

December 10, 2015

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
P.O. Box 2319  
Toronto, Ontario  
M4P 1E4

Dear Ms. Walli:

**RE: EB-2015-0079 – Hydro One Networks Inc. 2016 Rates – Final Argument of the Consumers Council of Canada**

Please find, attached, the Final Argument of the Consumers Council of Canada in the above-referenced proceeding.

Yours truly,

*Julie E. Girvan*

Julie E. Girvan

CC: Hydro One, Regulatory  
All Parties  
Ken Whitehurst, Consumers Council of Canada

# **FINAL ARGUMENT OF THE CONSUMERS COUNCIL OF CANADA**

## **EB-2015-0079 HYDRO ONE NETWORKS INC.**

### **2016 DISTRIBUTION RATES**

#### **Introduction:**

On December 19, 2013 Hydro One Networks Inc. ("HON") applied to the Ontario Energy Board ("OEB" or "Board") for approval of rates for the period January 1, 2015 to December 31, 2019. On March 12, 2015, the OEB released its Decision on HON's Application and approved revenue requirements for three years for the period January 1, 2015 to December 31, 2017.

On September 30, 2015, HON applied for approval of rates effective January 1, 2016, and filed a Draft Rate Order. On December 1, 2015, HON filed an updated Draft Rate Order which reflects the OEB's Decision dated March 12, 2015 (EB-2013-0416), the OEB's 2016 cost of capital parameters, and a long-term debt rate forecast based on HON's actual 2015 debt issuances to date and the latest Consensus Economics 2016 forecast.

HON is also seeking approval to begin its transition to full fixed residential rates. This request is being made pursuant to the Board's Report, A New Distribution Rate Design for Residential Electricity Customers dated April 2, 2015.

The Council will briefly address the following three issues:

1. Seasonal Rates
2. Transition to Fully Fixed Residential Rates
3. Customer Notices

With the exception of these three issues, the Council submits that HON's proposals appear to be consistent with the Board's EB-2013-0416 Decision.

#### **Submissions:**

##### **1. Seasonal Rates**

In the EB-2013-0416 Decision the Board required HON to bring forward a plan for the elimination of the Seasonal Class. As directed by the Board, the plan should propose a phase in period for those customers expected to experience a total bill impact of greater than 10% as a result of migrating to another class. The Board also indicated its intent to hold a hearing to examine the rate mitigation issues with the intent to implement the rate changes January 1, 2016 (EB-2013-0416 Decision

dated March 12, 2015, p. 49). HON filed a report with the Board on August 4, 2015, setting out its plan for elimination of the Seasonal Class.

On September 30, 2015, the OEB released an Order which set out the following points:

1. Consistent with the filing requirements for 2016 rate applications released in July, the OEB expects that HON will apply the OEB's policy on distribution rate design for residential customers (the move to fully fixed distribution rates) to its Seasonal Class with changes effective January 1, 2016.
2. In the OEB's view, such a change constitutes the initial steps in the execution of the OEB's direction to eliminate the seasonal class by aligning rates for these customers' premises with the density-based rate structure applicable to other residential customers.
3. It is expected that the changes to the rates for the seasonal class would be included within the application for rate adjustments effective January 1, 2016 for all other customer classes.
4. The OEB will initiate a further proceeding to consider the remaining steps for the elimination of the Seasonal Class (EB-2013-0416/EB-2015-0257, Order, dated September 30, 2015).

With respect to January 1, 2016, rates HON has not proposed any further steps to eliminate the Seasonal Class. HON has proposed, consistent with the OEB's September 30 Order, to transition the Seasonal Class to fixed rates over a seven year period (Attachment 1, p. 7).

The Council is supportive of having a further proceeding to consider the elimination of the Seasonal Class. It will be important in the context of that proceeding to consider alternative proposals and the potential impacts of those proposals on all of HON's rate classes. In addition, it will be important to consider how to eliminate the Seasonal Class while at the same time transitioning all residential customers to the 100 % fixed charge. It is a complex scenario that needs to be carefully considered by the Board. It would be inappropriate from the Council's perspective, in this proceeding, to make further changes to Seasonal rates other than those proposed by HON.

## **2. Transition to Fully Fixed Residential Rates**

HON has proposed to transition to fully fixed rates over a five-year period for Rates UR, R1, R2 and seven years for the Seasonal Class. HON is relying on the Board's updated *Filing Requirements for Electricity Rate Applications* ("Filing Requirements") issued July 17, 2015. That policy requires that distributors implement the change over a four-year period. If the monthly service charge rises

by more than \$4, the transition can be extended. The Filing Requirements also direct distributors to consider total bill impacts for those customers in the 10<sup>th</sup> percentile of consumption for the class to ensure that those customers do not experience bill impacts greater than 10%. HON is proposing a five-year transition to mitigate the impacts on the lower volume customers.

HON states that the proposed phase-in period will result in total bill impacts of less than 10% for the lower volume customers in each of the residential rate classes, taking into account all other changes to distribution rates in 2016 (Appendix A, p. 4). The fact is that on January 1, 2016, some customers will be experiencing significant bill increases without warning. This is because HON's analysis does not consider other impacts on the bill. Those impacts include the elimination of the Debt Retirement Charge ("DRC"), the elimination of the Ontario Clean Energy Benefit ("OCEB"), the addition of the Ontario Electricity Support Program ("OESP") charge, and the increase in the Wholesale Market Service ("WMS") Rate.

The bill impacts for the lower volume customers were provided as a Technical Conference undertaking. Although the bill impacts for the UR class are below the 10%, the impacts for rates R1, R2 and Seasonal customers at the lower consumption levels exceed the 10% - 13.44%, 17.3% and 20.56% (TC3).

The Council submits that in assessing the movement to fully fixed distribution rates the Board should consider the total bill impacts that customers will actually see. This should include all impacts, not just those specifically related to a distributor's own charges. If the overall impacts are not considered there will be customers who experience bill impacts well above 10% - a level that has been deemed by the Board appropriate for mitigation.

The Council submits that HON should be required to propose further mitigation for those customers that will experience bill impacts above 10%. It is not appropriate, in our view, to ignore all the factors impacting the bill. The total bill is what customers see regardless of whether the impacts are directly related to HON's distribution component, or something else. If mitigation is not required it is clear that some of HON's customers will see actual bill impacts that could exceed 20%.

### **3. Customer Notices**

In response to a Technical Conference undertaking HON filed its Fall/Winter Newsletter (TC2). The Newsletter indicates the changes to the bill and estimated impacts for those customers consuming 800 kWh/month. What these customers are being told is that all customers can expect to see an increase of at least 10% on their bill. The Council submits that going forward HON needs to better explain pending bill impacts and what they are related to. In addition, HON should be required to provide bill impacts at various consumption levels. Under HON's current proposal, R2 and Seasonal customers will be experiencing impacts beyond the 10% level. From what we understand, those customers are currently unaware

of the increases that are coming. The Council recognizes that customer communication can be difficult. However, in the context of ongoing increases in electricity bills, distributors should be required to better explain coming changes to their customers.

**All of which is respectfully submitted this 10<sup>th</sup> day of December, 2015**