

# Elimination of the Seasonal Rate Class Implementation Plan

Stakeholder Session

Wednesday June 10, 2015

DoubleTree Hotel by Hilton – The Victoria Room

108 Chestnut Street

1:00 – 4:00pm

## OVERVIEW

*On June 10<sup>th</sup>, 2015 Hydro One Networks Inc. hosted a stakeholder session with intervenors and OEB staff in Hydro One’s distribution application EB-2013-0416. The purpose of this meeting was twofold: 1) to share and seek feedback on rate options for eliminating the seasonal rate class; and 2) to share and seek feedback on billing and meter reading options for seasonal customers. 16 stakeholders, representing 11 different organizations attended the meeting as well as the 8 representatives from Hydro One Networks Inc. The participant list and meeting agenda are attached.*

*The stakeholder session included welcoming remarks from Ian Malpass (Director Pricing, Hydro One Networks), a presentation on “Options for Eliminating the Seasonal Rate Class” delivered by Henry Andre (Manager Distribution Pricing, Hydro One Networks), followed by a questions and feedback period, a presentation on “Billing and Meter Reading Options for Seasonal Customers” delivered by Danny Relich (Director Billing and Collections, Hydro One Networks) followed by a questions and feedback period, and closing remarks delivered by Ian Malpass.*

*This draft summary was written by Matthew Wheatley and Nicole Swerhun, who provided independent facilitation services for the stakeholder session. It provides a high level summary of the main points shared by participants as captured in the “live” notes written during the meeting, and is not intended as a verbatim transcript of the meeting. The meeting was not audio recorded.*

*If you have any suggested edits to this draft summary, please forward them to Matthew Wheatley by **Monday, July 13, 2015** at [mwheatley@swerhun.com](mailto:mwheatley@swerhun.com) or by phone at (416) 572-4365. The draft summary will then be edited, as necessary, and finalized. The final summary will again be distributed to all participants.*

*Note that there are two appendices to this draft summary (attached separately), including:*

- Appendix 1. Two presentations made at the meeting (including the one extra slide shared)*
- Appendix 2. 3 written submissions with feedback received from stakeholders, including Brady Yauch (Energy Probe), Balsam Lake Coalition, FOCA (letter)*

<p><b>NOTE:</b> This draft summary reflects what happened during the meeting and does <b>not</b> attempt to integrate the written feedback received after the meeting. Please see Appendix 2 for the additional feedback received.</p>
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# DRAFT FEEDBACK SUMMARY – For Participant Review

## Part 1 – Options for Eliminating the Seasonal Rate Class

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Henry Andre, Manager Distribution Pricing, Hydro One Networks, delivered an overview presentation that described options for eliminating the Seasonal Rate Class, as well as four questions to prompt participant feedback. These questions are listed below, followed by a summary of the discussion.

1. Consider the two bill impact mitigation options presented. Are there other bill impact mitigation options you would like to see Hydro One consider? If so, what are they?
2. Consider the pros and cons related to the bill impact mitigation options. Do you have any additions and/or suggested edits to the list of pros and cons identified?
3. Which bill impact mitigation option do you prefer?
4. Do you have any other advice for the Hydro One team as they develop their August 4<sup>th</sup> report to the OEB?

Feedback from the discussion is reflected in the six points below. The **bolded text** reflects the common themes emerging from the feedback. More detailed comments are included underneath in a list of bullet points. Note that the speakers making each comment are included in brackets ( ) and *italics* following the point.

1. **There were a number of concerns raised related to Option 2 (8-year phase-in of rates), and fewer concerns related to Option 1 (phase-in via credits).**

Other bill impact mitigation options were suggested by participants for Hydro One to consider, including:

- An option that sees all rate classes share in the redistribution of costs associated with elimination of the seasonal rate class;
- An option that combines multiple options; and
- A general suggestion that Hydro One consider an option that does not marry who-benefits to who-pays.

Along with these additional options, other “cons” to consider when evaluating options were also raised, including: the potential loss of customers; the degree to which an option is punitive on the demand classes, and could have the effect of being a tax on small town jobs.

See additional feedback below:

- I am not keen on options 2 or 2b as both models overlook the fact that all classes, regardless of the revenue-to-cost ratio, have paid less than they otherwise would have if the seasonal classes had been part of the other classes all along. All classes should pay for the mitigation measures related to the elimination of the seasonal rate class. (*Ted Cowan – OFA*)
- Concern that implementing either option 2 or 2b will result in loss of customers due to significant increases in the variable charge. Customers who expected to be paying

less would be paying more and may decide to find alternative sources of electricity. *(Ted Cowan – OFA)*

- Options 2 and 2b are also problematic because they are punitive on the demand classes. These options result in the creation of a tax on small town and rural jobs in order to save cottagers approximately \$35 a month. *(Ted Cowan – OFA)*
- Need an alpha and beta analysis, as there is currently a beta error. *(Ted Cowan – OFA)*
- Hydro One should explain why the impacts of eliminating the Seasonal class are spread across all classes and not just being spread across only the residential classes. *(Bill Harper – VECC)*
- The implementation of the redistribution of costs could be done through a combination of options, not just one or the other. *(Bill Harper – VECC)*
- I agree entirely that all rate classes should contribute to the mitigation measures required. *(Nick Copes – Balsam Lake Coalition)*
- We are also concerned about potential negative impacts on demand customers. *(Emma Blanchard – CME)*
- Will need to identify why GSd and UGd classes pay more as a result of eliminating the Seasonal class. *(Bill Harper – VECC)*
- It is not necessary for Hydro One to marry who benefits and who pays. *(Bill Harper – VECC)*

**2. The need to clarify the list of assumptions that informed the analysis was raised by a number of participants.**

- This proposal does not take into account the RRRP and the fact that a large number of customers are part of section 72. *(Bill Cheshire – Balsam Lake Coalition)*
- It seems that it will be impossible to develop a plan for mitigation that has any credibility because of all the changes and moving parts, including moving to all fixed and the elimination of the seasonal rate class. *(Roger Higgin – Energy Probe)*
- Need to clearly explain how the fixed charge for the R2 class will be impacted, including how the RRRP funding will be used to mitigate cost to customers in the R2 class. *(Michael Buonaguro – Balsam Lake Coalition)*

**3. One participant suggested that Hydro One consider pre-filing the application before going into a hearing at the Ontario Energy Board.**

- Because of the detailed analysis and number of assumptions that will need to be explained through this process, Hydro One should consider the value of having a pre-filing meeting with the OEB to increase the likelihood of a smooth process. *(Source not attributed)*

**4. The consumption bands used could be adjusted to catch more of the outliers.**

- The OEB is going to be concerned about the outliers and you will need to develop a strategy for dealing with them. *(Julie Girvan – CCC)*
- In theory you could simply adjust the proposed consumption bands in order to catch more of the outliers. Additionally, if the number of bands are increased the differences between the bands will be less. *(Michael Buonaguro – Balsam Lake Coalition)*

**5. One participant suggested that Hydro One consider increasing the number of regional rate classes.**

- The elimination of the seasonal rate class, combined with the move to an all fixed rate, is going to create such a significant difference between the R1 and R2 rate classes that Hydro One should seriously consider whether there is a need to add another rate class. (*Ian White – FOCA*)

**6. Education and clear communication with customers will be essential to the elimination of the Seasonal Rate Class.**

- Hydro One needs to be clear about its interpretation of the 10% stipulated by the Ontario Energy Board – whether just looking at the impact of eliminating the Seasonal class or all factors in 2016 impacting rates. (*Bill Harper – VECC*)
- No matter which option is implemented, effectively communicating the elimination of the Seasonal Rate Class to customers presents an enormous challenge. It would be useful to start communicating this change to customers now. (*Julie Girvan – CCC*)

## **Part 2 – Billing and Meter Reading Options for Seasonal Customers**

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Danny Relich, Director Billing and Collections, Hydro One Networks, delivered an overview presentation that described billing and meter reading options for Seasonal customers, as well as four questions to prompt participant feedback. These questions are listed below, followed by a summary of the discussion.

1. Consider the three bill and meter reading options presented. Are there other options you would like to see Hydro One consider? If so, what are they?
2. Consider the pros and cons related to the bill and meter reading scenarios. Do you have any additions and/or suggested edits to the list of pros and cons identified?
3. Which bill and meter reading scenario do you prefer?
4. Do you have any other advice for the Hydro One team as they develop their August 4<sup>th</sup> report to the OEB?

Feedback from the discussion is reflected in the five points below. The **bolded text** reflects the common themes emerging from the feedback. More detailed comments are included underneath in a list of bullet points. Note that the speakers making each comment are included in brackets ( ) and *italics* following the point.

1. **No clear preference was expressed during the meeting for any of the three bill and meter reading options presented.** Also no additional options were suggested.
2. **As raised regularly in past feedback, one participant would like to see Hydro One update their terminology to better reflect infrastructure charges and reduce customer confusion.**
  - Rather than “delivery charge” call it a “keeps the line in place” charge so that customers know if they disconnect and reconnect their service they will still be charged the “keeps the line in place” charge. (*Ted Cowan – OFA*)

- 3. There were concerns raised about issues that some customers have with estimated bills.**
  - One of the major issues with estimated bills is that customers often receive a bill, which does not coincide with their consumption for a particular month or billing period. This is especially problematic when the estimated bill is higher than actual use. *(Roger Higgin – Energy Probe)*
- 4. The current rate class changes present an excellent opportunity to promote a large-scale shift to electronic billing and equal billing.**
  - The communication materials going out to customers about the elimination of the seasonal rate class should also include information on switching from paper to electronic bills. *(Bill Cheshire – Balsam Lake Coalition)*
  - Continue to educate customers about opportunities to move to equal billing plans. *(Roger Higgin – Energy Probe)*
  - Hydro One should learn from the experiences of other utilities and banks that have used incentives to encourage customers to shift from paper to electronic billing/communication. *(Ian White – FOCA)*
- 5. Education and clear communication will be important no matter which option is selected.**
  - Customers are used to receiving their bills in a certain way, for this reason it will be very important to communicate with customers to understand what they are looking for and explain the different billing options available to them *(Julie Girvan – CCC)*.
- 6. Provide a clear explanation of all changes to Conditions of Service**
  - All changes to Hydro One's Conditions of Service need to be explained to customers, especially those that relate to disconnect/reconnect charges and services. *(Bill Harper – VECC)*.

## **WRAP UP & NEXT STEPS**

Ian Malpass wrapped up the meeting by thanking participants for coming and for the quality feedback provided. He indicated that the Hydro One team would carefully review the perspectives and advice shared, and make decisions on how best to reflect the feedback in Hydro One's next steps in preparing for their OEB submission. He reminded participants that Hydro One's submission is due in August 2015.

Nicole Swerhun confirmed that the draft meeting summary would be distributed to participants for their review before being finalized. Also, any additional comments on either presentation would be accepted up until June 19th.

## **PARTICIPANT LIST**

The following is a list of participants that attended the meeting and the organizations they represent.

### **Stakeholders**

1. Alfredo Bertolotti, Power Workers' Union (PWU)
2. Bill Cheshire, Balsam Lake Coalition
3. Bill Harper, Vulnerable Energy Consumers Coalition (VECC)
4. Brady Yauch, Energy Probe
5. David MacIntosh, Energy Probe
6. Emma Blanchard, Canadian Manufactures & Exporters (CME)
7. Harold Thiessen, Ontario Energy Board Staff (OEB)
8. Ian White, Federation of Ontario Cottagers Associations (FOCA)
9. Julie Girvan, Consumers Council of Canada (CCC)
10. Michael Buonaguro, Balsam Lake Coalition
11. Nick Copes, Balsam Lake Coalition
12. Roger Higgin, Energy Probe
13. Shelley Grice, Association of Major Power Consumers of Ontario (AMPCO)
14. Ted Cowan, Ontario Federation of Agriculture (OFA)

### **Hydro One Networks Inc.**

1. Allan Cowan – Director, Major Applications
2. Danny Relich (Presenter) – Director, Billing and Collections
3. Erin Henderson -
4. Henry Andre (Presenter) – Manager, Distribution Pricing
5. Ian Malpass – Director, Pricing
6. Kevin Mancherjee – Senior Regulatory Advisor
7. Maxine Cooper – Senior Regulatory Advisor

### **Swerhun Facilitation**

1. Nicole Swerhun, Facilitator
2. Matthew Wheatley, Note taker

## **MEETING AGENDA**

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|----------------|---------------------------------------------------------------------------------------------------------------------------------------|
| <b>1:00 pm</b> | <b>Welcome</b><br>Ian Malpass, Director Pricing, Hydro One Networks                                                                   |
| <b>1:05</b>    | <b>Introductions and Agenda Review</b><br>Nicole Swerhun, Swerhun Facilitation                                                        |
| <b>1:10</b>    | <b>Rates Options for Eliminating the Seasonal Rate Class</b><br>Henry Andre, Manager Distribution Pricing, Hydro One Networks         |
| <b>2:00</b>    | <b>Questions of Clarification and Feedback Period</b><br>Nicole Swerhun, Swerhun Facilitation                                         |
| <b>2:45</b>    | <b>Break</b>                                                                                                                          |
| <b>2:55</b>    | <b>Billing and Meter Reading Options for Seasonal Customers</b><br>Danny Relich, Director Billing and Collections, Hydro One Networks |
| <b>3:25</b>    | <b>Questions of Clarification and Feedback Period</b><br>Nicole Swerhun, Swerhun Facilitation                                         |
| <b>3:55</b>    | <b>Next Steps and Session Wrap Up</b><br>Ian Malpass, Director Pricing, Hydro One Networks                                            |