of electricity effective May 1, 2023 and of the rate plan for setting its rates for 2024 to 2027.

Through this Decision, the OEB approved the settlement proposal filed by HORCI on January 25, 2023, which the OEB concluded should result in reasonable outcomes for both Hydro One Remotes and its customers.

The estimated total bill impact for a typical non-Standard A, residential customer with a monthly consumption of 750 kWh, will be an increase of \$3.19 per month before taxes or 3.74%.

### KEY FEATURES

Based on the OEB-approved settlement proposal:

- Hydro One Remotes' 2023 revenue requirement, including what Hydro One Remotes will be required to pay as a customer of Wataynikaneyap Power LP (WPLP)<sup>1</sup>, is about \$128 million. Of that, about \$28 million is forecasted to come directly from customers, and the remainder (about \$100 million) will be recovered through the Rural or Remote Electricity Rate Protection (RRRP) program (described below).
- That 2023 revenue requirement includes:
  - about \$8.6 million in capital expenditures and about \$62 million in operating, maintenance and administration expenditures (which is a reduction of about \$11 million compared to the level proposed in the application); and
  - about \$54.0 million in capital and operating costs arising from its integration with the WPLP transmission project, which is expected to connect 10 remote communities currently served by Hydro One Remotes to the provincial grid by 2024<sup>2</sup>.

For 2024 to 2027, Hydro One Remotes may apply to have its rates adjusted using an OEB-approved formula that accounts for inflation and the OEB's assessment of the utility's efficiency. In each of 2024-2027, \$102 million per year, escalated by the OEB-approved inflation factor for that year, will be recovered through RRRP.

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<sup>1</sup> Wataynikaneyap Power LP (WPLP) is a partnership involving 24 First Nations and Fortis Inc. The WPLP transmission system is currently under construction and will comprise 22 stations and approximately 1,744 km of lines in northwestern Ontario. The facilities will serve to reinforce the transmission system in that region and extend transmission service to connect 16 remote First Nations communities to the electricity grid. HORCI will be providing distribution services to all 16 of the communities once connected to the grid.

<sup>2</sup> In its [November 29, 2022 Decision](#), the OEB approved WPLP's revenue requirement, of which \$54.0 million would be recovered through a fixed monthly charge of \$4.5 million applied to Hydro One Remotes, effective January 1, 2023

## **BACKGROUND**

**Hydro One Remotes**, a subsidiary of Hydro One Inc., is an integrated generation and distribution company licensed to generate and distribute electricity within 21 isolated communities and three grid-connected communities in northern Ontario.

Operating under a cost-recovery model to achieve an after-tax, break-even operating result, Hydro One Remotes is partially funded by rates paid by its customers and partially by the RRRP.

Under Hydro One Remotes' funding model, electricity distribution rates charged to its residential customers are subsidized by government funded (Standard A) customers, capital contributions from Indigenous Services Canada and the RRRP. These complex funding arrangements with third parties, along with Hydro One Remotes' unique characteristics (including extremely low customer densities; harsh climate; logistical challenges related to transportation of fuel and for system maintenance; and the absence of an integrated transmission system in the majority of its locations), set it apart from other distributors. With these arrangements and the RRRP, Hydro One Remotes' rates are set well below the cost to serve with electricity generated primarily by diesel fuel.

## **ABOUT THE RURAL OR REMOTE RATE PROTECTION PROGRAM (RRRP)**

The RRRP is a largely tax-funded government program designed to support eligible customers in rural or remote areas where the costs of distributing electricity are higher because the distributors serve a small numbers of customers over large geographic areas or in remote regions. The RRRP allows rural and remote electricity distributors to reduce the amount they would otherwise have to charge their eligible customers for distribution service.

The OEB approves the much smaller portion of the RRRP subsidy that is funded through distribution rates for RRRP-eligible distributors each year. The OEB also approves a charge that the Independent Electricity System Operator (IESO) applies to recover the RRRP requirement amount from all customers in the province. Electricity distributors in turn levy an OEB-approved retail RRRP charge to recover the RRRP amount paid to the IESO. The amount of that retail charge for 2023 is \$0.0007 per kilowatt-hour of electricity.

## **About the OEB**

The OEB is the independent regulator of Ontario's electricity and natural gas sectors. It protects the interests of consumers and supports the collective advancement of the people of Ontario. Its goal is to deliver public value through prudent regulation and independent adjudicative decision-making which contributes to Ontario's economic, social and environmental development.

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*Ce document est aussi disponible en français.*

*This Backgrounder was prepared by OEB staff to inform Ontario's energy consumers about the OEB's decision and is not for use in legal or regulatory proceedings. It is not part of the OEB's reasons for decision; those may be found in the [Decision and Order issued March 2, 2023](#), which is the official OEB document.*