



Ontario | Commission
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BY EMAIL

July 21, 2022

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

**Re: Ontario Energy Board (OEB) Staff Submission
Hydro One Networks Inc.
Requests for Exemptions from Provisions in the Distribution System Code
and an Accounting Order related to the Seasonal Class Elimination
OEB File Number: EB-2022-0145**

Please find attached OEB staff's submission in the above referenced proceeding, pursuant to Procedural Order No. 1.

Yours truly,

Shuo Zhang
Electricity Distribution: Major Rate Applications & Consolidations

Encl.

cc: All parties in EB-2022-0145



ONTARIO ENERGY BOARD

OEB Staff Submission

Hydro One Networks Inc.

**Requests for Exemptions from Provisions of the Distribution System
Code and an Accounting Order related to the Seasonal Class
Elimination**

EB-2022-0145

July 21, 2022

Summary of the Application

Request for Exemptions from Provisions of the Distribution System Code

In its March 12, 2015 decision on Hydro One's distribution rates application, the OEB decided to eliminate the seasonal class and move seasonal customers into one of Hydro One's other residential customer classes based on density.¹

Hydro One's seasonal customers are currently billed quarterly, and their meters are read annually. The elimination of the seasonal class and the implementation of the OEB-approved mitigation plan entails many changes to Hydro One's billing, meter reading, customer information system, and business processes. In its November 10, 2021 decision on implementing the elimination of the seasonal rate class (the decision is referred to below as the Implementation Decision, and the proceeding is referred to as the Implementation Proceeding), the OEB directed Hydro One to maintain its existing billing and meter reading frequencies for seasonal customers until the implementation options can be thoroughly examined and executed.²

To maintain the existing billing and meter reading practice for seasonal customers, Hydro One requested exemptions from the following provisions in the Distribution System Code (DSC): (1) Section 2.6.1A, which requires a distributor to issue a bill to a residential customer on a monthly basis; (2) Section 2.10.2, which limits the number of estimated bills that a distributor may issue to a residential customer to twice every 12 months; and (3) Sections 7.11.1 to 7.11.7, which require a distributor to issue an accurate bill to its customers 98% of the time on a yearly basis.

Hydro One has requested the DSC exemptions for approximately 148,000 customers who will be transitioned from Hydro One's current seasonal rate class to one of three residential classes.

When OEB staff asked Hydro One why an exemption from sections 7.11.1 to 7.11.7 of the DSC for all seasonal customers was required, Hydro One stated that it now realizes that an exemption from the billing accuracy requirements under section 7.11 was not necessary, and has therefore decided to withdraw this request.³

Hydro One requested that the exemptions to the DSC be granted until December 31,

¹ EB-2013-0416 and EB-2014-0247 OEB Decision and Order dated March 12, 2015

² [EB-2020-0246 Decision and Order](#) (p.18) states: "The OEB directs Hydro One to maintain existing billing and meter reading frequencies for seasonal customers until such time that alternative options can be more thoroughly examined with meaningful customer input, including cost and implementation issues of each alternative."

³ In response to OEB staff Interrogatory #2, Hydro One stated: "Seasonal customers that are classified as 'hard to reach' are already covered under Hydro One's current exemption for 'hard to reach' customers. There is no need to seek an exemption for seasonal customers whose meters communicate reliably with the smart meter network because they will receive an accurate bill each time. Therefore, Hydro One would like to withdraw its request for an exemption from the requirements under Section 7.11."

2027. Hydro One explained that the proposed exemption period is consistent with the five-year rate setting cycle covered by Hydro One's 2023-2027 joint transmission and distribution rate application (referred to as the JRAP proceeding).⁴ Hydro One also requested that an interim exemption be granted on January 1, 2023, if the OEB does not issue a decision on or before that date.

Request for an Accounting Order

Hydro One requested the OEB's approval to establish a new Account 1508 – Other Regulatory Assets, Sub-Account Seasonal Class Elimination Deferral Account, to record costs associated with the implementation of the seasonal class elimination. Hydro One noted that the proposed sub-account meets the OEB's causation, materiality and prudence criteria for establishing new accounts. Hydro One also noted that this deferral account will be subject to the OEB's review for future disposition. Hydro One filed the associated draft accounting order.

Hydro One expects that most of the implementation costs will be incurred in 2022 and proposed that the deferral account be established as of January 1, 2022.

In responses to OEB staff's interrogatories, Hydro One noted that the actual implementation cost incurred as of the end of June 2022 was \$286k, of which \$15k was OM&A and the balance was capital-related costs. The forecast implementation costs for both 2022 and 2023 are estimated to be in the range of \$3.5-\$3.9 million. Hydro One stated that it intends to seek recovery of both OM&A and capital costs via the proposed deferral account.⁵

OEB Staff Submission

Request for Exemptions from Provisions of the Distribution System Code

As noted above, the application states that seasonal customers are currently billed quarterly and their meters are read annually, and the OEB directed Hydro One to maintain its existing billing and meter reading frequencies for the seasonal customers until the implementation options can be thoroughly examined.

As revised through interrogatories (i.e., request for 7.11 withdrawn), Hydro One therefore submitted that exemptions from section 2.6.1A and section 2.10.2 of the DSC are necessary to maintain the existing billing and meter reading practices that have been in place for the seasonal customers.

OEB staff agrees with Hydro One that an exemption from section 2.6.1A is required to achieve the OEB's intent to maintain the status quo in relation to billing frequency,

⁴ Richard Gruchala Interrogatory #5. The joint transmission and distribution rate application is OEB File No. EB-2021-0110

⁵ OEB staff Interrogatory #1

expressed in the Implementation Decision.⁶ OEB staff notes that, when “seasonal” customers become “non-seasonal” customers, this section would require Hydro One to issue a bill to each non-seasonal residential customer on a monthly basis, while the status quo for customers currently in the seasonal class is a quarterly basis. The requested exemption is therefore appropriate.

OEB staff is also of the view that Hydro One’s request for an exemption from section 2.10.2 is appropriate. OEB staff asked Hydro One if the purpose of the annual meter read was to ensure seasonal customers are accurately billed on an annual basis by truing up three quarterly estimated bills to reflect actual consumption. In response, Hydro One confirmed that was correct.⁷ OEB staff notes that the status quo therefore results in three estimated bills, on an annual basis, which exceeds the limit of two estimated bills under section 2.10.2.

In relation to the proposed duration of the DSC exemptions, OEB staff submits that Hydro One’s request to grant the exemptions (which would now be limited to sections 2.6.1A and 2.10.2) until December 31, 2027 is appropriate. That timing aligns with the OEB’s direction that Hydro One report on the results of its assessment of alternatives to the status quo, for consideration as part of Hydro One’s next rebasing application after its JRAP application. While the JRAP is currently in progress, Hydro One has proposed that the term of the JRAP would conclude on December 31, 2027.⁸

Hydro One also requested that an interim exemption be granted on January 1, 2023, if the OEB does not issue a decision on this application on or before that date. OEB staff notes that Hydro One made a similar request in the Implementation Proceeding in 2021. However, the OEB found it was necessary to ensure alignment between the Implementation Decision and the JRAP rate order, as the OEB noted “the effective date ... is yet to be determined by the OEB in the JRAP proceeding”.⁹ The OEB therefore approved the “later of January 1, 2023 and the effective and implementation date(s) of the JRAP rate order” as the appropriate date for the transition under the Implementation Decision.¹⁰ OEB staff therefore submits that Hydro One will not need the DSC exemptions until customers begin to transition from the seasonal rate class to the other three rate classes, which may be after January 1, 2023, as contemplated in the Implementation Decision.

Request for an Accounting Order

With regard to the materiality criterion, Hydro One noted that its materiality threshold is

⁶ [EB-2020-0246 Decision and Order](#), at page 18

⁷ OEB staff Interrogatory #2

⁸ EB-2020-0246 Decision & Order (p.18) states: “The OEB directs Hydro One to report on the results of this assessment and consultation ... for consideration as part of Hydro One’s next rebasing application after the JRAP.”

⁹ EB-2020-0246 Decision & Order, page 15

¹⁰ EB-2020-0246 Decision & Order, page 15

\$1M.¹¹ Hydro One noted that it intends to seek recovery of both OM&A and capital costs.¹² OEB staff submits that only the revenue requirement impact of costs should be recorded in the proposed sub-account and sought for recovery. Of the \$286k of implementation costs incurred as at the end of June 2022, \$271k is for billing and customer information system (CIS) changes and \$15k is for process re-design and staff training costs. Hydro One stated that of the \$271k, the majority of those costs are capital costs. OEB staff notes that the majority of the total forecasted costs (\$3.1- \$3.4 million) are billing and CIS changes, which OEB staff expects would also be primarily capital costs.

OEB staff has no concerns with the establishment of the account as the costs appear to be material on a gross basis. In its Implementation Decision, the OEB stated that Hydro One would have to demonstrate the causation, materiality and prudence of the implementation costs when seeking recovery of the costs in a subsequent proceeding.¹³ Therefore, OEB staff expects Hydro One to provide a detailed breakdown of the final costs incurred, including a description of the nature and purpose of those costs as well as a revenue requirement calculation at the time of disposition.

While OEB staff expects Hydro One to provide detailed calculations in support of the account entries, if the OEB approves the sub-account, OEB staff submits that the draft accounting order should be updated to indicate that only the revenue requirement impact should be recorded in the sub-account.

~All of which is respectfully submitted~

¹¹ Application, page 3

¹² OEB staff Interrogatory #1

¹³ EB-2020-0246, Decision and Order, November 10, 2021