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Ontario

BY E-MAIL

June 22, 2021

Attention: Ms. Christine Long, Registrar

Dear Ms. Long:

Re: Hydro One Networks Inc.
Implementing the Ontario Energy Board's Decision to Eliminate the Hydro One Networks Inc. Distribution Seasonal Rate Class
Ontario Energy Board File Number: EB-2020-0246

Please find attached OEB staff's interrogatories on the evidence related to the above matter filed by Hydro One Networks Inc.

Please note that responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure*.

Martin Davies

Digitally signed by Martin Davies
Date: 2021.06.22 09:51:07 -04'00'

Martin Davies
Project Advisor, Rates
Electricity Distribution: Major Rate Applications & Consolidations

Ontario Energy Board Staff Interrogatories
Implementing the Ontario Energy Board's Decision to Eliminate the Hydro One Networks Inc. Distribution Seasonal Rate Class
Hydro One Networks Inc. (Hydro One)
EB-2020-0246
June 22, 2021

Please note: Responses to interrogatories, including supporting documentation, must not include personal information unless filed in accordance with rule 9A of the OEB's *Rules of Practice and Procedure.*

1-Staff-1
Ref: p. 3, p.44 (section 8.3)

At the first reference above, Hydro One states that:

> While Hydro One recommends that the elimination of the Seasonal Class be implemented and made effective as of January 1, 2022, there are several factors that support an implementation and effective date of January 1, 2023, as discussed in Section 8.3 of this report.

a) Please state why Hydro One is recommending an implementation and effective date of January 1, 2022, rather than January 1, 2023, given the factors that Hydro One cites supporting the latter date, as discussed in the second reference above.

b) If the Seasonal Class elimination has an implementation and effective date of January 1, 2022, please provide Hydro One's views on the best way to implement this elimination at that time given that Hydro One is currently scheduled to file only an update application for January 1, 2022 rates. Please discuss the relative difficulties of a 2022 implementation as compared to integrating the implementation into rates if that takes place as part of the 2023 rate making process.

c) Please discuss the extent to which delaying the implementation of the seasonal class elimination decision until the transition to fully fixed rates for the affected customers is completed (which is expected to be 2024) would help moderate the bill impacts for these customers.

d) Please provide a quantification of the bill impacts for the above scenario, as well as a scenario for implementation on January 1, 2023, in a format that will allow the bill impacts for these two alternative implementation scenarios to be compared to the January 1, 2022 implementation and effective date scenario contained in the report.

3-Staff-2
Ref: p.8

At the above reference, Hydro One states that:

> In order to move customers out of the Seasonal Class as per the OEB's March 2015 Decision, it is necessary to determine into which year-round residential class each seasonal customer would be assigned. Seasonal customers are included as part of the work Hydro One carries out to review the density classifications to which customers are assigned. As such, the geographic location of seasonal customers was taken into consideration when defining the density zone boundaries that were reviewed and approved as part of proceeding EB-2013-0416 and updated in Hydro One's 2018-2022 Distribution Application (EB-2017-0049).

a) Please state how the geographic location of seasonal customers was taken into consideration when defining the above referenced density zone boundaries.

b) Please provide a geographic breakdown of the location of seasonal customers in the various regions of the province on an aggregated basis.

3-Staff-3
Ref: Hydro One Responses to Procedural Order No.1, April 26, 2021 (Responses), Q4

At the above reference, Hydro One states that:

> Hydro One uses its geographic mapping system and the methodology approved by the OEB to identify clusters of customers and measure the length of distribution lines required to serve those customers in order to determine if the density zone criteria for Hydro One's density-based customer classes are being satisfied….

> Hydro One will use its mapping system to identify the density zone that a current seasonal customer is located in, which will then determine the residential class into which they will be placed.

Please provide a more detailed explanation as to how Hydro One does the above including how it uses its mapping system to identify the density zone that a current seasonal customer is located in.

In order to assist customers in better understanding how this process works, please provide the above-requested explanation in the form of a customer-specific example without including any personal information.

3-Staff-4
Ref: pp.8 - 12

Figure 1 and Tables 1 to 5 on the above referenced pages do not appear to have been updated from Hydro One's 2019 Seasonal Rates Report.

Please state why Figure 1 and these tables were not updated and whether, in Hydro One's view, updating these tables would have any significant impact on the analysis in the updated report. If Hydro One believes there would be no significant impact, please explain why not. If Hydro One believes the impact would be significant, please update these tables and make any other necessary revisions to the report.

3-Staff-5
Ref: p.9, Footnote 10

At the above reference, it is stated that:

> Prior to the final implementation of any Seasonal Class changes, the split of seasonal customers moving to the various year-round residential classes would need to be updated based on the current customer classification and density zone information available at that time.

a) Please discuss how Hydro One would envisage this update fitting into the process for final implementation of any Seasonal Class changes including an estimated time frame for the completion of the envisaged update.

b) Please state whether or not Hydro One would anticipate any significant changes impacting customers as a result of this update.

4.1-Staff-6
Ref: p. 10

Section 4 of Hydro One's Report "Elimination of the Seasonal Class" begins at the above reference and outlines Hydro One's approach to the elimination of the seasonal class which has been used to determine the rate impacts of the seasonal class elimination as shown in the Report.

OEB staff's understanding of the approach that Hydro One has used is to take the 2018 Cost Allocation Model (CAM) as adjusted for the OEB's findings in EB-2017-0049, the most recent Hydro One distribution cost-of-service decision, and to create two scenarios: (1) Status Quo; and (2) Seasonal Rates Class eliminated in 2018. Hydro One has then adjusted these two scenarios to get to 2022 and calculated the rate impacts. These rate impacts have then been adjusted to reflect the end-state move to all-fixed rates by 2024 to produce an end-state impact in 2022, which is shown in Table 10.

a) Please confirm that OEB staff's understanding of what Hydro One has done is correct, or if not, please correct the above description and explain any corrections.

b) Please discuss how Hydro One adjusted the 2018 base scenarios to incorporate the data from the referenced recent filings (as noted in footnote 14 on page 12) to reflect the 2018 to 2021 period to get to 2022.

c) Please discuss how Hydro One adjusted the resulting 2022 rates to reflect the end-state move to all fixed rates by 2024.

d) Please state the extent to which Hydro One believes the rate impacts of the elimination of the seasonal class would vary from what is shown in the Report if:

   (i) the seasonal rate class were eliminated on January 1, 2022 based on the use of an updated cost allocation model and with and without end state impacts of the move to all fixed rates,

   (ii) the seasonal rate class were eliminated on January 1, 2023 based on the use of an updated cost allocation model and with and without end state impacts of the move to all fixed rates.

Please provide all necessary explanations for the above scenarios.

4.1-Staff-7
Ref: p.10

Hydro One states that "Updated coincident peak ("CP") and non-coincident peak ("NCP") inputs to the CAM were determined for the new residential classes under the Seasonal Eliminated scenario."

a) Please explain the methodology used for determining the CP and NCP allocators.

b) Did Hydro One derive updated load profiles for the residential rate classes? If so, are these load profiles based on the specific customers proposed for each rate class?

c) If Hydro One performed a re-allocation of existing seasonal load profiles or seasonal demand allocators, please explain the methodology used.

4.1-Staff-8
Ref: p.11

At the above reference, Hydro One states the following:

> One of the key differences between the CAM results for the two scenarios is the total revenues collected at current rates. As shown in the last column of Table 4, the elimination of the Seasonal Class results in an additional $19.8M in total revenue at current rates, which means that the uniform increase to the current revenue collected from all classes required to match the 2018 approved costs is only 3.0% under the Seasonal Eliminated scenario, as compared to 4.4% under the Seasonal Status Quo scenario. This shows that one of the impacts of eliminating the Seasonal Class is that the higher revenues generated from seasonal customers moving to the R2 class results in a smaller uniform rate increase for all other rate classes.

a) Please explain why the above-referenced impact occurs.

b) Please state whether the additional $19.8M in total revenue at current rates referenced above would continue to be collected once rates are reset and, if so, why this would be the case.

4.2-Staff-9
Ref: p.17

Table 10, at the above reference, provides a break-out of end-state impacts resulting from the Seasonal Class moving to all-fixed rates and the elimination of the seasonal class.

Please provide the following breakdowns for each of the three categories of seasonal class customers moving to: (1) the UR category, (2) the R1 category and (3) the R2 category:

(i) The number of customers that will experience end-state bill increases
(ii) The number of customers that will experience end-state bill decreases, and
(iii) The breakeven consumption level for each of the above-referenced categories.

4.2-Staff-10
Ref: p. 19

Hydro One attributed lower costs allocated to the Seasonal Rate class due to several factors, including average density of all seasonal customers as a group.

In the process of re-assigning seasonal customers to residential rate classes, did Hydro One review the density factors for the residential classes given the proposed changes to customer composition?

4.3-Staff-11
Ref: p.19

At the above reference, Hydro One discusses the two mitigation options it is proposing and states that “Two options are considered based on Hydro One’s prior experience with mitigating large impacts as a result of customers moving between rate classes.”

Please elaborate on Hydro One’s prior experience in this area and why it led to Hydro One’s proposed recommendations for the Seasonal Class mitigation.

4.3.2-Staff-12
Ref: p.24

At the above reference, Hydro One discusses the drawbacks associated with its recommended mitigation Option 1 and notes that one such drawback would be that large fixed rate rider amounts for the demand billed rate classes, as well as the streetlight class, would be highly punitive on customers with low demand.

Hydro One further states that this drawback can be mitigated by developing a combined fixed and variable rider for disposition of the credit costs to non-residential rate classes.

a) Please quantify and discuss the extent of the highly punitive impact on customers with low demand referenced above.

b) Please provide further discussion of Hydro One's proposed mitigation approach to the drawback noted above including how it would work and what implications it would have. Please also indicate the magnitude of the credit costs that would be disposed to non-residential rate classes.

4.3.2-Staff-13
Ref: p.24

At the above reference, Hydro One states that another drawback associated with its recommended mitigation Option 1 is that "there are significant billing system complexities associated with both the initial implementation and ongoing administration of the credits on customers' bills, including annual consumption monitoring".

Please provide more information about the extent of these complexities including how they would differ from the typical administration of deferral and variance account-related rate riders and the extent of any additional costs that would be incurred. If there are higher costs to administer this option, please state how much they are and provide a breakdown of them.

4.3.2-Staff-14
Ref: p.25 and p.9

At the first reference above, Hydro One provides Table 14 "2021 Impacts on Seasonal-R2 customers under Option 2A, which is described as "Phase-In Rates to Keep Total Bill Impacts Less Than 10%."

At the second reference above, Hydro One provides Table 2 “Estimated Number of Seasonal Customers Moving to R1 and R2 Classes.” This shows that 7,956 Seasonal customers with average monthly consumption in the 0-50 kWh range would be moving from the Seasonal class to R1 and 11,168 customers in this average monthly consumption range would be moving to the R2 class.

Table 14 indicates that customers at 50 kWh monthly consumption would be expected to have a 10% increase in their 2022 monthly bill as compared to the 2021 monthly bill.

a) Please state how many customers moving to the R2 class from the Seasonal class with average monthly consumption in the 0-50 range would have bill increases greater than 10% under the proposed mitigation plan option and what the largest bill increase would be.

b) Please extend Table 14 to provide the bill impacts for the full phase-in period as is done for Table 15 with respect to Option 2B.

4.3.2-Staff-15
Ref: p.25

At the above reference, Hydro One states:

> Table 14 also shows that limiting the impacts to 10% for low consumption seasonal customers results in reduced bill impacts for average and high consumption seasonal customers (e.g. customers at 1,000 kWh would see a 2.2% bill reduction). The reduced impacts for high consumption seasonal customers come at the expense of all other R2 customers who pay higher variable rates over the 12-year phase in period.

a) Please explain why the high consumption seasonal customers are also experiencing reduced bill impacts as a result of the mitigation measures proposed for low consumption seasonal customers.

b) Please identify and explain the magnitude of the higher variable rates paid by all other R2 customers over the 12-year period and provide the expected bill impacts of these higher variable rates.

4.3.3-Staff-16
Ref: p.26

At the above reference, Hydro One provides Table 15 “Impacts on Seasonal-R2 customers of 8 Year Phase-in” for Option 2B: Phase-in of Rates Over 8 Years. This table shows customers with monthly consumption levels at the 50 kWh level are expected to experience total bill increases at the 14.6% level in 2022, 13.8% in 2023, 12.1% in 2024 and 11.2% in 2025 before reaching the 10% level in 2026.

a) Please state how many customers moving to the R2 class from the Seasonal class with average monthly consumption in the 0-50 range would have bill increases greater than 10% under the proposed mitigation plan option and what the largest bill increase would be. Please provide this information for each year included in Table 15.

b) Given that the OEB’s established mitigation level is 10% on total bill impact, please provide Hydro One’s views on why the OEB should consider this an acceptable alternative since it would not see the mitigation threshold reached for customers at this consumption level until 2026.

4.3.3-Staff-17
Ref: p.26

At the above reference, Hydro One states:

> Option 2B does still result in the year-round residential R2 customers paying increased variable rates that would be required to offset the lower fixed charge collected from seasonal customers over the phase-in period. However, the shorter phase-in period reduces the burden on year-round residential R2 customers and puts some of that burden on seasonal-R2 customers.

Please state whether there are any other rate impacts of this kind arising from mitigation options 1, 2A and 2B, other than those already discussed in the report, and if so, please state what they are and to which alternative they are applicable.

4.3.3-Staff-18
Ref: p.26 and pp. 21-22

At the first reference above, Hydro One recommends that the OEB adopt mitigation Option 1 which is to have all seasonal-R2 customers pay the same rates as other R2 class customers starting in 2022 and provide a monthly credit to limit seasonal-R2 total bill impacts to 10% per year taking into account all distribution rate changes.

At the second reference above, Hydro One states, with respect to the above option that:

> As shown in Table 12, the magnitude of the credits does not change substantially across small consumption ranges. As such, Hydro One proposes that a fixed credit amount apply for all seasonal customers within the consumption bands shown in Table 12. The applicable credit amount, calculated based on the midpoint within the consumption band, would be determined based on the prior year's average monthly consumption for each individual seasonal-R2 customer at the time the credit is established.

a) Given that the applicable credit amount is to be calculated based on the midpoint within the consumption band, please discuss the extent to which customers whose consumption is different from the midpoint will experience bill impacts greater than 10%. Please include in the discussion an indication as to how high on a percentage basis such bill impacts might be for customers with prior year's average monthly consumption at the outer edges of the range in which the customer is placed and any plans for mitigation of rate increases greater than 10% that Hydro One may be considering for any customers whose bill impacts would be greater than 10% due to these circumstances.

b) Please discuss the process for updating customer classification for the prior year's average monthly consumption, including the timing of the update and what if any notification would be provided to the customer of any changes in this classification.

4.3.3-Staff-19
Ref: p.26

At the above reference, Hydro One recommends that the OEB adopt mitigation Option 1 which is to have all seasonal-R2 customers pay the same rates as other R2 class

customers starting in 2022 and provide a monthly credit to limit seasonal-R2 total bill impacts to 10% per year taking into account all distribution rate changes.

Under this alternative, Hydro One further states that the mitigation credits paid to seasonal-R2 customers would be tracked and recorded in a variance account for annual disposition to all classes.

a) Please provide a draft accounting order for this proposed variance account.

b) Please discuss the magnitude of the bill impacts in both dollar amounts and percentage increases that would be expected when the amounts in this variance account are disposed and whether they would be expected to be significant for any of the impacted classes.

6.3-Staff-20
Ref: p.32

At the above reference, Hydro One states, when discussing billing and meter reading frequency options, that:

> Three billing and meter reading frequency options were identified consistent with the March 2015 Decision. These options were assessed based on the criteria of fairness, minimizing the costs of the reclassification, and minimizing the overall costs of billing and meter reading while meeting customer needs.

Please state how Hydro One weighted the above criteria in reaching its conclusion as to which was the best option.

6.3-Staff-21
Ref: p.39

At the above reference, Hydro One summarizes its billing and meter reading frequency options, of which it states there are four, and recommends Option C which is to adopt usage-based levels.

a) Although Hydro One references four options, there appear to be only three. Please confirm that this is the case, or, if not, please explain.
b) Please state whether Hydro One's recommendation of Option C is based on any input from customers. If yes, please describe the input which was received.

8.1-Staff-22
Ref: p.42

At the above reference, Hydro One states:

> The elimination of the Seasonal Class entails a large number of billing, metering reading, communications, CIS and business process changes. It is estimated that the cost to implement these changes would be in the range of $3M - $4M.

Please provide a breakdown of these costs among the categories discussed above.

8.2-Staff-23
Ref: p.44

At the above reference, Hydro One makes the following statement with respect to implementation of the elimination of the Seasonal Class:

> Hydro One further recommends that any changes related to eliminating the Seasonal Class not be applied retroactively. Attempting to apply the changes retroactively will require unwinding and recalculating all previously approved distribution rates, foregone revenue rate adjustments, earning sharing mechanism and regulatory asset rider amounts. This would then necessitate the cancelling and reissuing of monthly bills for over 1.3 million Hydro One customers over multiple years. As such, Hydro One recommends that the implementation should be applied only on a go-forward basis.

a) Please state whether Hydro One has previously made retroactive billing adjustments of this kind and if so when this was done, the type of adjustments that were made and any significant issues that arose when doing so.

b) Please discuss the practicality of making a one-time billing adjustment for impacted customers in lieu of cancelling and reissuing all of the bills in the event that the OEB determined that changes related to eliminating the Seasonal Class should be applied retroactively.

c) Please state the magnitude of the additional costs Hydro One would incur if it were required to make retroactive billing adjustments related to this matter as well as a breakdown and explanation of these costs.

Responses-Staff-24
Ref: Q12

At the above reference, Hydro One states that it "anticipates that the OEB will provide clarity on billing service requirements through this proceeding."

Please elaborate on what Hydro One is expecting the OEB to provide in terms of clarity on billing service requirements through its decision in this proceeding.

Responses-Staff-25
Ref: Q13

At the above reference, Hydro One states that:

> It is estimated that over the nine years that mitigation credits are potentially required, a total of $150 million in mitigation credits would be paid out to seasonal customers in the R2 residential class. Hydro One is proposing that the cost of the mitigation credit be recovered from customers in all classes given that customers in all classes benefit from lower rates as a result of the increased revenue collected from seasonal customers moving to the R2 residential class.

Please state how the $150 million total referenced above was calculated including all key assumptions.