

Technical Conference #3

Distribution Custom Rate Application 2015-2019

April 30, 2014

Technical Conference Schedule

Panel 3 April 30

- Proposed cost allocation and rate design changes including line losses

2015-2019 Custom Distribution Rate Application

2015-2019 Distribution Cost Allocation, Rate Design and Line Loss Study

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Manager, Economics and
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Topics

- Customer Classification
 - Rate Class Review
 - Customer Input
 - Seasonal and USL
- Cost Allocation
 - R/C ratio changes
- Rate Design
 - Fixed / Variable Splits
- Other
 - Rate Riders
 - RTSR
 - Bill Impacts
- Line Loss Study

Customer Classification - Rate Class Review

- As part of the settlement in HONI's 2013 Distribution Rate Application, HONI agreed to review the rate classifications of our customers to ensure they are within the appropriate current rate classifications
- The Rate Class Review assigned density-based customers into one of 3 Density "Zones" based on currently approved definitions:
 - ≥ 60 cust/line km with at least 3000 customers (urban density – UR)
 - ≥ 15 cust/ line km with at least 100 customers (medium density – R1)
 - < 15 cust/ line km (low density – R2)
- GIS density zone layer will ensure new customers are classified appropriately on an ongoing basis
- Will update province-wide review on a 5-year basis to coincide with timing of rate application

Customer Classification - Rate Class Review

	Totals	
	#	%
Total	1,222,548	
No Change	1,087,980	89%
Reclassified	134,568	11%
Higher Density	112,019	9%
Lower Density	22,549	2%

Higher Density	112,019	Total Monthly Bill Impact
GSd to UGd	778	-7% (\$417)
GSe to UGe	5,733	-16% (\$57)
R1 to UR	40,023	-14% (\$21)
R2 to UR	1,815	-22% (\$36)
R2 to R1	63,670	-10% (\$16)

Lower Density	22,549	Total Monthly Bill Impact
UGd to GSd	67	+20% (\$1026)
UGe to GSe	311	+34% (\$95)
UR to R1	5,704	+11% (\$15)
UR to R2	439	+27% (\$36)
R1 to R2	16,028	+13% (\$19)

Voice of the Customer

- Custom Distribution Application stakeholder sessions on cost allocation and rate design proposals
- Seasonal customer focus groups
- Addressing customer complaints forwarded from Customer Care

Customer Class Changes – Seasonal & USL

- **Seasonal customer class**
 - Moving ~11k Seasonal customers (out of 157k) with consumption pattern similar to year-round customers to residential classes
 - Seasonal customers with >800 kWh/month average and at least 600 kWh for at least 10 months will be moved to respective R2 or R1 classes
- **New USL rate class**
 - Currently billed GSe Unmetered rate

Cost Allocation

- **Board's August 2013 CAM**
- **A number of updates to model inputs, including:**
 - Updated Load profiles
 - Density factors incorporated within model
 - Updated minimum system factors

Cost Allocation – R/C Ratios

- Bringing revenue-to-cost (R/C) ratios for all classes within Board ranges in 2015
- Moving R/C to around 1.0 over 5 years

	Number of Customers	Revenue	Alloc Cost	R/C Ratio from the CAM	Target 2015 R/C Ratio	Revenue to be collected	Shift in Revenue	% Change in revenue from rates
UR	209,756	\$ 102,218,613	\$ 78,800,340	1.30	1.15	90,620,391	(11,598,222)	-12%
R1	438,731	\$ 338,540,457	\$ 274,463,567	1.23	1.15	315,633,102	(22,907,355)	-7%
R2	335,388	\$ 506,002,299	\$ 539,924,684	0.94	0.94	507,139,214	1,136,916	0%
Seasonal	143,814	\$ 87,332,894	\$ 97,313,038	0.90	0.94	91,403,966	4,071,072	5%
GSe	93,605	\$ 158,295,077	\$ 154,232,565	1.03	1.03	158,295,077	-	0%
GSd	6,119	\$ 119,101,074	\$ 137,004,790	0.87	0.94	128,685,544	9,584,470	8%
UGe	17,786	\$ 15,416,572	\$ 21,741,417	0.71	0.94	20,421,228	5,004,656	34%
UGd	1,903	\$ 25,697,098	\$ 28,892,648	0.89	0.94	27,138,220	1,441,122	6%
St Lgt	4,888	\$ 11,116,982	\$ 12,570,851	0.88	0.94	11,807,520	690,538	6%
Sen Lgt	30,040	\$ 6,454,934	\$ 7,704,253	0.84	0.87	6,704,798	249,864	8%
USL	5,647	\$ 3,642,674	\$ 2,914,594	1.25	1.20	3,497,513	(145,161)	-4%
DGen	1,011	\$ 2,132,265	\$ 5,555,798	0.38	0.51	2,816,972	684,707	34%
ST	811	\$ 35,313,917	\$ 50,146,310	0.70	0.94	47,101,311	11,787,394	34%

Rate Design – Fixed/Variable

- Increasing fixed charges per Board model

	Current 2014 rates		Proposed 2015 rates		Fixed Charge (\$/month)	
Rate Class	Fixed	Volumetric	Fixed	Volumetric	Current 2014	Proposed 2015
UR	39%	61%	59%	41%	12.72	20.29
R1	39%	61%	48%	52%	20.15	27.92
R2	56%	44%	56%	44%	29.11	37.99
Seasonal	48%	52%	52%	48%	19.71	26.78
GSe	31%	69%	21%	79%	35.92	28.96
UGe	18%	82%	24%	76%	10.2	22.48
GSd	4%	96%	5%	95%	52.27	82.14
UGd	3%	97%	7%	93%	28.71	84.40
St Lgt	1%	99%	2%	98%	1.47	4.01
Sen Lgt	20%	80%	25%	75%	1.5	2.42
USL	68%	32%	78%	22%	29.69	39.14
DGen	27%	73%	75%	25%	38.13	166.48
ST	20%	80%	18%	82%	294.97	453.27

Other Items

- New Riders
 - deferral/variance account riders
 - smoothing riders
- RTSR updated to reflect 2014 Provincial Transmission rates
- Bill Impact Mitigation
 - Keeping total bill impacts within 10%
 - Special mitigation for customers impacted more than 15% on total bill due to Rate Class Review
- Miscellaneous Charges reviewed and updated to reflect cost of providing services

Line Loss Study

- In its Decision with Reasons for EB-2009-0096, the OEB directed Hydro One to “track the dollar value of variances between the Board approved losses recovered in rates, and actual line losses, commencing January 1, 2010” and to “bring this analysis to its next cost of service proceeding”.
- Hydro One engaged Navigant through a competitive process to undertake this study. Detailed analysis prepared by Navigant showed that over the 2010-2012 period, Hydro One over-collected line losses by about 388 GWh.
- Hydro One has recorded \$0.5 million in the Retail Service Variance Account-Power (1588) for the 2010-2012 period.
- Hydro One accepted the recommendations from Navigant to change the line loss factors for certain rate classes in this rate application.