

# MICHAEL R. BUONAGURO

Barrister and Solicitor

24 HUMBER TRAIL  
TORONTO, ONTARIO, M6S 4C1  
P: (416) 767-1666  
F: (416) 767-1666  
EMAIL: [mrb@mrb-law.com](mailto:mrb@mrb-law.com)

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January 24, 2018

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
26<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON  
M4P 1E4

DELIVERED BY EMAIL

Dear Ms. Walli,

**RE: EB-2017-0049 Hydro One Networks Inc. Distribution Rates Application,  
2018 - 2022**

Please find enclosed the interrogatories filed on behalf of the Balsam Lake Coalition in the above noted proceeding.

If there are any questions about the interrogatories please do not hesitate to contact the undersigned.

Yours very truly,



Michael R. Buonaguro  
Encl.

**Hydro One Networks Inc.**  
**EB - 2017 - 0049 Distribution Rates Application, 2018 - 2022**  
**Balsam Lake Coalition Interrogatories**  
**January 19, 2018**

**A. GENERAL**

*1. Has Hydro One responded appropriately to all relevant OEB directions from previous proceedings?*

**Balsam Lake A1-1**

**Ref: EB-2013-0416/EB-2015-0079, Decision dated December 22, 2015**  
**EB-2016-0315, Procedural Order No. 1 dated November 3, 2016 (as corrected)**

- a) What steps, if any, has Hydro One taken subsequent to the Board's decision EB-2013-0416/EB-2015-0079 dated December 22, 2015 to comply with the Board's order to eliminate the Seasonal Rate class?
- b) Please provide any information provided to Hydro One from the OEB with respect to taking steps towards the elimination of the Seasonal Rate class beyond the transition to fully fixed rates in the EB-2015-0079 decision, including but not limited to the continuation of the EB-2016-0315 proceeding.
- c) Please confirm that all of Hydro One's rates continue to be interim effective November 3, 2016 pursuant to the Procedural Order No. 1 in EB-2016-0315 dated November 3, 2016 (as corrected). If not confirmed, please provide the OEB order making rates subsequent to November 3, 2016 final.

*4. Are the rate and bill impacts in each customer class in each year in the 2018 to 2022 period reasonable?*

**Balsam Lake A3-2**

**Ref: Exhibit H1/Tab4/Schedule1/pg. 2**

It appears to Balsam Lake that the filed bill impacts do not include the various impacts of the Fair Hydro Plan and related legislation on the proposed 2018 rates.

- a) Please provide a version of Table 1: Distribution and Total Bill Impacts by Rate Class for Hydro One Customers that incorporates all the impacts of the Fair Hydro Plan; in doing so, please add a column that shows the 2017 DX Bill (\$) that the column 2018 Change in DX Bill (\$) is relative to, and a column that shows the 2017 Total Bill (\$) that the 2017 Total Bill (\$) is relative to.

**Balsam Lake A3-3**

**Ref: Ontario Regulation 442/01 s. 1  
Ontario Regulation 198/17 s. 2  
Exhibit H/Tab1/Schedule1/pg. 2**

Ontario Regulation 442/01 s. 1 defines, in part, residential premises as “a dwelling occupied as a residence continuously for at least eight months of the year. . .”.

Ontario Regulation 198/17 s. 2 provides Distribution Rate Protection to Hydro One’s R1 and R2 customers so long as each such customer “resides continuously at the service address to which the account relates for at least eight months of the year”.

Hydro One’s Tariff of Rates and Charges asserts the following:

**RESIDENTIAL SERVICE CLASSIFICATIONS**

A year-round residential customer classification applies to a customer’s main place of abode and may include additional buildings served through the same meter, provided they are not rental income units. All of the following criteria must be met:

1. Occupant represents and warrants to Hydro One Networks Inc. that for so long as he/she has year-round residential rate status for the identified dwelling, he/she will not designate another property that he/she owns as a year-round residence for purposes of Hydro One rate classification.
2. Occupier must live in this residence for at least four (4) days of the week for eight (8) months of the year and the Occupier must not reside anywhere else for more than three (3) days a week during eight (8) months of the year.
3. The address of this residence must appear on documents such as the occupant’s electric bill, driver’s licence, credit card invoice, property tax bill, etc.
4. Occupants who are eligible to vote in Provincial or Federal elections must be enumerated for this purpose at the address of this residence.

Seasonal Residential customer classification is defined as any residential service that does not meet residential year- round criteria. It includes dwellings such as cottages, chalets and camps.

The bill impacts experienced by Seasonal Customers relative to the UR, R1 and R2 classes results largely from the exclusion of customers designated as Seasonal Customers from Rural or Remote Electricity Rate Protection and Distribution Rate Protection.

- a) Please confirm that Hydro One’s Tariff of Rates and Charges as proposed in the proceeding distinguishes between “residential” and “seasonal” customers, in part, so as to distinguish between customers that qualify in accordance

- with Ontario Regulation 442/01 for Rural or Remote Electricity Rate Protection (RRRP) and customers that do not based on the criteria under that regulation that qualifying customers must occupy residential premises, which is defined as “a dwelling occupied as a residence continuously for at least eight months of the year. . .”. If not confirmed, please explain why Hydro One distinguishes between “residential” and “seasonal” customers.
- b) Please confirm that, with the introduction of Ontario Regulation 198/17, Hydro One’s Tariff of Rates and Charges as proposed in the proceeding will serve to distinguish between “residential” and “seasonal” customers, in part, so as to distinguish between customers that qualify in accordance with Ontario Regulation 198/17 for Distribution Rate Protection (DRP) and customers that do not based on the criteria in the regulation that a qualifying customer must reside “continuously at the service address to which the account relates for at least eight months of the year”. If not confirmed, please explain how Hydro One intends to distinguish between customers that qualify for DRP and those that do not.
  - c) Please confirm that when Hydro One refers in its Tariff to a year-round residential customer classification applying to a customer’s “main place of abode”, Hydro One’s reference to a customer’s “main place of abode” is intended to convey that in order to qualify as a “year-round residential customer” the customer must occupy residential premises, defined as a “dwelling occupied as a residence continuously for at least eight months of the year”. If not confirmed please explain why Hydro One refers to a customer’s main place of abode?
  - d) Does Hydro One agree that a customer could occupy two (or more) residences continuously for at least eight months of the year? If not why not?
  - e) Does Hydro One agree that a customer can occupy a residence continuously for at least eight months of the year without living at the residence 4 days of the week for 8 months of the year? If not why not?
  - f) Does Hydro One agree that a customer can occupy a residence continuously for at least eight months of the year without the address of the residence appearing on documents such as the occupant’s electric bill, driver’s licence, credit card invoices, property tax bill, etc.? If not why not?
  - g) Does Hydro One agree that a customer can occupy a residence continuously for at least eight months of the year without being enumerated for the purpose of voting in Provincial or Federal elections at the address of that residence? If not why not?
  - h) What independent dispute process does Hydro One have in place for customers wishing to dispute their Seasonal Class designation?

- i) What steps does Hydro One take, if any, to confirm the “year round” status of its customers on an ongoing basis?

*5. Are Hydro One’s proposed rate impact mitigation measures appropriate and do any of the proposed rate increases require rate smoothing or mitigation beyond what Hydro One has proposed?*

**Balsam Lake A5-4**

**Ref: <https://www.hydroone.com/rates-and-billing/fair-hydro-plan>**

Hydro One’s website asserts the following:

Under the Fair Hydro Plan, the majority of our customers will see an average reduction of 31 per cent on their monthly bills, meaning an annual savings of about \$600\*.

We also advocated for Distribution Rate Protection for our rural customers who will now see delivery charges fall in line with urban delivery rates. This relief will be long-lasting.

- a) Please confirm that Distribution Rate Protection is not and will not be extended to customers that Hydro One includes in the Seasonal Rate Class.
- b) Please provide any documentation submitted by Hydro One to the provincial government with respect to Hydro One’s advocacy for Distribution Rate Protection for its rural customers. Please confirm whether or not Hydro One’s advocacy included advocating for Distribution Rate Protection (or any other relief) for Hydro One’s Seasonal Customers (i.e. customers currently identified by Hydro One as Seasonal Customers and included as members in the Seasonal Rate Class), either in the context of those customers continuing to be included in the existing Seasonal Rate Class, or in the context of those customers migrating to the existing R1 and R2 classes upon the elimination of the Seasonal Class pursuant to the Board’s direction in EB-2013-0416.
- c) Whether or not Hydro One advocated for Distribution Rate Protection or any other relief for Seasonal Customers, please provide any documentation exchanged between Hydro One and the provincial government that demonstrates that the provincial government considered any proposals to extend Distribution Rate Protection or other relief to Seasonal Customers.
- d) To the extent Hydro One advocated on behalf of Seasonal Customers and/or to the extent the issue of Distribution Rate Protection (or any other relief) for Seasonal Customers was considered by the provincial government, please provide the rationale provided to Hydro One by the provincial government for excluding Seasonal Customers from Distribution Rate Protection and the lack of any other form of relief for seasonal customers. To the extent any

such rationale was communicated in writing please provide copies of any documentation of that rationale.

## **I. COST ALLOCATION AND RATE DESIGN**

*46. Are the inputs to the cost allocation model appropriate and are costs appropriately allocated?*

### **Balsam Lake I46-5**

**Ref.: Exhibit H1/Tab1/Schedule2/pg. 1**

**EB-2013-0416/EB-2016-0315 Report on Elimination of the Seasonal Class dated December 1, 2016**

The table at Exhibit H1/Tab1/Schedule2/pg. 1 summarizes the proposed 2018 rate design, based on the proposed class compositions and cost allocation results.

The December 1, 2016 Report on Elimination of the Seasonal Class sets out at pages 5-6 how Hydro One is able to split out Seasonal Class members between the UR Seasonal, R1 Seasonal and R2 Seasonal customers, including the ability to forecast the consumption patterns for those customers.

- a) Please produce a version of the table at Exhibit H1/Tab1/Schedule2/pg. 1 that splits out the 149,485 customers included in the Seasonal Class into three “sub” classes, UR Seasonal, R1 Seasonal and R2 Seasonal, which shows the costs allocated to each sub class, the revenue attributed to each sub class, etc., with the caveat that the proposed fixed and variable charges for each sub class be the same as what is proposed for the Seasonal Class as a whole.
- b) Please produce a version of the table at Exhibit H1/Tab1/Schedule2/pg. 1 based on the following adjustments:
  - i. UR Seasonal Customers are removed from the Seasonal Class and included in the UR Class;
  - ii. R1 Seasonal Customers are removed from the Seasonal Class and included in the R1 Class;
  - iii. For the Seasonal Class, the costs allocated to the class are based on the remaining R2 Seasonal Customers, the forecast consumption for those customers, and the various status quo density factors, weightings, and other factors for the Seasonal Class as currently proposed;
  - iv. For the Seasonal Class, the proposed Fixed and Variable charges for the class remain as proposed in the application, such that the revenue from the class and the resulting revenue to cost ratio will be based on the revenue that is forecasted to be generated by the R2 Seasonal Customers using the proposed Seasonal rates.

**Balsam Lake I46-6**

**Ref.: Exhibit G1/Tab3/Schedule1/pg. 5, Table 4  
EB-2013-0416/EB-2016-0315 Report on Elimination of the Seasonal Class  
dated December 1, 2016**

This reference asserts that the density factors proposed in the application remain unchanged from 2017, including the proposed density factor of 3.6 for the Seasonal Class.

- a) Please provide the weighted average density factor for the Seasonal Class that would result from using the 2018 forecast number of UR, R1 and R2 seasonal customers as provided in part a) above, along with the density weighting for each of those classes. By way of example, using the density factors of 1 for UR customers, 1.9 for R1 customers and 48 for R2 customers, and applying those factors to the split of Seasonal Customers as between UR (271) R1 (70,721) and R2 (84,041) as set out in the EB-2013-0416/EB-2016-0315 Report on Elimination of the Seasonal Class dated December 1, 2016, page 5, produces a weighted average density factor of 3.47 for the Seasonal Class.
- b) Please explain why Hydro One uses a density factor of 3.6 for the Seasonal Class, when it appears to Balsam Lake that it is possible to calculate a weighted average density factor for the class using the specific density factors attributable to the UR, R1 and R2 Seasonal Customers. Please quantify the impact on the costs allocated to the Seasonal Class if the weighted average density factor calculated in part a) is used in the allocation run as opposed to the proposed factor of 3.6.

*48. Are the revenue-to-cost ratios for all rate classes over the 2018 – 2022 period appropriate?*

**Balsam Lake I48-7**

**Ref.: Exhibit H1/Tab1/Schedule1/pg. 9 Table 5.**

- a) For the R1 and R2 classes, please calculate the revenue to cost ratio that illustrates the level of costs that will actually be recovered in rates as a result of Distribution Rate Protection.
- b) Please confirm that as a result of Distribution Rate Protection, increasing the revenue to cost ratio for either of the R1 or R2 classes from the proposed levels will have no impact on the effective rates experienced by R1 and R2 customers. If not confirmed please explain how R1 and R2 customers would be affected by an increase in the revenue to cost ratios for their classes.

## **J. DEFERRAL/VARIANCE ACCOUNTS**

*54. Are the proposed amounts, disposition and continuance of Hydro One's existing deferral and variance accounts appropriate?*

### **Balsam Lake J54-8**

**Ref.: Ontario Regulation 198/17**

Under Ontario Regulation 198/17 Distribution Rate Protection applies specifically to base distribution rates, excluding any fixed or variable rate riders or adders.

- a) With the implementation of Distribution Rate Protection, how will credits accrued in a variance account to the benefit of R1 and R2 customers be disposed of, given that any such credits will relate to refunds of amounts that will likely not have been charged to R1 and R2 customers, but rather funded by Distribution Rate Protection?
- b) How will debits accrued in a variance account be disposed of, given that R1 and R2 customers should have, arguably, benefited from Distribution Rate Protection had the costs creating the debits in the variance account been accurately forecast and included in base rates?