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Presentation to Greg Rickford
MPP Kenora-Rainy River
Minister of Energy
Minister of Northern Development and Mines
Minister of Indigenous Affairs

Impact of the Ontario Electricity rebate program on rural
residential households in Hydro One service areas

On behalf of DoKURA
The District of Kenora
Unincorporated Areas Ratepayers Association

Effective November 1, 2019, the Ontario Electricity Rebate altered the method for calculating electricity bills and the application of various government support measures.

The intention of the change was to bring more clarity to the actual cost of electricity in the province to encourage conservation and to the level of support provided by the government. In news releases by the Ontario Energy Board reference was made to an inflation-related bill impact, with an increase of 1.8% emphasized.

Because the changes primarily impact only one component of the bill, the per kwh cost, the impact is not a straight line, rather the dollar amounts and percentages increase as electricity consumption rises.

The reality is, now that customers are receiving bills calculated under the new format, total year-over-year monthly bill increases are much greater than 1.8% for some households, particularly those served by Hydro One in the R1 and R2 (Medium and Low Density) classes, with the highest dollar amounts impacting people categorized as high-volume customers due to using electricity as their primary home heating source.

A chart detailing the increases for several groups of customers, compiled using the Ontario Energy Board's online bill calculator is included at the end of this submission.

We have noted two factors that play a major role in the increase as it applies to Hydro One customers.

First, removing the Global Adjustment subsidy from the electricity cost line on the bill and incorporating it in the new Ontario Electricity Rebate which is applied at the end of the bill substantially increased the dollar amount subject to the Harmonized Sales Tax. While the province continues to provide full Provincial Sales Tax relief as part of the OER, it means a greater dollar amount is sent to the federal government in the form of the Goods and Services Tax.

While this amounts to just a few dollars on average bills and an extra \$10 to \$15 per month on a per customer basis in the heating season, on total annual provincial consumption it means an additional \$150 million to \$175 million being paid by Ontario residents in GST.

This is additional money paid by customers that should remain in the province to assist in covering electricity generation and delivery costs and reducing the still considerable legacy debt from the former Ontario Hydro.

The second factor in higher than average increases is also related to the use of actual/projected costs per kwh for the electricity itself under the Ontario Regulated Price plan.

In addition to paying for electricity as measured at the meter, customers pay for electricity lost during transmission to heat as electricity travels through electrical lines and transformers, and to cover billing errors and other costs. In the case of Hydro One, due to generally lower than average customer densities in rural areas and other factors this 'line loss' is much higher than the industry average of 3%. For low-density rural Hydro One customers it is 10.5%.

The cost of line losses are not covered under the government's two main support programs – the GA adjustment and the Distribution Rate Protection program.

These additional kwh are now being charged at a higher per kwh rate, increasing the Delivery line charge on the bill.

Utility specific Rate Riders approved for specific purposes, grid transmission charges, and regulatory charges are also calculated on the base per kwh charge and have also increased as a result of the change. They too are outside the charges covered by the OER.

The calculation of electricity bills has many components that vary from customer to customer and from utility to utility, but in the case of Hydro One rural customers – an estimated 800,000 households - the impact is clearly bill increases much greater than 1.8%.

And for the estimated 25% (200,000 customers) who rely on electricity as a primary or secondary winter heating source the increase could be as high as 20% and more in some cases. For customers, the bottom line in dollars and cents on the bill is what counts and the new OER does not fully cover the bill increases it created.

Here is a summary of electricity costs for November and December compared to the same months in 2018, based on actual bills received by our members. While reduced consumption masks some the dollar increases, the percentage increase in per kwh cost is clear.

Customer#1

Hydro One R2 class, all electric heat, receives some OESP support

November

2019	3,103 kWh	\$354.97	11.4 cents/kwh
2018	2,994 kWh	\$301.69	10.1 cents/kwh

Per kWh increase 12.6%

December

2019	3,718 kWh	\$468.84	12.61 cents/kwh
2018	4,056 kWh	\$425.04	10.48 cents/kWh

Per kWh increase 20.3%

Customer#2

Hydro One R2 class, uses some electric heat

November

2019	1,275 kWh	\$188.52	14.78 cents/kwh
2018	1,429 kWh	\$193.99	13.57 cents/kwh

Per kWh increase 8.9%

December

2019	2,600 kWh	\$367.12	14.12 cents/kwh
2018	2,996 kWh	\$375.70	12.54 cents/kWh

Per kWh increase 12.60%

Customer #3

Hydro One R2 class, does not use electric heat

December

2019	656 kWh	\$111.46	16.9 cents/kwh
2018	1,110 kWh	\$162.09	14.6 cents/kWh

Per kWh increase 15.71%

An increase of \$50 to \$100 a month in the winter heating season on a bill can be handled by most middle and upper income households, however it can represent a genuine financial hardship for a low income household, and may force them to choose between home heat and the quantity and quality of food on the table this winter, or purchasing winter clothing for themselves and their children.

DoKURA is asking that in your capacity as Minister of Energy and as an MPP with many rural Hydro One customers in your riding you take whatever steps you can to have this situation reviewed, and the OER revised to address the problems noted.

At the very least the province needs to review its Ontario Electricity Support Program which provides additional financial support to some 250,000 low-income households to ensure the amount of the credit for those families relying on electric heat offsets the bill increases caused by the introduction of the OER.

Bill comparison chart

This chart was compiled using the OEB online calculator for winter 2018-19 (December 2018) vs winter 2019//20 (December 2019). Average household usage patterns - two-thirds Off-Peak, one-sixth Mid-Peak and one-sixth Peak - were used.

Ontario Electricity Rebate changes instituted Nov. 1, 2019 included an increase in the RPP (Regulated Price Plan) price for time-of-use and tiered prices to reflect actual and projected costs; and moving provincial support for the GA (Global Adjustment) component of those costs to the new OER.

As a result the RPP price for the Peak Period went from 13.4 cents to 20.8 cents per kWh, an increase of 55%. Other time-of-use periods had similar increases. For those still on tiered use (mostly Hydro One R2/Seasonal customers) due to remoteness, the percentage increases were 35% on the first tier (1,000 kWh monthly winter consumption) and 56% per kWh over that. Bill components based on per kwh levies are now calculated using the much higher rate. The DRP (Distribution Rate Protection) cap for Hydro One R1 & R2 customers and several other small rural utilities was also moved – from the Delivery Line cost calculation to the OER, and the PST (Provincial Sales Tax) credit was removed as a separate credit and included in the OER

Rather than imbedding some of the credits (GA) and (DRP) in the cost of electricity and delivery cost lines, the new rebate is applied at the end of the bill calculation, one impact of this is to increase the amount of GST (the 5% levy paid to the federal government) as it now applies to a higher dollar subtotal than when the RPP price included the GA reduction and the Distribution Line included the DRP.

Another impact is the higher price paid for the line loss factor incorporated in the Delivery Line total, for Hydro One customers this represents a surcharge of approximately 10.5% on the metered kwh used.

Bill increases are also impacted by annual utility distribution rate increases as noted below the chart but even allowing for that, Hydro One high-use rural customers still experience a much higher percentage and dollar increase than other groups of users.

**OEB bill calculator comparisons
1000 kwh monthly consumption**

Utility	Winter 2018/19	Winter 2019/20	Increase%
Kenora - Synergy North	\$138.99	\$144.60	5.9%
Hydro One R1	\$149.77	\$158.15	5.6%
Hydro One R2	\$152.92	\$160.74	5.1%
Hydro One Seasonal	\$217.60	\$221.67	1.9%
Sioux Lookout Hydro	\$153.67	\$147.82	(3.7%)

**OEB bill calculator comparisons
4000 kwh monthly consumption**

Utility	Winter 2018/19	Winter 2019/20	Increase%
Kenora - Synergy North	\$473.61	\$501.58	5.7%
Hydro One R1	\$478.45	\$540.73	12.8%
Hydro One R2	\$489.37	\$551.26	12.8%
Hydro One Seasonal	\$750.19	\$786.73	4.9%
Sioux Lookout Hydro	\$508.07	\$498.93	(1.2%)

Note:

Sioux Lookout Hydro had a new rate structure approved by the OEB as May 1, 2019 that effectively lowered its distribution charge by \$8.88 monthly for an average residential customer using 750 kwh monthly.

Hydro One had a new rate structure approved and implemented as of July 1, 2019. It increased bills by \$2.55 monthly for an average residential customer.

Synergy North had new rates approved and implemented May 1, 2019. For Kenora zone customers average residential increases were calculated at \$3.46 monthly.