

1 **CUSTOMER CLASSIFICATION**

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3 In order to set the context for the allocation of Hydro One's revenue requirement to
4 customer classes, Exhibits G1, Tab 2, Schedule 2 to Schedule 6 provide a review of the
5 current and proposed customer classes.

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7 **1.0 CATEGORIES OF SERVICE**

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9 Within the Hydro One Distribution business there are two categories of service provided
10 to customers. The first category entails distribution service to over one million Retail
11 customers. Retail customers consist of Legacy customers (customers of the former
12 Ontario Hydro and its successor companies) and Acquired customers (customers of the
13 LDCs acquired by Hydro One, excluding Brampton Hydro which is a subsidiary of
14 Hydro One and whose customers are not part of this Application). Retail customers
15 currently fall into rate classes designated for residential, seasonal, general service and
16 farm customers.

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18 The second category entails distribution service to Sub-Transmission customers that are
19 directly connected to the Hydro One Distribution Sub-Transmission (ST) system. ST
20 customers consist of all Embedded LDCs, all Embedded Direct delivery points with
21 demands above 5 MW, and large customers with demands above 500 kW that provide
22 their own transformation facilities and are connected to Hydro One's distribution system
23 at voltages of 13.8 kV or above.

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25 **2.0 REDUCING THE NUMBER OF CUSTOMER CLASSES**

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27 One of the main objectives of this Application is to simplify the structure of Hydro One
28 Distribution's current rate classes to better reflect utilization of assets and services which

1 impact cost causality. The simplified rate classes are also designed to be more consistent
2 with the number, and categorization of rate classes typically used in other Ontario
3 distribution companies (LDCs), and are expected to reduce customer confusion and be
4 significantly easier to manage from an administrative perspective.

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6 As described in Exhibit G1, Tab 2, Schedule 2 Hydro One currently has over 280 rate
7 classes to administer its Retail and ST customers. With the implementation of time-of-use
8 rates, and assuming not all customers within a rate class will want to adopt time-of-use,
9 the number of rate classes to be administered can potentially expand to a value of close to
10 600 if action is not taken to reduce the number of rate classes. Hydro One is concerned
11 that this vast array of distribution tariffs has the potential to create significant customer
12 confusion and increase the overall cost of administrating the rates and the customer
13 interface.

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15 Hydro One discussed the possibility of reducing the number of rate classes applicable to
16 its customers at a stakeholder session held September 5th, 2007. The discussion with
17 stakeholders included Hydro One's intent of creating customer classes that reflect the
18 type of customer served, consumption level, types of assets used to provide the service,
19 and customer density. As detailed in Exhibit A, Tab 16, Schedule 1, Stakeholders were
20 actively engaged in this discussion and provided valuable input that was used to shape the
21 12 new customer classes discussed in Exhibit G1, Tab 2, Schedule 3.

22 23 **3.0 MAPPING EXISTING RATE CLASSES TO PROPOSED RATE CLASSES**

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25 All of the existing Legacy rate classes and Acquired utility rate classes will be mapped to
26 the 12 new proposed rate classes using the harmonization process described in Exhibit
27 G1, Tab 2, Schedule 5.