

October 5, 2018

Ms. Kirsten Walli
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2017-0183 Report of the Ontario Energy Board (“Report”) – Review of Customer Service Rules for Utilities (Phase One) – Union Gas Submission

On September 6, 2018, the Ontario Energy Board (the “Board”) issued a Report related to proposed changes to customer service rules (“Rules”) and requested comments from parties by October 5, 2018. This letter and attachment include Union Gas Limited (“Union”) comments related to these proposed changes to assist Board Staff in furthering its work on the Customer Service Rules review. As set out in this submission and in Attachment 1, Union agrees with many of the Board’s proposals, subject to being able to record and recover associated incremental costs.

However, Union has substantial concerns concerning the proposals to require Union to reconnect customers who have not paid their bills in time for the winter, as well as those that require substantial system changes, namely the requirement to provide a choice of at least two billing dates within a month for automatic payments to be withdrawn. In Union’s submission, both proposals would substantially increase costs to ratepayers and are not desirable.

Union supports the Board’s main objective to align rules to improve the customer experience.

The Board’s objective in this review is “to determine whether the Rules continue to serve the needs of customers while maintaining an **appropriate balance between consumer protection and the ongoing operation needs of utilities.**” The Board’s Report addresses Phase 1 of the review, and covers the following areas:

- whether the customer service regulatory framework for gas and electricity distributors should be aligned;
- whether the Rules covering security deposits, billing and payments, and disconnection for non-payment continue to be appropriate; and
- whether service charges relating to non-payment of accounts should be modified.

The Board identifies a number of recommendations for changes to the current customer service rules applicable to electricity distributors and proposes to apply them to gas utilities to align

energy utilities. Having common rules and processes that apply to security deposits, equal billing plans, credit card payments and disconnection notices is understandable and makes the customer experience across utilities consistent for customers, provided that any incremental costs are recoverable and that they do not involve unwarranted additional costs for ratepayers. It is critical that any application of customer service rules should also recognize that gas and electric industries are different and not all rules can be applied equally. Failing to recognize this will result in unintended consequences and inappropriate incentives for customers.

However, in Union's submission, its current customer service rules are working as intended for both the utility and its customers. Union's results submitted each year through the Reporting and Record-keeping Requirements are decisively positive, and show minimal volumes of disconnections and complaints reported. For example, Union has approximately 1.3 million residential customers and in 2017 had only 9,213 disconnections and 2,849 escalated inquiries.

Union does not believe that changes are required to the customer service rules in all cases solely to achieve alignment with electricity rules, particularly where such changes would increase costs to ratepayers. The Board acknowledged in the Report at page 8, section 4.1 that the rules applicable to natural gas need not align with those applicable to electricity:

“After the implementation of the electricity Rules, the OEB considered developing rules for the gas distributors similar to those developed for electricity distributors. However, after consideration of stakeholder comments, it decided to adopt a less prescriptive approach. The OEB was satisfied that the less prescriptive approach would limit the cost implications for gas customers while still achieving the objectives of fairness and transparency and ensuring that gas distributors' customer service policies are enforceable by the OEB. It was also recognized that a reasonable level of consistency may be achieved across the Province even under a less prescriptive approach given the small number of gas distributors in Ontario.”

Many proposed changes appear to have been based on interpretation of customer survey results. However, those results provide only limited information about customer preferences, because they did not ask customers about cost impacts, and thus do not provide useful information about customer preferences when balanced with bill impacts. In Attachment 1, Union has set out the estimated cost and schedule impacts of each of the proposed measures, when relevant.

Union respectfully submits that rule changes that will have the effect of increasing costs for ratepayers are unnecessary and should not be adopted as proposed. Those are set out in greater detail below and in Attachment 1.

Mandatory winter reconnection of customers disconnected for non-payment would increase costs for other ratepayers

Union has serious concerns about a rule that would require winter reconnection of disconnected customers. The fundamental behavioral differences between electricity and natural gas customers make a rule that would require reconnection without payment undesirable for natural gas utilities. Such a rule would make it difficult to impossible to enforce payment by delinquent

customers, thereby shifting the costs of providing service to those customers to the customers who do pay their bills.

Unlike gas customers, electricity customers disconnected for non-payment have a significant incentive to pay their bills in order to reactivate service. While it is inconvenient to live without natural gas in the summer, it is virtually impossible to live without electricity at all times of the year. When an electric customer is disconnected, that customer usually reacts immediately to reactivate their electric service. In contrast, when a natural gas customer is disconnected, it is often the fall/winter heating requirement that incents a customer to reactivate their service. Mandating the reconnection of all disconnected customers each December 1, without payment or payment arrangements, will remove any and all incentives for delinquent customers to pay their winter heating bill. It is conceivable that a customer could convert to an electric water heater for the summer to avoid paying for gas altogether, receiving free gas through each winter period. The impact on bad debt as well as the operational impact to reconnect these customers would be significant, as outlined in Attachment 1. The costs of serving and reconnecting delinquent customers would necessarily be borne by the customers who do pay their bills. This is not a fair or appropriate outcome.

Required system changes would increase costs for ratepayers

While Union is already compliant with a number of the changes proposed, some of the service rules will require Union Gas to make modifications to the Customer Information System (“CIS”). Changes will be required for Security Deposits (5.2.1), choice of due dates for equal billing customers (5.2.2), Arrears Payment Arrangements (5.2.5), Late Payment Changes (5.2.2), among others. Each individual change, set out in Attachment 1, would cost between approximately \$0.025 million and more than \$1 million, and would take between a few months and more than a year to implement.

These estimates are based on a low risk model in which each project is planned and completed sequentially by one team focused on these changes. A project to make all of the proposed changes is estimated to take two years to complete and cost a total of approximately \$2 to \$3 million. The changes all affect the same core component of Union’s CIS, specifically the payments and collections component. Additional risk will result if Union were to try to have multiple project teams working on these changes simultaneously.¹

Any costs associated with the rule changes should be recovered from ratepayers

In the event that the Board pursues changes to the customer service rules that increase costs to ratepayers, Union will seek recovery of all of these costs from ratepayers through the existing deferral account (179-112), which has been used for recovering the costs of implementation of GDAR changes.

In this submission, Union has identified estimated costs for certain proposals. These costs are preliminary estimates and were prepared for illustrative purposes. Union will need more information about the proposed changes and related timing in order to develop and cost a

¹ A higher risk model could be used, if mandated to complete the changes simultaneously, however it would require an additional cost of \$0.8- 1.0 million for resources and adds risk to the work due to the overlap.

proposal. For any required changes, Union plans to include actual costs in the deferral account for recovery from rate payers subject to a prudence review at the time of recovery. These include costs to make changes to Union's CIS, operating costs to physically reconnect all customers who have been disconnected due to non-payment, increased bad debt costs resulting from the proposed changes, as well as lost revenue if Union is no longer able to charge Late Payment Penalty ("LPP") fees where payment arrangements have been made. Costs are estimated in Attachment 1.

Additional details regarding Union's position on each of the proposed changes is set out in Attachment 1.

If you have any questions, please contact me at 519-436-5473.

Yours truly,

[Original signed by]

Karen Hockin
Specialist, Regulatory Initiatives

Cc: Mark Kitchen, Union
Myriam Seers, Torys

This document has been structured to identify the change proposed in the Board report by section number, provide Union’s commentary and recommendation.

Board Report Section 5 CUSTOMER SERVICE RULES

Section 5.1 Security Deposit

OEB PROPOSAL

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

UNION COMMENTS:

- i) Union already waives security deposit requirements as proposed. No change required.
- ii) Union can make a change to its systems to return security deposits to small businesses after 3 years. The estimated cost for the Customer Information System (“CIS”) changes to automate this process change is \$0.25 million, plus internal resources of \$0.04 million for a **total of \$0.29 million**. The time required to make these system changes is estimated to be **four months**.

Union defines small business as businesses such as “a variety store, retail store in a strip mall, duplex and triplex, church or office”. In all these cases, gas is used for heat and hot water only, not production.

5.2 Billing and Payment

Section 5.2.1 Minimum Payment Period

OEB PROPOSAL:

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.

UNION COMMENTS:

No issues. Union already has a 20 day payment period following the issuance of an invoice. No change required.

Section 5.2.2 Equal Billing and Equal Payment Plans

OEB PROPOSAL:

- i) Distributors should offer non-seasonal residential customers (except customers enrolled with retailers) an equal billing plan.
- ii) 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.
- iii) 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.
- iv) 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.
- v) 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.
- vi) Distributors may cancel the customer's equal billing plan after two missed payments under the plan within an equal billing year.
- vii) 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.
- viii) 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.

UNION COMMENTS:

Union provides equal billing plans to customers already and meets the requirements outlined in the above proposal sections i) to viii) with the exception of iii) regarding two due dates.

Union's CIS is not capable of providing two fixed payment due dates within one month. The cost of modifying the system to create this functionality would be a cost borne by all customers.

Union recognizes that customers have different needs and wants with regards to their bills. For customers looking for certainty, the equal billing plans provide a stable billed amount month after month. This stability provides a predictable amount and due date. Customers are satisfied with this option and Union has received no feedback from customers that they are looking for a choice of due dates. There has been no need identified, just a preference when offered as an option in a survey without consideration of cost or implementation impacts. In 2017, Union had only 2849 escalated complaints and of this total, less than 10% were related to bill issuance. Only 7 complaints were related to the due date of the bill. In addition to there being no apparent need for this choice, Union also has a significant concern with the CIS changes that would be needed for the proposed requirement to provide equal billing customers the choice of two dates within a month for automatic payments to be withdrawn.

Union's CIS is based on cycle billing. Adding a due date "off-cycle" would require significant changes to the system. Union's estimate for CIS system changes is \$1 million plus \$0.16 million in internal resources for a total of approximately **\$1.2 million**.

These changes will require **one year to 16 months** to design, build, test and implement. As noted above, making such significant changes to the CIS are premature, particularly when there does not appear to be a driving need.

In order to implement the various changes for small businesses in a consistent manner, the CIS will also need to be modified to clearly identify small businesses. These system changes will cost \$0.25 million, plus \$0.04 million of internal resources for a total of **\$0.3 million and four months** to complete.

Union's bills are due when rendered, however, the customer has up to 20 days to pay the bill without the application of late payment fees. The customer can choose to pay one or more payments within that time frame of their own accord.

Customers can choose the equal billing plan which provides the value of consistency in the amount of the monthly bill. Customers can also elect to have automatic payment withdrawals along with the equal billing plan. To the extent that a single prescribed payment date is not workable for a given customer, that customer can opt out of the automatic payment plan while still remaining in the equal billing plan. They would then have a 20 day window in which to make one or more payments without incurring late payment charges.

5.2.3 Payment By Credit Card

OEB PROPOSAL:

The credit card payment option should remain at the discretion of the utility subject to the following current Rules:

- i) 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.
- ii) 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.

UNION COMMENTS:

No issues. Union does this currently. No changes required.

Section 5.2.4 Allocation of Payment

OEB PROPOSAL:

- i) Utilities should allocate payments between energy and non-energy charges as per the current electricity Rules unless the customer specifically requests otherwise.
- ii) 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.

UNION COMMENTS:

- i) This is an issue only for customers with "open bill" charges on their bill. Union is currently implementing open bill as directed by the Board in EB -2015-0029 (2015-2020 DSM Framework proceeding) effective January 1, 2019. There are no active customers on the program today and the adoption rate is expected to be slow.
- ii) At this time, allocation of payments is based on oldest outstanding charge. The oldest charges are paid first in payment allocation to minimize arrears and late payment fees. Any change in this practice would be an extensive system change that has not been scoped given the small scope of the Open Bill program.

Section 5.2.5 Arrears Payment Arrangements (“APA”)

OEB PROPOSAL:

- i) Distributors should not charge residential customers additional late payment charges on the amount that is covered by the OEB-prescribed APA.
- ii) 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.

UNION COMMENTS:

- i) Union estimates the revenue impact of not charging late payment charges to residential customers who are on payment arrangements would be approximately **\$0.23 million annually** (and could grow if arrears grow). This amount would need to be recovered from other customers.

In addition to the loss of revenue, Union’s CIS would require changes to modify the application of Late Payment to remove it from active payment arrangements. Estimated cost of system changes is \$0.1 million plus \$0.015 million in internal resources for a total of **\$0.12 million**. Estimated time required to make the necessary changes is **four months**.

- ii) No issues. Union currently provides payment arrangements to small business customers. Union works with both residential and small business customers who are unable to pay their bills to implement arrears management programs based on the individual circumstances and past payment history. Union’s current arrears management practices are sensitive, flexible and meet the needs of all customers, including low-income. Union does not propose any changes and does not propose that natural gas distributors should be required to adopt the terms of the APA set out in the Distribution System Code for electricity distributors. Union’s results indicate that working individually and extensively with each customer based on their arrears and payment history is working well.

5.3 Disconnection for Non-Payment

Section 5.3.1 Content of Disconnection Notice

OEB PROPOSAL:

- i) 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.
- ii) Implement housekeeping amendments to the Rules to separate the requirements that apply to all utilities from those that may not apply to all utilities.

UNION COMMENTS:

Union's disconnection notice meets requirements. No changes required.

Section 5.3.2 Disconnection Notice Period and Timing

OEB PROPOSAL

- i) Utilities should provide customers with an "account overdue notice" at least 14 calendar days before the notice of disconnection is issued.
- ii) Before disconnecting a customer's service for reasons of non-payment, a utility should provide the customer with 14 calendar days' notice.
- iii) 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.
- iv) Utilities should disconnect services within 14 calendar days after the applicable minimum notice period.
- v) 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.

UNION COMMENT:

Union can make the proposed change to the disconnection notice to provide 14 days rather than the current 10 days. No issues with all other requirements as they are already met by Union's process.

Section 5.3.3 Winter Disconnection and Reconnection

OEB PROPOSAL:

- i) 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.
- ii) 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.

UNION COMMENTS:

- i) Regarding the proposed disconnection ban, Union voluntarily adheres to a moratorium period of disconnection for residential accounts. Union does not disconnect residential customers for non-payment from November 15 to March 31.

Union's current voluntary moratorium bans disconnections based on weather in each geographic area and results in a longer period of banned disconnections in some areas. If implemented, Union would plan to meet the residential disconnection ban rule as a minimum.

- ii) Regarding the proposed requirement to reconnect customers without any payment, Union strongly disagrees with the proposed change as outlined, as this would have a very significant impact on operations and will negatively impact Union's ability to collect payment from customers. It would also have a significant impact on customers, and their increasing level of arrears, inability to obtain financial assistance for higher level of arrears and therefore their ability to ultimately pay and regain service. Union's concerns and proposed modifications are outlined below. Union is sympathetic to the needs of all of its customers, and it is imperative to maintain some incentive for those customers in arrears to pay for services received, otherwise their costs will be paid for by those customers who are not in arrears.

As noted above, there is a fundamental difference in customer behavior between electricity and natural gas that must be clearly understood and requires a unique rule between the two utilities. This difference is the incentive to pay outstanding arrears in order to reactivate service. When a natural gas customer is disconnected it is often the fall/winter heating requirement that incents a customer to regain service. Mandating the reconnection of all disconnected customers by December 1, free of charge, will remove any and all incentives for customer to pay their winter heating bill.

Alternatively, Union proposes to reconnect customers prior to December 1 who meet the following criteria:

- Where natural gas is the only source of heat
- Where a customer pays the lessor of \$200 or 50% of outstanding arrears
- Where a customer has contacted the gas utility for reconnection¹

Requiring a minimum payment to allow for reconnection is not atypical in many US jurisdictions². In addition, Union would encourage customers, as it does

¹ For safety reasons the customer needs to be home to allow a distributor to inspect appliances for safe operation upon re-energization, as required by the Technical Standards and Safety Act ("TSSA"). In order to successfully complete the service re-activation both the customer and the company will need to work cooperatively to coordinate a mutually acceptable date and time. While the company can attempt to contact the customer using contact information on file, the customer will be equally responsible to attempt to contact the company for service reactivation.

² U.S.A. Low Income Home Energy Assistance Program Website: <https://liheapch.acf.hhs.gov/Disconnect/disconnect.htm> which reflects minimum payment requirements including Illinois, Ohio, Michigan and others.

currently, to access available programs to assist with minimum payments recommended above. These include the utility funded LEAP program as well as community 211 services.

If Union were required to reconnect customers who had previously been disconnected for non-payment without any payment, there would no longer be any incentive for customers to pay their gas bill for the entirety of the heating season.

The Board acknowledged this in their report at page 44 where they noted utility feedback:

*“Generally, it is the view of most utilities and their representatives that a broad winter disconnection ban will **not address the root cause of customers’ inability or unwillingness to pay and may have unintended consequences for customers.** Most utilities agree that **without the threat of disconnection, customers do not see the need to make any payment arrangements with their utility and, as a result, will face much higher bills when the ban ends.** Some distributors identified the potential for “gaming” by students or other short-term customers who may choose not to pay and leave large unpaid balances on their account.”*

Regarding the reconnection activity itself, the operational impact would be significant. There is a requirement in the Technical Standards and Safety Act that the gas distributor inspect appliances for safe operation. This requires the customer to be home and provide access to the meter and all natural gas appliances. Operationally, reactivation of the service takes roughly 1 hour in the field and additional administrative time for scheduling of appointments. The cost to complete the reconnections is estimated to be **\$0.34 million** or more each year based on 3000 customers and this number would grow each year.

If no payment or other conditions were required as a condition of reconnection, arrears would increase significantly each year. Customers who do not pay in year one would have no incentive to pay on an ongoing basis. Union estimates a substantial increase of 50% year over year.

All related costs would need to be paid by other customers.

Board Report Section 6 NON-PAYMENT OF ACCOUNT CHARGES

Section 6.1 Late Payment Charge

OEB PROPOSAL:

- i) 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.*

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

UNION COMMENTS:

No issues. Union currently does this.

Section 6.2 Collection of Account Charge

OEB PROPOSAL:

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

UNION COMMENTS:

No issues. Union does not charge a Collection of Account charge.

Section 6.3 Install/Remove Load Control Device

OEB PROPOSAL:

Remove Install/Remove Load Control Device charge from electricity distributors' Approved Tariff of Rates and Charges.

UNION COMMENTS:

Not applicable.

Section 6.4 Disconnect/Reconnect Charge

OEB PROPOSAL:

- i) Change the name of the charge from "Disconnect/Reconnect" to "Reconnection".
- ii) 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.
- iii) Distributors should waive the charge for eligible low-income customers.

UNION COMMENTS:

Union's CIS does not have the ability to charge a reconnection fee over three months. Union estimates the costs for system changes is \$0.1 million, \$0.015 million in internal resources for a **total of \$0.12 million** and the time required to make these changes is four **months**. Union does not currently waive the charge for low-income customers. Waiving this charge would result in the cost needing to be shared by all customers.