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Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
Toronto, Ontario M4P 1E4

Re: Report of the Ontario Energy Board - Review of Customer Service Rules for Utilities - OEB File No. EB-2017-0183

Dear Ms. Walli:

Attached please find Cornerstone Hydro Electric Concepts Association's (CHEC) comments with respect to the Board's invitation to comment on the OEB's Report "Review of the Customer Service Rules for Utilities - Phase One", dated September 6, 2018. This submission addresses the several proposals outlined in the OEB's Report and follows the same format (see Attachment A).

CHEC is an association of seventeen (17) local distribution companies (LDC's) that have been working collaboratively since 2000. The comments over the following pages express the views of the CHEC members.

We trust these comments and views are beneficial to the Board's initiative. CHEC looks forward to continuing to work with the Board on this matter.

Yours truly,

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ATTACHMENT A

After reviewing the Report of the Ontario Energy Board “Review of Customer Service Rules for Utilities Phase One”, several themes were noted that need to be addressed at a high level before providing responses to the individual proposals. CHEC would suggest the OEB consider the following:

Protect all Customers – The vast majority of electrical customers are conscientious and pay their bills on time. The most important service we can provide these customers is to ensure electrical rates remain as low as possible. The more we waive charges, put obstacles in the way of collections, and require special handling then the more we drive up the rates that these customers will have to pay. Lower rates for all customers should be a primary consideration when establishing customer service rules.

Cost of Power – The biggest challenge for all customers has been the rising cost of electricity, which has not been resolved with the introduction of the Ontario Fair Hydro Plan. Except for rural areas, generation, not distribution, is the primary driver for rising electricity costs. While they may be a bigger burden for low income customers, rising electricity costs affect all customers. Imposing mitigating burdens on distributors to try to offset this cost increase is not a sound or sustainable policy.

Social Agency – The OEB is a regulator, not a social agency. Except where specifically directed by law, the OEB should leave social engineering to the government and instead focus on designing sound, long-term, sustainable policies. The social programs that have been implemented over the past ten years are adequately designed to meet the needs of most low-income customers. Any shortfalls should be addressed by adjusting these social programs rather than having the OEB develop new ones.

Good versus Bad Customers – There is a presumption that customers who do not pay their electricity bills are victims who cannot afford to pay due to unfortunate circumstances. While this may hold some truth, there are also customers that feel they are exempt from that responsibility and who do not pay by choice. Distributors need the tools to deal with these customers in an effective way.

Over Prescribed Rule Making – With rule making, there is always a temptation to develop rules for every circumstance. This is counterproductive as distributors tend to focus on following the rules, rather than on doing what is best for their customers. A principles-based approach would be more effective than establishing detailed rules.

Know your Customer – There is an immense difference between a centrally based business conglomerate serving over a million customers and a community-based distributor serving a smaller community (like the members of CHEC). The former must follow a prescribed approach while the latter will know their customers and be able to respond in a manner appropriate to the needs of those customers. The rules need to recognize that both types of distributors exist.

Considering the above, responses to the individual proposals are as follows:

Security Deposits (5.1)

Security deposit requirements should be waived for new residential customers enrolling in the utility's equal billing and/or pre-authorized payment plan as determined by the utility.

The intent or purpose of a security deposit is to mitigate the risk of non-payment. Equal billing and pre-authorized payment plans are simply a means of payment, not a means to mitigate the risk of non-payment. As such, it makes little sense to make enrollment in a payment plan a condition of waiver for the security deposit.

Waiver of the security deposit should be left to the discretion of the distributor and should only be waived if a customer can provide proof of a good payment history (i.e.: letter of reference from a previous utility, proof of home ownership, etc.). If waiver of the security deposit is to be linked to enrollment in an equal billing and/or pre-authorized payment plan, it is suggested that it be on the condition that the customer demonstrates adherence to the plan. For example, should the customer default on 2 missed payments or cancel the pre-authorized payment arrangement within one year, then the distributor should be able to request a security deposit in lieu of plan enrollment.

Security deposits for small business customers should be returned after three years of good payment history.

In general, CHEC is supportive of this change even though small businesses tend to be more volatile and have a higher risk of payment default. With that said, consideration should be given to the fact that reducing the timeline from five to three years will erode the use of a security deposit as a mitigation tool against the risk of non-payment. The timeframe should not be reduced to less than three years.

Billing and Payment (5.2)

Minimum Payment Period (5.2.1) - The minimum payment period before late payment charges can be applied by a utility should be at least 20 calendar days from the date the bill was issued to the customer.

In general, CHEC is supportive of this change, providing implementation does not occur until a distributor rebases. Lengthening the minimum payment period will impact the cash-flow of the utility, which in turn will impact the default 7.5% working capital rate as currently set by the OEB. As a distributor's working capital rates are currently fixed, the utility should be extended the opportunity to challenge this default rate during their next rate application. Alternatively, assuming the proposed change is accepted, the OEB could revise the default working capital rate to reflect the appropriate changes.

Equal Billing and Equal Payment Plans (5.2.2) - Distributors should offer non-seasonal residential customers (except customers enrolled with retailers) an equal billing plan.

CHEC has no issue with this proposed amendment.

Equal Billing and Equal Payment Plans (5.2.2) - Electricity distributors should offer equal billing customers the option of making pre-authorized automatic monthly payments, but automatic payments should not be a pre-condition for enrollment.

CHEC disagrees with this proposed amendment as it will have an administrative impact to the utility. Customers who are on an equal payment plan, but not on a pre-authorized payment plan have to be manually monitored within the CIS system to ensure payments and interest charges are applied correctly. If this option is offered to all customers, it will result in a significant increase in maintenance of customer accounts.

There is also the issue of payment default while on an equal billing plan. If a payment is missed, will the interest be collected on the equal payment amount or the actual forwarding balance of the bill? How will overdue amounts and interest impact the equal payment plan going forward? If payment default occurs while on an equal billing plan, will the customer be exempt from such a plan on go forward basis? There are simply too many unknowns at this time to support the proposed amendment.

Equal Billing and Equal Payment Plans (5.2.2) - Equal billing customers choosing the pre-authorized automatic monthly payment option should be provided with a choice of at least two dates within a month for automatic payments to be withdrawn.

CHEC is generally supportive of this proposed amendment as most of our members already offer the option of two or more dates for automatic payments to be withdrawn.

With that said, it should be noted that different dates will result in different billing cycles, which in turn will impact the cash flow of the utility. While in most cases this may be considered a minor variance, due consideration should be given to the impact on lead/lag studies and the working capital of the utility.

Equal Billing and Equal Payment Plans (5.2.2) - Distributors may adjust the methodology for calculating the customer's average monthly bill to account for known changes and/or to accommodate a customer request

CHEC is supportive of the proposed amendment as the ability to adjust the average monthly bill assists the customers with budgeting for their electricity costs and aids in avoiding unnecessary surprises at the end of the billing term. Factors such as a change in household occupants, eligibility for the OESP, maternity leave, retirement, or approved rate changes can all impact the equal monthly billing amount.

CHEC does have a concern with the customer's ability to "customize" the equal monthly billing amounts. Utilities do not have unlimited resources and some customers may see the ability to customize payments as a means for means for downsizing their monthly amount without cause. Rules should be clear so that customers are aware that reasonable increases are permitted, but that a decrease in their monthly billing amount would only occur if there is clear empirical evidence that the equal monthly billing payment would result in an amount that is significantly higher than their actual consumption. The rules should also limit the frequency of permitted changes, otherwise utilities will be dealing with some customers who wish to change their equal billing payment amount on a regular basis.

Equal Billing and Equal Payment Plans (5.2.2) - Distributors may adjust the equal monthly billing amount at any time to accommodate a customer request or if the difference between the equal monthly billing amount and the actual amount is extraordinary.

CHEC is generally supportive of this proposed amendment as many of our utilities already accommodate customer requests of this nature. As noted above, the term "at any time" may be inappropriate. The frequency of such requests should be limited to one or two per year, otherwise utilities will have to deal with some customers who wish to change their equal billing payment amount arbitrarily.

Equal Billing and Equal Payment Plans (5.2.2) - Distributors may cancel the customer's equal billing plan after two missed payments under the plan within an equal billing year.

CHEC is supportive of this proposed amendment. As previously noted, CHEC is also supportive of instituting a security deposit for customers that miss payments and for requiring customers that are on an equal billing plan to also be required to sign up for a pre-authorized payment plan.

Equal Billing and Equal Payment Plans (5.2.2) - Distributors should offer the equal billing plan to small business customers subject to the following exceptions (Customers enrolled with energy retailers, Customers with less than 12 months' billing history, Customers in arrears or whose participation in the plan in the past 12 months was cancelled due to non-payment, Customers whose consumption pattern is not sufficiently predictable to be estimated on an annual basis with any reasonable degree of accuracy).

CHEC is somewhat supportive of this proposed amendment because like residential customers, an equal billing plan can aid a small business customer with planning and budgeting purposes.

CHEC is also aware that the needs of small businesses can be somewhat unpredictable and that they pose a higher risk to the utility in terms of payment default and bad debt.

CHEC is equally concerned that the exemption list provided in the report is exhaustive. There could be other reasons for exemption that are not yet evident.

CHEC would suggest that if equal billing plans are to be offered to small business customers, it should be done within the confines of some of the proposals outlined above. For example, small businesses enrolled in an equal billing plan should also be required to enroll in a pre-authorized payment plan. Perhaps a mid-term review of the account and customization of the payment amount would help both the customer and the utility to manage the account variances over the long-term. Security deposits should also be mandatory in the event of payment default.

Equal Billing and Equal Payment Plans (5.2.2) - Distributors should communicate the equal billing plan to eligible customers, at least twice a year, through the customer's preferred method of communication, if known, or otherwise through one or more means that are most effective in making customers aware of the plan.

CHEC is not supportive of this proposed amendment as CHEC utilities are currently communicating information on equal billing plans to its customers through various means such as newsletters, bill inserts, websites and social media. CHEC utilities also review and update their communication plans on a regular basis to ensure customers are aware of their services and who to contact should they have questions or concerns.

Instituting a mandatory requirement to communicate specifically on equal billing plans would only increase costs unnecessarily. It would also be extremely difficult for a utility to track an individual's preference for communicating such messages. A clear and concise communicating plan is adequate to ensure communications of this nature are reaching the appropriate customer base.

Payment by Credit Card (5.2.3) - The credit card payment option should remain at the discretion of the utility subject to the following current rules: Where a distributor has issued a disconnection notice to a residential customer for non-payment, the distributor must, at a minimum, have the facilities and staff available during regular business hours so residential customers can pay overdue amounts by credit card issued by a financial institution.

CHEC has no issue with this proposed amendment.

Payment by Credit Card (5.2.3) - The credit card payment option should remain at the discretion of the utility subject to the following current Rules: When a distributor visits a customer's property to disconnect service during or after regular business hours, the distributor must have the facilities or staff available to allow residential customers to pay overdue amounts by credit cards issued by a financial institution.

CHEC utilities typically only perform disconnections during business hours. Regardless, CHEC disagrees with having the term “after” in the proposed amendment. Utilities make several attempts to collect overdue payments prior to disconnection (e.g.: phone calls, disconnection notices, etc.), and should not be penalized with the additional administrative burden proposed should a disconnection occur after hours.

Allocation of Payment (5.2.4) - Utilities should allocate payments between energy and non-energy charges as per the current electricity Rules unless the customer specifically requests otherwise.

CHEC is not supportive of the proposed amendment and the current customer service rules where payments are applied to electricity charges first should remain in effect. Anytime a customer is permitted to reallocate payment, there is potential for utility risk to be increased. The current rules are in place to help to mitigate that risk.

It should also be noted that if customers are permitted to make such requests, a system will need to be devised to ensure such requests are tracked and payments are applied accordingly. Such a system will further increase the administrative burden on a utility both in terms of cost, resources, and CIS system changes.

With that said, the amendment could be revised to permit the reallocation of payments at the discretion of the utility. With this change, utilities would be able to assess individual situations on a case-by-case basis, and further assist those customers that pose minimal risk to the utility.

Allocation of Payment (5.2.4) - A utility should explain to a customer requesting a customized allocation method the potential impact on the customer’s electricity service before processing the request.

As noted above, CHEC is not in agreement with permitting a customer to reallocate payments between energy and non-energy charges. As a result, no explanation would be necessary. Even if a customer is permitted to reallocate payments, many are already aware of the impact, making any attempt at explanation moot.

Arrears Payment Agreements (5.2.5) - Distributors should not charge residential customers additional late payment charges on the amount that is covered by the OEB-prescribed APA.

CHEC is supportive of this proposed amendment as many of our members have already embraced this requirement. CHEC utilities are aware of their customers needs and attempt to not penalize customers who are attempting to deal with their arrears.

However, it should be reiterated that CHEC has noted on several occasions that the OEB-prescribed APA does not work, and customers are reluctant to enter into such an agreement. As a result, the impact of this amendment would be minimal.

Arrears Payment Agreements (5.2.5) - Utilities should offer reasonable payment arrangements to small business customers unable to pay their bill. In the event a small business customer fails to perform its obligations under a previous payment plan and the utility terminates the plan, the utility may require that the customer wait 12 months after termination before entering into another payment plan.

CHEC is supportive of this proposed amendment and can see the benefit of offering payment arrangements to small business customers in difficulty. However, CHEC is also concerned with the term “reasonable payment arrangements”. “Reasonable” is a broad term that is open to interpretation. CHEC would suggest that if payment arrangements are to be made with a small business customer, the terms of the arrangement be left to the discretion of the utility. CHEC utilities are aware of their customers needs and are best suited to determining appropriate payment arrangements with their customers.

Disconnection for Non-Payment (5.3)

Content of Disconnection Notice (5.3.1) - The Rules should expressly state that a disconnection notice issued to a residential customer should include the information prescribed by the Rules, otherwise it is invalid, and any disconnection following such an invalid notice would be unlawful.

CHEC is generally supportive of this proposed amendment but is concerned with the term “prescribed by the Rules”. Quite often, the rules seem to be vague and open to interpretation. This creates the situation whereby a utility can create an invalid notice in the first place.

To ensure compliance, it is suggested that the OEB produce a standard disconnection template, using simple, easy to understand language, that customers can understand and that can be adopted by a utility for said disconnection purposes (current disconnection notices are often wordy and unclear). A standard template would ensure consistency, accuracy and validity across the industry.

Alternatively, the OEB could encourage utilities to send copies of their Disconnection Notice to the OEB for review and validation to ensure compliance.

Content of Disconnection Notice (5.3.1) - Implement housekeeping amendments to the Rules to separate the requirements that apply to all utilities from those that may not apply to all utilities.

CHEC has no issue with this proposed amendment.

Disconnection Notice Period and Timing (5.3.2) - Utilities should provide customers with an “account overdue notice” at least 14 calendar days before the notice of disconnection is issued.

CHEC is not supportive of this proposed amendment for the following reasons:

- First, it would increase the costs and administrative burden related to the delivery of such a notice, which is detrimental to both paying customers and the utility.
- Second, in many cases an account overdue notice is ineffectual as it does not carry the same weight or impact as a disconnection notice.
- Third, extending this period to 14 days will increase cash flow and working capital issues within the utility.
- Finally, it does not address the situation of premature issuance of an account overdue notice for those customers that mail a cheque to the utility on the due date of the bill. Overdue account notices that are issued prematurely will cause customer confusion and irritation.

CHEC would suggest that the disconnection process would be best served by defining the period between the bill due date and the issuance of a disconnection notice as this will add clarity, consistency, and stability to the overall disconnection process. Most CHEC utilities work within a 7 to 10-day timeframe for this period, therefore, 10 days should be appropriate. If within this process it is deemed that an account overdue notice is still required, CHEC would suggest an IVR call on the 7th day would be suitable as it would keep costs to a minimum and avoid the premature issuance of an account overdue notice.

Disconnection Notice Period and Timing (5.3.2) - Before disconnecting a customer's service for reasons of non-payment, a utility should provide the customer with 14 calendar days' notice.

CHEC is not supportive of this proposed amendment as adding additional time to the disconnection period impedes the utility's cash flow and working capital and lowers the probability of collecting overdue amounts from the customer. The current disconnection timeframe of 10 days should remain in effect.

Disconnection Notice Period and Timing (5.3.2) - Where a disconnection notice is sent by mail, the disconnection notice should be deemed to have been received by the customer on the fifth calendar day after the date on which the notice was printed by the utility.

CHEC is not supportive of this proposed amendment as five (5) days is deemed too long for delivery of a local notice in the mail. Canada Post's delivery standard for local mail is currently set at three (3) days. Extending this standard to five (5) days would only extend the collection cycle, which in turn would increase the probability of bad debt.

Disconnection Notice Period and Timing (5.3.2) - Utilities should disconnect services within 14 calendar days after the applicable minimum notice period.

CHEC is neutral with this proposed amendment. CHEC utilities typically disconnect services early on within the current 10-day requirement. Extending this to 14 days would have minimal impact on both the customer and the utility.

Disconnection Notice Period and Timing (5.3.2) - Utilities should not disconnect a customer on a day when the utility is closed to the public to make payment and/or reconnection arrangements or on the day preceding that day.

CHEC is supportive of only disconnecting customers on days when the utility is open to the public but is not supportive of the eliminating disconnections on days preceding the closure of a utility. A utility's time for performing disconnections is already limited by business hours and holidays. Adding an additional day to this would only exacerbate the situation. Eliminating disconnections on days preceding the closure of a utility should be left to the discretion of the utility.

Winter Disconnection and Reconnection (5.3.3) - Current electricity distribution licence conditions relating to winter disconnection ban to remain in effect subject to changing the required reconnection date from November 15th to December 1st.

CHEC disagrees with the winter disconnection ban as it is politically motivated and more extreme than practices cited in the review of other jurisdictions. CHEC is still of the view that the winter disconnection ban should be removed (for reasons already stated) and that winter disconnections should be left to the discretion of the utilities.

Regardless, CHEC is supportive of changing the required disconnection date from November 15th to December 1st.

Winter Disconnection and Reconnection (5.3.3) - Develop winter disconnection and reconnection rules for the gas distributors based on the current licence conditions in effect for electricity distributors as proposed to be amended.

CHEC has no comment on this issue.

Late Payment Charge (6.1)

The late payment charge be prescribed as follows: 1.5% per month (effective annual rate 19.56% per annum or 0.04896% compounded daily rate)

CHEC has no issue with this proposed amendment.

Distributors should clearly describe in their conditions of service their late payment policy including the time from when late payment charges apply

CHEC is supportive of this proposed amendment, but it will require the updating of a utility's conditions of service. A reasonable timeframe for implementation should be

allotted to this proposed amendment to ensure utilities have adequate time to implement the change. This timeframe should include a “grace period” should a utility receive a dispute during the customer notification period.

Collection of Account Charge (6.2)

Remove the Collection of Account charge from electricity distributors’ approved Tariff of Rates and Charges

CHEC is not supportive of this proposed amendment as the Collection of Account charge helps to mitigate the disproportionate amount of time customer service staff spend on non-paying or late paying customers.

Keep in mind that revenues from the Collection of Account charge are an important source of other revenue during a cost of service application and are therefore not included as part of distribution revenue. This ensures that there is little or no cross subsidization of collection costs between those customers that pay, and those that don’t. In other words, good paying customers should not be penalized with collection costs associated with poor paying customers.

Install/Remove Load Control Device (6.3)

Remove Install/Remove Load Control Device charge from electricity distributors’ approved Tariff of Rates and Charges

CHEC agrees with the “Consumer Representatives” comments cited in the report (page 51) noting that load control devices often help customers monitor and reduce their consumption which helps manage their bills. In fact, some CHEC utilities have had positive customer experiences related to load control devices.

Regardless, CHEC is not supportive with this proposed amendment for reasons cited in Section 6.2 above (cross subsidisation of costs). There is a real cost involved with the installation and/or removal of a load control device. Therefore, elimination of this charge would result in all rate payers subsidizing the cost of load control devices, which are currently only utilized by a fraction of a utility’s customer base.

Disconnect/Reconnect Charge (6.4)

Change the name of the charge from “Disconnect/Reconnect” to “Reconnection”

CHEC is neutral with respect to this proposed amendment. The name of the charge is irrelevant providing it is clear the charge applies to a customer who has been disconnected for non-payment and it is not confused with the connection of service for a

new customer. CHEC would suggest that it may be appropriate to create two distinguishable separate charges as follows:

- **Disconnection Charge** - Charge for an account holder who requests disconnection
- **Reconnection Charge** - Charge for reconnection of an account holder who was disconnected due to non-payment of an account or where the account holder is the same as the account holder who requested disconnection

An alternative solution would be to charge a standard fee for disconnection and allow the reconnection charge to be free. This would mitigate the issue of lost utility revenue due to an account holder being disconnected for non-payment, but not being reconnected at a future date.

It should also be noted that the appropriate charge should be applied regardless of the technology used (in person or remote disconnection), rather than the 50% of a charge as noted in the OEB report.

Distributors should apply the charge to the bill following the reconnection and allow residential customers to pay it in equal installments over a period of three months following the reconnection

CHEC disagrees with this proposed amendment for several reasons as follows:

- A customer that has been disconnected has already shown bad faith. Requiring an up-front payment sends an appropriate signal that it is in the customer's best interest to keep the account up-to-date
- It will create additional administration burden (CIS system changes) to track these payments over three months rather than a one-time charge
- It could cause customer confusion (i.e.: will they remember what the charge is related to by the time they receive their third bill?)
- It is not beneficial to the customers as they could be in the same situation prior to expiration of the three-month period
- Under certain scenarios, the reconnection cost may not be fully recoverable (e.g.: a homeowner who is selling their property gets disconnected for non-payment of account. She/he is then reconnected and sells the property before paying the reconnection fee in full.
- It is unclear how the charge will be applied and reversed during the winter disconnection ban period if the customer does not pay their electricity bills.
- The customer must take some responsibility for payment

CHEC would suggest that reconnection charge remain as a single, one-time charge, which should be applied upon reconnection.

Distributors should waive the charge for eligible low-income customers

CHEC disagrees with this proposed amendment as there are real costs associated with disconnections and this once again creates a cross subsidization of costs across ratepayers. If an exemption is required, this is an issue that is better addressed through social engineering rather an OEB policy.

All of which is respectfully submitted.