

Sunset Shores Peninsula Association Written Interrogatory
Referencing 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 29, 2021

Sunset Shores Peninsula Association (SSPA) is a not for profit non share capital corporation that represents the interests of approximately 70 cabin and cottage owners on the Sunset Shores Peninsula in Township of South Frontenac, County of Frontenac. These properties are north of the Green Bay Township Road on the peninsula that divides Green Bay from Big Bobs basin in Bobs Lake, a peninsula approximately 4 kilometers in length (the Peninsula). Almost all of these properties are seasonal customers affected by the issues in this hearing.

SSPA submits the following questions to Hydro One, pursuant to direction of the OEB:

A: Questions on local, regional, and provincial allocation of resources for delivery

1. Hydro is asked to agree, or if not in agreement to comment, on the following proposition: there exists a Hydro One electrical trunk line supported by wooden telephone poles that proceeds north from Green Bay Road up the Peninsula and over the narrows at the north end to another body of land in Bobs Lake. This Hydro trunk line on the Peninsula has been in place for over 50 years and has not been upgraded or replaced for 50 years by Hydro One or its corporate predecessor. There is no current plan to take down and replace the poles within the next 5 years.
2. Following from question 1, Hydro One is asked to admit that it has spent no money for 50 years on the peninsula trunk line, other than to link in new cottages, or to restore power on occasion. There is no current plan for an upgrade from the current infrastructure in the next 5 years.
3. Hydro One is asked to confirm that the Peninsula is served by the substation or transformer station on 335 White Lake Rd., that intersects with Green Bay Rd., which has existed for more than 50 years and that there have been no material capital improvements to the substation in 50 years. If there have been capital improvements please detail and give the cost price. There is no current plan for an upgrade from the current substation in the next 5 years.

4. Please affirm the following facts: Hydro One publishes a web site for service in South Frontenac Township under the web address: callmepower.ca/directory/on/south Frontenac which lists the closest “store” address for face to face service at Hydro One as 483 Bay Street, Toronto, a distance of 234.2 miles.
5. Please confirm that Hydro One maintains no generating facility or call center or work yard in South Frontenac Township.
6. The following questions seek to determine where Hydro maintains employees, measured by number and total payroll, as of year end 2020 or the last complete fiscal year of Hydro.
 - a. What are the total number of Hydro employees and the total annual payroll of Hydro employees in South Frontenac Township, measured by the Zipcode address referenced on the webpage at 4 above, being KOH?
 - b. What are the total number of Hydro employees and the total annual payroll of the Hydro Employees in Frontenac County?
 - c. What are the total number of Hydro employees and the total annual payroll of Hydro Employees in the Greater Toronto Area, being the geographic zone for which are codes 416 and 905 are provided?
7. The following questions seek to determine the budget amounts, and related actual capital expenditures in relation to the territories served by Hydro, for 2020 or the last complete fiscal year of the company:
 - a. What was the capital budget and corresponding capital expenditure for South Frontenac Township?
 - b. What was the capital budget and corresponding capital expenditure for Frontenac County?
 - c. What was the capital budget and corresponding capital expenditure for Toronto GTA, as measured by area codes 416 and 905?
8. Please provide in graph or chart form a comparison of the growth of capital expenditures for South Frontenac Township, Frontenac County, and greater GTA (as defined above) over the last 20 years.

B: Questions on Hydro Rate Proposal and Proportionality

9. SSPA members have calculated, from the written material provide by Hydro, that the Hydro Rate proposal moving our members into the R2 class will more than double their Hydro bills, and that in some cases the increase is more than 110%. Hydro is asked to confirm that Hydro agrees this is the effect for the SSPA ratepayers who are proposed to be moved into R2 class? If not, then what is the annual average increase modelled by Hydro One for the residents on the Peninsula that it proposes to transfer to the R2 class?
10. SSPA members have calculated that all residents of the Peninsula are being proposed for transfer to R2 class, with the exception of those who declare a permanent residence. Hydro is asked to confirm or comment on this proposition. Confirm that geographically the Peninsula is allocated to the R2 class.
11. SSPA members have calculated that the current portion of their annual Hydro invoice for Electricity is on average approximately 10% of the amount charged by Hydro for Delivery. Please confirm that Hydro One agrees, and if not, set out the portion charged to the Seasonal Class residents for Electricity on the Peninsula compared to Delivery, measured annually over the last 5 years.
12. SSPA members have calculated that if the Hydro Rate proposal of Hydro One is accepted by OEB, that the proportion of Electricity invoiced annually in comparison to Delivery invoiced will be in the range of 5% for customers who were previously Seasonal Class. Please confirm or comment.
13. Does Hydro agree that it proposes to charge amounts for Delivery against amounts for Electricity in a ratio of 19 to 1 for the Seasonal Class residents, of the Peninsula, given current usage? If not, what is the proportion as calculated by Hydro, based on average usage over the last 5 years?
14. Does Hydro have economic reports, or expert analysis, that suggests the fair and reasonable relationship between Delivery of electricity and generation of Electricity is in the ratio of 19:1? If so please produce these reports and papers, or provide web based references.

15. Does Hydro have reports which suggest that charging for Delivery in proportion to Generation in a ratio of 19:1 suggests unacceptable inefficiency and organizational shortcoming by Hydro in the area of Delivery services? Does this proportion suggest that Hydro shareholders should bear the economic cost of the inefficiency according to any economists or staff at Hydro?
16. Can Hydro point to any utility in North America that charges for Delivery in proportion to Generation in a ratio of 19:1? Please give details. Additionally can Hydro point to any utility in North America that charges for Delivery in a proportion to Generation of 10:1? Please provide details.
17. SSPA members are of the understanding that there has been little or no capital expenditure by Hydro for Delivery in the vicinity of the Peninsula for 50 years. SSPA members are not aware of any plan for infrastructure upgrade in their locality, nor of any imminent need. Geographically where does Hydro expend capital and operating expenses categorized under Delivery? What is the trend over the last 10 years and what is the projected trend for geographic spending on capital and operating expenses?
18. If there has been no material increase in Delivery costs, as measured in the location of the Peninsula or the Township or the County, what is the principled basis for saying that residents of the Peninsula should bear an increase of more than 100% in their Hydro rates?
19. The Peninsula and South Frontenac Township are rural areas with no urbanization and flat population growth. Arguably Delivery to this geography should benefit from increased efficiencies over time, and a consequent decrease in overall Delivery expense in relation to the cost of Electricity. Is it not correct to say that Hydro's increase in actual and proposed expenses for Distribution, as opposed to cost of Electricity, arises largely from Hydro responding to increased demand and population growth in urban and growing areas of the Province of Ontario? Is not the cost of Distribution going up exponentially in the growing areas of the Province, as Hydro focuses on accommodating increased demand?
20. Does Hydro have internal studies in the last 5 years which plot and measure the areas of the Province with increasing burden of Delivery expense, capital or otherwise. Do these studies recommend where in the Province Hydro needs to expend more in proportionate resources? Please produce these studies.

Mapping and Justification of the R2, R1 and UR Classes

21. Please provide a map in digital form of the zones of South Frontenac Township currently classified as R2, R1, and UR. The map should be expandable, so as to permit identification of all properties with each Class. The boundaries of the Classes need to be clear and comparable to Township and Google Earth mapping.
22. Please provide a map in digital form of the zones in County of Frontenac currently classified as R2, R1, and UR.
23. Please provide the formula, the parameters and the algorithms and the actual calculations which differentiate the R2 and R1 Class, as shown in the mapping for Township of South Frontenac.
24. Is Density (a term used in Rate Classification) calculated per customer billing code? Is it calculated by Consumption? Is it calculated purely by Metric distance from neighbours? Or by number of customers per square kilometer?
25. Have the boundaries of R1, R2 and UR changed in Township of South Frontenac during the last 10 years? If so, why, and detail the changes in map form and by reference to the parameters of each Class.
26. Similarly have the boundaries of R1, R2 and UR changed in County of Frontenac during the last 10 years. If so, why, and detail the changes in map form and by reference to the parameters of each Class.
27. SSPA members have been apprised of other rural areas similar to our Peninsula that are classified as R1, but the Hydro proposal has our members moving to R2 Class, not R1. Are there exceptions to the general parameters that would permit this anomaly? Are the Density rules uniform across the Province.
28. Has the Hydro One system for setting R1, R2 and R3 boundaries been the subject of audit, or forensic examination, or ombudsman study? If so, produce the audits or studies.

29. Logically it appears that boundaries for Classes can be changed, while maintaining the accuracy of parameters and application of the algorithms. Is this admitted by Hydro? For example, properties may be moved into R1 (Medium Density), while expanding the geography of R2 (Low Density) with the result that each Class maintains parameter integrity, but customers moving to R1 benefit from lower rates. Can this not happen within the Class system employed by Hydro?
30. Which department or division of Hydro manages or administers the zoning maps? Who is the head of this division (position description please). Where is the division located? To whom does the division head report?
31. Does the division of Hydro which manages R2, R1 and UR mapping have any discretion in the setting of the Class boundaries? Is there any scope for judgment or subjective opinion in the setting of the Class boundaries?
32. What is the security protocol for the changing of Class boundaries? How many employees at Hydro have the capacity to change Class boundaries?
33. The Hydro letter of February 9, 2021 has a chart which proposes an increase of 100% for seasonal customers with low monthly consumption moving from Seasonal Class to R2. All SSPA members appear to fall within this group, subject to a few permanent residents. Has Hydro One considered any other path of fairness in rate increases that is limited to an increase less than 20%. Please detail what those might be.
34. The Hydro chart in the February 9 letter sets out a 44% decrease for seasonal customers moving to UR class. What is the proportion of Seasonal Class members that will move to each of the R21, R1 and UR classes? What do the raw numbers show? Is it not a fact that the great majority of Seasonal Class customers move to the R2 Class?
35. What would be the effect on rates for Seasonal Customers if they were all moved to R1 Class? If the R2 Class were eliminated?
36. What would be the effect on rates for Seasonal Customers if they were all moved to UR Class? If the Class system were eliminated? Put differently, if Hydro eliminated the Class based distinctions it operates under and used one Class, what effect would there be on the rates charged to Seasonal Class customers?

Questions on Hydro One financial statements

37. The Hydro One Limited Annual Report 2020 appears on the Hydro One website. At pdf 25 (p. 23 of the report) is found a list of Major Transmission and Capital Investment Projects. Is it admitted that none of these are located in Frontenac County or South Frontenac Township? Are the costs associated with these Development and Sustainment Projects to be charged as part of the cost of Distribution in invoices to customers?
38. At pdf 57 (page 55 of the same report) is a line item for Costs to Purchase Power of 3,854. Is this roughly the Equivalent of cost of Electricity, as it appears on Bills currently received by Seasonal Residents? If not, then please co-relate the two numbers. On the next line is seen Cost of Operation, Maintenance and Administration – 1,070. Is this roughly the equivalent of cost of Distribution as it appears on Bills to the Seasonal residents? If not, then please co-related the two numbers.
39. The next line item is Depreciation, Amortization and Asset Removal – 884. How much of this is charged to Delivery and how much to Cost of Electricity on Bills to Seasonal Residents and why?
40. From the above line items on the Hydro financial statements, we appear to see that actual cost of Electricity at Hydro is many times more than the cost of Distribution. This fits with common sense: getting the product to the customer should not cost more than the product itself. Why then does Hydro One currently charge the Seasonal residents at the Peninsula an amount for Distribution that is about 10 times the Cost of Electricity as appears on Hydro financial statements? How can Hydro One account for the proposal to charge 19:1 ratio Delivery/Electricity (detailed in questions above) as proposed at this hearing? How is this massive discrepancy accounted for?

Rate Increase Mitigation

41. The core problem is Hydro's proposal to increase rates more than 100% for low consumption seasonal users. Ontario has long encouraged consumers to be light on consumption of electricity, but the effect of the Hydro proposal is opposite: the more the consumer is careful and frugal, the more the utility will charge in any event. Frugality becomes irrelevant. Does Hydro accept that the current rate proposal, as it

relates to Seasonal Class, is a disincentive for frugality in electricity consumption? How does Hydro propose to incentivize frugality in these circumstances?

42. Does Hydro agree that Increases of more than 100% in utility rates are bad for its reputation and, if approved by OEB, would tend to lessen confidence in the administration of rate regulation in Ontario?
43. Please model and provide data on rate mitigation that spreads the new cost burden for Seasonal users over each of 20 years, 15 years and 10 years.
44. The Hydro plan proposes rate mitigation for customers expecting to see increases of more than 10% as a result of the moving to a new rate class. However, more relevant to the consumer is the overall effect on the Bill, taken together with other increases on the rates, such as general price inflation, higher profit sought for Hydro One, etc. Please model and provide data on rate mitigation that achieves the following:
 - (a) Total increases in the bill, absent a change in consumption, to be limited to 5% a year over time;
 - (b) Total increase in the bill, absent a change in consumption, to be limited to 7% per year over time;
 - (c) Total increase in the bill, absent a change in consumption to be limited to 10% of the bill over time;
 - (d) Total increase in the bill, absent a change in consumption to be limited to projected CCP price index plus 3%, or 5% or 8%.
45. Is Hydro now prepared to institute the new rates on January 1, 2023, as opposed to earlier?

Questions related to procedural fairness and due process

46. Did Hydro give the seasonal account holders notice of any proposal to eliminate the Seasonal Rate Class at any time prior to the OEB releasing its decision to that effect in 2015?
47. Is Hydro aware of any other party giving notice to the seasonal account holders of the proposal to eliminate the Seasonal Rate Class in 2015?

48. Is the letter of February 9, 2021 the first notice sent to seasonal account holders of the OEB decision to eliminate the Seasonal Rate Class?

SSPA respectfully submits the preceding questions to Hydro staff. 6/29/2021.