



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

September 8, 2021

VIA E-MAIL

Christine E. Long
Registrar
Ontario Energy Board
Toronto, ON

Dear Ms. Long:

**Re: EB-2020-0246 – Implementing the Ontario Energy Board’s Decision to
Eliminate the Hydro One Networks Inc. Distribution Seasonal Rate Class
Submission of the Vulnerable Energy Consumers Coalition (VECC)**

Please find attached VECC’s submission in the above referenced proceeding, pursuant to Procedural Order No. 3.

Yours truly,

A handwritten signature in black ink, appearing to read 'W Harper', is written in a cursive style.

William Harper
Consultant for VECC/PIAC

Email copy:
Hydro One Networks Inc.
Martin Davies, OEB Case Manager
James Sidlofsky, OEB Counsel
EB-2020-0246 Intervenors



PUBLIC INTEREST ADVOCACY CENTRE
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Hydro One Networks Inc.

**Implementing the Ontario Energy Board's Decision to Eliminate the
Hydro One Networks Inc. Distribution Seasonal Rate Class**

(EB-2020-0246)

Submission

of the

Vulnerable Energy Consumers Coalition

(VECC)

September 8, 2021

Vulnerable Energy Consumers Coalition

Public Interest Advocacy Centre

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1.0 BACKGROUND

In its Decision regarding Hydro One Networks Inc.'s (Hydro One) 2015-2017 distribution rates the Ontario Energy Board (OEB) determined that Hydro One's seasonal rate class should be eliminated. The OEB's findings in this regard were as follows¹:

"The OEB finds the arguments of BLC to be persuasive. Hydro One has developed the technical capability to implement and maintain density-based rates for its non-seasonal residential classes. These classes are defined by their geographic location in relation to the amount of distribution system assets that are required to serve each customer. The OEB considers the relative use of distribution assets to be a significant and predominant cost causality driver for the establishment of residential rate classes. The OEB agrees with BLC that the existence of density-based rate classes erodes justification for the retention of the seasonal class. The OEB finds that the seasonal class should be eliminated for rate setting purposes. Existing seasonal class customers shall be placed in a residential class according to their density."

Based on these finding the OEB directed Hydro One²:

"To submit, by August 4, 2015, to the OEB and intervenors of record in this application, a plan for the elimination of the seasonal class, including recommendations for a phase-in period or other mitigation for customers expected to experience a bill impact greater than 10%, and a proposal for billing frequency".

The OEB also directed that as part of the plan Hydro One should propose what it considers to be an appropriate billing frequency for the customers that own secondary residences. Finally, while directing that seasonal customers be placed in a residential class according to their density the OEB determined that Hydro One cannot apply the RRRP subsidy to new entrants to the R2 class without determining their residency status in accordance with Regulation 442/01³.

¹ EB-2013-0416/EB-2014-0247, Decision, March 12, 2015, page 48

² Page 62

³ Page 48

Hydro One filed its “Report on Elimination of the Seasonal Class” on August 4, 2015 (2015 Seasonal Report). In November 2016 the OEB initiated a new proceeding (EB-2016-0315) to consider the remaining steps for the elimination of the seasonal. The OEB ordered Hydro One to update its 2015 Seasonal Report, and Hydro One filed an updated report on December 1, 2016 (2016 Seasonal Report).

In March of 2017, Hydro One filed an application⁴ for approval of its proposed 2018-2022 distribution rates. In September 2018, the OEB informed parties that it intended to resume the seasonal class elimination implementation proceeding at the conclusion of its review of Hydro One’s proposed 2018-2022 distribution rates. The OEB indicated that an update to the 2016 Seasonal Report was expected after the 2018-2022 distribution rates proceeding concluded and that Hydro One could propose a revised approach to the elimination of the seasonal class. The OEB subsequently resumed the seasonal class elimination implementation proceeding in April 2019 by issuing a Procedural Order which directed Hydro One to file an updated report on the elimination of the seasonal class. Hydro One filed its updated Seasonal Report on July 19, 2019 (2019 Seasonal Report). The 2019 Seasonal Report included a proposed alternative that would maintain the seasonal class.

On September 17, 2019, the OEB issued Procedural Order No. 3 in the seasonal class elimination implementation proceeding stating that it had determined that it would treat Hydro One’s proposed alternative to maintain the seasonal class as a motion to review that part of the March 2015 Decision in which the OEB determined that Hydro One’s seasonal class should be eliminated.

On September 17, 2020, the OEB issued its Decision and Order on the motion to review in which it found that Hydro One’s Motion failed on its merits and that the 2015 Decision stood. Hydro One was directed to update its 2019 Seasonal Report, including the identification of mitigation measures, with the qualification that the updated version of the 2019 Seasonal Report should exclude the alternative to maintain the seasonal class, or similar proposals, as these matters had been determined by the OEB. On

⁴ EB-2017-0049

October 15, 2020, Hydro One filed an updated Report on the Elimination of the Seasonal Class (2020 Seasonal Report) setting out its proposed implementation.

2.0 CURRENT PROCEEDING (EB-2020-0246)

A Notice of Hearing (Notice) was issued on January 22, 2021 indicating the OEB would hold a public hearing to consider Hydro One Networks' report and proposed plan for eliminating seasonal rates. Through a series of Procedural Orders the OEB established a review process: i) directing Hydro One to provide clarification on many of the matters that were frequently raised in the letters of comment and calls from customers received at the OEB by providing "plain language" responses to a series of questions; ii) providing for one round of information requests whereby Board Staff and intervenors could seek clarification/additional information regarding Hydro One's proposed plan and iii) providing for written final argument.

In its Procedural Orders the OEB also set out the scope of the proceeding as follows⁵:

"There are two specific issues in this proceeding:

- (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."

In its Procedural Orders the OEB also emphasized that the purpose of the proceeding was not to revisit the elimination of the seasonal rates class as that decision has been made and would not be revisited in the current proceeding.

Set out below are VECC's submissions various aspects of Hydro One's seasonal class elimination plan.

3.0 VECC's SUBMISSIONS

3.1 Issue #1: How to Implement the Decision to Eliminate the Seasonal Class

VECC's submissions deal with the following issues with respect to "How To Implement The Decision To Eliminate The Seasonal Class":

- Definition of a Seasonal Customer

⁵ Procedural Order No. 2, page 4

- Movement of Seasonal Customers to the UR, R1 and R2 Classes
- Cost Allocation – Seasonal Class Elimination Scenario
- Rate Design – Seasonal Class Elimination Scenario
- Meter Reading and Billing Frequency for (former) Seasonal Customers
- Implementation Date
- Other Implementation Issues

3.1.1 Definition of a Seasonal Customer

The year-round Residential customer classification applies to a customer's main place of abode and may include additional buildings served through the same meter, provided they are not rental income units. All of the following criteria must be met:

1. Occupant represents and warrants to Hydro One Networks Inc. that for so long as he/she has year-round residential rate status for the identified dwelling, he/she will not designate another property that he/she owns as a year-round residence for purposes of Hydro One rate classification.
2. Occupier must live in this residence for at least four (4) days of the week for eight (8) months of the year and the Occupier must not reside anywhere else for more than three (3) days a week during eight (8) months of the year.
3. The address of this residence must appear on documents such as the occupant's electric bill, driver's licence, credit card invoice, property tax bill, etc.
4. Occupants who are eligible to vote in Provincial or Federal elections must be enumerated for this purpose at the address of this residence.

The Seasonal Residential customer classification is defined as any residential service that does not meet the residential year-round criteria. It includes dwellings such as cottages, chalets and camps⁶. Hydro One advises that Seasonal customers who reside at their property continuously for at least 8 months of the year should complete and submit an online Declaration Form for Year-Round Residential Rate Status available at HydroOne.com/forms⁷. The Declaration Form requires that copies of documents supporting criterion #3 are to be submitted with the Application.

⁶ Hydro One's approved 2021 Distribution Tariff Schedule per EB-2020-0030

⁷ Responses to Procedural Order No. 1, Question 10

VECC notes that Hydro One's second criterion for a year-round Residential customer aligns with the statutory eligibility criteria for the RRRP and the DRP⁸.

While the other three criteria for qualifying as a year-round residential customer are not specifically set out in the Regulations regarding RRRP and DRP, VECC views them as reasonable requirements/basis for Hydro One to substantiate that the person making the Declaration satisfies the legal requirements⁹.

3.1.2 Movement of Seasonal Customers to the UR, R1 and R2 Customer Classes

Elimination of the Seasonal class involves moving seasonal customers to the UR, R1 or R2 residential classes and then determining the resulting cost allocation and rate design impacts.

The three year-round residential customer classes are currently defined as follows¹⁰:

- High (Urban) Density Zone (e.g. UR): ≥ 3000 customers and ≥ 60 cust/cct-km
- Medium Density Zone (e.g. R1): ≥ 100 customers and ≥ 15 cust/cct-km
- The remainder of Hydro One's service territory which is not identified as being a Medium or High (Urban) Density Zone is considered to be a Low Density Zone (i.e., R2)

These density zone criteria were 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-2017-0049¹¹.

In response to the information requests¹² Hydro One has described the process it uses to determine into which Density Zone year-round residential customers should be assigned as follows:

⁸ 2020 Seasonal Report, pages 28-29. See also the earlier discussion in these submissions regarding RRRP and DRP

⁹ Please also see Exhibit I, Tab 6, Schedules 2, 4 and 6

¹⁰ Exhibit I, Tab 1, Schedule 3 a) iv)

¹¹ Exhibit I, Tab 4, Schedule 28

¹² Exhibit I, Tab 1, Schedule 3 a)

- 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 within the GIS system (e.g. property lines), where physical boundaries are remotely located from customer clusters. The proposed density zone boundaries are identified within the GIS system.
- iii. The GIS system is used to count the number of customers and measure the circuit of distribution line within a proposed density zone boundary. These values are then used to calculate the number of customers per circuit-km of line within the proposed density zone boundary.
- iv. Confirm which density zone definition is applicable to a proposed density zone boundary based on the total number of customers and customers/circuit-km for Hydro One's approved density zones.

The geographic location and count of Seasonal class customers is included along with the customers in all other classes in determining the "total number of customers" within a contiguous cluster of customers for purposes of defining the density zones in Hydro One's service territory¹³. As a result, Hydro One is readily able to identify the density zone applicable to each Seasonal customer.

Density zone boundaries can potentially change over time as a result of new areas meeting the medium density zone definitions or as a result of customer growth in areas immediately contiguous with existing medium or high density zone boundaries¹⁴. To address this issue, 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

¹³ Exhibit I, Tab 1, Schedule 1 a)

¹⁴ Exhibit I, Tab 4, Schedule 25

to update the density zone boundaries in response to customer inquiries to the Hydro One's call centre¹⁵.

Currently a Seasonal customer's rates are independent of the density zone it is located in. However, this will change with the elimination of the Seasonal class with the result that the density boundaries are likely to come under increased scrutiny. Hydro One has acknowledged that, 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 areas¹⁶. It has also indicated that there is some (limited) discretion in 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 roads¹⁷.

Assuming Seasonal class changes are implemented on January 1, 2023 (as currently recommended by Hydro One), the actual year-round residential classes that seasonal customers will move to will be based on density boundaries which Hydro One expects to update at some point in 2022 as part of its annual review process¹⁸.

In VECC's view it is important that this "density review" critically assess the appropriateness of the current boundaries for the three density zones and ensure that careful consideration is given to any discretion applied. To address potential customer concerns VECC submits that OEB should direct Hydro One to file, as part of any the application/evidence for distribution rates that eliminate the Seasonal class, the results of the "density review" that supports its reclassification of seasonal customers including: i) an identification/explanation of any density boundary changes made and ii) an identification/explanation of those situations where judgement/discretion was involved in the selection of the boundaries (e.g., the use of abutting natural features or major roads) that results in customers being excluded from a higher density zone. Furthermore, Hydro One should be required by the OEB to specifically contact those customers where either i) the customer is being transferred to lower density zone or ii) will be in

¹⁵ Exhibit I, Tab 4, Schedule 29

¹⁶ Exhibit I, Tab 4, Schedule 27

¹⁷ Exhibit I, Tab 4, Schedule 31

¹⁸ Exhibit I, Tab 1, Schedule 5 a)

reasonable proximity of other Residential customers (year-round or seasonal) that are in a higher density zone and explain the basis for their density classification.

3.1.3 Cost Allocation – Seasonal Eliminated Scenario

The elimination Seasonal Class involves moving seasonal customers to the UR, R1 or R2 residential classes and then determining the resulting cost allocation and rate design impacts. In its 2018-2022 distribution rates application (EB-2017-0049), Hydro One received approval of: 1) the 2018 Cost Allocation, 2) the approach for calculating revenue requirement and rates for 2019-2022, and 3) a load forecast for the entire 2018-2022 period.

Hydro One's 2020 Seasonal Report assumes an implementation date for the elimination of the Seasonal class of January 1, 2022. As this date falls within the period of Hydro One's approved 2018-2022 CIR Plan¹⁹, the Report evaluates the 2022 rate and bill impacts by comparing two scenarios for the 2022 rate design²⁰:

- 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-approved²¹ 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.
- The second scenario, "2022 Seasonal Eliminated", calculates what the 2022 rates would be assuming the elimination of the Seasonal Class had taken place in 2018. This scenario is based on the output of the 2018 Seasonal-Eliminated CAM and use of the Board approved rate design methodology, revenue requirement and charge determinants. The 2018 to 2022 rate design uses the number of customers and kWh values for the "new" UR, R1 and R2 classes based on the seasonal customers moving into those classes in 2018.

¹⁹ EB-2017-0049

²⁰ 2020 Seasonal Report, page 12

²¹ The 2020 Seasonal Report used the 2021 revenue requirement as applied for in the 2021 Annual Rate Update (EB-2020-0030) filed 33 August 31, 2020. (per Exhibit I, Tab 5, Schedule 1 a). The values were updated in the interrogatory responses to reflect the approved 2021 revenue requirement (Exhibit I, Tab 5, Schedule 1 d)). Similarly, the 2020 Seasonal Report used an estimate of the 2022 revenue requirement which was updated in the interrogatory responses (Exhibit I, Tab 5, Schedule 1 e))

In other information request responses²² Hydro One has noted that in calculating the revenue collected at current rates in the 2018 CAM for the Seasonal Eliminated scenario, it erroneously applied the approved 2017 R1, R2 and UR rates to the seasonal customers that moved to those classes (as opposed to applying the approved 2017 Seasonal rates to these customers). Hydro One notes the net impact of this error is that for the Seasonal Eliminated scenario, the R2 rates used throughout the report are overstated (they should be lower) and the R1 rates used throughout the report are understated (they should be higher). However, Hydro One has provided no indication as to what the impact this correction has on the rates for the other customer classes under the Seasonal Eliminated scenario.

VECC has submissions with respect to the CAM results for 2022 used in the Report in terms of both the methodology used by Hydro One to incorporate the elimination of the Seasonal class into the 2018 CAM and the data used in the analysis.

Methodology Issues Re 2022 CAM – Seasonal Eliminated Scenario

VECC's submissions with respect to methodology issues are in regards to: i) density factors, ii) services weighting factors, iii) meter reading weighting factors, iv) billing and collecting weighting factors, v) demand allocators, and vi) the determination of allocated costs and revenue requirement for 2019-2022.

With respect to the Density Factors used in the CAM, Hydro One explains²³ that 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. Hydro One's rationale is that the density of the seasonal customers moving to their new residential classes already matched the density of the customers currently in that class (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).

In VECC's view the critical concerns here are that: i) the current density factors are based on analysis that was undertaken almost 10 year ago and used data from more

²² Exhibit I, Tab 1, Schedule 8

²³ Exhibit I, Tab 1, Schedule 10

than ten years ago²⁴ and ii) the density factors are based on the relative cost per customer for the different density zones. This means that the density factors will change if either the relative costs for the different density zones change or the relative number of customers in the different density zones change. Given the regular density reviews that occur annually and the increased scrutiny the elimination of the Seasonal class will place on the density review used to implement the elimination, it is VECC's submission that Hydro One should be required to: i) demonstrate that neither the relative costs nor the relative number of customers have changed sufficiently to warrant an update to the density factors and ii) update the factors if circumstances have changed sufficiently to warrant doing so.

With respect to the Services weighting factors, the Seasonal Eliminated scenario assumes that the seasonal customers adopt the Services Weighting factor of the respective year-round residential class they are moved into²⁵. In the 2018 Status Quo CAM, the Services weighting factors for UR, R1, R2 and Seasonal are 0.5, 0.75, 1.5 and 1.0 respectively. Moving customers to another class does not change the nature and cost of the customers' service assets. Based on the number of seasonal customers moving to each of the three year-round classes²⁶ and the year-round services weighting factors for each the implicit average weighting factor used for Seasonal customers in the Seasonal Eliminated scenario is 1.14²⁷. It is VECC's submission that a fair treatment of Seasonal customers requires that the Services Weighting factors ascribed to the Seasonal customers moving to each year round class be set such that the weighted average reconciles with that used for Seasonal customers in the Status Quo scenario (1.0).

The Meter Reading allocation factors are calculated by multiplying forecast manual meter reads for each rate class by the respective meter reading weighting factor for the class²⁸. The Seasonal Eliminated scenario assumes that the seasonal customers adopt the meter reading weighting factors of their respective new year-round residential class.

²⁴ The density factors currently used were first established in EB-2013-0416 and were based on 2010 data.

²⁵ Exhibit I, Tab 5, Schedule 4 e)

²⁶ Exhibit I, Tab 5, Schedule 3 c)

²⁷ Based on $(247 \times 0.5 + 76,459 \times 0.75 + 78,284 \times 1.5) / 148,991$

²⁸ Exhibit I, Tab 5, Schedule 4 b)

The rationale for this assumption is that the meter reading weighting factors are density-based²⁹. However, for the Seasonal Eliminated scenario the changes to meter reading frequency proposed by Hydro One have not been incorporated into the associated 2018 CAM³⁰. It is VECC's submission the CAM used to actually implement the elimination of the Seasonal class should incorporate any changes in meter reading frequency approved for the affected customers as part of the implementation plan.

In the 2018 Status Quo CAM the Billing and Collecting weighting factors are 1.0 for all year-round Residential classes and for the Seasonal class. As a result, there is no need to make any adjustment to the weighting factors for purposes of the 2018 Seasonal Eliminated CAM³¹. However, the proposed changes in billing frequency (i.e., number of bills annually) for former Seasonal customers have not been incorporated into the 2018 Seasonal Eliminated CAM³². It is VECC's submission that, as part of the implementation plan. The CAM used to actually implement the elimination of the Seasonal class should incorporate any changes in billing frequency approved for the affected customers.

With respect to the 12 CP and 4 NCP Demand Allocator values for each class, the 2020 Seasonal Report outlines³³ the approach used to derive the demand allocators for the UR, R1 and R2 classes after the elimination of the Seasonal class. The Report claims that "the approach ensures that the coincident peak values for total distribution system remain the same before and after seasonal elimination, as expected." However, a review of the Status Quo and Seasonal Eliminated CAM models filed with the information request responses³⁴ indicates that this is not the case. For the Status Quo 2018 CAM the Total System 12 CP for all customer classes is 62,855,443 kW whereas for the Seasonal Eliminated 2018 CAM the Total System 12 CP for all customer classes is 62,842,527 kW. Further examination of the two CAMs suggests that the error lies with the 12 CP values for residential classes – which appear to be higher than one

²⁹ Exhibit I, Tab 5, Schedule 4 c)

³⁰ Exhibit I, Tab 5, Schedule 4 d)

³¹ Exhibit I, Tab 5, VECC 4 a), Attachment 1

³² Exhibit I, Tab 5, Schedule 4 d)

³³ Page 10. See also, Exhibit I, Tab 1, Schedule 7 a)

³⁴ Exhibit I, Tab 5, Schedule 4 a), Attachments 1 & 2, Tab I8

would expect under the Seasonal Eliminated scenario. It is VECC's submission that for the CAM used to actually implement the elimination of the Seasonal class the OEB should direct Hydro One to demonstrate that this inconsistency has been reconciled and that the 12 CP allocators used sum to the same value as would exist if the Seasonal class had not been eliminated.

Finally, the 2022 CAM results for the two scenarios are derived in accordance with the methodology approved in EB-2017-0049 for deriving rates over the 2019-2022 period³⁵. In its information requests³⁶ VECC sought to understand why Sentinel and USL are the only non-Residential customer classes where the total bill is higher under the "Seasonal Eliminated" scenario. In its response Hydro One noted that "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". This suggests to VECC there are issues with the overall methodology used to derive the 2022 CAM results from the approved 2018 CAM. As a result, VECC submits it would be preferable to use the results of a CAM as applied to the year that the Seasonal rates are to be eliminated for purposes of deriving rates and the ensuing bill impacts.

Data Issues Re 2022 CAM – Seasonal Eliminated Scenario

As noted previously the OEB-approved approach to cost allocation and rate design for 2019-2022 was used to derive the cost allocation results for 2022 for both the Status Quo and Seasonal Eliminated scenarios. For purposes of establishing the cost allocation results for each of the years through to 2022 the methodology relies on annual adjustments to the base 2018 CAM results for each scenario³⁷. However, the 2018 CAM results are based on forecast costs and billing determinants for 2018 that were developed for Hydro One's 2018-2022 rate application. Given number of ensuing years since 2018, questions arise as to how representative the results now are for 2022. By way of an example, in the 2018 CAM, the split of Seasonal customers as between the UR, R1 and R2 classes is based on a density classification review undertaken in

³⁵ 2020 Seasonal Report, page 12 and Appendix D

³⁶ Exhibit I, Tab 5, Schedule 7

³⁷ This can be seen by reviewing the Tables in the 2020 Seasonal Report, Appendix D

2016. The resulting split was 0.17%, 47.29% and 52.54% respectively. In the most recent density review (2020) the split has changed to 0.16%, 44.68% and 55.15% respectively.

VECC submits that the CAM results used to implement the elimination of the Seasonal class should be based on results that are reflective of current circumstances and not those of a prior period.

3.1.4 Rate Design – Seasonal Eliminated Scenario

Based on the approach approved in EB-2017-0419 for calculating revenue requirement and rates for 2019-2022 the fixed-variable split used to design the distribution rates for non-residential customers remains the same over the period³⁸. However, for the Residential classes (including Seasonal) the fixed-variable split continues to transition to a fully fixed charge. The UR class achieved a fully fixed charge in 2021. The R1, R2 and Seasonal residential classes are expected to have all-fixed distribution rates in 2024³⁹.

As a result, for the 2022 implementation year assumed in the 2020 Seasonal Report, the R1 and R2 rates applicable to both the existing year-round customers in those classes and the Seasonal customers moved to each of the two classes are calculated assuming the continued transition to a fully fixed distribution rate. The effect of this is that the rates (and ultimately the total bills) applicable to Seasonal customers moving to the UR, R1 and R2 classes will be impacted not only by the change in customer class designation and by the year over year general increase for the respective class but also by the continuing transition to a fully fixed charge.

The 2020 Seasonal Report provides estimates of the 2021 rates for each customer class (including Seasonal) and the 2022 rates for both the Status Quo and the Seasonal Eliminated scenarios⁴⁰. The 2021 rates and the 2022 rates for each of the scenarios have been updated in the information request responses to reflect the approved 2021 revenue requirements and a revised estimate of the 2022 revenue requirement. The

³⁸ See Exhibit I, Appendix D

³⁹ 2020 Seasonal Report, page 16

⁴⁰ 2020 Seasonal Report, page 13 (Table 6)

following table sets out the estimated rates for 2022 under the two scenarios⁴¹, noting that the updated forecast 2022 revenue requirement used in the Table is still an estimate and is subject to the final 2022 inflation factor to be approved by the OEB.

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	

Finally, although under the Seasonal Eliminated scenario Seasonal customers are moved to the UR, R1 or R2 customer classes, the final rates paid by the year-round residential customers in the R1 and R2 classes will be lower than those paid by Seasonal customers moved to the same class⁴². The reasons for this are two-fold:

- i. R2 year-round residential customers are eligible for the Rural and Remote Electricity Rate Protection (RRRP) program⁴³. For 2021, the RRRP program reduces the monthly service charge for eligible R2 customers by \$60.50. To be eligible for this discount customers must occupy “residential premises” which are defined as “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.”⁴⁴

⁴¹ Exhibit I, Tab 5, Schedule 1 e) & f)

⁴² Exhibit I, Tab 3, Schedule 9

⁴³ Exhibit I, Tab 5, Schedule 14 a)

⁴⁴ 2020 Seasonal Report, page 28

- ii. R1 and R2 year-round residential customers are eligible, under Ontario Regulation 198/17, for Distribution Rate Protection (DRP)⁴⁵ which caps the base distribution charges that can be levied on rural residential customers of eight specific LDCs including Hydro One. For a Hydro One customers eligibility is limited to 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. The maximum monthly base distribution charge for DRP eligible customers is \$36.86 as of July 1, 2021⁴⁶.

VECC notes that, for all of the customer classes, the design of the rates is dependent not only on the cost allocation results for both scenarios but also on the forecast values for the 2022 charge determinants. The customer counts and billing determinant values used are based on forecasts developed for Hydro One's 2018-2022 CIR Application (EB-2017-0419). 2017 was the last year of actual data used to develop the 2021 and 2022 customer load and customer energy values⁴⁷. As of 2020 the actual customer count for the Seasonal class was 143,125 as compared to a forecast value for the same year of 148,345⁴⁸. Average customer usage has also changed from that forecast for the 2018-2022 CIR Application⁴⁹ for the Seasonal class as well as for the other three Residential classes.

Similar to its submissions in section 3.1.3, VECC submits that the rate design used to implement the elimination of the Seasonal class should be based on results that are reflective of current circumstances and not forecasts made a number of years ago.

⁴⁵ Exhibit I, Tab 5, Schedule 14 b)

⁴⁶ EB-2020-0189

⁴⁷ Exhibit I, Tab 5, Schedule 1 g)

⁴⁸ Exhibit I, Tab 5, Schedule 3 d) ii) and 2020 Seasonal Report, Appendix D, 2020 Status Quo Tab

⁴⁹ This can be seen by comparing the actual 2019 average customer usage for the UR, R1, R2 and Seasonal classes as reported in Exhibit I, Tab 5, Schedule 3 j) with the forecast values which can be derived from the 2020 Seasonal Report, Appendix D, 2019 Status Quo Tab.

3.1.5 Meter Reading and Billing Frequency for Seasonal Customers

In the OEB's March 2015 Decision⁵⁰, Hydro One was also asked to examine billing frequency and, by implication, meter reading frequency, for consideration as part of eliminating the Seasonal Class. Currently a portion of seasonal meters are read manually while the majority are read automatically through Hydro One's smart meter system. Manually read meters are read once per year and billed quarterly, and automatically read meters are read daily and billed quarterly⁵¹. In contrast, for the UR, R1 and R2 residential classes, manually read meters are read four times per year and billed monthly, while automatically read meters are read daily and also billed monthly⁵². It is VECC's understanding, that for all four customer classes, customers on e-billing are billed monthly.

Hydro One estimates that implementing the same meter reading and billing frequencies for Seasonal customers as are currently used for year-round Residential customers would cost an additional \$4.7 M per annum⁵³. However, maintaining the current Seasonal meter reading and billing frequencies means that, while these customers will pay the same rates as year-round customers, they are treated differently with respect to metering and billing frequencies.

The 2020 Seasonal Report outlines three options with respect to the frequency for reading the meters and billing the Seasonal customers moved to the UR, R1 and R2 classes. These include: i) maintaining the current practice with respect to meter reading and billing for these customers, ii) adopting the meter reading and billing frequencies currently used for year-round residential customer, and iii) an option where billing and meter reading frequencies based on seasonal customer usage level and patterns, meter reading method (manual vs. automated), and billing method (paper bills vs. electronic bills).⁵⁴. In the Report Hydro One recommends the third option. Hydro

⁵⁰ EB-2013-0416/EB-2014-0247

⁵¹ 2020 Seasonal Report, page 31. Also, customers with manually read meters that are TOU exempt would continue to have the option of performing and submitting self-readings to eliminate the need for estimated bills.

⁵² 2020 Seasonal Report, page 39

⁵³ 2020 Seasonal Report, page 34

⁵⁴ 2020 Seasonal Report, pages 33-35

One notes⁵⁵ that selection of this option would require Hydro One to seek OEB exemption to the DSC requirements in sections 2.6.1A, 2.10.1 and 7.11.1 related to monthly billing and the use of estimated reads for a significant number of seasonal customers in the UR, R1 and R2 residential classes.

In term of customer usage, Hydro One's preferred approach establishes three seasonal customer sub-segments:

- 1) High Usage (> 800 kWh/month)
- 2) Medium Usage (100-800 kWh/month) and
- 3) Low Usage (less than 100 kWh/month).

For the High Usage sub-segment, the 800 kWh per month aligns with the average monthly use for year-round residential customers. Also the load profile for the High Usage sub-segment is similar to that for year-round residential customers without air conditioning.⁵⁶ In terms of meter reading, Hydro One proposes that automatic meter reads continue to be done on a daily basis while manual reads will increase from once per year to quarterly (similar to year-round Residential customers). In terms of billing frequency, customers receiving paper bills would continue to be billed quarterly, while those opting for e-billing would receive their bills monthly as is currently the case. Hydro One estimated that increasing the meter reading frequency for these customers will increase costs by \$394,000 per year, while increasing the proportion of High Usage customers using e-billing from the current level of 39% to 90% would reduce annual costs by \$52,000⁵⁷.

For the Medium Usage sub-segment, the usage is less than that of an average year-round residential customer and while usage is present the entire year (although at low levels) without any prolonged periods of zero usage, usage is typically higher in the summer months⁵⁸. In terms of meter reading, Hydro One proposes that automatic meter reads continue to be done on a daily basis and manual meter reading continue to be done once annually. In terms of billing frequency, customers receiving paper bills

⁵⁵ 2020 Seasonal Report, page 40

⁵⁶ 2020 Seasonal Report, page 35

⁵⁷ Exhibit I, Tab 5, Schedule 16 b)

⁵⁸ 2020 Seasonal Report, page 36

would continue to be billed quarterly, while those opting for e-billing would receive their bills monthly as is currently the case. Hydro One estimates that increasing the proportion of Medium Usage customers using e-billing from the current level of 23% to 100% would reduce annual costs by \$312,000⁵⁹.

For the Low Usage sub-segment, while the load profile is somewhat similar to medium usage seasonal customers, the peak usage in July/August period is significantly less at 150 kWh/month (vs nearly 500 kWh for medium usage customers) and the usage drops dramatically to almost zero in the winter (compared to 300 kWh for the medium use category). In terms of meter reading, Hydro One proposes that automatic meter reads continue to be done on a daily basis and manual meter reading continue to be done once annually. In terms of billing frequency, Hydro One proposes that paper-based billing frequency be reduced from quarterly to semi-annually, while those opting for e-billing would receive their bills monthly. The incremental savings of reducing billing frequency from quarterly to semi-annually is approximately \$113k. In the Report Hydro One estimates that a further \$12,000 in savings could be achieved through an increased use of e-billing. However, the responses to the information requests indicate that by the end of 2020 the referenced savings have already been surpassed by the existing customers' adoption of electronic billing⁶⁰.

VECC notes that under the proposals the key changes are:

- For High Usage customers, manual meter reading frequency increases from once per year to four times per year.
- For Low Usage customers, paper billing frequency decreases from four times per year to twice per year.

Finally, customers with manually read meters that are TOU exempt would continue to be provided the opportunity to perform and submit "self-readings" to minimize estimated bills⁶¹. VECC supports this initiative as it reduces the likelihood of receiving unexpectedly high bills due to previous (estimated) bills under estimating actual use. As

⁵⁹ Exhibit I, Tab 5, Schedule 16 d)

⁶⁰ Exhibit I, Tab 5, Schedule 16 f)

⁶¹ 2020 Seasonal Report, pages 36-37

customers may be unfamiliar with the type of meter used on their premises, Hydro One should be encouraged to communicate the availability of this opportunity to those who qualify.

Hydro One states that⁶²:

“Customer and stakeholder concerns that the seasonal rate class elimination will drive costs up was a key driver in the (meter reading and billing frequency) 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.”

In response to information requests, Hydro One states that the cost of implementing its meter reading and billing proposal will have a one-time cost of \$3 M to \$4 M⁶³.

However, this is the same “cost” as quoted by Hydro One for overall cost of eliminating the Seasonal class⁶⁴. VECC assumes that there would be necessary changes to Hydro One’s CIS and billing systems due to the elimination of the Seasonal class regardless of the meter reading and billing frequency adopted. As result, VECC questions the reasonableness of the referenced one-time costs for implementing the proposed meter reading and bill frequency changes.

In addition the savings quoted by Hydro One include savings associated with an increased use of e-billing. As e-billing is currently available to customers, VECC questions the inclusion of these savings when assessing the “benefits” attributed to Hydro One’s preferred approach to meter reading and billing.

Given that cost considerations are the key driver in assessment of meter reading and billing frequency options, VECC submits that understanding the true of cost of implementing Hydro One’s proposals is critical. Indeed, if the cost of implementing the proposal is truly in the range of \$3 M to \$4 M (relative to maintaining the current meter reading and billing practices for Seasonal customers) then the return would be less than

⁶² Exhibit I, Tab 1, Schedule 20

⁶³ Exhibit I, Tab 5, Schedule 16 g)

⁶⁴ 2020 Seasonal Report, page 42 and Exhibit I, Tab 1, Schedule 22

3%⁶⁵ and would be even less if the savings attributed to e-billing were excluded such that the proposals would clearly not be cost-effective given Hydro One's cost of capital.

Overall, VECC submits that more information is required before a final determination can be made as to the true costs and benefits of Hydro One's preferred meter reading and billing frequency option. The upcoming review of Hydro One's recently filed joint rate application for 2023-2027 transmission and distribution rates ("JRAP") provides the opportunity to do so. As result, VECC submits that the OEB should direct Hydro One to specifically address this issue as part of the review of its JRAP and that at any final decisions on this issue should await the outcome of that process.

Apart for the cost benefit considerations, VECC also has concerns with Hydro One's proposal to reduce the billing frequency for Low Use Seasonal customers receiving paper bills. In the 2020 Seasonal Report, Hydro One suggests⁶⁶ that this proposal "recognizes the different wants and needs of sub-segments of the seasonal customer group". However, there is no evidence that Low Usage Seasonal customers, who represent roughly 39% of the current Seasonal class, "want" or "need" a lower billing frequency. Indeed, given the significant increase these customers will be seeing in the distribution portion of their electricity bill, it can be expected that reducing their "quality of service" at the same time will lead to considerable customer dissatisfaction⁶⁷.

Hydro One suggests that these customers can increase their billing frequency by moving to e-billing. However, VECC submits that this may not be a viable or practical option for all customers, particularly those (such as seniors) which it represents.

3.1.6 Implementation Date

In the 2020 Seasonal Report Hydro One recommends⁶⁸ that the elimination of the Seasonal Class be implemented and made effective as of January 1, 2022. However, in its information request responses⁶⁹ Hydro One indicated it had intended the Report to

⁶⁵ The net savings are estimated to be \$95,000 (per 2020 Seasonal report, page 39). Dividing these saving by one-time cost of \$3.5 M yields a return of less than 3%.

⁶⁶ Page 38

⁶⁷ The likely increase in customer dissatisfaction is acknowledged by Hydro One in Table 18 of the 2020 Seasonal Report

⁶⁸ Page 3

⁶⁹ Exhibit I, Tab 1, Schedule 1 a) & b)

state that “the *earliest* possible date recommended for implementation was January 1, 2022”. In the same response Hydro One went on to state that:

“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.”

Hydro One also notes that its recently filed JRAP is based on the assumption that the elimination of the Seasonal Class would be implemented on January 1, 2023.⁷⁰

In its responses to information requests Hydro One has also indicated that:

- 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 customers⁷¹.
- Any changes related to eliminating the Seasonal Class not be applied retroactively⁷².

VECC submits that the Seasonal class should be eliminated no earlier than January 1, 2023. As well as the implementation issues associated with a January 1, 2022 date that are flagged by Hydro One, in its submissions VECC has noted there are a number of issues with the currency of the data used in the both the 2018 CAM and the design of the 2022 rates as well as inconsistencies in the methodology used to adjusted the annual allocation of cost over the 2019-2022 period for purposes of determining January 1, 2022 rates. Adopting a January 1, 2023 implementation date will allow Hydro One to rely on an updated CAM and rate design that reflects more recent customer count and usage data and align its proposals with its current CIR Application.

⁷⁰ Exhibit I, Tab 1, Schedule 1 b)

⁷¹ Exhibit I, Tab 1, Schedule 1 c)

⁷² 2020 Seasonal Report, page 44 and Exhibit I, Tab 1, Schedule 23 a) & b)

As discussed in section 3.1.2 (below), the January 1, 2022 bill impact calculations provided in the Report are only estimates as they do not reflect the revenue requirement that is still to be approved for 2022 rates and do not reflect the impact that rate riders and transmission charges can/will have on the total bill. Furthermore, Hydro One's recent change as to its preferred the bill impact mitigation option means that its current choice was not extensively canvassed during the interrogatory process. In VECC's view the anticipated bill impacts on Seasonal customers and the implementation of Hydro One's (now) preferred approach to bill impact mitigation will need to be further examined during the upcoming review of Hydro One's joint rate application for 2023-2027 transmission and distribution rates.

In VECC's submission it is pre-mature for the OEB to decide issues related to specifics of the bill mitigation strategy, particularly the mitigation period required. These specifics should await the Decision on Hydro One's JRAP. Given these outstanding issues, VECC submits that, while the Board may express a preference for a January 1, 2023 implementation date, it may also be premature to 'firmly' commit Hydro One to a January 1, 2023 implementation.

Similar to Hydro One, VECC does not support the retroactive implementation of the elimination of the Seasonal class. While Hydro One's current distribution rates are interim, the complexities⁷³ noted by Hydro One that would be associated with retroactive implementation, particularly those associated with managing the bill impacts, make it virtually impractical to eliminate the Seasonal class retroactively.

3.1.7 Other Implementation Issues

Hydro One notes that eliminating the Seasonal Class and implementing the proposed mitigation plan would also involve the following activities⁷⁴:

- Confirming the density classification of all seasonal customers and making the required changes in CIS to move all seasonal customers to the UR, R1 and R2 residential classes.

⁷³ Exhibit I, Tab 1, Schedule 23 b)

⁷⁴ 2020 Seasonal Report, pages 42-43

- Modifying CIS to identify the sub-categories of year round and seasonal residences within the UR, R1 and R2 rate classifications for purpose of implementing the mitigation options⁷⁵ and administration of the different treatment of the RRRP and DRP requirements for customers within the same class.
- Developing and implementing a customer communications plan about the explaining the changes to rates and billing practices for seasonal customers, and responding to the large number of customer inquiries these changes are anticipated to generate.
- Applying for exemption from Distribution System Code requirements related to monthly billing and the use of estimated reads for “seasonal” customers classified in Hydro One’s UR, R1 and R2 residential classes⁷⁶.

Adoption of Hydro One’s original credit-based approach to bill impact mitigation would create additional issues/activities. Furthermore, given the potential for customer complaints regarding the implementation to be escalated to the OEB, the OEB may wish to specifically review the adequacy of Hydro One’s proposed customer communication plan.

In VECC’s view the need to address these issues further reinforces the point the neither retroactive nor a 2022 implementation is practical.

3.2 Issue #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.

3.2.1 Bill Impacts

Based on the 2022 rate designs for the UR, R1 and R2 classes from the Seasonal Eliminated scenario, bill impacts can be calculated for the Seasonal customers moving to each of these classes. Also, to the extent the elimination of the Seasonal class impacts the cost allocation results and rate designs for existing customers in the UR, R1 and R2 classes as well as the customers in Hydro One’s other distribution customer classes the bill impacts due to the elimination of the seasonal class can also be calculated for these customers. In addition, these results can be compared with the bill

⁷⁵ This work is only required if the “credit-based” option for bill impact mitigation is adopted

⁷⁶ See 2020 Seasonal Report, page 40 for more details

impacts based on estimates of the 2022 rates under the Status Quo scenario to assess the specific impact of eliminating the Seasonal class. The results from the 2020 Seasonal Report are set out below.

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	74.24	0.76	1.0%	0.32	0.4%
	750	125.22	0.76	0.6%	0.32	0.3%
	1,400	208.07	0.76	0.4%	0.32	0.2%
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	96.27	2.86	3.0%	0.93	1.0%
	750	145.33	1.61	1.1%	-0.27	-0.2%
	1,800	292.49	-2.14	-0.7%	-3.86	-1.3%
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	110.54	6.27	5.7%	0.82	0.7%
	750	155.46	4.54	2.9%	-0.67	-0.4%
	2,300	387.51	-4.39	-1.1%	-8.38	-2.2%
Seasonal-UR	50	49.82	4.24	8.5%	-13.50	-27.1%
	350	99.32	0.88	0.9%	-24.76	-24.9%
	1,000	206.58	-6.41	-3.1%	-49.18	-23.8%
Seasonal-R1	50	49.82	4.24	8.5%	-0.47	-0.9%
	350	99.32	0.88	0.9%	-8.96	-9.0%
	1,000	206.58	-6.41	-3.1%	-27.34	-13.2%
Seasonal-R2	50	49.82	4.24	8.5%	52.77	105.9%
	350	99.32	0.88	0.9%	46.69	47.0%
	1,000	206.58	-6.41	-3.1%	33.51	16.2%
GSe	2,000	386.61	3.43	0.9%	1.41	0.4%
UGe	2,000	321.23	1.75	0.5%	0.63	0.2%
GSd	36,104/124	8,811.22	68.67	0.8%	25.10	0.3%
UGd	50,525/135	10,216.80	44.08	0.4%	18.63	0.2%
St Lgt	517	108.16	1.25	1.2%	0.54	0.5%
Sen Lgt	71	19.65	0.59	3.0%	0.78	4.0%
USL	364	80.79	0.97	1.2%	1.13	1.4%
DGen	1,328/13	596.18	9.67	1.6%	9.10	1.5%
ST	1,601,036/3,091	272,300.93	174.13	0.1%	63.11	0.0%

In the information request responses these impacts were updated to reflect the approved rates for 2021 and the revised estimates for the 2022 rates under each scenario⁷⁷.

⁷⁷ Exhibit I, Tab 5, Schedule 1 f)

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%

Again, it should be noted that the rates used for 2022 are still estimates and the rates for the Seasonal Eliminated scenario do not reflect any impacts from correcting the calculation of revenues at current rates in the 2018 CAM for the Seasonal Eliminated Scenario. Also, the bill impacts calculated in the 2020 Seasonal Report and the information request responses are net of any rate riders. However, Hydro One has confirmed that when the elimination of the Seasonal Class is implemented, all

applicable rate riders will be included in calculating the total bills and the resulting bill impacts⁷⁸.

The update for the approved 2021 revenue requirement and rates has only a minor effect on the bill impact calculations. In both the 2020 Seasonal Report and the information request update, Seasonal customers moving to either the UR or R1 classes are estimated to experience total bill decreases. However, as shown in the preceding table, the total bill impacts for those Seasonal customers moving to the R2 class are significantly in excess of 10%, the level above which the Board directed that Hydro One recommend bill impact mitigation measures.

Overall, VECC agrees with Hydro One's approach whereby: i) total bill impacts are based on all of the distribution-related rate changes that will affect a customer's bill and ii) for the Seasonal class, total bill impacts are evaluated for different levels of use as opposed to just the typical/average customer in each class. The second point is particularly important given the higher impact that the continued transition of the R1 and R2 classes' rates to a fully fixed charge will have on low volume customers.

Hydro One has not updated the bill impact calculations in the 2020 Seasonal Report to reflect the correction made in its information request responses to the values for revenues at current rates used in the 2022 Seasonal Eliminated scenario. The net impact of these changes is that for the Seasonal Eliminated scenario, the R2 rates used throughout the report (and in the update) are overstated and the R1 rates used throughout the report are understated. However, it is Hydro One's claim that the overall conclusions in the report regarding the direction and magnitude of the bill impacts for Seasonal customers moving to the UR, R1 and R2 classes are still accurate⁷⁹.

What is not clear to VECC is whether the updated impacts provided in the response to VECC 1 f) are based on the corrected calculation of 2022 revenues at current rates for the Seasonal Eliminated scenario. Hydro One may wish to clarify this in Reply Argument.

⁷⁸ Exhibit I, Tab 5, Schedule 11 b)

⁷⁹ Exhibit I, Tab 1, Schedule 8

3.2.2 Bill Impact Mitigation

In its 2020 Seasonal Report Hydro One has set⁸⁰ out two general options for mitigating the year over year total bill increases for Seasonal customers moving to the R2 Class:

- The 1st mitigation option is a credit-based approach. Under this option, seasonal customers would move to R2 class rates in 2022 (i.e. they would be billed at the same rate as all R2 customers) and a credit would be applied to their bills to limit total bill impacts to 10%. 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. Hydro One estimated that under this bill impact mitigation approach bill credits would be required until 2030.
- The 2nd mitigation is to phase-in the rates that seasonal customers would pay. Under this option, the fixed charge for seasonal customers would be phased-in to the same all-fixed distribution charge as R2 residential customers over the number of years required to limit the bill impacts to 10% per year over the transition period. As limiting the impacts to 10% per year would result in a phase-in period of 12 years, a variation to this mitigation option was included that set the phase-in period at 8 years, similar to the period used by Hydro One for phasing-in the move to all-fixed rates for the Seasonal Class. This shorter phase-in period would result in bill impacts that exceed 10% for low volume Seasonal customers, but the bill impacts are relatively small in absolute dollar terms. Under either phase-in period the reduced revenue from lower fixed charge applicable to former Seasonal customers would be recovered by increasing the variable rate to all R2 customers⁸¹.

In the 2020 Seasonal Report, Hydro One recommended that the first bill mitigation option (i.e., bill credits) be adopted and that the cost of the credits be tracked in a deferral account for recovery from all customer classes⁸². However, in its information request responses⁸³, Hydro One altered its position and is now of the view that either of phase-in approaches under Option 2 would be preferred over Option 1. The main

⁸⁰ Pages 19-26

⁸¹ Exhibit I, Tab 1, Schedule 15 a)

⁸² 2020 Seasonal Report, page 23

⁸³ Exhibit I, Tab 1. Schedule 17

reasons for this change are⁸⁴: i) Option 2 is much simpler to implement and communicate to customers and ii) with the introduction of the DRP the negative impact of Option 2 on year-round R2 residential customers (a primary drawback associated with Option 2) is no longer a concern.

Under Hydro One's now preferred option, the 2021 monthly fixed charge of \$50.72⁸⁵ that seasonal customers pay will be uniformly increased to the 2022 end-state all-fixed R2 monthly charge of \$131.66⁸⁶ over a number of years to limit the annual total bill impacts for low consumption seasonal customers to 10%. Hydro One has defined "Low Consumption" as 50 kWh per month. Under Hydro One proposal the costs associated with phasing-in the rates for seasonal-R2 customers would be recovered by increasing the variable charge to all R2 customers, including the year-round residential R2 customers. However, the distribution portion an R2 customer's bill is already capped by the DRP such that year-round R2 customers will not see the impact of the increased variable charge on their actual bills⁸⁷. Hydro One estimates that this transition would require 12 years⁸⁸.

Given the long phase-in period, the 2020 Seasonal Report offered a second option whereby the phase-in was completed over 8 years. However, under this option the bill impacts for Low Consumption customers exceed the 10% criterion for a number of years as illustrated in the following table⁸⁹.

⁸⁴ Exhibit I, Tab 1, Schedule 17

⁸⁵ \$50.72 is the approved 2021 monthly service charge for Seasonal customers per EB-2020-0030. The 2020 Seasonal Report references a then estimated rate of \$50.37

⁸⁶ The \$131.66 represents the all-fixed seasonal charge based on Report's estimated 2022 rates. In reality, this rate would change annually based on the annual changes approved for Hydro One's R2 rates.

⁸⁷ Exhibit I, Tab 1, Schedule 17

⁸⁸ 2020 Seasonal Report, pages 24-25

⁸⁹ 2020 Seasonal Report, page 26

Table 15
Impacts on Seasonal-R2 customers of 8 Year Phase-in

Monthly Consumption (kWh)	2021		2023		2024		2025		2026		2027		2028		2029	
	Change in Total Bill		Change in Total Bill		Change in Total Bill		Change in Total Bill		Change in Total Bill		Change in Total Bill		Change in Total Bill		Change in Total Bill	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
50	7.25	14.6%	7.89	13.8%	7.89	12.1%	8.17	11.2%	8.16	10.1%	8.16	9.2%	8.16	8.8%	8.16	7.7%
350	4.07	4.1%	4.72	5.6%	4.72	7.2%	7.63	7.1%	7.65	6.7%	7.65	6.1%	7.62	5.9%	7.63	5.6%
1,000	-2.90	-1.4%	1.02	3.9%	1.02	3.9%	6.47	4.0%	6.54	3.8%	6.54	3.7%	6.46	3.6%	6.54	3.5%

As with the first option, the costs associated with phasing-in the rates for the seasonal-R2 customers would be recovered by increasing the variable charge to all R2 customers, including the year-round residential R2 customers. However, again, as the distribution portion of the bills for R2 customers is already capped by the DRP, year-round R2 customers will not see the impact on their actual bills.

VECC supports the use of 50 kWh per month as the consumption point at which to calculate bill impacts for purposes of establishing the need for bill impact mitigation as it aligns with the approach used by the Board in the implementation of its policy of fully fixed distribution rates for the Residential classes. In the case of the movement to fully fixed Residential distribution rates the OEB recognized that customers with low monthly usage would be disproportionately impacted and directed that⁹⁰ “if a customer at the lowest 10th percentile of electricity consumption has a bill impact of 10% or higher, the distributor must make a proposal for a rate mitigation plan”. As similar issue exists with the elimination of the Seasonal class as demonstrated by Table 7⁹¹ in the 2020 Seasonal Report.

For Seasonal Customers, the continued move to a fully fixed rate means that, prior to the elimination of the Seasonal class, low use Seasonal customers would see an 8.5% bill increase as compared to 0.9% for a typical (350 kWh/month) customer. Eliminating the seasonal class further increases the differences in bill impacts based on usage as those low use customers moving to the R2 class would experience a total bill increase of 105.9% as compared to a 47% increase for a typical Seasonal customer moving to

⁹⁰ EB-2012-0410, Board Letter – July 15, 2015

⁹¹ This Table was updated in Exhibit I, Tab 5, Schedule 1 f) to reflect the approved 2021 rates and, directionally, the results are similar.

the R2 class. Based on recent data, 10% of the Seasonal customers moving to the R2 class have a monthly usage that is less than 50 kWh⁹². Therefore, using 50 kWh as the “test point” is consistent with the bill impact mitigation approach the OEB adopted in EB-2012-0410.

In calculating the year over year change in the total bill Hydro One proposes to include not only the impact of the change in the basic distribution charges but also any changes other distribution-related charges (e.g., rate riders) as well as changes in the transmission charges⁹³. VECC agrees with this basis for calculating bill impacts and notes that it is consistent with the OEB’s Filing Requirements (Section 2.8.12).

In identifying and discussing the need for bill impact mitigation Hydro One uses total bill impacts of greater than 10% as the point at which bill impact mitigation is considered needed⁹⁴. Hydro One explains⁹⁵ that the “use of the 10% cap on total bill as the mitigation threshold is specified in section 2.8.13 of Chapter 2 of the OEB’s Filing Requirements for Electricity Distribution Rate Applications.” However, Hydro One notes that “it is not unprecedented for the Board to deviate from its filing requirements, where conditions warrant it” and uses this as the rationale for eight year phase-in option⁹⁶.

VECC acknowledges that the 10% bill impact criterion is part of the OEB’s Filing Guidelines and that it has deviated from (i.e., exceeded) this in past⁹⁷. However, VECC notes that the Filing Guidelines are for electricity distribution cost of service applications for a forward test year. In this context, the 10% impact is only with respect to one year – the test year. In VECC’s view a one-time impact of 10% on a customer’s bill is materially different from a series of 10% annual impacts that last for a prolonged period of time (e.g., 8 to 12 years). In VECC’s view it is also important for the OEB to remember that while it has directed⁹⁸ that the calculation of total bill impacts exclude any changes to commodity costs or regulatory charges, changes to these charges will

⁹² Exhibit I, Tab 5, Schedule 3, j)

⁹³ Exhibit I, Tab 5, Schedule 11 a), b) & c) and Tab 2, Schedule 4 b)

⁹⁴ 2020 Seasonal Report, page 19

⁹⁵ Exhibit I, Tab 2, Schedule 4 a)

⁹⁶ Exhibit I, Tab 1, Schedule 16 b)

⁹⁷ Specifically with respect to Hydro One’s transition to fully fixed Residential distribution charge.

⁹⁸ Filing Requirements for Electricity Distributor Rate Applications, Chapter 2, Section 2.8.12

occur and can increase the total bill impacts seen by customers. As a result, VECC submits that only in extreme circumstances should the OEB consider and accept bill impact mitigation measures that result in bill impacts of more than 10% for multiple consecutive years. Furthermore, VECC submits that, where bill impact mitigation is required over a number of consecutive years the OEB needs to: i) ensure that the mitigation plan is sufficiently flexible that future events do not inadvertently lead to higher bill impacts than those originally contemplated and ii) consider whether a benchmark of less than 10% per annum for maximum bill impacts that extend over a protracted number of years would be more appropriate. Doing so would not only mitigate the year over year impacts, but also provide customers with the time required to explore other means of managing their electricity bills.

Hydro One's current preference for second mitigation option whereby the fixed charge for seasonal customers would be phased-in to the same all-fixed distribution charge as approved for year-round R2 residential customers over the number of years is based on that fact that:

- With the introduction of the Distribution Rate Protection (DRP) and its availability to year-round R2 customers, these customers will not actually see the impact of any rate increases on their electricity bills due the increase in their distribution energy rates required to cover the "cost" of the phase-in.
- The second option does not pose the implementation challenges and costs associated with managing the credit-based approach under Option 1⁹⁹. Hydro One has estimated that the implementation of a credit-based approach to bill mitigation could require at least 12 to 18 months and cost \$5 to \$8 million¹⁰⁰.

VECC agrees with Hydro One that, given the availability of the DRP to year-round R2 customers, a phase-in approach is the preferred option for providing bill impact mitigation. VECC's only caveat is that the continued availability of the DRP is a matter of government policy and that the approach to bill impact mitigation would need to be reassessed if the Provincial Government were to change/eliminate the DRP such that

⁹⁹ Exhibit I, Tab 1, Schedule 17

¹⁰⁰ Exhibit I, Tab 1, Schedule 13

year-round R2 customers' bills were impacted. In VECC's submission, should the OEB choose the phase-in approach the decision should make note that it is linked to the continued availability of the DRP.

In terms whether, for Seasonal customers moving the R2 class, the phase-in to the R2 fixed charge should be based on the adhering to the annual 10% bill impact criterion or achieved over a shorter fixed period of time, VECC reiterates the points made earlier in these submissions that both the 12 years associated with the first approach and the bill impacts associated with the eight year approach are "estimates" in that:

- They do not reflect the revenue requirement that is still to be approved for 2022 rates,
- They do not reflect any of the refinements and corrections that have been identified as being required to the cost allocation model used for the Seasonal Eliminated scenario,
- The rates used are based on forecasts for the billing determinants using actual data from 2017¹⁰¹ and should be updated,
- They do not reflect the impact rate riders or changes in transmission charges can/will have on the total bill, and
- They do not incorporate any year over year changes in distribution revenue requirements/rates after 2022¹⁰².

As VECC submitted in section 3.1.6, the anticipated bill impacts on Seasonal customers and the implementation of Hydro One's (now) preferred approach to bill impact mitigation will need to be further examined during the upcoming review of Hydro One's joint rate application for 2023-2027 transmission and distribution rates. In VECC's submission it is pre-mature for the OEB to decide issues related to specifics of the bill mitigation strategy, particularly the period required. These specifics should await the Decision on Hydro One's JRAP.

¹⁰¹ Exhibit I, Tab 5, Schedule 1 g)

¹⁰² Exhibit I, Tab 5, Schedule 12 c)