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Director Pricing and Regulatory Policy

BY EMAIL AND RESS

August 17, 2021

Ms. Christine E. Long
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Long:

EB-2020-0246 - Implementing the Ontario Energy Board's Decision to Eliminate the Hydro One Networks Inc. Distribution Seasonal Rate Class – Interrogatory Responses

Please find attached Hydro One Networks Inc.'s ("Hydro One") responses in regard to Ontario Energy Board's Decision to Eliminate the Hydro One Networks Inc. Distribution Seasonal Rate Class proceeding.

An electronic copy of the Interrogatory Responses has been filed through the OEB's Regulatory Electronic Submission System and served on all intervenors of record in this proceeding.

Sincerely,

A handwritten signature in blue ink, appearing to read "H. Andre".

Henry Andre

OEB STAFF INTERROGATORY #1

Reference:

p. 3, p.44 (section 8.3)

Interrogatory:

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.

Response:

a) Hydro One misstated its intent in the referenced sentence. Hydro One intended to say that the *earliest possible* date recommended for implementation was January 1, 2022, which was the case at the time the updated report was filed in October 2020. For the reasons discussed in Section 8.3 of the updated Seasonal Report, and given the current schedule for this proceeding as well as the time required for Hydro One to modify its billing system to accommodate the elimination of the Seasonal class (see response to OEB Staff IR #13 at Exhibit I-01-13), Hydro One cannot implement the elimination of the Seasonal Class on January 1, 2022 and recommends that any changes to the Seasonal Class be implemented and made effective January 1, 2023.

b) A final decision in this proceeding (EB-2020-0246) is required in order to incorporate the findings of this decision into the design and setting of new rates to collect the final rates revenue requirement approved by the Board as part a rate application proceeding. As indicated in the response to part a), Hydro One does not believe there is sufficient time to implement any changes to the Seasonal class for implementation by January 1, 2022.

Hydro One recently filed its joint rate application for 2023-2027 transmission and distribution rates (“JRAP”) on the assumption that the elimination of the Seasonal Class would be implemented on January 1, 2023. Hydro One anticipates there will be a number of opportunities as part of the JRAP proceeding to reflect the final decision on implementing the Seasonal Class elimination coming from this current proceeding (“Seasonal Decision”), including addressing the Seasonal Decision as part of the response to interrogatories or undertakings; or incorporating the Seasonal Decision into the draft rate order material to be prepared following a Board decision in the JRAP proceeding. Hydro One could also start to work on modifying its billing system to accommodate the elimination of the Seasonal Class as soon as the Seasonal Decision is issued. A Seasonal Decision before the end of 2022 is required to allow sufficient time to make all the necessary billing system changes to eliminate the Seasonal class as part of implementing the JRAP decision for rates effective January 1, 2023.

c) As shown in Table 10 of the updated 2019 Seasonal Report, the transition to fully fixed rates is only a relatively small component of the impact on seasonal customers moving to the R2 class (seasonal-R2), and so delaying the elimination of the Seasonal class to 2024 would not materially change the impacts to seasonal-R2 customers and would delay the benefits received by seasonal-R1 and seasonal-UR customers. More

importantly, given that mitigation will be necessary in any case to limit bill impacts to no more than 10% for seasonal-R2 customers, there is no benefit to customers of delaying the implementation beyond January 1, 2023.

- d) As indicated in the response to part c), there is no benefit to customers of delaying the elimination of the seasonal class to 2024. It is not possible to quantify the bill impacts associated with delaying the implementation of the Seasonal elimination to 2024 given that the 2024 impacts would be dependent on the Decision the OEB is yet to make with respect to the JRAP application, and also given the extensive time and effort required to complete a new 2023 cost allocation model assuming the Seasonal class was still in place in 2023.

Hydro One has a preliminary estimate of the impact on seasonal customers assuming a January 1, 2023 implementation under the assumptions made as part of its recently filed JRAP application (e.g. proposed 2023 revenue requirement) which are still subject to OEB approval in that proceeding.

Hydro One notes that the impacts shown below differ slightly from what is included in the JRAP application because they exclude any impacts associated with the disposition of rate riders in order to provide an apples-to-apples comparison with the impacts shown in Table 7 of the updated Seasonal Report.

Rate Class	Monthly Consumption (kWh)	2022 Total Bill (\$)*	2023 Seasonal Eliminated Change in Total Bill	
			(\$)	(%)
Seasonal-UR	50	\$62.97	(\$22.22)	-35%
	350	\$109.41	(\$31.39)	-29%
	1,000	\$210.04	(\$51.25)	-24%
Seasonal-R1	50	\$62.97	(\$1.84)	-3%
	350	\$109.41	(\$9.24)	-8%
	1,000	\$210.04	(\$25.26)	-12%
Seasonal-R2	50	\$62.97	\$54.26	86%
	350	\$109.41	\$48.36	44%
	1,000	\$210.04	\$35.56	17%

*2022 Revenue Requirement includes Tax savings amounts per the OEB's Decision in EB-2020-0194.

OEB STAFF INTERROGATORY #2

Reference:

p.8

Interrogatory:

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.

Response:

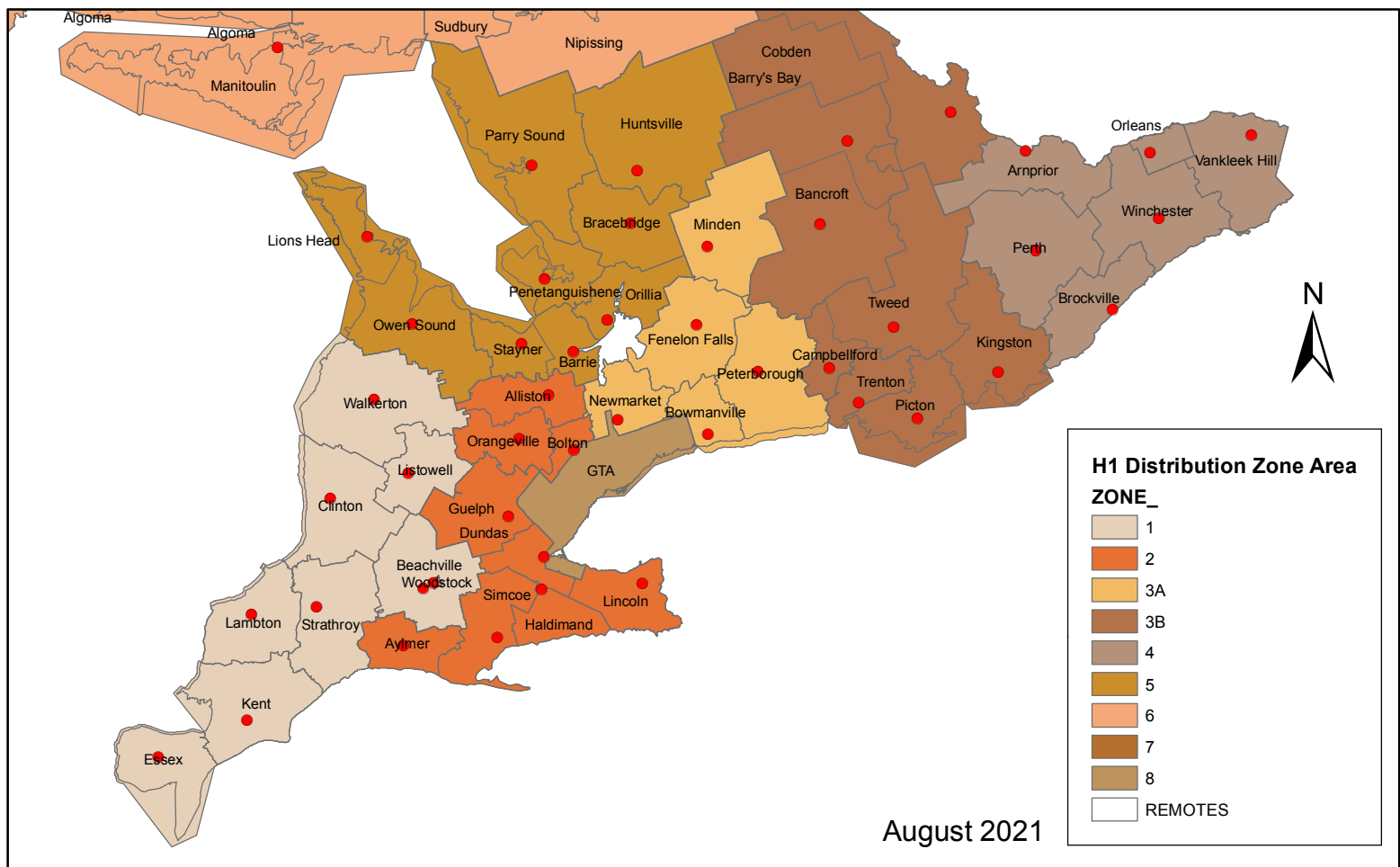
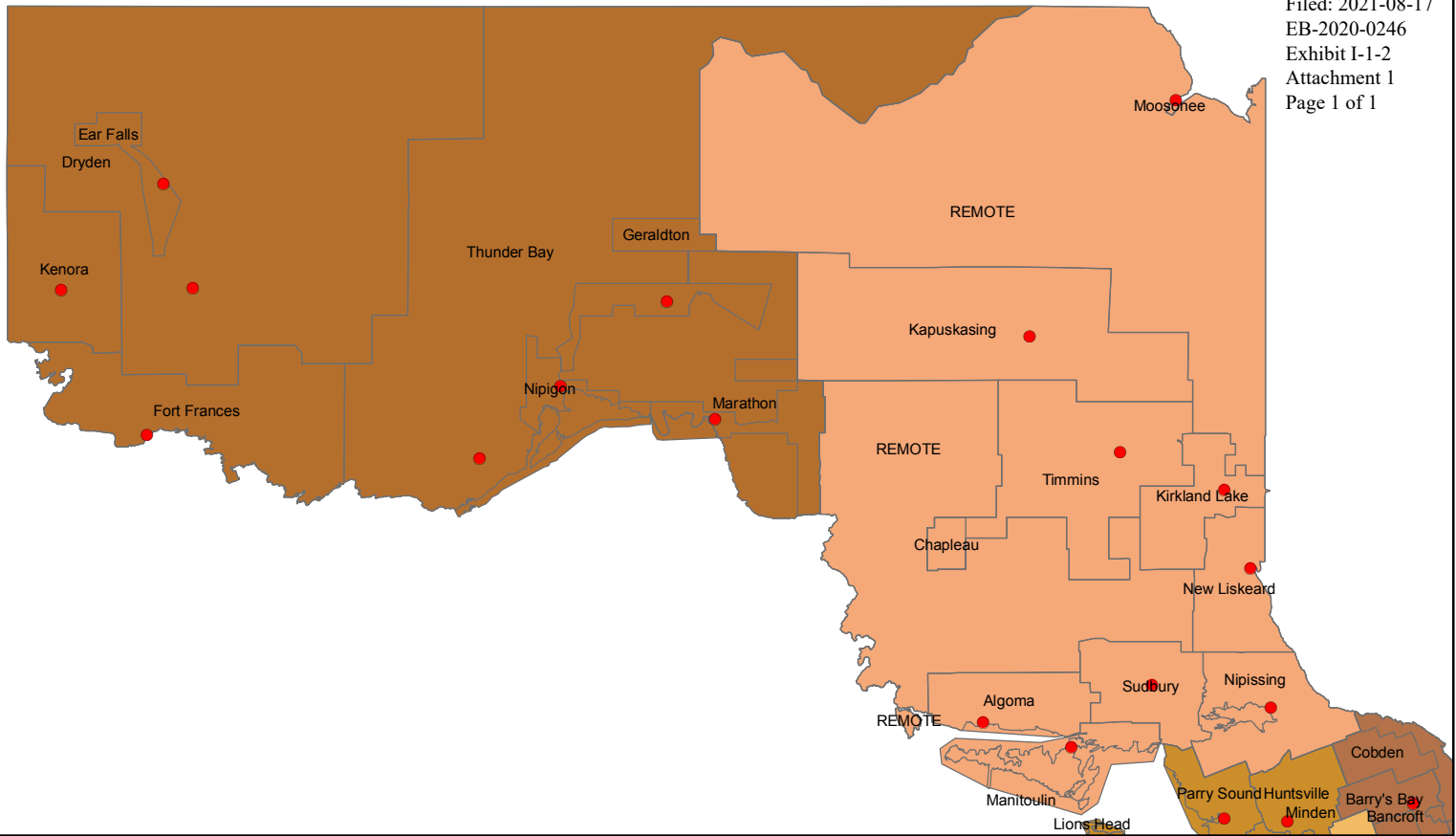
- a) The geographic location and count of seasonal class customers was included with the customers in all other classes in determining the "total number of customers" within a contiguous cluster of customers, which is the basis for defining the density zones in Hydro One's service territory, as detailed in the response at Exhibit I-01-03.
- b) The table below shows the number of seasonal customers located in each of Hydro One's operating zones. A map showing the geographic location of the different operating zones is provided as Attachment 1.

Zone	2018 Forecast Number of Seasonal Customers
West (Zone 1)	9,303
West Central (Zone 2)	3,174
Central (Zone 3A)	22,298
East Central (Zone 3B)	27,004
East (Zone 4)	9,807
Georgian Bay (Zone 5)	52,994
Northeast (Zone 6)	13,714
Northwest (Zone 7)	9,385
TOTAL	147,679

Distribution Zones



Filed: 2021-08-17
EB-2020-0246
Exhibit I-1-2
Attachment 1
Page 1 of 1



OEB STAFF INTERROGATORY #3

Reference:

Hydro One Responses to Procedural Order No.1, April 26, 2021 (Responses), Q4

Interrogatory:

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....

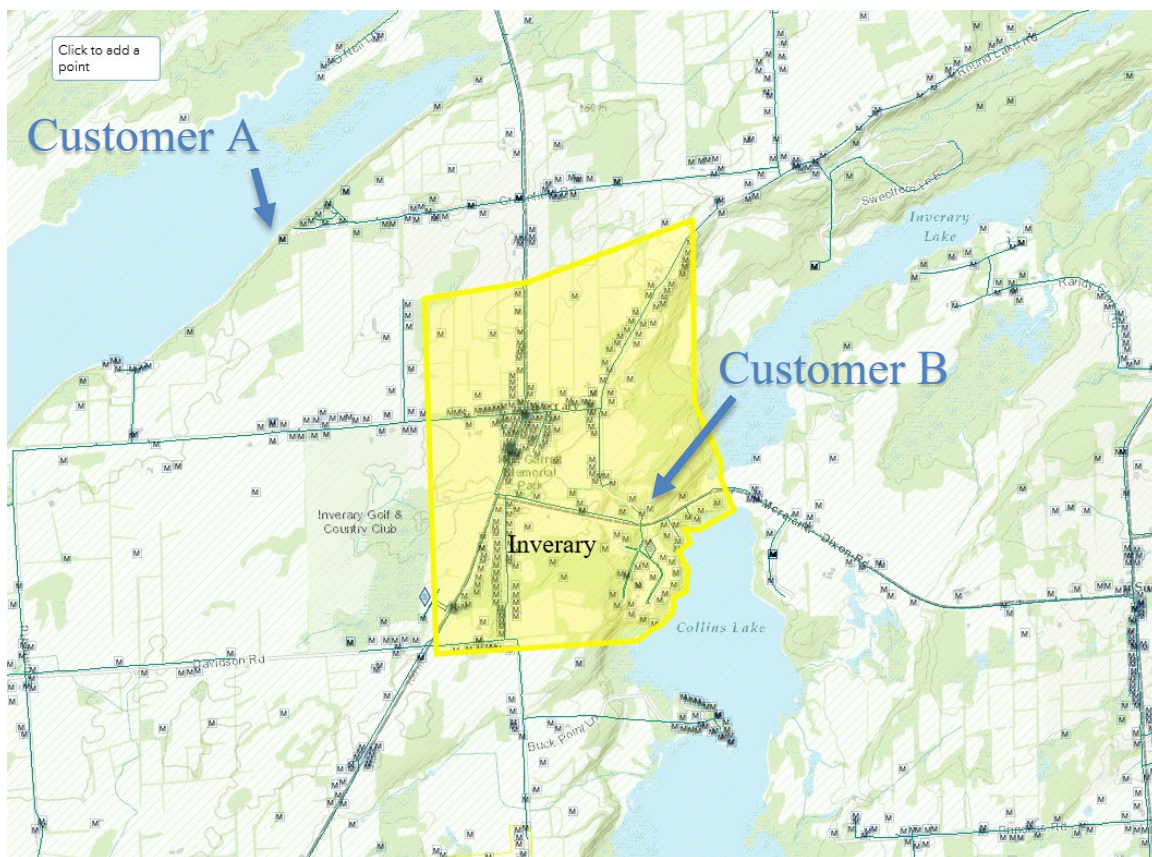
Hydro One will use its mapping system to identify the density zone that a current seasonal customer is located in, which will then determine the residential class into which they will be placed.

- a) 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.
- b) 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.

Response:

- a) The OEB approved the process for identifying density zones as part of Hydro One's 2014/2015 Distribution Rate Application (EB-2013-0416). The approved methodology for identifying density zones is detailed below:
 - i. A Geographical Information System (GIS), which contains the location of all metered customers and distribution assets, is used to identify clusters of contiguous customers within Hydro One's service territory.
 - ii. A proposed density zone boundary is drawn around the cluster of contiguous customers and extended in all directions to a) easily identifiable and communicated physical boundaries (e.g. highways/roads, railways, rivers, lakes) located in close proximity to the cluster of customers, or b) non-physical boundaries identifiable

- 1 within the GIS system (e.g. property lines), where physical boundaries are remotely
2 located from customer clusters. The proposed density zone boundaries are
3 identified within the GIS system.
- 4 iii. The GIS system is used to count the number of customers and measure the circuit-
5 km of distribution line within a proposed density zone boundary. These values are
6 then used to calculate the number of customers per circuit-km of line within the
7 proposed density zone boundary.
- 8 iv. Confirm which density zone definition is applicable to a proposed density zone
9 boundary based on the total number of customers and customers/circuit-km for
10 Hydro One's approved density zones, which are:
- 11 • High (Urban) Density Zone (e.g. UR): ≥ 3000 customers and ≥ 60 cust/cct-
12 km
 - 13 • Medium Density Zone (e.g. R1): ≥ 100 customers and ≥ 15 cust/cct-km
 - 14 • The remainder of Hydro One's service territory which is not identified as
15 being a Medium or High (Urban) Density Zone is considered to be a Low
16 Density Zone (e.g. R2)
- 17
- 18 b) The figure below shows a medium density zone (yellow area) identified in Hydro One's
19 service territory containing 282 customers with a density of 25.0 customers per cct-km.
20 The meter location for all customer in this figure are identified with an "M". All
21 residential customers with meter locations located inside the medium density zone are
22 classified as R1 and all residential customers with meter locations located outside the
23 medium density zone are classified as R2. As an example, if Customer A is a seasonal
24 customer they will be moved to the R2 class, and if Customer B is a seasonal customer,
25 they will be moved to the R1 class.



OEB STAFF INTERROGATORY #4

Reference:

pp.8 – 12

Interrogatory:

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.

Response:

As indicated in the report, Figure 1 is based on 2017 actual consumption data, Tables 1 to 3 are based on review of the density zone boundaries applicable to Seasonal customers carried out in 2017, and Tables 4 and 5 are based on the results from Hydro One's currently approved OEB-approved Cost Allocation Model (for the 2018 rate year). These figures/tables were not updated in the October 2020 report for the following reasons:

- 2018 is still the currently OEB-approved cost allocation study applicable for 2021 and 2022
- 2017 consumption data is consistent with the load forecast used in the 2018 cost allocation study
- There was no further update available to the density zone boundaries applicable to Seasonal customers

Figure 1 and Tables 1 to 5 would not generally impact any of the analysis in the updated 2019 Seasonal Report. The only table that, if updated, could have impacted the analysis in the report is Table 3 (Monthly Consumption Values for Bill Impact Calculations). This would have resulted in the bill impacts being calculated at slightly different consumption levels, however, Hydro One does not believe that the this change would be material and it would not have resulted in any different conclusions or recommendations from those provided in the updated report.

OEB STAFF INTERROGATORY #5

Reference:

p.9, Footnote 10

Interrogatory:

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.

Response:

- a) Hydro One has used the latest information from the 2020/2021 density review to establish the split of seasonal customers moving to the UR, R1 and R2 classes for the purpose of cost allocation and rate design in Hydro One's recently filed Transmission and Distribution Joint Rate Application (JRAP). Assuming Seasonal class changes are implemented on January 1, 2023, the actual year-round residential classes that seasonal customers will move to will be based on the latest density review which Hydro One expects to update at some point in 2022 as part of its annual review process. Once the OEB approves the final 2023 distribution rates as part of the JRAP application, Hydro One will calculate the final mitigation credit amounts based on this updated customer classifications and average monthly consumption of each seasonal customer based on last 12 months of data available at that time.
- b) In the response to Exhibit I-01-01 part d) Hydro One has provided the estimated impact on seasonal customers in 2023 as a result of eliminating the Seasonal class, which includes the impact of using the latest seasonal customer information as input to the cost allocation and rate design in JRAP. Hydro One expects that it will also be required

1 to provide the mitigation details for the Seasonal Class at some point during the JRAP
2 proceeding to reflect the OEB's decision in this proceeding. Hydro One does not
3 expect any significant changes to the impact on customers as a result of this update that
4 would materially change the conclusions or recommendations in the updated Seasonal
5 Report.

OEB STAFF INTERROGATORY #6

Reference:

p.10

Interrogatory:

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,

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

4
5 Please provide all necessary explanations for the above scenarios.

6
7 **Response:**

- 8 a) Confirmed, except as noted in the next sentence. Hydro One would like to clarify that
9 the 2022 end-state impacts referenced in the updated Seasonal Report are derived based
10 on calculating end-state all-fixed rates that would be applicable in 2022 (i.e. 2022
11 fixed/volumetric split is assumed to be 100% for all residential rate classes). It does not
12 include any revenue requirement or other adjustments to go from 2022 to 2024.

- 13
14 b) In its 2018-2022 distribution rates application (EB-2017-0049), Hydro One received
15 approval of: 1) 2018 Cost Allocation, 2) approach for calculating revenue requirement
16 and rates for 2019-2022, and 3) load forecast for the entire 2018-2022 period.

17
18 As mentioned in the Preamble to this interrogatory, Hydro One used the OEB-approved
19 2018 Cost Allocation Model (CAM) as the “Status Quo” scenario and created another
20 version where the Seasonal class is eliminated and seasonal customers are moved into
21 their respective year-round residential rate classes. The OEB-approved approach to rate
22 design for 2019-2022 was then used to derive rates for these years using the 2018
23 Status Quo and Seasonal Eliminated scenario results as the starting point, and using the
24 approved load forecast and approved /estimated 2018-2022 revenue requirements.

- 25
26 c) See response to part a).

27
28 d)

- 29 i. As indicated in response to OEB Staff Interrogatory Exhibit I-01-01 parts a)
30 and b), Hydro One does not believe there is sufficient time to implement any
31 changes to the Seasonal class on January 1, 2022. Also, there will be no updated
32 cost allocation model available for this implementation date.
33 ii. Please see response to Exhibit I-01-01 part d) for bill impacts for seasonal
34 customers if the Seasonal class elimination was implemented on January 1,
35 2023 based on an updated 2023 cost allocation model and the latest information
36 on seasonal customer numbers and load, as well as how seasonal customers
37 would be split between the R2, R1 and UR rate classes. The impacts shown in

Exhibit I-01-01 part d) are equivalent to Table 7 which do not include end state impacts.

It is not possible to show “with end state” impacts in the same format as in the updated Seasonal Report because a 2023 seasonal status quo cost allocation and rate design is not available. Hydro One notes that the assessment of “end-state” impacts was an important consideration when the OEB was considering the Motion to Review its original decision to eliminate the Seasonal class. Now that the Motion has been denied, and given that mitigation will be put in place to limit the impact on seasonal customers, the magnitude of those end-state impacts are less relevant.

However, for information purposes the table below shows the impact on seasonal customers moving from their 2022 distribution rates to “end-state” 2023 rates (i.e. 100% fixed) for the R2, R1 and UR classes.

Rate Class	Monthly Consumption (kWh)	2022 Total Bill (\$)*	2023 Seasonal Eliminated Change in Total Bill if moving to “end-state” UR, R1 or R2 rates	
			(\$)	(%)
Seasonal-UR	50	\$62.97	(\$22.22)	-35%
	350	\$109.41	(\$31.39)	-29%
	1,000	\$210.04	(\$51.25)	-24%
Seasonal-R1	50	\$62.97	\$1.78	3%
	350	\$109.41	(\$7.09)	-6%
	1,000	\$210.04	(\$26.29)	-13%
Seasonal-R2	50	\$62.97	\$61.33	97%
	350	\$109.41	\$53.14	49%
	1,000	\$210.04	\$35.39	17%

*2022 Revenue Requirement includes Tax Savings amounts per the OEB’s Decision in EB-2020-0194.

OEB STAFF INTERROGATORY #7

Reference:

p.10

Interrogatory:

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.

Response:

- a) To calculate the updated Coincident Peak (CP) and Non-coincident Peak (NCP), the hourly forecasts for each “consolidated” residential class (UR, R1, and R2) were determined by adding together the portion of hourly forecasts of seasonal customers mapped to that class and the hourly forecasts of customers who were already in that class. These “consolidated” hourly load forecast were then used to derive a set of revised NCP CAM input values by class. The hourly load forecast for each class was added together (hour by hour) to obtain the total distribution system load forecast and establish the peak dates and hours required in order to determine the CP CAM input values by class. Hydro One’s approach ensures that the CP values for total distribution system remain the same before and after seasonal elimination.
- b) Yes. As discussed in part a, Hydro One derived updated load profiles for each “consolidated” residential class (UR, R1 and R2) and these load profiles are based on the specific customers proposed for each rate class.
- c) See responses in parts a and b.

OEB STAFF INTERROGATORY #8

Reference:

p.11

Interrogatory:

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.

Response:

- a) Hydro One would like to correct the referenced evidence. The total revenues collected at current rates should be the same for the two scenarios (Seasonal Status Quo and Seasonal Eliminated).

In calculating the revenue collected at current rates in Tab “I6.1 Revenue” of the CAM for the Seasonal Eliminated scenario, Hydro One erroneously applied the approved 2017 R1, R2 and UR rates¹ to the seasonal customers that moved to those classes. In fact, what should have been used to calculate the revenue at current rates for the Seasonal Eliminated scenario are “blended current rates” for the R1, R2 and UR rate

¹ EB-2016-0081 Hydro One 2017 Distribution Rates - Decision and Rate Order, issued on December 21, 2016

classes which reflect that seasonal customers moving into those classes were paying the approved 2017 *Seasonal class rates* and the year-round customers were paying their 2017 approved R1, R2 and UR rates. If these “blended current rates” were input as current rates in the Seasonal Eliminated scenario, the resulting total revenues at current rates would be the same as in the Seasonal Status Quo scenario. In effect the \$104.2M in revenue at current rates collected for the Seasonal class under the Status Quo scenario would be split between R1, R2 and UR rate classes under the Seasonal Eliminated scenario.

Please see a revised Table 4 below with the correction described above.

Rate Class	UR	R1	R2	Seasonal	GSe	GSd	UGe	UGd	St Lgt	Sen Lgt	USL	DGen	ST	Total
Seasonal Status Quo														
Revenue at Current Rates	89.8	298.5	492.7	104.2	157.4	133.1	21.6	27.0	9.8	5.4	3.3	3.5	50.1	1,396.4
Escalated Revenue	93.7	311.7	514.7	108.9	164.5	139.2	22.6	28.2	10.2	5.5	3.4	3.7	52.4	1,458.5
Cost	87.1	285.0	530.1	100.0	166.3	156.0	22.5	31.0	11.0	5.7	2.8	6.3	54.8	1,458.5
R/C Ratio	1.08	1.09	0.97	1.09	0.99	0.89	1.01	0.91	0.93	0.97	1.23	0.58	0.96	1.00
Seasonal Eliminated														
Revenue at Current Rates	89.9	346.5	548.6	0.0	157.5	133.2	21.6	27.0	9.8	5.4	3.3	3.5	50.1	1,396.4
Escalated Revenue	93.8	361.9	573.1	0.0	164.5	139.2	22.6	28.2	10.2	5.5	3.4	3.7	52.4	1,458.5
Cost	87.7	312.5	596.6	0.0	168.6	158.2	22.7	31.4	11.2	5.7	2.8	6.3	54.9	1,458.5
R/C Ratio	1.07	1.16	0.96	-	0.98	0.88	0.99	0.90	0.91	0.97	1.23	0.58	0.95	1.00

As a result of this correction the revenue deficiency factor in the Seasonal Eliminated scenario increases from 3.0% to 4.6% (same as the Status Quo scenario), and the revenue collected at current rates is lower for the R2 class and higher for the R1 class. The net impact of these changes is that for the Seasonal Eliminated scenario, the R2 rates used throughout the report are overstated (i.e. they should be lower) and the R1 rates used throughout the report are understated (i.e. they should be higher).

This means that the bill impacts shown in Table 7, 8, 9 and 10 are marginally over-estimated for the Seasonal-R2 customers and marginally under-estimated for the Seasonal-R1 customers. With respect to the proposed mitigation options for seasonal customers moving to the R2 class, the correction noted above would marginally reduce the amount and duration of the credits required under Option 1, and it would marginally reduce the phase-in period for Option 2A. For Option 2B, the bill impacts would be marginally reduced but Hydro One would still expect the impacts for low volume seasonal customers to be above 10% in some of the early years, as is currently the case under this option.

1 Hydro One acknowledges that the absolute numbers in the Seasonal Report would
2 change as a result of the noted correction, but we believe that the overall conclusions
3 from the analysis in the Seasonal Report remain accurate, that is:

- 4 • Seasonal customers going to UR will see a significant bill decrease
- 5 • Seasonal customers going to R1 will see a slight bill decrease
- 6 • Seasonal customers going to R2 will see a significant bill increase
- 7 • A mitigation plan is required for seasonal customers going to R2
- 8 • The relative merits of the various mitigation options remain accurate

9
10 It is also important to recognize that *all* values in the Seasonal Report represent only
11 an *estimate* of what the impacts could be like when the elimination of the Seasonal
12 class is implemented. As indicated in the interrogatory response at Exhibit I-01-01 part
13 a), Hydro One proposes that the elimination of the Seasonal Class be implemented on
14 January 1, 2023.

15
16 To assist the OEB in understanding what the 2023 bill impacts (without mitigation)
17 will be based on the revenue requirement proposed in Hydro One's 2023-2027 Rate
18 Application (EB-2021-0110), Hydro One has reproduced the bill impacts under
19 Seasonal Eliminates scenario in Table 7 from the updated Seasonal Report below
20 assuming a January 1, 2023 implementation.

Table 7
2023 Bill Impacts under Seasonal Eliminated Scenario –
Hydro One Legacy Customers

Rate Class	Monthly Consumption/Peak (kWh/kW)	2022 Total Bill (\$)	2023 Seasonal Eliminated Change in Total Bill	
			(\$)	(%)
UR	350	79.94	-1.92	-2.4%
	750	129.92	-2.20	-1.7%
	1,400	211.13	-2.65	-1.3%
R1-With DRP	400	85.85	-0.28	-0.3%
	750	129.94	-0.53	-0.4%
	1,800	262.22	-1.28	-0.5%
R1-Without DRP	400	107.13	-0.45	-0.4%
	750	154.49	-2.25	-1.5%
	1,800	296.54	-7.64	-2.6%
R2-With DRP	450	93.16	-0.33	-0.4%
	750	131.63	-0.55	-0.4%
	2,300	330.38	-1.67	-0.5%
R2-Without DRP	450	128.07	-13.72	-10.7%
	750	171.02	-16.14	-9.4%
	2,300	392.97	-28.64	-7.3%
Seasonal-UR	50	62.97	-22.22	-35.3%
	350	109.41	-31.39	-28.7%
	1,000	210.04	-51.25	-24.4%
Seasonal-R1	50	62.97	-1.84	-2.9%
	350	109.41	-9.24	-8.4%
	1,000	210.04	-25.26	-12.0%
Seasonal-R2	50	62.97	54.26	86.2%
	350	109.41	48.36	44.2%
	1,000	210.04	35.56	16.9%
GSe	2,000	408.04	-7.37	-1.8%
UGe	2,000	329.92	-3.92	-1.2%
GSd	36,104/124	8,717.84	-100.12	-1.1%
UGd	50,525/135	9,980.17	-46.63	-0.5%
St Lgt	517	117.77	-3.64	-3.1%
Sen Lgt	71	22.75	-1.38	-6.1%
USL	364	88.60	-6.07	-6.9%
DGen	1,328/13	608.34	-15.45	-2.5%
ST	1,601,036/3,091	262,387.19	-356.47	-0.1%

* Assuming a 2023 implementation it is anticipated that credits would only be required up to 2029 (was 2030 in the Seasonal report with 2022 implementation) and the total credit amount is \$121M (was \$150M in the Seasonal Report with 2022 implementation).

Table 13
Estimated Monthly Fixed Rider by Rate Class
to Recover 2023 Credit Cost under Option 1

Rate Class	Number of Customers (2023)	Rates Revenue Requirement (2023) (\$M)	Credit Variance Account Share (\$M)	Fixed Rate Rider (\$/month/cust)
UR	246,399	106.1	2.4	0.81
R1	544,981	401.1	9.0	1.38
R2	414,577	619.4	14.0	2.81
GSe	88,795	163.2	3.7	3.45
GSd	5,343	135.3	3.1	47.60
UGe	18,432	22.5	0.5	2.29
UGd	1,743	26.4	0.6	28.46
St Lgt	5,494	9.1	0.2	3.12
Sen Lgt	19,409	2.4	0.1	0.24
USL	5,752	3.1	0.1	1.01
DGen	1,489	5.5	0.1	7.00
ST	910	60.3	1.4	124.44
AUR	15,476	5.5	0.1	0.67
AUGe	1,380	1.0	0.0	1.39
AUGd	207	1.2	0.0	10.44
AR	38,991	16.8	0.4	0.81
AGSe	4,223	3.9	0.1	1.74
AGSd	303	3.2	0.1	19.73
Total	1,413,905	1,586.0	35.8	

Table 14
2023 Impacts on Seasonal-R2 customers under Option 2A *

Rate Class	Monthly Consumption (kWh)	2022 Total Bill (\$)	2023 Total Bill (\$)	Change 2022 to 2023 (\$)	Change 2022 to 2023 (%)
Seasonal-R2	50	62.97	68.73	5.76	9.1%
	350	109.41	112.11	2.70	2.5%
	1,000	210.04	206.12	-3.92	-1.9%

* It is estimated that 10 years will be required to move all seasonal-R2 customers to the full R2 rates (as compared to 12 years currently in the Seasonal Report)

Table 15
Impacts on Seasonal-R2 customers of 8 Year Phase-in under Option 2B

Monthly Consumption (kWh)	2023 Change in Total Bill		2024 Change in Total Bill		2025 Change in Total Bill		2026 Change in Total Bill		2027 Change in Total Bill		2028 Change in Total Bill		2029 Change in Total Bill		2030 Change in Total Bill	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
50	7.32	11.6%	7.45	10.6%	7.75	10.0%	7.76	9.1%	7.76	8.3%	7.76	7.7%	7.76	7.1%	7.76	6.7%
350	4.18	3.8%	5.14	6.6%	7.30	6.5%	7.31	6.2%	7.28	5.8%	7.31	5.5%	7.31	5.2%	7.31	5.0%
1,000	-2.63	-1.3%	0.12	3.6%	6.32	3.7%	6.33	3.6%	6.24	3.5%	6.33	3.4%	6.33	3.3%	6.33	3.2%

b) See response to part a).

OEB STAFF INTERROGATORY #9

Reference:

p.17

Interrogatory:

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.

Response:

The requested information is provided in the table below, based on the 2023 forecast split of Seasonal customers moving to UR, R1 and R2 rate classes shown in interrogatory response I-05-03, part d(iii).

	Average Monthly Breakeven Consumption (kWh)	Number of Customers with End-state Bill Increase	Number of Customers with End-state Bill Decrease	Total Number of Customers
Seasonal-UR	Not Applicable	None	245	245
Seasonal-R1	92	15,453	54,385	69,839
Seasonal-R2	2,705	76,499	1,095	77,595

OEB STAFF INTERROGATORY #10

Reference:

p.19

Interrogatory:

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?

Response:

It was not necessary to review the density factors for the UR, R1 or R2 residential rate classes as a result of migrating seasonal customers to those classes because the density of the seasonal customers moving to their new residential classes already matched the density of the customers currently in that class (e.g. seasonal customers located in a medium density zone will move to the R1 rate class, which *already has* a density factor appropriate to a medium density zone).

OEB STAFF INTERROGATORY #11

Reference:

p.19

Interrogatory:

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.

Response:

In its 2015 application, under proceeding EB-2013-0416, Hydro One completed a density classification review which resulted in large numbers of customers moving between different density-based rate classes. Customers moving from a higher density rate class to a lower density rate class (e.g. an R1 customer moving to the R2 rate class) would have experienced significant bill impacts as a result of this switch between rate classes. In order to mitigate the bill impacts for those customers, the OEB approved Hydro One’s proposal for a credit-based approach to mitigate bill impacts, similar to what is proposed under the first mitigation option.

The mitigation option of phasing-in the existing rates for customers that would otherwise experience potentially large impacts as a result of being moved to a new rate class was proposed by Hydro One, and approved by the OEB, in 2008 as part of proceeding EB-2007-0681. In that proceeding, the customers of roughly 80 utilities acquired by Hydro One in and around 2000 were moved from their original rate classes to other existing Hydro One rate classes. In order to mitigate the impact on acquired customers of moving to their new rate classes, their rates were phased-in over a number of years from their starting values to the rates of the classes into which they were moving, so as to limit their total bill impacts to 10% per year.

The two situations described above both required addressing potentially large customer bill impacts, and therefore provided experience from which to draw on when considering potential bill impact mitigation options for the elimination of the Seasonal class.

OEB STAFF INTERROGATORY #12

Reference:

p.24

Interrogatory:

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.

Response:

- a) To clarify, the drawback referenced in the preamble to the question relates to the impact from rate riders that would be required to recover the credits paid out under Option 1. The Table below provides the fixed rate rider as percentage of the distribution charge for each rate class. As shown in this table, the fixed rate riders provided in Table 13 of the updated Seasonal Report represent a significantly larger percentage increase in the distribution charges for low consumption customers in classes where fixed charges represent only a small portion of the revenue collected from those classes, in particular for the street light and ST customer classes.

Rate Class	Distribution Charges under Seasonal Eliminated Scenario	Fixed Rate Rider (\$/cust/month)	Rate Rider as % of Distribution Charge
UR	\$36.06	\$0.80	2%
R1*	\$55.53	\$1.31	2%
R2**	\$124.13	\$2.92	2%
GSe	\$96.89	\$3.56	4%
GSd	\$1,210.66	\$50.59	4%
UGe	\$56.28	\$2.39	4%
UGd	\$736.11	\$30.56	4%
St Lgt	\$14.28	\$3.63	25%
Sen Lgt	\$6.30	\$0.25	4%
USL	\$41.05	\$1.11	3%
DGen	\$298.39	\$7.03	2%
ST	\$2,081.53	\$132.87	6%
<i>* Excludes Distribution Rate Protection</i>			
<i>** Excludes Distribution Rate Protection and Remote/Rural Rate Protection credit</i>			

b) Hydro One's approach to the drawback noted for Option 1 would be to develop both fixed and variable riders for disposition of the credit costs to non-residential rate classes. The amount of the credit costs to be recovered would be split between the fixed and variable riders in proportion to the share of total revenue collected via fixed and variable base distribution charges. This approach was previously approved by the OEB in Hydro One rate proceeding EB-2013-0416 and EB-2017-0049, and is also the approached used in EB-2020-0194 for establishing riders to recover the misallocated tax savings amounts. This approach ensures that low volume customers in rate classes where a small share of revenue is collected from fixed charges do not pay a disproportionate share of the credit costs.

The credit cost amounts to be recovered from the non-residential classes are estimated to be about 28% of the total. As shown in Table 13 of the updated Seasonal Report, this amounts to around \$10 million for the first year credit cost.

OEB STAFF INTERROGATORY #13

Reference:

p.24

Interrogatory:

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.

Response:

Option 1 proposes a customer specific credit amount that would differ from customer to customer. This type of variability would require significant modifications to Hydro One’s CIS system as our current solution is built to apply tariffs and rate riders on a customer class basis. The actual setup of credit amounts that vary by customer would be a manual process and with the volume of customers involved would be a significant undertaking and one that would be fraught with risk of human errors.

To modify Hydro One’s CIS to support customer specific variable credits would carry a material cost in the range of \$5 to \$8 million and would require at least 12 to 18 months to implement.

OEB STAFF INTERROGATORY #14

Reference:

p.25 and p.9

Interrogatory:

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.

Response:

a) Approximately 17% of total seasonal customers moving to the R2 class will see bill impacts higher than 10% under mitigation Option 2A. The largest bill increase is estimated to be 13% for customers with monthly consumption of 0 kWh. Hydro One notes that it would be possible to modify Option 2A (i.e. extend the phase-in period for moving from current Seasonal Class rates to all-fixed R2 rates) such that bill impacts for all seasonal customers (including those with 0 average monthly consumption) would be limited to 10%, however this will increase the phase-in period to 16 years.

b) Table below provides the requested information.

Monthly Consumption (kWh)	Change in Total Bill (\$) - Year 1 (2022)	Change in Total Bill (%) - Year 1 (2022)	Change in Total Bill (\$) - Year 2 (2023)	Change in Total Bill (%) - Year 2 (2023)	Change in Total Bill (\$) - Year 3 (2024)	Change in Total Bill (%) - Year 3 (2024)	Change in Total Bill (\$) - Year 4 (2025)	Change in Total Bill (%) - Year 4 (2025)	Change in Total Bill (\$) - Year 5 (2026)	Change in Total Bill (%) - Year 5 (2026)	Change in Total Bill (\$) - Year 6 (2027)	Change in Total Bill (%) - Year 6 (2027)	Change in Total Bill (\$) - Year 7 (2028)	Change in Total Bill (%) - Year 7 (2028)	Change in Total Bill (\$) - Year 8 (2029)	Change in Total Bill (%) - Year 8 (2029)	Change in Total Bill (\$) - Year 9 (2030)	Change in Total Bill (%) - Year 9 (2030)	Change in Total Bill (\$) - Year 10 (2031)	Change in Total Bill (%) - Year 10 (2031)	Change in Total Bill (\$) - Year 11 (2032)	Change in Total Bill (%) - Year 11 (2032)	Change in Total Bill (\$) - Year 12 (2033)	Change in Total Bill (%) - Year 12 (2033)
50	4.99	10.0%	5.17	9.4%	5.16	8.6%	5.45	8.4%	5.44	7.7%	5.44	7.2%	5.44	6.7%	5.44	6.3%	5.45	5.9%	5.44	5.6%	5.45	5.3%	5.44	5.0%
350	1.95	2.0%	3.17	5.1%	3.17	4.9%	5.11	5.1%	5.10	4.8%	5.08	4.6%	5.10	4.4%	5.10	4.3%	5.11	4.1%	5.07	3.9%	5.11	3.8%	5.10	3.7%
1,000	-4.63	-2.2%	-1.15	2.6%	-1.16	2.6%	4.37	2.7%	4.36	2.7%	4.29	2.6%	4.36	2.6%	4.36	2.5%	4.37	2.5%	4.28	2.4%	4.37	2.4%	4.36	2.3%

OEB STAFF INTERROGATORY #15

Reference:

p.25

Interrogatory:

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.

Response:

- a) The phase-in mitigation approach under Option2 is applied to **all** Seasonal-R2 customers, but the pace of the phase-in is limited by the impact on low volume (50 kWh) seasonal customers. This provides a benefit for high-volume seasonal customers for the reasons detailed below.

Under Option 2A, the monthly fixed charge for all seasonal-R2 customers is gradually phased-in (increased) to the 2022 end-state all-fixed R2 monthly charge of \$131.66 over a number of years in order to limit the impact on 50 kWh seasonal customers to 10%. Over the mitigation phase-in period, all R2 customers will pay a volumetric rate that ensures recovery of the total revenue to be collected from the R2 class that is not covered by the monthly fixed charges. The volumetric rate payable by all R2 customers – including Seasonal-R2 customers – in 2022 is lower than the volumetric rate seasonal

1 customers were paying as a standalone class in 2021, and therefore high volume
2 seasonal customers will see a reduction in their total bill. Since seasonal customers
3 moving to the year round residential classes will need to be identified as such in the
4 billing system, it is possible to apply a different monthly fixed charge to seasonal-R2
5 customers versus year-round R2 customers, but it is not practical or possible to apply
6 different distribution rates for the ~78,000 seasonal customers moving to R2 class
7 based on consumption levels.

- 8
9 b) As shown in Table 6 of the report, if the Seasonal customers were moved to their
10 respective year-round rate classes, the 2022 volumetric rate for the R2 customers is
11 estimated to be \$0.0167/kWh. Under mitigation Option 2A, the 2022 volumetric rate
12 for the R2 customers is estimated to be \$0.0292/kWh. Under Option 2A, the R2
13 customers would have uniformly reducing volumetric charge, on top of the fixed charge
14 of \$131.66 per month, up until year 12 (2033).

15
16 However, as mentioned in interrogatory response I-01-17, with the Distribution Rate
17 Protection (DRP) program currently in place, the increase in distribution charges for
18 year-round R2 residential customers will be absorbed by DRP.

OEB STAFF INTERROGATORY #16

Reference:

p.26

Interrogatory:

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.

Response:

- a) All seasonal customers moving to the R2 class with average monthly consumption in the 0-50 kWh range would experience bill increases greater than 10% up until at least 2026. The largest impact would be for customers with no consumption (i.e. 0 kWh). Table below provides the bill impact for each of the 8 years of phase-in period for customers with 0 kWh average monthly consumption.

Monthly Consumption (kWh)	Change in Total Bill (\$)- Year 1 (2022)	Change in Total Bill (%) - Year 1 (2022)	Change in Total Bill (\$)- Year 2 (2023)	Change in Total Bill (%) - Year 2 (2023)	Change in Total Bill (\$)- Year 3 (2024)	Change in Total Bill (%) - Year 3 (2024)	Change in Total Bill (\$)- Year 4 (2025)	Change in Total Bill (%) - Year 4 (2025)	Change in Total Bill (\$)- Year 5 (2026)	Change in Total Bill (%) - Year 5 (2026)	Change in Total Bill (\$)- Year 6 (2027)	Change in Total Bill (%) - Year 6 (2027)	Change in Total Bill (\$)- Year 7 (2028)	Change in Total Bill (%) - Year 7 (2028)	Change in Total Bill (\$)- Year 8 (2029)	Change in Total Bill (%) - Year 8 (2029)
0	7.79	18.7%	8.25	16.7%	8.25	14.3%	8.26	12.5%	8.25	11.1%	8.25	10.0%	8.25	9.1%	8.25	8.3%

1 b) Hydro One proposed an 8 year phase-in option in direct response to feedback from
2 OEB staff to consider such an alternative in the July 19, 2019 update to the Seasonal
3 report.

4
5 Section 2.8.13.2 of the OEB's filing requirements indicate that a distributor must file a
6 mitigation plan if total bill increases for any customer class exceed 10%, but it does not
7 specify the consumption level to use in the calculation. Under the 8-year phase-in
8 option a typical seasonal customer consuming 350 kWh per month will see impacts
9 below 10%. While the impact for low volume seasonal customers is above 10%, the
10 dollar impact is not significantly more than what the average seasonal customer will
11 experience over most years of the 2022 to 2029 period.

12
13 It is not unprecedented for the Board to deviate from its filing requirements, where
14 conditions warrant it. As an example, during the transition to fully-fixed rates for
15 residential class customers the Board indicated that they expected distributors to
16 implement the change in equal increments over a four-year period while limiting the
17 increase in the monthly service charge to no more than \$4 per year in order to effect
18 this change. The Board also indicated that in most cases, only a fifth transition year
19 would be required to make the changes within the \$4 impact threshold identified in the
20 policy. However, in its Decision on Hydro One's 2016 Draft Rate Order (EB-2015-
21 0079), the OEB noted that for the R2 customer class, the transition period required to
22 achieve a \$4 annual fixed rate increase would be 15 years, and they found 15 years to
23 be an unreasonable time period to transition to fully fixed rates for this customer class.
24 Accordingly they directed Hydro One to transition the R2 class over an eight year
25 period, even though the \$ impacts were in excess of the \$4 amount prescribed in the
26 filing requirements.

OEB STAFF INTERROGATORY #17

Reference:

p.26

Interrogatory:

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.

Response:

Only Options 2A and 2B would be subject to the type of impact described in the referenced paragraph. However, Hydro One would like to amend its position with respect to the impacts associated with both Options 2A and 2B.

The updated Seasonal Report currently states that both Options 2A and 2B would result in higher rates for the year-round residential R2 customers, however, Hydro One notes that due to the introduction of the Distribution Rate Protection (DRP) available to year-round R2 customers, they would not actually see the impact of any rate increases on their electricity bills. That is, with DRP in place, year-round R2 residential customers would not see higher bills as a result of adopting either Option 2A or 2B.

Options 2A or 2B are much simpler to implement and communicate to customers than the currently recommended Option 1, and do not pose the implementation challenges associated with managing the credit-based approach under Option 1 as discussed in Section 8.1 of the report and further discussed in the response to Exhibit I-01-13.

Filed: 2021-08-17

EB-2020-0246

Exhibit I

Tab 1

Schedule 17

Page 2 of 2

- 1 Since the primary drawback associated with Options 2A and 2B was the negative impact
- 2 on year-round R2 residential customers, which is no longer a concern given the
- 3 introduction of DRP, Hydro One proposes that either of these options should be preferred
- 4 over Option 1.

OEB STAFF INTERROGATORY #18

Reference:

p.26 and pp. 21-22

Interrogatory:

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.

Response:

a) Customers with consumption lower than the midpoint within the consumption band will see impacts greater than 10%. Hydro One calculated the total bill impacts at the lower boundary of every consumption band (for example, at 0kWh for 0-50kWh consumption band) and the largest total bill impact observed, with the mitigation credit, was 12%. Hydro One is not considering customer-specific mitigation plans as it is not possible or practical to administer individualized mitigation plans given the large number of customers that would be impacted and the relatively small dollar amounts. An alternative would be to base the credit amount on the low end of the consumption band, although this would increase the cost of mitigation slightly.

b) The process would be as follows:

- The annual review would be done in the last quarter of the year and would be based on the previous 12 months of consumption. The timing of the review is intended to line up with a January 1st implementation date for new distribution rates approved as part of annual rate applications. For each customer, the usage over the prior 12 months would be summed up and divided by 12 to derive the average monthly consumption. The start and end dates of the 12 month period would vary slightly between customers to align with the customer's meter read/billing periods in order to avoid the need to prorate consumption and to fully align with the information that a customer sees on their bills.
- The above results would-be mapped against the proposed credit table to determine which customers fall into what category and the credits would be applied on bills issued after January 1 of the next year and be in place for the following 12 months.
- Hydro One plans to notify customers of the change through electronic direct mail to extent possible, and using traditional mail only in cases where a customer e-mail address is not on file. A bill insert will be included with the first bill containing the changed credit amount, and that bill will also contain a bill message specifying the new/revised credit amount. All of this would be augmented with appropriate information on Hydro One's customer website.

OEB STAFF INTERROGATORY #19

Reference:

p.26

Interrogatory:

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.

Response:

- a) A draft accounting order is provided as Attachment 1.
- b) Once changes to the Seasonal class are implemented, Hydro One will start tracking any mitigation credit costs in the Bill Impact Mitigation Variance Account. Assuming an implementation date of January 1, 2023, the earliest this account will be brought forward for disposition is in the application for 2025 distribution rates. Disposition would be sought annually in the rate applications for future years until mitigation is no longer required. The magnitude of the impact of the rate riders to dispose of the credit costs on total customer bill will depend on:
 - 1. the distribution rates being proposed at that time;
 - 2. the revenue requirement share of each rate class in the year of disposition;
 - 3. other variance account balances being disposed of that year; and
 - 4. changes to RTSRs

1 Given the factors noted above, it is not possible to project the bill impacts of credit
2 costs recovery at this time. In any case, whenever the credit variance account balances
3 are brought forward for disposition, Hydro One will look at the total bill impacts,
4 including the impact from all of the factors noted above, and will adjust its mitigation
5 plan (i.e. magnitude of the credit under Option 1, or magnitude of the fixed charge
6 increase under Option 2A) in order to limit total bill impacts to no more than 10% as
7 prescribed by the OEB.

HYDRO ONE DISTRIBUTION ACCOUNTING ORDER

ACCOUNT 1508 – BILL IMPACT MITIGATION VARIANCE ACCOUNT

Hydro One Distribution proposes the establishment of a new Account 1508 – Other Regulatory Assets, Sub-Account “Bill Impact Mitigation Variance Account” to track the monthly mitigation credits paid to seasonal-R2 customers. The mitigation credits limit seasonal-R2 total bill impact to 10% per year taking into account all distribution rate changes.

The account will be established as Account 1508 – Other Regulatory Assets, Sub-Account “Bill Impact Mitigation Variance Account” effective January 1, 2023. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

<u>USofA #</u>	<u>Account Description</u>
DR 1508	Other Regulatory Assets, Sub-Account “Bill Impact Mitigation Variance Account”
CR 1100	Customer Accounts Receivable

To record the mitigation costs resulting from the rate impact mitigation plan.

<u>USofA #</u>	<u>Account Description</u>
DR 1508	Other Regulatory Assets, Sub-Account “Bill Impact Mitigation Variance Account”
CR 6035	Other Interest Expense

To record interest improvement on the principal balance of the Bill Impact Mitigation Variance Account.

OEB STAFF INTERROGATORY #20

Reference:

p.32

Interrogatory:

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.

Response:

Customer and stakeholder concerns that the seasonal rate class elimination will drive costs up was a key driver in the option evaluation, with minimizing implementation and administration costs being by far the primary driver. The secondary driver was meeting customer needs, particularly as it relates to the small portion of the seasonal class whose electricity consumption and usage patterns are more representative of a typical residential customer.

OEB STAFF INTERROGATORY #21

Reference:

p.39

Interrogatory:

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.

Response:

- a) The statement that 4 options were considered is an error, in fact only 3 options were assessed.
- b) Our recommended approach is in keeping with customer satisfaction research feedback tied to cost of electricity. The referenced options were reviewed with stakeholders in the session that was held on June 10, 2015 (as detailed in Appendix A of the updated 2019 Seasonal Report). The stakeholders did not raise any specific concerns with the proposed approach and were supportive of the recommended path.

OEB STAFF INTERROGATORY #22

Reference:

p.42

Interrogatory:

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.

Response:

The breakdown of the estimated implementation costs is as follows:

Implementation component	Estimated costs range
Billing/CIS system changes	\$2,400K - \$3,100K
Development of tools and processes to support annual consumption monitoring and credit modifications	\$200K - \$300K
Process redesign and staff training	\$400K - \$600K

OEB STAFF INTERROGATORY #23

Reference:

p.44

Interrogatory:

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.

Response:

- a) Hydro One has never implemented retroactive billing adjustments on this scale. Hydro One's CIS system does not have the functionality to implement large scale retroactive billing adjustments. Hydro One has on occasion executed retroactive cancel/re-bills for a small number of customers but that effort is labour intensive and not scalable to

1 handle large numbers of customers, as would be required if Seasonal class adjustments
2 are applied retroactively.

3
4 b) The complexities associated with calculating retroactive adjustments, whether
5 cancel/rebiling or using a one-time adjustment, are insurmountable given the number
6 of changes to rates and rate riders since the 2015 decision to eliminate the Seasonal
7 class. All of the items listed below have resulted in *cumulative* rate changes for all rate
8 classes that would have to be unwound, and account for impacts on individual
9 customers based on their actual consumption for those years. It is unclear how that
10 could be done.

11
12 The following are among the many changes to distribution rates and rate riders that
13 would have to be unwound and redone for *all rate classes* if the Seasonal class change
14 was applied retroactively:

- 15 • Re-run 2015 cost allocation model (CAM) including new load forecast and all
16 other CAM inputs and establish new 2015 rates and riders previously approved
17 under Hydro One's 2015-2017 Customer IR Distribution rates Application
- 18 • Re-run and reset the rates and riders for 2016 and 2017 approved under Hydro
19 One's annual rate applications for those years Re-run 2018 CAM, including
20 new load forecast and all other CAM inputs and establish new 2018 rates
21 previously approved under Hydro One's 2018-2022 Customer IR Distribution
22 Rates Application
- 23 • Re-run and reset rates and riders for 2019, 2020, 2021 and 2022 approved under
24 Hydro One's annual rate applications for those years
- 25 • Undo and recalculate the 2018 and 2019 foregone revenue disposition resulting
26 from the late timing of the OEB Decision in 2018-2022 Rates Application
- 27 • Undo and recalculate the Earnings Sharing Mechanism (ESM) rider amounts
28 approved and disposed of as part of Hydro One's 2021 Annual Distribution
29 Application
- 30 • Undo and recalculate the riders approved in 2021 for recovery of misallocated
31 Tax Savings amounts per proceeding EB-2020-0194
- 32 • Redo the cost allocation and rate design included in Hydro One's recent joint
33 Transmission and Distribution Rates Application (JRAP) based on the
34 recalculated 2022 input rates for all rate classes

1 Given all of the cumulative changes above, Hydro One does not believe it is possible
2 to accurately calculate what the retroactive impact on customers would be.

3
4 Given the magnitude of the bill impacts and credits calculated in the updated Seasonal
5 Report for mitigation on a go forward basis, a lump sum credit or debit for retroactive
6 adjustments, even if it were possible to accurately calculate, would be a very large
7 amount that could not be practically administered as a single payment.

8
9 It is also unclear how to deal with retroactive credits and debits for customers that are
10 no longer Hydro One customers, or for customers that moved between classes during
11 this period.

OEB STAFF INTERROGATORY #24

Reference:

Q.12

Interrogatory:

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.

Response:

Hydro One is looking for the OEB to provide clarity as to the billing and meter reading frequency that should be applied to the seasonal customers post elimination of seasonal rate class.

OEB STAFF INTERROGATORY #25

Reference:

Q.13

Interrogatory:

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.

Response:

The \$150 million in mitigation credit for Seasonal-R2 customers is estimated as follows:

1. Mid-point in the consumption ranges shown in Table 12 is used for all bill calculations. For example, for consumption range 0-50 kWh the bills are calculated at 25 kWh.
2. 2021 bills are calculated for seasonal customers under Status Quo scenario (i.e. using 2021 rates for the Seasonal class).
3. 2022 bills are calculated for Seasonal customers moving to R2 class with estimated 2022 rates for R2 class.
4. Difference between 2022 total bill with R2 rates and 2021 total bill with Seasonal rates increased by 10% (i.e. 2021 bill * 1.1) is the mitigation credit amount that will be provided to every seasonal customer in the particular consumption group.
[Note: Steps 2 to 4 are illustrated in Table 11 of the updated Seasonal Report]
5. Assuming revenue requirement remains frozen at the 2022 level, Step 4 is repeated, and new mitigation credit amount is calculated, for every year until the bill impacts for Seasonal-R2 customers are less than 10%.

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EB-2020-0246

Exhibit I

Tab 1

Schedule 25

Page 2 of 2

- 1 6. The mitigation credit values are multiplied by the estimated number of customers
- 2 in each consumption group to derive the total mitigation credit amount required for
- 3 each year, as shown in the “Annual Credit Amount (\$M)” column in Table 12.

RICHARD GRUCHALA INTERROGATORY #1

Reference:

Table 10, p. 17 (sub-section 4.1) and para. 4, p. 24 (sub-section 4.3.2)

Interrogatory:

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

1 an added cost burden on the residential low density (R2) class including the seasonal
2 customers moved there.

3
4 e) Has Hydro One factored this prospect into its forecast of future distribution rate
5 increases for seasonal R2 customers? If not, has Hydro One undertaken any analysis
6 on the growth expected in payment defaults with the forecasted substantial hydro bill
7 increases? What would be the estimated additional impact on future distribution rates
8 over and above those already projected for seasonal R2 customers?
9

10 In addition, ongoing or generalized inflationary hydro rate increases (i.e. non-distribution
11 rates) can be expected in the years ahead that will no doubt add to the financial burden
12 faced by hydro customers. From page 49 of the summary notes from the June 10, 2015,
13 stakeholder session, the following comments from a representative of the Balsam Lake
14 Coalition are germane to the issue:
15

16 *I understand Hydro One is eliminating the seasonal rate class at the request of the*
17 *Board, but it needs to fully detail to the Board how much of an impact it will have*
18 *on ratepayers' bills when combined with the fixed charge proposal. Furthermore,*
19 *Hydro One should also detail the impact of those charges when combined with – at*
20 *the minimum – inflationary increases in other components of the bill...*
21

22 Similar thoughts are found on page 4 of those stakeholder summary notes from a
23 representative of the Vulnerable Energy Consumers Coalition (VECC) as follows:
24

25 *Hydro One needs to be clear about its interpretation of the 10% stipulated by the*
26 *Ontario Energy Board – whether just looking at the impact of eliminating the*
27 *Seasonal class or all factors ... impacting rates.*
28

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

Response:

a) As mentioned in the preamble to this interrogatory, \$114.13 is the estimated 2022 total bill for low consumption seasonal customers moving to R2 class, whereas \$131.66 is the distribution charges, which is only one component of the total bill.¹

The \$49.68 fixed monthly charge for the Seasonal class shown on Hydro One's website includes rate riders. The Seasonal Report excludes the impact of riders, as they can change year to year and so including them could have distorted the analysis. Excluding rate riders, the current fixed charge for the Seasonal class is \$50.72. Hydro One notes that, in addition to this fixed charge, there is also currently a volumetric component to the distribution charges. If the distribution rates were all-fixed in 2021, the monthly fixed charge would have been \$64.44. This represents an estimated 104% increase in 2022 all-fixed distribution charge for seasonal customers moving to R2 class, over their 2021 all-fixed distribution charge.

b) Tables below provide requested information.

Distribution Rates for Seasonal Rate Class (2015-2024)

Year	Actual							Forecast		
	2015	2016	2017	2018*	2019	2020	2021	2022	2023**	2024**
Fixed Rate (\$/month)	\$28.62	\$32.47	\$36.28	\$36.75	\$39.05	\$45.74	\$50.72	\$56.29	\$60.91	\$65.52
Volumetric Rate (\$/kWh)	\$0.0764	\$0.0748	\$0.0635	\$0.0700	\$0.0690	\$0.0615	\$0.0441	\$0.0299	\$0.0150	\$0.0000

* Move to all-fixed distribution rate was suspended for 2018 rate year because of the timing of the Decision in that proceeding.

* Rates shown are based on 2022 revenue requirement

Total Distribution Charges for Seasonal Rate Class (2015-2024*)

Monthly Consumption (kWh)	Actual							Forecast		
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
50	\$32.44	\$36.21	\$39.46	\$40.25	\$42.50	\$48.82	\$52.93	\$57.79	\$61.66	\$65.52
350	\$55.36	\$58.65	\$58.51	\$61.25	\$63.20	\$67.27	\$66.16	\$66.76	\$66.16	\$65.52
1,000	\$105.02	\$107.27	\$99.78	\$106.75	\$108.05	\$107.24	\$94.82	\$86.19	\$75.91	\$65.52

* 2015-2022 charges include the impact of move to all-fixed distribution rates as well as changes in Hydro One's revenue requirement

¹ The total bill is lower than the distribution charge because of the inclusion of Ontario Energy Rebate in place at time of this report was prepared (which reduces the total bill, before taxes, by 31.8%).

- c) Table 10 in the updated Seasonal Report provides the requested breakout for the changes to a customer's **total bill**, which Hydro One believes to be most relevant given that all residential customer bills in Ontario, including those of seasonal customers, are subject to the Ontario Energy Rebate. The equivalent of Table 10, but showing changes to just *distribution charges* for Seasonal-R2 customers, is provided below.

Monthly Consumption (kWh)	2022 Seasonal Status Quo Total Bill	2022 Change in Distribution Charges for Seasonal Class Moving to All-Fixed Rates		2022 Change in Distribution Charges due to Eliminating the Seasonal Class	
				Seasonal-R2	
	(\$/month)	\$	%	\$	%
50	57.78	7.74	13%	66.14	114%
350	66.78	-1.26	-2%	66.14	99%
1000	86.28	-20.76	-24%	66.14	77%

- d) No, the impact of seasonal customers potentially going “off-grid” has not been factored into any potential rate increases. Hydro One does not have any research or estimates on the number of customers that could go off-grid and potentially cancel their service as a result of the increases to seasonal-R2 customer bills. Hydro One does not have an estimate of how this would impact future distribution rates, but does note that any impacts would affect all customers, not just seasonal-R2 customers.
- e) No, the impact of a rise in payment defaults or service disconnects has not been factored into any potential rate increases. Hydro One does not have any analysis of the impact on payment defaults resulting from the increase in seasonal-R2 electricity bills. Hydro One does not have an estimate of how this would impact future distribution rates, but does note that any impacts would affect all R2 customers, not just seasonal-R2 customers.
- f) Hydro One has provided bill impacts in accordance with the OEB’s Chapter 2 Filing Requirements for electricity distribution cost of service rate applications (Section 2.8.12), which require that bill impacts be calculated assuming commodity and regulatory charges remain constant. Hydro One does not have any projections of total bill impacts assuming inflationary increases in the other components of the bill.

RICHARD GRUCHALA INTERROGATORY #2

Reference:

p. 28-29 (section 5)

Interrogatory:

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. 4

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?

Response:

- a) The information provided in Tables 3 and 4 of Hydro One's May 15, 2020 submission in the Motion to review the OEB decision to eliminate the Seasonal Class was specifically intended to illustrate to the OEB the disparity in what seasonal-R2 customers would pay relative to year-round R2 customers as a result of including DRP

1 in the calculations, based on 2021 data. Given that the OEB denied Hydro One's
2 motion, and given the subsequent release of the October 15, 2020 updated Seasonal
3 Report, the comparisons in Tables 3 and 4 are no longer relevant. However,
4 information showing customer impacts including and excluding DRP beyond 2021 are
5 available in the response to part b) of this interrogatory. .
6

7 b) Customer bill impacts including and excluding DRP and assuming a 2022
8 implementation are provided in Table 7 of the updated Seasonal Report. An update to
9 the information in Table 7 is included in the response to VECC interrogatory at Exhibit
10 I-05-01. Customer bill impacts including and excluding DRP, and assuming a 2023
11 implementation, are included in Exhibit L-06-01 of Hydro One's 2023 to 2027 Rate
12 Application (EB-2021-0110, filed on August 5, 2021). Hydro One is not able to provide
13 similar charts for 2024 as the revenue requirement for that year is still subject to OEB
14 approval and delaying the elimination of the Seasonal class to 2024 is not
15 recommended for the reasons discussed in the response to OEB Staff interrogatory at
16 Exhibit I-01-01 part c).

RICHARD GRUCHALA INTERROGATORY #3

Reference:

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

Interrogatory:

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:

And 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:

1 *The multitude of rate changes within the past few years has meant that almost no*
2 *one understands the bill system and how and why we got to this point.*
3

4 a) Can Hydro One provide details on its communications to date, whether Board ordered
5 or otherwise, directly with seasonal property owners regarding the Board's decisions
6 to firstly move to all fixed distribution rates, and secondly to eliminate the seasonal rate
7 class? What general education or information dissemination measures has Hydro One
8 undertaken or implemented to date aimed at enhancing seasonal property owners'
9 understanding and knowledge of these initiatives?
10

11 b) Also, can Hydro One provide details of its proposed communications strategy directly
12 with impacted seasonal property owners in this matter going forward?
13

14 Although effective communications going forward will be of paramount importance in
15 the writer's view, Hydro One staff are not envied in the task ahead. One of the
16 difficulties involves the complexity of the subject matter, but that is compounded
17 exponentially by the extensive diversity of views advanced to date in this matter and
18 the apparent lack of a consensus amongst key participants, including many of the earlier
19 intervenors. Reading through pages 8 to 13 of the Board's Order dated September 17,
20 2020, it is a most challenging task for a lay person to competently understand the
21 various positions and arguments advanced in this matter by the likes of Hydro One,
22 OEB staff, FOCA, CCC, and BLC, as summarized by the Board. This leaves the lay
23 person confused at the end of the day about the Board's rationale in reaching its
24 decision to eliminate the seasonal class.
25

26 For example, in paragraph 3 on page 9 of the Board's Order of September 17, 2020,
27 it's stated that "OEB staff argued that when the impacts of the move to all-fixed rates
28 are considered, it becomes apparent that the incremental benefits of the elimination of
29 the seasonal class are minimal at best, while incremental adverse impacts on certain
30 customers will be significant..."
31

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

- 1 d) Further, how does Hydro One plan to address this wide diversity of views amongst key
2 stakeholders in its communications strategy going forward? Is Hydro One of the view
3 that it would be helpful as part of its communications strategy directed at seasonal
4 customers to prepare a supplemental, more detailed analysis and/or report that would
5 facilitate a lay person's understanding of all the competing views in this matter?
6

7 **Response:**

- 8 a) Below is a list of customer outreach activities related to the move to all fixed delivery
9 rates and seasonal rate class elimination.

- 10 • Fall/Winter 2015 – bill insert re. OEB's move to all fixed distribution rates
- 11 • Fall/Winter 2015 to present - periodic Hydro One customer website information
12 updates on move to all fixed distribution rate classes and elimination of seasonal
13 rate class
- 14 • Winter/Spring 2017 – bill insert and customer newsletters updating customers
15 on move to all fixed distribution rates and seasonal rate class elimination
- 16 • August 2019 targeted e-mail to seasonal customers advising of plans to
17 eliminate seasonal rate class
- 18 • 2019/2020 outreach to cottage associations and industry related
19 periodicals/magazines to raise awareness of upcoming seasonal rate class
20 elimination and to leverage industry channels to get message out. Some of this
21 outreach resulted in publications of articles
- 22 • February 2021 – Customized direct mail to seasonal customers providing
23 information on customer specific impacts from planned elimination of rate class
- 24 • Ongoing – Q&A for contact centre staff to support effective customer education
25 during interaction with seasonal customers
26

- 27 b) Hydro One has already provided impacted customers with insights on likely bill
28 impacts from the Seasonal Class elimination and how to participate in the OEB
29 proceeding. Our communication strategy going forward will be to provide customers
30 timely information on the outcome of the proceeding and how it impacts them
31 specifically. The specifics will be defined by the magnitude, elements and complexity
32 of the mandated changes, and could include elements such as a direct mail to each
33 impacted customer to provide customer specific impacts, including bill impacts,
34 changes to service mix, timing, and any rate mitigation that would be applicable. This
35 would be followed by a reminder bill insert/bill message with the first impacted bill
36 and be augmented by more enhanced information on the Hydro One customer website.

1 Depending on the scope and complexity of the mandated changes, Hydro One will also
2 look to work with appropriate industry associations to leverage their channels and
3 membership outreach tactics to get the message out.

4
5 c) It would not be appropriate for Hydro One to explain or comment on the position taken
6 by any third party, including OEB staff. The referenced comment by OEB staff is
7 consistent with the observations made at the top of page 18 in the updated Seasonal
8 Report, which clearly quantify the small incremental benefits to seasonal customers
9 moving to the R1 residential class as a result of the elimination of the Seasonal Class.

10
11 d) Hydro One agrees that a diversity of views have been raised during the procedural steps
12 taken since the OEB's March 2015 Decision in EB-2013-0416 and the Motion to
13 Review the decision to eliminate the Seasonal Class. Given the OEB's September 17,
14 2020 decision on the Motion to Review in which it found that the March 2015 Decision
15 to eliminate the Seasonal Class stood, Hydro One believes there is no value or benefit
16 to customers of providing a more detailed analysis of the competing views in this
17 matter. Hydro One will focus its going forward communication strategy on clearly
18 explaining to seasonal customers how the elimination of the Seasonal class will be
19 implemented, what changes they can expect to see on their bill as a result, and how bill
20 impacts will be mitigated.

RICHARD GRUCHALA INTERROGATORY #4

Reference:

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

Interrogatory:

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 guarantee 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?

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

- 5
- 6 d) What would happen when properties are sold? If implemented, would a credit-based
7 approach continue with a new property owner where the new owner essentially "steps
8 into the shoes" of the prior owner's hydro consumption pattern for purposes of the
9 current year's credit calculation? Alternatively, would a new property owner be subject
10 to a different approach and have full distribution rates imposed on taking possession?

11

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

14

15 **Response:**

- 16 a) Use of the 10% cap on total bill as the mitigation threshold is specified in section 2.8.13
17 of Chapter 2 of the OEB's Filing Requirements for Electricity Distribution Rate
18 Applications. Hydro One did not consider options that would cap annual increases at
19 lower threshold levels as they are not consistent with the OEB's Filing Requirements.

- 20
- 21 b) The 10% cap will take into account all distribution-related items, including Retail
22 Transmission Service Charges. Hydro One has no control over any non-distribution
23 rate changes in hydro bills. Hence, Hydro One is not able to derive a mitigation plan
24 that includes these non-distribution rate changes. This approach is consistent with the
25 OEB's Filing Requirements referenced in part a).

- 26
- 27 c) Hydro One has not considered the option of capping the annual increase at that
28 percentage of the base year amount for each subsequent year through the transition
29 period. This approach is not consistent with the mitigation requirement as defined by
30 the OEB's Filing Requirements. In addition, capping the annual increase using the
31 base year amount will prolong the already lengthy transition period required under any
32 of the mitigation options, and it would further increase the variance account balance
33 that would need to be disposed of in the future.

- 34
- 35 d) Hydro One is of the view that a change in property ownership should not be used as a
36 trigger to do an "off cycle" adjustment of the mitigation credits. Hydro One is also not
37 proposing that a change in ownership become the trigger for an immediate move to end

1 state rates. The change in ownership will only have an impact on the mitigation credit
2 for a short period of time (0 to 12 months), and only if the new owner's consumption
3 changes drastically, since the subsequent year's mitigation credit setting process will
4 account for change of ownership impacts. Developing a mechanism to address these
5 edge scenarios would be complex and expensive to implement and administer for the
6 duration of the transition period.

TTCBLA INTERROGATORY #1

Reference:

N/A

Interrogatory:

The 2016 report to the OEB by Hydro One Networks states:

“The report demonstrates that the elimination of the Seasonal Class per the March 2015 decision results in only a small benefit for some seasonal customers at the expense of large negative impacts for other seasonal customers. The elimination of the Seasonal Class, once the move to all-fixed distribution rates is completed, results in a reduction of about \$5/month for the roughly 70,000 seasonal customers moving to the R1 residential class and an increase of about \$54/month for the roughly 78,000 seasonal customers that would move to the R2 residential class. The combined impact on low volume seasonal customers of moving to the R2 residential class at all-fixed distribution rates, and without the rate subsidies available to year-round R2 customers, is a 111% (or \$60/month) increase in their total electricity bill.”

In Hydro One and the former Ontario Hydro’s history of rate increases, has there ever been another situation where 78,000 or more customers were subjected to a doubling of their electricity rates by a decision or change? If so, how was it handled?

Response:

As part of its application for 2008 rates (OEB proceeding EB-2007-0681) Hydro One proposed the integration of about 155,000 customers from 80 utilities that had been acquired around the year 2000. Some of the acquired utility customers experienced total bill impacts of up to 36%. For those customers, Hydro One proposed a mitigation approach similar to Options 2A and 2B from the updated Seasonal Report.

TTCBLA INTERROGATORY #2

Reference:

N/A

Interrogatory:

Prior to the OEB making its decision to eliminate the seasonal rate class, was the seasonal rate class rate structure causing significant issues for Hydro One?

Response:

The Seasonal Class rate structure was not causing significant issues for Hydro One when the OEB made its decision to eliminate this class. The complaints Hydro One did receive from seasonal customers centred on three main areas:

- Complaints related to high bills for those months where seasonal customers are not at their cottage. This common complaint was specifically addressed in the response to Question #5 of the list of questions the OEB asked Hydro one to respond to as part of Procedural Order #2 in this current proceeding.
- Complaints related to high bills for customers with high energy consumption. The reason why Seasonal Class rates are high is partly driven by the low density of seasonal customers, which was explained in the response to Question #4 of the list of questions the OEB asked Hydro one to respond to as part of Procedural Order #2 in the current proceeding. The other contributor to high bills for high consumption seasonal customers is the high volumetric (\$/kWh) charge that results from the low consumption, *on average*, for the Seasonal Class. This issue has diminished over time as a result of the move to fully-fixed distribution rates for the Seasonal Class which started in 2016 and was scheduled to be completed in 2024.
- Complaints generally related to their classification as a seasonal customer.

TTCBLA INTERROGATORY #3

Reference:

N/A

Interrogatory:

What input was sought from Hydro One's stakeholders and customers prior to the decision to eliminate the seasonal rate class?

Response:

Hydro One did not propose eliminating the Seasonal Class as part of its application for 2015-2018 Distribution rates (OEB proceeding EB-2013-0416), and therefore no input was sought from stakeholders and customers regarding elimination of the Seasonal Class.

TTCBLA INTERROGATORY #4

Reference:

N/A

Interrogatory:

Could you please explain each of the components of the cost of providing electrical services to the various classes of customers, and the average cost of each component for each rate class? In particular, how are capital costs and ongoing operational and maintenance costs calculated and assigned to each group of customers?

Response:

Hydro One uses the OEB's Cost Allocation Model (CAM) to assign each of the cost components of providing electrical services to the various classes of customers. The OEB's CAM assigns capital related costs (i.e. Net Income, Interest, Depreciation and Taxes) and Operating, Maintenance and Administration (OM&A) costs to each rate class primarily based on the peak demand and number of customers or connections for each rate class, adjusted by the appropriate weighting factors for each rate class.

Hydro One's 2018 to 2022 Distribution Rate Application (OEB proceeding EB-2017-0049), Exhibit G1, Tab 3, Schedule 1 provides detailed explanations on how capital and OM&A costs are assigned to each rate class. A summary output of the CAM is provided in Page 4 of Exhibit G1, Tab 3, Schedule 1, Attachment 1 (Sheet O1 of CAM).

TTCBLA INTERROGATORY #5

Reference:

N/A

Interrogatory:

Please explain how Hydro One calculates the cost of providing power to a new rural or remote customer. What proportion of the cost of providing that service is covered by a customer when they pay up front for the cost of the extra distance and equipment off an existing distribution line?

Response:

The cost of providing power to all customers is determined by using an OEB-approved model to allocate the total costs that Hydro One incurs in providing service to all its customers among the various customer classes it serves. The costs to be collected from a particular customer class are then divided by the total number of customers, and the load supplied to those customers, to establish the base distribution rates that apply to all customers in a given customer class.

Base distribution rates include the costs of using the existing distribution network and the cost of providing a basic connection to customers, which for residential customers includes the cost of standard overhead transformation and up to 30 metres of overhead secondary conductor to connect a customer. Any additional costs associated with connecting residential customers that are located more than 30 metres from an existing distribution line are paid for by the individual customers requesting the connection since those additional costs are not covered by the base distribution rates.

TTCBLA INTERROGATORY #6

Reference:

N/A

Interrogatory:

How do the resulting proposed new rates caused by the elimination of the seasonal rate class compare to comparable seasonal customer rates in other jurisdictions across Canada?

How do other customer rate classes compare to corresponding rates in other jurisdictions across Canada?

Response:

Hydro One does not have a comparison of the rates seasonal customers pay in other jurisdictions across Canada, in part because not many other jurisdictions have seasonal rates. Broadly speaking, rates across jurisdictions for all customer rate classes will vary as a result varying service conditions such as; size of service territory, type of geography across the service territory, customer density, number of customers, how a utility's costs are allocated across customer rate classes and many other factors. As a result, it is not appropriate to simply compare rates across jurisdictions, and in any case, Hydro One does not have any such comparisons available.

TTCBLA INTERROGATORY #7

Reference:

N/A

Interrogatory:

Will Hydro One consider rate mitigation over a longer time frame than your current proposals, in order to further reduce the hardship for the hardest-hit customers? Alternatively, could you calculate for us the difference it would mean to Hydro One and other customer classes if the rate mitigation was capped at a 5% or 7.5% total rate increase in any given year?

Response:

Hydro One would consider rate mitigation over a longer period of time if that is considered appropriate by the OEB. Hydro One notes that the OEB adopted a 4 year phase-in period for the move to fully-fixed residential rates to limit bill impacts. In order to stay below the prescribed bill impacts Hydro One would have required a 15 year phase-in period to move to fully-fixed rates for some of its rate classes. This was rejected by the OEB on the basis that they found 15 years to be an unreasonable time period to transition to fully fixed rates for this customer class (per Decision on Hydro One's 2016 Draft Rate Order EB-2015-0079) and the OEB instead approved an 8 year transition period.

The mitigation options presented in the updated Seasonal Report will already result in lengthy implementation periods of 9 years for Option 1, and 12 years for Option 2A, if total bill impacts are capped at 10%. Limiting the total bill impacts to 5% could be expected to double the length of the implementation periods to 18 and 24 years for Options 1 and 2A, respectively. Similarly, limiting the total bill impacts to 7.5% would be expected to increase the implementation periods to 14 and 18 years for Options 1 and 2A, respectively.

TTCBLA INTERROGATORY #8

Reference:

N/A

Interrogatory:

Under Hydro One's proposed approach to rate mitigation, it appears that capping a rate increase cost for any given customer at no more than 10% above the previous year's cost will lead to a compounding effect where the actual costs will increase more than 20% above the base price after the second year, and compound each year thereafter. Is this understanding correct? If it is, would Hydro One consider modifying their proposal to limit the increases compared to the base price rather than each year's compounded price?

Response:

Yes your understanding is correct. Please see Hydro One's response to Exhibit I-02-04 part c).

TTCBLA INTERROGATORY #9

Reference:

N/A

Interrogatory:

Please explain why Hydro One offers a discounted rate for full-time residents in low-density or remote areas, and why it will not be available in the future to current seasonal customers. If the proposed rate structure is intended to have customers pay their fair share of the cost of providing electricity to them, why are the delivery and electricity usage rates not solely based on delivery costs (factoring in density), electricity usage, and time of use for all customers in the same class? If I am a seasonal rate customer in the future paying considerably more each month than a year-round resident using the same amount of electricity in the same neighbourhood, am I not indirectly subsidizing their rate?

In an attempt to more fairly allocate the full cost of providing electrical services among customers, it appears that there has been an over-correction. Can you explain whether this is an accurate perception, and if so, could Hydro One propose a more fair alternative?

Response:

No this is not an accurate perception. Hydro One does not offer a “discounted” rate to certain customers. All customers in a given rate class are charged the same distribution rates which take into account all of the costs of delivering electricity to that rate class as a group. The reduced distribution charges that apply to year-round residential customers are as a result of the Rural and Remote Rate Protection (RRRP) and Distribution Rate Protection (DRP) subsidies that are prescribed by regulation. The cost of these subsidies are paid for by the government and are not borne by the other customers within the rate class.

TTCBLA INTERROGATORY #10

Reference:

N/A

Interrogatory:

With the transition away from Seasonal Rate Class to the new residential low-density rate class, how will Hydro One be able to offer time of day usage if the smart meter is located in a remote area that does not allow it to be read remotely? Will Hydro One create a synthesized time of day usage by applying the average time of day usage of other customers to the usage measured for a rural customer? If so, is that fair considering those who are currently seasonal rate payers are typically not using electricity during peak times, such as in winter heating season?

Response:

Hydro One is able to provide time-of-use (TOU) pricing to the vast majority of its customers, however, for customers who are located in “hard-to-reach” areas of the province and whose meters do not communicate reliably with Hydro One’s smart meter network Hydro One received a temporary exemption from the OEB (EB-2020-0240) from its requirement to provide TOU pricing. The exemption applies to eligible Regulated Price Plan (RPP) consumers who cannot be billed based on TOU pricing due to a variety of factors, including poor cellular coverage in these areas and other geographical and environmental challenges. The exemption has been in effect since 2011 and has remained in effect because there is no technical or economically feasible solution available to improve meter communication reliability to consumers in these hard-to-reach areas.

Those RPP customers whose meters do not communicate reliably with Hydro One’s smart meter network will continue to be billed by Hydro One based on the 2-tier pricing method as approved by the OEB until such time that the meter can communicate reliably with Hydro One’s smart meter network and can be successfully migrated to TOU pricing.

TTCBLA INTERROGATORY #11

Reference:

N/A

Interrogatory:

What are all the charges, on a typical invoice that Hydro One currently sends to Seasonal Rate class customers, including delivery fee, Electricity line (stated per kWh used), Ontario Electrical Rebate, Global Adjustment line and a full list of charges to other agencies including IESO? What are all the charges, on a typical invoice that Hydro One currently sends to non-seasonal rural rate class customers, including delivery fee, Electricity line (stated per kWh used), Ontario Electrical Rebate, Global Adjustment line and a full list of charges to other agencies including IESO?

Response:

A typical invoice that Hydro One currently sends its residential customers looks the same for both seasonal and non-seasonal rate class customers. Both seasonal and non-seasonal residential customer bills contain the following five categories:

1. Electricity Generation Costs:

- Electricity generation costs are assessed by the OEB. This portion of the bill covers the costs of generating the electricity Hydro One deliver to the customer's home. Global Adjustment is included in this category.

2. Delivery Costs:

- Delivery costs capture what it takes for Hydro One to deliver electricity (through high voltage and distribution voltage systems) to the customers' homes. These costs include keeping the system safe and reliable, restoring power, transmitting electricity and providing fast and flexible customer service.

3. Regulatory Costs:

- Regulatory charges are set by the OEB. These charges include the cost of services required to operate the electricity system and run the wholesale market.

4. Taxes:

- Charges on the electricity bill are subject to the Harmonized Sales Tax (HST).

1 5. Ontario Electricity Rebate (OER)

- 2 • On November 1, 2019, the Government of Ontario introduced the Ontario
3 Electricity Rebate, which is a rebate on electricity costs for residential, farm
4 and many small business customers. The current OER (effective May 1,
5 2021) is 18.9%.

6
7 While there are no differences in the types of charges that are contained in seasonal or non-
8 seasonal bills, seasonal customers are typically billed on a quarterly basis (i.e. bill covers
9 3 month period) while non-seasonal customers are typically billed on a monthly basis.

TTCBLA INTERROGATORY #12

Reference:

N/A

Interrogatory:

What does Hydro One expect in the way of negative customer reaction to the proposed rate increases? What negative effects does Hydro One expect to see on their reputation as a public service provider of an essential service?

Response:

Hydro One is expecting to see an increase in billing related calls to its Customer Call Centre and an increase in customer escalations requiring field visits to verify meter reading and/or technical inspections of power connection/meter installation. Hydro One also expects to see an increase in customer enquiries about self-generation and disconnection from the grid.

Hydro One's corporate reputation is also expected to be adversely impacted, however the magnitude of the impact is hard to predict.

TTCBLA INTERROGATORY #13

Reference:

Pg. 44 of Hydro One's proposal

Interrogatory:

"Hydro One further recommends that any changes relating to 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 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."

In its interrogatories, the OEB has made several requests to explore information on the possible retroactive application of the elimination of the seasonal rate class. Please explain:

- a) How could Hydro One or the OEB justify retroactively increasing rates for an essential service (or any service) that customers agreed to pay for, paid for, and then were told after the fact that they were retroactively going to be required to pay more for that service?
- b) Please explain your understanding of the legal justification for making a retroactive demand for more money for a service already delivered and paid for at an agreed-upon price.
- c) Is Hydro One aware of any business other than a regulated utility providing an essential service, who could retroactively charge more for a service already delivered and properly paid for?
- d) Please provide an estimate of the additional legal costs to Hydro One of attempting to recover retroactive payments from customers who may refuse to pay those costs.

Response:

- a) As noted in the response to OEB Staff interrogatory at Exhibit I-01-23 part b), Hydro One has significant concerns with making any retroactive adjustments related to the elimination of the Seasonal Class and does not believe it would be possible to do, however, it would not be appropriate for Hydro One to provide an opinion regarding

- 1 the justification of any third party, including the OEB. As for Hydro One, its rates, like
2 those of every other licensed distributor in Ontario, are determined by the OEB,
3 pursuant to the Ontario Energy Board Act, 1998. Therefore, if the OEB makes a rate
4 order that requires a retroactive adjustment to rates, Hydro One would be legally
5 obligated to send bills accordingly and to collect on those bills.
6
- 7 b) Please see the answer to (a) above.
8
- 9 c) There could be retroactive charges in cases where prices are established pursuant to
10 legislation for services other than utilities or where contractual wording is in place such
11 that retroactive charges are not barred, but Hydro One does not have any specific
12 knowledge regarding such cases.
13
- 14 d) Hydro One is not in a position to speculate on whether there would be additional legal
15 costs. Hydro One assumes that if customers were to seek and obtain legal advice
16 regarding the legality of electricity bills issued by distributors in amounts set by
17 Ontario's electricity rates regulator (the OEB) pursuant to the Ontario Energy Board
18 Act, 1998, that advice would be that the amounts thus set are due and owing and must
19 be paid.

TTCBLA INTERROGATORY #14

Reference:

N/A

Interrogatory:

What provisions has Hydro One made, if any, to support the impacted seasonal rate customers to self-generate electricity in order to offset the impact of the massive rate increase?

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021. Self-generation of electricity is an option available to all customers through Hydro One's Net Metering program. Details on how to get more information about the Net Metering program are available from Hydro One's website at HydroOne.com.

TTCBLA INTERROGATORY #15

Reference:

N/A

Interrogatory:

Has Hydro One made any projections of the number of customers who may go off-grid as a result of the proposed rate increases? If so, how would the additional cost be allocated among the customers who continued to be served by Hydro One? Is there a risk that this would then create a self-reinforcing cycle of even higher costs per customer, and even fewer customers, particularly for those in remote or low-density areas?

Response:

Hydro One has made no projections of the number of customers who may go off-grid as a result of the proposed rate increases.

TTCBLA INTERROGATORY #16

Reference:

N/A

Interrogatory:

What options would you recommend to customers who wish to generate their own electricity in order to offset the cost increases? Does Hydro One offer, or are you aware of, assistance for customers who wish to self-generate some of their electrical energy needs?

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021. Self-generation of electricity is an option available to all customers through Hydro One's Net Metering program. Details on how to get more information about the Net Metering program are available from Hydro One's website at HydroOne.com.

TTCBLA INTERROGATORY #17

Reference:

N/A

Interrogatory:

Hydro One has indicated that it will provide payments to seasonal customers who self-generate electricity and put it back into the Ontario grid. Will those payments be made if the generated electricity value exceeds the cost of supplying those customers in a given month or year?

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021. Self-generation of electricity is an option available to all customers through Hydro One's Net Metering program. Details on how to get more information about the Net Metering program are available from Hydro One's website at HydroOne.com.

TTCBLA INTERROGATORY #18

Reference:

N/A

Interrogatory:

If a residential low-density customer generates surplus electricity, how is the line loss adjustment applied to that surplus electricity that is fed back into the grid? Is there a limit to how much surplus electricity can be supplied to the Hydro One Grid from any one property owner?

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021. Self-generation of electricity is an option available to all customers through Hydro One's Net Metering program. Details on how to get more information about the Net Metering program are available from Hydro One's website at HydroOne.com.

TTCBLA INTERROGATORY #19

Reference:

N/A

Interrogatory:

What wheeling rate will Hydro One charge to seasonal customers who choose to receive power generated by other sources such as Bullfrog Power, or their neighbours?

Response:

Seasonal customers will pay the distribution rates applicable to the residential class into which they are moved, regardless of who supplies their electricity. The distribution rates Hydro One charges for delivering electricity are independent of the who is supplying the electricity being delivered. There are no separate “wheeling” rates.

TTCBLA INTERROGATORY #20

Reference:

N/A

Interrogatory:

What restrictions, if any, exist for customers who may wish to combine their resources and create rural electrification associations to generate their own power and remain connected to the Ontario grid, in order to eliminate or offset the large rate increases?

Response:

The Ontario Energy Board Act, 1998, requires that generators must obtain, from the OEB, a generation licence and that distributors must obtain, from the OEB, a distribution licence, but Hydro One is aware that there is a regulation (O. Reg. 161/99) under the Ontario Energy Board Act, 1998 that provides exemptions from the licence mandates in cases where the generator and the distributor meet certain requirements. As a licensed distributor, Hydro One is not involved in such matters but is aware that certain exemptions exist.

TTCBLA INTERROGATORY #21

Reference:

N/A

Interrogatory:

The current proposed rate increases with the elimination of the seasonal rate class appear to penalize customers for low power consumption, and incentivize those who consume more. The mechanics of the rate structure was explained in Question 3 of Hydro One's recent submission. Given Ontario and Canada's commitment to decreasing our impact on climate change, how does Hydro One justify this proposed rate structure? What plans, if any, does Hydro One have to address these discrepancies, and make it rewarding for customers to conserve energy?

Response:

As shown in Table 10 of the Seasonal Report, the dollar impact due to eliminating the Seasonal Class is about the same for customers regardless of their consumption (\$53 to \$55). The differing impact on low and high consumption customers arises largely from the move to fully-fixed distribution rates and the relative size of their total electricity bills including commodity. The OEB examined the issue of moving to fully-fixed rates for a number of years, and in their April 2015 report approving the move to fully-fixed distribution rates the OEB noted that this change would help achieve three main objectives:

- It will enable residential customers to leverage new technologies, manage costs through conservation, and better understand the value of distribution services.
- It is a fairer way to recover the costs of providing distribution service.
- It will provide greater revenue stability for distributors, which will position them for technological change in the sector, remove any disincentive to promote conservation, and help with their investment planning.

Customers are rewarded for conserving energy through a reduction in the electricity component of their bill, as well as a reduction to other charges on their bill that are calculated based on consumption (e.g. retail transmission charges, cost of losses, and regulatory charges).

**SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #1**

Reference:

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

Interrogatory:

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.

Response:

Details regarding the specific assets associated with serving a particular area of Hydro One's service territory are outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #2

Reference:

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

Interrogatory:

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.

Response:

Details on the work carried out, or planned, on specific assets associated with serving a particular area of Hydro One's service territory are outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #3

Reference:

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

Interrogatory:

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.

Response:

Details on the work carried out, or planned, on specific assets associated with serving a particular area of Hydro One's service territory are outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #4

Reference:

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

Interrogatory:

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.

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #5

Reference:

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

Interrogatory:

Please confirm that Hydro One maintains no generating facility or call center or work yard in South Frontenac Township.

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #6

Reference:

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

Interrogatory:

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?

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #7

Reference:

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

Interrogatory:

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?

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #8

Reference:

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

Interrogatory:

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.

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #9

Reference:

Questions on Hydro Rate Proposal and Proportionality

Interrogatory:

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?

Response:

Hydro One can confirm that it has estimated that very low volume seasonal customers moving to R2 class can face a bill increase of more than 110% (without any mitigation). However, the magnitude of the bill impact of moving to the R2 class from the Seasonal class will depend on the customer's consumption level. Seasonal customers on the Peninsula (SSPA members) will see the same bill impact as all other seasonal customers moving to R2 class that have the same consumption level.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #10

Reference:

Questions on Hydro Rate Proposal and Proportionality

Interrogatory:

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.

Response:

Yes, Hydro One confirms that the Sunset Shores peninsula is located in an R2 area and therefore seasonal customers located on the peninsula would be moved to the R2 residential class as a result of eliminating the Seasonal class.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #11

Reference:

Questions on Hydro Rate Proposal and Proportionality

Interrogatory:

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.

Response:

The ratio between the portion of a customer's invoice for electricity and delivery depends on the customer's consumption level. Hydro One agrees that a seasonal customer with low electricity consumption (50 kWh) currently could see an "electricity charge to delivery charge ratio" of 10%, while customers with higher consumption levels would see much higher ratios. Over the last 5 years, a typical seasonal customer consuming 350 kWh per month on average would see an "electricity charge to delivery charge ratio" of about 48%.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #12

Reference:

Questions on Hydro Rate Proposal and Proportionality

Interrogatory:

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.

Response:

As discussed in Hydro One's response to SSPA Interrogatory #11 (Exhibit I-04-11), the ratio between a customer's invoice for electricity and delivery depends on the customer's consumption level. Hydro One confirms that a seasonal customer with low electricity consumption (50 kWh) moving to the R2 class could see an "electricity charge to delivery charge ratio" of 5%. A typical seasonal customer consuming 350 kWh per month on average and moving to the R2 class would see an "electricity charge to delivery charge ratio" of 41%. This applies to seasonal customers on the Peninsula (SSPA members) and all other seasonal customers moving to the R2 class.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #13

Reference:

Questions on Hydro Rate Proposal and Proportionality

Interrogatory:

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?

Response:

“Delivery against Electricity charge ratio” is not something that is “proposed” as part of Hydro One’s distribution rate applications since Hydro One has no control over electricity charges. As discussed in Hydro One’s response to SSPA Interrogatory #12 (Exhibit I-04-12), the ratio between a customer’s invoice for electricity and delivery depends on the customer’s consumption level. Hydro One agrees that a seasonal customer with low electricity consumption (50 kWh) moving to the R2 class could see “Delivery against Electricity charge ratio” of 19 to 1. This applies to seasonal customers on the Peninsula (SSPA members) and all other seasonal customers moving to the R2 class.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #14

Reference:

Questions on Hydro Rate Proposal and Proportionality

Interrogatory:

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.

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #15

Reference:

Questions on Hydro Rate Proposal and Proportionality

Interrogatory:

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?

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #16

Reference:

Questions on Hydro Rate Proposal and Proportionality

Interrogatory:

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.

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #17

Reference:

Questions on Hydro Rate Proposal and Proportionality

Interrogatory:

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?

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #18

Reference:

Questions on Hydro Rate Proposal and Proportionality

Interrogatory:

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?

Response:

The same distribution rates apply equally to all customers in a given customer rate class, and the rates are not specific to the where those customers are located within the province. The increase in rates for seasonal residents of the Peninsula as a result of eliminating the Seasonal Class will be the same as for any other seasonal customer with the same consumption that is moving to the R2 class. The reasons for the increase in rates for seasonal customers as a result of the elimination of the Seasonal class are detailed in the updated Seasonal report.

**SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #19**

Reference:

Questions on Hydro Rate Proposal and Proportionality

Interrogatory:

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?

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #20

Reference:

Questions on Hydro Rate Proposal and Proportionality

Interrogatory:

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.

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #21

Reference:

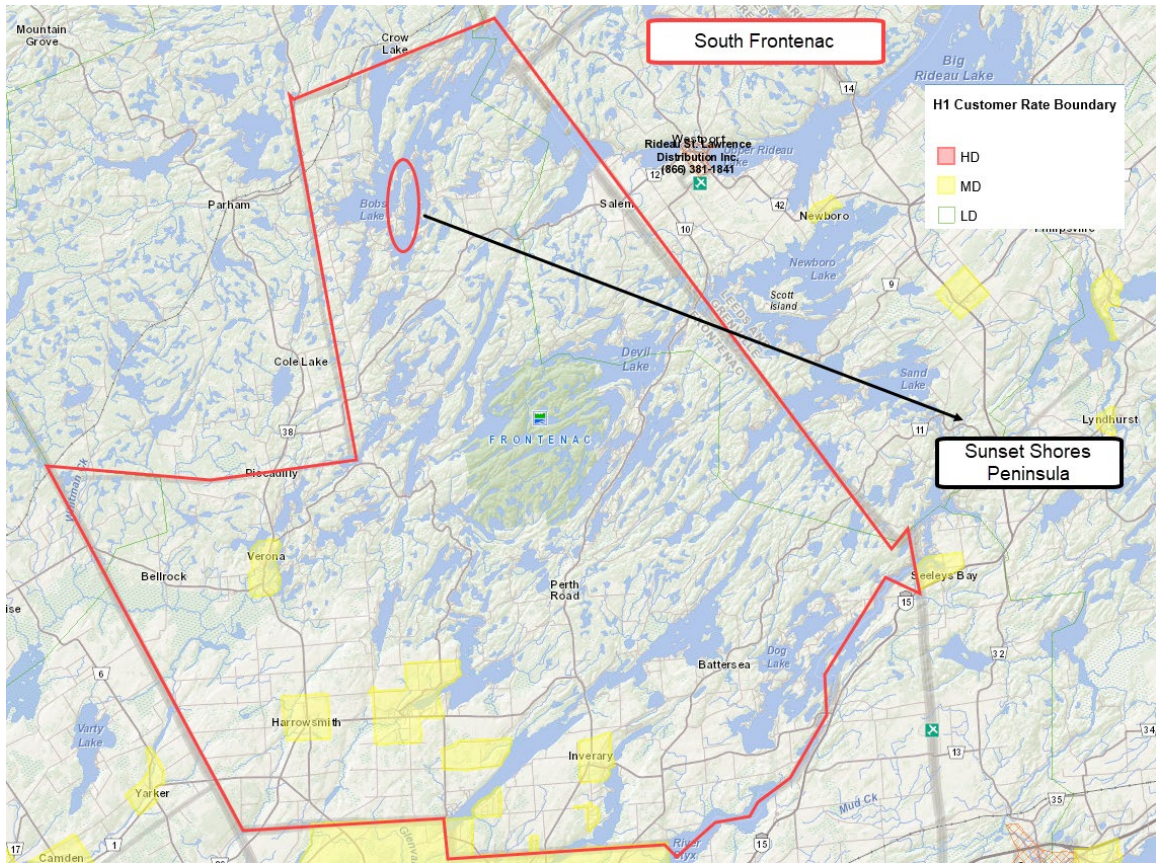
Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

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.

Response:

Hydro One is not able to provide a digital map of the type requested, however, attached is a map of South Frontenac Township showing the location of all medium density (MD) zones, in which residential customers are classified as R1. There are no high density (HD) zones, in which customers are classified as UR, in South Frontenac Township). All areas outside of the medium and high density zones are classified as a low density (LD) zone, in which residential customers are classified as R2.



SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #22

Reference:

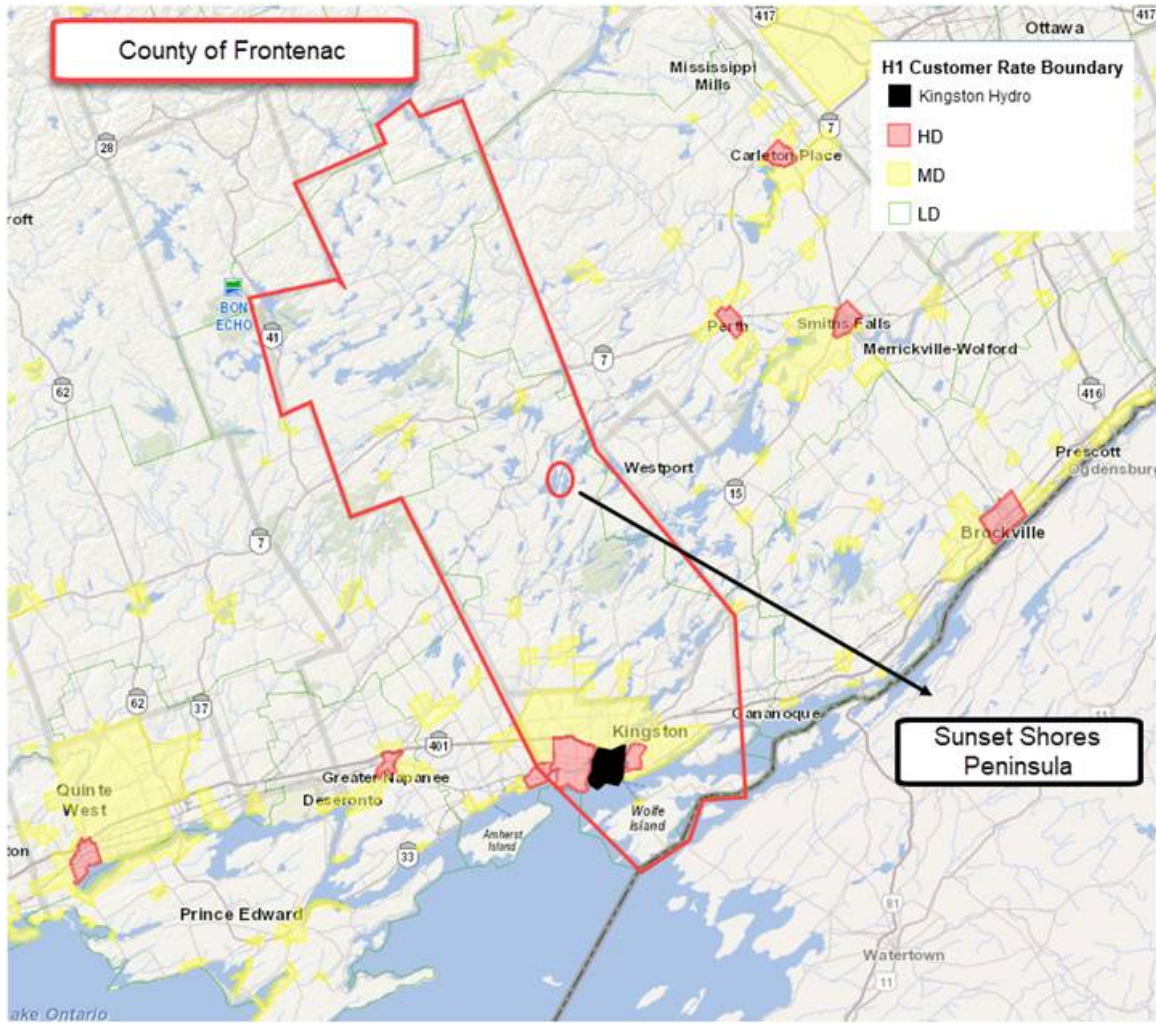
Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

Please provide a map in digital form of the zones in County of Frontenac currently classified as R2, R1, and UR.

Response:

Hydro One is not able to provide a digital map as requested, however, below is a map of the County of Frontenac showing the location of all medium density (MD) zones, in which residential customers are classified as R1, and all high density (HD) zones, in which customers are classified as UR. All areas outside of the medium and high density zones are classified as a low density (LD) zone, in which residential customers are classified as R2.



SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #23

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

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.

Response:

Please see the response to interrogatory Exhibit I-01-03 (OEB Staff #3).

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #24

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

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?

Response:

Please see the response to interrogatory at Exhibit I-01-03 (OEB Staff #3).

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #25

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

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.

Response:

The approach to classifying R1, R2 and UR customers based on density zone boundaries was only established in 2015 following OEB approval of the density zone methodology as part of Hydro One's 2015-2017 Rates Application under OEB Proceeding EB-2013-0416. Density zone boundaries can potentially change over time as a result of new areas meeting the medium density zone definition or as a result of customer growth in areas immediately contiguous with existing medium or high density zone boundaries. Hydro One does not keep a record of historical changes to density zone boundaries but we are not aware of any material changes to the existing density zone boundaries in the Township of South Frontenac since 2015.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #26

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

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.

Response:

Please see the response to Exhibit I-04-25 (SSPA interrogatory #25).

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #27

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

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.

Response:

The same density zone criteria are uniformly applied across the entire Hydro One service area, except for the service areas of certain utilities that were acquired by Hydro One a few years ago and are not classified based on density. Hydro One endeavours to apply the density zone criteria consistently, but given the size and the diversity of the Hydro One service area there could potentially be slight differences in the interpretation of the density zone criteria in some areas. Hydro One is committed to updating its density zone boundaries in response to customer inquiries, if an error is identified and verified.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #28

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

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.

Response:

Hydro One's density zone criteria was reviewed and approved by the OEB in Hydro One's 2015-2017 distribution rate application under OEB proceeding EB-2013-0416, and the UR, R1 and R2 density zone definitions were most recently confirmed in Hydro One's 2018 to 2022 Distribution Rate Application under OEB proceeding EB-2017-0049.

There are no audit or studies of the density zone approach available.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #29

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

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?

Response:

Hydro One agrees that density zone boundaries applicable to density based rate classes can change over time. On an annual basis, Hydro One creates or modifies density zone boundaries for known areas of customer growth and ensures that affected customers are reclassified accordingly. Outside of the annual review, there is also an opportunity to update the density zone boundaries in response to customer inquiries to Hydro One's call centre.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #30

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

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?

Response:

The administration of the customer density classification process is the accountability of the Customer Service organization within Hydro One. The function is under the Director of Billing and Settlements, who reports to the Vice-president Customer Service. The function is located at Hydro One's head office in Toronto, but the classification of individual new services is conducted in the local office where new services are connected and subsequently checked for accuracy by the function in Toronto

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #31

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

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?

Response:

The mapping of customers to the relevant rate classes and the management of density zone boundaries is carried out based on the OEB-approved density zone criteria with very limited room for discretion. That discretion is limited to addressing issues with GPS coordinate precision, and the placement of density zone boundary lines around contiguous clusters of customers, taking into account abutting natural features (e.g. rivers) or major roads.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #32

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

What is the security protocol for the changing of Class boundaries? How many employees at Hydro have the capacity to change Class boundaries?

Response:

Rate class (density zone) boundaries are housed in our GIS system. Hydro One's change process for this system follows industry best practice for major IT system changes. The ability to make density zone boundary changes are confined to a few people.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #33

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

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.

Response:

The elimination of the Seasonal class will unavoidably result in the *end-state* impacts identified in the letter of February 9, however, as described in Section 4.3 of the updated 2019 Seasonal Report filed with the OEB on October 15, 2020, Hydro One has proposed a number of mitigation options that would limit the annual total bill increase for seasonal customers moving to the R2 class to no more than 10%.

In its original 2019 Seasonal Report filed with the OEB on July 19, 2019, Hydro One included a proposed alternative to the treatment of the Seasonal Class (Section 5 - "Alternate Approach to Elimination of the Seasonal Class") which would have avoided significant impacts to Seasonal customers. The OEB determined that it would treat Section 5 of the 2019 Seasonal Report as a Motion to Review their decision to eliminate the Seasonal class. On September 17, 2020 the OEB issued its decision on the Motion to Review and concluded that its original March 2015 decision to eliminate the Seasonal Class should not be varied.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #34

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

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 R2, 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?

Response:

As provided in Section 3 of the updated Seasonal Report, an estimate of how the 2018 forecast of 147,679 seasonal customers would be split among the year- round residential classes is shown below:

Breakout of Seasonal Customers among Residential Classes

Target Class	UR	R1	R2	Total
Number of Seasonal Customers	245	69,839	77,595	147,679

Based on the above table, about 52% of Seasonal Class customers will move to the R2 class.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #35

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

What would be the effect on rates for Seasonal Customers if they were all moved to R1 Class? If the R2 Class were eliminated?

Response:

In its March 12, 2015 Decision on Hydro One's 2015 to 2017 Distribution Rate Application (EB-2013-0416), the OEB stated that the Seasonal Class should be eliminated for rate setting purposes and existing seasonal customers should *be placed in a residential class according to their density*. The decision to eliminate the Seasonal Class was reaffirmed by the OEB when it issued its September 17, 2020 Decision and Order on the motion to review the original March 2015 Decision.

Moving all seasonal customers to the R1 Class would not align with the OEB Decision. Elimination of the R2 class is not appropriate to consider in the context of this proceeding.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #36

Reference:

Mapping and Justification of the R2, R1 and UR Classes

Interrogatory:

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?

Response:

In its March 12, 2015 Decision on Hydro One's 2015 to 2019 Distribution Rate Application (EB-2013-0416), the OEB stated that the Seasonal Class should be eliminated for rate setting purposes and existing seasonal customers should *be placed in a residential class according to their density*.

Moving all Seasonal customers to UR Class and eliminating the density based classification do not align with the OEB Decision. A fundamental change to Hydro One's rate class structure, as proposed in the questions, would impact all Hydro One customers and is not appropriate to consider in the context of this proceeding.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #37

Reference:

Questions on Hydro One financial statements

Interrogatory:

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?

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #38

Reference:

Questions on Hydro One financial statements

Interrogatory:

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.

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #39

Reference:

Questions on Hydro One financial statements

Interrogatory:

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?

Response:

The question is outside the scope of this proceeding as identified by the OEB in Procedural Order # 2 issued May 26, 2021.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #40

Reference:

Questions on Hydro One financial statements

Interrogatory:

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?

Response:

The distribution charges payable by all customer classes, including the Seasonal class, are determined by using the OEB's cost allocation model which uses well established principles to allocate costs to a rate class based on the extent to which the class, as a group, contributes to a utility's costs.

The amount that seasonal customers pay for distribution *relative to* the cost of electricity is dependent on their level of consumption. Based on 2021 rates applicable to seasonal customers, low volume customers (50kWh/month) do pay distribution charges about 10 times the cost of electricity, however, typical seasonal customers (350 kWh/month) pay distribution charges about 1.5 times the cost of electricity, and high volume seasonal customers (1000 kWh/month) pay distribution charges that are only 75% of the cost of electricity.

When seasonal customers are moved to the R2 residential class their distribution charges will go up because the average distribution cost for all customers in the R2 class is higher than the average distribution costs for all customers in a stand-alone Seasonal class. For low volume seasonal customers, this leads to the 19:1 ratio referenced in the question.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #41

Reference:

Rate Increase Mitigation

Interrogatory:

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?

Response:

To clarify, the updated Seasonal Report provides Hydro One's proposals on how to implement and mitigate the impact on seasonal customers as a result of eliminating the Seasonal Class, as directed by the OEB. Hydro One never proposed eliminating the Seasonal class.

Seasonal customers will continue to be incented to be frugal in their electricity consumption in order to reduce the electricity component of their bill, as well as reducing the components of their bill that are linked to consumption (e.g. transmission charges, regulatory charges, cost of losses).

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #42

Reference:

Rate Increase Mitigation

Interrogatory:

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?

Response:

The large end-state impacts on seasonal customers moving to the R2 residential class are an unavoidable outcome of the Seasonal Class and as directed by the OEB, however, there are a large number of seasonal customers that will benefit from the elimination of the season and the current proceeding is intended to arrive at an implementation approach that will phase-in and mitigate the bill impacts experienced by those seasonal customers moving to the R2 residential class.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #43

Reference:

Rate Increase Mitigation

Interrogatory:

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.

Response:

Please see the interrogatory response at Exhibit I-03-07.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #44

Reference:

Rate Increase Mitigation

Interrogatory:

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%.

Response:

Hydro One is unclear if the question is referring to price changes on other components of the bill besides distribution charges. In that respect, Hydro One notes that the updated Seasonal Report provides bill impacts in accordance with Section 2.8.13 of the OEB's Chapter 2 Filing Requirements for Electricity Distribution Rate Applications, which require that total bill impacts be calculated assuming commodity and regulatory charges remain constant. Hydro One does not have any projections of total bill impacts assuming inflationary increases in the other non-distribution related components of the bill.

Hydro One would like to clarify that the bill increase of 10% referred to in the preamble is the impact on total monthly bill and does include the impact of changes in Hydro One's 2022 revenue requirement, which already allows for any changes to general price inflation.

- a) Please see the interrogatory response at Exhibit I-03-07.

- 1 b) Please see the interrogatory response at Exhibit I-03-07.
- 2
- 3 c) Limiting total bill impacts to 10% as a result of the elimination of the seasonal class is
- 4 the basis for mitigation Options 1 and 2A included in the updated Seasonal Report.
- 5
- 6 d) It is unclear how this question differs materially from what is asked in parts a) to c)
- 7 above. Assuming CCP price inflation of 2%, what is asked for in this question would
- 8 be equivalent to limiting total monthly bill increases to 5%, 7% and 10% already asked
- 9 about in parts a) to c) above.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #45

Reference:

Rate Increase Mitigation

Interrogatory:

Is Hydro now prepared to institute the new rates on January 1, 2023, as opposed to earlier?

Response:

Yes, Hydro One recommends a January 1, 2023 implementation for eliminating the Seasonal Class as detailed in the interrogatory response at Exhibit I-01-01.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #46

Reference:

Questions related to procedural fairness and due process

Interrogatory:

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?

Response:

No, Hydro One did not notify seasonal customers of any proposal to eliminate the Seasonal Class as this was not proposed by Hydro One in its 2015-2017 Rate Application under proceeding EB-2013-0416 where the OEB made its decision to eliminate the Seasonal Class.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY #47

Reference:

Questions related to procedural fairness and due process

Interrogatory:

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?

Response:

Hydro One is not aware of any party giving notice to customers about the proposal to eliminate the Seasonal Rate Class in 2015.

SUNSET SHORES PENINSULA ASSOCIATION
INTERROGATORY # 48

Reference:

Questions related to procedural fairness and due process

Interrogatory:

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?

Response:

Hydro One assumes that the letter of February 9, 2021 indicated in the question refers to the Notice sent by Hydro One in compliance with the Ontario Energy Board's (OEB's) letter of direction sent to Hydro One on January 22, 2021 in this proceeding (EB-2020-0246). That is the only Notice that has been sent to seasonal customers informing them that the OEB will hold a public hearing to consider the implementation of the decision to eliminate the Seasonal Class.

Prior to the Notice issued on February 9, 2021 Hydro One had undertaken a number of actions to raise customer awareness of the planned Seasonal Class elimination, as detailed in the interrogatory response at Exhibit I-02-03 part a).

VECC INTERROGATORY #1

Reference:

Hydro One Report, pages 3 and 12

Hydro One Report, Appendix D, 2021 & 2022 Status Quo and 2021 & 2022 Seasonal Elimination

Hydro One Report, Appendices E and F (2021 values used)

Preamble:

The Hydro One Report states (page 3):

“The bill impact and mitigation analyses included in Hydro One’s 2019 Seasonal Report were based on a January 1, 2021 implementation date. In this report, all bill impact and mitigation analyses have been revised to reflect the recommended effective and implementation date of January 1, 2022. The 2020 and 2021 revenue requirements used in the calculations in this report have also been updated to align with the revenue requirement and rates used in more recent filing.”

The Hydro One Report states (page 12):

“The first scenario, “2022 Seasonal Status Quo”, calculates 2022 rates based on the outputs of the Board-approved 2018 CAM and the 2018/2019/2020/2021/2022 approved rate design methodology, as well as the Board-approved 2018 to 2022 revenue requirements and charge determinants in EB-2017-0049. In this scenario the Seasonal Class remains in place for 2018, 2019, 2020, 2021 and 2022.”

Interrogatory:

- a) Please confirm that the 2021 service revenue requirement used for purposes of the Hydro One Report is \$1,585.4 M (per Appendix D, pages 4 and 9) and that this is based on Hydro One Networks’ 2021 Annual Rate Update (EB-2020-0030) filed August 31, 2020.
- b) Are the 2021 rates used throughout the Hydro One Report also based on Hydro One Networks’ 2021 Annual Rate Update (EB-2020-0030) filed August 31, 2020?

- 1 c) Please confirm that the Board's EB-2020-0030 Decision (issued December 2020 and
2 revised February 2021) approved rates for 2021 based on a revenue requirement of
3 \$1,596.2 M (per page 11 of the Decision).
4
- 5 d) Please update the 2021 Status Quo and 2021 Seasonal Eliminated Tables in Appendix
6 D to reflect the actual approved rates for 2021 per EB-2020-0030.
7
- 8 e) Please confirm that, contrary to the text referenced in the Preamble from page 12,
9 there is no OEB approved revenue requirement for 2022.
10 i. If confirmed, what is the basis for the forecast 2022 revenue requirement used
11 in the calculations for the Hydro One Report? Please provide the supporting
12 references/calculations.
13 ii. If confirmed, does the calculation of the 2022 revenue requirement change
14 based on the Board's EB-2020-0030 Decision? If so, what is the revised 2022
15 revenue requirement?
16 iii. If not confirmed, please provide a reference to the relevant OEB decision
17 where the 2022 revenue requirement of \$1,631.4 M used in the Hydro One
18 Report (per Appendix D, page 5) was approved by the Board.
19 iv. Please update the 2022 Status Quo and 2022 Seasonal Eliminated Tables in
20 Appendix D to incorporate the impact of the Board's EB-2020-0030 Decision
21
- 22 f) Using the results from parts (d) and (e)(iv), please provide revised versions of Tables,
23 6, 7, 8, 9, 10, 11, 12 and 13.
24
- 25 g) What is the last year of actual data used to develop the 2021 and 2022 customer load
26 and customer energy values used in Appendix D, pages 1-5?
27

28 **Response:**

- 29 a) Confirmed.
30
- 31 b) Yes.
32
- 33 c) Confirmed.
34
- 35 d) Requested update to the 2021 Status Quo and 2021 Seasonal Eliminated rate design
36 tables are provided as Attachment 1 to this interrogatory response.

e) Confirmed.

- i. Table below provides the derivation of forecast 2022 revenue requirement used in the updated Seasonal Report. As shown in this table, forecast 2022 revenue requirement was calculated using the same inflation and productivity factors as used for 2021 revenue requirement filed on August 31, 2020 (EB-2020-0030) and a pre-approved Capital factor for 2022.

Custom Revenue Cap Index by Component	2020	2021	2022
Inflation Factor (I)	2.00	1.50	1.50
Productivity Factor (X)	-0.45	-0.45	-0.45
Capital Factor (C)	1.21	1.95	1.85
Custom Revenue Cap Index (RCI) Total	2.76	3.00	2.90
Revenue Requirement	\$1,539.2	\$1,585.4	\$1,631.4

- ii. Forecast 2022 revenue requirement is calculated by applying the 2022 RCI factor to 2021 revenue requirement. OEB's Decision in EB-2020-0030 approved the final revenue requirement for 2021, and as such it does impact forecast 2022 revenue requirement. Table below provides the updated forecast 2022 revenue requirement using the approved 2021 revenue requirement and the same inflation factor as used for 2021.

Custom Revenue Cap Index by Component	2020	2021	2022
Inflation Factor (I)	2.00	2.20	2.20
Productivity Factor (X)	-0.45	-0.45	-0.45
Capital Factor (C)	1.21	1.95	1.85
Custom Revenue Cap Index (RCI) Total	2.76	3.70	3.60
Revenue Requirement	\$1,539.2	\$1,596.2	\$1,653.6

- iii. Not Applicable

- iv. Hydro One has provided updated versions of the 2022 Status Quo and 2022 Seasonal Eliminated rate design tables as Attachment 2 to this interrogatory response, but notes that the updated forecast 2022 revenue requirement shown in response to part e(ii) is still an estimate and is subject to the final 2022 inflation factor to be approved by the OEB.

f) Updated version of Tables 6 to 13, based on the results from parts d) and e (iv), are provided below.

Table 6 - 2022 Fixed and Variable Rates under Seasonal Status Quo and Seasonal Eliminated Scenarios

Rate Class	Seasonal Status Quo			Seasonal Eliminated		
	Fixed Rate (\$/month)	Variable Rate (\$/kWh or \$/kW)	Equivalent All-Fixed Rate (\$/month)	Fixed Rate (\$/month)	Variable Rate (\$/kWh or \$/kW)	Equivalent All-Fixed Rate (\$/month)
UR	37.13	0.0000	37.13	36.57	0.0000	36.57
R1	54.74	0.0097	62.82	52.26	0.0101	59.96
R2	125.54	0.0156	141.74	118.23	0.0169	133.50
Seasonal	57.07	0.0304	66.44	-	-	-
GSe	33.33	0.0664		32.85	0.0654	
GSd	111.04	18.8621		109.26	18.5611	
UGe	26.32	0.0316		25.94	0.0312	
UGd	102.36	10.8495		100.87	10.6914	
St Lgt	3.62	0.1107		3.57	0.1091	
Sen Lgt	3.06	0.1659		3.11	0.1687	
USL	38.87	0.0259		39.02	0.0260	
Dgen	199.46	10.2895		199.16	10.2739	
ST	1,152.62	1.6181		1,135.79	1.5945	

Table 7 - 2022 Bill Impacts under Seasonal Status Quo and Seasonal Eliminated Scenarios

Rate Class	Monthly Consumption/Peak (kWh/kW)	2021 Total Bill (\$)	2022 Status Quo Change in Total Bill		2022 Seasonal Eliminated Change in Total Bill	
			(\$)	(%)	(\$)	(%)
UR	350	74.44	0.98	1.3%	0.53	0.7%
	750	125.42	0.98	0.8%	0.53	0.4%
	1,400	208.27	0.98	0.5%	0.53	0.3%
R1-With DRP	400	82.11	0.00	0.0%	-0.07	-0.1%
	750	127.19	0.00	0.0%	-0.13	-0.1%
	1,800	262.41	0.00	0.0%	-0.31	-0.1%
R1-Without DRP	400	96.58	3.20	3.3%	1.25	1.3%
	750	145.66	1.95	1.3%	0.05	0.0%
	1,800	292.91	-1.80	-0.6%	-3.55	-1.2%
R2-With DRP	450	89.71	0.00	0.0%	-0.08	-0.1%
	750	129.12	0.00	0.0%	-0.13	-0.1%
	2,300	332.72	0.00	0.0%	-0.41	-0.1%
R2-Without DRP	450	111.22	7.07	6.4%	1.53	1.4%
	750	156.16	5.34	3.4%	0.06	0.0%
	2,300	388.34	-3.60	-0.9%	-7.52	-1.9%
Seasonal-UR	50	50.11	4.60	9.2%	-13.38	-26.7%
	350	99.69	1.26	1.3%	-24.72	-24.8%
	1,000	207.11	-5.97	-2.9%	-49.29	-23.8%
Seasonal-R1	50	50.11	4.60	9.2%	-0.17	-0.3%
	350	99.69	1.26	1.3%	-8.71	-8.7%
	1,000	207.11	-5.97	-2.9%	-27.19	-13.1%
Seasonal-R2	50	50.11	4.60	9.2%	53.80	107.4%
	350	99.69	1.26	1.3%	47.69	47.8%
	1,000	207.11	-5.97	-2.9%	34.46	16.6%
GSe	2,000	387.61	4.26	1.1%	2.25	0.6%
UGe	2,000	321.70	2.22	0.7%	1.26	0.4%
GSd	36,104/124	8,829.63	88.19	1.0%	43.94	0.5%
UGd	50,525/135	10,228.57	56.59	0.6%	30.76	0.3%
St Lgt	517	108.47	1.61	1.5%	0.90	0.8%
Sen Lgt	71	19.81	0.76	3.8%	0.96	4.8%
USL	364	81.03	1.28	1.6%	1.44	1.8%
DGen	1,328/13	598.70	12.34	2.1%	11.77	2.0%
ST	1,601,036/3,091	272,351.28	227.13	0.1%	114.37	0.0%

Table 8 - Impact in 2022 of Eliminating the Seasonal Class

Monthly Consumption (kWh)	2021 Seasonal Status Quo Total Bill (\$/month)	2022 Change in Total Bill due to Eliminating the Seasonal Class					
		Seasonal-R2		Seasonal-R1		Seasonal-UR	
		\$	%	\$	%	\$	%
50	50.11	49.20	98%	-4.77	-10%	-17.98	-36%
350	99.69	46.43	47%	-9.97	-10%	-25.98	-26%
1,000	207.11	40.43	20%	-21.23	-10%	-43.32	-21%

Table 9 - Comparison between Moving Seasonal Customers to Seasonal Class End State All-Fixed Rates versus Residential Class End State All-Fixed Rates

Monthly Consumption (kWh)	2022 Seasonal Status Quo	2022 Seasonal All-Fixed Rates		2022 Seasonal Eliminated					
				R2 All-Fixed Rate		R1 All-Fixed Rate		UR All-Fixed Rate	
				Total Bill (\$)	Change (%)	Total Bill (\$)	Change (%)	Total Bill (\$)	Change (%)
50	54.71	61.09	12%	115.63	111%	55.78	2%	36.73	-33%
350	100.95	99.92	-1%	154.98	54%	94.37	-7%	74.97	-26%
1,000	201.14	184.06	-8%	240.25	19%	177.96	-12%	157.82	-22%

Table 10 - Break Out of End State Impacts Resulting from the Seasonal Class Moving to All-Fixed Rates and the Elimination of the Seasonal Class

Monthly Consumption (kWh)	2022 Seasonal Status Quo Total Bill (\$/month)	2022 Change in Total Bill for Seasonal Class Moving to All-Fixed Rates		2022 Change in Total Bill due to Eliminating the Seasonal Class					
				Seasonal-R2		Seasonal-R1		Seasonal-UR	
				\$	%	\$	%	\$	%
50	54.71	6.37	12%	54.54	100%	-5.30	-10%	-24.35	-45%
350	100.95	-1.03	-1%	55.06	55%	-5.55	-6%	-24.95	-25%
1000	201.14	-17.08	-8%	56.19	28%	-6.10	-3%	-26.25	-13%

1

Table 13 - Estimated Monthly Fixed Rider by Rate Class for 2022

Rate Class	Number of Customers (2022)	Rates Revenue Requirement (2022) (\$M)	Credit Variance Account Share (\$M)	Fixed Rate Rider (\$/month/cust)
UR	238,185	104.5	2.3	0.82
R1	533,307	383.7	8.6	1.34
R2	413,678	662.7	14.9	2.99
GSe	87,505	170.6	3.8	3.64
GSd	5,412	150.1	3.4	51.83
UGe	18,342	24.1	0.5	2.45
UGd	1,766	29.6	0.7	31.31
St Lgt	5,617	11.2	0.3	3.72
Sen Lgt	22,037	3.0	0.1	0.26
USL	5,623	3.4	0.1	1.14
DGen	1,562	6.0	0.1	7.20
ST	818	59.6	1.3	136.14
Total	1,333,853	1,608.7	36.1	

2

3

g) 2017 was the last year of actual data used to develop the 2021 and 2022 customer load and customer energy values used in Appendix D, pages 1-5.

4

2021 Status Quo Rate Design Including 5th Year of Residential Phase-in to All-Fixed Rates

	Number of Customers	GWh	kWs	Revenue - with 2020 rates and 2021 charge determinants	2020 Revenue	Revenue	Alloc Cost	Misc Rev	Revenue from Rates	2020 R/C Ratio	R/C Ratio	Target 2021 R/C Ratio	Total rev to be collected	Shifted Rev	% Change in revenue from rates	Base Fixed Charge (\$/month)	Revenue from Fixed Charge	Fixed Rev %	Revenue from Volumetric Charge	Base Volumetric Charge (\$/kWh)	Base Volumetric Charge (\$/kW)	CSTA Rate Adders (\$/kW)	Hopper Foundry Rate Adder (\$/kW)	Total Volumetric Charge (\$/kW)
				(Y)	(Z)	(A=Y*X _{baseRate})	(B=B _{base} *X _{baseCost})	(C=C _{base} *X _{baseRate})	(D=A-C)	(E)	(F=A/B)	(G)	(H=B/G)	(I=H-A)	(J=I/D)		(K= (H - C) * M)	(M)	(L=H-C-K)					
UR	235,238	1,920		102,215,191	101,177,949	105,654,790	95,274,840	4,254,823	101,399,968	1.10	1.11	1.11	\$ 105,654,790	-	0%	\$ 35.92	\$ 101,399,968	100%						
R1	459,104	4,589		335,096,658	332,926,061	346,372,851	311,874,486	11,337,596	335,035,615	1.11	1.11	1.11	\$ 346,372,851	-	0%	\$ 49.04	\$ 270,185,087	81%	\$ 64,850,528	\$ 0.0141				
R2	333,607	4,181		545,453,361	544,284,317	563,808,177	580,079,636	13,847,986	549,960,191	0.97	0.97	0.97	\$ 563,808,177	-	0%	\$ 113.64	\$ 454,913,406	83%	\$ 95,046,786	\$ 0.0227				
Seasonal	148,656	555		113,809,685	114,051,300	117,639,446	109,452,593	2,689,131	114,950,315	1.08	1.07	1.07	\$ 117,639,446	-	0%	\$ 50.72	\$ 90,477,403	79%	\$ 24,472,912	\$ 0.0441				
GSd	87,424	2,096		167,538,146	168,891,681	172,538,161	162,020,858	4,363,568	168,574,593	0.95	0.95	0.95	\$ 172,538,161	-	0%	\$ 32.48	\$ 34,070,960	20%	\$ 134,523,633	\$ 0.0642				
GSd	5,365	2,392	7,694,461	144,969,887	145,215,899	149,848,206	170,733,942	2,410,926	147,437,280	0.88	0.88	0.88	\$ 149,848,206	-	0%	\$ 108.28	\$ 6,970,391	5%	\$ 140,466,890	\$ 18.2556	\$ 0.0652	\$ 0.0088	\$ 18.3296	
UGd	18,220	589		23,542,970	23,572,289	24,335,204	24,671,873	737,497	23,697,707	1.00	0.99	0.99	\$ 24,335,204	-	0%	\$ 26.59	\$ 5,695,235	24%	\$ 18,002,472	\$ 0.0308				
UGd	1,755	1,014	2,581,634	28,755,552	28,998,206	29,723,193	33,880,203	519,486	29,203,707	0.89	0.88	0.88	\$ 29,723,193	-	0%	\$ 100.19	\$ 2,109,612	7%	\$ 27,093,894	\$ 10.4949	\$ 0.0652		\$ 10.5601	
St Lgt	5,679	100		10,872,851	10,839,294	11,238,729	12,081,304	313,297	10,925,432	0.93	0.93	0.93	\$ 11,238,729	-	0%	\$ 3.50	\$ 234,617	2%	\$ 10,696,815	\$ 0.1071				
Sen Lgt	22,139	13		5,631,770	5,700,645	5,821,282	6,201,666	3,013,495	2,807,787	0.95	0.94	0.94	\$ 5,821,282	-	0%	\$ 2.86	\$ 780,318	27%	\$ 2,047,469	\$ 0.1556				
USL	5,989	30		3,265,378	3,249,135	3,375,259	3,043,696	105,063	3,270,176	1.11	1.11	1.11	\$ 3,375,259	-	0%	\$ 37.58	\$ 2,520,588	77%	\$ 749,588	\$ 0.0251				
Dgem	1,495	30	216,001	5,900,387	5,195,302	5,685,458	6,932,165	142,711	5,542,747	0.78	0.82	0.82	\$ 5,685,458	-	0%	\$ 195.54	\$ 3,436,503	62%	\$ 2,109,244	\$ 9.7511	\$ 0.0652		\$ 9.8163	
ST	816	15,108	30,486,196	57,766,617	55,092,743	59,710,496	60,004,000	1,029,573	58,680,923	0.95	1.00	1.00	\$ 59,710,496	-	0%	\$ 1,121.75	\$ 10,979,332	19%	\$ 47,701,580	\$0.0000	N/A **	0	0	N/A **
1,324,957		32,818	40,978,292	\$ 1,544,188,434	\$ 1,539,200,823	\$ 1,596,151,253	\$ 1,596,151,253	\$ 44,764,811	\$ 1,551,386,442				\$ 1,596,151,253			\$ 983,653,620		\$ 567,732,822						

* ST Rates are calculated outside of this rate design model.

2021 Adjustments (from 2020 Revenue Requirement) by Rate Class		Total Rev (K+L)	\$ 1,551,386,442
		Misc Rev (C)	\$ 44,764,811
		Total Rev Req	\$ 1,596,151,253

2021 Adjustments (from 2020 Revenue Requirement) by Rate Class			
		2020	2021
Revenue Requirement**		\$ 1,544,188,434	\$ 1,596,151,253
Alloc Cost		\$ 1,539,200,823	\$ 1,596,151,253
Misc Revenue		\$ 45,518,109	\$ 44,764,811

** 2020: Revenue with 2020 rates and 2021 charge determinants
2021: 2021 Revenue before rate design adjustments

2021 Seasonal Eliminated Rate Design Including 5th Year of Residential Phase-in to All-Fixed Rates

[illegible]

* ST Rates are calculated outside of this rate design model

2021 Adjustments (from 2020 Revenue Requirement) by Rate Class			
	2020	2021	% (X)
Revenue Requirement**	\$ 1,544,193,217	\$ 1,596,151,253	103.36%
Alloc Cost	\$ 1,539,290,823	\$ 1,596,151,253	103.70%
Misc Revenue	€ 26,518,190	€ 14,764,811	59.35%

** 2020: Revenue with 2020 rates and 2021 charge determinants
2021: 2021 Revenue before rate design adjustments

Total Rev (K+L)	\$	1,551,386.442
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Total Rev (R+E)	\$	1,331,386,442
Misc Rev (C)	\$	44,764,811

Total Rev Req	\$	1,596,151.253
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* ST Rates are calculated outside of this rate design model.

Total Rev (K+L)	\$	1,608,673,292
Misc Rev (C)	\$	44,939,406
Total Rev Req	\$	1,653,612,698

** 2021: Revenue with 2021 rates and 2022 charge determinants
2022: 2022 Revenue before rate design adjustments

2021 Seasonal Eliminated Rate Design Including 5th Year of Residential Phase-in to All-Fixed Rates

Number of Customers		GWh	kWs	Revenue - with 2021 rates and 2022 charge determinants		2021 Revenue	Revenue	Alloc Cost	Misc Rev	Revenue from Rates	2021 R/C Ratio	R/C Ratio	Target 2022 R/C Ratio	Total rev to be collected	Shifted Rev	% Change in revenue from rates	Base Fixed Charge (\$/month)	Revenue from Fixed Charge	Fixed Rev %	Revenue from Volumetric Charge	Base Volumetric Charge (\$/kWh)	Base Volumetric Charge (\$/kW)	CSTA Rate Adders (\$/kW)	Hopper Foundry Rate Adder (\$/kW)	Total Volumetric Charge (\$/kW)
				(Y)	(Z)	(A=Y*X _{Seasonal})	(B=B ₂₀₂₁ *X _{BaseCost})	(C=C ₂₀₂₁ *X _{BaseRate})		(D=A+C)	(E)	(F=A/B)	(G)	(H=B*G)	(I=H-A)	(J=I/D)		(K=(H - C) x M)	(M)	(L=H-C-K)					
UR	236,185	1,936		\$ 105,407,860	\$ 104,234,315	\$ 106,818,624	\$ 99,385,354	\$ 4,263,960	\$ 104,534,634	1.09	1.09		1.09	\$ 106,818,624	-	0%	\$ 36.57	\$ 104,534,634	100%						
R1	533,307	4,867		\$ 383,845,730	\$ 380,965,022	\$ 386,059,656	\$ 354,289,164	\$ 12,523,036	\$ 383,736,620	1.11	1.12		1.12	\$ 386,059,656	-	0%	\$ 52.26	\$ 334,421,375	87%	\$ 49,315,246	\$ 0.0101				
R2	413,678	4,474		\$ 657,008,592	\$ 654,757,726	\$ 678,267,934	\$ 676,364,644	\$ 15,562,359	\$ 662,705,675	1.00	1.00		1.00	\$ 678,267,934	-	0%	\$ 118.23	\$ 588,893,175	89%	\$ 75,812,401	\$ 0.0169				
Seasonal				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-		-	\$ -	-	0%									
GSd	87,505	2,081		\$ 169,578,680	\$ 170,517,897	\$ 175,065,871	\$ 191,112,936	\$ 4,416,127	\$ 170,649,744	0.92	0.92		0.92	\$ 175,065,871	-	0%	\$ 32.85	\$ 34,490,373	20%	\$ 136,159,371	\$ 0.0654				
GSd	5,412	2,391	7,704,261	\$ 147,769,261	\$ 147,523,448	\$ 152,550,767	\$ 179,392,399	\$ 2,455,080	\$ 150,995,687	0.85	0.85		0.85	\$ 152,550,767	-	0%	\$ 109.26	\$ 7,096,072	5%	\$ 142,999,615		\$ 18,5611	\$ 0.0652	\$ 0.0090	\$18.6353
LGd	19,342	589		\$ 24,046,766	\$ 23,994,002	\$ 24,824,867	\$ 25,790,079	\$ 745,009	\$ 24,079,857	0.96	0.96		0.96	\$ 24,824,867	-	0%	\$ 26.94	\$ 5,709,557	24%	\$ 18,370,300	\$ 0.0312				
LGd	1,766	1,016	2,567,244	\$ 29,169,250	\$ 29,302,887	\$ 30,113,102	\$ 35,579,386	\$ 528,229	\$ 29,584,873	0.85	0.85		0.85	\$ 30,113,102	-	0%	\$ 100.87	\$ 2,137,350	7%	\$ 27,447,524		\$ 10,8914	\$ 0.0652		\$10.7967
SL Lgt	5,617	100		\$ 11,148,695	\$ 11,080,874	\$ 11,509,649	\$ 12,670,963	\$ 316,704	\$ 11,192,845	0.91	0.91		0.91	\$ 11,509,649	-	0%	\$ 3.57	\$ 240,362	2%	\$ 10,862,583	\$ 0.1091				
Sen Lgt	22,037	13		\$ 5,869,336	\$ 5,868,037	\$ 6,059,255	\$ 6,424,175	\$ 3,025,237	\$ 3,034,018	0.95	0.94		0.94	\$ 6,059,255	-	0%	\$ 3.11	\$ 821,579	27%	\$ 2,212,439	\$ 0.1687				
USL	5,623	30		\$ 3,411,225	\$ 3,387,856	\$ 3,521,805	\$ 3,152,960	\$ 105,489	\$ 3,416,116	1.11	1.12		1.12	\$ 3,521,805	-	0%	\$ 39.02	\$ 2,633,076	77%	\$ 783,041	\$ 0.0260				
Dgem	1,992	31	222,751	\$ 5,972,465	\$ 5,876,812	\$ 6,165,721	\$ 7,181,796	\$ 143,268	\$ 6,022,453	0.82	0.86		0.86	\$ 6,165,721	-	0%	\$ 199.16	\$ 3,733,921	62%	\$ 2,298,532		\$ 10,2739	\$ 0.0652		\$10.3392
ST	818	15,063	30,395,846	\$ 58,754,482	\$ 58,852,377	\$ 60,655,647	\$ 62,271,953	\$ 1,034,878	\$ 59,620,769	0.98	0.97		0.97	\$ 60,655,647	-	0%	N/A*	\$ 11,155,180	19%	\$ 48,465,589		N/A*			N/A*
1,333,853		32,593	40,890,103	\$ 1,601,782,563	\$ 1,596,151,253	\$ 1,653,612,698	\$ 1,653,612,698	\$ 44,939,406	\$ 1,608,673,292					\$ 1,653,612,698				\$ 1,093,966,652		\$ 514,806,640					

* ST Rates are calculated outside of this rate design model.

2022 Adjustments (from 2021 Revenue Requirement) by Rate Class

	2021	2022	% (X)
Revenue Requirement**	\$ 1,601,782,563	\$ 1,653,612,698	103.24%
Alloc Cost	\$ 1,596,151,253	\$ 1,653,612,698	103.60%
Misc Revenue	\$ 44,764,811	\$ 44,939,406	100.39%

** 2021: Revenue with 2021 rates and 2022 charge determinants
2022: 2022 Revenue before rate design adjustments

Total Rev (K+L)	\$ 1,608,673,292
Misc Rev (C)	\$ 44,939,406
Total Rev Req	\$ 1,653,612,698

VECC INTERROGATORY #2

Reference:

Hydro One Report, page 4

Preamble:

The Hydro One Report states:

“The elimination of the Seasonal Class, once the move to all-fixed distribution rates is completed, results in a reduction of about \$5/month for the roughly 70,000 seasonal customers moving to the R1 residential class and an increase of about \$54/month for the roughly 78,000 seasonal customers that would move to the R2 residential class. The combined impact on low volume seasonal customers of moving to the R2 residential class at all-fixed distribution rates, and without the rate subsidies available to year-round R2 customers, is a 111% (or \$60/month) increase in their total electricity bill.

As a result of the significant bill impact to seasonal customers that will move to the R2 residential class, mitigation will be required to limit total bill impacts to 10% when the Seasonal Class is eliminated. The recommended mitigation would be a fixed monthly credit for low-volume seasonal customers based on their prior year’s average monthly consumption. Due to the magnitude of the impacts, it is estimated that bill credits would need to be in place for the lowest volume seasonal customers for a period of 9 years at an estimated total cost of about \$150M”

Interrogatory:

- a) Are the “dollar” increases referenced in the quoted text over and above the any rate increase that would occur in 2022 due to the annual CIR rate adjustment?
- i. If the dollar values include the annual CIR rate adjustment, please indicate what the contribution of the annual rate adjustment is to each of the dollar values quoted.
 - ii. If the dollar values exclude the annual CIR rates adjustment, please indicate what the values are after the annual rate adjustment is also included.

1 **Response:**

2 a) The changes in total bill referenced in the quoted text are strictly due to elimination of
3 the Seasonal class. As shown in Table 10 of the updated Seasonal Report (which is
4 the source for these impacts), the referenced changes in total bill are the result of the
5 comparison between 2022 rates for the seasonal customers under Status Quo vs
6 Seasonal Eliminated scenario, which are both based on the same 2022 revenue
7 requirement originally calculated in the Seasonal Report. An updated Table 10 based
8 on using an updated 2022 revenue requirement that includes the forecast 2022 CIR
9 rate adjustment is provided in the repose to Exhibit I-05-01 part f).

10 i. See response to a)

11 ii. See response to a)

VECC INTERROGATORY #3

Reference:

Hydro One Report, pages 8-9

Preamble:

The Hydro One Report states (page 8):

“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).”

The Hydro One Report states (page 9, footnote #10):

“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.”

Interrogatory:

- a) With respect to Figure 1, are the values based on actual 2017 kWh use or weather normalized 2017 usage?
- b) Please provide Figure 1 using 2020 data determined on the same basis.
- c) With respect to the density classification review of Seasonal customers referenced in the Preamble, what year’s data was used for the review and what were the specific results for that year (i.e., total number of Seasonal customers the resulting breakdown between the three residential classes)?
 - i. How were the results then used to estimate the breakdown of the 2018 forecast of 147,679 seasonal customers?

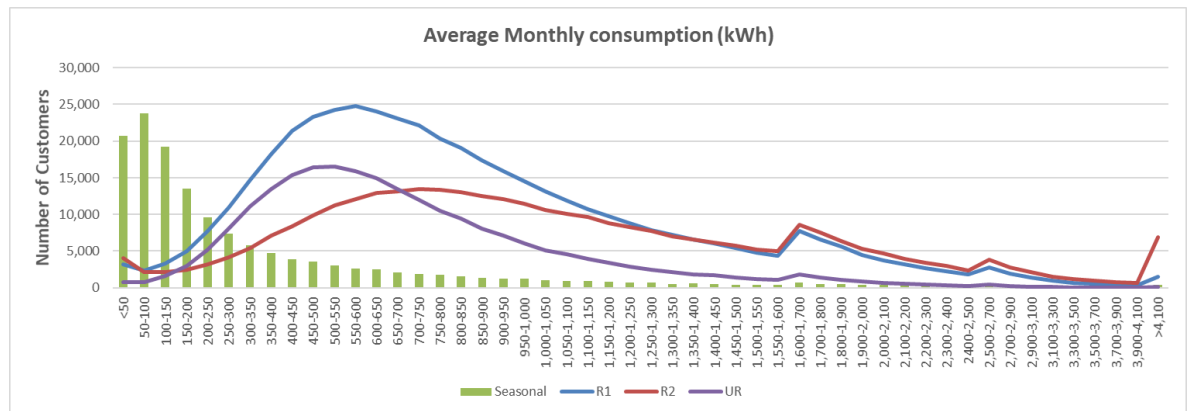
- 1 d) In Appendix D (pages 1-5) there are forecasts of the 2018-2022 seasonal customer
2 count from EB-2017-0049.
- 3 i. What is the basis for each year's forecast? For example, are the forecasts
4 meant to represent year end values, average monthly values or some other
5 value?
- 6 ii. Based on data now available, please provide a schedule that sets out the actual
7 seasonal customer count for each of the years 2018-2020 – where each is
8 calculated on the same basis as in Appendix D. (Note: If the breakdown by
9 the three residential customer class segments is not available, please provide
10 the total for each year)
- 11 iii. Does Hydro One have a more recent forecast of the seasonal customer
12 count in total and/or broken down between the three residential customer class
13 segments? If yes, please provide.
- 14
- 15 e) Has there been a density classification review of Seasonal customers undertaken since
16 the one referenced in the Preamble that was used for purposes of the Hydro One
17 Report?
- 18 i. If yes, please indicate the year it is based on and provide the results.
- 19
- 20 f) With respect to the updating of the split of seasonal customers moving to the various
21 year-round residential classes referenced in Footnote #10, when would this be done
22 and what year's actual data would be used: i) assuming an implementation date of
23 January 1, 2022 and ii) assuming an implementation date of January 1, 2023?
- 24
- 25 g) With respect to Table 2, what year is the breakdown of monthly consumption by
26 number of customers based on?
- 27
- 28 h) With respect to Table 3, what year are the 10th and 90th percentile values based on?
- 29
- 30 i) Please provide the average and median monthly consumption values for each of the
31 four residential rate classes using the same source data as used for the 10th and 90th
32 percentile values in Table 3.
- 33
- 34 j) Please provide a schedule that sets out the 10th percentile, 90th percentile and average
35 monthly use values for: i) the 245 Seasonal customers that would be assigned to the
36 UR class, ii) the 69,839 Seasonal customers that would be assigned to the R1 class
37 and iii) the 77,595 Seasonal customers that would be assigned to the R2 class.

k) Please provide an updated version of the Table 3 based on 2020 data and include the average and median values for each residential class.

Response:

a) Figure 1 is based on actual 2017 kWh.

b) Figure 1 has been reproduced below using 2019 consumption data as it was readily available, and is more appropriate for the purpose of illustrating the relative consumption patterns of the different rate classes since actual 2020 consumption include the temporary impacts of the COVID-19 pandemic. The historical data year used for producing Figure 1 is not expected to materially impact the relative consumption patterns.



c) Density classification review referenced in the updated Seasonal Report is based on 2016 data. Table below provides the results of this review.

Target Class	UR	R1	R2	Total
Number of Seasonal Customers (2016)	247	70,459	78,284	148,991

i. The % split between classes in the table above was used to estimate the breakdown of the 2018 forecast of number of seasonal customers.

d)

i. Customer counts included in the 2018-2022 load forecast are based on mid-year values.

ii. Below are the actual number of Seasonal customers for 2018-2020 (mid-year values):

2018: 145,764

2019: 144,528

2020: 143,125

iii. The most recent forecast for number of Seasonal customers and their respective year-round rate class is provided in table below. These numbers are consistent with Hydro One's 2023-2027 Joint Rate Application ("JRAP").¹

Rate Class	Forecast Number of customers (2023)
Seasonal-UR	231
Seasonal-R1	63,743
Seasonal-R2	78,677
Total	142,651

e) Yes, the latest density classification review of Seasonal customers was undertaken in preparation for the JRAP.

i. The review was undertaken in Q4 of 2020. Table below provides the results of this review.

Rate Class	Number of Seasonal Customers (2020)
Seasonal-UR	232
Seasonal-R1	63,955
Seasonal-R2	78,938
Total	143,125

f)

ii. Please see the interrogatory response at Exhibit I-01-01 (a).

iii. Please see the interrogatory response at Exhibit I-01-05 (a).

¹ EB-2021-0110, Exhibit L, Tab 1, Schedule 2.

- g) Breakdown of monthly consumption by number of customers provided in Table 2 is based on 2017 data.
- h) 10th and 90th percentile consumption values provided in Table 3 are based on 2015 data.
- i) Requested data is provided in the table below.

Rate Class	Monthly Consumption (kWh) - Based on 2015 Data	
	Median	Average
UR	700	750
R1	840	920
R2	1,070	1,210
Seasonal	200	360

- j) Table below provides the requested information based on 2019 data (2020 data was not used for the reasons stated in response to part b).

Rate Class	Monthly Consumption (kWh) - Based on 2019 Data			
	10th Percentile	90th Percentile	Median	Average
Seasonal-UR	40	1,000	180	390
Seasonal-R1	50	910	210	360
Seasonal-R2	50	980	260	400

- k) Table below provides the requested information based on 2019 data (2020 data not used for the reasons discussed in response to part b).

Rate Class	Monthly Consumption (kWh) – Based on 2019 Data			
	10th Percentile	90th Percentile	Median	Average
UR	340	1,260	670	700
R1	370	1,650	800	900
R2	440	2,110	1,000	1,220
Seasonal	40	1,040	230	370

VECC INTERROGATORY #4

Reference:

Hydro One Report, page 10

Hydro One Report, Appendix B-I6.2 and Appendix C-I6.2

Preamble:

The Hydro One Report states:

“To determine the cost allocation and rate design impacts of eliminating the Seasonal Class as per the OEB’s March 2015 Decision, Hydro One ran two scenarios of its 2018 cost allocation model.

The first scenario, “Seasonal Status Quo”, is based on a 2018 cost allocation model (“CAM”) run that incorporates all of the model changes approved by the Board as part of its Decision in Hydro One’s 2018-2022 Distribution Application. In this run the Seasonal Class remains in place for 2018.

The second scenario, “Seasonal Eliminated”, is based on updating the 2018 Seasonal Status Quo CAM to reflect the elimination of the Seasonal Class in 2018. In this run the number of customers and kWh values for the “new” UR, R1 and R2 classes are updated to include the values associated with the seasonal customers moving into those classes.”

Interrogatory:

- a) Please provide the excel models for the two scenarios based on the 2018 cost allocation model.
- b) Please confirm that in Tab I6.2 of the CAM, the value for the Meter Reading allocation factor for each class is based the number of units times the relative cost per unit (with UR having a relative value of 1.0) as calculated in Tab I7.2.
- c) With respect to Tab I6.2, please explain why the sum of the Meter Reading allocation factors (CWMR) for the Residential classes in Appendix B (250,475) does not equal the sum of the Meter Reading Allocation factors in Appendix C (234,661).

1 d) It is noted that Hydro One is proposing to change the meter reading and billing
2 frequency for certain former Seasonal customers (per page 39 – Option C). Have
3 these changes been incorporated into the Cost Allocation for the 2018 Seasonal
4 Eliminated CAM (Appendix C)?

5 i. If yes, please explain how the billing and collecting weighting factors used
6 were determined and provide the supporting calculations.

7 ii. If yes, please explain how the Meter Reading Tab (Tab I7.2) was adjusted.
8

9 e) With respect to Tab I6.2, please explain why the sum of the Services allocation
10 factors (CWCS) for the Residential classes in Appendix B (1,089,509) does not equal
11 the sum of the Services factors in Appendix C (1,110,724) such that the total Services
12 capital allocated to the residential classes differs between the two scenarios.
13

14 **Response:**

15 a) Seasonal Status Quo Cost Allocation Model (CAM) is provided as Attachment 1 and
16 Seasonal Eliminated CAM is provided as Attachment 2 to this interrogatory response.
17 Hydro One notes that it has identified a correction to the Seasonal Eliminated CAM
18 as discussed in the interrogatory response at Exhibit I-01-08 part a).
19

20 b) As shown in Tab 7.2 of CAM, Meter Reading allocation factor is calculated by
21 multiplying forecast manual meter reads (Column labelled “Units”) for each rate class
22 by the respective meter reading weighting factor for the class (Column C).
23

24 c) The Seasonal Eliminated scenario assumes that the seasonal customers adopt meter
25 reading weighting factors of the respective year-round residential class they are
26 moved into (since the meter reading weighting factors are density-based). Since the
27 meter reading weighting factor of the former Seasonal class differed from those of the
28 R1 and R2 classes, the meter reading allocator (CWMR) for the residential classes
29 differ between Seasonal Status Quo (Appendix B) and Seasonal Eliminated
30 (Appendix C) scenarios.
31

32 d) No, changes to the meter reading and billing frequency per Option C in the Seasonal
33 Report have not been incorporated into the Seasonal Eliminated CAM.

34 i. Not Applicable

35 ii. Not Applicable

- 1 e) The Seasonal Eliminated scenario assumes that the seasonal customers adopt the
- 2 Services factor of the respective year-round residential class they are moved into.
- 3 Since the Services weighting factor of the former Seasonal class differed from those
- 4 for the R1 and R2 classes, the Services allocation factor (CWCS) for the residential
- 5 classes differ between Seasonal Status Quo and Seasonal Eliminated scenarios.

VECC INTERROGATORY #5

Reference:

Hydro One Report, page 11

Interrogatory:

a) With respect to Table 4, please confirm that with the elimination of the Seasonal class:

- “Escalated Revenues” for the Residential classes increase from \$1,029 M to \$1,034.9 M, but
- Allocated “Costs” for the Residential classes decrease from \$1,002.2 M to \$996.8 M.

b) Does Hydro One consider it reasonable that, as a result of the elimination of the seasonal class, the total costs allocated to the Residential classes decrease but the total revenues to be recovered from the Residential classes increase, effectively moving their overall revenue to cost ratio further away from 100%?

- i. If yes, please explain why?
- ii. If not, what adjustments could/should be made in order for the results to be “reasonable”?
- iii. Please comment on the pros/cons of an approach whereby the Escalated Revenues for the non-Residential classes are adjusted so as to remain unchanged (from their Seasonal Status Quo values) and the revenue difference is used to reduce the Escalated Revenue for each of the Residential classes.

Response:

a) Confirmed, however, note that Hydro One has identified a correction to the Seasonal Eliminated CAM as discussed in the interrogatory response at Exhibit I-01-08 part a), which corrects the amount of Escalated Revenues collected from the residential classes under the Seasonal Eliminated scenario and makes it equal to the amount collected under the Status Quo scenario (i.e. there is no change in the revenues collected from the residential classes).

b)

- i. As noted in the response to part a), there is no change in the in the revenues collected from the residential classes, although the costs allocated to the

1 residential classes decrease. Hydro One has followed the OEB's Cost
2 Allocation methodology which is based on completely separate calculations
3 for the "revenue at current rates" and the "allocation of costs" to a particular
4 rate class – the former being an indication of how much each class is currently
5 contributing to the revenue collected from a class, while the latter is an
6 indication of the costs each class contribute to the overall revenue
7 requirement. Hydro One believes these separate calculations are appropriate,
8 and that the resulting revenue-to-cost (R/C) ratio is a good measure of how
9 those two amounts compare for each rate class. The elimination of the
10 Seasonal class does change the R/C ratio for each rate class, however, as long
11 as they remain within the OEB-prescribed range, normally no changes are
12 made to the R/C ratios that are calculated in the cost allocation model..

13
14 ii. Not Applicable

15
16 iii. Hydro One believes it is *not* practical to make changes to the R/C ratios based
17 on what they would have been had the Seasonal Class not been eliminated as
18 that would require cost allocation results from both "Seasonal Status Quo"
19 and "Seasonal Eliminated" scenarios in the year that the Seasonal class is
20 eliminated. These scenarios were presented in the Seasonal Report for the sole
21 purpose of understanding the impacts of eliminating the Seasonal class in
22 order to inform the OEB regarding its decision to eliminate the Seasonal
23 Class. Now that the Decision to eliminate the Seasonal Class has been
24 confirmed, and once a Decision is made by the OEB on how to implement the
25 elimination of the Seasonal class, it is not necessary or practical to require
26 Hydro One to run two different cost allocation models as part of a future
27 rebasing application.

VECC INTERROGATORY #6

Reference:

Hydro One Report, pages 14-15

Preamble:

The Hydro One Report states (page 14):

“The biggest impact of eliminating the Seasonal Class is on the seasonal customers themselves. While there is a notable decrease in the 2022 bill impacts for those seasonal customers moving to the R1 class (Seasonal-R1), as well as the very few customers moving to the UR class (Seasonal-UR), there is a significant increase in bill impacts for all seasonal customers moving to R2 class (Seasonal-R2), in particular for the low and average consumption seasonal customers. In the case of low volume Seasonal R2 customers, they would see an increase of 106% over their 2021 total bill”. (emphasis added)

Interrogatory:

- a) Please confirm that the 2022 rates used for Table 7 are those from Appendix D-2022 Status Quo and Appendix D-2022 Seasonal Eliminated.
 - i. If not confirmed please explain the basis for 2022 rates used and provide equivalent Appendix D worksheets that set out their derivation.
- b) Please confirm that the impacts set out in Table 7 (as opposed to Tables 8, 9 or 10) are estimates of the total bill impacts customers will experience if Seasonal rates are eliminated January 1, 2022.
- c) Please re-do Table 7 for each of the Residential classes using the 2020 average monthly energy use for each class per Question 3 (k). If the 2020 averages are not readily available please use the average monthly energy use for each Residential class per Question 3 (i).
- d) Please re-do Table 7 for the Seasonal-UR, Seasonal-R1 and Seasonal-R2 categories using the average monthly consumption values for each category per Question 3 (j).

Response:

a) Confirmed.

i. Not Applicable

b) Hydro one confirms that the impacts set out in Table 7 are the impacts that seasonal customers would experience in 2022 (without mitigation) resulting from the elimination of the Seasonal class as well as the new 2022 revenue requirement and the continued move to fully-fixed rates. Table 8 is derived directly from Table 7 and isolates the impacts in 2022 specifically attributable to eliminating the Seasonal Class. Tables 9 and 10 show what the estimated “end-state” impacts on seasonal customers will be after the move to fully-fixed rates is completed for all residential classes (i.e. not just the impacts in 2022).

c) Table below provides the requested information based on 2019 average monthly energy use for each residential rate class.

Rate Class	Monthly Consumption (kWh)	2021 Total Bill (\$)	2022 Status Quo Change in Total Bill		2022 Seasonal Eliminated Change in Total Bill	
			(\$)	(%)	(\$)	(%)
UR	700	118.85	0.76	0.6%	0.32	0.3%
R1-With DRP	900	146.50	0.00	0.0%	-0.16	-0.1%
R1-without DRP	900	166.35	1.07	0.6%	-0.78	-0.5%
R2-With DRP	1,220	190.85	0.00	0.0%	-0.22	-0.1%
R2-Without DRP	1,220	225.82	1.83	0.8%	-3.01	-1.3%

d) Table below provides the requested information based on 2019 average monthly energy use.

Rate Class	Monthly Consumption (kWh)	2021 Total Bill (\$)	2022 Status Quo Change in Total Bill		2022 Seasonal Eliminated Change in Total Bill	
			(\$)	(%)	(\$)	(%)
Seasonal-UR	390	105.92	0.43	0.4%	-26.27	-24.8%
Seasonal-R1	360	100.97	0.01	0.0%	-9.24	-9.2%
Seasonal-R2	400	107.57	0.32	0.3%	45.68	42.5%

VECC INTERROGATORY #7

Reference:

Hydro One Report, page 15 (Table 7)

Interrogatory:

- a) Is noted that in Table 7 Sentinel and USL are the only non-Residential customer classes where the total bill is higher under the “Seasonal Eliminated” scenario. Please explain why this is the case.

Response:

- a) The apparent anomaly in the 2022 Sentinel and USL rates that appear in Table 7 is not a direct result of the Seasonal Class elimination. The 2018 Sentinel and USL rates (as shown in Appendix D of the Report) under the Seasonal Eliminated scenario are in fact lower than the rates under the Seasonal Status Quo scenario, which is consistent with other non-residential rate classes.

The inconsistency is due to the methodology approved in Hydro One’s last distribution rates application (EB-2017-0049) for adjusting the annual revenue requirement by rate class over the 2019 to 2022 period, and revenue-to-cost ratio adjustments in 2019 and 2020.

VECC INTERROGATORY #8

Reference:

Hydro One Report, pages 15-16

Interrogatory:

- a) Is Table 8 based on the differences in Table 7 between: i) the 2022 Status Quo Change in Total Bill and ii) the 2022 Seasonal Eliminated Change in Total Bill?
- i. If yes, please confirm that both of these “scenarios” assume, for 2022, the continued phase-in of fixed rates.
 - ii. If not, please explain the basis for the “2022 Change” values set out in Table 8 and provide the equivalent Appendix D worksheets that derive the rates for the two 2022 scenarios used to determine the change values shown in the Table.
- b) Please confirm that the total bill change values set out in Table 8 do not include the impact of the difference between the assumed 2022 revenue requirement versus 2022 revenues based on 2021 rates (i.e., the impact of the general distribution rate increase assumed for 2022)?
- i. If not confirmed, please revise Table 8 to exclude the impact of the assumed 2022 general distribution rate increase and provide the calculation basis for the comparative bills.
- c) Please provide a worksheet equivalent to Appendix D-2022 Status Quo based on the assumption that there is no further phase in to fully fixed rates in 2022 (i.e., 2022 Residential rates based on 2021 fixed-variable split).
- i. Please also provide a schedule for the Seasonal class categories similar to Table 7 that sets out based on the different monthly consumption values: i) the 2021 total bill, ii) the 2022 total bill using the rates calculated per this question (i.e. Seasonal not eliminated and no further phase-in of fixed rates), and iii) the dollar/percentage change in the total bill.
- d) Please provide a worksheet equivalent to Appendix D-2022 Seasonal Eliminated based on the assumption that there is no further phase in to fully fixed rates in 2022 (i.e., 2022 Residential rates based on 2021 fixed-variable split).

- 1 i. Please also provide a schedule for the Seasonal class categories similar to
2 Table 7 that sets out based on the different monthly consumption values:
3 • the 2022 total bill calculated per Question 8 (c) (i) and the associated
4 change (dollar and percentage) from the 2021 bill.
5 • the 2022 total bill using the rates calculated per this question (i.e.,
6 Seasonal eliminated and no further phase-in of fixed rates) and the
7 associated change (dollar and percentage) from the 2021 bill.
8 ii. If the changes between the two 2022 bills calculated above are not the same as
9 those in Table 8 of the Hydro One Report, please explain why.
10
11 e) Please provide a Table similar to Table 8 but with the following columns: i) 2021
12 Total Bill, ii) 2022 Total Bill based on No Seasonal Rate Elimination and No Further
13 Fixed Charge Phase-In (per Question 8 (c)), and iii) 2022 Total Bill based on
14 Seasonal Rate Elimination but No Further Fixed Charge Phase In (per Question 8
15 (d)).
16

17 **Response:**

- 18 a) Yes.
19 i. Confirmed
20 ii. Not Applicable
21
22 b) Not confirmed. Total bill change values set out in Table 8 do include the impact of
23 the general distribution rate increase assumed for 2022.
24 i. See response to part e)
25
26 c) See response to part e)
27
28 d) See response to part e)
29
30 e) It is unclear exactly what is being requested in this interrogatory, but it appears to
31 Hydro One that the question is intended to verify the impacts that appear in Table 8
32 using an alternate approach to calculating the bill impacts. To clarify, the impacts
33 shown in Table 8 are simply the difference between the amounts shown in Table 7 for
34 “2022 Status Quo Change” and the “2022 Seasonal Eliminated Change” and therefore
35 they accurately capture the impact of eliminating the Seasonal Class in 2022. Hydro
36 One included this information in the original Seasonal Report as we believed that a

1 full understanding of the impact on seasonal customers due to the elimination of the
2 Seasonal Class was a relevant consideration when arguments were being made about
3 the merits of eliminating the Seasonal Class. Given the OEB's decision on the
4 motion to review in which it found that the 2015 Decision to eliminate the Seasonal
5 Class would not be varied, the relative impacts driven by these two components is no
6 longer a material issue.

VECC INTERROGATORY #9

Reference:

Hydro One Report, page 16

Interrogatory:

- a) Please re-do Table 8 but for each of the three categories (Seasonal-R2, Seasonal-R1 and Season-UR) use the average monthly consumption for that category per Question 3 (j).

Response:

- a) The table below provides the requested information.

Monthly Consumption (kWh)	2021 Seasonal Status Quo Total Bill (\$/month)	2022 Change in Total Bill due to Eliminating the Seasonal Class					
		Seasonal-R2		Seasonal-R1		Seasonal-UR	
		\$	%	\$	%	\$	%
390	105.92					-26.70	-25%
360	100.97			-9.25	-9%		
400	107.57	45.36	42%				

VECC INTERROGATORY #10

Reference:

Hydro One Report, pages 16-17

Preamble:

The Hydro One Report states:

“To assist in understanding the factors contributing to the seasonal customer impacts, Table 10 breaks out the end-state impacts shown in Table 9 into two components: 1) the impact of just moving to all-fixed Seasonal Class rates and 2) the additional impact resulting from the elimination of the Seasonal Class.”

Interrogatory:

- a) Please re-calculate Tables 9 and 10 but with the order of the changes reversed such that the interim step is based on the total bills for 2022 assuming Seasonal is eliminated and the phase-in to all fixed rates is per current plan.

Response:

- a) What is shown in Tables 9 and 10 are not based on consecutive steps, rather they are based on two different scenarios:

Base Case - 2022 Seasonal Status Quo, where the Seasonal Class was not eliminated

Scenario 1 - 2022 Seasonal All-Fixed Rates, where the Seasonal Class was not eliminated and seasonal customers were moved to an equivalent *end-state* all-fixed rate, based on 2022 revenue requirement

Scenario 2 - 2022 Seasonal Eliminated All-Fixed Rates, where the Seasonal Class was eliminated and seasonal customers were moved to R1, R2 and UR classes at their respective equivalent *end-state* all-fixed rates, based on 2022 revenue requirement

Therefore, there is no “order of the changes”.

VECC INTERROGATORY #11

Reference:

Hydro One Report, pages 19-20 and Appendix E
EB-2020-0030, Exhibit 1.0 - updated

Preamble:

The Hydro One Report states (page 19):

“The 1st mitigation option considered is a credit-based approach. Under this option, seasonal customers will move to R2 class rates in 2022 (i.e. they will be billed at the same rate as all R2 customers) and a credit will be applied to their bills to limit total bill impacts to 10%. The 10% impact will take into account all distribution-related items approved by the Board for 2022 as well as the elimination of the Seasonal Class.”

The Hydro One Report states (page 20):

“A mitigation credit would then be applied to seasonal-R2 customers’ bills to limit the impacts to a 10% increase over their prior year’s total bill.”

Interrogatory:

- a) Please provide a schedule that lists the components of the total bill as set out in the Appendix E bill impact calculations and for each one indicate whether changes for 2022 would be included in the calculation of the 10% bill impact.
- b) Please provide a schedule that lists all of Hydro One Networks-Distribution’s active Deferral/Variance accounts and, for each one, indicate whether changes in the related rate rider for 2022 (versus 2021) would be included in the calculation of the 10% bill impact.
- c) For those components of the total bill for which changes will not be included in the calculation of the 10% bill impact, please indicate what the basis for the values used to calculate the total bill will be (e.g. will they be the values approved/used for billing as of the date of Hydro’s rate application for the test year?). In responding please address what the basis will be for the “energy prices” and OER value used, as these are known to change frequently.

d) Please confirm that there are no customers in the Seasonal-R1 category that could exceed the 10% bill impact limit.

Response:

a) Hydro One would like to clarify that the bill impacts are presented in Appendix F and G of the updated Seasonal Report, not Appendix E. Table below provides the requested information.

Components of Total Bill	Changes that will be Included in Year-over-Year Bill Impact Calculations
Commodity (Energy)	No
Distribution	Yes
Transmission	Yes
Regulatory	No
Taxes	No
Rebates/Subsidies	No

b) The bill impacts shown in the updated Seasonal Report are net of any rate riders and therefore do not reflect any active Deferral/Variance accounts. When the elimination of the Seasonal Class is implemented, all applicable rate riders will be included in calculating the total bills, and the combined impacts will be limited to 10%. Hydro One expects that it will be required to provide mitigation details for the Seasonal class at some point during its 2023-2027 rates proceeding (EB-2021-0110) to reflect OEB's Decision in this proceeding.

c) At the time of implementation of changes to the Seasonal class, Hydro One will use the distribution rates and rate riders approved as part of the rate proceeding under which the Seasonal class elimination takes place, and it will use the latest OEB-approved values for commodity and regulatory prices, as well as taxes and any rebates/subsidies (such as OER) in place at that time. As per Section 2.8.12 of the OEB's Filing Requirements, these values will be held constant in calculating the bill impacts.

d) Confirmed.

VECC INTERROGATORY #12

Reference:

Hydro One Report, pages 21-22

Preamble:

The Hydro One Report states:

“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.”

Interrogatory:

- a) Given the timing of Hydro One’s application for and Board approval of annual adjustments to its distribution rates, when would the credit be established (e.g., if implemented for January 1, 2022 when in 2021 would the credit be established) and what months would be used to determine the prior year’s average monthly consumption for a particular customer?
- b) Please confirm that even though a Seasonal customer’s consumption will vary from month to month, the credit will be calculated based on the average monthly usage for the prior year and be fixed at the same value for each month in a given year.
- c) In calculating the credits set out in Table 12, what was the underlying assumption used for each of the years 2023 through 2031 with respect to the increase in distribution revenue requirement for the year over revenues based on the previous year’s distribution rates?
- d) Please provide schedules that set out: i) the derivation of the R2 2023 distribution rates used for purposes of Table 12 and ii) the total bill impact calculation for 2023 that supports the \$40.63 credit set out in Table 12 for the 0-50 kWh consumption range in a format similar to that used in Appendix F.

Response:

- a) Please see the interrogatory responses at Exhibits to I-01-05 a) and I-01-18 c).
- b) Confirmed.
- c) The distribution revenue requirement was frozen at the 2022 level for calculating the credits from 2023 through 2031.
- d) As shown in Table 12, mitigation credit for 0-50kWh consumption range is \$49.63.
Tables below provide the requested information.

i. Derivation of 2023 Rates

Derivation of 2023 Distribution Rates for R2 Class	
2022 Fixed Charge (A)	\$116.61
2022 Volumetric Charge (B)	\$0.0167
2022 All-Fixed Charge (End-State) (C)	\$131.66
2022 Number of Customers (D)	413,678
2022 kWh (E)	4,474,291,497
2022 Total Revenue From Rates (F)	\$653,585,325
2023 Fixed Charge ($G=A+(C-A)/2$)	\$124.14
Revenue from Fixed Charge ($H=G*12*D$)	\$616,226,706
Revenue from Volumetric Charge ($I=F-H$)	\$37,358,619
2023 Volumetric Charge ($J=I/E$)	\$0.0083

ii. Derivation of Mitigation Credit Amount for 2023

Rate Class	Seasonal	R2
Monthly Consumption (kWh)	25	
Peak (kW)	0	
Loss factor - Seasonal	1.104	
Loss factor - R2	1.105	
Commodity Threshold	1000	
Monthly Consumption (kWh) - Uplifted - Seasonal	28	
Monthly Consumption (kWh) - Uplifted - R2	28	
Charge determinant	kWh	

	2022			2023		
	Volume	Proposed Rate (\$)	Proposed Charge (\$)	Volume	Proposed Rate (\$)	Proposed Charge (\$)
TOU-Off Peak	16	0.128	2.08	16	0.128	2.08
TOU-Mid Peak	4	0.128	0.54	4	0.128	0.54
TOU-On Peak	5	0.128	0.58	5	0.128	0.58
Sub-Total: Energy (TOU)			3.20			3.20
Service Charge	1	116.61	116.61	1	124.14	124.14
Distribution Volumetric Rate	25	0.0167	0.42	25	0.0083	0.21
Sub-Total: Distribution (excluding pass through)			117.03			124.34
Smart Metering Entity Charge	1	0.57	0.57	1	0.57	0.57
Line Losses on Cost of Power (based on TOU prices)	3	0.1280	0.34	3	0.1280	0.34
Sub-Total: Distribution (based on TOU prices)			117.93			125.25
Retail Transmission Rate – Network Service Rate	28	0.0076	0.21	28	0.0076	0.21
Retail Transmission Rate – Line and Transformation Connection Service Rate	28	0.0067	0.19	28	0.0067	0.19
Sub-Total: Retail Transmission			0.40			0.40
Sub-Total: Delivery (based on TOU prices)			118.33			125.64
Wholesale Market Service Rate (WMS) - not including CBR	28	0.0030	0.08	28	0.0030	0.08

Capacity Based Recovery (CBR) - Applicable for Class B Customers	28	0.0004	0.01	28	0.0004	0.01
Rural Rate Protection Charge	28	0.0005	0.01	28	0.0005	0.01
Standard Supply Service – Administration Charge (if applicable)	1	0.25	0.25	1	0.25	0.25
Sub-Total: Regulatory			0.36			0.36
Total Bill on TOU (before Taxes)			121.89			129.20
HST		0.13	15.85		0.13	16.80
Total Bill (including HST)			137.73			146.00
Ontario Electricity Rebate (31.8%)		-0.32	-38.76		-0.32	-41.09
Total Bill on TOU			98.97			104.91
New Rate (10% Increase) TOU			50.26			55.29
Mitigation Credit on TOU						49.63

VECC INTERROGATORY #13

Reference:

Hydro One Report, pages 22-24 & 26-27 and Appendix G

Preamble:

The Hydro One Report states (pages 22-23):

“The second approach, developed in response to stakeholder feedback, is to recover the cost of credits from customers in all classes, not just formerly seasonal customers. The rationale for doing so is that all classes benefit from lower rates as a result of the increased revenue at current rates driven by eliminating the Seasonal Class, as discussed in Section 4.1. Under this approach, the amount of credits paid to seasonal-R2 customers would be tracked in a variance account for disposition as part of the annual rates-setting process under a Custom IR or IRM application.

For the purpose of disposition, Hydro One would allocate the credit variance account balance across all classes based on the revenue share of each class prior to any R/C ratio adjustments. The amount to be collected from each class would then be disposed of via a fixed rider determined on a per customer basis.”

The Hydro One Report states (page 27):

“Allocate the credit variance account balance across all classes based on their class share of total revenue requirement and dispose of the variance account amounts allocated to each class via a monthly fixed rider for the residential classes and a combined fixed and variable rider for all other rate classes.”

Interrogatory:

- a) The rationale for allocating the credit variance account to all customer classes appears to be that all customer classes benefit from the elimination of the Seasonal class. However, Table 7 indicates that for the Sentinel and USL classes this not the case. Why is it reasonable to allocate a portion of the credit variance account to these two classes?

- 1 b) When would Hydro One anticipate the credits paid to Seasonal-R2 customers being
2 recovered? For example, assuming a January 1, 2022 implementation, would the
3 credits paid and tracked in the variance account for 2022 be recovered in: i) 2023
4 using a forecast of the 2022 year-end variance account balance (assuming the 2023
5 rates including the required rate riders for DVAs are set prior to January 1, 2023) or
6 ii) in 2024 based on the actual year-end variance account balance?
7
- 8 c) Please confirm that a portion of the balance in the variance account will be allocated
9 to and recovered from Seasonal-R2 customers.
- 10 i. If confirmed, what portion of the credit variance account balance would be
11 allocated to the R2 customer class and recovered from former Seasonal
12 customers based on 2022 revenues/revenue requirement by customer class and
13 the forecast customer counts? Please provide the supporting calculations.
- 14 ii. If confirmed, please indicate whether the impact of the variance account
15 recovery rate rider will be included in the determination of the 10% total bill
16 impact.
- 17 iii. If confirmed, do the estimated credits set out in Table 12 take this impact (per
18 (ii)) into account?
19
- 20 d) Please clarify whether the allocation basis is: i) the revenue share of each customer
21 class (i.e., each class' share of the Base Revenue Requirement as suggested by the
22 reference quoted from page 23) or ii) the revenue requirement share of each customer
23 class (i.e., each class's share of the Service/Total Revenue Requirement as suggested
24 by the referenced quote from page 27).
25
- 26 e) Please explain why the allocation of the credit variance account balance is based on
27 the revenue/revenue requirement shares prior to any R/C ratio adjustments (per page
28 23).
29
- 30 f) With respect to Appendix G (pages 25-51), please re-do the total bill impact
31 calculations for the non-Residential customer classes but include in the 2022 rates the
32 estimated fixed rider per Table 13 and provide the results for each case in a similar
33 format.
34
- 35 g) With respect to Appendix G (pages 1-21), please re-do the total bill impact
36 calculations for these Residential customer class usage scenarios but include in the

2022 rates the estimated fixed rider per Table 13 and provide the results for each case in a similar format.

- h) With respect to Appendix G (page 22-24), please re-do the total bill calculations for these Residential customer class usage scenarios but include in the 2022 rates both: i) the relevant estimated credit variance account fixed rider per Table 13 and ii) the relevant bill impact credit per Table 12. In each case, please provide the results in a format similar to that used in Appendix G.

Response:

- a) Please see the interrogatory response at Exhibit I-05-07 part a).
- b) As indicated in the interrogatory response at Exhibit I-01-01 part a), it will not be possible to implement the elimination of the Seasonal Class on January 1, 2022. Assuming a January 1, 2023 implementation, the mitigation credit variance account balances will be brought forward for disposition starting in the 2025 rate year, when actual year-end 2023 balances will be available.
- c) Confirmed.
- i. As shown in Table 13 of the updated Seasonal Report, 41% (\$14.5M/\$35.2M) of the credit variance account balance in 2022 would be allocated to R2 class. As shown in Table below, 18% of the balance allocated to the R2 class would be recovered from former Seasonal customers.

	Number of Customers (A)	kWh (B)	Fixed Charge (C)	Volumetric Charge (D)
Combined R2+Seasonal Customers (Reference: Appendix D, 2022 Seasonal Eliminated Rate Design) (1)	413,678	4,474,291,497	\$116.61	\$0.0167
R2 Customers Only (Reference: Appendix D, 2022 Seasonal Status Quo Rate Design) (2)	335,422	4,170,753,000		
Seasonal-R2 Customers Only (1-2)	78,256	303,538,497		

	Revenue from Fixed Charge (E=A*C*12)	Revenue from Volumetric Charge (F=B*D)	TOTAL Revenue (G=E+F)	
Combined R2+Seasonal Customers (3)	\$578,892,172	\$74,693,153	\$653,585,325	
R2 Customers Only	\$469,382,383	\$69,625,927	\$539,008,310	
Seasonal-R2 Customers Only (4)	\$109,509,789	\$5,067,226	\$114,577,015	
Share of Revenue from Seasonal-R2 Customers (5=4/3)			18%	

- 1
- 2 ii. Yes, the impact of the variance account recovery rate rider will be included in
- 3 the determination of the 10% total bill impact.
- 4
- 5 iii. No, the estimated credits set out in Table 12 do not take this impact into
- 6 account.
- 7
- 8 d) The allocation of credit variance account balance among rate classes will be based on
- 9 Rates Revenue Requirement share of each class (as per page 23 of the Seasonal
- 10 Report).
- 11
- 12 e) The quote on page 23 should have included the words “after any R/C ratio
- 13 adjustment”, since that would accurately reflect the revenues collected from each rate
- 14 class. This correction does not impact the analyses provided in the Seasonal Report
- 15 since there was no R/C ratio adjustment made in the 2022 rate design process.
- 16
- 17 f) Please see the interrogatory response at Exhibit I-01-19 (b).
- 18
- 19 g) Please see the interrogatory response at Exhibit I-01-19 (b).
- 20
- 21 h) Please see the interrogatory response at Exhibit I-01-19 (b).

VECC INTERROGATORY #14

Reference:

Hydro One Report, pages 28-30

Interrogatory:

a) Based on Hydro One's current customer classification definitions would all R2 customers qualify for the RRRP subsidy per Regulation 442/01?

i. If yes, why?

ii. If not, why not?

iii. If not, are there currently any R2 customers that do not qualify for the RRRP subsidy? If so, what is the total number of R2 customers and how many do not qualify?

b) Based on Hydro One's current customer classification definitions would all R1 and R2 customers qualify for the DRP per Regulation 198/17?

i. If yes, why?

ii. If yes, why do Appendix F (pages 5, 7, 9, 11, 13 & 15) and Appendix G (pages 5, 7, 9, 11, 13, 15) include bill impacts for R1 and R2 customers without DRP?

iii. If not, why not?

iv. If not, are there currently any R1 or R2 customers that do not qualify for the RRRP subsidy? If so, what is the total number of customers in each of these classes and how many do not qualify?

Response:

a) Yes, all customers currently in the R2 Class qualify for the RRRP subsidy as the property to which the account applies is considered to be the primary residence at which they reside year-round.

b)

i. Yes, all customers currently in the R1 and R2 Classes qualify for the DRP subsidy as the property to which the account applies is considered to be the primary residence at which they reside year-round.

ii. The bill impacts used standard templates that include calculations with and without DRP because Hydro One has found that in the context of a rate

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Exhibit I

Tab 5

Schedule 14

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1 application proceeding it is helpful to the Board and intervenors to understand
2 what the bill impacts of the proposed application would be if not for the DRP.

VECC INTERROGATORY #15

Reference:

Hydro One Report, pages 33-34

Preamble:

One of the disadvantages of Option A is cited as: “Difficult to rationalize and communicate different levels of meter reading and billing frequency to customers in the same class”.

Interrogatory:

- a) Given that for Seasonal customers there already are different levels of meter reading and billing frequency (per page 31) why is the issue noted in the Preamble considered a disadvantage?

Response:

- a) From the perspective of the vast majority of existing seasonal customers, who are already used to a differentiated billing and meter reading service, this would not be an issue. The issue will materialize in explaining the differentiated service when dealing with new seasonal customers who might expect to have the same meter reading and billing frequency typically associated with the R2, R1 or UR class they are placed in.

VECC INTERROGATORY #16

Reference:

Hydro One Report, pages 35-36 and 40

Interrogatory:

- a) The reference to 2,300 of the Seasonal High Usage Sub-Segment meters being read manually is as of when and what was the total number of Seasonal High Usage customers at that point in time?
- b) How many Seasonal High Usage customers are currently on electronic billing and how many more would need to opt for electronic billing to achieve the referenced \$52,000 in savings?
- c) The reference to 9,000 of the Seasonal Medium Usage Sub-Segment meters being read manually is as of when and what was the total number of Seasonal Medium Usage customers at that point in time?
- d) How many Seasonal Medium Usage customers are currently on electronic billing and how many more would need to opt for electronic billing to achieve the referenced \$312,000 in savings?
- e) The reference to 9,800 of the Seasonal Low Usage Sub-Segment meters being read manually is as of when and what was the total number of Seasonal Low Usage customers at that point in time?
- f) How many Seasonal Low Usage customers are currently on electronic billing and how many more would need to opt for electronic billing to achieve the referenced \$12,000 in savings?
- g) At page 40 reference is made to Option C being complex and having significant implementation and ongoing administration costs. Are these costs reflected in the cost and savings estimates set out in Table 19?
 - i. If not, what are the additional one-time and/or annual implementation and ongoing administration costs associated with Option C?

h) Please confirm that Option C only applies to former Seasonal customers and new UR, R1 and R2 customers that do not meet the current definition of a Residential customer (i.e., there will be no change in meter reading frequency or billing frequency for customers that meet the definitions for UR, R1 and R2 customer respectively, regardless of their usage level).

i. If not confirmed, what how will Option C impact these customers?

Response:

a) The reference is based on 2015 customer data. The total number of seasonal high usage customers was approximately 15,000.

b) As of end of 2020 Hydro One had 39% of seasonal high usage customers on electronic billing. To achieve the referenced savings would require that 90% of high usage seasonal customers adopt electronic billing

c) The reference is based on 2015 customer data. The total number of seasonal medium usage customers was approximately 79,000.

d) As of end of 2020 Hydro One had 23% of seasonal medium usage customers on electronic billing. To achieve the referenced savings would require that all medium usage seasonal customers adopt electronic billing.

e) The reference is based on 2015 customer data. The total number of seasonal low usage customers was approximately 54,000.

f) As of end of 2020 Hydro One had 25% of seasonal low usage customers on electronic billing. The referenced savings have already been surpassed by the existing customer adoption of electronic billing service.

g) The costs identified in Table 19 reflect only an estimate of ongoing costs impacts post implementation and stabilization of the new customer billing and meter reading model and are also based on significant customer uptake of lower cost delivery options (e.g. electronic billing).

i. Implementation of Option C would incur one time implementation costs in the range of \$3 to \$4 million.

h) Confirmed.

VECC INTERROGATORY #17

Reference:

Hydro One Report, page 41

Preamble:

The Hydro One Report states:

“Section 3.1 of the conditions of service, which covers the definitions of Hydro One’s rate classes consistent with the approved rate schedules, would need to be revised to reflect the elimination of the Seasonal Class and that the residential rate classification will now consist of two sub-categories of residential service: year round and seasonal.”

Interrogatory:

- a) Will the new definitions of UR-Year Round, R1-Year Round and R2-Year Round match the current definitions for UR, R1 and R2 respectively?
- i. If not, why not?
 - ii. If not, what will the new definitions be and how will they differ?

Response:

- a) Yes, the definitions of UR-Year Round, R1-Year Round and R2-Year Round will match the current definitions for UR, R1 and R2 respectively.

**BALSAM LAKE COALITION AND BALSAM LAKE ASSOCIATION
INTERROGATORY #1**

Reference:

Issue 1 – Report on Elimination of the Seasonal Class, Update dated October 15, 2020, EB-2016-0315

Interrogatory:

See Page 11, Table 4 - This table shows that the Elimination of the Seasonal Class results in an additional \$19.8 M in total revenue, at current rates, and the R/C ratio as a result, is increased for R2 residential class from 0.97 to 1.0.

Why could the R/C ratio not be held at the current level of 0.97, which would result in less revenue requirement recovered from R2 customers?

Response:

Please see the correction to Table 4 as discussed in the interrogatory response at Exhibit I-01-08. With this correction the R/C ratio for the R2 class actually drops slightly from 0.97 to 0.96.

**BALSAM LAKE COALITION AND BALSAM LAKE ASSOCIATION
INTERROGATORY #2**

Reference:

Issue 2 – Hydro One’s response to Question No. 10, P.O. No. 1, EB-2020-0246

It was stated by Hydro One in its response that “Seasonal Class customers who reside at their property continuously for at least 8 months of the year should complete an online Declaration Form for year-round status”.

Interrogatory:

Does Hydro One agree that the only requirement for Distribution Rate Protection (DRP) for Hydro One R1 and R2 customers is that the customer “resides continuously at the service address to which the account relates for at least eight months of the year” and that the only requirement for Rural or Remote Electricity Rate Protection (RRRP) for Hydro One R2 customers is that the consumer occupy “a dwelling occupied as a residence continuously for at least eight months of the year” as set out in Ont. Regulation 442/01 and Ont. Regulation 198/17 respectively? If Hydro One believes there are further, additional legal criteria please provide the source of that criteria in legislation.

Response:

For a Hydro One customer to qualify for:

- i. distribution rate protection (“DRP”) under Ontario Regulation 198/17 “Distribution Rate-protected Residential Consumers” (“O. Reg. 198/17”), the legal requirement that has to be satisfied is set out in subsection 2(1)3 “A consumer who has an account with Hydro One Networks Inc. that falls within the R1 (year-round medium-density residential) or R2 (year-round low-density residential) residential-rate classification, if he or she resides continuously at the service address to which the account relates for at least eight months of the year”; and
- ii. Rural or Remote Electricity Rate Protection (“RRRP”) under Ontario Regulation 442/01 “Rural or Remote Electricity Rate Protection” (“O. Reg. 442/01”), the legal requirement is located in the definition of “residential premises” which is defined as meaning “a dwelling occupied as a residence continuously for

at least eight months of the year and, where the residential premises is located on a farm, includes other farm premises associated with the residential electricity meter”.

The criteria that Hydro One uses in its Online Declaration Form for Year-Round Status (“Declaration”) is for the purpose of establishing that the person making the Declaration satisfies the above-referenced legal requirements. As an example, Hydro One establishing a set of criteria is no different than the legal requirement in the Province of Ontario to be able to vote - you have to register with the address where you are “resident”. If you visit Election Ontario’s website (<https://www.elections.on.ca/en/voting-in-ontario/id-requirements-for-voting.html>), there is a list of acceptable items that a person can provide (as set out in table below) when they need to add, remove or update their information on the voters list (i.e. to satisfy the legal requirement for residency). A number of these items are the same documents that Hydro One includes as criteria in our Declaration to establish that a customer meets the legal requirement set out for a customer to qualify for RRRP and DRP in the above-referenced regulations.

Examples of ID needed to add, update or remove your information from the voters list		
Government-issued	Educational or Financial	Other
Ontario driver's licence	School admissions letter	Utility bill
Ontario Photo Card	Transcript or report card	Insurance policy or statement
Statement of government benefits	School tuition or fees statement	Hospital record or document
Statement of Employment Insurance	Campus residency document	Pay stub
Certificate of Indian Status	Bank or Credit card statement	Cell phone bill
Income tax assessment	Loan statement or agreement	CNIB Card
Document issued or certified by a court in Ontario	Residential lease or mortgage agreement	Mortgage policy or statement

**BALSAM LAKE COALITION AND BALSAM LAKE ASSOCIATION
INTERROGATORY #3**

Reference:

Issue 2 – Hydro One’s response to Question No. 10, P.O. No. 1, EB-2020-0246

It was stated by Hydro One in its response that “Seasonal Class customers who reside at their property continuously for at least 8 months of the year should complete an online Declaration Form for year-round status”.

Interrogatory:

How does Hydro One propose to verify who qualifies for year-round status and the RRRP/DRP subsidies?

Response:

Hydro One plans to continue using its existing criteria as outlined in Hydro One’s Online Declaration Form for Year-Round Status to verify that the person making the Declaration meets the legal requirements in Ont. Reg. 442/01 and O. Reg. 198/17.

**BALSAM LAKE COALITION AND BALSAM LAKE ASSOCIATION
INTERROGATORY #4**

Reference:

Issue 2 – Hydro One’s response to Question No. 10, P.O. No. 1, EB-2020-0246

It was stated by Hydro One in its response that “Seasonal Class customers who reside at their property continuously for at least 8 months of the year should complete an online Declaration Form for year-round status”.

Interrogatory:

If the response to 3 is that Hydro One will use the criteria currently in its Online Declaration Form for Year-Round Status, why would Hydro One impose different criteria from those listed in Ont. Regulation 442/01 and Ont. Regulation 198/17, and as apparently recognized by Hydro One in its response to Question No. 10?

Response:

As noted in the interrogatory response at Exhibit I-06-02, O. Regs. 198/17 and 442/01 establish the legal requirement that a customer must meet to qualify for DRP and RRP respectively. The criteria listed in Hydro One’s Online Declaration Form for Year-Round Status is a practical means for Hydro One to substantiate that the person making the Declaration satisfies those legal requirement.

**BALSAM LAKE COALITION AND BALSAM LAKE ASSOCIATION
INTERROGATORY #5**

Reference:

Issue 2 – Hydro One’s response to Question No. 10, P.O. No. 1, EB-2020-0246

It was stated by Hydro One in its response that “Seasonal Class customers who reside at their property continuously for at least 8 months of the year should complete an online Declaration Form for year-round status”.

Interrogatory:

What is Hydro One’s rationale for the current broad list of criteria in its Declaration Form for Year-Round Status, which appears to BLC and BLA to differ significantly from the criteria imposed by the prevailing Ontario Regulations governing DRP and RRRP?

Response:

Please see the interrogatory response at Exhibit I-06-02.

**BALSAM LAKE COALITION AND BALSAM LAKE ASSOCIATION
INTERROGATORY #6**

Reference:

Issue 2 – Hydro One’s response to Question No. 10, P.O. No. 1, EB-2020-0246

It was stated by Hydro One in its response that “Seasonal Class customers who reside at their property continuously for at least 8 months of the year should complete an online Declaration Form for year-round status”.

Interrogatory:

Does Hydro One agree that it is possible for a consumer to meet the legal criteria for RRRP and/or DRP without meeting any of the additional criteria imposed by Hydro One in its Declaration Form for Year-Round Status, including specifically:

- a) that the address of the residence appears on supporting documents such as the customer’s driver’s licence, credit card invoices, property tax bill, etc. and
- b) that if the customer is eligible to vote in provincial or federal elections, the customer must be enumerated for voting purposes at the address of this residence.

Response:

Please see Hydro One’s answer to BLC and BLA’s Question 2 regarding the legal requirements for Hydro One customers to qualify for RRPP and DRP versus the criteria used in Hydro One’s Declaration Form for Year-Round Status for a customer to establish that they meet the said legal requirements. As an example and without opining on the legislative regimes applicable to voting in Ontario or federally in respect of residential address legal requirements, it would be difficult to see how a person could be legally be able to vote in either jurisdiction using an address in Ontario where a person resides 4 months (or less) of the year if that person has another address in Ontario where that person occupies a dwelling “as a residence continuously for at least eight months of the year” (i.e. the legal requirement to qualify for RRRP and DRP set out in Ont. Regulation 442/01 and O. Reg. 198/17.

**BALSAM LAKE COALITION AND BALSAM LAKE ASSOCIATION
INTERROGATORY #7**

Reference:

Issue 2 – Hydro One’s response to Question No. 10, P.O. No. 1, EB-2020-0246

It was stated by Hydro One in its response that “Seasonal Class customers who reside at their property continuously for at least 8 months of the year should complete an online Declaration Form for year-round status”.

Interrogatory:

In EB-2013-0416, as noted by the OEB in its decision dated March 12, 2015 at pages 46-47, Hydro One identified approximately 11,000 customers in the seasonal class whose consumption patterns suggested they may qualify as year round customers, and accordingly Hydro One proposed to move those customers to the R1 and R2 classes based solely on their consumption patterns with the effect that those customers moved to the R2 class would have immediately gained RRRP funding (and, as a result of subsequent legislation, customers moved to either the R1 or R2 class would have gained DRP funding).

- a) Please detail any efforts to date by Hydro One to contact the approximately 11,000 customers it identified as possibly year-round customers because of their consumption patterns in EB-2013-0416 and provide qualifying customers RRRP and/or DRP funding.
- b) Please advise how many of the approximately 11,000 customers it identified as possibly year-round customers because of their consumption patterns in EB-2013-0416 have since been moved to either the R1 or R2 classes.

Response:

- a) To clarify, Hydro One did not identify these approximately 11,000 seasonal customers as possible year-round customers, but rather that “historical consumption data indicates that there are a number of Seasonal customers that have annual consumption and monthly load profile characteristics very similar to that of year-round residential customers” as stated on pages 5-6 of Exhibit G1-2-1 filed in EB-2013-0416. Hydro One has not made any attempts to contact these customers given the OEB’s rejection of Hydro One’s proposal and their decision to eliminate the Seasonal Class.

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- 1 b) Since 2013, about 930 seasonal customers have been moved to the R1 class and about
- 2 800 seasonal customers have been moved to the R2 class, after completing a declaration
- 3 form and providing supporting material showing that they meet the year-round
- 4 residential criteria.

**BALSAM LAKE COALITION AND BALSAM LAKE ASSOCIATION
INTERROGATORY #8**

Reference:

Issue 3 - Disputes

Interrogatory:

When there is a dispute about whether a customer does or does not qualify under the above RRRP/DRP criteria, how does Hydro One propose that such disputes be resolved?

Response:

Hydro One has an existing customer complaint/dispute resolution process which includes the option for the dispute to be escalated to the OEB for review. Hydro One is not proposing any unique or special dispute resolution process to deal with this matter.

**BALSAM LAKE COALITION AND BALSAM LAKE ASSOCIATION
INTERROGATORY #9**

Reference:

Issue 4 – New Rate Design - After Seasonal Class is Eliminated

BLC outlined a proposal in its submissions dated December 19, 2019 in EB-2019-0234, pages 12-17, wherein the seasonal class is eliminated by moving seasonal customers to their respective density based rate classes as appropriate (the UR, R1 and R2 rate classes), and then the R1 and R2 rate classes are split into two sub-classes, each based on the occupancy criteria imposed by DRP and RRRP eligibility, such that the new R1 and R2 rate classes would group its members based on their similar consumption characteristics with the result that the new R2 sub-class containing all the former R2 seasonal customers would have the impact of the elimination of the seasonal rate class greatly mitigated if not entirely negated and the new R1 sub-class containing all the former R1 seasonal class would experience a greater rate reduction as a result of being in a rate class that more closely reflects the costs allocated to them under the prevailing Cost Allocation Methodology.

Interrogatory:

Does Hydro One agree that creating a new R2 sub-class containing all the customers that do not qualify for RRRP and DRP funding would have the effect of permanently and materially reducing the impact of the elimination of the seasonal class on R2 seasonal customers? If not, why not?

Response:

It is unclear from the question how BLC would propose setting the rates for a new R2 sub-class containing former Seasonal class customers, but Hydro One would expect that a new sub-class would have to be established in the cost allocation model, and that Hydro One would have to establish all of the requisite cost allocation model inputs associated with the new sub-class. Distribution rates would then have to be set consistent with the costs allocated to the new sub-class and the OEB's rate design principles.

Hydro One anticipates that the impact on seasonal customers moving to a new sub-class would be less than the impacts of merging them with the year-round residential classes.

1 Hydro One notes that what BLC is suggesting is similar to what BLC put in its Motion to
2 Review arguments of Dec.19, 2019, where it proposed splitting R1 and R2 seasonal
3 customers into two separate R1 and R2 Seasonal Rate Classes (i.e. effectively the same as
4 sub-classes). The suggestion is also similar to what Hydro One put in its submission of
5 June 12, 2020 where we proposed “that the Board order Hydro One to include, in its next
6 Distribution rebasing application, an assessment of the alternative of placing Seasonal
7 Class customers into new, density-based Seasonal rate classes”.

8
9 The OEB was informed by both the BLC and Hydro One submissions in reaching its
10 decision on the Motion to Review (EB-2019-0234/EB-2016-0315), in which it found that
11 Hydro One’s Motion failed on its merits (the motion proceeding) and that the 2015
12 Decision to eliminate the Seasonal Class stood. As such, it is unclear how the OEB would
13 treat the suggestion raised by BLC in this interrogatory.

**BALSAM LAKE COALITION AND BALSAM LAKE ASSOCIATION
INTERROGATORY #10**

Reference:

Issue 4 – New Rate Design - After Seasonal Class is Eliminated

BLC outlined a proposal in its submissions dated December 19, 2019 in EB-2019-0234, pages 12-17, wherein the seasonal class is eliminated by moving seasonal customers to their respective density based rate classes as appropriate (the UR, R1 and R2 rate classes), and then the R1 and R2 rate classes are split into two sub-classes, each based on the occupancy criteria imposed by DRP and RRRP eligibility, such that the new R1 and R2 rate classes would group its members based on their similar consumption characteristics with the result that the new R2 sub-class containing all the former R2 seasonal customers would have the impact of the elimination of the seasonal rate class greatly mitigated if not entirely negated and the new R1 sub-class containing all the former R1 seasonal class would experience a greater rate reduction as a result of being in a rate class that more closely reflects the costs allocated to them under the prevailing Cost Allocation Methodology.

Interrogatory:

Please describe any obstacles that Hydro One believes prevents the creation of R1 and R2 sub-classes as proposed by BLC in its December 19, 2019, submissions?

Response:

Please see the interrogatory response at Exhibit I-06-09.

**BALSAM LAKE COALITION AND BALSAM LAKE ASSOCIATION
INTERROGATORY #11**

Reference:

Issue 5 - Hydro One's Consultation with Ontario Government.

According to transcripts of a previous hearing held approx. 2017 at the Ont. Energy Board, Hydro One was consulted by the Ont. Government about the proposed DRP legislation. Hydro One recommended at that time that the Ontario Government should exempt all seasonal class customers from any benefits proposed by the Government under the contemplated DRP legislation. Subsequently all seasonal class customers were exempted from DRP funding.

Interrogatory:

What was Hydro One's rationale for proposing that the provincial government deny Distribution Rate Protection for approximately 148,000 seasonal class customers but at the same time recommend that over one million year-round customers be granted significant subsidies under Ont. Regulation 198/17?

Response:

This issue was previously addressed as part of proceeding EB-2017-0049 in interrogatory response Exhibit I-05-BLC-4 and in the response to Undertaking J.4.5. In the response to Undertaking J.4.5 Hydro One clarified that its proposals to the Government on "Addressing Affordability" were focused on addressing affordability concerns for its most vulnerable customers. Based on an analysis of overdue receivables for residential customers at 2016 year-end, R1 and R2 residential customers accounted for 84% of the corresponding overdue receivables, whereas seasonal customers only accounted for approximately 5% of the overdue receivables. Since non-seasonal residential customers were experiencing significant challenges with affordability, Hydro One felt that immediately addressing that was the priority.

The characterization that Hydro One recommended that the Ontario Government should exempt all seasonal class customers from any benefits proposed by the Government under the contemplated DRP legislation is not correct. As noted on pages 87-89 of Transcript Volume 11 in EB-2017-0049, during the consultations to develop the DRP regulation, Hydro One simply made government staff aware that seasonal customers would be moving

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- 1 to the R1 and R2 classes, as a result of the elimination of the Seasonal Class, and that they
- 2 needed to be cognizant of that fact in writing the regulations in order to accurately reflect
- 3 their intent of who was to benefit from the DRP.

CCC INTERROGATORY #1

Reference:

Hydro One Report, p. 3

Interrogatory:

The Report indicates that the earliest feasible effective and implementation date for the elimination is January 1, 2022. While HON recommends that the elimination of the Seasonal Class can 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:

- a) Given the date of the Report is October 15, 2020, can HON still facilitate an effective date and implementation date of January 1, 2022? If not, why not?
- b) Can HON facilitate an effective date and implementation date of January 1, 2023? If not, why not?
- c) What is HON's current proposal regarding the timing of the elimination of the Seasonal Rate Class?

Response:

Please see response to OEB Staff interrogatory #1 at Exhibit I-01-01.

CCC INTERROGATORY #2

Reference:

Hydro One Report, p. 3

Interrogatory:

The Report states that the 2020 and 2021 revenue requirements used in the calculation in this report have been updated to align with the revenue requirement and rates used in more recent filings. On February 18, 2021 the OEB approved HON's final rates for 2021:

- a) Does HON intend to update the bill impact and mitigation analyses included in the Report using final 2021 rates? If not, why not? If so, when will these analyses be provided?

Response:

Please see the response to VECC Interrogatory #1 (Exhibit I-05-01).

CCC INTERROGATORY #3

Reference:

Hydro One Report, p. 4

Interrogatory:

The Report states that with respect to billing and meter reading, HON proposes that the billing and meter reading frequency for seasonal customers in the year-round residential classes be based on customer usage level and patterns, and their current meter reading billing method:

- a) Does this mean that current customers in the Seasonal Class will continue to be billed quarterly whereas the other customers in the Urban, R1 and R2 customers will be billed monthly?
- b) What is the rationale for this approach?
- c) Does this mean that current customers in the Seasonal Class will have included in their rates the costs of monthly billing for all other customers who are billed monthly?
- d) Will current customers in the Seasonal Class be given the option to have quarterly or monthly billing? If not why not?
- e) What would be the annual cost associated with providing monthly meter reading and billing for those customers currently in the Seasonal Class moving to the other rate classes?

Response:

- a) Yes, unless their usage level and pattern qualifies them for monthly billing, or they have signed up for electronic monthly billing.
- b) The vast majority of seasonal customers are low users of electricity and their usage is typically seasonal in nature with little or no usage during the winter months. Hydro One proposes to maintain the meter reading and billing frequencies for these customers in order to keep billing and meter reading costs as low as possible. Furthermore, providing more frequent meter reading to support accurate billing can be very expensive and sometimes impossible due to access conditions in the off season periods to either repair smart meter communication equipment, or to obtain manual meter reads.

- 1 c) Yes. Once the current Seasonal customers are moved to R1, R2 or UR rate classes,
2 they will share the billing costs for all customers in the same rate classes.
3
- 4 d) Hydro One has proposed that seasonal customers be given the choice of more frequent
5 billing as long as that billing service is delivered via electronic means instead of the
6 traditional paper invoice. Rationale being the desire to keep the cost of billing service
7 provision as low as possible.
8
- 9 e) A requirement to have all seasonal customers moved to monthly meter reading and
10 monthly billing would increase billing and meter reading costs by about \$12 million
11 per year. The vast majority of the cost increase is driven by the need for a material
12 portion of seasonal properties to be read manually due to lack of reliable remote meter
13 read connectivity. It is also important to note that manual meter reading for a portion
14 of these seasonal properties would not be possible during certain periods of the year
15 due to access and or safety issues (e.g. unplowed roads, lake access, etc.)

CCC INTERROGATORY #4

Reference:

Hydro One Report, p. 4

Interrogatory:

HON has, in the Report, estimated that the cost of mitigating bill impacts for low volume seasonal customers over 9 years is approximately \$150 million. What is the most current estimate of this mitigation cost? Please explain the calculation.

Response:

As shown in the response to interrogatory at Exhibit I-05-01, part (f), revised Table 12, updating the analyses presented in the Seasonal Report with OEB-approved 2021 revenue requirement and revised estimate for 2022 revenue requirement, results in mitigation costs of approximately \$155 million. Please see the response to interrogatory at Exhibit I-01-25 for detailed steps involved in the derivation of total mitigation costs.

CCC INTERROGATORY #5

Reference:

Hydro One Report, p. 7

Interrogatory:

The Report refers to a stakeholder meeting held on June 10, 2015. It also states that

“As part of its normal communications process, Hydro One has continued to listen to its customers about what is important to them. This was done through meetings with stakeholders, customer surveys and customer feedback through our call centre and at in-person events.”

Please provide a complete list of all customer engagement, education and communication activities undertaken by HON regarding the elimination of the Seasonal Class since the 2015 meeting;

Please indicate to what extent HON has used that customer engagement to inform its current proposals for the elimination of the Seasonal Class.

Response:

a) Please see interrogatory response at Exhibit I-02-03.

b) The customer engagement since 2015 has been primarily related to informing seasonal customers of the developments related to the OEB decision to eliminate the Seasonal class and implementation of that decision. The options for mitigating the impacts associated with eliminating the Seasonal Class were informed by customer engagement carried out during the initial preparation of the Seasonal Report, as documented in Appendix A of the current 2019 Seasonal Report.

CCC INTERROGATORY #6

Reference:

Hydro One Report, p. 9

Interrogatory:

Please update Tables 1-3 which set out the number of seasonal customers, the allocation of those customers to R1 and R2 and the monthly consumption values for bill impact calculations based on the most current data.

Response:

Please see the response to interrogatory at Exhibit I-05-03, part e, for updated Table 1 based on the density classification review performed in 2020.

Table 2 has been reproduced below using 2019 data.

	Average Monthly Consumption (kWh)									
	0-50	50-100	100-150	150-200	200-400	400-600	600-800	800-1200	>1200	Total
Seasonal to R1	6,979	10,419	8,560	6,264	13,799	6,743	4,122	4,309	3,388	64,581
Seasonal to R2	10,835	14,107	11,282	7,587	14,872	6,666	4,056	4,638	5,670	79,712

Please see response to I-05-03, part k, for updated Table 3 based on 2019 consumption data.

1 **CCC INTERROGATORY #7**

2
3 **Reference:**

4 Hydro One Report, p. 16
5

6 **Interrogatory:**

7 The Report states that the R1, R2 and Seasonal residential classes are now expected to have
8 all-fixed distribution rates in 2024 and the UR class by 2021. Will the move to all-fixed
9 rates be completed in 2024?
10

11 **Response:**

12 Yes. The UR class already moved to all-fixed distribution rate in 2021. Hydro One
13 anticipates being able to move the R1 and R2 classes to all-fixed distribution rates in 2024.
14 However, Hydro One notes that under bill impact mitigation Options 2A or 2B there would
15 continue to be a volumetric rate component for R2 customers until the end of the mitigation
16 period to mitigate the seasonal customer impacts.

CCC INTERROGATORY #8

Reference:

Hydro One Report, p. 26

Interrogatory:

In the Report HON proposes an impact mitigation recommendation which is based on Option 1. This proposal has all seasonal R2 customers paying the same as other R2 customers starting in 2022 and providing a monthly credit to limit seasonal R2 total bill impacts to 10% per year taking into account all distribution rate changes (set out in section 4.3.4):

- a) Is this currently HON's proposal? If not, what is HON's current proposal?
- b) How does HON deal with rate riders associated with Deferral and Variance Account balances when assessing 10% bill impacts? Are rate riders outside the calculation? If so, won't customers, in some cases, experience impacts beyond the 10%.

Response:

- a) As noted in the interrogatory response at Exhibit I-01-17, the introduction of the Distribution Rate Protection for year-round R2 residential customers means that they would not actually see the negative impacts previously identified as the primary drawback associated with Options 2A and 2B. Given that Options 2A or 2B are much simpler to implement and communicate to customers than the currently recommended Option 1, Hydro One proposes that either of these options should be preferred over Option 1.

- b) For the purpose of comparing the bill impacts associated with eliminating the Seasonal class and comparing the various implementation options, the updated Seasonal Report does not include any riders. However, when the elimination of the Seasonal class is actually implemented, all riders will be included in the calculation of the 10% bill impacts.

CCC INTERROGATORY #9

Reference:

Hydro One Report, p. 28-29

Interrogatory:

- a) Please provide all correspondence between HON and the Ontario Government regarding the applicability of the RRRP and the DRP to Seasonal Class customers.
- b) Please provide all correspondence between HON and the Ontario Government regarding the elimination of the Seasonal Class.

Response:

- a) There is no correspondence available regarding the applicability of RRRP to Seasonal Class customers. Hydro One does not have any correspondence with the Government specifically related to the applicability of DRP to Seasonal Class customers, however, please see the interrogatory response at Exhibit I-06-11 regarding interaction with the Government related to implementing the DRP.
- b) None of the communications with the Government relate to the issues in this proceeding, which are: (1) how to implement the decision to eliminate the seasonal class; and (2) for those who will be experiencing rate increases of 10% or greater a year, what is the best approach to mitigating these increases, exclusive of maintaining the seasonal class. Hydro One did inform the Government of Hydro One's alternative to eliminating the Seasonal Rate class (per Section 5 of the July 19, 2019 Seasonal Report entitled "Alternate Approach to Elimination of the Seasonal Class), as well as keeping them informed on procedural developments related to this issue.

CCC INTERROGATORY #10

Reference:

Hydro One Report, p. 30

Interrogatory:

Please explain, in detail, how HON monitors whether year-round customers meet its eligibility criteria set out on p. 30 of the Report.

Response:

Hydro One's default assumption is that a property that is designated as year-round at the time of connection continues to be year-round through the property's ownership change unless the move-in customer identifies that the property will not be their primary residence. Hydro One does not undertake additional validations to confirm status during the tenure of property ownerships.

CCC INTERROGATORY #11

Reference:

Hydro One Report, p. 42

Interrogatory:

HON has estimated the cost to eliminate the Seasonal Class to be in the range of \$3-4 million. Is this still HON's best estimate of the cost? If not, what is the current cost estimate? Please provide a complete breakdown of these costs. Please explain how these costs will be recovered.

Response:

The referenced cost continues to be Hydro One's best estimate. For a breakdown of the cost estimate please see the interrogatory response at Exhibit I-01-22.

To the extent that these costs occur in 2022 they will be recovered by the revenues collected from rates based on the revenue requirement previously approved by the OEB for 2022. To the extent that these costs occur in 2023 and beyond, they will be collected from the revenues proposed for those years in Hydro One's recently filed joint rate application (EB-2021-0110).

CCC INTERROGATORY #12

Reference:

Hydro One Report

Interrogatory:

Please explain how HON intends to communicate with its customers going forward regarding the move to eliminate the Seasonal Rate Class. How will the cost of this engagement be funded?

Response:

Please see the interrogatory response at Exhibit I-02-03 part b). The cost of communicating with seasonal customers will be covered by the revenue requirement previously approved by the OEB for Hydro One in 2022 and the proposed costs included in Hydro One's recently filed rate application for 2023-2027 rates.

CCC INTERROGATORY #13

Reference:

N/A

Interrogatory:

The Council is of the view that a Technical Conference would be an important step going forward to ensure that the bill impacts and implementation proposals are clearly understood.

Is HON open to a Technical Conference following the interrogatory stage of this proceeding?

Response:

Hydro One supports the schedule provided by the OEB in PO #3, which does not include a technical conference. Hydro One believes that the implementation proposal and bill impact mitigation options provided in the Seasonal Report and further expanded on in the interrogatory responses are clearly described and provide sufficient information on which to base a final decision on how to proceed with the elimination of the Seasonal class.

CCC INTERROGATORY #14

Reference:

N/A

Interrogatory:

Please provide all materials provided to HON's Board of Directors regarding the elimination of the Seasonal Class.

Response:

The materials provided to HONI's Board of Directors related to the elimination of the Seasonal class consist only of brief references to the OEB's decision to eliminate the seasonal class, and ongoing updates on the status of the Motion to Review proceeding that were included under the broader topic of Regulatory Updates.

None of the communications with the Board of Directors related to the issues in this proceeding, which are: (1) how to implement the decision to eliminate the seasonal class; and (2) for those who will be experiencing rate increases of 10% or greater a year, what is the best approach to mitigating these increases, exclusive of maintaining the seasonal class.

CCC INTERROGATORY #15

Reference:

N/A

Interrogatory:

Please provide all reports – internal and external – generated by HON regarding the elimination of the Seasonal Class.

Response:

The only reports – internal or external – generated by Hydro One regarding the elimination of the Seasonal Class are summarized in the “Introduction and Summary of Report” section of the Updated Seasonal Report filed with the OEB on October 15, 2020 under the current proceeding.

These reports are noted below, and electronic pdf versions of the reports are attached.

2015 Seasonal Report submitted August 4, 2015

2016 Seasonal Report submitted December 1, 2016

2019 Seasonal Report submitted July 19, 2019

Updated 2019 Seasonal Report submitted October 15, 2020.