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File 92117

VIA COURIER and RESS FILING

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4

EB 2015-0079

OEB BOARD SECRETARY	
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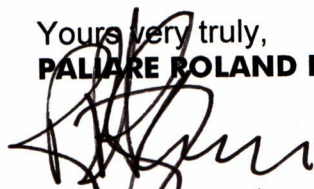
Dear Ms. Walli:

**Re: Hydro One 2016 Distribution Rates Application
Board File No. EB-2015-0079
Submissions of the Power Workers' Union**

Attached please find the Power Workers' Union's submissions on Hydro One Networks Inc.'s application with the Ontario Energy Board seeking changes to its distributions rates, effective January 1, 2016.

Yours very truly,

PALIARE ROLAND ROSENBERG ROTHSTEIN LLP



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Encl.

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Hydro One Networks Inc.

**Application for electricity distribution rates
beginning January 1, 2016.**

Submissions of the Power Workers' Union

1. The following are the Power Workers' Union's ("PWU") submissions concerning Hydro One Networks Inc.'s ("Hydro One" or the "Applicant") application with the Ontario Energy Board ("OEB" or the "Board"), seeking changes to its distribution rates, effective January 1, 2016.
2. Hydro One has requested to increase the amount it charges by approximately \$1.48¹ each month for the typical residential customer beginning on January 1, 2016. The requested rate changes for 2016 are based on the framework approved by the OEB in the EB-2013-0416 proceeding for determining Hydro One's distribution rates for the period from 2015 to 2017.
3. In its Notice of Hearing issued on November 17, 2015, the OEB stated that it would hold a public hearing to consider Hydro One's 2016 distribution rate application to determine whether Hydro One appropriately implemented the framework from the EB-2013-0416 proceeding and whether to approve the applicant's proposal for mitigating the impact of the shift to fixed distribution rates.
4. The PWU submits that Hydro One's Draft Rate Order ("DRO") filed on December 1, 2015, and proposed 2016 distribution rates included therein reflect the relevant findings made by the Board in the EB-2013-0416 proceeding in determining distribution rates for 2016. The DRO and the proposed 2016 distribution rates also reflect cost of capital parameters updated for 2016 applications, as per the Board's letter issued on October 15, 2015.

¹ Revised from \$1.57 per month that was requested in the original rate draft order filed on September 30, 2015

5. In the PWU's view Hydro One's DRO properly reflects the Board's policy and direction to electricity distributors to structure residential rates so that all the costs for distribution service are collected through a fixed monthly charge commencing in 2016. In the Report of the Board: *A New Distribution Rate Design for Residential Electricity Customers* (EB-2012-0410) issued April 2, 2015, the Board confirmed that rates for residential customers will migrate to a fixed monthly distribution charge over a transition period commencing in 2016.

6. Specifically, Hydro One's DRO conforms with the direction provided by the Board in the updated Filing Requirements for Electricity Distribution Rate Applications issued on July 16, 2015 (the "Filing Requirements") with respect to the implementation of the move to all-fixed rates for residential rate classes. Section 2.8.13 of the Filing Requirements states:

Starting in 2016, distributors will begin to shift rate design for residential customers toward fully fixed rates. This change introduces some new considerations for the issue of mitigation.

As discussed above, at 2.8.2, distributors will be expected to implement the change in equal increments over a four-year period. In the event that the monthly service charge would have to rise more than \$4 per year in order to effect this change, distributors shall apply to extend the transition period. It is expected that in most cases, only a fifth transition year would be required to make the changes within the \$4 impact threshold identified in the policy. A distributor shall propose an alternative or additional strategy in the event that an additional transition year is insufficient. Consistent with OEB policy regarding mitigation, a distributor may propose as part of its application that no extension is necessary; such a position must be substantiated with reasons.

The new rate design is revenue neutral across the residential class, but the impact on individual customers will vary with consumption. The OEB has established that, when assessing the combined effects of the shift to fixed rates and other bill impacts associated with changes in the cost of distribution service, a utility shall evaluate the total bill impact for a residential customer at the distributor's 10th consumption percentile. In other words, 10% of a distributor's residential customers consume at or less than this level of consumption on a monthly basis. Sorting or segmentation of residential class data by consumption level will be required. Distributors must provide a description of the method they used to derive the 10th consumption percentile. The description should include a discussion regarding the nature of the data that was used (e.g. was the source data for all residential customers or a representative sample of residential customers).

If the impact for these customers is 10% or greater, a distributor must file a plan to mitigate the impact for the whole residential class or indicate why such a plan is not required.²

² Ontario Energy Board, Filing Requirements For Electricity Distribution Rate Applications - 2015 Edition for 2016 Rate Applications - Chapter 2, Cost of Service. July 16, 2015.

7. In the PWU's view Hydro One's proposed implementation of the shift to all-fixed rates for residential rate classes is consistent with the Filing Requirements. Exhibit 3.5 of Hydro One's DRO shows that a four year phase-in period results in an increase of more than \$4 to the monthly fixed charge for all its residential rate classes (UR, R1, R2 and Seasonal). As such, Hydro One proposed a mitigation plan to extend the phase-in period to 5 years for the UR, R1 and R2 rate classes and to 7 years for the Seasonal class, using the existing 2015 approved monthly fixed charge as the starting point for the phase-in. The total impact bill analysis provided by Hydro One in Section 8 of the DRO indicates that the proposed phase-in periods will result in total bill impacts of less than 10% for the low volume customers for all residential rate classes, taking into account all other changes to 2016 distribution rates. Also, Hydro One's DRO provides a proper description of the method used to derive the 10th consumption percentile as required by the Filing Requirements.

8. Furthermore, Hydro One's DRO complies with the direction set out by the Board in its Order of September 30, 2015, under EB-2013-0416/EB-2015-0257, as Hydro One's 2016 distribution rate proposal includes implementation of the transition toward fixed distribution rates for the seasonal class customers consistent with the OEB's filing requirements published on July 16, 2015.

9. For the above reasons, the PWU submits that the Board should approve Hydro One's proposed distribution rates and charges, effective January 1, 2016, as filed.

All of which is respectfully submitted.