



Ontario | Commission  
Energy | de l'énergie  
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# DECISION AND ORDER

## EB-2022-0145

## HYDRO ONE NETWORKS INC.

**Application for exemptions from certain provisions in the  
Distribution System Code and for an Accounting Order**

**BEFORE: Emad Elsayed**  
Presiding Commissioner

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**September 1, 2022**

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# 1 OVERVIEW

This is a decision on requests by Hydro One Networks Inc. (Hydro One) for exemptions from provisions of the *Distribution System Code* (DSC) and an accounting order related to the elimination of the seasonal rate class.

For the reasons provided in this Decision and Order (Decision), the Ontario Energy Board (OEB) approves Hydro One's application for the following:

- Exemptions from sections 2.6.1A and 2.10.2 of the DSC for the approximately 148,000 customers who will be transitioned from Hydro One's seasonal rate class to one of three other Hydro One residential rate classes according to their respective density. Those sections, and the requested exemptions, relate to billing frequency and the number of estimated bills a distributor may issue. Hydro One has asked that the exemptions be effective until December 31, 2027.
- The establishment of a deferral account to record the costs associated with the implementation of the seasonal rate class elimination.

## 2 THE PROCESS

Hydro One filed its application on April 11, 2022. The application was accepted by the OEB as complete on May 2, 2022. The OEB issued its Notice and Procedural Order No.1, on May 13, 2022, inviting parties to apply for intervenor status. Mr. Gruchala was granted intervenor status.

In its Notice and Procedural Order No.1, the OEB described the scope of this proceeding as strictly limited to the review of Hydro One's request for exemptions from certain provisions of the DSC and the request to establish a deferral account to record the costs associated with the implementation of the seasonal rate class elimination.

Mr. Gruchala filed written interrogatories on June 20, 2022, followed by OEB staff on June 21, 2022. Hydro One filed responses to these interrogatories on July 7, 2022.

OEB staff filed written submissions with the OEB on July 21, 2022. No submissions were filed by Mr. Gruchala. Hydro One did not file a reply submission.

The OEB did not receive any letters of comment in relation to this proceeding.

## 3 DECISION

### 3.1 Distribution System Code Exemptions

In its March 12, 2015 decision on Hydro One's distribution rates application, the OEB determined that it would eliminate the seasonal rate class and move seasonal customers into one of Hydro One's other residential customer classes based on density.<sup>1</sup> Hydro One requested the DSC exemptions for approximately 148,000 affected customers.

Hydro One's seasonal customers are currently billed quarterly, and their meters are read annually. The elimination of the seasonal rate 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 (referred to as the Implementation Decision), the OEB directed Hydro One to maintain its existing billing and meter reading frequencies for seasonal customers until the implementation options could be thoroughly examined and executed.<sup>2</sup>

To maintain the existing billing and meter reading practice for seasonal customers, Hydro One requested exemptions from the following provisions of the 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.

OEB staff supported Hydro One's requests for exemptions from sections 2.6.1A and 2.10.2 of the DSC. OEB staff noted that an exemption from section 2.6.1A is necessary to achieve the OEB's intent to maintain the status quo in relation to billing frequency (i.e., quarterly) for seasonal customers. OEB staff also noted that an exemption from section 2.10.2 is appropriate given that Hydro One needs to maintain its existing annual meter reading practice for seasonal customers, which results in three estimated bills, on

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

<sup>2</sup> [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."

an annual basis, and therefore exceeds the limit of two estimated bills under section 2.10.2.

With respect to sections 7.11.1 to 7.11.7, OEB staff asked why an exemption from those sections was required for all seasonal customers when Hydro One is currently exempt from sections 2.10.1 and 7.11.1 to 7.11.7 of the DSC for service to certain “hard to reach” customers, and a “hard to reach” subset of seasonal customers is already covered by existing exemptions. Hydro One responded in stating that it came to realize an exemption from the billing accuracy requirements under section 7.11 is not necessary and therefore decided to withdraw this request.<sup>3</sup>

Hydro One requested that the exemptions to the DSC be granted until December 31, 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).<sup>4</sup> OEB staff supported this request.

## Findings

The OEB finds that the requested exemptions from sections 2.6.1A and 2.10.2, which relate to billing frequency and limiting the number of estimated bills that can be issued to customers, on an annual basis, are reasonable. The requested exemption period, until December 31, 2027, should provide Hydro One with an appropriate amount of time to review and implement options to meet those DSC requirements for the seasonal class customers transitioning to residential classes. The exemption period is also consistent with the 2023-2027 rate setting period covered by Hydro One’s current JRAP application. The OEB expects Hydro One’s review to include meaningful customer input.

Hydro One’s request is granted.

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<sup>3</sup> 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.”

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

### 3.2 Deferral Account

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 rate 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 (i.e., \$271k) 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.<sup>5</sup>

OEB staff noted that the \$271k of capital costs is for billing and customer information system (CIS) changes, and the \$15k in OM&A is for process re-design and staff training costs. Capital costs represent the majority of total costs. OEB staff noted 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 had 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.<sup>6</sup> 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.

OEB staff submitted that the draft accounting order filed by Hydro One should be updated to indicate that only the revenue requirement impact should be recorded in the sub-account.

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<sup>5</sup> OEB staff Interrogatory #1

<sup>6</sup> EB-2020-0246, Decision and Order, November 10, 2021

## Findings

The OEB approves the establishment of a new Account 1508 – Other Regulatory Assets, Sub-Account Seasonal Class Elimination Deferral Account – to record the implementation costs associated with the Implementation Decision. This sub-account is established as of January 1, 2022 and will be subject to the OEB’s review for future disposition. Hydro One will have to demonstrate the causation, materiality and prudence of the implementation costs when seeking recovery of the costs in a future proceeding.

The OEB finds that only the revenue requirement impact of the implementation costs should be recorded in the sub-account and directs Hydro One to update the draft accounting order, which was filed with this application, to reflect this finding. The updated draft accounting order shall be filed by Hydro One for OEB’s approval by September 12, 2022.



## 4 ORDER

### THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Hydro One Networks Inc. shall file with the OEB the updated draft accounting order by **September 12, 2022**.
2. Schedule 3 of the Electricity Distribution Licence of Hydro One Networks Inc. is hereby amended by adding the following paragraph after Paragraph 9:

*10. The Licensee is exempt from the requirements in sections 2.6.1A and 2.10.2 of the Distribution System Code related to billing frequency and limiting the number of estimated bills that may be issued to two, on annual basis, to customers in the seasonal rate class who are being transitioned to one of three other Hydro One residential rate classes according to their respective density pursuant to the Board's November 10, 2021 decision on implementing the elimination of the seasonal rate class (EB-2020-0246). These exemptions expire on December 31, 2027, as per the Board's Decision and Order in EB-2022-0145.*

The amended license is attached to this Decision and Order.

**DATED** at Toronto September 1, 2022

**ONTARIO ENERGY BOARD**

Nancy Marconi  
Registrar