

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O.
1998, c.15, Schedule B, as amended;

AND IN THE MATTER OF Hydro One Networks Inc.'s
Application for electricity distribution rates beginning January 1,
2018 until December 31, 2022.

WRITTEN ARGUMENT OF THE CITY OF HAMILTON

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I Introduction and Overview

1. These are the submissions of the City of Hamilton (“COH”) in the application of Hydro One Networks Inc. (“HONI”) to the Ontario Energy Board (“Board”) for an order approving just and reasonable rates and other charges for electricity distribution, pursuant to an incentive regulation (“IR”) regime, for the period January 1, 2018, each year to December 31, 2022.
2. The COH is a customer of HONI for a portion of its street lighting services.
3. The COH has implemented a program whereby it has converted its street lights to LED. It has done so in order to reduce the costs the COH, and therefore its residents, pay for street lighting services.
4. HONI’s evidence, on how CDM programs for street lights were reflected in rates for the street light class, was not transparent. The COH could not determine whether, and if so how and to what extent, the effect of the LED conversion program had been fully reflected in its street light rates.
5. In addition, the COH was unable to determine, from HONI’s pre-filed evidence, whether the rates for the street light class could be changed, over the course of the proposed IR

term, to reflect the effect of CDM programs generally for street lights and the COH's LED conversion program in particular.

6. The COH's objectives in intervening in this application are:

- (a) To determine whether HONI had, in the calculation of street light rates, given full effect to the COH's LED conversion program;
- (b) To ensure that, in each year of HONI's IR term, HONI fully and accurately discloses how it has accounted for the COH's LED conversion program in setting rates for the street light class; and
- (c) To ensure that there is a mechanism included in conditions for HONI's IR term that permits the rates for the street light class to be adjusted to account for the changes in the COH's LED conversion program.

II The Evidence

7. The COH is a customer of HONI for a portion of its street light services. The COH pays HONI approximately \$ 342,000 in rates annually.

8. Beginning in June, 2017, the COH began to convert its street light system to LED. The COH estimates that, were the effects of that conversion fully accounted for in the rates paid to HONI, it would reduce delivery rates annually by approximately \$142,000 for these services.

9. The COH was unable to determine, from HONI's pre-filed evidence whether, and if so to what extent, HONI accounted for CDM programs in establishing rates for its street light class. In particular, the COH was unable to determine whether, and if so to what extent and in what way, HONI had given effect to the COH's LED conversion program in establishing street light rates for the COH.

10. HONI's pre-filed evidence, in Exhibit E1, Tab 2, Schedule 1, page 39 of 42 indicated that the number of customers in the street light class would, from 2018 to 2022 increase by approximately 2%. Table E.6, in Exhibit E1, Tab 2, Schedule 1, at page 40 of 42, suggested that, with the exception of acquired utilities in 2021 and 2022, forecast sales in GWh

would be essentially flat. The logic of these two tables, the COH believed, was that CDM programs should be driving down rates for the street light class. However, that could not be confirmed by table E9, in Exhibit E1, Tab 2, Schedule 1, page 42 of 42. That table listed CDM impacts by rate class. The street light class was not included in that table.

11. HONI's pre-filed evidence suggested, by implication, that CDM programs were not being reflected in the rates for the street light class. In Interrogatory No. 1 to HONI, the COH asked whether, and if so to what extent, its LED conversion program was reflected in its street light rates. HONI's response was that municipal CDM programs were reflected in the street light class.

12. In a technical conference undertaking, HONI indicated that the savings from municipal CDM programs were "implicitly reflected in the historical actual figures for street light sales." HONI further stated that it "does not forecast the specific CDM amounts for the Street Light Class. Hydro One uses an implicit method to account for the CDM impact on the forecast street light sales". It conceded that "this information is not explicitly identified in the pre-filed evidence." (Undertaking JT.1)

13. In its oral testimony, HONI explained what it meant by the "implicit method". Reduced to its essence, the "implicit method" consists of comparing the number of customers with the forecast load. If there is a negative impact on the load, the assumption is that it is due to efficiency improvements. (Transcript, Volume 11, pp. 151 – 153)

14. Again in oral testimony, HONI stated that it does not account for CDM programs of individual municipalities. In addition, it conceded that the impact of an individual municipality's CDM program may be diluted by other street light customers who do not have CDM programs in effect. HONI's position is that the COH "would see the benefit of lower rates because of their lower consumption". However, HONI stated that the way street light rates are developed will not be affected by the CDM programs of any individual municipality. HONI further stated that changes in cost allocation and rate design for the street light class would not happen until the "volume of street light customers become significant enough". (Transcript, Volume 11, p. 160)

III Submissions

15. The COH submits that it is clear from the evidence that it does not get, and will not get, over HONI's IR term, the full benefit of its LED conversion program. The result is that the rates which the COH pays for street light services cannot be said to be either just or reasonable.

16. HONI has applied for approval of a five-year IR regime. If approved, its rates will not be reset until 2022, for the year beginning 2023. The result is that the COH will not get the full benefit of its LED conversion program for a further five years, if ever.

17. HONI conceded this point when, in response to a question about whether individual CDM programs would have an impact on rate design, it responded as follows:

The impact on the rate design, no. I mean, the impact on the rate design wouldn't be felt until the next opportunity to reset rates as part of the next application, and at which point we would again use the actual total street lighting load plus the forecast for that period of the application, and set rates on that basis.

So the impact on rates wouldn't be impacted during the period of the application by any changes to a particular customer's use of street lights, or efficiency programs on that street light.

(Transcript, Volume 11, p. 163)

18. When asked, in cross-examination, whether HONI could report, for each year of the IR regime, the forecast CDM savings for each member of the street light class for the remaining years of the IR regime, HONI said no. (Transcript, Volume 11, p. 161) When asked whether it could report, for each year of the IR regime, the impact of the proposed rates for the street light class of the actual and forecast savings, HONI testified that it could not be broken out by individual customer. (Transcript, Volume 11, p. 162)

19. The COH submits that it is entitled to receive, in the rates it pays for street light services, the full benefit of its LED conversion program. That is, it should get the benefit not just of reduced consumption, which is not a result of anything HONI does, but of changes in the mechanism by which street light rates are set, including cost allocation and rate design.

20. If the COH does not get the full benefit of its LED conversion program in the rates it pays for street light services, its rates will be neither just nor reasonable.

21. The COH submits that the benefit from its LED conversion program should not be reduced because other members of the street light class either do not have CDM programs or that those programs are less effective than the COH's LED conversion program. The COH should not have to lose some of the benefit of its LED conversion program, and so effectively cross-subsidize the rates which other members of the street light class are paying.

22. The COH submits that the way HONI sets its street light rates, and the way it reflects CDM programs in doing so, should be transparent in its OEB filings. The COH was able to obtain basic information about how its LED conversion program was reflected in its street light rates by delivering written interrogatories, posing questions in the technical conference and cross-examination. The COH, indeed, no ratepayer, should be forced to incur the expense of all of these steps in order to obtain basic information about how its rates are determined.

23. The COH submits that there should be a mechanism whereby the rates for the street light class can be adjusted in each year of HONI's IR regime to reflect the effect of CDM programs generally and the COH's LED conversion program in particular.

24. In the absence of a mechanism to permit changes in street light rates, the unfairness of the COH's street light rates will continue, and be compounded, over the term of HONI's IR regime.

25. It is the COH's position that HONI should be required to obtain the information it needs to be able to give full effect to the LED conversion program of the COH. In addition, the COH suggests that HONI should be required to report the following information for each year of the IR regime:

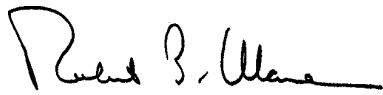
- (a) The actual and forecast CDM savings for each member of the street light class;
- (b) The forecast CDM savings for each member of the street light class for the remaining years of the IR regime;

- (c) The impact on the proposed rates, for the street light class, of the actual and forecast individual CDM savings; and
- (d) The impact on the street light rates the COH pays of the savings, actual and forecast, from its LED conversion program.

26. In addition, the City submits that HONI should be required, in reporting on the first year of its IR regime, on the steps it has taken, and proposes to take, in order to give full effect to the COH's LED conversion program.

27. Finally, the COH submits that HONI's IR regime should contain a mechanism by which rates for the street light class may be adjusted during the course of the IR regime.

All of which is respectfully submitted.



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August 14, 2018