June 25, 2021 Via E-Mail

Ms. Christine Long, Registrar
Ontario Energy Board

Re: Intervenor's Written Interrogatories
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

I want to take this opportunity to thank Hydro One Networks Inc. (Hydro One) staff in advance for their anticipated responses to the following written interrogatories in relation to the Ontario Energy Board (the Board) decision to eliminate Hydro One Networks Inc. distribution seasonal rate class. The references cited below are to Hydro One's 2020 Seasonal Report (the Report) filed with the Board on October 15, 2020, unless otherwise stated.

I am an individual intervenor, one of the 35,349 lowest volume (under 150 kWh monthly) seasonal class consumers per Table 2 on page 9, destined for the residential low density (R2) class per Hydro One's Notice (the Notice) dated February 23, 2021. I do not represent any interest group, organization or association in this matter.

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<u>Ref: Table 10, p. 17 (sub-section 4.1) and para. 4, p. 24 (sub-section 4.3.2)</u>

Table 10 states that for a low volume seasonal consumer at an average monthly consumption of 50 kWh, the 2022 seasonal status quo total bill of $54.06/month would increase in moving to the residential low density (R2) class (seasonal R2) by $6.28 (or 12%) due to the move to all-fixed distribution rates and increase by $53.79 (or 100%) due to eliminating the seasonal class for what appears to be an end-state total monthly bill of $114.13.

Yet paragraph 4, page 24, states that "…the 2021 monthly fixed charge of $50.37 that seasonal customers pay will be uniformly increased to the 2022 end-state all-fixed R2 monthly charge of $131.66 over a number of years…"

And Table 8 at page 16 states that at monthly consumption of 50 kWh, a customer's seasonal status quo total bill would be $49.82/month in 2021.

a) Can Hydro One clarify that in the end-state once the fixed distribution rate and the seasonal class elimination measures are fully transitioned, will the seasonal-R2 customer face an estimated fixed monthly charge of $114.13 or will it be $131.66? The Hydro One website currently states that for 2021 a seasonal class customer is charged a fixed delivery service charge of $49.68 per month. Based on this, can Hydro One confirm the percentage increase that such customers would face in their fixed monthly delivery charges from their current 2021 level once these measures are fully transitioned? Will it result in a 130% or a 165% increase over the 2021 level?

On September 30, 2015, The Board ordered the transition toward fixed distribution rates for seasonal class customers effective January 1, 2016, and further stated at page 1 of the Order that "… such a change constitutes the initial steps in the execution of the OEB's direction to eliminate the seasonal class by aligning rates for these customers' premises with the density-based rate structure applicable to other residential customers."

b) Can Hydro One provide an overview of the original transition plan for the move to all fixed distribution rates, in particular as it pertained to seasonal class customers? Can Hydro One provide details of the actual changes year by year from the base 2015 year in the fixed distribution component and the variable rate component for seasonal customers? In addition, can Hydro One provide charts showing the impact on the hydro bills of seasonal customers since the start of the move to fixed distribution rates at monthly hydro consumption levels of 50, 350 and 1000 kWhs, along with the projected stand-alone future impacts of this measure year by year until fully phased-in in 2024?

c) Once the move to fully fixed rates and the elimination of the seasonal class are fully transitioned, can Hydro One provide a breakdown of that final, end-state fixed R2 monthly charge and explain how much of it will have been attributable to increases from 2015 in the move to fully fixed rates and how much is attributable to the elimination of the seasonal class?

With significant hydro bill increases, one might expect – especially for low volume consumers – that it would act as an incentive and accelerate the number of current customers and especially seasonal R2 customers, deciding to go "off-grid" whether through solar, propane or other means, and strand additional Hydro One assets. This point has been raised by more than one party starting as early as the June 10, 2015, stakeholder consultation referred to in Appendix A of the Report.

d) Has Hydro One factored this prospect into its forecast of future distribution rate increases for seasonal customers? If not, has Hydro One undertaken research, or prepared any estimates, about the number of customers, including seasonal customers, that can be expected as a consequence to go "off-grid" and cancel their service and strand hydro assets? What would be the estimated additional impact on future distribution rates over and above those already projected for the seasonal R2 customers?

Another impact of substantial hydro bill increases facing seasonal R2 customers in particular, is that one would also expect payment defaults to rise, and with them, increases in Hydro One initiated service disconnects. If no such disconnects were to occur in future per policy (ie due to the Covid-19 pandemic) or otherwise due to government direction, subsidization of such defaulted payments would appear to be required. The result would either be a further reduction in customers with additional abandoned Hydro One assets or an added cost burden on the residential low density (R2) class including the seasonal customers moved there.

e) Has Hydro One factored this prospect into its forecast of future distribution rate increases for seasonal R2 customers? If not, has Hydro One undertaken any analysis on the growth expected in payment defaults with the forecasted substantial hydro bill increases? What would be the estimated additional impact on future distribution rates over and above those already projected for seasonal R2 customers?

In addition, ongoing or generalized inflationary hydro rate increases (i.e. non-distribution rates) can be expected in the years ahead that will no doubt add to the financial burden faced by hydro customers. From page 49 of the summary notes from the June 10, 2015, stakeholder session, the following comments from a representative of the Balsam Lake Coalition are germane to the issue:

> *I understand Hydro One is eliminating the seasonal rate class at the request of the Board, but it needs to fully detail to the Board how much of an impact it will have on ratepayers' bills when combined with the fixed charge proposal. Furthermore, Hydro One should also detail the impact of those charges when combined with – at the minimum – inflationary increases in other components of the bill…*

Similar thoughts are found on page 4 of those stakeholder summary notes from a representative of the Vulnerable Energy Consumers Coalition (VECC) as follows:

> *Hydro One needs to be clear about its interpretation of the 10% stipulated by the Ontario Energy Board – whether just looking at the impact of eliminating the Seasonal class or all factors … impacting rates.*

f) It is understood that generalized rate increases are subject to Board approval. However, has Hydro One prepared any estimates of the total hydro bill impact in future of annual inflationary increases of say, 1, 2 or 3%, in other components of the hydro bill? If so, could Hydro One provide a summary of those financial projections and show how they would impact the total increase over time in hydro bills, especially those facing seasonal R2 customers?

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<u>Ref: p. 28-29 (section 5)</u>

The Rural and Remote Electricity Rate Protection (RRRP) and the Distribution Rate Protection (DRP) programs have a profound impact on the total hydro bills of distinct Hydro One customer classes.

The Federation of Ontario Cottagers' Associations stated (FOCA) stated in its letter of June 19, 2015, with regards to the stakeholder consultations that:

> *...there will be many situations where reassigned Seasonals will have close neighbours, family and friends with the alternate reclassification and significantly different bill ramifications; and ... there may be a lake where one shoreline has a customer density of 14 per kilometre of circuit and the other side has 16 per kilometre… (which) … results in profound bill differences of similar customers.*

Head-to-head comparisons of different Hydro One customer classes were found in the May 15, 2020, submission by Hydro One in reply to the Board's Procedural Order No. 3. The calculations provided in Tables 3 and 4 therein found at pages 8 and 9, provide details forecasting the total 2021 hydro bill calculations of the various residential groups, assuming the elimination of the seasonal rate class.

a) Can Hydro One confirm that the calculations in Tables 3 and 4 referred to above are current and still accurate? If not, can it provide updated charts for 2021?

b) Can Hydro One provide similar charts for 2022 to 2024 showing the additional transition effects of the full phase-in of the move to fixed distribution rates?

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Ref: para.3, p. 6 (Section 1) and Bullet #5, p. 43 (sub-section 8.1)

Many sources have identified the need for clear and effective communication of the Board's decision to eliminate the seasonal class, some now going back a ways as indicated by the following:

At page 21 of the Consumers Council of Canada (CCC) submission of October 16, 2014, it was stated that:

> *One of the problems Hydro One has encountered are complaints from Seasonal customers that they do not understand how their rates are structured.… Hydro One should be encouraged to undertake more comprehensive customer education regarding these issues.*

And from page 4 of the feedback summary to the June 10, 2015, stakeholder session, the CCC further reiterated that:

> *No matter which option is implemented, effectively communicating the elimination of the Seasonal Rate Class to customers presents an enormous challenge. It would be useful to start communicating this change to customers now.*

Similarly, page 4 of the Feedback from the Balsam Lake Coalition (BLC) submission from the above noted stakeholder session asked:

> A*nd finally, will Hydro One present a detailed plan on how they will explain these changes to effected customers? It's no secret that bill increases are the number one concern among ratepayers. Under this proposal, a significant number of ratepayers will experience near double digit bill increases or more in the years to come – and that's not considering other components of the bill that are also expected to increase. Is Hydro One preparing a detailed program to deal with how customers will react to these changes?*

And more recently, FOCA commented on the status of communications by assessing the landscape and summarizing their conclusion in their May 27, 2020, letter stating that:

> *The multitude of rate changes within the past few years has meant that almost no one understands the bill system and how and why we got to this point.*

a) Can Hydro One provide details on its communications to date, whether Board ordered or otherwise, directly with seasonal property owners regarding the Board's decisions to firstly move to all fixed distribution rates, and secondly to eliminate the seasonal rate class? What general education or information dissemination measures has Hydro One undertaken or implemented to date aimed at enhancing seasonal property owners' understanding and knowledge of these initiatives?

b) Also, can Hydro One provide details of its proposed communications strategy directly with impacted seasonal property owners in this matter going forward?

Although effective communications going forward will be of paramount importance in the writer's view, Hydro One staff are not envied in the task ahead. One of the difficulties involves the complexity of the subject matter, but that is compounded exponentially by the extensive diversity of views advanced to date in this matter and the apparent lack of a consensus amongst key participants, including many of the earlier intervenors. Reading through pages 8 to 13 of the Board's Order dated September 17, 2020, it is a most challenging task for a lay person to competently understand the various positions and arguments advanced in this matter by the likes of Hydro One, OEB staff, FOCA, CCC, and BLC, as summarized by the Board. This leaves the lay person confused at the end of the day about the Board's rationale in reaching its decision to eliminate the seasonal class.

For example, in paragraph 3 on page 9 of the Board's Order of September 17, 2020, it's stated that "OEB staff argued that when the impacts of the move to all-fixed rates are considered, it becomes apparent that the incremental benefits of the elimination of the seasonal class are minimal at best, while incremental adverse impacts on certain customers will be significant…"

c) Would Hydro One be in a position to provide an explanation or comment on, in terms that a lay person would competently understand, the position taken by OEB staff that over and above the move to all-fixed rates already in transition, the further move to eliminate the seasonal class has minimal incremental benefit?

d) Further, how does Hydro One plan to address this wide diversity of views amongst key stakeholders in its communications strategy going forward? Is Hydro One of the view that it would be helpful as part of its communications strategy directed at seasonal customers to prepare a supplemental, more detailed analysis and/or report that would facilitate a lay person's understanding of all the competing views in this matter?

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Ref: p. 19 (Section 4.3) and p. 20 (sub-section 4.3.1)

The Board has indicated that the mitigation plan should propose relief for those customers expected to experience a total bill impact of greater than 10% as a result of migrating to another class. Hydro One's recommended mitigation approach is set out in its proposed Option 1. Hydro One essentially recommends having all seasonal-R2 customers pay the same rates as other R2 class customers starting in 2022 and providing a monthly credit to limit the impacts to a 10% increase over their prior year's total bill. The 10% impact would take into account all distribution-related items approved by the Board for 2022 as well as the elimination of the seasonal class.

a) Could Hydro One provide a rationale for their use of the 10% cap as its threshold in its recommended approach? Has Hydro One considered options that would cap annual increases at lower threshold levels, such as say 6 or 8%?

b) Can Hydro One explain how any non-distribution rate increases would be factored into the changes in hydro bills for affected customers, since the 10% cap recommended by Hydro One would appear to be limited to distribution related only items?

With Hydro One's recommended approach using the immediately prior year's total bill for calculating the current year's credit, the result appears to be that subsequent years' bill increases will in fact be at least 11% in year two, 12.1% in year three, 13.3% in year four etc. of the "base year" amount. Use of this "rolling" 10% percent threshold as recommended by Hydro One would guarantees that subsequent years' increases will exceed 10% of the base year amount and will continue to grow year over year.

c) At any threshold cap level that may be subsequently approved by the Board to limit future hydro bill increases, has Hydro One considered the option of capping the annual increase at that percentage of the base year amount for each subsequent year through the transition period giving consumers an additional degree of certainty around their future increases, and facilitating future communications with its affected customers?

With the proposed credit-based approach, the current year's credit provided each month would essentially be based on a customer's hydro consumption for the prior year. Increases or decreases in hydro consumption will generally work themselves out in subsequent years in those cases where the property stays in the same hands.

d) What would happen when properties are sold? If implemented, would a credit-based approach continue with a new property owner where the new owner essentially "steps into the shoes" of the prior owner's hydro consumption pattern for purposes of the current year's credit calculation? Alternatively, would a new property owner be subject to a different approach and have full distribution rates imposed on taking possession?

I extend my thanks once again to Hydro One staff and look forward to your responses. If any clarification is required, please advise.

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EB-2020-0246 Intervenors