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DECISION AND ORDER

EB-2020-0246

HYDRO ONE NETWORKS INC.

Implementing the Elimination of the Seasonal Rate Class

BEFORE: Emad Elsayed
Presiding Commissioner

November 10, 2021



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1 OVERVIEW

This is a decision on implementing the Ontario Energy Board's (OEB) March 12, 2015 Decision¹ (2015 Decision) to eliminate the Hydro One Networks Inc. seasonal distribution rate class. The 2015 Decision found that the Hydro One seasonal class was to be eliminated and existing seasonal class customers were to be moved to one of three Hydro One residential rate classes according to their density.

This Decision and Order (Decision) establishes the approach that will be used to achieve the elimination of the seasonal rate class and the timing for doing so.

This Decision is structured and organized under the following sections:

- Implementation and Mitigation Method
- Implementation and Effective Date
- Meter Reading and Billing of Seasonal Customers
- Density Boundary Review Process
- Customer Education and Engagement
- Conditions of Service

The OEB approves Hydro One's proposed Option 2A for the implementation of the 2015 Decision, effective January 1, 2023. Option 2A involves the phase-in of bill impacts over a period of 10 years beginning January 1, 2023 in order to limit the total bill increase for affected seasonal customers, including those with low average monthly consumption, to 10% per year.²

All adjustments to be made as a result of this Decision shall be made on a prospective basis only, with no retroactive adjustments.

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

² Hydro One initially estimated the implementation period for Option 2A to be 12 years in its updated October 15, 2020 report but subsequently revised it to 10 years in Exhibit I, Tab, 1, Schedule 8, page 7

2 THE PROCESS

The OEB determined in its 2015 Decision that Hydro One's seasonal rates class should be eliminated, and existing seasonal class customers (approximately 148,000 customers) should be moved to one of three Hydro One residential rate classes according to their density. The OEB found that the distribution rates currently charged to seasonal customers do not appropriately reflect the cost to serve them.

Following a number of procedural steps, on October 15, 2020, Hydro One filed an updated Report on the Elimination of the Seasonal Class (2020 Seasonal Report), that reflects its implementation proposals, which is the subject of the current proceeding.

In Procedural Order No. 2, the OEB granted intervenor status to the Balsam Lake Association (BLA), the Balsam Lake Coalition (BLC), Consumers Council of Canada (CCC), Federation of Ontario Cottagers' Associations (FOCA), Kamanisgeg Area Property Owners Association (KAPOA), Sunset Shores Peninsula Association (SSPA), Tasso, Toad, Camp and Blue Lake Association (TTCBLA) and Vulnerable Energy Consumers Coalition (VECC). The OEB also received numerous requests from individual Hydro One customers to intervene in this proceeding, all of which were accepted.

In Procedural Order No.3, the OEB stated that the scope of the current proceeding is to address the following two issues:

- (1) how to implement the decision to eliminate the seasonal class; and
- (2) for those who will be experiencing total bill increases of 10% or greater a year, what is the best approach to mitigating these increases, exclusive of maintaining the seasonal class.

OEB staff filed written interrogatories on June 22, 2021 followed by intervenors on June 29, 2021. Hydro One filed responses to these interrogatories on August 17, 2021, after requesting and receiving a four-week extension from the original July 20, 2021 filing deadline.

OEB staff and intervenors filed written submissions with the OEB on September 8, 2021 and Hydro One filed a reply submission on September 29, 2021.

The OEB received around 850 letters of comment on this proceeding and has taken into account the concerns expressed in these letters in reaching its Decision.

3 DECISION

Implementation and Mitigation Method

Mitigation Method

Hydro One's bill impact calculations estimated that seasonal customers moving to either the UR or R1 classes would experience total bill decreases, with the exception of low consumption seasonal customers moving to the R1 class who would be experiencing total bill increases less than 10%. However, a significant number of seasonal customers moving to the R2 class were expected to experience bill increases greater than 10%,³ resulting in the need for mitigation.

Positions of the Parties

Hydro One proposed two general mitigation options.

The first option was a credit-based approach (Option 1). Hydro One stated that under this option, seasonal customers moving to R2 class rates would have a credit 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 OEB in the year in which the customers moved to the R2 class as well as the elimination of the seasonal class. The cost of credits would be tracked in a deferral account for recovery from all customer classes.

The second option is a phase-in approach (Option 2A). 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. Hydro One stated that limiting the impacts to 10% per year would result in a phase-in period of 12 years. The phase-in period was subsequently revised to 10 years.⁴

A variation to the phase-in approach was included that sets the transition period at eight years (Option 2B). Hydro One noted that this shorter phase-in period would result in bill impacts exceeding 10% for low volume seasonal customers over a number of years, but the bill impacts would be relatively small in absolute dollar terms.⁵ Hydro One also noted that the OEB had previously approved an eight-year transition period for the move to fixed distribution rates for the residential class.

³ Exhibit I, Tab 5, Schedule 1, part f.

⁴ Exhibit I, Tab 1, Schedule 8, p. 7.

⁵ 2020 Seasonal Report, pp. 19-20.

Under both Options 2A and 2B, all R2 customers would pay an increased volumetric rate that ensures recovery of the total revenue to be collected from the R2 class that is not covered by the lower monthly fixed charge from seasonal R2 customers.

In the 2020 Seasonal Report, Hydro One had recommended Option 1 as the preferred approach. In its responses to interrogatories, Hydro One amended its position and stated that Option 2 would be preferred over Option 1. In its reply submission, Hydro One confirmed that its preferred option is Option 2B. Hydro One explained the main reasons⁶ for its selection of Option 2 as follows:

- Distribution Rate Protection (DRP) is available to year-round R2 customers. Hydro One noted that although Option 2 would result in higher rates for the year-round R2 customers, they would not see higher bills under the DRP.
- Options 2A and 2B are simpler to implement and communicate to customers, while Option 1 would require a customer specific credit amount that would differ from customer to customer. Given the fact that Hydro One's Customer Information System (CIS) is currently built to apply tariffs on a rate class basis, Option 1 would require significant modifications to the CIS system. Hydro One further noted that modifying its CIS system to support customer specific variable credits would carry a material cost in the range of \$5 to \$8 million and would require at least 12 to 18 months to implement.

OEB Staff, VECC, CCC and BLC supported the phase-in approach under Option 2.

OEB staff agreed with Hydro One that Option 1 is not preferred due to concerns about its practicality and cost. OEB staff stated that the transition period required for Option 2A (e.g., 12 years) is not realistic and would raise significant issues related to inter-generational equity. OEB staff submitted that Option 2B is the best choice given the concerns and challenges identified with Option 1 and Option 2A.⁷

OEB staff requested that Hydro One explain why it had been able to use the credit-based approach to mitigation in 2015 but could not do the same thing now. Hydro One responded that the current mitigation is more complicated than the referenced 2015 mitigation due to the longer mitigation period (12 months vs. seven years⁸), the higher

⁶ Exhibit 1, Tab 1, Schedule 17.

⁷ OEB Staff Submission, pp. 11-12.

⁸ Hydro One's 2020 Seasonal Report stated that Option 1 would have an implementation period of 9 years (p.24)

total credit amount (\$1 million vs. \$120 million), the increased number of customers receiving mitigation credits (15,000 vs. 70,000), and the requirement of applying a customer-specific credit amount that would change on an annual basis. Hydro One submitted that building the capability into its billing system to allow the implementation of the credit-based approach would be a major undertaking and would result in the incurrence of significant costs.⁹

VECC and CCC also submitted that a phase-in approach is preferred. In VECC's submission, it requested that should the OEB choose the phase-in approach, the decision should make note that it is linked to the continued availability of the DRP.¹⁰ CCC also suggested that the mitigation approach and effective date are best dealt with in the context of Hydro One's 2023-2027 Joint Rate Application (JRAP) which is currently before the OEB, at which time it may be appropriate to consider a longer implementation period based on potential bill impacts.¹¹

Hydro One responded that if the government decided to eliminate the DRP before the phase-in period expires, it would file an alternative approach to mitigation with the OEB.¹²

TTCBLA supported the credit-based approach as opposed to the phase-in approach as, in its view, this option represented a fairer allocation of the mitigation process than Option 2. However, TTCBLA stated that "[w]e request that the OEB direct Hydro One to meet the intent of the OEB guidelines, limit any customer's increases to no more than 10% in a given year, and accept whatever timeframe is necessary to achieve that objective."¹³

Mr. Gruchala submitted that a preferred mitigation approach would be using a set "baseline amount" (whether at a fixed dollar level or through a percentage of the base year amount) that stays constant throughout the transition period. Mr. Gruchala stated that this approach would give consumers an additional degree of certainty and clarity around their future hydro bill increases, while also simplifying those critical future communications with affected customers.¹⁴ Mr. Gruchala added, "[g]iven the very substantial hydro bill increases coming for R2 seasonal customers and within the

⁹ Hydro One Reply Submission, p. 10.

¹⁰ VECC Submission, pp.31-32.

¹¹ CCC Submission, p. 3.

¹² Hydro One Reply Submission, p. 3.

¹³ TTCBLA Submission, p. 3.

¹⁴ Mr. Gruchala Submission, p. 11.

parameters set for this proceeding, it would be most reasonable in the writer's view for the OEB to provide for a minimum of 12 year transition period."¹⁵

SSPA submitted that the fact of bill impacts exceeding 100% for seasonal R2 customers should bring the OEB to stand firm on the policy that distribution rates should not increase more than 10% per year.¹⁶ SSPA stated that, "[t]he Board should focus on the unprecedented magnitude of the increase sought to be imposed on low usage rural customers." SSPA added, "[t]he magnitude of the requested increase, taken with the Board policy limit of 10% per year, means that the period during which the rates are mitigated will need to be more than 10 years for the low usage customers."¹⁷

In its reply, Hydro One reiterated that the scope of work and the level of complexity involved in the implementation of Option 1 is of such magnitude that it would not be possible to implement within a 12-months timeframe (i.e., for a January 1, 2023, effective date).¹⁸

Hydro One stated that Option 2B is preferred as it best balances a practical and timely approach to implementation with the impact on affected customers.¹⁹

Findings

The OEB approves Hydro One's proposed Option 2A for the implementation of the seasonal class elimination decision, effective January 1, 2023. Option 2A involves the phase-in of bill impacts over a period of 10 years in order to limit the total bill increase for affected seasonal customers, including those with low average monthly consumption, to 10% per year.

The scope of the current proceeding was defined by the following two specific issues.²⁰

- (1) how to implement the decision to eliminate the seasonal class; and
- (2) for those who will be experiencing total bill increases of 10% or greater a year, what is the best approach to mitigating these increases, exclusive of maintaining the seasonal class.

¹⁵ Mr. Gruchala Submission, p. 12.

¹⁶ SSPA Submission, p. 4.

¹⁷ SSPA Submission, p. 4

¹⁸ Hydro One Reply Submission, p. 11.

¹⁹ Hydro One Reply Submission, pp. 2-3.

²⁰ Procedural Order No. 3, July 16, 2021

Mitigation of bill impacts is required for seasonal customers moving to the R2 residential class when the seasonal class is eliminated. These customers total approximately 77,000 and represent about 52% of the total number of seasonal customers.

Although Hydro One initially recommended Option 1 which is a credit-based approach over a 9-year period to mitigate bill impacts, Hydro One subsequently amended its position to suggest either Option 2A or 2B as preferred over Option 1.²¹

The OEB agrees with Hydro One that a phase-in approach (Options 2A and 2B) would be much simpler to implement and communicate to customers than a credit-based approach (Option 1). Option 1, according to Hydro One, would have entailed significant billing system complexities associated with both the initial implementation and the ongoing administration of the credits on customers' bills, including annual consumption monitoring.

The difference between Options 2A and 2B is that Option 2A mitigates total bill impacts for more seasonal customers than Option 2B but takes longer to complete the implementation than Option 2B.

Option 2A keeps total bill impacts below 10% per year for seasonal customers with low monthly consumption levels (average monthly consumption of 50 kWh), and results in a phase-in period of 10 years to complete the implementation of the seasonal class elimination decision. Seasonal customers with medium and high monthly consumption levels (average of 350 and 1,000 kWh, respectively) would also experience total bill impacts below 10% for each of the phase-in years.

Option 2B limits the phase-in to a period of 8 years. Under Option 2B, seasonal customers with medium and high monthly consumption levels would experience total bill impacts below 10% for each of the phase-in years. However, seasonal customers with low monthly consumption levels would see a total bill increase greater than 10% per year (as high as 14.6%) for at least the first 5 years of the 8-year implementation period, although the dollar amounts associated with these increases for low consumption customers may be relatively low.

As stated earlier, the significant impact of the seasonal class elimination decision on low volume seasonal R2 customers was raised by a number of intervenors.²²

²¹ Interrogatory response to Staff-17, Exhibit I, Tab 1, Schedule 17, August 17, 2021

²² e.g. SSPA, TTCBLA, Richard Gruchala

The OEB finds that Option 2A is the preferred option for implementing the seasonal class elimination decision and directs Hydro One to implement it as proposed, for the following reasons:

- It achieves the objective of limiting the annual total bill increase to 10% per year for all seasonal customer groups regardless of the average monthly consumption level
- It is simple to implement and communicate to customers
- The phase-in period of 10 years for low monthly consumption customers (average of 50 kWh) is not unreasonable
- It involves less complex billing system and administrative changes compared to other options such as Option 1

The OEB is aware that under Option 2A, some seasonal customers at the extreme end of the low consumption range would see a bill increase slightly higher than 10% during the 10-year implementation period. For example, seasonal customers with monthly consumption of zero kWh will see a bill increase not exceeding 13%.²³

The OEB considers a 10-year phase-in period, with its associated mitigation of impacts on customers who will experience bill increases greater than 10% per year as a result of the elimination of the seasonal rate class, to be reasonable. The OEB notes that Hydro One proposed a similar phase-in mitigation approach in a prior proceeding in order to limit total bill impacts to 10% per year,²⁴ and that the OEB approved that approach.

It should be noted that none of the options considered by Hydro One would result in higher bills for year-round residential R1 and R2 customers because the DRP is available to those customers. Hydro One proposed in its reply submission that, should the government decide to eliminate the DRP before the expiry of the phase-in period, Hydro One will file an alternative approach to mitigation with the OEB. The OEB agrees with this proposal.

Cost Allocation and Rate Design Impacts

The 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.

²³ Exhibit I, Tab 1, Schedule 14.

²⁴ EB-2007-0681. In this proceeding, Hydro One proposed the integration of about 155,000 customers from 80 utilities that had been acquired around the year 2000. Some of the acquired utility customers experienced total bill impacts requiring mitigation and for those customers, Hydro One proposed a mitigation approach similar to Options 2A and 2B from the updated Seasonal Report.

Hydro One prepared a seasonal eliminated cost allocation model (CAM), which is based on updating the 2018 OEB-approved CAM. In the seasonal eliminated CAM, the numbers of customers and kWh values for new UR, R1 and R2 classes are updated to include the values associated with the seasonal customers moving into those classes. This scenario used the OEB-approved rate design methodology, revenue requirement and charge determinants.²⁵

Positions of the Parties

VECC made submissions with respect to the methodology and data used in the CAM model, including concerns about the density factors, services weighting factors, and meter reading weighting factors. VECC submitted that the cost allocation and rate design impacts 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.²⁶

With respect to the density factors, Hydro One noted that VECC had made the same arguments in the 2018-2022 distribution rates proceeding and that the OEB had been satisfied that there had been no material changes to the drivers of costs and found that a density study was not required in Hydro One's next rebasing application, unless one is required to support any changes to customer classes.

Hydro One submitted that the density of seasonal customers moving to their new residential classes matched the density of customers currently in that class. As such, it was confident that the elimination of seasonal class did not constitute a change in customer classes as contemplated in the 2018-2022 distribution rates proceeding. In addition, Hydro One stated that it did not believe that it is possible to review the density factors in time to inform the OEB's decision in the JRAP proceeding.²⁷

Both CCC and VECC submitted that the anticipated bill impacts on seasonal customers and the implementation of bill impact mitigation should be further examined during the upcoming review of the JRAP, using the most up to date information. VECC submitted that it is premature for the OEB to decide issues related to specifics of the bill mitigation strategy, particularly the mitigation period required.²⁸

Hydro One responded that it is not necessary to leave the determination of the length of the phase-in period to the JRAP proceeding. Hydro One submitted that the bill impacts

²⁵ 2020 Seasonal Report, pp. 10-12.

²⁶ VECC Submission, pp. 8-15.

²⁷ Hydro One Reply Submission, p. 8.

²⁸ CCC Submission, page 3. VECC Submission, p. 22.

provided in this proceeding are based on the latest information that is consistent with the JRAP and are reasonably indicative to support the OEB's decision making in this proceeding.²⁹ Hydro One also submitted that final rates for former seasonal customers will be determined as part of the JRAP proceeding and noted that the necessary information requested by intervenors (e.g., VECC) has already been provided on the record in that proceeding.³⁰

Findings

The OEB finds that a review of the density factors as a result of this Decision is not necessary at this time. In addition to the fact that the resulting changes may not be material, the OEB accepts Hydro One's submission that the ability to complete such a review within the JRAP timeframe will be challenging. Furthermore, the bill impacts which inform this Decision are based on the latest information included in the JRAP. Overall, the OEB finds that the approach used by Hydro One to update the 2018 OEB-approved CAM is appropriate.

Implementation Cost

Hydro One stated that the elimination of the seasonal class and the implementation of the proposed mitigation plan would entail a large number of billing, meter reading, communications, CIS and business process changes requiring extensive efforts to be completed.

Hydro One further stated that the elimination of the seasonal class would represent a significant change in its rate class structure that would impact rates for all customer classes and estimated that the cost to implement these changes would be in the range of \$3 to \$4 million.³¹

Hydro One also confirmed that the costs of implementing the credit-based approach would be in the range of \$5 to \$8 million, which includes the \$3 to \$4 million costs noted above.³²

²⁹ Hydro One Reply Submission, p. 2.

³⁰ Hydro One Reply Submission, p. 4.

³¹ 2020 Seasonal Report, p. 42.

³² Hydro One Reply Submission, p. 11.

Positions of the Parties

OEB staff submitted that it would expect Hydro One to demonstrate the causation, prudence and materiality of the costs related to the elimination of the seasonal rates class when seeking their recovery.³³

Hydro One submitted that a deferral account is the most practical approach for recovering the incremental costs associated with the implementation of the elimination of the seasonal class.

Hydro One agreed with OEB staff that the recovery of any costs would be subject to a prudence review. Hydro One also noted that if the OEB does not wish to approve such an account in this proceeding, it could include a request for a deferral account at the time that it files for any necessary exemptions from the *Distribution System Code* (DSC) noted in the 2020 Seasonal Report.³⁴

Findings

The OEB agrees with OEB staff that a deferral account to recover the costs associated with the implementation of the seasonal class elimination decision is not necessary as part of this proceeding. The OEB finds that Hydro One's suggestion that the deferral account request can be made at the time of seeking a DSC exemption to be reasonable. The OEB anticipates that such a request would be made by Hydro One well in advance of the January 1, 2023 effective date. As pointed out by OEB staff, Hydro One would have to demonstrate the causation, materiality and prudence of these costs when seeking their recovery in a subsequent proceeding.

RRRP and DRP Eligibility

The Rural and Remote Electricity Rate Protection (RRRP) program provides a rate protection subsidy that reduces the electricity bills for Hydro One's rural year-round residential customers (i.e., Low Density - R2 class). A year-round residential customer requires eight months of continuous occupation of a dwelling over the year. Hydro One stated that this requirement is intended to exclude seasonal customers from receiving the RRRP subsidy.³⁵

The DRP program provides a cap on the base distribution charges that can be levied on rural residential customers (i.e., Medium Density – R1 class and Low Density - R2

³³ OEB Staff Submission, p. 5.

³⁴ Hydro One Reply Submission, pp. 7-8.

³⁵ 2020 Seasonal Report, p.28.

class). The definition of customers eligible for DRP protection mirrors the definition used in the RRRP regulation.

Hydro One proposed that, as part of implementing any changes to the seasonal class, it would remind all seasonal customers of Hydro One's year-round residential criteria and request that seasonal customers submit a completed declaration form and supporting material if they believe they qualify for year-round residential status.³⁶

Positions of the Parties

BLC and TTCBLA questioned Hydro One's practices of applying the RRRP and DRP eligibility criteria.

BLC noted that Hydro One continues to impose additional criteria for DRP and RRRP eligibility, such as requiring a customer use the property in question as the address for their driver's license, or requiring that a customer vote in the location that the property is located in.

BLC submitted that the OEB should impose some restrictions to Hydro One's practices in this area, including confirming that a customer's declaration form is the primary evidence, and requiring customers to provide any particular type of secondary evidence as sufficient but not necessary.

BLC also submitted that Hydro One should be required to include specific information and direction as part of its monthly billing to properly inform customers of the potential DRP and RRRP funding that may be available to them.³⁷

TTCBLA noted situations where the RRRP application was denied when the dwelling in question was occupied for more than eight months in a year, but the person who pays the electricity bills did not live in the property. TTCBLA argued that the legislation focuses on the occupancy of a dwelling, not a person who pays the electricity bills. TTCBLA requested that Hydro One be required to amend its policies and practices so that customers who have a residence that is legitimately occupied for more than eight months in a year be supported in applying for the RRRP and/or DRP subsidy.³⁸

Hydro One rejected these submissions. Hydro One stated that its reliance on proxy proof of permanent residency through evidence such as drivers' license addresses, voter registration and/or other documentation is a well-established, common practice to

³⁶ 2020 Seasonal Report, p. 30.

³⁷ BLC Submission, pp. 3-5.

³⁸ TTCBLA Submission, pp.3-4.

establish primary residence. Hydro One submitted that no orders are required from the OEB and noted that this matter is out of scope of this proceeding.³⁹

Findings

The OEB agrees with Hydro One that the issue of eligibility for the RRRP and/or DRP subsidies is provided by provincial regulation and is beyond the scope of this proceeding.

Maintaining Sub-Classes

Positions of the Parties

BLC submitted a proposal for an alternative way of grouping R1 and R2 customers based on eligibility for DRP/RRRP. This would involve moving R1 seasonal customers to the R1 rate class and then splitting the R1 rate class into two sub classes based on eligibility for DRP and moving R2 seasonal customers to the R2 rate class and then splitting the R2 rate class into two sub classes based on eligibility for DRP/RRRP.

BLC stated that this alternative properly reflects the OEB's decision eliminating the seasonal rate class by appropriately grouping customers based on their density characteristics, while at the same time, within those density-based groupings, appropriately allocating costs to the proposed subgroups based on their consumption/load profile characteristics.⁴⁰

In response to BLC's submissions, Hydro One noted that the alternative approach would effectively maintain separate classes for seasonal customers and allocate costs to those customers in a manner that is not uniform with that of the peers in their respective R1 and R2 classes, which would contradict the spirit of the OEB's 2015 Decision. Hydro One further submitted that if the OEB were to explore the option proposed by BLC, it would prevent Hydro One from having clarity on the approach to the elimination of the seasonal class and consequently would delay the implementation of the elimination of the seasonal class.⁴¹

Findings

The OEB agrees with Hydro One that this proposal would effectively maintain separate classes for seasonal customers which is inconsistent with the primary objective of

³⁹ Hydro One Reply Submission, p. 7.

⁴⁰ BLC Submission, p. 3.

⁴¹ Hydro One Reply Submission, p. 6.

eliminating the seasonal class. In addition, linking the classification to DRP eligibility would not be appropriate because, as discussed above, this is provided by provincial regulation and is not within the scope of this proceeding.

Implementation and Effective Date

Hydro One recommended an implementation date of January 1, 2023, given that the JRAP is the appropriate application in which to implement the decision in this proceeding. Hydro One further stated that there is not sufficient time prior to January 1, 2022, to allow for the elimination of seasonal rates to be implemented on January 1, 2022.

Hydro One also requested a decision from the OEB by the end of 2021 on the seasonal rates elimination to ensure that sufficient time is available to fully design and implement necessary changes to its billing system.⁴²

Positions of the Parties

No parties objected to the proposed January 1, 2023 implementation date.

VECC submitted that given the outstanding issues on cost allocation and rate design, while the OEB 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.⁴³

Retroactive Adjustments

Hydro One recommended that any changes related to eliminating the seasonal class should not be applied retroactively.

Hydro One explained that it did not believe it is possible to accurately calculate retroactive adjustments for over 1.3 million Hydro One customers. Hydro One stated that even if it was possible to do so, its billing system is not designed to undertake such large-scale retroactive billing adjustments. Hydro One further stated that building this kind of capability would require a significant financial investment and would also result in a billing system that is no longer fully supported by the vendor.⁴⁴

⁴² Hydro One Reply Submission, pp. 3-4.

⁴³ VECC Submission, p. 22.

⁴⁴ Hydro One Reply Submission, p. 3.

Positions of the Parties

No parties objected to Hydro One's position on retroactive adjustments.

Findings

The OEB agrees with Hydro One that a January 1, 2023 implementation and effective date for this Decision is reasonable given the time required to modify its billing system and the need to incorporate the findings of this Decision into the design and setting of new rates as part of its JRAP application. The January 1, 2023 effective and implementation date also aligns with the end of the OEB-approved 2018-2022 rate framework and the start of the new 2023-2027 rate period.

As noted above, the findings of this Decision are being incorporated into the design and setting of the rates that will be determined in the JRAP proceeding. Hydro One has requested an effective date of January 1, 2023 for those rates, but the effective date for those rates is yet to be determined by the OEB in the JRAP proceeding. In order to ensure alignment between this Decision and the JRAP rate order, the OEB approves the later of January 1, 2023 and the effective and implementation date(s) of the JRAP rate order for 2023 rates as the effective and implementation date(s) for this Decision.

The OEB also finds that all adjustments to be made as a result of this Decision shall be made on a prospective basis only, with no retroactive adjustments. Apart from the significant logistical issues and costs associated with accurately calculating the retroactive adjustments, the OEB finds that making these adjustments retroactively would not be reasonable.

Meter Reading and Billing of Seasonal Customers

The March 2015 Decision directed Hydro One to examine billing frequency and, by implication, meter reading frequency, for consideration as part of eliminating the seasonal class.

Hydro One identified three billing and meter reading frequency options consistent with the March 2015 Decision and stated that these options were assessed based on the criteria of fairness, minimizing the costs of the reclassification, and minimizing the overall costs of billing and meter reading while meeting customer needs.

These three billing and meter reading frequency options are:

- Option A – Maintaining existing seasonal billing and meter reading frequencies upon customer reclassification. Under this option, automatically read meters would continue to be read daily and billed quarterly, while manually read meters

would continue to be read once per year and billed quarterly. Furthermore, customers with manually read meters that are exempt from time-of-use billing would continue to have the option of performing and submitting self-readings to eliminate the need for estimated bills

- Option B – Adopting residential billing and meter reading frequencies. Under this option, automatically read meters would be read daily and billed monthly, manually read meters would be read quarterly and billed monthly
- Option C - Adopting usage-based billing and meter reading frequencies. Under this option, billing and meter reading frequencies would be determined based on seasonal customer usage level and patterns, meter reading method (manual vs. automated), and billing method (paper bills vs. electronic bills). Hydro One identified three seasonal customer sub-segments⁴⁵ based on average monthly consumption and annual usage patterns

Hydro One noted that both Option A and C would require an OEB exemption from sections 2.6.1A, 2.10.1 and 7.11.1 of the Distribution System Code related to monthly billing estimated reads, as there would no longer be “Seasonal Class” customers.

Positions of the Parties

Hydro One recommended that Option C be adopted in the 2020 Seasonal Report.⁴⁶ Hydro One stated that Option C was designed to align billing needs and usage characteristics and provide customer choice for more frequent billing and the opportunity for savings through more environmentally friendly and convenient e-billing.

OEB staff noted that the implementation of Option C would incur one time implementation costs in the range of \$3 to \$4 million.⁴⁷ OEB staff expressed its concerns with the complexity and cost of Option C. OEB staff submitted that Hydro One should maintain existing seasonal billing and meter reading frequencies until such time as it can stakeholder its proposed alternative options with customers, and then report back to the OEB on customer feedback, implementation issues and relative costs of the alternatives, taking into account the feedback received from customers.

⁴⁵ High usage (>800 kWh/month), Medium usage (100-800 kWh/month), Low usage (less than 100 kWh/month).

⁴⁶ 2020 Seasonal Report, p. 40.

⁴⁷ Exhibit I, Tab 5, Schedule 16, p. 2.

OEB staff suggested that this survey could take place early next year (i.e., 2022) with the results being provided in time to be considered as part of the JRAP proceeding. This would allow for both the elimination of the seasonal rate class and the necessary modifications related to billing and metering issues arising from it to all be approved for the proposed January 1, 2023 implementation date.⁴⁸

VECC submitted that understanding the true costs and benefits of implementing Hydro One's proposal is critical in assessing meter reading and billing frequency options. VECC questioned the reasonableness of Hydro One's statement regarding the one-time cost of \$3 to \$4 million. VECC noted that the same cost was quoted by Hydro One as the overall cost of eliminating the seasonal class.⁴⁹ VECC assumed 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. VECC also questioned the inclusion of cost savings associated with the increased use of e-billing.

VECC submitted that the upcoming review of Hydro One's JRAP provides the opportunity to review Hydro One's preferred metering reading and billing frequency option.⁵⁰

CCC submitted that a review of the options including all the costs and benefits is necessary. In addition, customer preferences should be considered in the final determination of the billing and meter reading frequency issues.⁵¹

In response to OEB staff's submission, Hydro One submitted that it has no problem with maintaining its current billing and metering frequency, however, it stated that the nature and scope of the customer engagement suggested by OEB staff would be a large undertaking that cannot be completed in time for the JRAP proceeding.

Hydro One noted its plan to invest in a major upgrade/replacement of its smart meter infrastructure, which has the potential to allow for more frequent and more reliable meter reading capabilities in the more rural/rugged terrain areas in which seasonal customers are often located. Hydro One submitted that any changes to the billing and metering frequency of former seasonal customers should be considered at Hydro One's next rebasing proceeding after JRAP, when the full capabilities of its new Advance Metering Infrastructure will be better known.

⁴⁸ OEB Staff Submission, pp. 19-20.

⁴⁹ 2020 Seasonal Report, p. 42 and Exhibit I, Tab 1, Schedule 22.

⁵⁰ VECC Submission, pp. 19- 20.

⁵¹ CCC Submission, p. 3.

Hydro One further stated that maintaining the existing billing frequency for seasonal customers also simplifies the education of customers regarding the elimination of the seasonal class, as it will allow messaging to focus solely on bill/rate changes without the additional complication of explaining changes to billing frequency.⁵²

Findings

The OEB finds that Hydro One's recommended usage-based Option C may be premature at this stage and that all feasible options may need further examination. According to Hydro One, although Option C may have some advantages in terms of providing customer choice and the potential for cost savings, it is a complex option and has significant implementation and ongoing administration costs.

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.

Given the logistical issues described by Hydro One in its reply submission regarding major upgrades that may be required before meter reading and billing frequency for seasonal customers can be enhanced, the OEB agrees with Hydro One that this shall be done as part of Hydro One's next rebasing application after the JRAP.

The OEB directs Hydro One to report on the results of this assessment and consultation, including implementation issues, recommendations and associated costs, for consideration as part of Hydro One's next rebasing application after the JRAP.

Density Boundary Review Process

Hydro One noted that eliminating the seasonal class involves moving seasonal customers to the UR, R1 or R2 residential classes based on their density.

The three year-round residential customer classes are currently defined as follows:⁵³

- High (Urban) Density Zone (e.g., UR): ≥ 3000 customers and ≥ 60 cust/cct-km⁵⁴
- Medium Density Zone (e.g., R1): ≥ 100 customers and ≥ 15 cust/cct-km

⁵² Hydro One Reply Submission, p. 5.

⁵³ Exhibit I, Tab 1, Schedule 3 a) iv)

⁵⁴ Customers/circuit-kilometer

- Low Density Zone: the remainder of Hydro One's service territory

Hydro One uses its Geographical Information System (GIS) to identify clusters of customers and measure the length of distribution lines required to serve those customers to determine if the density zone criteria for Hydro One's density-based customer classes are being satisfied.

Hydro One will use its GIS to identify the density zone that a current seasonal customer is located in, which will then determine the residential class into which they will be placed.⁵⁵

Density zone boundaries can potentially change over time as a result of new areas meeting the medium density zone definition or as a result of customer growth in areas immediately contiguous with existing medium or high-density zone boundaries.⁵⁶ 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 to update the density zone boundaries in response to customer inquiries to Hydro One's call centre.⁵⁷

Hydro One stated that it has used the latest information from the 2020/2021 density review in the JRAP proceeding. Hydro One further stated that assuming seasonal class changes are implemented on January 1, 2023, the actual year-round residential classes that seasonal customers are moving to will be based on the latest density review which Hydro One expects to update at some point in 2022 as part of its annual review process.⁵⁸

Positions of the Parties

VECC submitted that to address potential customer concerns, Hydro One should be directed to file the results of the density review as a part of the application/evidence of the application in which the seasonal class is eliminated and to specifically contact those affected customers to explain the basis for their density classification.⁵⁹

SSPA supported VECC's submissions and requested the OEB to order detailed guidance for the density review and a third-party audit of Hydro One's density review.⁶⁰

⁵⁵ Hydro One Responses to Procedural Order No.1, April 26, 2021 (Responses), Q4.

⁵⁶ Exhibit I, Tab 4, Schedule 25.

⁵⁷ Exhibit I, Tab 4, Schedule 29.

⁵⁸ Exhibit I, Tab 1, Schedule 5.

⁵⁹ VECC Submission, pp. 7-8.

⁶⁰ SSPA Submission, p. 4.

Hydro One rejected these suggestions, submitting that its review process is standardized and involves notification of all customers directly impacted by changes in density classification. Hydro One stated that it has a well-established process to address individual customer requests for density reviews of their properties as well as an escalation path to deal with any customer complaints. Hydro One concluded that this process has been tested by the OEB in prior proceedings and been deemed appropriate.⁶¹

Findings

The OEB finds that there is a potential for a material change in the density factors as a result of this Decision. However, given Hydro One's argument that a review of the density factors is not possible in time to inform the OEB decision in the JRAP proceeding, the OEB directs Hydro One to conduct such a review and, if necessary, propose updated density factors as part of its next rebasing application following the JRAP proceeding. The OEB also directs Hydro One to communicate the results of this review to affected customers so as to inform any proposal for that future application.

Customer Education and Engagement

Positions of the Parties

BLC expressed the view that there remains an information deficit in terms of customer understanding of possible eligibility for DRP/RRRP funding. Mr. Gruchala stated that many sources had identified the need for clear and effective communication of the OEB's decision to eliminate the seasonal class. CCC submitted that Hydro One has done little customer engagement regarding the seasonal class other than to inform seasonal customers of the OEB's Decision to eliminate the seasonal class. CCC argued that Hydro One should put forward its customer education and communication plans regarding the elimination of the seasonal class to the OEB for approval.⁶²

In response to CCC's submissions, Hydro One stated that customer communication and education is an ongoing activity that is intertwined in Hydro One's everyday business activity and is typically not just a one-time standalone effort. Hydro One's plans and methodology to communicate with and educate customers on the implications of the seasonal class elimination will include multiple tactics and will evolve as implementation proceeds. Hydro One further stated that this evolution will be driven by customer

⁶¹ Hydro One Reply Submission, p. 9.

⁶² CCC Submission, p. 4.

interest, customer awareness and customer understanding of the information presented.

Hydro One noted that, as a practical matter, it would be extremely difficult to prepare, finalize and file final customer education plans in the JRAP proceeding. Hydro One submitted that it is simply not necessary for the OEB to directly review and approve such operational matters.⁶³

Findings

The OEB agrees with a number of intervenors that Hydro One has not done sufficient customer engagement and communication with seasonal customers other than informing them of the OEB's decision to eliminate the seasonal class. The OEB directs Hydro One to submit to the OEB, as part of the JRAP proceeding, a customer education and communication plan regarding the implementation of the seasonal class decision, including a clear explanation of the fixed and variable components of their bill. The OEB expects that this plan would be addressed as part of other customer engagement and communication plans associated with the JRAP proceeding.

Conditions of Service

Hydro One stated that the elimination of the seasonal rate class per the 2015 Decision would require it to make a number of changes to its Conditions of Service, most of which would be administrative in nature, reflecting the elimination of the seasonal class and the addition of a new billing frequency.

Hydro One specified that Section 3.1 of the Conditions of Service, which covers the definitions of its rate classes consistent with the approved rate schedules, would need to be revised to reflect the elimination of the seasonal class and that the residential rate classification would consist of two sub-categories of residential service: year-round and seasonal.

Positions of the Parties

OEB staff submitted that Hydro One should file the changes that it will be making to its Conditions of Service as part of the implementation proposed to occur during the JRAP. OEB staff noted that while changes to Conditions of Service would not be typically

⁶³ Hydro One Reply Submission, pp. 9-10.

approved by the OEB, it would be helpful for the OEB to be aware of the changes that Hydro One intends to make.⁶⁴

Findings

The OEB does not expect to review the revisions being made to Hydro One's Conditions of Service to reflect the seasonal class elimination decision as part of the JRAP proceeding. The OEB does, however, expect that Hydro One will follow the procedures outlined in the Distribution System Code⁶⁵ for making such changes.

⁶⁴ OEB Staff Submission, p. 21.

⁶⁵ Section 2.4.8.

4 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Hydro One shall incorporate the findings of this Decision, where directed, into the design and setting of new rates as part of its 2023-2027 Joint Rate Application which is currently before the OEB.
2. Intervenors shall submit their cost claims no later than **November 25, 2021**.
3. Hydro One shall file with the OEB and forward to intervenors any objections to the claimed costs no later than **December 6, 2021**.
4. Intervenors shall file with the OEB and forward to Hydro One any reply to any objections to the cost claims no later than **December 13, 2021**.
5. Hydro One shall pay the OEB's cost incidental to this proceeding upon receipt of the OEB's invoice.

Please quote file number, **EB-2020-0246** for all materials filed and submit them in searchable/unrestricted PDF format with a digital signature through the [OEB's online filing portal](#).

- Filings should clearly state the sender's name, postal address, telephone number and e-mail address
- Please use the document naming conventions and document submission standards outlined in the [Regulatory Electronic Submission System \(RESS\) Document Guidelines](#) found at the [Filing Systems page](#) on the OEB's website
- Parties are encouraged to use RESS. Those who have not yet set up an account, or require assistance using the online filing portal can contact registrar@oeb.ca for assistance.

All communications should be directed to the attention of the Registrar and be received no later than 4:45 p.m. on the required date.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Martin Davies, at

Martin.Davies@oeb.ca and OEB Counsel, James Sidlofsky, at
James.Sidlofsky@oeb.ca.

Email: registrar@oeb.ca

Tel: 1-888-632-2727 (Toll free)

DATED at Toronto November 10, 2021

ONTARIO ENERGY BOARD

Original Signed By

Christine E. Long
Registrar