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**OEB Staff**

**CROSS-EXAMINATION COMPENDIUM**

**Panel 7**

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**OEB Staff Interrogatory # 242**

**Issue:**

Issue 49: Are the inputs to the cost allocation model appropriate and are costs appropriately allocated?

**Reference:**

GFA Adjustment Factors

G1-03-01 Page: 7

Q-01-01 Page: 15

G1-03-01-04 Cost Allocation Model for 2021, Tab E2 Allocators

Q1-01-01\_20171221, Tab E2 Allocators

**Interrogatory:**

Hydro One is proposing GFA adjustment factors ranging from 0.177 to 0.667 for the acquired rate classes.

- a) Please confirm that these adjustment factors serve to reduce the fixed assets allocated to the acquired rate classes.
- b) Please confirm that the amount reduced from the acquired rate classes, is then re-allocated back to the existing Hydro One rate classes, and this effectively gives the existing rate classes GFA adjustment factors in excess of 1.00.
- c) Please provide calculations underpinning the GFA adjustment factors chosen.
- d) Does Hydro One intend to continue to update the GFA adjustment factors in future rate applications? If so, what measures is Hydro One taking to keep the values current. If not, why not?

**Response:**

- a) Confirmed.
- b) Hydro One confirms that the amount reduced from the acquired rate classes has been reallocated to the existing Hydro One rate classes, however, no GFA adjustment factors were used for the existing Hydro One rate classes.

Filed: 2018-02-12  
EB-2017-0049  
Exhibit I  
Tab 49  
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- 1 c) The calculations underpinning the GFA adjustment factors described in Exhibit Q1-01-01 are  
2 provided in sheet “5. Determine Alloc for Acq” of the attached excel file: I-49-Staff-242-  
3 01.xlsx.  
4
- 5 d) Hydro One does not intend to update these adjustment factors unless at some future date  
6 another acquired utility is harmonized into these new rate classes. Once the rate freeze  
7 period ends for the acquired utilities and their rates are harmonized into Hydro One’s rate  
8 structure, Hydro One will no longer separately track the costs associated with the acquired  
9 utilities. After the acquired utilities’ rates are harmonized, the acquired rate classes will  
10 share in any growth, or savings, associated with future OM&A and Capital programs  
11 consistent with the methodology underlying the cost allocation model.

Witness: ANDRE Henry and LI Clement

**OEB Staff Interrogatory # 243**

**Issue:**

Issue 49: Are the inputs to the cost allocation model appropriate and are costs appropriately allocated?

**Reference:**

NFA Adjustment Factors

G1-03-01 Page: 7

Q-01-01 Page: 15

G1-03-01-04 Cost Allocation Model for 2021, Tab E2 Allocators

Q1-01-01\_20171221, Tab E2 Allocators

**Interrogatory:**

Hydro One is proposing NFA adjustment factors ranging from 0.208 to 0.678 for the acquired rate classes.

- a) Please confirm that these adjustment factors serve to reduce the net assets allocated to the acquired rate classes.
- b) Please confirm that the amount reduced from the acquired rate classes, is then re-allocated back to the existing Hydro One rate classes, and this effectively gives the existing rate classes NFA adjustment factors in excess of 1.00.
- c) Please provide calculations underpinning the NFA adjustment factors chosen.
- d) Does Hydro One intend to continue to update the NFA adjustment factors in future rate applications? If so, what measures is Hydro One taking to keep the values current. If not, why not?

**Response:**

- a) Confirmed.
- b) Hydro One confirms that the amount reduced from the acquired rate classes has been reallocated to the existing Hydro One rate classes, however, no NFA adjustment factors were used for the existing Hydro One rate classes.

Filed: 2018-02-12  
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- 1 c) The calculations underpinning the NFA adjustment factors described in Exhibit Q1-01-01 are  
2 provided sheet “6. NFA” of the attached excel file: I-49-Staff-242-01.xlsx.  
3
- 4 d) Hydro One does not intend to update these adjustment factors unless at some future date  
5 another acquired utility is harmonized into these new rate classes. Once the rate freeze  
6 period ends for the acquired utilities and their rates are harmonized into Hydro One’s rate  
7 structure, Hydro One will no longer separately track the costs associated with the acquired  
8 utilities. After the acquired utilities’ rates are harmonized, the acquired rate classes will  
9 share in any growth, or savings, associated with future OM&A and Capital programs  
10 consistent with the methodology underlying the cost allocation model.

Witness: ANDRE Henry and LI Clement

**OEB Staff Interrogatory # 265**

**Issue:**

Issue 56: Do the costs allocated to acquired utilities appropriately reflect the OEB's decisions in related Hydro One acquisition proceedings?

**Reference:**

G1-02-01 Page: 4 Depreciation Cost Adjustment

**Interrogatory:**

Hydro One states "The proposed acquired classes would also be used to harmonize the rates of any future acquired utilities."

- a) How does Hydro One intend to handle the situation where a new acquired utility may have substantially different costs from the existing acquired utilities?
  - i. Would the new acquired utility's rates be quickly harmonized with the existing acquired utilities?
  - ii. How would the rates charged to the customers of each acquired utility reflect the costs to serve those customers?
  - iii. Would additional rate classes be required?
- b) Does Hydro One plan to eventually harmonize rates for acquired utilities with the rates for the legacy customer base?
  - i. If so, how?
  - ii. If so, would Hydro One require acquired rate classes of different stages in harmonization to facilitate a smooth transition to harmonized rates?
  - iii. If not, how does Hydro One plan to ensure that the costs to serve the acquired utilities' customers continues to be updated and reflected in future rate applications?

**Response:**

- a) Hydro One's preference is to include any new acquired utilities as part of the existing acquired rate classes at the end of their approved deferred rebasing period. However, if the costs-to-serve the new acquired utilities were substantially different from the existing acquired rate classes and the bill impact to customers in the new acquired utilities was beyond the limits prescribed by the Board, or otherwise considered unacceptable by the

1 Board, then Hydro One would be prepared to consider creating additional acquired rate  
2 classes.

3 i. If the new acquired utility customers were transferred into one of Hydro One's  
4 existing acquired rate classes, their rates would be harmonized with the existing  
5 acquired class rates in a manner that would limit customer bill impacts consistent  
6 with available Board direction at the time.

7 ii. Consistent with what has been proposed in the current application, Hydro One would  
8 make its best efforts to ensure that the costs allocated to any new or existing rate  
9 classes to which an acquired utility is being merged appropriately reflects their cost to  
10 serve. The rates for the new or merged rate classes would then be set to recover the  
11 costs allocated to that class consistent with the Board's requirements on acceptable  
12 revenue-to-cost ratios, as well as the Board direction with respect to acceptable bill  
13 impacts and the potential need to mitigate the bill impacts.

14 iii. See response to part a) above.

15  
16 b) No.

17 i. N/A

18 ii. N/A

19 iii. Hydro One plans to use the proposed adjustment factors included in the cost  
20 allocation in all future cost allocation runs so that existing acquired utilities will  
21 attract a share of any growth or decline in the total investments Hydro One requires to  
22 serve all of its customer base.

**UNDERTAKING – JT 3.26-3**

**Reference**

I-49-Staff-242 and 243

**Undertaking**

With respect to the Gross Fixed Assets (GFA) and Net Fixed Assets (NFA) adjustments:

- a) Why did Hydro One think it was necessary to adjust the starting balances for the capital assets of the acquired utilities?
- b) Why does Hydro One believe that the allocation of the capital assets using the cost allocation methodology is too high? Is this an error in the cost allocation model or as a result of something else?
- c) Please confirm that Hydro One will not be updating the adjustment factors even as more capital is invested into the acquired utilities' service territories.
- d) How will any new capital spending in the acquired utilities' service territories be allocated if Hydro One will no longer separately track the costs associated with the acquired utilities?

**Response**

- a) Hydro One believes that it is necessary to adjust the 2021 capital assets allocated to the six acquired rate classes in the Cost Allocation Model ("CAM") because in its Decisions in the MADD proceedings for the acquisition of Haldimand County Hydro, Norfolk Power Distribution and Woodstock Hydro Services the OEB stated that it expected Hydro One to propose rates at the time of rate rebasing that reflect the costs to serve these acquired utilities.

As discussed in the evidence at Exhibit G1, Tab 3, Schedule 1, section 2, the allocation of costs are largely driven by the amount of capital assets allocated to the rate classes per the principles underlying the CAM. As illustrated in Tab 5 of the spreadsheet provided in Exhibit I, Tab 49, Schedule Staff-242 part (c), there is a material difference between the Gross Book Value ("GBV") that the 2021 CAM would normally assign to the six acquired rate classes and the forecast 2021 GBV for the acquired utilities (which is based on actual GBVs at the time of acquisition with forecast in-service additions up to 2021). As such, in order to set rates that

1 appropriately reflect the costs to serve these acquired utilities, the amount of capital  
2 assets allocated to these acquired rate classes have to be adjusted.

3  
4 b) Hydro One does not believe that there is an error in the OEB Cost Allocation model.  
5 However, simply allocating a share of Hydro One's total assets based on the relative  
6 peak loads of the acquired classes, consistent with the CAM principles, results in the  
7 allocation of costs to the acquired classes that are not consistent with the direction  
8 from the Board as discussed in part (a) above.

9  
10 c) Hydro One does not anticipate needing to update the proposed adjustment factors in  
11 the near term. However, recognizing that the adjustment factors capture cost  
12 differences related to both the installed capital costs and the unique characteristics of  
13 the acquired utilities' distribution systems (e.g. customer density), in the long term, as  
14 more of the original assets are replaced at Hydro One's installed capital costs, Hydro  
15 One will assess the need to update the currently proposed adjustment factors.

16  
17 d) Hydro One's total new capital spending, both within and outside the acquired  
18 utilities' service territories, will be shared by all Hydro One customer classes. This  
19 includes the acquired rate classes who will attract a share of all new capital spending  
20 as a result of the CAM's underlying allocation methodology and the use of the  
21 proposed GFA Adjustment Factors. Therefore there is no need to separately track the  
22 costs associated with the acquired utilities.

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## 2. VARIANCE EXPLANATION

### 2.1 EXTERNAL REGULATED REVENUE

Regulated revenues for test years 2018 to 2022 are set out in Table 3 below. They account for 86% of external revenues during this period. These revenues cover a wide range of services based on rates and underlying costs as determined by the Time Study.

**Table 3: Regulated Revenues (\$ Millions)**

Description	Historical capital years			Bridge Year	Test Years				
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Retail Service capital revenues*	9.5	22.3	24.5	18.7	21.2	21.3	21.4	21.6	21.7
Sentinel Lights	2.8	3.0	3.2	3.0	2.9	2.7	2.5	2.3	2.0
Joint Use	8.0	8.2	19.5	12.1	14.9	16.1	16.4	17.3	17.6
Other External Work*	4.1	2.8	3.1	2.3	2.3	2.3	2.4	2.4	2.4
Generator Studies	1.0	1.4	1.3	3.0	1.7	1.5	1.6	1.6	1.7
<b>Total</b>	<b>25.4</b>	<b>37.7</b>	<b>51.6</b>	<b>39.0</b>	<b>42.9</b>	<b>43.9</b>	<b>44.2</b>	<b>45.1</b>	<b>45.4</b>

\*Revenues associated with Retail Services and Other External Work have been regrouped since Hydro One's last distribution rate application (EB-2013-0416)

#### 2.1.1 RETAIL SERVICE REVENUES

As outlined in the OEB's 2006 *Electricity Distribution Rate Handbook* (the "Rate Handbook"), Chapter 11, Section 11.2, and further described in Exhibit H1, Tab 2, Schedule 3, Hydro One provides a number of customer administration services. Hydro One's retail service volumes and revenues are outlined in Table 4.

Witness: Imran Merali/John Boldt

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1

**Table 4: Retail Services Revenue**

Rate Code	Description	Historical Years			Bridge Year		Test Years									
		2014	2015	2016	2017		2018		2019		2020		2021		2022	
		Volume / Revenue	Volume / Revenue	Volume / Revenue	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast
2	Statement of Account	N/A	N/A	9,818	4,167	\$62,500	3,450	\$49,439	2,800	\$40,740	2,217	\$32,740	1,700	\$25,483	1,250	\$19,013
4	Duplicate Invoices for Previous Billing	N/A	N/A	N/A	1,250	\$18,750	1,013	\$13,264	800	\$10,640	613	\$8,269	450	\$6,165	313	\$4,344
5	Request for other billing information	N/A	N/A	9,818	4,167	\$62,500	3,450	\$49,439	2,800	\$40,740	2,217	\$32,740	1,700	\$25,483	1,250	\$19,013
6a	Easement Letter (Letter Request)	1,787	1,471	1,045	727	\$10,905	405	\$35,195	83	\$7,328	0	\$0	0	\$0	0	\$0
6b	Easement Letter (Web Request)	2,804	3,046	3,247	3,429	\$82,296	3,621	\$86,904	3,812	\$91,488	4,004	\$96,096	4,196	\$100,704	4,387	\$105,288
7	Income Tax Letter	N/A	N/A	N/A	1,250	\$18,750	1,013	\$13,264	800	\$10,640	613	\$8,269	450	\$6,165	313	\$4,344
9	Account History	N/A	N/A	9,818	4,167	\$62,500	3,450	\$49,439	2,800	\$40,740	2,217	\$32,740	1,700	\$25,483	1,250	\$19,013
10	Credit Reference / Credit check (plus credit agency costs)	N/A	N/A	N/A	7,500	\$112,500	5,850	\$110,214	4,400	\$89,232	3,150	\$64,764	2,100	\$43,764	1,250	\$26,413
11	Returned Cheque Charge	6,521	5,677	6,270	6,026	\$90,383	5,664	\$41,800	5,324	\$39,931	5,005	\$38,136	4,704	\$36,412	4,422	\$34,758

Witness: Imran Merali/John Boldt

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Rate Code	Description	Historical Years			Bridge Year		Test Years									
		2014	2015	2016	2017		2018		2019		2020		2021		2022	
		Volume / Revenue	Volume / Revenue	Volume / Revenue	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast
14	Account Set Up Charge / Change of occupancy charge (Plus Credit Agency Costs, if applicable)	112,778	122,681	127,696	96,753	\$2,902,590	92,835	\$3,425,593	89,075	\$3,339,411	85,467	\$3,255,445	82,006	\$3,174,443	78,685	\$3,092,302
15	Special Meter Reads (retailer requested off-cycle read)	N/A	N/A	N/A	100	\$3,000	100	\$9,078	100	\$9,174	100	\$9,269	100	\$9,371	100	\$9,467
16	Collection of Account Charge - No Disconnection	926	4,826	5,695	2,000	\$60,000	2,000	\$197,460	1,900	\$189,772	1,800	\$181,836	1,700	\$173,791	1,600	\$165,408
18 & 19	Collection - Disconnect / Reconnect at Meter & Install/Remove Load Control Device - During Regular Hours	5,712	21,091	23,545	22,330	\$1,451,450	22,775	\$2,677,429	23,179	\$2,758,765	23,590	\$2,842,123	24,062	\$2,936,045	24,542	\$3,030,692
20 & 21	Collection - Disconnect / Reconnect at Meter & Install/Remove Load Control Device - After Regular Hours	110	1,038	2,051	410	\$75,850	460	\$192,708	485	\$206,300	500	\$215,910	500	\$219,275	500	\$222,520

Witness: Imran Merali/John Boldt

Updated: 2017-06-07  
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Rate Code	Description	Historical Years			Bridge Year		Test Years									
		2014	2015	2016	2017		2018		2019		2020		2021		2022	
		Volume / Revenue	Volume / Revenue	Volume / Revenue	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast
22	Collection - Disconnect/Reconnect at Pole - During Regular Hours	260	1,138	1,239	1,710	\$316,350	1,700	\$529,992	1,800	\$568,818	1,850	\$592,500	1,900	\$616,949	1,900	\$625,081
23	Collection - Disconnect/Reconnect at Pole - After Regular Hours	N/A	N/A	N/A	168	\$69,720	168	\$138,608	168	\$140,608	168	\$142,617	168	\$144,708	168	\$146,724
24	Meter Dispute Charge - Measurement Canada	112	9	37	50	\$1,500	50	\$14,123	50	\$14,331	50	\$14,538	50	\$14,755	50	\$14,964
31a	Vacant Premise - Move in with Reconnect of Electrical Service at Meter	N/A	4,066	2,590	2,625	\$0	591	\$56,174	525	\$50,495	459	\$44,667	394	\$38,814	328	\$32,688
31b	Vacant Premise - Move in with Reconnect of Electrical Service at Pole	N/A	2,387	0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0

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Rate Code	Description	Historical Years			Bridge Year		Test Years									
		2014	2015	2016	2017		2018		2019		2020		2021		2022	
		Volume / Revenue	Volume / Revenue	Volume / Revenue	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast	Volume Forecast	Revenue Forecast
32	Reconnect completed after regular hours (customer/contract driven) - at Meter	N/A	N/A	0	90	\$0	90	\$21,601	90	\$21,963	90	\$22,327	90	\$22,703	90	\$23,069
33	Reconnect completed after regular hours (customer/contract driven) - at Pole	N/A	N/A	0	60	\$0	60	\$27,973	60	\$28,360	60	\$28,751	60	\$29,156	60	\$29,548
46a	Retailer Services – Establishing Service Agreements (rates as per the Handbook)	\$521,796	\$469,861	\$413,105		\$376,638		\$340,638		\$304,638		\$268,638		\$232,638		\$196,638
46b	Retailer Services – Other (includes Bill Ready for Retailers and Service Transaction Requests) as per the Handbook	\$260,898	\$234,930	\$206,553		\$188,319		\$170,319		\$152,319		\$134,319		\$116,319		\$98,319
52	Late Payment Charge	\$782,693	\$15,492,798	\$17,003,866		\$12,776,871		\$12,968,524		\$13,163,052		\$13,360,498		\$13,560,906		\$13,764,319
	<b>Total</b>					<b>\$18,743,372</b>		<b>\$21,219,175</b>		<b>\$21,319,483</b>		<b>\$21,427,191</b>		<b>\$21,559,533</b>		<b>\$21,683,922</b>

Witness: Imran Merali/John Boldt

1 **Call Centre Requests (Rate Codes 2, 4, 5, 7, 9, 10, 15)** – Although Hydro One's  
2 customer base is expected to increase over time, the volume of requests completed  
3 through the call center is expected to decline as more customers move to online self-  
4 service tools. Volumes and associated revenues are outlined in Table 4.

5  
6 **Account Set Up Charge (Rate Code 14)** –The volume of account set up requests  
7 completed via the call center is expected to decline as more customers move to online  
8 self-service tools as outlined in Table 4.

9  
10 **Returned Cheque Charge (Rate Code 11)** – Returned cheque volumes are expected to  
11 decline over time as more customers switch from cheques to electronic payments (as  
12 outlined in Table 4).

13  
14 **Late Payment Charges (Rate Code 52)** – As outlined in Section 11.3 of the Rate  
15 Handbook, when the total amount of a customer's bill has not been paid by the due date,  
16 a late payment charge may be applied to the outstanding balance. A monthly interest rate  
17 of 1.5% (19.56% per annum) has been established as the maximum level of this charge  
18 for all distributors. Hydro One customers are required to pay their bill 19 days after the  
19 billing date. Late payment revenue is expected to increase over the planning period as  
20 the customer base increases, as outlined in Table 4.

21  
22 **Collection Charges (Rate Code 16 to 23 and 32 to 33)** – Table 4 outlines Hydro One's  
23 forecast collection volumes and the associated revenues. In most cases, volumes are  
24 projected to naturally increase as Hydro One's customer base increases over time.  
25 Charges are projected to increase significantly to accurately reflect the cost to complete  
26 the activity, as per Hydro One's recent Time Study. Hydro One is also proposing two  
27 new charges effective 2018 for customer-driven reconnection requests completed after  
28 hours at either the meter or the pole (Rate Codes 32 and 33).

Witness: Imran Merali/John Boldt

Filed: 2017-03-31  
EB-2017-0049  
Exhibit E1  
Tab 1  
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1 **Vacant Premise (Rate Code 31)** – When a Hydro One account is closed, and a new  
2 property owner or occupant has not been identified, Hydro One will disconnect the  
3 electrical services at the property. Once the new property owner or occupant has been  
4 identified, electrical services will be reconnected. Volumes are expected to decline from  
5 2018 to 2022 as a result of new smart meter and remote disconnect technology. Hydro  
6 One is proposing a new charge for this service effective 2018 (as outlined in Table 4).

7  
8 **Meter Disputes Charge (Rate Code 24)** – Table 4 outlines Hydro One's projected  
9 volumes and the associated Meter Dispute Charge revenues. Charges are projected to  
10 increase significantly to accurately reflect the cost to undertake the activity, as per Hydro  
11 One's recent Time Study.

12  
13 **Retailer Services (Rate Code 46)** – As outlined in the Rate Handbook, Chapter 11,  
14 Section 12.2, retail services refer to services provided by a distributor to retailers or  
15 customers related to the supply of competitive electricity. Table 4 outlines the  
16 anticipated revenue from retail services, including establishing service agreements and  
17 other service transaction requests.

18  
19 **Easement Letters (Rate Code 6)** – Land in Ontario is subject to unregistered easements  
20 taken prior to April 1, 1999, in favour of the former Ontario Hydro or HEPC. Land  
21 continues to be subject to these unregistered easements until either the right expires (if  
22 there is a defined term) or until such unregistered easement is released by the holder of  
23 the right (Hydro One or any subsequent assignees). Hydro One is obliged to provide  
24 certain information with respect to unregistered easements rights upon request of any  
25 interested parties which, until 2002, was restricted to a written request and a reply within  
26 a 21-day statutory period.

Witness: Imran Merali/John Boldt

1 In 2002, Hydro One launched the web application to enable an immediate and more cost-  
2 effective response to the existence of an unregistered right to a legally defined property.  
3 Initial uptake was slow. Hydro One made web enhancements to improve performance  
4 and further marketing efforts, including queries to law firms on performance issues and  
5 desired enhancements. These efforts have resulted in an upward trend in the use of the  
6 web application and a reduction in written inquiries as demonstrated in the Historical  
7 Years. Table 4 outlines the projected volumes and revenue.

#### 8 9 **2.1.2 SENTINEL LIGHT REVENUES**

10  
11 The sentinel light rental program is designed to provide rural customers with low-cost  
12 security lighting. The service is provided primarily to rural residential, farm, and cottage  
13 customers, for whom street lighting is not available.

14  
15 Table 5 summarize the historical volumes of sentinel lights and poles owned and  
16 maintained by Hydro One Distribution. The decrease over the period reflects the fact that  
17 service is limited to customers already participating in the rental program.

**Table 1: Summary of Proposed Changes to the Fees Charges for Miscellaneous**

Rate Code	Standard Name	Std. Amount, 2006 & Hydro One Current Charge	Underlying Cost, 2016	\$ change	% change	Proposed Fee Change for Each Specific Service
1	Arrears certificate	\$ 15.00	N/A	N/A	N/A	Market restructuring brought about the corporatization of the distribution sector and removed this tool to recover payment defaults. This charge should be removed from the Handbook.
2	Statement of account	\$ 15.00	\$ 13.71	\$ (1.29)	-9%	Hydro One proposes this charge be decreased to \$13.71 to avoid over collection of underlying costs.
3	Pulling post- dated cheques	\$ 15.00	N/A	N/A	N/A	This service is not provided by Hydro One.
4	Duplicate invoices for previous billing	\$ 15.00	\$ 12.72	\$ (2.28)	-15%	Hydro One proposes this charge be decreased to \$12.72 to avoid over collection of underlying costs.
5	Request for other billing information	\$ 15.00	\$ 13.71	\$ (1.29)	-9%	Hydro One proposes this charge be decreased to \$13.71 to avoid over collection of underlying costs.
6	Easement letter	\$ 15.00	\$ 84.32	\$ 69.32	462%	Hydro One proposes this charge be increased to \$84.32 to allow recovery of underlying costs.
7	Income tax letter	\$ 15.00	\$ 12.72	\$ (2.28)	-15%	Hydro One proposes this charge be decreased to \$12.72 to avoid over collection of underlying costs.
8	Notification charge	\$ 15.00	N/A	N/A	N/A	This service is not provided by Hydro One.
9	Account History	\$ 15.00	\$ 13.71	\$ (1.29)	-9%	Hydro One proposes this charge be decreased to \$13.71 to avoid over collection of underlying costs.
10	Credit reference/credit check (plus credit agency costs)	\$ 15.00	\$ 18.84	\$ 3.84	26%	Hydro One proposes this charge be increased to \$18.84 to allow recovery of underlying costs.
11	Returned cheque charge	\$ 15.00	\$ 6.94	\$ 8.06	-54%	Hydro One proposes this charge be decreased to \$6.94 to avoid over collection of underlying costs.
12	Charge to certify cheque	\$ 15.00	N/A	N/A	N/A	This service is not provided by Hydro One.
13	Legal letter charge	\$ 15.00	N/A	N/A	N/A	Hydro One proposes the charge for preparing a legal letter should be based on the actual time and labour costs an individual basis.

# Miscellaneous Service Charges

Rate Code	Standard Name	Std. Amount, 2006 & Hydro One Current Charge	Underlying Cost, 2016	\$ change	% change	Proposed Fee Change for Each Specific Service
14	Account set up charge/change of occupancy charge (plus credit agency costs if applicable)	\$ 30.00	\$ 35.20	\$ 5.20	17%	Hydro One proposes this charge be increased to \$35.20 to allow recovery of underlying costs.
15	Special Meter Reads (retailer requested off-cycle read)	\$ 30.00	\$ 88.80	\$ 58.80	196%	Hydro One proposes this charge be increased to \$88.80 to allow recovery of underlying costs.
16	Collection of account charge - no disconnection	\$ 30.00	\$ 95.65	\$ 65.65	219%	Hydro One proposes this charge be increased to \$95.65 to allow recovery of underlying costs.
17	Collection of account charge - no disconnection - after regular hours	\$ 165.00	N/A	N/A	N/A	This service is not provided by Hydro One.
18	Collection - Disconnect/Reconnect at meter - during regular hours	\$ 65.00	\$ 114.54	\$ 9.54	76%	Hydro One proposes that due to the similarity of these two services, the rate codes be combined and the charge increased to \$114.65 to allow recovery of underlying costs.
19	Collection - Install/Remove load control device - during regular hours	\$ 65.00	\$ 119.02	\$ 4.02	83%	
20	Collection - Disconnect/Reconnect at meter - after regular hours	\$ 185.00	\$ 411.07	\$ 26.07	122%	Hydro One proposes that due to the similarity of these two services, the rate codes be combined and the charge increased to \$406.85 to allow recovery of underlying costs.
21	Collection - Install/Remove load control device - after regular hours	\$ 185.00	\$ 396.41	\$ 11.41	114%	
22	Collection - Disconnect/Reconnect at pole - during regular hours	\$ 185.00	\$ 302.35	\$ 117.35	63%	Hydro One proposes this charge be increased to \$302.35 to allow recovery of underlying costs.
23	Collection - Disconnect/Reconnect at pole - after regular hours	\$ 415.00	\$ 800.97	\$ 385.97	93%	Hydro One proposes this charge be increased to \$800.97 to allow recovery of underlying costs.
24	Meter Dispute Charge - Measurement Canada	\$ 30.00	\$ 274.92	\$ 244.92	816%	Hydro One proposes this charge be increased to \$274.92 to allow recovery of underlying costs.
25	Service call - customer owned equipment - during regular hours	\$ 30.00	\$ 201.15	\$ 171.15	570%	Hydro One proposes this charge be increased to \$201.15 to allow recovery of underlying costs.
26	Service call - customer owned equipment - after regular hours	\$ 165.00	\$ 745.17	\$ 580.17	352%	Hydro One proposes this charge be increased to \$745.17 to allow recovery of underlying costs.
27	Temporary Service Install & Remove - overhead - no transformer	\$ 500.00	N/A	N/A	N/A	The tasks associated with these services can greatly vary depending on the circumstances. Hydro One proposes that the fee charged to the customers be based on actual time, equipment and material costs to perform each specific job.
28	Temporary Service Install & Remove - underground - no transformer	\$ 300.00	N/A	N/A	N/A	
29	Temporary Service Install & Remove - overhead - with transformer	\$ 1,000.00	N/A	N/A	N/A	

# Miscellaneous Service Charges

Rate Code	Standard Name	Std. Amount, 2006 & Hydro One Current Charge	Underlying Cost, 2016	\$ change	% change	Proposed Fee Change for Each Specific Service
30	Specific Charge for Access to the Power Poles \$/pole/year	\$ 22.35	TBD	N/A	N/A	New proposed rates were not part of this time study. New rates will be calculated using the approved OEB methodology from EB-2015-0141.
31a	Vacant Premise - Move in with Reconnect of Electrical Service at Meter	NEW	\$ 93.09	NEW	NEW	This service is performed by Hydro One but has not been charged for in the past. Hydro One proposes the charge for performing this service be set at \$93.09 to allow recovery of the underlying costs.
31b	Vacant Premise - Move in with Reconnect of Electrical Service at Pole	NEW	\$ 286.09	NEW	NEW	This service is performed by Hydro One but has not been charged for in the past. Hydro One proposes the charge for performing this service be set at \$286.09 to allow recovery of the underlying costs.
32	Reconnect completed after hours (customer/contract driven) - at meter	NEW	\$ 231.66	NEW	NEW	This service is performed by Hydro One but has not been charged for in the past. Hydro One proposes the charge for performing this service be set at \$231.66 to allow recovery of the underlying costs.
33	Reconnect completed after hours (customer/contract driven) - at pole	NEW	\$ 453.72	NEW	NEW	This service is performed by Hydro One but has not been charged for in the past. Hydro One proposes the charge for performing this service be set at \$453.72 to allow recovery of the underlying costs.
34	Additional Service Layout Fee - Basic (more than one hour)	\$ 635.00	\$ 544.82	\$ (90.18)	-14%	Hydro One proposes that due to the similarity of these two services, the rate codes be combined and the charge increased to \$548.81 to allow recovery of underlying costs.
35	Additional Service Layout Fee - Complex (more than one hour)	\$ 845.00	\$ 553.06	\$ (291.94)	-35%	
36	Pipeline Crossings	\$ 2,540.00	\$ 2,295.10	\$ (244.90)	-10%	Hydro One proposes this charge be decreased to \$2,295.10 to avoid over collection of underlying costs.
37	Water Crossings	\$ 3,225.00	\$ 3,425.42	\$ 200.42	6%	Hydro One proposes this charge be increased to \$3,425.42 to allow recovery of underlying costs.
38	Railway Crossings	\$ 6,095.00	\$ 4,549.27	\$(1,545.73)	-25%	Hydro One proposes this charge be decreased to \$4,549.27 to avoid over collection of underlying costs.
39a	Overhead Line Staking per Meter	\$ 4.95	\$ 4.04	\$ (0.91)	-18%	The study identified the variation in costs per meter to perform line staking for overhead, underground and submarine cable. Hydro One therefore proposes each type of line staking should have its own unique charge representative of the actual underlying costs.
39b	Under Ground Line Staking per Meter	\$ 4.95	\$ 2.92	\$ (2.03)	-41%	
39c	Submarine Cable Line Staking per Meter	\$ 4.95	\$ 2.55	\$ (2.40)	-49%	

# Miscellaneous Service Charges

Rate Code	Standard Name	Std. Amount, 2006 & Hydro One Current Charge	Underlying Cost, 2016	\$ change	% change	Proposed Fee Change for Each Specific Service
40	Central Metering - New Service <45kW	\$ 120.00	\$ 100.00	\$ (20.00)	-17%	Hydro One proposes this charge be decreased to \$100.00 to avoid over collection of underlying costs.
41	Conversion to Central Metering <45kW (Lines & MDET only)	\$ 1,035.00	\$ 1,495.00	\$ 459.81	44%	Hydro One proposes this charge be increased to \$1,495.00 to allow recovery of underlying costs.
42	Conversion to Central Metering >45kW (Lines & MDET only)	\$ 915.00	\$ 1,395.00	\$ 480.45	53%	Hydro One proposes this charge be increased to \$1,395.00 to allow recovery of underlying costs.
43	Tingle/Stray Voltage Investigation - excess of 4 hours, if customer equipment is defective	N/A	N/A	N/A	N/A	A charge for Tingle/Stray Voltage Investigation is no longer required.
44	Stand-by Administration Charge	N/A	N/A	N/A	N/A	Hydro One does not charge this fee.
45a	Connection Impact Assessments - Net Metering	\$ 5,620.00	\$ 3,051.48	\$ (2,568.52)	-46%	In review of the data collected in the performance of Connection Impact Assessments ("CIA"s), Hydro One has identified six different categories of CIAs. These six categories have unique underlying costs. Hydro One therefore proposes the underlying costs based on time, equipment and material for each type of CIA be charged to the customer for the performance of these services.
45b	Connection Impact Assessments - Embedded LDC Generators	\$ 5,620.00	\$ 2,727.78	\$ (2,892.22)	-51%	
45c	Connection Impact Assessments - Small Projects ≤ 500 kW	\$ 5,620.00	\$ 3,115.38	\$ (2,504.62)	-45%	
45d	Connection Impact Assessments - Small Projects ≤ 500 kW, Simplified	\$ 5,620.00	\$ 1,879.32	\$ (3,740.68)	-67%	
45e	Connection Impact Assessments - Greater than Capacity Allocation Exempt Projects - Capacity Allocation Required Projects	\$ 12,055.00	\$ 8,268.54	\$ (3,785.00)	-31%	
45f	Connection Impact Assessments - Greater than Capacity Allocation Exempt Projects - TS Review for LDC Capacity Allocation Required Projects	\$ 12,055.00	\$ 5,455.40	\$ (6,600.00)	-55%	

**OEB Staff Interrogatory # 4**

**Issue:**

Issue 2: Has Hydro One adequately responded to the customer concerns expressed in the Community Meetings held for this application?

**Reference:**

Executive Presentation Day Transcript, page 42-43

At this reference, Mr. Pugliese indicated that Hydro One had changed its collections process from 4 stages to 8 stages. He also indicated that in 2014 accounts receivable were \$194 million, which were reduced to \$86 million in the most recent quarter of 2016.

**Interrogatory:**

- a) Please provide an update to reflect the most recent quarterly amount.
- b) Please provide a more detailed account of how the collections process was changed, what the additional stages are and why this has resulted in lower levels of overdue accounts.
- c) Please provide a more detailed accounting of the reduction in accounts receivable balances with a table which shows the trend of the reductions.

**Response:**

- a) 2014 accounts receivable were \$194 million, which were reduced to \$86 million in the third quarter of 2017.
- b) The Distribution System Code requires a utility to send a customer a disconnection notice and telephone call 48 hours prior to disconnection. Hydro One has found that more frequent contact with customers results in a reduction in overdue accounts receivable. Hydro One also reaches out to customers soon after they miss a payment, which provides customers more time to manage their arrears or arrange an affordable payment plan. Hydro One's residential collections process is outlined in the diagram below.

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\* Step 7 is completed in certain circumstances

c) Hydro One's historical overdue accounts receivable is provided below.

	2014				2015				2016				2017		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
A/R (\$M)	\$158	\$179	\$194	\$181	\$194	\$184	\$158	\$148	\$152	\$132	\$114	\$117	\$116	\$104	\$86

Witness: MERALI Imran