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March 21, 2021

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Attn: Registrar

Subject: Letter of Comment re File EB-2020-0246, Proposed Implementation Approach to Elimination of Seasonal Rate Class (including File Numbers EB-2019-0234 and EB-2016-0315)

Dear Ontario Energy Board,

Introduction

Thank you for providing notice in the letter of February 17, 2021 from Hydro One of the Ontario Energy Board (OEB) Hearing to consider the next steps in eliminating the seasonal rate class.

I acknowledge Hydro One's contention that the distribution rates charged to seasonal customers do not appropriately reflect the cost to serve them, as well as the note that rate mitigation may be offered, and understand that the decision to eliminate the seasonal rate class will not be reconsidered during the subject hearing.

I am deeply concerned about the impact that the proposed implementation of the elimination of the Seasonal Class will have, not only on my personal bill, but also from a broader environmental perspective, should affected residents decide to cease service from Hydro One in favour of other alternatives.

In this letter of comment I elaborate not only on these concerns, but also request action to address such concerns. As well, I provide input on the proposed approach to implementation including options for rate mitigation, meter reading and billing frequency, eligibility criteria for RRRP and DRP, and timing.

Background: My Understanding of the Proposal

I have read the information provided on the OEB website, as well as both Hydro One's *Updated Report on Elimination of the Seasonal Class* (October 15, 2020; the *Updated Report*) and *Seasonal Customer Class Definition* that were provided as sources of additional information. I also sought to clarify my understanding of the file by calling the OEB's Consumer Relations Centre. Both the website and Public Information Officer with whom I spoke provided information that was both clear and relevant.

Key points appear to be as follows:

- Seasonal Class customers are often low-volume consumers of electricity, typically because they are in fact "seasonal" users of a property served by Hydro One and are hence not "year-round" residents.
- The *Updated Report* goes to considerable effort to demonstrate that changes in total bills shown in the tables (e.g. in Table 10, as reproduced in the letter) are not only due to the elimination of the Seasonal Class, but also to the move to all-fixed rates for distribution that was initiated in 2016 and has hence been under way for several years.
- Seasonal Class customers moving to either Medium Density (R1) or Urban High Density (UR) Classes will see a decrease in their total monthly bill, whereas a Seasonal Class customer moving to Residential Low Density (R2) Class would see a sizeable increase in total monthly bill. Based on Table 10, lower-volume Seasonal customers moving to UR would see a significant decrease (e.g. Seasonal Customer consuming 50 kWh/month moving to UR would see a monthly *decrease of 44%* or $24.02); that same Seasonal Customer moving to R2 would see a monthly *increase of 100%* or $53.79).
- The cost of serving residents in low-density locations (R2) is higher than the cost of serving those in medium-density (R1) and urban high density (UR) locations; Distribution rates for residential classes reflect these higher costs.
- The current Distribution rate structure – which I understand would remain in place after elimination of the Seasonal Class – provides relief for year-round customers in rural/remote areas (i.e. both R1 and R2) in the form of a cap limiting the service charge and distribution volume charge to $36.86/month. Year-round R2 customers are also entitled to a monthly credit of $60.50 (which helps to ensure the monthly charge remains at or below $36.86); *no such cap or credit is proposed* to be available to current Seasonal Class customers moving to the R1 or R2 Classes, as the caps and credits are only available to year-round customers.

My Current Situation

I am a Seasonal Class customer who would likely be moved to the Residential Low Density (R2) Class. My average monthly consumption is in the order of 200 kWh (plus or minus 50 kWh), with the lower consumption in the winter months; this positions me as a low-volume consumer.

I have been a Seasonal Customer since 2005. Whenever I have received a bill from Hydro One, I have observed that the Distribution rate represented a significant portion of the total bill:

- On my March 2009 bill, the Distribution rate was 85% of my total bill in comparison with Electricity at 8%; the remaining amount covered GST, and minimal amounts for Regulatory Charges and Debt Retirement Charge.
- Following implementation of the all-fixed Distribution rate, in Jan 2017 the Distribution charge represented 66% ($50.17) of the bill; Electricity was 22%; and
- In the four bills representing 2020 (average $64.69), the Distribution rate had risen to 87%.

The variable electricity charges are also rising: From January 2017 to 2020, the monthly electricity charge has risen from $16.41 to $25.48, an increase of $9.07 or 55%.

Over the course of 2020 the saving grace regarding my total bill payable has been the introduction (effective 01 Nov 2019) of the Ontario Electricity Rebate Program; however, it is unclear as to how long this Government of Ontario-sponsored program will be in effect and how its magnitude will change over time, noting that effective 01 Jan 2021 it has decreased to 21.2% from 33.2% (that had been effective 01 Nov 2020; i.e. for less than two months).

My Response and Concern from an Individual Customer Perspective

The move to all-fixed Distribution rates was introduced with limited fanfare or explanation of the extent of the impact it would have on a customer's bill; instead, there was simply a note that the change would be implemented over a period of five or eight years.

The currently proposed implementation of the elimination of the Seasonal Class unduly penalizes the non-year-round resident in rural/remote locations (R2):

- The Distribution rate is already high and represents a significant portion of the total bill;
- The Distribution rate will become higher upon completion of the phase-in of the all-fixed Distribution rate (in the order of $54/month based on Table 10 of the *Updated Report*), whereas Seasonal clients moving to R1 and UR will see a decrease;
- I am not eligible for the cap or credit on the Distribution rate that is afforded the year-round R2 resident – hence, the average monthly payment on my Jan 2021 bill of $67.09 is almost double the amount of $36.86 payable by a year-round R2 resident. It would appear that Seasonal customers moving to the R2 class will now be subsidizing the service to year-round residents in the R2 class; and
- Overall, the proposed implementation sees the current Seasonal resident moving to R2 paying a sizeable increase, in the order of $54/month (at consumption levels of 50, 350 and 1000 kWh/month, based on Table 10 of the *Updated Report*), making the monthly bill at least $114.

In short, moving a current Seasonal customer into the R2 Class penalizes that customer: it acknowledges a higher cost of service but offers no relief in making that service affordable. The proposed approach appears to ignore the fact that a property owner would have had to pay a substantial amount to bring electrical service to the property in the first place. The low usage customer appears to see a particularly undue impact.

My Response and Concern from a More Global, Environmental Perspective

Our society is talking about moving to electricity and away from oil/gas/propane to heat our homes and fuel our vehicles; individuals are being encouraged to not have a car at all, or to have one that is a hybrid gas/electric or electric. Many if not most owners of Seasonal properties use a vehicle to get to the property and will need electric service more, rather than less, if they are to adopt electricity as a fuel of choice.

However: An unintended consequence of the proposed implementation approach for elimination of the Seasonal Class could be a decision to cease to be a Hydro One customer and rely instead on less environmentally-friendly sources.

In particular, the unexpected magnitude of the proposed change in total bill for current Seasonal customers moving to the R2 Class – especially low-volume consumers – might motivate these customers to explore alternative, "do it yourself" solutions to meet their electricity needs. In so doing, they may consider:

- gas-powered generators: these typically burn fuels with limited exhaust filters and would therefore contribute to Greenhouse Gas emissions (GHGs) in a time when, as a province, country and members of the global community, we are looking to limit and ultimately eliminate the production of GHGs. In addition, such generators are noisy and, with the potential for a number of low-volume customers in an R2 area choosing to use generators, could result in significant noise pollution that would disturb neighbours and, ultimately, contribute to the degradation of the rural/remote surroundings that may have been the reason for owning a rural property in the first place.
- small-scale solar panels or wind turbines: these typically rely on using lead acid batteries that contain toxic substances and have an average five-year life span. (Their ideal storage temperature is 10 degrees Celsius or less – not what the average summertime user will wish to see.) The disposal of an increased number of such batteries, and the possibility of improper disposal, create an increased risk to the environment, including impacts on groundwater and the cost of handling toxic waste.

I believe such alternative approaches should be anticipated and avoided through development of a more affordable pricing structure.

Request for Action

Hydro One's communications to clients underline a focus on client service and affordability: in a Fall 2017 letter, President and CEO Mayo Schmidt began with the statement that the journey to better customer service "… begins by first seeking to *understand the needs of our customers* as we transform into the reliable, responsive and *most importantly the affordable electricity provider* you deserve."

I call upon Hydro One to understand the situation of Seasonal Class customers being identified to be moved to R2, as outlined above, and to revisit the proposed implementation of the elimination of the Seasonal Class to make this move more affordable for them.

I understand that the calculations underlying classes and rates are not simple, but would urge Hydro One to, at a minimum, explore other alternatives to instituting R2 charges without relief, and to consider offering a cap on the Distribution rate for Seasonal Class customers moving into the R2 Class. In recognition of the fact that, by definition, these Seasonal Class customers are not year-round residents, it could be considered that the cap might be higher than the cap offered to year-round residents, but I would urge some kind of action to ensure affordability to non-year-round residents as well, so that we may continue to benefit from safe and reliable Hydro One service.

Comments on Options outlined in the Updated Report

Regarding rate mitigation (Section 4.3 starting on page 19): I appreciate that Hydro One is proposing to introduce rate mitigation for customers who are expected to see a total bill increase of more than 10% as a result of moving to another class. While such mitigation is helpful, it does not change the currently-planned target charge (that is, without caps or credits) to which non-year-round residents currently in Seasonal Class moving to R2 will be expected to pay (i.e. to $131.66 from $50.37 per month, as identified in Section 4.3.2), recognizing that the target amount may also change in future rate-setting exercises.

This said, I would appreciate receiving rate mitigation. I agree with the recommended Option 1 approach.

Question re Option 1, second approach to recovery of the amount, page 23: the paragraph before Table 13 refers to allocating the credit variance account balance *across all classes* – does this mean that Seasonal Class customers moving to R2 would also have to pay the rider amount that R2 customers would pay (i.e. $2.92/month), even though they are the target recipients of the resulting mitigation? If so, then the purpose of having the variance account amount shared would appear to be being somewhat defeated.
Note: This same question regarding use of "all classes" arises in the last two bullets of Section 4.3.4 starting on page 26 wherein the recommendation for impact mitigation is explained.

Regarding RRRP and DRP eligibility (Section 5 starting on page 28):

This section addresses eligibility for relief from high costs of electricity service that may have a significant impact on residents in rural/remote areas.

With EB-2013-0416, Hydro One had explored whether such relief might be available to high-volume Seasonal customers moving into the R2 residential class, but it was agreed that the RRRP should remain available only to year-round customers. I agree that no special consideration should be given to high-volume Seasonal customers to the exclusion of others moving to the same category.

Further, the *Updated Report* states that Hydro One believes the DRP (Distribution Rate Protection, which sets the cap on distribution charges for R1 and R2 customers) should continue to be available only to year-round residents. Hydro One proposes to "remind" seasonal customers moving to the R1 and R2 residential classes to review their eligibility to be considered year-round residents.

I strongly object to this cavalier approach of "reminding" current Seasonal Class customers to review their eligibility to be considered year-round, and to the resulting impact on all Seasonal Class customers who will be reassigned to other residential classes. In particular, the elimination of the Seasonal Class will require customers moving to the R2 category to carry the full burden of the all-fixed distribution rates, without any kind of relief on a continuing basis, once any mitigation measures have expired. (See also my comments under **Regarding implementation** below.) Particularly for low-volume customers, the major portion of their total bill will be the distribution charge and the impact will be

significant, as outlined above under *My Current Situation*, where the Distribution rate in 2020 represented 87% of my total bill.

I believe this result to be unfair and for many unaffordable and, as outlined under *Request for Action* above, I urge Hydro One to consider amending the DRP to include protection to non-year-round customers in the form of a cap on the Distribution rate. It could be considered that such a cap might be higher than the cap offered to year-round residents, but I would urge some kind of action to ensure affordability to non-year-round residents as well.

Regarding meter reading and billing (Section 6.2 starting on page 33): I am happy to continue receiving quarterly paper bills based on time-of-use meter readings. I am not interested in monthly bills, nor in e-billing. This means that either Option A or Option C would meet my needs. I therefore support the recommendation of Option C, while acknowledging the note that this would entail considerable implementation and ongoing administrative costs.

I would note that for Option B, in Table 17 on page 34:

- the second Advantage states: "All customers within the residential class (*who pay the same delivery rates*) are provided with the same level of billing and meter reading frequency." The bracketed note "who pay the same delivery rates" is not true for current Seasonal Class customers who are being moved into the R1 and R2 Classes: year-round residents in R1 and R2 Classes have access to a cap and/or credit within the Distribution rate, whereas the incoming Seasonal Class (mostly non-year-round, by definition) do not have such access and hence will not be paying the same delivery rate.
- the first Disadvantage cautions that low-consumption or summer-only seasonal residents might view the increased frequency negatively and view it as a waste of resources, to which I respond: "Absolutely! This would be the case for me."
- I also view the estimated cost of this option as being ridiculously high especially when, given my first comment above, the only remaining Advantage is that high-consumption consumers *might* view the increased frequencies as positive.

For Option C in Table 18 on page 38, the third Disadvantage references differences for "customers in the same class paying the same delivery rate": as for my first note under Option B, the point is moot as these customers will not be paying the same delivery rate.

Regarding implementation (Section 8 starting on page 42):

I concur with the opening note that attempting to implement the elimination of the Seasonal Class mid-year in 2021 would be inadvisable.

I do not pretend to understand Hydro One's business processes, but have an appreciation of the complexities such that I would support the contention in Section 8.2 that no attempt should be made to apply retroactively any changes required to implement elimination of the Seasonal Class – working on a go-forward basis makes sense.

Finally, I perceive that Hydro One is underlining that it could be ready for implementation effective 01 January 2022, but that it is also presenting business reasons (e.g. alignment with the end of the Board approved 2018-2022 rate framework) for considering

implementation effective 01 January 2023. I understand that, from a business perspective, dealing with a smaller amount and time frame for mitigation of an increased rate resulting from the transition of Seasonal Class customers into the other residential classes has its appeal; however, based on footnote 33 on page 44, it is evident that the transition to an all-fixed distribution rate will have a material impact on the final bill of a low-volume seasonal-R2 customer: there has been no apparent mitigation strategy for the transition to all-fixed distribution rates and I would leave the OEB and Hydro One with the question as to the degree to which the mitigation measures related to elimination of the Seasonal Class might help in this regard and, if material, might this therefore argue in favour of the 2022 implementation date?

Concluding Remarks

For many of us Seasonal Class customers, the distribution charge is consistently and considerably higher than charges for consumption of electricity. Once the all-fixed Distribution rates will have been implemented, this major component of a hydro bill will no longer be able to be controlled by the customer; as a trusted service provider, Hydro One needs to ensure it remains fair and affordable.

I look forward to receiving a revised proposal for implementation of the elimination of the Seasonal Class that will ensure service continues to be affordable, and that transition to the revised pricing schedules remains both predictable and manageable.

Thank you for your consideration. I appreciate your attention to my concerns and invite your enquiry should you have any questions or require any further information.

Respectfully,

Pamela Jones