MEMORANDUM OF UNDERSTANDING

Between

Hydro One Inc.

and

The Ministry of Energy, Government of Ontario

PARTIES

This Memorandum of Understanding (hereinafter referred to as “MOU”) is made and entered into by and between Hydro One Inc. (collectively, “Hydro One”), located at 483 Bay Street, Toronto, ON M5G 1P5, and the Ministry of Energy (“Ministry”), located at 77 Grenville Street, Toronto, ON M7A 2C1.

PURPOSE

The purpose of the MOU is to establish the terms and conditions under which the Ministry’s exemption of Hydro One Networks Inc. and Hydro One Remote Communities Inc. from O. Reg. 275/04 (Invoicing Requirements) and Hydro One’s electricity Bill Redesign Initiative will operate with respect to the invoices delivered to customers served by Hydro One Networks Inc. and Hydro One Remote Communities Inc. and for greater certainty, includes invoices delivered to customers in Cat Lake for so long as they are served by Hydro One Networks Inc..

CONTEXT

<u>Hydro One’s Electricity Bill Redesign Initiative:</u>

Since late 2015, Hydro One has been planning and developing several initiatives to enhance its customers’ experience when interacting with the company, including a Bill Redesign Initiative.

Hydro One’s current paper invoice is a growing concern for its customers. With nearly 14 million invoices mailed annually, the bill is the single largest communication vehicle the company has with its customers. Yet, Hydro One’s Spring 2016 Customer Perception Survey confirmed that its invoices are a key source of confusion for its customers, with only 59 percent agreeing that “the bills are easy to understand.” This confusion translates into higher volumes of calls at Hydro One’s Call Centre, as customers seek answers to questions such as, “what am I paying for?” and “why is my bill so high?”

The need for a new, redesigned paper bill has been echoed by Hydro One’s Executive Team, Board of Directors and Ombudsman. As a result, Hydro One is moving forward to redesign the Residential & Small Business paper bill with the objective of optimizing key elements of the bill to help address customer confusion, with the aim of making the bill easier to understand and changing the conversation with customers.

Extensive testing conducted by Hydro One showed that the current regulatory requirements respecting information on the bill are a significant hindrance to customer acceptance and understanding of the bill. As a result, the bill design was modified by Hydro One to respect the spirit, but not necessarily the letter of the current regulatory requirements.

Regulatory Exemption of Hydro One:

In order to facilitate Hydro One’s bill redesign efforts, the Ministry has proposed to exempt Hydro One from the invoicing requirements imposed under O. Reg. 275/04 as of July 1, 2017, as well as Ontario’s Fair Hydro Plan (“**OFHP**”) on-bill messaging requirements to be introduced under of the *Ontario Fair Hydro Plan Act*, 2017 (“**OFHPA**”).

These exemptions would allow Hydro One to pursue its “ideal” bill redesign, unencumbered by the regulatory restrictions mentioned above. In providing these exemptions, the Ministry expects Hydro One to share its learnings from their Bill Redesign Initiative, including consumer behavioural insights, customer response to the redesigned bills and any lessons learned (see “Terms of Reference” below for further details). The Ministry also expects Hydro One to maintain certain billing calculations despite being exempted, as identified in the Terms of Reference below.

In the longer-term, the Ministry believes there is an opportunity to revise the regulatory framework on bill presentment to improve the value of electricity invoices to all consumers. In pursuit of this effort, the Ministry intends to undertake its own Redesign Action Plan (RAP) on how to improve bill presentment in Summer 2017. It is expected that following this plan, regulatory invoicing requirements may change and Hydro One may be required to adopt further changes to its invoices.

TERMS OF REFERENCE

As between Hydro One and the Ministry:

The following section outlines the agreed upon terms and conditions between Hydro One and the Ministry as it relates to the regulatory exemption of Hydro One from O. Reg. 275/04, Hydro One's Bill Redesign Initiative and the Ministry's Redesign Action Plan.

1. Invoices issued by Hydro One between July 1, 2017 and the launch of Hydro One's redesigned invoices (expected November 2017):

1.1. Hydro One commits to maintaining its current bill design for invoices issued during this interim period, including sub-heading names (i.e., Electricity, Delivery, Regulatory charges, Debt retirement charge) and the method for calculating charges outlined in O. Reg. 275/04.

1.2. Hydro One agrees to incorporate the following OFHP messaging on its invoices, beginning with the first invoice issued on or after July 1, 2017:

1.2.1. A line item, entitled "First Nation Delivery Credit" (FNDC), to be placed below the current "Delivery" sub-heading, and display the savings received by eligible customers as a result of this credit.

1.2.2. Dynamic on-bill statement indicating the amount of savings, expressed in a dollar ($) value, received on a per customer basis as a result of OFHP. The following statements have been proposed for inclusion on English and French invoices, respectively:

Ontario's Fair Hydro Plan saved you $XX.XX on your bill. This amount includes the 8% Provincial Rebate.

Le Plan ontarien pour des frais d'électricité équitables vous a fait économiser XX.XX $ sur votre facture. Ce montant inclut la remise provinciale de 8 %.

1.2.3. Hydro One agrees to include the 8% provincial rebate in all dynamic OFHP savings calculations. The Global Adjustment (GA) line loss savings will not be included in these calculations. See Appendix B for a listing of the components Hydro One will sum as part of the calculation to arrive at the OFHP savings value ($) per customer.

1.3. As prescribed by regulation proposed under the OFHPA, Hydro One will be required to include OFHP bill inserts with paper invoices once every quarter beginning with the first invoice issued on or after July 1, 2017 until the first invoice issued on or after July 1, 2018.

1.3.1. For customers who are identified as part of the seasonal rate class , Hydro One will be required to include OFHP bill inserts with these paper invoices twice during this same period.

2. Hydro One's redesigned invoices (November 2017 –):

2.1. Hydro One will undertake best efforts to begin issuing its redesigned paper invoices to customers in November 2017. The rollout of these invoices is expected to be completed by the end of March 2018.

2.2. Hydro One's redesigned invoice will continue to include the "First Nation Delivery Credit", as described in s. 1.3.1. However, Hydro One will be required to request an "Alternatives authorized by the Minister", via a letter to the Minister, in order to confirm the correct placement of the FNDC line item on its redesigned invoice.

2.3. Similarly, Hydro One will be required to seek an "Alternatives authorized by Minister", via a letter to the Minister per s. 4 of O. Reg. 364/16, in order to confirm the correct placement of the "8% Provincial Rebate" line item on its redesigned invoice.

2.4. Hydro One's redesigned invoice will continue to display dynamic OFHP savings messaging on a per customer basis, as defined in sections 1.3.2 and 1.3.3.

2.5. Hydro One's redesigned invoice will be subject to all other OFHP messaging requirements (e.g., bill inserts) as prescribed in regulation(s).

2.6. Although exempted from O. Reg. 275/04, Hydro One agrees to calculate the invoice charges in the same manner as required by this regulation (e.g., calculation of "Electricity", "Delivery" charges) on its redesigned invoice. Note, Hydro One is not required to display the DRC line item for customers that do not incur DRC charges.

2.7. For invoices that have yet to be redesigned, Hydro One will continue to apply the terms and abide by the conditions identified in section 1, as appropriate.

2.8. Hydro One agrees to share the following information on its Bill Redesign Initiative with Ministry staff:

2.8.1. Insights and education on the design approach taken including the use of behavioural science in the design of key bill components and the relative importance of bill components to customer acceptance.

2.8.2. Focus group results received during the various stages of design and implementation.

2.8.3. Lessons learned in support of the Ministry's Redesign Action Plan (RAP).

2.8.4. Customer feedback in response to the redesigned bills as they are issued.

2.9. Should Hydro One deem any information referenced in s. 2.8 to be of a commercially sensitive and/or proprietary nature, the Ministry agrees not to disclose this information to external individuals or organizations, and will not make use of this information for purposes of the RAP Working Group without Hydro One's expressed permission.

3. Ministry's Bill Redesign Action Plan (Summer 2017 – Winter 2018):

3.1. As part of its proposed Redesign Action Plan, the Ministry will convene a Working Group in Summer 2017 to seek feedback on changes to improve bill presentment from Local Distribution Companies (LDCs) and other interested parties, including consumer advocates.

3.2. Hydro One agrees to be an active participant in the Ministry's RAP Working Group, providing learnings and insights from its own Bill Redesign Initiative (refer to s. 2.8, and respecting the condition articulated in s. 2.9).

3.3. Based on these Working Group sessions, and other aspects of the RAP, the Ministry aims to propose regulatory amendments and new requirements on electricity invoicing in Fall 2017.

3.4. Hydro One accepts that based on the results of the Ministry's RAP, the regulatory requirements on electricity invoicing may change in 2018. Along with other electricity vendors and Unit Sub-Meter Providers (USMPs), Hydro One would be subject to any new invoicing requirements following a transition period.

TERM OF MOU

This MOU is effective upon the date last signed and executed by the authorized representatives of the parties to this MOU.

SIGNATURES

_________________________________ Date: ___________________

(Signature)

Michael Reid
Assistant Deputy Minister
Strategic, Network and Agency Policy Division, Ministry of Energy
77 Grenville Street, 6th Floor, Toronto, ON M7A 2C1

_________________________________ Date: ___________________

(Signature)

Ferio Pugliese
Executive Vice-President
Customer Care & Corporate Affairs, Hydro One Inc.
483 Bay Street, South Tower, 8th Floor, Toronto, ON M5G 1P5

APPENDIX A

PROJECT DETAILS

Project Summary:

The Bill Redesign Initiative is a high priority project for Hydro One in 2017, and is an outcome of the company's "Discovery" stage, which took place in late 2016. The objective of the Discovery stage was to have a newly designed bill go through extensive customer testing and analysis. During this stage, Hydro One's Customer Service team worked with behavioral scientists to develop bill mock-ups and obtain feedback from approximately 3,600 Ontario electricity ratepayers, of which almost 60 percent were Hydro One customers.

Based on consumer research and the results from this testing, the new bill design is expected to increase customers' understanding and comprehension of their electricity charges, improve customer perception of Hydro One, and promote new products and services.

Objectives and Targets:

The objective of redesigning Hydro One's paper bills is to increase customer bill comprehension (including the understanding of delivery charges) and customer satisfaction. This Bill Redesign Initiative is expected to achieve both qualitative and quantitative benefits, including:

- Approximately 1.1 million customers are expected to receive the redesigned bill by the end of the second quarter of 2018. Note, redesigning the bill for the remainder of Hydro One's customers (e.g., C&I Demand Billed) is currently out-of-scope and will occur at a later stage.
- Decrease the number of bill-related calls to Hydro One's Call Centre, which currently accounts for 38% of the volume received.
- Increase bill comprehension scoring (i.e., "Bills are easy to understand") in the Hydro One Perception Survey.

Project Scope:

Hydro One intends to roll out the redesigned bill in stages to Hydro One Networks and Hydro One Remote Communities individual low volume consumer accounts. The existing bill design will remain in place for all demand billed, summary billed and complex billed accounts.

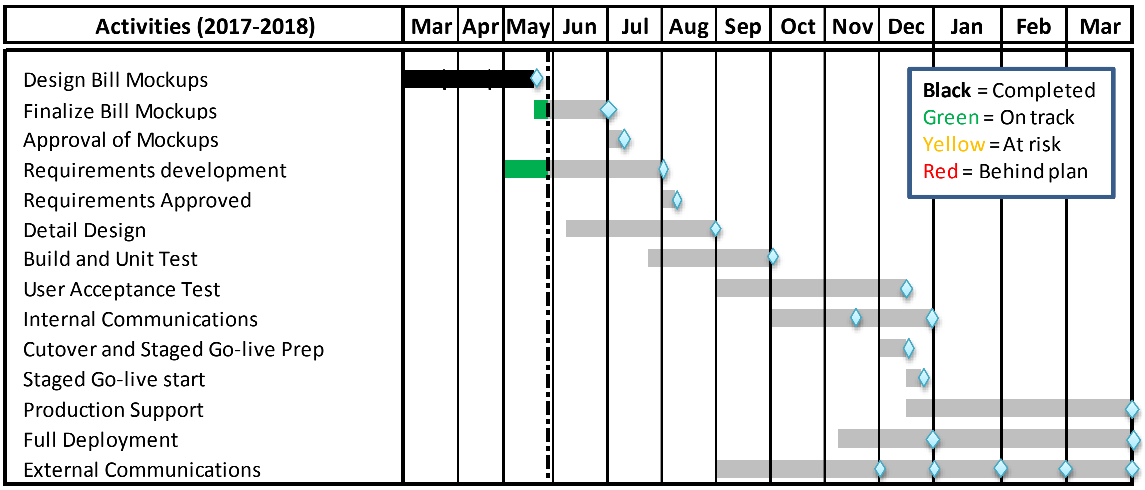
Methodology:

Hydro One utilizes a standard software development methodology that will be used to complete and monitor this project.

The implementation stage of the project will take the newly designed bill, and redesign and rebuild the bill print functionality in Hydro One's customer information system.

Project Work Plan:

The following chart presents a high-level work plan of Hydro One's Bill Redesign Initiative.



APPENDIX B

HYDRO ONE: OFHP DYNAMIC SAVINGS ($) CALCULATION PER ACCOUNT

	HYDRO ONE NETWORKS						HYDRO ONE REMOTES	CAT LAKE FIRST NATION
OFHP TOTAL SAVINGS – LINE COMPONENTS	**R1/R2 Non-FN, RPP Pricing**	**R1/R2, Non-FN, Non-RPP Pricing**	**All Residential (incl. seasonal), On-Reserve FN, RPP Pricing**	**All Residential (incl. seasonal), On-Reserve FN, Non-RPP Pricing**	**All other rate classes, RPP**	**All other rate classes, Non-RPP**	**Hydro One Remotes, Residential R2**	**Cat Lake First Nation, Residential**
Electricity charge savings: For RPP customers, commodity savings is difference between RPP price without OFHP and RPP price with OFHP.	X		X		X			
Electricity charge savings: For retailer-enrolled or electing spot customers who are RPP eligible, commodity savings is difference between GA Class B charge without OFHP and GA Class B charge with OFHP.		X		X		X		
Regulatory savings: From elimination of the OESP charge (now tax-based).	X	X	X	X	X	X	X	X
Regulatory savings: From reduction of RRRP charge (now tax-based).	X	X	X	X	X	X		
Delivery charge savings: Above	X	X						

	HYDRO ONE NETWORKS						HYDRO ONE REMOTES	CAT LAKE FIRST NATION
~$38 DRP cap (equal to difference between sum of Distribution Fixed and Distribution Volumetric charges and the DRP cap).								
First Nations Delivery Credit savings: equal to total Delivery line for Networks, service charge line for Remotes R2 and Cat Lake.			X	X			X	X
8% Provincial Rebate savings	X	X	X	X	X	X	X	X