

By electronic filing and by e-mail

April 22, 2010



Kirsten Walli
Board Secretary
Ontario Energy Board
27th floor – 2300 Yonge Street
Toronto, ON M4P 1E4

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e-mail: pthompson@blgcanada.com

Dear Ms Walli,

**Hydro One Networks Inc. ("Hydro One")
2010 and 2011 Distribution Revenue Requirement and Rate Application**

**Board File No.: EB-2009-0096
Our File No.: 339583-000044**

As solicitors for Canadian Manufacturers & Exporters ("CME"), we are providing our comments on the Draft Rate Order materials circulated by Hydro One on April 16, 2010.

The Draft Rate Order briefing session held on April 20, 2010, addressed all of the questions we had pertaining to the derivation of amounts shown in the Revenue Requirement, Cost Allocation, and Rate Design materials appended and marked as Exhibits 1.0 through to 4.0 inclusive to the Draft Rate Order materials circulated by Hydro One.

Our remaining concerns with respect to the Draft Rate Order materials pertain to the Customer Notices attached as Exhibit 5 to the Draft Rate Order. The guiding principles that prompt us to suggest some changes to the Notices proposed by Hydro One is that the information contained therein should be accurate and not potentially misleading. The Notices should help Customers understand the causes for the overall increase in their electricity bills. We consider these guiding principles to be implicit in the Board's findings in section 9.2 of its April 9, 2010 EB-2009-0096 Decision with Reasons pertaining to "Communication of Decision and Rate Order".

A summary of the changes we suggest and our rationale for proposing these changes is set out below. We have also included blackline versions of the Notices to reflect these suggestions.

A. Notice for Legacy Customers

The six (6) suggested changes we urge Hydro One and the Board to consider are as follows:

1. We suggest that the introductory paragraphs of the Notice should refer to the "Delivery" line in the bill and include an explanation that the "Delivery" line equates to about 40% of the total bill with about three quarters (¾) thereof relating to distribution and one quarter (¼) relating to transmission. During

Tuesday's briefing session, Hydro One representatives provided these approximate proportions pertaining to the "Delivery" line of the bill.

This suggestion stems from the Board's April 15, 2010 Release advising of its adjustment to electricity commodity prices under the Regulated Price Plan ("RPP") for homes and small businesses. The introductory paragraph of that communication refers to the "Electricity" line of RPP consumer bills and indicates that this line in the bill represents "about half of the total bill". We think consumers will be better informed if Hydro One's Notice follows the same type of approach with respect to "Delivery" increases. To this end, we suggest amending and broadening the first paragraph of the Notice to read as follows:

"The OEB has approved new Delivery rates for Hydro One customers. The Delivery rate increase for 2010 will add \$5.66 per month to the Delivery line of the bill for a typical residential customer using 1,000 kWh a month. The Delivery line of the bill equates to approximately 40% of the total bill. About three quarters ($\frac{3}{4}$) of the amount relates to distribution charges and about one quarter ($\frac{1}{4}$) to transmission charges."

2. We believe that consumers will be confused by the amount of \$80M to which Hydro One refers in the last paragraph on page 1 of this Notice. The \$80M is apparently a combination of capital and O&M expenditure disallowances. Exhibit 1.0 of the Draft Rate Order materials indicates that the "Base Revenue Requirement" resulting from the Decision of about \$1,146M is only \$4.0M below the updated amount claimed for 2010 of about \$1,150M. Moreover, the notion that the spending disallowances will delay work programs is misleading and speculative. Delays could be caused by any number of factors, including the lack of sufficient resources to do all the work Hydro One included in its Budgets. In these circumstances, we suggest that the amount should be removed from the sentence in which it is contained, along with the reference to delay, and replaced with something to the following effect:

"In its Decision, the OEB reduced some of our proposed 2010 spending. This reduction results in lower Delivery rates than were originally requested."

3. The percentage increases in the Table on page 2 of the Notice ranging between 6.7% and 16.3% include the increases in 2010 distribution rates approved in the Board's EB-2009-0096 Decision with Reasons and the increases in 2010 transmission rates that stem from the earlier Board Decision in EB-2008-0272. In these circumstances, we suggest that the text that appears under the Table should be modified to read something to the following effect:

"The "Delivery" line on your bill will reflect this increase, which includes increases in both transmission and distribution charges. Your first bill issued after May 19, 2010, will reflect these charges."

4. In the "**Electricity**" bullet point under the heading "**Are there any other changes to my bill?**", a reference is made to the OEB's recent increases under the RPP.

Because Hydro One's Notice is informing customers of rate impacts, we believe that the reference to the OEB increases under the RPP should include the OEB's description of their impact. For this reason, we suggest that a further sentence should be added to the bullet point to read something to the following effect:

“These increases affect about one half (½) of the total bill and are expected to add approximately 8% to the total bill.”

5. Since the Notice is referring to charges contained in various line items in an electricity consumer's bill, we suggest that the bullet point entitled “Special Purpose Fund” is more appropriately worded as a “Special Purpose Charge”.
6. We suggest that another bullet point needs to be added to this section of the Notice to deal with the Province-wide Green Energy Charge that the Board establishes in its EB-2009-0096 Decision with Reasons. We suggest wording something to the following effect:

- “● **Province-Wide Green Energy Charge:** This charge has been determined by the OEB to be recoverable from all electricity consumers in Ontario. This charge will appear in a separate line item on your bill and will add about \$_____ per year to your electricity bill in 2010 and a further \$_____ per year in 2011.”

The need for this charge to be reflected in the Notice to Customers, as well as in the Formal Rate Order that the Board issues, stems from the determinations made by the Board at page 38 of its EB-2009-0096 Decision with Reasons, where the Board characterizes its determination as “... an Order permitting collection of amounts from provincial ratepayers ...”. The Notice to Customers and the Formal Rate Order should not be silent with respect to the charges that the Board has determined will be recoverable from all provincial ratepayers, including Hydro One Customers.

We understand from the presentation made by Hydro One representatives during the Draft Rate Order briefing session on Tuesday that the provisional amounts recoverable from Hydro One customers during 2010 and 2011 are reflected in the Draft Rate Order materials. Hydro One should be able to provide the approximate yearly additions to the bill of a typical residential customer that these charges will produce in 2010 and 2011. We also understood from the discussions on Tuesday that this Province-wide charge is to appear as a separate line item in the bill.

The overall effect of the revisions we are suggesting will be to inform Customers of the concurrent changes being made to a number of line items in their bills and to provide them with the means of determining the causes of the change in the total amount billed. Based on the range of percentage increases shown in the Delivery Table, Legacy Customers will know that their total bill will increase by about 2.7% to 6.5% on account of increase in Delivery charges (40% of 6.7% to 16.3% = 2.7% to 6.5%). They will also know that the total bill is increasing by about 8% on account of increased charges in the “Electricity” line and that there will be smaller increases in the total bill related to the “Special Purpose Charge” and the “Province-Wide Green Energy Charge”.

Without revisions of this nature, the Notices will not help Customers understand the overall increase that is reflected in their electricity bills.

B. Notice for Acquired Customers

We have incorporated most of the changes outlined above into our blackline version of the proposed Notice for Acquired Customers.

The other change we invite Hydro One and the Board to consider with respect to this Notice is as follows:

1. The text that Hydro One has used in paragraph 1 of the Notice appears to us to be somewhat imprecise and could mislead some Acquired Customers. To enhance the accuracy of the description of the impact of the Board's EB-2009-0096 Decision with Reasons on Acquired Customers, we suggest the following:

“The Delivery rate increase for 2010 will add an amount to the Delivery line on the bill of a typical residential customer that varies depending upon the community in which you reside. When expressed as a proportion of your total pre-May 2010 bill for Delivery, Electricity, Regulatory, and Debt Retirement charges, the increase in the monthly delivery charge, based on average consumption, will be less than 10% for most customers. The Delivery line equates to approximately 40% of the total bill. About three quarters ($\frac{3}{4}$) of the amount relates to distribution charges and about one quarter ($\frac{1}{4}$) to transmission charges.”

C. Variance Accounts and Directives

It is unclear to us whether matters pertaining the Variance Accounts and Directives, including the grandfathering of the Time-of-Use (“TOU”) rate structure for Hopper Foundry, to which Hydro One refers in its second letter dated April 16, 2010, will be covered by the Formal Rate Order the Board issues.

We believe that these matters are rate-related and, for that reason, should be covered in the Board's Formal Rate Order. At the very least, we suggest that the Formal Rate Order should contain a paragraph that requires Hydro One to grandfather the TOU rate structure for Hopper Foundry and to recover the revenue shortfall from its General Service Demand (“GSd”) billed customers.

Please contact us if the Board has any questions about the contents of this letter.

Yours very truly,



Peter C.P. Thompson, Q.C.

PCT\slc
enclosures

c. Susan Frank (Hydro One)
Paul Clipsham (CME)

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Service Type	Electricity Used Monthly	Average increase on Delivery portion of bill	Average % increase on Delivery portion of bill
Residential – Urban Density	1,000 kWh	\$5.58	11.0%
Residential – High Density	1,000 kWh	\$5.66	9.5%
Residential – Normal Density	1,000 kWh	\$6.34	6.7%
Seasonal – High Density	500 kWh	\$8.91	16.3%
Seasonal – Normal Density	500 kWh	\$7.18	11.5%
General Service	2,000 kWh	\$9.80	8.4%

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10 transmission and distribution charges. Your first bill issued after May 19, 2010, will
11 reflect these changes.

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13 **Are there any other changes to my bill?**

14 Other components on the bill are also changing. These include:

- 15 ● Electricity: Most customers pay the two-tier Regulated Price Plan for electricity,
16 which the OEB has increased to 6.5 cents per kWh (from 5.8 cents) up to a certain
17 threshold and to 7.5 cents per kWh (from 6.7 cents) above that threshold. Customers
18 who purchase their electricity on the spot market or who are retailer-enrolled pay the
19 Provincial Benefit Charge. These increases affect about one half (1/2) of the total bill
20 and are expected to add approximately 8% to the total bill.
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22 ● Time-of-Use (TOU) prices: As part of the provincial government's plan to promote a
23 culture of energy conservation in the province, Hydro One is introducing TOU
24 electricity prices for most customers. TOU prices will impact your bill. Your bill may
25 be higher or lower depending on your ability to shift your usage to off-peak periods.
26 Hydro One will notify customers 30 days in advance of the switch to TOU prices.
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28 ● Harmonized Sales Tax (HST): A 13 per cent HST will replace the 5 per cent GST in
29 Ontario on July 1, 2010. HST will be charged on bills for electricity consumed after
30 June 30, 2010.
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- 1 ● Special Purpose Charge: The provincial government is introducing this charge to pay
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3 Charges on your bill and it will add about \$4 a year to your electricity bill. You'll pay
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- 6 ● Retail Transmission Rates: These rates are increasing as of May 1, 2010 to account
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- 10 ● Province-Wide Green Energy Charge: This charge has been determined by the OEB
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16 Here's an overview of the charges on your bill.

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18 on behalf of generators, the Independent Electricity System Operator and the federal and
19 provincial governments.

21 **Delivery**

22 Hydro One Networks is responsible for delivering electricity to your home or business.
23 Some of these charges are fixed and don't change from month to month. The rest are
24 variable and depend on how much electricity you use.

26 **Electricity**

27 This is how much electricity was delivered across our system from generating facilities to
28 your home or business for your use. It shows your usage in kWh and the cost per kWh.
29 Electricity prices are set by the OEB. We pay the money collected to the companies that
30 generate electricity (such as Ontario Power Generation and Bruce Power) and pass this
31 cost on to you with no mark-up or profit. If you have signed up with a retailer, you pay
32 the price in your contract and the Provincial Benefit Charge.

34 **Regulatory Charges**

35 Regulatory charges are the costs of administering the wholesale electricity system and
36 maintaining the reliability of the provincial grid. The money collected goes to the
37 Independent Electricity System Operator.

39 **Debt Retirement Charge**

40 The money collected goes to the provincial government to pay down the stranded debt of
41 the former Ontario Hydro. The Ontario Electricity Financial Corporation estimates the
42 debt will be retired between 2014-18.

1 **GST/HST**

2 GST collected goes to the federal government. The HST will be charged on electricity
3 consumed in Ontario after June 30, 2010. The provincial portion of the HST will be 8 per
4 cent and the federal portion will be 5 per cent.

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6 Go to our website at www.HydroOne.com to choose your customer type to see your rates
7 and pricing.

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9 **2011 Delivery rates**

10 We'll implement our 2011 Delivery rates on January 1, 2011. More information on this
11 rate increase will be included in your bill this fall.

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13 **Helping you manage your electricity use**

14 We have a number of conservation programs for your home or business that can help you
15 save electricity. Our online energy audit tool – PowerSaverPlus – will give you a detailed
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19 You can also download our series of PowerSaver brochures. These brochures provide
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27
28 **How to reach us**

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30 **web:** www.HydroOne.com

31
32 **call:** **Customer Communications Centre 1-866-543-8031**
33 Monday to Friday, 7:30 a.m. to 8 p.m. ET

34
35 **For power outages and emergencies 1-800-434-1235**
36 24 hours a day, 7 days a week

1 Notice for Legacy Customers

2
3 **Delivery Rates are Increasing**

4
5 **Hydro One applied to the Ontario Energy Board (OEB) for a Delivery rate increase**
6 **for 2010 and 2011.**

7 The OEB has approved new Delivery rates for Hydro One customers. The Delivery rate
8 increase for 2010 will add \$5.66 per month to the Delivery line of the bill for a typical
9 residential customer using 1,000 kWh a month. The Delivery line of the bill equates to
10 approximately 40% of the total bill. About three quarters ($\frac{3}{4}$) of the amount relates to
11 distribution charges and about one quarter ($\frac{1}{4}$) to transmission charges.

12
13 The amount your bill will increase depends on how much electricity you use and your
14 service type. 2010 Delivery rates apply to consumption starting May 1, 2010.

15
16 **A delivery rate increase is necessary to maintain a reliable electricity distribution**
17 **system**

18
19 Our first priority is to deliver electricity to our customers safely, reliably and efficiently.
20 This increase is needed to:

- 21 ● Replace and maintain equipment nearing its end of life or damaged by storms.
- 22
- 23 ● Build or upgrade our facilities to keep up with customer growth and ensure
24 reliability of the distribution system.
- 25
- 26 ● Fund smart meter and smart grid installations.
- 27
- 28 ● Connect renewable generation projects (such as wind, solar, hydro, biomass and
29 biogas) to our distribution facilities as part of the government's *Green Energy and*
30 *Green Economy Act*.
- 31
- 32 ● Pay for a higher cost of capital, capital costs for physical infrastructure and systems,
33 and compensation.
- 34

35 The increase also reflects a higher common equity return for Hydro One as approved by
36 the OEB. Hydro One is wholly owned by the Province of Ontario. In 2009, we paid \$188
37 million in dividends to the province and \$77 million in payments in lieu of corporate
38 income taxes, including capital taxes, to the Ontario Electricity Financial Corporation.

39
40 **Our delivery rates underwent a rigorous regulatory review**

41 This included a public hearing by the OEB. Public participation helps ensure the OEB
42 makes an informed decision on our delivery rates.

1 In its Decision, the OEB reduced some of our proposed 2010 spending. This reduction
2 results in lower Delivery rates than were originally requested.

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5 The amount your bill will increase depends on your service type and the amount of
6 electricity you use. An average customer will see the following increase on his or her bill.

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9 The Delivery line on your bill will reflect this increase, which includes increases in both
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16 which the OEB has increased to 6.5 cents per kWh (from 5.8 cents) up to a certain
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19 Provincial Benefit Charge. These increases affect about one half (1/2) of the total bill
20 and are expected to add approximately 8% to the total bill.
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- 22 ● Time-of-Use (TOU) prices: As part of the provincial government's plan to promote a
23 culture of energy conservation in the province, Hydro One is introducing TOU
24 electricity prices for most customers. TOU prices will impact your bill. Your bill may
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How much will my bill increase?

The amount your bill will increase depends on your service type, where you live and the amount of electricity you use.

An average residential customer who uses 1,000 kWh a month will see an increase of \$5.34 on the Delivery line of the bill. The Delivery line on your bill will reflect this increase, which includes increases in both transmission and distribution charges. Your first bill issued after May 19, 2010, will reflect these changes. To see how this increase will affect your bill, go to www.HydroOne.com/Rates or call us at 1-866-543-8031. Check your community name listed under *Your service type* on page two of your bill.

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The Delivery line on your bill will reflect this delivery rate increase. Your first bill issued after May 19, 2010, will reflect these changes.

Are there any other changes to my bill?

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43 Debt Retirement Charge

Filed: April 16, 2010
EB-2009-0096
Draft Rate Order
Exhibit: 5.0
Attachment 2

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28 fluctuations. Create an online account at www.HydroOne.com or call us at 1-888-664-
29 9376. If it is your first visit to *My Account*, you'll need your account number, found on
30 your bill, to get started.

31
32 **How to reach us**

33
34 **web:** www.HydroOne.com

35
36 **call:** **Customer Communications Centre 1-866-543-8031**
37 Monday to Friday, 7:30 a.m. to 8 p.m. ET

38
39 **For power outages and emergencies 1-800-434-1235**
40 24 hours a day, 7 days a week
41

- 1 ● Pay for a higher cost of capital, capital costs for physical infrastructure and systems,
2 and compensation.

3
4 The increase also reflects a higher common equity return for Hydro One as approved by
5 the OEB. Hydro One is wholly owned by the Province of Ontario. In 2009, we paid \$188
6 million in dividends to the province and \$77 million in payments in lieu of corporate
7 income taxes, including capital taxes, to the Ontario Electricity Financial Corporation.

8 9 **Our delivery rates underwent a rigorous regulatory review**

10 This included a public hearing by the OEB. Public participation helps ensure the OEB
11 makes an informed decision on our delivery rates.

12
13 In its Decision, the OEB reduced some of our proposed 2010 spending. This reduction
14 results in lower Delivery rates than were originally requested.

15 16 **How much will my bill increase?**

17 The amount your bill will increase depends on your service type, where you live and the
18 amount of electricity you use.

19
20 An average residential customer who uses 1,000 kWh a month will see an increase of
21 \$5.34 on the Delivery line of the bill. The Delivery line on your bill will reflect this
22 increase, which includes increases in both transmission and distribution charges. Your
23 first bill issued after May 19, 2010, will reflect these changes. To see how this increase
24 will affect your bill, go to www.HydroOne.com/Rates or call us at 1-866-543-8031.
25 Check your community name listed under *Your service type* on page two of your bill.

26 27 **Are there any other changes to my bill?**

28 Other components on the bill are also changing. These include:

- 29
30 ● Electricity: Most customers pay the two-tier Regulated Price Plan for electricity,
31 which the OEB has increased to 6.5 cents per kWh (from 5.8 cents) up to a certain
32 threshold and to 7.5 cents per kWh (from 6.7 cents) above that threshold. Customers
33 who purchase their electricity on the spot market or who are retailer-enrolled pay the
34 Provincial Benefit Charge. These increases affect about one half (½) of the total bill
35 and are expected to add approximately 8% to the total bill.
- 36
37 ● Time-of-Use (TOU) prices: As part of the provincial government's plan to promote a
38 culture of energy conservation in the province, Hydro One is introducing TOU
39 electricity prices for most customers. TOU prices will impact your bill. Your bill may
40 be higher or lower depending on your ability to shift your usage to off-peak periods.
41 Hydro One will notify customers 30 days in advance of the switch to TOU prices.

- 1 ● Harmonized Sales Tax (HST): A 13 per cent HST will replace the 5 per cent GST in
2 Ontario on July 1, 2010. HST will be charged on bills for electricity consumed after
3 June 30, 2010.
- 4
- 5 ● Special Purpose Charge: The provincial government is introducing this charge to pay
6 for conservation and renewable energy programs. It will appear under Regulatory
7 Charges on your bill and it will add about \$4 a year to your electricity bill. You'll pay
8 this charge for one year starting on May 1, 2010.
- 9
- 10 ● Retail Transmission Rates: These rates are increasing as of May 1, 2010 to account
11 for the higher costs to transmit electricity. The new rates are approved by the OEB
12 and are included in the Delivery line on your bill.
- 13
- 14 ● Province-Wide Green Energy Charge: This charge has been determined by the OEB
15 to be recoverable from all electricity consumers in Ontario. This charge will appear
16 in a separate line item on your bill and will add about \$_____ per year to your
17 electricity bill in 2010 and a further \$_____ per year in 2011.
- 18

19 **Where to look on your bill**

20 Here's an overview of the charges on your bill.

21 Our costs are included under the Delivery line on your bill. We bill the other line items
22 on behalf of generators, the Independent Electricity System Operator and the federal and
23 provincial governments.

24 **Delivery**

25 Hydro One Networks is responsible for delivering electricity to your home or business.
26 Some of these charges are fixed and don't change from month to month. The rest are
27 variable and depend on how much electricity you use.

28 **Electricity**

29 This is how much electricity was delivered across our system from generating facilities to
30 your home or business for your use. It shows your usage in kWh and the cost per kWh.
31 Electricity prices are set by the OEB. We pay the money collected to the companies that
32 generate electricity (such as Ontario Power Generation and Bruce Power) and pass this
33 cost on to you with no mark-up or profit. If you have signed up with a retailer, you pay
34 the price in your contract and the Provincial Benefit Charge.

35 **Regulatory Charges**

36 Regulatory charges are the costs of administering the wholesale electricity system and
37 maintaining the reliability of the provincial grid. The money collected goes to the
38 Independent Electricity System Operator.

39 **Debt Retirement Charge**

40
41
42
43

1 The money collected goes to the provincial government to pay down the stranded debt of
2 the former Ontario Hydro. The Ontario Electricity Financial Corporation estimates the
3 debt will be retired between 2014-18.

4 5 **GST/HST**

6 GST collected goes to the federal government. The HST will be charged on electricity
7 consumed in Ontario after June 30, 2010. The provincial portion of the HST will be 8 per
8 cent and the federal portion will be 5 per cent.

9
10 Go to our website at www.HydroOne.com to choose your customer type to check your
11 rates and pricing.

12 13 **2011 Delivery rates**

14 We'll implement our 2011 Delivery rates on January 1, 2011. More information on this
15 rate increase will be included in your bill this fall.

16 17 **Helping you manage your electricity use**

18 We have a number of conservation programs for your home or business that can help you
19 save electricity. Our online energy audit tool – PowerSaverPlus – will give you a detailed
20 or snapshot analysis customized for your home or business. For a complete listing of our
21 programs, visit www.PowerSaver.ca or call us at 1-888-664-9376.

22
23 You can also download our series of PowerSaver brochures. These brochures provide
24 practical energy efficiency tips for any budget.

25
26 We also offer a budget billing plan (or equal billing) to most customers. Since payments
27 are spread out over the year, being on the plan is a good way to moderate payment
28 fluctuations. Create an online account at www.HydroOne.com or call us at 1-888-664-
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