# HYDRO ONE

## 2018-2022 Distribution Rate Application

December 7, 2017

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# Application Overview and Financial Highlights

**Chris Lopez**

# APPLICATION FRAMEWORK

## 5 YEAR CUSTOM IR

- 2018 Cost of Service
- Revenue Cap Index (RCI) = INFLATION - PRODUCTIVITY + CAPITAL FACTOR

## PROTECTING CUSTOMERS

- Earning sharing mechanism
- Capital in-service variance account



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# KEY ELEMENTS

# 2018 REVENUE REQUIREMENT SUMMARY

| OEB | OEB Approved 2017 | 2018 | Percent Change Impact |
|---|---|---|---|
| OM&A | 593.0 | 584.8 | (0.5%) |
| Depreciation and Amortization | 390.2 | 392.6 | 0.2% |
| Income Taxes | 48.7 | 61.5 | 0.9% |
| Return on Capital | 435.8 | 461.1 | 1.7% |
| Total Revenue Requirement | 1,467.6 | 1,499.9 | 2.3% |
| External and Other Revenues | (52.7) | (53.6) | (0.1%) |
| Regulatory Accounts Disposition | 11.1 | 6.2 | (0.3%) |
| Rates Revenue Requirement | 1,426.0 | 1,452.4 | 1.9% |



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# 2018 RATE IMPACT

## Required Rate Increase

Revenue Requirement increase of

**1.9%**

Rate impact of Forecast Load Reduction

**3.0%**

Which combines for an average distribution rate increase of

**4.9% in 2018**

## Total Bill Impacts

Average total bill impacts in 2018:

Medium density (R1) residential customer (750 kWh/month):

**2.9%**

General service (GSe) customer (2,000 kWh/month):

**1.8%**

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# PRODUCTIVITY

## TWO TYPES OF PRODUCTIVITY IN APPLICATION:

1. Specifically identified programs totalling $384 million have been included in the plan; and

| $Millions | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|
| Capital | 25.5 | 26.8 | 32.2 | 33.7 | 34.5 | 152.7 |
| OM&A | 34.8 | 40.7 | 43.4 | 45.8 | 50.0 | 214.7 |
| Corporate Common | 3.2 | 3.3 | 3.3 | 3.3 | 3.3 | 16.4 |
| Total Savings | 63.5 | 70.8 | 78.9 | 82.8 | 87.8 | 383.8 |

2. Annual rate adjustment mechanism: custom productivity factor incents further improvement;



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# PERFORMANCE MANAGEMENT

| Scorecard | Description | RRF Objectives Represented by Metrics | | | |
|---|---|---|---|---|---|
| | | Customer Focus | Operational Effectiveness | Policy Responsivenes | Financial Performance |
| Electricity Distributor Scorecard | • OEB mandated | ✓ | ✓ | ✓ | ✓ |
| Proposed OEB Scorecard | • Supplemental scorecard included in application<br>• Metrics focus on key strategic areas for company | ✓ | ✓ | | |
| Team Scorecard | • Tied to compensation<br>• Incents results | ✓ | ✓ | | ✓ |



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# INTEGRATION OF ACQUIRED LDCs IN 2021

- Haldimand County Hydro
- Norfolk Power*
- Woodstock Hydro

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- Six new rate classes
- Re-run cost allocation model
- Update to load forecast and cost of capital

* Hydro One is proposing to extend Norfolk Power's rate freeze period by one extra year to 2021 to align integration of all 3 utilities.

# OEB COMMUNITY MEETINGS: CUSTOMER ISSUES

**Issue: The OEB should not approve this request by Hydro One to increase its rates.**

**Issue: The salaries of Hydro One's CEO, executives and employees are too high.**

**Issue: In the last Hydro One case, the OEB approved a higher increase than was requested.**



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# Customer Engagement

**Ferio Pugliese**

# IMPROVING CUSTOMER SERVICE

Hydro One's customer service approach is based on 3 key pillars:

EDUCATION — ADVOCACY — RESPONSIVENESS

# EDUCATION

Hydro One's leadership team joined the call centre in February to listen to customer concerns and answer their questions.

## THE DAY IN NUMBERS

**800+**
CALLS LISTENED TO

**28**
SENIOR LEADERS

**122.6** TOTAL HOURS SPENT LISTENING (7,456 MINUTES)

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# ADVOCATING FOR CUSTOMERS

OVERHAULING CUSTOMER POLICIES

ADVOCATING TO POLICY MAKERS

Hydro One customers have received a

**31 per cent decrease on average**

as a result of the Fair Hydro Plan



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# RESPONSIVENESS

EASY TO DO BUSINESS WITH

ALWAYS THERE FOR OUR CUSTOMERS

ALWAYS CONNECTED



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# EASY TO DO BUSINESS WITH

| Initiative | Impact |
|---|---|
| Open Saturdays | Hydro One was the first electric utility in Ontario to open on Saturdays. Since the program was launched, over 40,000 customers have been served at a time that's most convenient to them. |
| Service Guarantees | Hydro One offers customers $75 service guarantees when we do not meet our commitments. |
| Improved Billing Accuracy | Through various process and technology improvements, our year-to-date Bill Accuracy exceeds the OEB's target of 98%, at 99.3%. |
| Elimination of Security Deposits | In the spring of 2017, Hydro One released $12 million of security deposits to over 12,000 customers. |
| Customer Friendly Collection Practices | Revised collection practices have reduced overdue accounts receivable by 30% year-over-year, while simultaneously reducing the number of customers disconnected by 57%. |

# ALWAYS THERE FOR OUR CUSTOMERS

| Initiative | Impact |
|---|---|
| Winter Relief | In December 2016, Hydro One launched a Winter Relief Program to reconnect over 400 customers through the cold winter months. |
| Get Local | Hydro One is starting to offer customer service at several locations across the province, where customers can receive assistance when it's most convenient for them. Over 1,300 customers have been assisted. |
| First Nations Outreach | Hydro One has visited over 17 communities in 2017 and assisted over 1,500 customers face to face directly in their community. |



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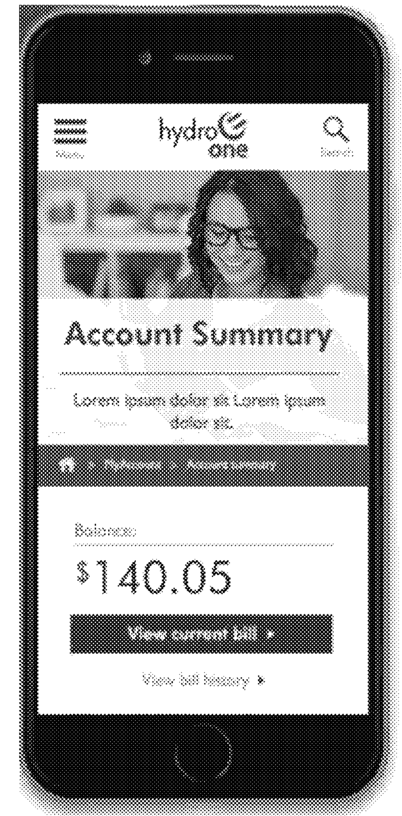
# ALWAYS CONNECTED

| Initiative | Impact |
|---|---|
| New Website | Hydro One introduced a new website in August, making it even easier for customers to do business with us. The website is mobile friendly and easier to navigate. |
| High Usage Alerts | High Usage Alerts were introduced in 2016 to proactively alert customers if their bill is trending higher than a pre-determined threshold.  Over 30,000 customers have enrolled to-date. |
| Paperless Billing | Hydro One's new paperless billing tool allows customers  to view their bill online and receive notifications when their bill is ready. Over 100,000 customers have enrolled to-date. |



# ENGAGING OUR CUSTOMERS

| WE TALKED TO 20,000 CUSTOMERS: | | WHAT WE HEARD: | |
|---|---|---|---|
| SURVEYS | FOCUS GROUPS & WORKSHOPS | KEEP COSTS LOW | MAINTAIN RELIABLE SERVICE & CAPACITY |

# OEB COMMUNITY MEETINGS: CUSTOMER ISSUES

**Issue: Community meeting notice**

**Issue: Density based rate change**

**Issue: Leamington concerns about high electricity rates**



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# Planning and Investment

**Greg Kiraly**

# INVESTMENT PLANNING PROCESS

Strategic Context and Planning Assumptions → Needs Assessment → Investment Development and Optimization → Approval and Implementation → Reporting



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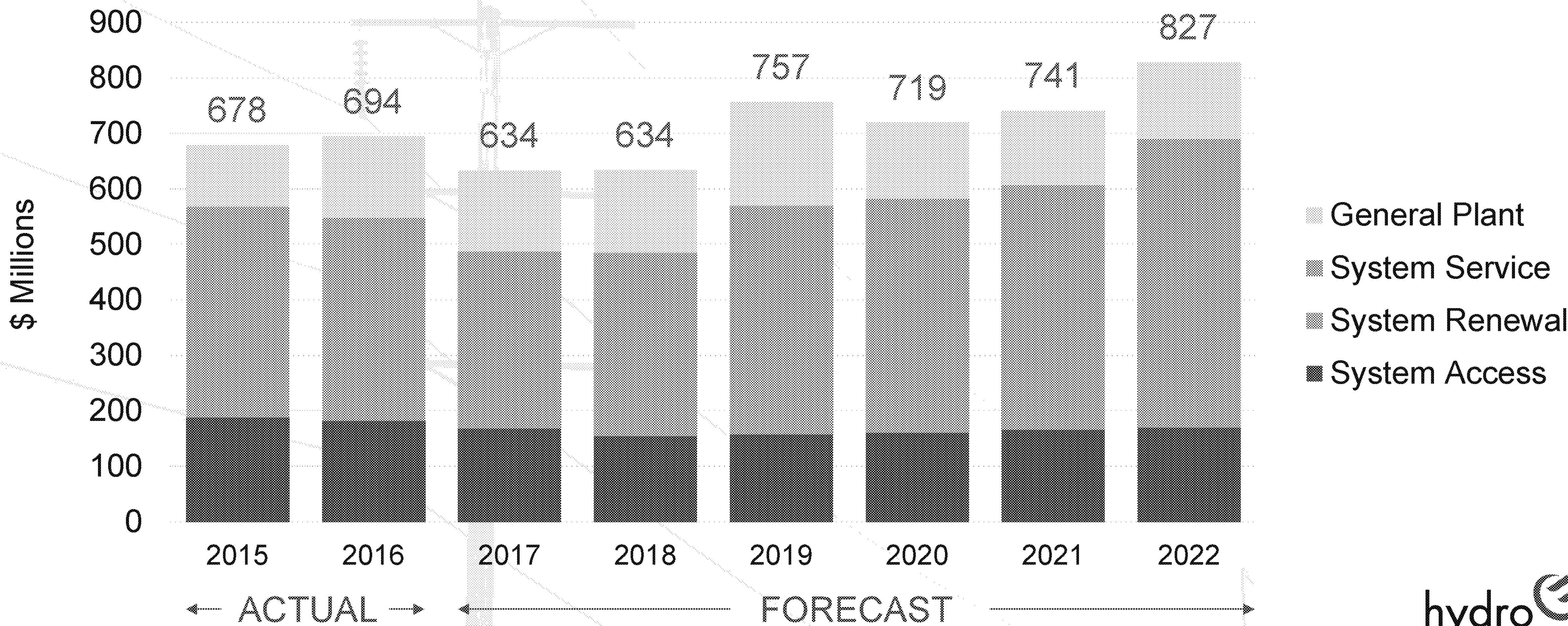
# INVESTMENT PLAN OPTIONS

| | Plan A | Plan B | **Plan B – Mod.** | Plan C |
|---|---|---|---|---|
| 2018 Rate Increase | 7.1% | 6.2% | **5.8%*** | 5.1% |
| 5 Year Average Rate Increase | 3.8% | 3.5% | **3.3%** | 2.9% |
| 2018 Capital | $784 | $685 | **$634** | $604 |
| 5-year Capital | $3,975 | $3,674 | **$3,628** | $3,174 |
| Reliability | Overall Improvement | Smaller / Marginal Improvements | **Maintains overall current levels; Improves certain areas** | Reduces Reliability |
| Key Aspects | Reduces the number of deteriorating assets | Reduced investment levels (i.e. poles) compared to Plan A | **Deferred investments in poles, stations, components, system capability, general plant compared to Plan B** | Deferral of high level investments (poles, stations, veg. management) to future periods |

* Subsequent changes to load forecast and external revenue resulted in a rate increase of 6.5% in the original application (4.9% in the blue page update)

# CAPITAL BUDGET



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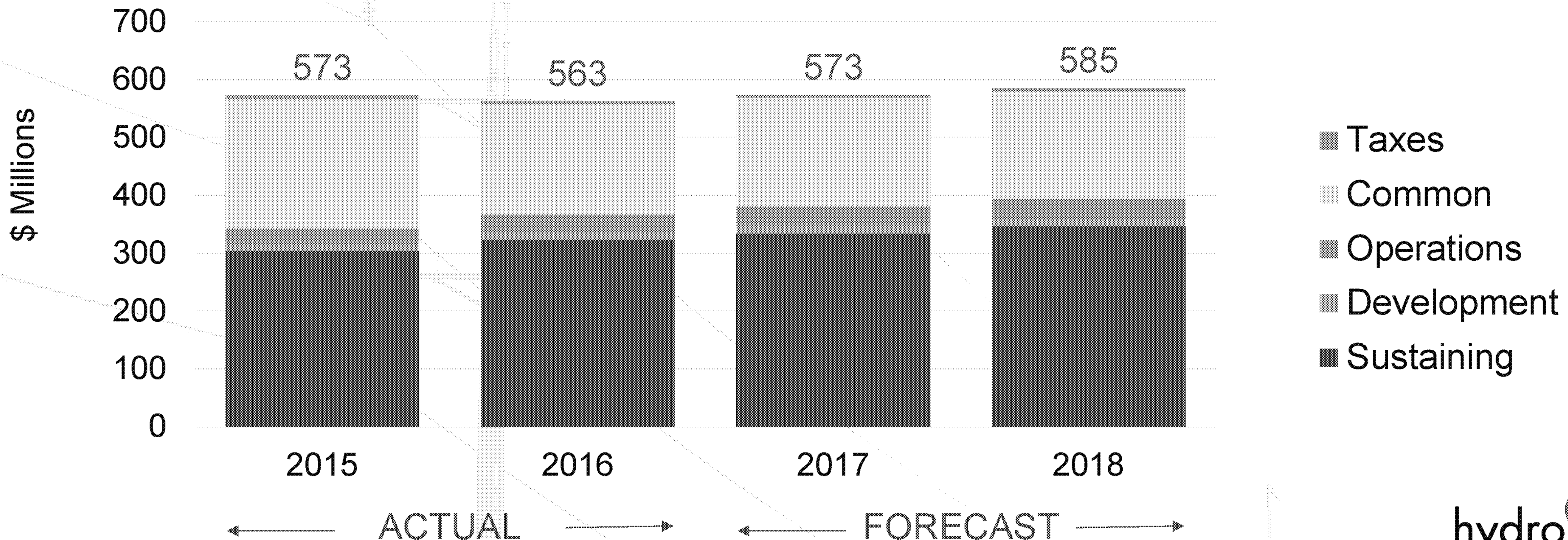
# OPERATIONS, MAINTENANCE & ADMINISTRATIVE EXPENSES



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# PERFORMANCE MANAGEMENT

## PRODUCTIVITY

- Move to mobile
- Cable locates
- Procurement

## BENCHMARKING

- Vegetation maintenance
- Station
- Poles

## SCORECARDS

- Proposed OEB Scorecard
- Electricity Distributor Scorecard
- Team Scorecard

# REFLECTING OUR CUSTOMERS NEEDS

FIND EFFICIENCES

MAINTAIN RELIABLE SERVICE AND CAPACITY

MINIMIZE RATE IMPACTS



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# OEB COMMUNITY MEETINGS: CUSTOMER ISSUES

**Issue: Reliability and service capacity issues**

**Issue: Bracebridge – frequency and duration of outages**

**Issue: Clarence-Rockland - additional capacity in the area, so that businesses could expand**



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QUESTIONS?