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**Frank D'Andrea**

Vice President, Reliability Standards and Chief Regulatory Officer

BY EMAIL AND RESS

April 26, 2021

Ms. Christine E. Long  
Registrar  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Long,

**EB-2020-0246 - Implementing the Ontario Energy Board's Decision to Eliminate Hydro One Networks Inc. Distribution Seasonal Rate Class**

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Attached are Hydro One Networks Inc.'s responses to the questions identified by the Ontario Energy Board in the Procedural Order No.1 issued April 12, 2021.

This filing has been submitted electronically using the OEB's Regulatory Electronic Submission System.

Sincerely,

A handwritten signature in cursive script that reads "Frank D'Andrea".

Frank D'Andrea

## **Hydro One Networks Inc.**

### **Implementing the Ontario Energy Board's Decision to Eliminate the Hydro One Networks Inc. Distribution Seasonal Rate Class**

**EB-2020-0246**

#### **Responses to Procedural Order No. 1**

***1. What services does Hydro One provide to seasonal customers? Where do the charges for these services appear on my hydro bill?***

Hydro One's main service is to deliver electricity to seasonal customers' properties. Delivery of electricity to seasonal customers includes use of the high voltage transmission system, for transporting electricity from generation facilities to local transformer stations, as well as use of the low voltage distribution system to transport electricity from a transformer station to customers' properties. As part of delivering electricity Hydro One also provides meter reading, billing, account maintenance and other customer services. Hydro One also provides seasonal customers with access to the distribution system if they intend to generate their own electricity and use the distribution system to inject any electricity that is in excess of their own personal needs.

All charges for use of Hydro One's services are included in the "Delivery" line of a customer's electricity bill (see the response to question 3 for a description of the three main parts of a bill). The cost of all components of a customer's electricity bill before taxes, including Hydro One's "Delivery" services, are then reduced by the Ontario Energy Rebate, which is currently a 21.2% reduction to the bill.

***2. Which line in my hydro bill will be affected by the elimination of the seasonal class? Please explain why?***

All charges associated with Hydro One's transmission and distribution services are included in the "Delivery" line of a customer's electricity bill, which is the only line on your bill that will be affected by the elimination of the seasonal class. Elimination of the seasonal class will result in seasonal customers paying the transmission and distribution delivery charges associated with the

residential classes into which they are placed. Please see the response to question 4 for an explanation of why delivery charges vary between different residential classes. The distribution rate subsidies available to year-round residential customers will not apply to seasonal customers when they are moved to their new rate classes, as discussed in the response to question 10.

***3. I don't use much energy. Why do I have to pay more when I am conserving energy? Aren't you penalizing those who keep their energy use down?***

Customers' electricity bills consist of three main parts: 1) the cost of the electricity used, reflected on the "Electricity" line, 2) the cost of the transmission and distribution facilities necessary to deliver the electricity to customers' properties, reflected on the "Delivery" line and 3) the regulatory costs associated with administering the electricity market, reflected on the "Regulatory Charges" line. When customers take actions to conserve energy, they will see a reduction in the cost of electricity used. However, the equipment (wires, poles and transformers) necessary to deliver electricity to a customer's property does not change when a customer reduces their energy consumption through conservation efforts, and therefore, while there is a small reduction in the "Delivery" line of the bill, the delivery cost for customers stays largely flat even as customers reduce their energy use.

***4. Why does it cost Hydro One more to serve customers in less dense areas than in high density areas? How is density determined? How will density be factored for the current seasonal rate customers?***

There are a number of factors that contribute to the cost-to-serve Hydro One's different customer classes. One of the big drivers of cost-to-serve is customer density. In areas that are less densely populated, Hydro One has to build longer lines and use more equipment (wires, poles and transformers) to serve its customers. In addition, when it is necessary to maintain our equipment, respond to storm damage, or respond to a customer's request for service, Hydro One incurs higher costs associated with the increased time required to reach customers and equipment in less densely populated areas.

Hydro One uses its geographic mapping system and the methodology approved by the OEB to identify clusters of customers and measure the length of distribution lines required to serve those

customers in order to determine if the density zone criteria for Hydro One's density-based customer classes are being satisfied. Hydro One's residential customer classes are linked to the following density zones, as approved by the OEB:

- High Density (Urban) Zone is a geographic area with 3,000 or more customers and with a density of 60 or more customers per circuit kilometer of line serving that area.
- Medium Density Zone is a geographic area with 100 or more customers and with a density of 15 or more customers per circuit kilometer of line serving that area.
- Low Density Zone are all areas that are not Medium or High Density (Urban) Zones.

Hydro One will use its mapping system to identify the density zone that a current seasonal customer is located in, which will then determine the residential class into which they will be placed.

***5. I'm only in my cottage four months a year. Why do I have to pay for electricity when I'm not using my cottage? Does the fact that customers are not physically at their properties affect the cost to serve them? Please explain why?***

Customers' electricity bills consist of three main parts: 1) the cost of the electricity used, reflected on the "Electricity" line, 2) the cost of the transmission and distribution facilities necessary to deliver the electricity to customers' properties, reflected on the "Delivery" line and 3) the regulatory costs associated with administering the electricity market, reflected in the "Regulatory Charges" line. When customers are not using their cottage, their cost for electricity used will be either low or nil, depending on what arrangements are made to manage their electricity use when they are not there. However, the equipment (wires, poles and transformers) necessary to deliver electricity to customers remains in place year round. The cost of having the distribution equipment available to deliver electricity to customers is largely fixed and independent of the actual amount of electricity consumed by residential customers, and therefore is a cost that Hydro One incurs even if a customer chooses not to use their seasonal property for certain periods of the year.

***6. How did Hydro One calculate the totals found in the chart of the Notice I received? Please explain why the bill increases for seasonal customers going to the R2 residential class are much higher than the decreases for customers going to the R1 and UR classes.***

The chart in the Notice was extracted from a table in Hydro One's 2019 Report on the Elimination of the Seasonal Class. The calculation of the dollar amounts shown in the Notice is described below:

Column B: This is the total bill that seasonal customers are estimated to pay in 2022 if they were still in a separate seasonal class.

Column C: This is the additional amount (increase or decrease) that seasonal customers would pay on their bill in 2022 if they were still in a separate seasonal class *and* paying distribution charges on the basis of fully-fixed distribution charges. This provides an indication of how much seasonal customers would pay once the OEB-mandated transition to fully-fixed distribution charges is complete.

Columns E, G and I: This is the additional amount (increase or decrease) that seasonal customers would pay on their bill in 2022 if the seasonal class was eliminated and instead seasonal customers had to pay the fully-fixed charges associated with the residential class into which they are moving to. Column E shows the additional amount that applies to customers moving to the low density (R2) residential class, Column G applies to customers moving to the medium density (R1) residential class, and Column I applies to customers moving to the high density (UR) residential class.

For all of the columns discussed above, separate rows are provided showing the estimated amounts that apply for seasonal customers with low, medium and high usage levels. The percentage amounts included in the table calculate the bill change as a percentage of seasonal customers' 2022 bill if they remained in the seasonal class (i.e. bill change as a percentage of Column B total bill).

The impact on seasonal customers moving to the R2 residential class is greater than for seasonal customers moving to the R1 or UR residential classes for two main reasons. The first is that year round R2 residential customers are eligible for a \$60.50 per month RRRP subsidy that will not apply to seasonal customers moving to that class, as discussed in the response to question 10. The second reason is that the average cost of providing distribution service is higher for customers in the low density R2 class as compared to customers in the higher density R1 or UR classes for the reasons discussed in the response to question 4.

***7. Is Hydro One going to profit from this? Where would any extra money that Hydro One makes from this go?***

Hydro One *will not* profit from the elimination of the seasonal customer class. At the time the seasonal class is eliminated, Hydro One will reset the rates for *all* of its customer classes so that any additional revenues coming from those seasonal customers moving to the low density R2 residential class will be fully offset by a reduction in the revenues collected from Hydro One's other customer classes.

***8. I experience frequent power failures. Why should I pay more for unreliable service?***

Hydro One works hard to energize life for our customers and the communities that it proudly serves across Ontario, and we appreciate the inconvenience and challenges that are faced by customers during a service interruption. Recognizing the challenge of providing service to customers spread out across all of Ontario, Hydro One is committed to providing a reliable supply of electricity and to minimize the duration of outages. To that end, we perform regular maintenance of the lines and vegetation which may interfere with the power lines and we are investing in our grid to introduce new technologies that prevent outages and allow Hydro One to restore power faster when there is an outage. From time to time, however, events beyond our control can cause power interruptions or voltage irregularities. For that reason, we cannot guarantee an uninterrupted supply of power.

All customers in the same customer class pay the same rates for their distribution service across Hydro One's entire service territory, and the charges are not tied to the reliability of local or site specific service. This uniform approach to distribution charges has been approved by the OEB and is true for all utilities across the province.

Hydro One does offer a number of convenient tools to keep customers informed during an outage. Hydro One encourages customers to sign up for outage alerts by text or email, download our mobile app and visit our outage map at [HydroOne.com](http://HydroOne.com) for information.

***9. Why am I being put in the R2 residential class? There are many cottages around me. This makes no sense. Please explain what Hydro One's residential classes are and how it was determined that I should be put in R2.***

In addition to the seasonal class, Hydro One currently has three other residential classes which are linked to the density zone in which customers are located. Hydro One's three other residential classes are defined as follows:

- High density or "UR" residential class, which applies to residential customers located in a High Density Zone defined as a geographic area with 3,000 or more customers and with a density of 60 or more customers per circuit kilometer of line serving that area.
- Medium density or "R1" residential class, which applies to residential customers located in a Medium Density Zone defined as a geographic area with 100 or more customers and with a density of 15 or more customers per circuit kilometer of line serving that area.
- Low density or "R2" residential class, which applies to all residential customers not located in a Medium or High Density Zone.

Hydro One has used its geographic mapping system to identify the density zone a seasonal customer is currently located in, which then determines the residential class into which the seasonal customer is placed.

***10. If R2 customers are entitled to rate protections, why wouldn't I be as well since I am now apparently an R2 customer?***

Low density R2 customers are currently entitled to rate protection in the form of subsidies under the Ontario government's Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP) programs. The government regulations that govern how these two subsidies are applied both state that they are only available to customers that "reside continuously at the service address to which the account relates for at least eight months of the year". Seasonal customers do not meet this criteria and therefore are not eligible for these subsidies. The issue of seasonal customer eligibility for the RRRP subsidy was discussed in the proceeding where the OEB made its decision to eliminate the seasonal class, and the OEB concluded that Hydro One cannot apply the RRRP subsidy to new entrants to the R2 class without determining their residency status in

accordance with the regulations. Seasonal customers who reside at their property continuously for at least 8 months of the year should complete and submit an online Declaration Form for Year-Round Residential Rate Status available at [HydroOne.com/forms](http://HydroOne.com/forms).

***11. I believe Hydro One has incorrectly reclassified me into the R2 class. How do I get this corrected?***

The mapping of seasonal customers to their new customer class was done based on the existing density-based residential class definitions (see response to question 9). Specifically, R2 customers are located in a low density zone defined as a geographic area that contains less than 100 customers, with less than 15 customers for every kilometer of power line used to supply energy in that area. If a customer believes that there is an error in the customer class they will be mapped to they can contact Hydro One customer service at 1 (888) 664-9376 and request that their reclassification be reviewed. We will review the mapping in question and either reconfirm the classification or make an adjustment if an error is found.

***12. Will there be monthly billing for those who are accustomed to receiving quarterly bills?***

The current billing frequencies for seasonal customers were put in place to reflect their typically lower than average electricity usage and the desire to keep the costs of providing billing services as low as possible. Moving to monthly billing would increase costs and these increases would have to be accommodated in future rates. Hydro One has proposed that billing frequencies remain the same for seasonal customers after they are moved to their new customer class, or if more frequent billing is mandated by the OEB, that it be delivered via electronic means which is much more cost effective. Hydro One anticipates that the OEB will provide clarity on billing service requirements through this proceeding.

***13. Hydro One has proposed mitigation measures for the negatively impacted seasonal customer group moving to Residential Low Density (R2) class in order to limit the total bill impact to 10% per year. How would this be done? How long would it take for me to catch up? How much would it cost Hydro One to mitigate the impact for all seasonal class customers? Who would pay for this?***



There are options presented in Hydro One's 2019 Report on the Elimination of the Seasonal Class for limiting the total bill impact on seasonal customers to no more than 10% per year. Hydro One's recommended option is to calculate the monthly bill for seasonal customers in the R2 residential class based on the charges that normally apply to R2 class customers and then provide a mitigation credit that would limit the increase in their average monthly bill to no more than 10% over their prior year's average monthly bill.

The length of time that mitigation credits would need to be in place depends on the average amount of electricity used by a seasonal customer. It is estimated that the mitigation credit could be in place for up to 9 years for seasonal customers that have very low usage of less than 50 kWh per month on an average.

It is estimated that over the nine years that mitigation credits are potentially required, a total of \$150 million in mitigation credits would be paid out to seasonal customers in the R2 residential class. Hydro One is proposing that the cost of the mitigation credit be recovered from customers in all classes given that customers in all classes benefit from lower rates as a result of the increased revenue collected from seasonal customers moving to the R2 residential class.