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July 21, 2015

Hon. Bob Chiarelli, Minister of Energy
4th Floor, Hearst Block
900 Bay Street
Toronto, Ontario M7A 2E1

Regarding Distribution Rates EB-2013-0416, and the Elimination of the Seasonal Rate Class Implementation Plan

Dear Minister Chiarelli,

The Federation of Ontario Cottagers' Associations (FOCA) represents 50,000 property-owning families in Ontario through our 500+ member associations. The FOCA Board of Directors wishes to share our concerns which were recently provided to Hydro One as part of their planning to implement new electricity distribution rates.

The FOCA Board has reviewed the presentation materials from the June 10th Hydro One Stakeholders Session, where options were developed to mitigate the changes related to the elimination of the Seasonal Rate Class and the reclassification of the Seasonal customers primarily into the R1 and R2 customer classes.

FOCA understands and accepts the principle of "user pays" as it relates to electrical delivery costs. But FOCA cannot accept and vigorously objects to a plan that would see some of its' members receiving a total bill increase of over 200%, which will result when the separately planned "all-fixed" delivery charges program is put in place. Across North America, electrical distribution costs are charged to residential customers almost universally as a combination of fixed and viable components. The dramatic effect of moving from 40% fixed to 100% fixed results in tremendous bill increases to many of the existing Seasonal class members who are reclassified into the R2 class, especially low-use electricity customers. In many cases, with these changes, residents will be paying more for electrical power than they pay in property taxes. Many are pensioners or on a fixed income and can simply not afford these changes.

In any case, we believe that any proposed changes to address the "rate class gap", many decades in the making, must be phased in over a reasonable period, perhaps 10 or 15 years.

The 100% fixed delivery charge results in a change from the current relationship between R1 Class customers and R2 Class customers where delivery includes a fixed component of \$26/mo (all

amounts approximate) for R1 and \$66/mo (reduced to \$34 by RRRP) for R2 to the new plan's R1 \$30+ and R2 \$117. This change results in an incredible difference between R1 and R2. Seasonal customers will be reassigned to R1 or R2 on a density basis. As there are almost the same number of customers going to each class, there will be many situations where reassigned Seasonals will have close neighbours, family and friends with the alternate reclassification and significantly different bill ramifications. There will be many unhappy customers created by this plan. By way of example, there may be a rural roadway or shoreline of a lake that has a customer density of 14 per kilometre of circuit, and the other side has 16 per kilometre. Having only two rate classes results in profound bill differences for very similar customers. More rate classes could reduce this problem.

Ontario's rural and waterfront property owners expect and deserve a fair and reasonable and understandable rate structure.

One additional and significant negative effect of all-fixed delivery costs is that it renders conservation programs less effective. Customers save less money by investing in conservation practices and equipment, and lose interest. This is counter-productive for the environment and puts pressure on the electrical utility to build new electrical generation infrastructure – and is further counter to the Province's "Conservation First" approach.

FOCA recognizes that the rural areas may be more costly to serve than urban areas. However, it is unacceptable that some R2 customers receive a RRRP subsidy under Regulation 442/01 funded by all other customers to reduce their distribution cost. Rural residents incur the same costs of living no matter the number of days or months they are resident at their address. For their part, "seasonal" residents provide significant economic contributions in their rural communities, in terms of local consumer activity, and job creation. "Permanent" and "Seasonal" residents deserve the same consideration in terms of mitigating the higher costs of rural living.

In summary, FOCA is generally supportive of Hydro One's efforts related bill impact mitigation. However, it cannot accept the combination of 1) reassignment into one of only two rate classes with widely differing bill consequences; 2) all-fixed delivery cost billing; and, 3) lack of fairness in an existing subsidy program intended for only a select group of rural property owners.

Thank you for your attention. We appreciate the opportunity to provide you with our feedback and we look forward to your response to this potentially serious situation facing so many Ontario households.

As a constituent in Ottawa West - Nepean, and as President of a large landowning group of Ontarians, I fully expect fairness, and a reasonable approach to utility pricing in this Province.

Sincerely,



Ken Grant, President, FOCA



Terry Rees, Executive Director, FOCA

cc: Ian White, FOCA