



Cornerstone Hydro Electric Concepts Association Inc.

April 17, 2009

Ontario Energy Board
P.O. Box 2319
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Toronto, ON
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Attention: Ms. Kirsten Walli
Board Secretary

Ontario Energy Board – Request for Comments Customer Service, Rate Classifications and Non-Payment Risk Notice of Proposal to Amend Codes Board File No.: EB-2007-0722

Dear Ms. Walli:

The following represent the CHEC member LDCs input to the Ontario Energy Board's notice to amend codes File No.: EB-2007-0722. These comments are in addition to the input provided to the OEB with respect to the LEAP Program under Board File No.: EB-2008-0150.

CHEC member LDCs, which are smaller LDCs, have maintained a close working relationship with their communities and practice many of the initiatives noted in the LEAP Program and the proposed code changes. The CHEC member LDCs support working with all of their customers to facilitate account payment. However, our membership feels that by creating another customer class (Low Income Electricity Consumers) which will be for all intense and purposes, subsidized by other customers, may have a negative impact. The Cost Allocation Informational Filing and the Cost of Service Rate Applications were implemented to ensure customer classes, within a distributor's service area are paying their true cost of service and to avoid cross-subsidization.

The following comments raise specific concerns with the proposed code changes based on input from our members and the compilation of the input by a working committee. Concern exists that the combined impacts of all of the changes have not been fully recognized. It is hoped this input and the consideration of the Board will mitigate a number of the concerns raised.

B Definition of “Eligible Low Income Electricity Customer”:

The definition requires the customer to request an approved Social Agency to confirm they meet the definition of “eligible low income electricity customer”. CHEC member LDCs agree a third party evaluation is required and further agree that the acceptable Social Services Agencies are to be identified by the Board. In addition to identifying the social services agencies the Board should ensure the agencies are made aware of these proposed code changes and that their clients will be requesting confirmations of their eligibility. The Board should provide additional guidance as to the format of the acknowledgement which LDCs are to expect from the agencies.

C. Bill Issuance and Payment

1. Payment Period

CHEC member LDCs have generally adopted the 16 day payment period. With the expanded definition of mailing date and delivery date the full 16 days will be uniformly applied ensuring all customers the same duration to make payment. The Board believes the low income customer may require more time to make arrangements for funding to pay the account and have proposed the 21 day payment period for eligible low income customers. With the increased partnership with Social Services Agencies and an active account management plan the additional time for payment may not be required. It is proposed that the payment period not be increased at this time.

The extended payment period for a portion of customers will require CIS modifications or manual intervention. The efficiencies of the CIS systems are maximized with consistency in account treatment. While the systems can be modified to allow this flexibility the additional cost may not be warranted.

The option does exist to extend the payment period for all customers in the residential class. This would assist other low income customers that are not registered with any social agency however it is believed wide scale application would negatively impact the working funds. An extension of payment date for customers and especially customers in arrears reduces the time between bills which may further impact negatively on the customer’s ability to pay following bills.

The LDC collects payments for other industry participants such as the IESO, Hydro One and Retailers. Any extension in the time line for receipt of payment from the customer should be recognized in the terms of payment to other agencies. Extended time periods at the front end of the payment process should be recognized throughout the payment chain.

2. Determining When Bills are issued and Payment Received:

CHEC member LDCs are generally comfortable with these proposed changes. It is however interesting to note that a number of CHEC member LDCs deliver the bills, sorted by postal code to the Post Office immediately after printing to reduce mail time. The addition of the three days to account for a standard mailing time does increase the time for payment for these LDCs and ultimately their ability to pay other market participants.

4. Method of Payment:

It is recognized paying arrears by credit card can be beneficial in obtaining the outstanding accounts and reducing an LDC's exposure. The CHEC member LDCs are in general agreement with this proposed change conditional on the ability of the LDC to recover the transaction cost or the use of a third party provider that places the cost of payment with the customer.

D. Allocation of Payments between Electricity and Non-electricity Charges

In instances where an LDC collects payment for other services the CIS system will require review to determine what modifications will be required to apply payments to the electricity charges first. If an account were to remain in arrears for the second billing period guidance is required as to the application of subsequent payments. Is the next payment instalment applied to the other outstanding charges from the first bill and any remaining balance against the electricity charges on the second bill or do electricity charges take precedent? The ability to track and properly account for all account balances and transfers to other agencies will be required.

E. Correction of Billing Errors

1. Over-billing:

In some cases of overbilling, when brought to the attention of the LDC, a new reading will be initiated immediately and the consumption confirmed. If an adjustment is required a revised bill may be issued. This removes the need for the customer to pay the initial bill and for any return of funds. This mechanism should not be removed from the tools available to provide service to customers.

In instances where the bill has been paid requiring funds to be returned to the customer, the return of funds in a manner that benefits the customer is appropriate. In general, with active accounts, applying the credit to the current consumption meets the needs of the customer and does not incur the cost of a cheque for the LDC. The Board is proposing payment by cheque if the amount exceeds the consumer's average monthly billing amount. However, the Board should keep in mind there is a seventeen day delay before market pricing is available to LDC to bill customers, plus a sixteen day payment period and therefore the customer has already consumed thirty-

three more days of electricity which is owed to the LDC and other market participants. It is suggested that the issuance of the cheque remain the choice of the consumer allowing the consumer to apply the credit to their account. The proposal removes the customer's ability to direct the application of the credit and the prudence of incurring costs to return the funds may be questioned.

The Board's position that the funds, for low income consumers, may be more urgently needed elsewhere is recognized. In cases where accounts are not in arrears, returning the funds by cheque upon request is reasonable. Where the account is in an arrears position it is suggested that the funds should be applied against any outstanding balance and any remaining balance returned by cheque if requested. In cases where the customer is enrolled with a retailer the cancellation will need to follow the regular EBT code rules of cancelling and re-billing and the code should recognize this requirement.

2. Under-billing:

The repayment over a period of time is generally supported. Once the repayment schedule has been set, the payment is due and payable as any other charge for electricity. If the account should go into arrears the account management will follow the normal collection procedures.

4. Interest:

Not charging interest where there has been an under-billing as a result of distributor error is consistent with current practices and expectations. The charging of interest to all groups where tampering is in evidence is supported.

Section F Equal Billing:

We assume the Board is referring to Equal Payment rather than Equal Billing. Our discussions from this point forward assumes Equal Payment, where customers are billed their true amount but are allotted an equal payment amount. Providing the customer an equal payment plan vs. an equal billing plan, provides a clear indication to the customer of the cost of energy and associated charges to date and the balance position of the payment plan. In addition, as a customer benefit and to improve cash flow, pre-authorized payment plans are utilized with these programs allowing batch runs of the payments. Customers find this convenient, are never late with payments and know the monthly amount that is being withdrawn from their accounts.

Experience in operating equal payment plans has also shown that interim reconciliation may be in order to avoid over charging or under charging. Changes in weather from one year to another can alter the consumption and the equal payments. Customers typically appreciate this account management that flags the situation, adjusts the monthly payment and avoids a large under or over payment over the course of the plan. This flexibility should not be removed within the plan design if

LDCs are required to set the payment as outlined in the code (average monthly of the past twelve months). Plan design and operation if not carefully managed will increase the vulnerability of the customer and the LDC.

It is proposed the OEB confer with LDCs, both large and small, to better ensure that the code does not preclude an equal payment plan design that best meets the needs of the customers and LDC.

Extending equal payment plans to retailer enrolled customers is generally not supported. COLLUS Power, a CHEC member LDC has previously provided input on this matter which is attached to this document. The position as stated in the COLLUS correspondence was approved by the CHEC member LDCs and represents CHEC's position on this section.

G. Disconnection for Non-Payment

1. Form and Content of Disconnection Notice

It is important to provide a clear and concise message when providing a disconnect notice to ensure the customer clearly understands the importance of the issue and how best to avoid disconnection. While supporting the information that highlights the need to make payment arrangements, providing all of the information as noted in the proposed code may not be effective. The proposed disconnect notice may contain more information than the customer can reasonably review. It is proposed that the OEB further consult with social agencies to determine if there is value in including all of this information on the disconnect notice or whether a more targeted message would be or appropriate for receipt by the customer.

As noted in an earlier section the social agencies should be consulted on a provincial basis to inform them of the code changes and customers will be provided with direction to contact the agencies.

2. Timing and Duration of Disconnection Notice

Extending the notice period for a disconnection notice does not seem to take into account that the eligible low income electricity customer has already been provided an extended period of time to make arrangements to pay the initial bill. Section 2.5.3 provides 21 days to arrange payment of the bill and avoid any additional charges. Once the account goes into arrears (after the 21 days) the LDC will undoubtedly make some customer contact for payment and failing this move to disconnection. Without taking into account the time to work with the customer, the elapsed time from bill printing is:

- 3 days for mailing

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- 21 days for payment of the initial bill
 - 1 day to prepare and deliver notice (not allowing contact time)
 - 21 days to make payment
 - 11 day life of the notice.

This represents an elapsed time of 45 days and an additional 45 days of consumption prior to the disconnection taking effect (if the LDC acts on the first day after the notice period). If after an extended period of time for the initial payment, contact with social agencies (need to do to confirm eligibility) and LDC efforts to set up payments, arrangements have not been made then additional time may just be compounding the problem.

It is proposed that the OEB review the proposed notice periods and determine a schedule that reduces the mandated time line to a more reasonable period.

4. Additional Recipients of Disconnection Notice

Extending payment times and special notices have been noted as increasing the overall cost of account management. While not quantified it is believed by CHEC member LDCs that costs will increase if the proposed changes move forward. The Board believes that the better account management will reduce arrears and effort. Member review of the proposed code, based on their past experience in account management, do not support the Board belief.

For situations where a health issue may complicate account management it would be more appropriate to ensure early notice to the appropriate agencies to allow appropriate measures to be determined. An extended period of 60 days may not address the issue and may delay third party intervention that is required.

H. Security Deposits

The code changes do not seem to recognize that the customer's ability to pay may not be increased with increased duration for payment. Many LDCs are flexible with deposits and allow payment over time however it is usually in the order of four months. This represents a balance between working with the customer and managing risk.

Applying deposits to arrears prior to issuing a disconnect notice removes all LDC security and again extends the risk of lost revenue. Applying the deposit to arrears requires the customer to re-establish a deposit in order to continue with service. If the deposit is maintained by the LDC the only issue the customer needs to address is obtaining the account payment.

The re-payment of deposits in instalments may present financial risk to the LDC as well as administrative concern and costs.

I. Arrears Management

LDCs work with their customer to arrange payment in order to mitigate non-payment risk and bad debt, which ultimately must be recovered from other customers. The collection process involves working closely with our customers until all other avenues have been exhausted. Distributors are diligent in trying not only to protect their customers but also endeavour to avoid disconnection if at all possible. Codifying the requirements may lead to unexpected results as the programs move forward. While the guiding principles of the LEAP program are supported it is suggested LDCs continue to be provided with the flexibility to work with their customers. As noted in the LEAP submission to the Board the OEB could issue general guidelines that provide direction but allows local flexibility.

Section K Anticipated Cost and Benefits

The Board has asked for input with respect to the expected costs and benefits to the proposed changes. The Board believes in some instances there will be significant costs for LDCs to implement and further that the benefits will offset these costs.

Any one change in the code does not represent a significant cost or risk. Taken collectively however the code is requiring significant administrative tasks to be implemented, special considerations for CIS systems and longer collection and more restrictive account management. These are expected to add significantly to the costs and can increase the exposure to bad debts. The extended time line for customer action reduces the priority of the issue from the customer's perspective and postpones customer activity to resolve the situation.

Based on our beliefs that extended periods of time could be detrimental to the overall financial position of the LDC it is unlikely members would extend these measures that are made available to the eligible low income electricity customers to all customers.

CHEC Member LDCs continue to play an active role in our communities and provide services to all of our customers. Past practices have generally recognized payment needs. CHEC member LDCs do have concern about the level to which the Board has proposed codifying account management and the associated risk that will be incurred by the LDC and the eligible low income electricity customer if their payment situation is not dealt with in a timely manner.

We look forward to working with the Board on this issue to better serve all of our customers.

Yours truly

Gord Eamer

Gordon A. Eamer, P.Eng.
CHEC Chief Operating Officer

Member LDCs

Centre Wellington Hydro	COLLUS Power
Innisfil Hydro Distribution Systems	Lakefront Utilities
Lakeland Power Distribution	Midland Power Utility
Orangeville Hydro	Parry Sound Power
Rideau St. Lawrence Distribution	Wasaga Distribution
Wellington North Power	West Coast Huron Energy



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Re: **Electricity Distributors Offering Equal Payment Plan to Regulated Price Plan Customers**

On July 5, 2006 we received the following e-mail request for reply:

The Ontario Energy Board has received a number of inquiries from consumers who are contracting their electricity supply with retailers regarding the Equal Payment Plan (EPP) option offered by some electricity distributors. Some consumers are reconsidering their choice of contracting their electricity supply with retailers because of losing the EPP option offered by their distributor.

It is our understanding that most electricity distributors offer EPP to their Regulated Price Plan (RPP) customers. We also understand that some distributors remove that choice from consumers once they decide to contract their supply from retailers.

To have a better understanding of the EPP process, I need your assistance in clarifying the following points

- 1. For RPP customers on EPP, distributors pay the full cost of power and only collect from the customers the equal billed amount. Can the distributor make similar arrangements for customers who contract their supply from retailers? If yes,*
- 2. What are the main reasons for not offering the EPP to customers who contract their supply from retailers?*

To be clear, for the purposes of this response, we are interpreting the definition of the Equal Payment Plan to be a plan where the consumer pays a set amount each month for 11 months, and then has a reconciliation in the 12th month where the consumer is billed or credited the difference between actual costs and the amounts paid for energy and regulated charges.

The particular question regarding extending EPP to Retailer Enrolled customers was raised prior to Market Opening, and discussed on various occasions since by multiple parties. Although there may be some LDC's that have chosen to provide EPP for Retailer Enrolled customers (ours was not one of those), it would be our interpretation that this was done as a result of the fact that the majority of Retailer Customers were not paying Retailer Rates, but in fact were billed at the Regulated Price through requirement of Legislation enacted in the fall of 2002. The LDC was protected for the difference between the Retailer Contract Rate and the Regulated Price through a monthly financial adjustment mechanism facilitated through the IESO. Additionally, the LDC was able to calculate the Equal Payments using the same parameters as they did for SSS consumers since virtually all residential customers were paying the SSS rate.

Only recently there has been a significant increase in Retailer activity across our service territory, and as prescribed by legislation, consumers that now sign with Retailers are no longer covered under the RPP. These particular customers have chosen to enter into signed financial agreements with their respective Retailers to pay for their energy according to a pricing plan under a legally binding contract.

As the “collection agency” for the Retailer using Distributor Consolidated Billing, it is our responsibility as the distributor to collect the amounts requested by the Retailer through the EBT Process, and having billed the consumer the Retailers stipulated amount, to settle with the associated Retailer on the difference between the True Cost of Power and the Retailers Charges.

Section 7.2 of the Retail Settlement Code states:

If a consumer is billed by way of distributor-consolidated billing, the distributor shall issue a bill to the consumer that includes the full cost of delivered electricity with the portion of the bill attributable to competitive electricity costs based on the contract terms between the consumer and their retailer.

It is our belief that the requirement for collecting the “full cost of delivered electricity” from the consumer on Distributor Consolidated Billing was in part established to reduce the potential of the competitive market being subsidized by customers on the Standard Service Supply. There is a risk to the LDC tied to offering an Equal Payment Plan to consumers. Part of the risk mitigation is managed through knowing at least one of the two contributing components of a customers cost. In the case of an RPP consumer, the LDC knows the Cost and estimates the Consumption.

As an LDC, we are not provided (nor do we want) access to the individual terms of every contract signed between electricity consumers and their Retailer. In light of that, it would be difficult for us to predict a price over which to establish an Equal Payment Plan for a specific customer given that there are two key components that are now being estimated – Quantity of Product and Price.

There is nothing in the Codes, Regulations, or Legislation that prevents a Retailer to offer varying prices to customers that have chosen to sign a long (or short) term contract. To my knowledge, there is nothing that forces a Retailer to even offer a fixed rate per Kwh over the term of a contract. In fact - many Retailers have chosen to offer contracts that have built-in reductions and/or rebates tied to customer loyalty and/or varying rates based on levels of consumption.

To provide a reasonable EPP for a Retailer Enrolled customer all these contract terms, rebates, and any related discounts would need to be taken into consideration. The costs involved in developing and managing these requirements are something that an LDC should not be asked to finance on the backs of the overall rate class. Add to this the fact that there are multiple Retailer offerings, multiple Retailer contract terms, and multiple Retailers, the complexity is not something that LDC’s should be mandated to finance on the backs of the overall customer base.

We do recall one particular customer that having signed with a particular Retailer in 2005 received their first invoice at a rate that was over \$200 per Kwh. Their next invoice was at a rate of over \$100 per Kwh. As it turned out, this was part of the contract the customer signed which provided a guaranteed return for the Retailer based on a pre-set volume of energy – regardless of what the customers actually used. In the first few months of the contract, the consumption was low (due to delayed enrolment across the customer group) hence the consumers were issued large invoices. To ask an LDC to bridge finance consumers payments in order for the Retailer to maintain cash flow is unfair to the balance of the rate classes especially given the amount of work the industry is doing to ensure fair cost allocation of LDC charges which represent a much smaller portion of a consumers invoice.

On another point, Section 7.2.4 of the Retail Settlement Code states:

A distributor shall refer all inquiries pertaining to retailer pricing or contract terms to the relevant retailer.

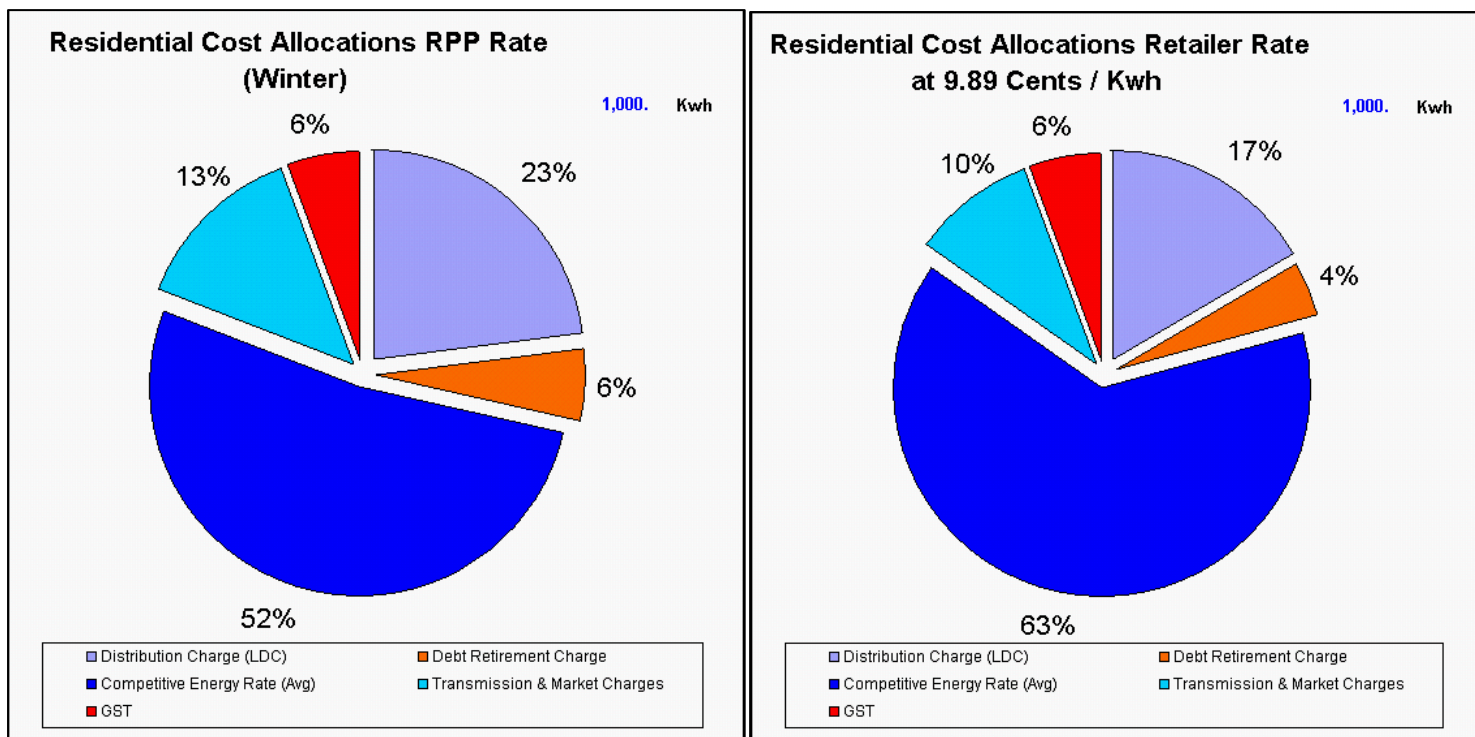
Should a Distributor begin changing the billing amounts from what is supplied by the Retailer to some form of Equal Payment Plan, it would be difficult for the Retailer to answer billing questions related to pricing.

Section 2.6.2 of the Standard Service Supply Code states:

A distributor may offer an equal billing plan option (or some equivalent form of levelized or budget billing) to all standard supply service customers

As noted above, there is a certain level of risk an LDC takes on when offering an Equal Payment Plan to a consumer. Some LDC’s willingly take on this risk on behalf of their SSS customers (for whom they are legally obligated to procure power) in return for some of the benefits that come from offering such a billing option. One benefit is the customer satisfaction quotient that comes from providing this form of budget billing. In the earlier stages of the market, when the price was set at 4.3 cents per Kwh, there were times when the LDC was carrying a large deficit on behalf of those consumers, and times when the LDC was recovering the deficit as consumption went down but payments from consumers remained constant. Now that the Regulated Price is set at an average of close to 6 cents per Kwh, LDC’s are faced with the challenge of carrying even larger potential deficits. With current Retailer offerings at close to 10 cents, the LDC could see this as a higher risk of non-payment. After all – almost doubling the current rate of electricity for the largest single portion of a consumers’ bill could be the straw that drives the consumer to begin missing payments.

In the charts depicted below, we have demonstrated the proportion of the consumers invoice directly related to key components of billing. The graphs clearly demonstrate the increased exposure an LDC would be undertaking if “required” to provide an Equal Payment Plan to Retailer enrolled DCB consumers at the current Retailer Rate we have been recently been made aware of.



We respectfully request that the OEB take all these facts into consideration when reviewing if LDC's should be mandated to undertake the cost and responsibility of providing an enhanced billing and financing service on behalf of the competitive Retailers.

In conclusion, should a Retailer wish to offer additional services and/or payment options to make their company more attractive to the consumer, they always have the option of providing Retailer Consolidated Billing to their customers. By offering Retailer Consolidated Billing, Retailers who wish to provide an Equal Payment Plan could weigh the risks and costs associated with providing such a service against the benefits gained of potentially increasing their customer base.

We agree that the Retailers should be allowed to offer an Equal Payment Plan to their Retailer Consolidated Billing customers a business decision in the same way that LDC's are allowed by way of the codes to make the same business decision for their SSS customers.

If you would like to discuss the issue further, please feel free to contact me directly by phone or e-mail at your convenience.

Yours truly;

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