

Hydro One Networks Inc.

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BY EMAIL AND RESS

April 11, 2022

Ms. Nancy Marconi
Registrar
Ontario Energy Board
Suite 2700, 2300 Yonge Street
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Marconi,

EB-2013-0416 & EB-2014-0247 – Hydro One Network’s Requests for Exemptions from Provisions in the Distribution System Code and an Accounting Order Related to Customers Affected by the Seasonal Rate Class Elimination

Please find attached an application by Hydro One Networks Inc. (“Hydro One”) for exemptions from provisions in the Distribution System Code for customers affected by the Seasonal Rate Class elimination. Also, please find an application by Hydro One, in the same attachment, for an Accounting Order to record costs associated with the implementation of the Seasonal Class elimination.

Sincerely,

A handwritten signature in black ink, appearing to be "Jeffrey Smith", with a long horizontal line extending to the right.

Jeffrey Smith

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*;

IN THE MATTER OF an Application by Hydro One Networks Inc. for an Order or Orders including an exemption from the following provisions of the Distribution System Code (DSC) for customers affected by the Seasonal Rate Class elimination:

- (a) the requirement that a distributor issue a bill to a residential customer on a monthly basis;
- (b) the requirement that limits the number of estimated bills that can be issued to a residential customer every 12 months;
- (c) the requirement that a distributor issue an accurate bill to its customers 98% of the time on a yearly basis; AND

IN THE MATTER OF an Application by Hydro One Networks Inc. for an Accounting Order or Orders to record costs associated with the implementation of the Seasonal Class elimination

SUMMARY OF APPLICATION

1. The Applicant is Hydro One Networks Inc. ("Hydro One"), a subsidiary of Hydro One Inc. Hydro One is an Ontario corporation carrying on the business, among other things, of owning and operating electricity distribution facilities in Ontario.
2. Hydro One requests an exemption from the following provisions of the Distribution System Code (the "DSC"):
 - (i) Section 2.6.1A, which requires a distributor to issue a bill to a residential customer on a monthly basis;
 - (ii) Section 2.10.2, which limits the number of estimated bills that a distributor may issue to a residential customer to twice every 12 months; and
 - (iii) Sections 7.11.1 and 7.11.7, which require a distributor to issue accurate bills to its customers 98% of the time on a yearly basis.
3. The exemptions sought in this Application are for approximately 148,000 customers (the "Seasonal Customers") who will be transitioned from Hydro One's current seasonal rate class to one of three Hydro One residential rate classes according to their respective density.
4. Hydro One requests that the exemption be granted until December 31, 2027.
5. Hydro One requests that a deferral account be established for recording the costs associated with the implementation of the Seasonal Class elimination.
6. Hydro One requests that the proceeding be conducted by way of a written hearing.
7. Hydro One also requests that an interim exemption be granted on January 1, 2023, if the Board does not issue a decision on or before this date.

1.0 BACKGROUND

On March 12, 2015, the Ontario Energy Board (“the Board”) issued a Decision and Order in respect of the EB-2013-0416 and EB-2014-0247 proceedings in which it determined that Hydro One’s seasonal rate class should be eliminated and that existing Seasonal Customers will be moved to one of Hydro One’s three residential rate classes according to their respective density (“the Seasonal Decision”).

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), which included its implementation plan proposals. On November 10, 2021, the Board issued a subsequent Decision and Order regarding the implementation of the Seasonal Class Decision (the “Implementation Decision”). In this Decision, the Board approved Hydro One’s proposed Mitigation Option 2A and an effective date of implementation for this option to be the later of January 1, 2023 or the effective implementation date of the JRAP rate order for 2023.

In accordance with the approved mitigation option, Hydro One will mitigate the bill increases for Seasonal Customers stemming from the Seasonal Decision over a period of 10 years, beginning from the later of January 1, 2023 or the effective implementation date(s) of the JRAP rate order for 2023 rates. In the Implementation Decision, the Board also directed Hydro One to maintain its existing billing and meter reading frequencies for the Seasonal Customers and indicated that Hydro One can request a deferral account to recover the costs associated with the implementation of the Seasonal Decision.

2.0 EXEMPTION REQUEST

Currently, Hydro One’s Seasonal Customers are billed quarterly and their meters are read annually. The elimination of the seasonal class and the implementation of the Board’s approved mitigation plan will entail a large number of billing, meter reading, customer information system and business process changes that need to be reviewed, assessed and executed. These changes will have a significant impact on Hydro One’s rate class structure, which will impact rates for all customer classes. The cost to implement these changes is currently estimated to be in the range of \$3 to \$4 million, with most of these costs expected to be incurred in 2022.

The Board has directed Hydro One to maintain its existing billing and meter reading frequencies for the Seasonal Customers for the time being until such time that the implementation options can be thoroughly examined with meaningful customer input, including the cost and implementation issues associated with each alternative. In order for Hydro One to maintain the existing billing and meter read practices that have been put in place for the Seasonal Customers, Hydro One is requesting an exemption¹ from the following provisions of the DSC:

- (i) Section 2.6.1A, which requires a distributor to issue a bill to a residential customer on a monthly basis;

¹ A percentage of Seasonal Customers have meters that do communicate reliably with Hydro One’s Advanced Metering Infrastructure (AMI) smart meter network, which prevents Hydro One from billing these customers based on actual meter reads. This group of Seasonal Customers is part of a larger subset of customers who are defined as “hard to reach” and are already covered under existing exemptions obtained by Hydro One for this subset of customers.

- (ii) Section 2.10.2, which limits the number of estimated bills that a distributor may issue to a residential customer to twice every 12 months; and
- (iii) Sections 7.11.1 to 7.11.7, which require a distributor to issue an accurate bill to its customers 98% of the time on a yearly basis.

3.0 ACCOUNTING ORDER REQUEST

Hydro One requests that a deferral account be established for recording the costs associated with the implementation of the Seasonal Decision. In the Implementation Decision, the Board indicated that Hydro One should track the costs associated with the implementation of the Seasonal Decision and that Hydro One should request a deferral account when filing its DSC exemption application for the Seasonal Customers.

Hydro One is therefore proposing the establishment of a new Account 1508 – Other Regulatory Assets, Sub-Account “Seasonal Class Elimination Deferral Account” to record the implementation costs. The deferral account will be subject to the Board’s review for future disposition. Since Hydro One will be incurring costs associated with the Implementation Decision before the effective implementation date of the Seasonal Decision, Hydro One is recommending that the deferral account be established as of January 1, 2022.

The proposed deferral account meets the Board’s criteria with respect to causation, prudence and materiality. Specifically, the costs to be captured in the Seasonal Class Elimination Deferral Account meet the **causation** criterion since they are clearly outside of the base upon which current and future rates have been derived. With respect to **prudence**, the costs that will be captured in the proposed account meet this criterion, since the Board approved Hydro One’s proposed Option 2A for the implementation of the Seasonal Decision. The elimination of the seasonal class and the implementation of the OEB approved mitigation plan would entail a large number of billing, meter reading, communications, customer information system and business process changes, requiring extensive efforts to be completed. In accordance with section 2.0.8 of the Board’s Filing Requirements for Electricity Distribution Rate Applications, dated June 24, 2021, Hydro One’s **materiality** threshold is one million dollars. As previously indicated, Hydro One expects that the costs recorded in the proposed account will be in the range of \$3-4 million over the course of the implementation period, most of which are expected to be incurred in 2022. The requested deferral account therefore meets the Board’s materiality threshold.

Please refer to Appendix A for a copy of the draft accounting order.

4.0 CONCLUSION

Hydro One is therefore seeking an exemption from the provisions in Sections 2.6.1A, 2.10.2, 7.11.1 to 7.11.7 of the DSC until December 31, 2027 for approximately 148,000 customers who are being transitioned from Hydro One’s current seasonal rate class to one of Hydro One’s three residential rate classes according to their respective density. The exemption is being requested to comply with and facilitate the Implementation Decision. Hydro One is also requesting the establishment of a new deferral account for recording the costs associated with the Implementation Decision.

APPENDIX A

HYDRO ONE DISTRIBUTION DRAFT ACCOUNTING ORDER ACCOUNT 1508 – OTHER REGULATORY ASSETS, SUB-ACCOUNT SEASONAL CLASS ELIMINATION DEFERRAL ACCOUNT

Hydro One Distribution proposes the establishment of a new Account 1508 – Other Regulatory Assets, Sub-Account “Seasonal Class Elimination Deferral Account” to record the costs associated with the implementation of the seasonal class elimination.

The account will be established as Account 1508 – Other Regulatory Assets, Sub-Account “Seasonal Class Elimination Deferral Account” effective January 1, 2022. Hydro One Distribution will record interest on the balance in the sub-account using the interest rates set by the OEB. Simple interest will be calculated on the opening monthly balance of the account until the balance is fully disposed.

The following outlines the proposed accounting entries for this deferral account.

<u>USofA #</u>	<u>Account Description</u>
DR 1508	Other Regulatory Assets, Sub-Account “Seasonal Class Elimination Deferral Account”
CR XXXX	Account(s) associated with incremental costs, as Applicable

Initial entry to record into the Seasonal Class Elimination Deferral Account.

<u>USofA #</u>	<u>Account Description</u>
DR 1508	Other Regulatory Assets, Sub-Account “Seasonal Class Elimination Deferral Account”
CR 6035	Other Interest Expense

To record interest improvement on the principal balance of the Seasonal Class Elimination Deferral Account.