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Update on OEB Proceedings Addressing the Elimination of Hydro One's Seasonal Rates

By Fred D. Cass

On September 23, 2020, we wrote about the Ontario Energy Board's dismissal of a motion to review and vary a 2015 decision that Hydro One Networks Inc. eliminate its seasonal customer class. The OEB directed Hydro One to file an updated Report on Elimination of the Seasonal Class and that updated Report has been filed with the OEB by Hydro One.

The updated Report indicates that the elimination of the Seasonal Class represents a significant change to Hydro One's rate class structure that will impact the rates for all customer classes. According to the updated Report, implementing the elimination of the Seasonal Class will have large customer impacts, entail significant billing system changes and require the OEB's review and approval of Hydro One's proposals. For these reasons, Hydro One says that the earliest feasible effective and implementation date for the elimination of the Seasonal Class is January 1, 2022. Indeed, Hydro One says that several factors support an implementation and effective date of January 1, 2023, although it recommends the January 1, 2022 date.

As for the impacts of the elimination of Seasonal Class, the updated Report says that there will be only a small benefit for some seasonal customers at the expense of large negative impacts for other seasonal customers. More specifically, the updated Report says that, once the move to all-fixed distribution rates is completed, the elimination of the Seasonal Class results in a reduction of about \$5/month for just under 70,000 seasonal customers moving to all-fixed residential class R1 (medium density) distribution rates and an increase of about \$54/month for roughly 78,000 seasonal customers moving to all-fixed residential class R2 (low density) distribution rates. (While there are notable benefits for seasonal customers moving to the high density (UR) class, this affects only about 245 seasonal customers.) The combined impact on low volume seasonal customers of moving to the R2 residential class at all-fixed distribution rates - without the rate subsidies available to year-round R2 customers - is a 111% (or \$60/month) increase in their total electricity bill.

The updated Report also addresses mitigation that is required as a result of the significant bill impact to seasonal customers who will move to the R2 residential class. Hydro One recommends mitigation by way of a credit applied to the bills of seasonal R2 customers. Due to the magnitude of the impacts, Hydro One estimates that bill credits would need to be in place for the lowest volume seasonal customers for a period of nine years and that a total of about \$150,000,000 in credits would be paid out over the full mitigation period.

The OEB has issued a "completeness letter" acknowledging receipt of the updated Report and indicating that it will commence the processing of this "file", with next steps to be communicated in due course.

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