



Stakeholder Consultation Notes

Custom Incentive Rate-Setting,
Customer Survey,
Rate Classification and
Seasonal Rate Initiatives

April 29, 2013
Metropolitan Hotel
Victoria Room
108 Chestnut Street
1 p.m. to 4:30 p.m.

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The presentation materials used in this session and background materials can be found at this link:

<http://www.hydroone.com/RegulatoryAffairs/Pages/DxRates.aspx>

Participants

Stakeholders

- Bayu Kidane, Power Workers' Union (PWU)
- Bill Harper, Vulnerable Energy Consumers Coalition (VECC)
- Colleen Richmond, Powerstream Inc.
- David Macintosh, Energy Probe Research Foundation
- Frank White, Society of Energy Professionals
- Gia DeJulio, Enersource Hydro Mississauga Inc.
- Harold Thiessen, Ontario Energy Board (OEB)
- Indy Butany-DeSouza, Horizon Utilities Corporation
- Jack Gibbons, Environmental Defense
- John McGee, Federation of Ontario Cottagers
- Julie Girvan, Consumers Council of Canada (CCC)
- Lisa Brickenden, Ontario Energy Board (OEB)
- Michael Lister, Enbridge Gas Distribution Inc.
- Nicholas Copes, Balsam Lake Coalition
- Pascale Duguay, Ontario Energy Board (OEB)
- Patrick Hoey, Hydro Ottawa Limited
- Patrick McMahon, Union Gas (By phone)
- Roger Higgin, Energy Probe Research Foundation
- Peter Thompson, Canadian Manufacturers & Exporters (CME)
- Ralph Fischer, Enbridge Gas Distribution Inc.
- Randy Pugh, Ontario Power Generation (OPG) (By phone)
- Bob Nixon, Balsam Lake Coalition
- Shelley Grice, Association of Major Power Consumers of Ontario (AMPCO)
- Tom Ladanyi, Ontario Power Generation (OPG)
- Wesley Johnston, Canadian Solar Industries Association (CanSIA) (By phone)
- Scott Miller, Hydro One Brampton (By phone)

Hydro One Networks Inc.

- Susan Frank – Vice-President and Chief Regulatory Officer
- Allan Cowan (Presenter) – Director, Major Application
- Daffyd Roderick (Presenter) – Director, Corporate Communications
- Glenn Scott – Director, Business Planning and Support
- Henry Andre (Presenter) – Manager, Distribution Pricing
- Ian Malpass – Director, Pricing
- Jim Malenfant – Senior Regulatory Advisor
- Lyla Garzouzi – Manager, Distribution Development
- Maxine Cooper – Senior Regulatory Advisor
- Mitch Ouellette – Director, Distribution Asset Management
- Nicole Taylor – Regulatory Analyst

OPTIMUS | SBR

- Bob Betts – Facilitator, OPTIMUS | SBR
- Angela Boychuk – Notetaker, OPTIMUS | SBR
- Tara Murphy – Notetaker, OPTIMUS | SBR

1. Welcome by Allan Cowan, Director, Major Applications, Hydro One

START 1:15 pm

Allan Cowan welcomed all participants to the Stakeholder Consultation meeting. He stated that OPTIMUS | SBR will be providing the note-taking and facilitation. Allan introduced Bob Betts as the facilitator and to start the meeting.

2. Opening Remarks by Bob Betts, Facilitator, OPTIMUS | SBR

1:18pm

Bob began his presentation with several housekeeping items and pointed out the emergency procedures. Bob stated that notes will be taken during the meeting and that the meeting and discussions will be recorded. He mentioned that the recordings will be destroyed once the notes are produced and approved. Any comments made will be attributed to the individual and the party they represent. Participants were instructed if they wanted comments to be off-the-record to advise beforehand.

Bob asked all attendees to introduce themselves, stating name and the group they represent for the record. He outlined the agenda for the day and listed the topics that would be discussed. He stated that all comments are appreciated and that the meeting notes will be available on Hydro One's website.

Bob gave an overview of the agenda, stating that the consultation meeting would focus on: Custom Incentive Rate-Setting (Custom IR or CIR), the Customer Survey, and finally Rate Reclassification and Seasonal Rate Initiatives.

Bob invited Allan Cowan to start the first presentation, the Plan for the Custom IR.

3. Framework Plans for Custom IR, Allan Cowan, Director, Major Applications, Hydro One

1:30pm

Allan stated that Hydro One is the first utility to formally announce that they are pursuing a distribution Custom Incentive Rate-setting (Custom IR or CIR) application under the Board's Renewed Regulatory Framework for Electricity.

He began with an overview explaining the purpose of this presentation, which included:

- Discussing the preliminary timeline for Hydro One's OEB Distribution and Transmission applications over the next 12 months.
- Providing an overview of Hydro One's preliminary plans for the 2015-2019 Custom IR (CIR) evidence

- Soliciting stakeholder input on Hydro One's approach and views regarding the Chapter 5 guidelines recently issued by the OEB.
- Identifying items for next Stakeholder sessions, which Hydro One expects to have more frequently, potentially every 2/3 months during this application process.

Allan gave a brief overview of the 3 filing methods under the Renewed Regulatory Framework:

1. **Annual IR Index:** existing rates adjusted by the Annual Adjustment Mechanism (AAM) and is best suited to LDC's in a status quo mode generally not facing unusual capital spending
2. **4th Generation IRM:** COS for base year followed by 4 years under IRM with rates adjusted by the AAM with ICM available on application
3. **Custom IR:** basically a cost of service (COS) type of review for 5 forecast years, annual reporting requirements and detailed investment plan with supporting materials required

He then provided a timeline for the regulatory filing in the next 12 months.

- The 2014 Distribution IRM application was filed on April 26, and did not include an incremental capital module (ICM).
- The next application (the one to be discussed at this consultation meeting) will be the Distribution rates Custom IR to cover the years 2015-2019 and will be filed in Q1 2014, targeting end of February 2014. Hydro One is trying to file it earlier than normal because it is new and will require more time to review.
- The 2-year transmission application for 2015-2016 will be filed in Q2 of 2014, approximately in May.

Julie Girvan from Consumers Council of Canada (CCC) wondered if the filing dates were too close together. Allan responded that admittedly they would be close, but that may allow for synergy opportunities between the two in areas like shared services. He stated that Hydro One will look for synergies where they can, but that the timelines will undoubtedly be staggered somewhat.

John McGee, Federation of Ontario Cottagers, made a personal comment that this application may be similar to the last IRM application for 2014 that had restrictions on what could be included like the density study, but because of stakeholder pressure the Board allowed information on the density to be included.

Allan responded that the main difference between 2013 and 2014 is that Hydro One is not focusing on an incremental capital model. They are instead looking at a reinstitution of a Smart Grid rider for OM&A including in-service capital to the end of 2014. Julie questioned how Hydro One was allowed to do this. Allan responded that Hydro One had a Smart Grid rider approved in the last IRM; so this would be an extension of it and he added that Hydro One needs some feedback from the Board at this point to gauge their support for the Smart Grid program.

Allan continued his presentation about the Custom IR under Chapter 5 of the Consolidated Distribution System Plan Filing Requirements. Hydro One is planning to follow a similar evidence format as in previous COS applications recognizing that significantly more details and 3rd party input are required per Chapter 5. He said they would continue to follow the SDO (Sustaining Development Operations) and shared services approach to the evidence format, where necessary mapping to the new OEB investment categories. He explained the requirement of a Distribution System Plan (DSP) which will provide 10 years

of spending detail including comparisons to OEB approved levels (in this case will be from 2010 – 2019). The Chapter 5 filing requirements for the DSP will:

- show how investments benefit customers and support their preferences
- identify methods and metrics to monitor annual performance
- include regional plans where available
- have an asset management process section to support the asset plan that will utilize the Asset Analytics Tool
- provide support for in-service placement of Smart Meters, Smart Grid and CIS and closing of associated variance accounts
- report on the status of all the projects approved under the 2013 ICM

In response to a question from Bill Harper, Vulnerable Energy Consumers Coalition (VECC), Allan confirmed that Chapter 5 covers several things including capital, performance measurement and other things.

Roger Higgin, Energy Probe Research Foundation, asked if in-service detail will be provided for the forecasting in the investment plan. Allan responded that those details will be provided because that is what the rates are based on.

John McGee noted that the DSP will show how investments benefit customers and is supportive of their preferences, but load customers do not benefit from some program expenditures for example on system integrity to facilitate distributed generation connections and Smart Grid. Allan agreed that each customer group will have different viewpoints, and Hydro One needs to figure out how to collect the feedback from all customers to assess their preferences.

Jack Gibbons, Environmental Defense, said that it is a 5-year plan and assumed there would be a 5-year capital budget that Hydro One will ask the OEB for approval. Allan added that OM&A will also be part of it. Jack continued that the capital budget will include increasing capacity to meet forecasted rising demand and wondered if Hydro One will show analysis, as part of the capacity enhancing investments, to show that CDM has been fully considered as a cost effective, feasible and reliable way to avoid or defer the need for capacity investments.

Allan said all of that will be taken into account, in the regional infrastructure plans. The initial assessments go through the OPA and the OPA determines if there are CDM or distribution generation (DG) options that can be taken into account. If yes, it follows a stream in the OPA network. If they say no, it will go to Hydro One transmission and they will look at the optimal wires solution so there is no duplication.

Jack said that his clients believe that OPA doesn't look at cost effectiveness when it comes to CDM. Jack wondered if the OPA will be making all decisions when it comes to CDM. Allan said no, LDCs can propose their own CDM to the OEB. Jack asked if in the 5-year plan would Hydro One analyze additional cost effectiveness in CDM beyond the OPA's standard amount and if there is, will Hydro One request additional CDM for this type of targeted CDM to avoid higher costs to supply the infrastructure. Allan said they are just starting the investment plan process and if their CDM people feel they should pursue CDM to prepare for the application they would consider it.

Susan Frank, Hydro One, said that the customer input survey is a great place to hear from the customers about whether they want more conservation. She added that Hydro One would need to look at more conservation and re-prioritize based on analytics and customer feedback before the investment plan is established.

Responding to John McGee's earlier Smart Grid question, Susan added that the reason they are asking for special treatment about the Smart Grid in this IRM is so the Board can have a chance to give feedback early before Hydro One has invested too much into it.

John McGee said that Smart Grids will be contentious in the next application. He believes that Smart Grid is a top-down process from the government and that no one asked the engineers who designed the systems what is really needed.

Shelley Grice noted that under the Custom IR there is a 5 year term minimum for custom rate setting and she wondered if Hydro One has considered a longer term. Allan said that 5 years was enough of a challenge right now.

David Macintosh asked when Hydro One was going to file an IRM Plan for Hydro One Remotes. Allan replied that Hydro One Remotes is in a cost of service application and would then follow the basic IRM approach.

Bill Harper wondered what the assumptions of the CDM levels will be after 2014 when the target years end.

Allan continued his presentation by discussing the Custom IR studies required. He mentioned that the following studies, with a 5 year viewpoint, will be filed in support of the application:

There will be the normal studies about:

- Depreciation
- Lead-lag
- Shared OM&A Allocation
- Shared Asset Allocation
- Overheads Capitalized

From the Settlement of the 2013 IRM and 2010/2011 Distribution Decision there will be three other studies about:

- Quantification and reporting on Line Losses
- Consideration of Seasonal Rates
- Rate Classification

Roger Higgin asked which studies will be updated during the 5 year plan (e.g. will compensation studies be updated regularly). Allan responded that there are no clear guidelines on updating studies. He said Hydro One will file in 2014 and there is no expectation to update them before 2019. Roger responded that compensations studies will be slightly out of date by 2019.

Bill Harper mentioned that he did not see anything about the cost allocation model and stated that part of the settlement decision was to update the model to have density changes. Henry Andre, Hydro One, responded that they will be rolling the density study into the body of the model and Hydro One will be providing this information in the application.

Jack Gibbons asked if line losses were a pass-through item for Hydro One, to which Henry confirmed that they were a pass-through. Jack wondered if this was discretionary and if Hydro One would propose they no longer be a pass through item. Henry responded that the issue the Board had was that the losses weren't recorded accurately, so the study is focusing on accuracy. Jack said that his client would like Hydro One to have an increased incentive to reduce line losses. So they would like line losses to not be a pass through and reduce costs. Henry stated that this is a broader Board driven policy issue. Jack responded that Hydro One could propose this in the application instead of waiting for the government.

Allan completed his presentation with some areas to consider for future stakeholder sessions, including:

1. Rate smoothing options to manage customer impacts over the 5 year horizon
2. Annual adjustments
3. Performance metrics and scorecard elements (for monitoring outcomes of the Custom IR plan)

In response to a question from Julie Girvan about whether Hydro One would be using the Board Performance Scorecard, Susan Frank indicated that they interpret the Custom IR to allow for an LDC specific Scorecard to be agreed to and approved, and be based upon the specifics of the proposed CIR plan.

Bob (Robert) Nixon, Balsam Lake Coalition, talked about the metrics, especially ones that measure customers' quality of service. He said that they should ask customers about their perception rather than quantitative, internally developed ratios as percentage of reliability or satisfaction, for example, doesn't represent customers' beliefs.

Allan continued:

4. Study updates
5. Customer preference update
6. Potential off-ramps, more than the +/- 300 basis points

Allan asked if there were any other ideas about areas for future stakeholder sessions.

Julie Girvan said that potential for earnings sharing is another area that could be discussed further.

Roger Higgin noted that the capital investment plan will be updated at the beginning and asked what drivers are required to change the plan during the term. Allan replied that this could be discussed in potential off-ramps or annual adjustments.

Julie asked where reporting requirements will be discussed, specifically schedules and level of details. Allan replied that it would be discussed with performance metrics and scorecard elements.

Bill Harper commented that current and future Hydro One acquisitions, like Norfolk, could lead to rate harmonization, and asked how acquisitions will fit in the 5 year plan and how their rates would be set. Allan replied that current acquisitions will be excluded from this application to allow Hydro One to capture 5 year synergies as per Board policy. Regarding how rates will be set, Susan Frank responded that this is part of the acquisition plan and application to the OEB for Norfolk and that rates will be frozen for the next five years. Susan did admit that rate harmonization could still be an issue after the five-year rate freeze.

Talking about acquisitions, John McGee noted that rate application processes being adopted are less well defined than in the past, potentially because they are more complex and expensive. He wondered if smaller utilities can afford these processes and if this will drive them to amalgamation. Bob Betts responded that the Board made it very clear that Custom IR process is not suitable for everyone and will likely not work well for small LDCs, it would be very intensive and expensive.

Peter Thompson, Canadian Manufacturers & Exporters (CME), asked about the scorecard concepts, particularly if Hydro One is tracking the revenue to cost ratios and if any of the rate classes are out of whack, how Hydro One will deal with the adjustments over the next 5 years. Henry Andre replied that the application will include assumed results, but that Hydro One does not track the alignment of actuals with the forecast. Peter said that some rates are out of whack, so it would be good to try to mitigate this during the plan. Susan Frank replied that this could be considered under the annual adjustments.

Allan turned the presentation back to Bob Betts to facilitate discussions. Bob asked if anyone else had general comments on rate smoothing.

John McGee commented that rate smoothing impact is very important to customers and that the concept of gradualism is essential to family finances. John indicated that OEB has a mechanism to ensure rate increases do not jump more than 10% per year.

Bob Nixon said that the smoothing option will create an improper allocation of resources because from a theoretical point of view, if you are not charging what the product is worth it affects productivity. He also said that rate smoothing leads to rate subsidization between the rate classes, which is fundamentally wrong.

Roger Higgin commented that at a high level you can talk about rate smoothing, but that you need to look at the drivers of the revenue requirements, one of which is the capital program.

Bill Harper added that another dimension of rate smoothing is the pacing of the smoothing and how fast it will happen over 5 years. He asked if the asset analytic tool will help Hydro One consider the appropriate pace or just the priority. Susan Frank replied that they will talk about the tool in more detail in another session, and it will help Hydro One decide what to spend and how to spend it. Lyla Garzouzi, Hydro One advised that the asset analytics tool is assets and sustaining. When discussing rate smoothing, it would include smoothing for large capital projects. The tool provides a health view and adequate pacing for transformer replacements. For stations and service, Hydro One will need to consider the impact as well.

David Macintosh, Energy Probe Research Foundation, made a comment that the objective of the IRM process is to lower rates, but the objective of rate smoothing is to increase rates.

Bob asked if anyone has comments on annual adjustments.

John McGee said that inflation or consumer price index needs to be built into the annual adjustments. Allan replied that assumptions on CPI will be built into the 5 year plan.

Julie Girvan asked if there will be five separate revenue requirements and if productivity will be included. Allan confirmed that there would be five full cost of service revenue requirements, one for each year and it would include productivity.

Shelley Grice asked how often the rate base will be recalibrated. Allan replied that a new rate base will be established each year.

With respect to the Lead-Lag study, Bill Harper stated that perhaps Hydro One could look at the cost of power adjustment through the five year period. Allan agreed that could be considered.

Peter Thompson asked where deferral accounts fit into the 5 year plan. Allan responded that they could be used in the potential off-ramps when unexpected things arise during the CIR term.

Lisa Brickenden, Ontario Energy Board, asked if at the end of the hearing process if Hydro One would have a multi-year tariff sheet approved or a multi-year Hydro One specific formulaic adjustment like they do in the UK (where they take 5 year forecast, derive the annual adjustment for that 5 year adjustment, with parameters and off-ramps). Susan Frank replied that Hydro One has looked at the UK model, but to mitigate flip flopping around they believe that setting the rate and then using the annual adjustment process would be better than having five preset rates.

Julie Girvan wondered how rate smoothing will work when revenue requirements could change in each of the five years. Susan said that they need to talk about this more, but that you might pay a bit more in the years with a low revenue requirement, in order to pay a little less in years with a high revenue requirement.

Bob Nixon noted that with the off-ramps and the annual adjustments, he sees a 5 year forecast where the utility doesn't carry the risk. He said that there are escape clauses that will allow the utility to throw the plan out the window and wondered where Hydro One's risk is. Allan replied that the potential off-ramps will be for externally driven factors. The risk will be for the things that are in Hydro One's control. Susan Frank gave an example that cost of capital is based on interest rates and as Hydro One cannot control them, they should be part of an annual adjustment.

John McGee noted that with off-ramps you need to keep major events like ice storms in mind and have mechanisms to handle them.

Bill Harper said that annual adjustments can be used to deal with unusual things like ice storms.

Bob Betts had to cut further discussion on the Areas for Future Discussion to maintain the meeting schedule. He said the discussion on Annual Adjustments and the other items would be continued in future meetings.

BREAK 2:44pm

4. Overview of Customer Survey, Daffyd Roderick, Director, Corporate Communications, Hydro One

3:01pm

Bob introduced Daffyd Roderick who would be presenting the overview of the Customer Survey.

The overall objective of Customer Satisfaction Research is to obtain a deeper understanding of customer needs to facilitate building and managing strong productive relationships with customers now and in the future.

Daffyd provided a summary of the types of surveys Hydro One conducts on an ongoing basis, including:

- Residential and Small Business Impressions
- Transactional Surveys
- Business to Business Impressions
- Brand Research
- Event Surveys

The focus of his presentation and requested feedback was on Residential and Small Business surveying. He provided a table showing the representative sampling of the rate classes in this survey. The scope of this survey is to get impressions on overall service delivery including:

- Overall impressions
- Rates
- Bills & eBills
- Reliability
- Outage Handling
- Relationship
- Access
- Communications
- Website
- CDM

He continued by giving an overview of some of the key issues that unsatisfied customers want to see addressed. Daffyd explained that Hydro One has a team in place to look at the research findings and identify areas where Hydro One can improve. He gave a few examples of how customer research has informed Hydro One operations including:

- Development of industry leading Estimated Times of Restoration reported by line-crews
- Improved HydroOne.com
- Development of the Outage App
- Forestry practices
- Some things we don't do (e.g. customers don't want to see Hydro One commercials on TV)

Daffyd completed his presentation by outlining some next steps. He noted that the Renewed Regulatory Framework requires Hydro One to seek more information to guide investment. Hydro One has a lot of information today, but needs to fill gaps in some of their research. Daffyd then asked stakeholders for input on how to approach customer research.

Nicholas Copes, Balsam Lake Coalition mentioned that Hydro One bills are very confusing and often people need to consult the website to read them, so maybe bills could be investigated in the survey. John McGee also noted that bills across the industry are different which can be confusing for customers that get different bills for residential and seasonal properties. Daffyd noted that the bill format is directed from the Ministry of Energy.

Bob reminded the stakeholders, supported by a comments from Susan Frank, that it is important to focus this discussion on what things need to be included in the customer survey and how the survey should be conducted in light of the vast amount of information that Hydro One already has about its customers.

Wes Johnston, Canadian Solar Industries Association, commented that there is an industry shift in customers interested in producing their own energy and this discussion has been focused on load customers. He wanted to know how Hydro One could get feedback on the future of energy and whether people want to produce their own. Daffyd responded that currently there is more of a focus on traditional customer issues. He recognized that they may have to look at energy production interests in the future.

Peter Thompson said he is concerned with the smaller business customers (large distribution accounts) and thought it might be good to understand the load loss potential and ask the customers how they are doing. Allan said that Hydro One acknowledges that more research is needed in this area.

Julie Girvan stated that one issue with customer research is that all customers have different priorities and Hydro One needs to understand what priorities are important to which groups (e.g. Reliability is not important to everyone, some don't want to pay more for reliability).

John McGee said that time of use rates is something that is meaningful to customers and should be considered. Daffyd responded that Hydro One did a lot of research on this in the past, but they don't have control over TOU rates; the Ministry of Energy is responsible for it.

Lisa Brickenden mentioned that surveying willingness to pay on a specific element of the plan might be a good idea. Susan Frank added that they can use different formats, such as focus groups, to get specific with customers. Susan also said that they have to be careful what questions they ask because Hydro One needs to be able to act on the responses (e.g. being proactive vs. reactive about pole replacement).

Shelley Grice mentioned industrial users and the lack of understanding of their needs. She suggested that there might be room for improvement with how these customers are surveyed. Daffyd responded that because these customers are so large, the individual responding to survey might not have knowledge about all the areas. He also mentioned that Hydro One is making an effort to talk to industrial customers to better understand their issues.

Bob Nixon asked how much of the research is based on call center transactions vs. broad based. Daffyd said that the Residential and Small Business surveys, which are the bulk of the work, are not based on call center transactions. Bob noted that these customers who have no contact with the call center are passive consumers and do not help to understand the cost of transaction, which he believed to be a large cost for Hydro One. Susan Frank responded that assets (infrastructure needed to supply) are much larger costs than transactions. Daffyd added that they cannot focus too much on transactional research and also that most people have a higher satisfaction after making a call to the call center.

Susan Frank summarized what she had heard and not heard. She heard that there are two groups that Hydro One needs to hear more from including potential small generators and large customers. She did not hear anyone say that Hydro One should do more research on residential customers.

Roger Higgin agreed that Hydro One does not need to gather more information from residential customers, but they do need to use the information they already have to determine what some residents want in terms of reliability and other distribution matters.

Bill Harper said that maybe they can focus on the poorest performing areas and if they have the right information to support the decisions Hydro One is making for that area, such as the poorest performing feeder. Susan said that she agreed they can look at costly areas and if customers are getting what they want.

Susan thanked the stakeholders for their input and said that they would have another session to discuss results and how it will affect the investments as well as areas Hydro One is currently working on. She asked stakeholders to contact Allan Cowan at Regulatory Affairs with more information on 'the who' and 'the how' of customer research.

5. Overview of Rate Classification, Henry Andre, Manager Distribution Pricing, Hydro One

3:45pm

Bob introduced Henry Andre to give the overview on the rate classification review.

Henry began his presentation and said that as part of the Settlement in HONI's 2013 Dx Rates Application, Hydro One agreed to make best efforts to review the rate classifications of the customers to ensure they are within the appropriate current rate classifications. The primary purpose of the review is to ensure that:

- Customers located in communities that have grown are allocated in the appropriate rate class.
- Clean-up current customer classifications to align with approved rate class definitions.

Henry said that Hydro One will be leveraging the Geographic Information System (GIS), which now has four years of collected data to use with the data in the Customer Information System to more accurately classify the density zones and rate classes. This process will allow Hydro One to define density zone boundaries that would have been very costly to do in the past without the tool.

Henry then described the proposed process for the rate class review, which is outlined below:

1. Identify customer clusters that meet approved *Density Zone* definitions:
 - >3000 customers and ≥ 60 cust/line km (High density zone)
 - >100 customers and ≥ 15 cust/ line km (Medium density zone)
 - < 15 cust/ line km (Low density zone) (ie: those not meeting above criteria)
2. Use GIS layer information to identify *Density Zone* boundaries that can be clearly communicated and implemented. GIS layers include:
 - physical boundaries such as roads, railways, rivers, lakes
 - property fabric (e.g. lot and conc, land parcels)

3. Confirm the # of customers that shift between rate classes, which will then be used to update our Load Forecast and Cost Allocation Model inputs for the Customer IR pre-filed evidence
4. Define on-going process to maintain Density Zone boundaries up-to-date

Bill Harper asked for a definition of a “cluster of customers”. Henry responded that a cluster of customers is simply like a small community or grouping. Currently it is difficult to explain the cluster boundaries to customers and workers in the field, which is why they are using GIS to draw physical boundaries.

Roger Higgin asked if one of the factors in determining rate class is the distance from the service center. Henry replied that this would affect the cost of serving those customers, but the Board’s approved definition is tied to the density of customers on a given length of line.

Bob Nixon wondered if using Municipal boundaries could work and the definitions they use for communities, hamlets, etc. Susan Frank said that Hydro One is not going to change any definition of rate class as part of the rate class review process. They are just using the tool to get up to date information about growing communities and determine if customers are in the correct rate class.

Nicholas Copes asked how customers will know what cluster they are in. Henry replied that customer rate class is on the bill. So if there are changes to the rate class, customers will see the change on their bill. Nicholas asked if the GIS maps will be available on the Hydro One website or how will customers find out about changes. Henry responded that GIS is just part of the process to determine rate classes and it will not be published. Susan Frank said that published the boundaries could be useful to influence where people move chose to locate, but expressed concern that it will lead to customers wanting to change boundaries.

Bill Harper and Julie Girvan added their concerns about how and when customers would be informed about rate class changes and Henry said that Hydro One has not yet decided how the information will be provided to interested parties.

John McGee asked when the last time was that Hydro One did a comprehensive review of the rate classes and also what application this review will be part of. Henry replied that it has been a number of years since the last rate class review. He continued that this review will be part of the 2015 Custom IR application and any changes will be implemented starting in 2015 once they are approved by the Board.

John stated that if Hydro One moves customers to another rate class, the customers who were incorrectly classified in the past could ask for money back. Henry replied that Hydro One has always used the best information available to classify customers using the Board approved definitions, and those classifications were used to set the rates approved by the Board so Hydro One will not be going back retroactively to reimburse customers.

Henry then continued on to his second presentation.

6. Overview of Seasonal Rate Initiative, Henry Andre, Manager Distribution Pricing, Hydro One

4:05pm

Henry's second presentation was regarding seasonal customer rates. He gave an overview of seasonal rates pre-harmonization:

- Seasonal customer rates have been in place since the 1970s
- A Seasonal customer is defined as any residential service not meeting the residential year-round criteria. It includes dwellings such as cottages, chalets and camps.
- A Seasonal rate class recognizes that average monthly consumption for Seasonal customers (~500 kWh) is well below that of full-time residential customers (~1000 kWh)
- Prior to harmonization of rates as part of HONI's 2008 Rates Application, HONI had 2 Seasonal rate classes (R3 and R4)

He then talked about the rate harmonization:

- As part of HONI's 2008 Rates Application (EB-2007-0681), the number of rate classes administered by HONI were reduced from >300 to 12
- The harmonization process combined the two Seasonal rate classes (R3 and R4) into a single Seasonal class
- The harmonization process adopted the lower R3 fixed charge as the "target" for the harmonized class

Nicholas Copes noted that the profile of the seasonal customer has changed a lot from the 1970s and that the definition of a seasonal customer needs to be reviewed and updated. He added that the density study completed last year confirmed that the appropriateness of the seasonal class is not correct and has nothing to do with cost of service. It deals with where people sleep and vote, and does not align with the other classes. Henry pointed out that based on 2011 data over 50% of Seasonal customers consumed less than 250 kWh on average per month and over 80% consumed less than 500 kWh. Henry agreed that it is fair that concerns have been raised with Seasonal rates, which is why Hydro One is going to explore the issues further.

Henry then discussed the process for addressing seasonal customer issues:

1. Solicit written comments from broad representation of Seasonal stakeholders on their key issues **(June)**
2. Provide written feedback from HONI on issues and options for addressing issues **(July)**
3. Hold Seasonal stakeholder session to review options and finalize proposals for addressing issues **(early Sept)**
4. Incorporate the proposed solution into pre-filed evidence for load forecast, cost allocation and rate design

Henry asked for input on who Hydro One should contact and how for seasonal input.

John McGee said that FOCA has 500 local associations with email addresses for the executives and offered this list for use in reaching seasonal customers. He also said that the executives could email their members but John advised that FOCA would like input on the survey questions. Henry said that they would be asking customers broadly what their concerns are to start, not necessarily specific questions.

Nicholas Copes suggested that if they want broad representation they could send something out with the bill. Susan Frank replied that because of the timeline they could not do something like that. Henry restated they want to hear general issues and this approach may solicit comments that are too customer specific.

Bill Harper added that it will be difficult if the questions are not structured. Hydro One should first define what they are looking for.

Lisa Brickenden suggested that town council meetings are another place to get feedback.

John McGee said that it will be difficult for people to understand their issues, for example talking about rate classes will not be meaningful. Henry said that they just want to get some information so that Hydro One can build options to talk to stakeholders about directly. Henry gave an example that they know high volume customers are concerned with high bills, but they are interested to know what issues the low volume customers are having. They need to know if changing the fixed-variable split is an option and what different customers think about it.

Henry asked stakeholders if it was worth soliciting further feedback on seasonal rates from ratepayers or if Hydro One should just skip the first step and move to developing some options to address the issue.

Julie said that it is important to get feedback first to understand the relationship between high and low volume seasonal users first.

John McGee added that the definition of seasonal customers' needs to be reviewed.

Harold Thiessen, Ontario Energy Board, said that it is important that Hydro One should show in the application that they tried to get at the real issues with stakeholders.

Henry concluded that they will have another session in early September to discuss the options.

7. Closing Remarks, Next Steps

Allan thanked all stakeholders for attending and for their input. He said that Hydro One will be holding more sessions to continue with the topics discussed today.

ADJOURN 4:30pm

8. Appendices

A. Summary of Stakeholder Session

The Stakeholder Session was conducted to present information to stakeholders and gather feedback on 4 topics:

1. Plans for Custom IR
2. Overview of Customer Survey
3. Overview of Rate Classification
4. Overview of Seasonal Rate Initiative

Throughout the session, there was open two-way discussion with Stakeholders, covering questions, issues of concern, additional information for consideration, requests for detail or explanation, and requests for further input and consultation.

Hydro One's internal specialists explained the rationale, approach and results, and indicated where further details and explanations would be provided in the filing.

B. Key Actions and Considerations

Custom IR

- Hydro One to review how to collect customer feedback on investment spending.
- Hydro One to consider pursuing CDM as part of investment planning if stakeholders advised it to do so.
- Hydro One will review how to address updating Compensation Study over 5 year plan.
- Hydro One will provide more information on the cost allocation model and density study in the next application.
- Stakeholders suggested that in any surveys being done, Hydro One should ask customers about their perception rather than quantitative, internally developed ratios.
- Areas of discussion for future stakeholder sessions include potential for earnings sharing and reporting requirements.
- Stakeholders had mixed feeling about rate smoothing but generally seemed to support the idea.
- Stakeholders supported that rate increases should be no more than 10% per year.
- Stakeholders suggested reviewing the drivers of the revenue requirements, one of which is the capital program, when considering rate smoothing.
- Hydro One will discuss off-ramps, annual adjustments, and scorecard in more detail at another session.

Customer Survey

- Stakeholders suggested that it might be good to understand the needs of smaller business customers (large distribution accounts) better and ask the customers how they are doing.
- Stakeholders suggested that customers have different priorities and Hydro One needs to understand what priorities are important to which groups.
- Stakeholders suggested surveying willingness to pay on specific elements of the plan.
- Stakeholders suggested that there might be room for improvement with how industrial customers are surveyed. Hydro One is making an effort on this.
- Stakeholders agreed that no further research is needed on residential customers, but more is needed on potential self-generation and large customers.
- Stakeholders suggested that Hydro One focus on the poorest performing areas to ensure they have the right information to support the decisions Hydro One is making in those poor performing areas as part of the regional plan.
- Hydro One advised that results would be shared at another session.

Rate Classification

- N/A

Seasonal Customer Rates

- Hydro One will explore the issues of density and appropriateness of classifications.
- FOCA has offered its list of association executives as a way to survey seasonal customers.
- Stakeholders suggested sending out questionnaires with customer bills but this was noted as being not possible given the timing.
- Stakeholders advised that Hydro One should define the information it is seeking and build a structured survey to gather that information.
- Stakeholders suggested that town council meetings could be another place to get feedback.
- Stakeholders advised that the definition of seasonal customer needs to be reviewed and softened.
- Stakeholders advised that it is important that Hydro One should show in the application that it tried to get at the real issues with stakeholders.
- Hydro One will have another session in early September to discuss the options.

C. Meeting Agenda

1:00 p.m.	Registration	
1:15 p.m.	Welcome	Allan Cowan, Director Major Applications, Hydro One Networks
1:20 p.m.	Introductions and Agenda	Bob Betts, Facilitator, OPTIMUS SBR
1:30 p.m.	Plans for the Custom IR	Allan Cowan, Director Major Applications, Hydro One Networks
1:50 p.m.	Facilitated Discussion on Custom IR	Bob Betts, Facilitator, OPTIMUS SBR
2:35 p.m.	Break	
2:45 p.m.	Overview of Customer Survey	Laura Cooke, Vice President Corporate Relations Hydro One Networks
3:05 p.m.	Facilitated Discussion on Customer Survey	Bob Betts, Facilitator, OPTIMUS SBR
3:40 p.m.	Overview of Rate Classification and Facilitated Discussion	Henry Andre, Manager Distribution Pricing Hydro One Networks Bob Betts, Facilitator, OPTIMUS SBR
4:00 p.m.	Overview of Seasonal Rate Initiative and Facilitated Discussion	Henry Andre, Manager Distribution Pricing Hydro One Networks Bob Betts, Facilitator, OPTIMUS SBR
4:25 p.m.	Closing Remarks/Next Steps	Allan Cowan, Director Major Applications, Hydro One Networks
4:30 p.m.	Adjourn	