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Vice President  
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BY COURIER

December 2, 2016

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
Suite 2700, 2300 Yonge Street  
P.O. Box 2319  
Toronto, ON  
M4P 1E4

Dear Ms. Walli,

**EB-2016-0274 – Options for an Appropriate Rate Assistance Program for On-Reserve First Nations Electricity Consumers**

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On June 27, 2016, the Minister of Energy Minister asked the Ontario Energy Board to examine options for developing a First Nations Rate and to report back by January 1, 2017. Hydro One Networks Inc. and Hydro One Remote Communities Inc. are pleased to provide comments on the presentation made by Ontario Energy Board Staff at a recent meeting on developing a First Nations rate for on-reserve First Nations customers.

This submission consists of the following five sections:

1. Consideration of the Options;
2. Billing System Impacts;
3. Qualification;
4. Funding Mechanism; and
5. Hydro One's on-reserve Customer Service initiatives.

Hydro One appreciates the opportunity to participate in these discussions and to provide comments on this important initiative.

Sincerely,

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Oded Hubert

## **HYDRO ONE NETWORKS INC. & HYDRO ONE REMOTE COMMUNITIES INC. COMMENTS ON DEVELOPING A FIRST NATIONS RATE FOR ON-RESERVE FIRST NATIONS ELECTRICITY CUSTOMERS**

Hydro One Networks Inc. and Hydro One Remote Communities Inc. (in this submission, jointly referred to as “Hydro One”) are pleased to provide comments on the presentation made by Ontario Energy Board Staff (Board Staff) at a recent meeting on developing a First Nations rate for on-reserve First Nations customers. Hydro One was an active participant in this meeting, which was held for affected distributors on November 8, 2016.

On June 27, 2016, the Minister of Energy asked the Ontario Energy Board (the Board) to examine options for developing a First Nations Rate and to report back by January 1, 2017. Board Staff has advised that the Board will be guided by the following principles in developing its report for the Minister:

- Maximizing benefits for on-reserve First Nations customers at the lowest cost to other ratepayers;
- Ease of program implementation for First Nations customers and utilities;
- Fairness to all customers; and
- Accountability to First Nations customers by demonstrating how their views and perspectives have informed the Board’s report.

This submission consists of the following five sections:

1. Consideration of the Options;
2. Billing System Impacts;
3. Qualification;
4. Funding Mechanism; and
5. Hydro One’s on-reserve Customer Service initiatives.

### **1. CONSIDERATION OF THE OPTIONS**

Hydro One is aware that Board Staff has conducted research on potential options and rate impacts and has held engagement sessions with First Nations groups and affected distributors. Based on this research and input from these engagement sessions, Board Staff has indicated that two options are being considered for providing a First Nations Rate:

1. an on-bill credit (percentage or dollar amount) to the Delivery charge; and
2. a total bill reduction (percentage or dollar amount).

It is Hydro One's view that a percentage credit to the Delivery charge (or a credit to the monthly service charge, in the case of Hydro One Remote Communities Inc.) is the most prudent option.

Hydro One believes that a credit to the Delivery charge would be easier to explain to customers because it would relate to a specific line item on their electricity bill. It is anticipated that the bill would also show the Delivery charge prior to application of the credit, and the amount of the credit, to help explain the bill calculation.

It is also Hydro One's view that a percentage credit, rather than a fixed dollar amount, should be implemented, as the Delivery charge varies with consumption. This approach would allow the credit to vary in line with the Delivery charge.

If the decision is made to vary the credit amount or percentage based on the season, Hydro One suggests that the changes should be made at the same time as changes are made for the Regulated Price Plan (RPP), i.e. May 1<sup>st</sup> and November 1<sup>st</sup> of each year. This would reduce implementation and administration costs, as it would allow distributors to combine the system modifications and testing for both the RPP changes and the First Nations rate changes.

## **2. BILLING SYSTEM IMPACTS**

There is no material difference in the cost or ease of implementing a credit to the Delivery charge, as opposed to a total bill reduction. Based on preliminary estimates, the approximate one-time cost to implement either option is \$1.0 to \$1.3 million. Additional program details would be required to refine this estimate.

It is anticipated that either option would take up to 6 months to implement. Sufficient time is required to: define and implement a process for identifying customers who would qualify for the First Nations rate; modify Hydro One's customer information system for the chosen option; test the modifications to ensure accuracy; and develop and implement a plan to communicate the changes to qualifying customers.

It should be noted that Hydro One has initiated a bill redesign project. The timeline for implementing Hydro One's redesigned bill may conflict with the implementation of the First Nations rate. Hydro One is not aware of the anticipated timing for implementing a First Nations rate. However, to implement the First Nations rate by mid-2017, Hydro One would need to know the selected option by mid-January of 2017, although the amount of the credit could be finalized later. This prior knowledge would allow sufficient time for the required changes to be architected before the billing system "freeze" which is required for Hydro One's bill redesign project.

It would be helpful for distributors to be provided more detailed program information as early as possible. Early information, as it becomes available, would allow Hydro One to start planning for and completing the preliminary work required to change customer and billing processes.

Hydro One proposes that a variance account would need to be established to capture the difference between the actual credits that are provided to on-reserve First Nations customers and the amounts collected from all Ontario customers to support the program. This variance account would be disposed of at future rates proceedings.

### **3. QUALIFICATION**

Hydro One believes that qualification for the program should not be administratively cumbersome. To the extent possible, automatic enrollment should occur for customers residing on-reserve who have already provided information to Hydro One on their First Nations status. Partial identification of on-reserve First Nations customers can be achieved within Hydro One's customer information system by combining address information (to confirm that a customer is located on a reserve) and tax exempt status (to confirm that the customer is a First Nations customer).

Hydro One notes that this approach will not capture all on-reserve First Nations customers, as some customers may not have provided Hydro One with their tax exempt status. Processes would need to be put in place to capture the remaining customers who would be entitled to the First Nations rate. This could be accomplished through communications programs and working with Band Councils to encourage qualifying customers to provide Hydro One with their First Nations status.

It is Hydro One's view that, ultimately, the onus should rest with customers to self-identify if they qualify for the First Nations rate. As part of the program communications to customers, it should be made clear that self-identification and qualification for the proposed rate is accomplished by customers providing Hydro One with information on their tax exempt status.

Hydro One further recommends that customer bills would reflect the proposed First Nation rate on a going-forward basis only after they have identified to Hydro One that they qualify for that rate. Hydro One is not supportive of any retroactive application of the First Nations rate, as such an approach would be very difficult to apply and administratively burdensome, and could lead to customer confusion in understanding their bills.

#### **4. FUNDING MECHANISM**

Board Staff indicated that a provincial charge is being considered for the funding mechanism to recover program costs. The options for this provincial funding mechanism, as identified by Board Staff, are: use of the current Rural or Remote Rate Protection (RRRP); or a new separate regulatory charge, charged only to those customers who are not recipients of the First Nations rate.

Hydro One believes that the fairest and most expedient way to fund the program is through the RRRP. This will ensure that the cost of the program is shared by all Ontario electricity customers. The RRRP is already in place and could be increased to provide the required funding for the First Nations rate. A new funding mechanism is not recommended, as this would require more time for any necessary government approvals and would increase costs for setting up and administering this new funding mechanism. If a new funding mechanism is adopted, Hydro One recommends that the regulatory charge apply to all customers in Ontario, in a similar manner to how the RRRP charge is applied.

#### **5. HYDRO ONE'S ON-RESERVE CUSTOMER SERVICE INITIATIVES**

Board staff shared with Hydro One that Six Nations of the Grand River (Six Nations) is happy with the approach that Hydro One has taken related to customer care on their reserve. Specifically, Hydro One has; initiated contact with Chiefs and Councils to build consensus and approval for the initiative; conducted town hall sessions with local residents for educational purposes related to understanding the bill and conducted one-on-one sessions with local residents to discuss programs such as budget billing and payments plans to address arrears, thereby providing a "one-stop shop" to address all of their needs, including information on low income programs (OESP and LEAP programs). Hydro One is also aware that other First Nations customers would like to see this approach expanded to their communities.

Hydro One is pleased to hear about the positive feedback from Six Nations. Hydro One is expanding this approach to other First Nations communities, and plans to visit other communities to provide similar information to help customers understand and manage their electricity usage and bills.

Hydro One appreciates the opportunity to participate in these discussions and to provide comments on this important initiative.