

Ontario Energy Board 2300 Yonge Street, 27th floor P.O. Box 2319 Toronto, Ontario M4P 1E4

## Ontario Energy Board Hearing to consider the next steps in eliminating Hydro One Networks Inc.'s Seasonal Rate Class (EB-2020-0246)

Dear Madam or Sir:

I wish to file this letter with my comments on the subject matter.

I have a small cottage near Elgin, Ontario on Sand Lake in Rideau Lakes Township. I continued the tradition of my late parents of family cottage ownership on Sand Lake that has lasted approximately 50 years.

The cottage is truly a seasonal residence. Each year, the cottage is winterized and shut down in October, and then opened in April or May, depending upon the weather. During the late Fall and Winter, the cottage and grounds are periodically visited and inspected to ensure there are no problems. There is basically no power consumption for six months of the year, although power bills are received and paid quarterly.

Both of my parents recently passed away and I have been very busy with Power of Attorney and Executor responsibilities. As a result, I sometimes miss some pertinent news events and trends. For example, regarding the plan to eliminate the Seasonal Rate Class, the first time that I became aware of the decision was through the letter from Hydro One Networks dated February 9, 2021. Needless to say, it was a shock.

Reading the letter was like hearing two statements on the impact of a weather event. The first statement (The OEB has found that the distribution rates currently charged to seasonal customers do not appropriately reflect the cost to serve them.) might indicate that "the plants at the cottage received some watering as a result of a storm". The second statement, after some more background had been provided, would indicate that "there actually was a tomado at your vacation home, and there likely is significant damage to the house" (Your electricity bill will be increasing by more than 100%.).

Hydro One Networks has anticipated that I will move into the residential low density (R2) class. Their basis for the estimated impacts for my new total bill, at the sample monthly consumption level of 50 kWh, is shown below and is prior to any rate mitigation measures that the OEB may require.

- 1. Begin with the total bill amount in column B (\$54.06);
- 2. Add the amount related to the transition to all-fixed rates in column C (\$6.28, 12% increase);
- Add the amount in column E (\$53.79, 100% increase) for Seasonal Customers Moving to the Residential Low Density (R2) Class.

The total monthly bill thereby increases from \$54.06 to \$114.13, a 111.2% increase. The total annual bill accordingly would be \$1,369.56 instead of \$648.72. You can see why I was shocked when reading the letter.

Immediately, after reading the letter, I called the Hydro One Networks' Customer Contact Centre for some explanation, but this proved unsuccessful. I then called the Ontario Energy Board. Their representative provided some context and background for the letter. I was also provided with the process for feedback.

The immediate reaction when you see such a divergent result from the baseline is that there must be some mistake. However, I tend to discount that possibility knowing the parties involved. I have some knowledge of Ontario Hydro and its successor companies (e.g., Hydro One Networks, Ontario Power Generation, etc.). Their analysis and approach would be rigorous and usually beyond reproach. Also, I am sure that the Ontario Energy Board and its precursor would have comprehensively reviewed any submission by the utilities. A major mistake is highly doubtful.

I think it is also fair to say that no one customer grouping, such as Seasonal Customers, would be intentionally subsidized as part of the overall cost allocation process. The Province wouldn't allow for it. Personally, as a citizen and permanent resident of Ontario, I would not want to be subsidized. However, the cost allocation system needs to be fair and reasonable for all customers and in all regions of the Province, considering their specific circumstances.

I am aware that the derivation of rates is a cost allocation process, based on cost budgets and projections and products delivered (kW, kWh). The mathematical algorithm would be based on established objectives and principles, and various assumptions. These would help guide the calculations on how indirect and overhead costs are allocated and direct fixed and variable costs are attributed to specific customer groupings.

I think it is also fair to say that the cost allocation process would be very detailed, exact and balanced. It would need to be in order to withstand the internal scrutiny of Ontario Hydro and Hydro One Networks, and the Ontario Energy Board or its precursor.

Based on this rationalization, I can only assume that the objectives and principles for the cost allocation process relating to Seasonal Customers have completely changed with the move to Low Density Residential Class. It is also quite possible that, under the new classification, Seasonal Customers will be allocated certain types of costs that they were previously not allocated.

Given the size of the planned increase, I think Hydro One Networks and the OEB should provide a detailed, understandable explanation regarding the factors causing the increase. As responsible, bill-paying customers, I think that we deserve this prior to implementation.

I visualize an explanation that you could fit on 1-2 pages. On the left-hand side would be the current cost allocation for Seasonal Customers, The right-hand side would depict the allocation for the Low-Density Residential Class applied to the same Seasonal Customer. Lining up the two sides will be the individual factors contributing to the two different cost allocations. In that way, one should be able to see the common factors and the different drivers which are leading to the dramatically different bottom-line results. My own guess is that, under the Low-Density Residential Class, Seasonal Customers are being allocated certain types of costs that had never been attributed to them before. If this is the case, the explanation for the change of stance is critical.

I know that there are numerous files and exhibits on the OEB website which would, if distilled, lead to the same result. Unfortunately, however, I don't have the time to complete this review and summarize all the previous analysis.

I suspect that part of the motivation for this proposed change is that there is a trend in certain regions of the Province for cottage owners to make their vacation homes their permanent residences and to upgrade their cottage infrastructures accordingly. I believe that this demographic trend is more dominant in areas closer to Toronto such as the Muskoka and Kawartha Lakes. In other areas of the Province, such as Eastern Ontario, this trend is much weaker. In these regions, there still continue to be Seasonal Customers like myself who only use their cottages for six months each year and don't care whether Hydro One Networks has a planned or unplanned outage near the cottage in those other six months.

I hope the above feedback provides some additional perspective for you on how this decision has been received by Seasonal Customers. It will have a significant impact on operating costs and, no doubt, will ultimately have an impact on the market value of vacation home properties. There is very little that I can do to mitigate the impact. Electricity consumption at the cottage is currently minimal. The only options are to "Do Nothing" and pay the increase; or seek local, renewable power options and leave the grid.

I sincerely hope that the OEB and Hydro One Networks will agree to satisfy my request for an explanation of the changes please. This will help me understand the basis and the need for any changes, and provide a further reference for constructive feedback.

Yours truly,

David J. Styles