



*Cornerstone Hydro Electric Concepts Association Inc.*

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April 17, 2009

Ontario Energy Board  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto, ON  
M4P 1E4

ATTN: Ms. Kirsten Walli:  
Board Secretary

**Ontario Energy Board – Consultation on Energy Issues Relating to Low-Income Consumers Report of the Board: Low Income Energy Assistance Program Board File No.: EB-2008-0150**

Dear Ms. Walli

As outlined in Board report EB-2008-0150, the development of a Low-income Energy Assistance Program (LEAP) consists of three components:

- 1) temporary financial assistance for low-income energy consumers in need;**
- 2) the benefit to more flexible customer service rules on matters such as bill payment and disconnection notice periods and;**
- 3) targeted conservation and demand management programs.**

In reviewing the suggested components of the “toolbox” of resources that could be made available to assist low-income energy consumers there are several items with which CHEC member LDCs are in agreement, and in many instances are currently practicing. The guiding principles of the Board’s Position offer a strong framework for managing arrears and the customer’s ability to pay. There are however, several items in the proposed code amendments with which CHEC member LDCs do not believe are in the best interest of the distribution system and the customers in general. In some instances implementation would be contradictory to the guiding principles upon which LEAP was developed and the principals of fair and equitable rate setting.

These comments under EB-2008-0150 focus on the Low-income Energy Assistance Program and will make some mention to additional comments that will be forwarded to the Board under EB-2007-0722. Our understanding of the EB-2008-0150 request for comments is to focus on anticipated implementation issues and proposed solutions.

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## 1) Emergency financial assistance for bill payment:

The Board has determined that additional financial assistance would benefit the low income customer in managing their bills and maintaining services. This premise is well supported and member LDCs agree with the following positions that have been put forward:

- funding should be accessible on a province wide basis,
- eligibility for the assistance should be based on need, as determined by a social assistance agency
- the assistance program should not be overly costly or complicated to administer and
- it is important that the commodity continue to reflect the true cost of power particularly in the electricity sector as time-of-use pricing becomes more widespread.

The cost of the commodity and the delivery charges are to be the same across all members in the rate class. Any relief should be made available to the customer separate from the energy billing. Many CHEC member LDCs make annual contributions to charitable organizations in their service territories and do so as part of their commitment to their local community. Incorporating this contribution into a code:

- infringes on the rights of the shareholder to determine this commitment,
- varies from rate setting principals based on the application of funds as the funds are being generated for “social services” rather than the provision of electrical services and
- does not recognize that different communities will have varying needs for financial support.

**CHEC proposes that:** The funding for emergency financial assistance not be incorporated into the distribution requirements and provincial ministries are approached for increased social assistance to address the need of low income consumers. If however it is determined that funds are to be provided through the electricity system rates, any funding provided for emergency support be incorporated as a provincial charge.

Currently the proposal is to codify the emergency funding contribution for gas and electricity distributors. Within the industry there are retailers actively engaged in supplying contracts for the commodity. If distributors, which are Ontario Business Corporation Act companies, are required to contribute to LEAP funding, then retailers should be required to contribute as part of their licensing. Retail contracts have generally increased the cost of the commodity to the end user and as such compounded the problem of ability to pay. It is incumbent that the retailers participate in any action moving forward to support the LEAP initiative.

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**CHEC proposes that:** In the event distributors are mandated to contribute to LEAP funding, the same requirements are incorporated in retailer licenses.

## **2) Tailored customer service measures**

The principal of rate setting moved forward by the OEB and other regulators is for rates to capture the costs and allocate same to the customer class responsible for the costs. Maintaining this basic premise remains an important cornerstone to good rate setting. With respect to LEAP and its implementation, concern exists that the additional rules, which are being proposed, will increase the overall costs and risks to the LDCs. These costs could require the entire residential class rates to rise. The anecdotal evidence provided by the OEB does not provide full cost justification for taking many of these actions.

**CHEC proposes that:** Basic rate principles are maintained as LEAP is implemented.

CHEC member LDCs are sensitive to the fact that with rising costs and the current economic conditions many customers will be facing difficult times in meeting their financial commitments. While it is recognized that low income customers identified in the LEAP program may continue to experience difficulty in paying for the utilities they use, it is also anticipated that many other customers, residential and commercial, will experience difficulty if the current economic conditions persist. All these customers deserve to have their account managed in a sensitive and responsive manner.

The general feeling is that this LEAP proposal is creating a new customer class with special consideration that may or may not be warranted. LDCs over the years have worked diligently with their customers who, for whatever reason, find themselves in arrears. The current collection procedures followed by member LDCs allows for a consistent response to the customer needs while offering staff flexibility in reaching agreements with customers who are engaged with the LDCs to manage their accounts.

**CHEC proposes that:** LDCs be encouraged to continue to work with their customers who are experiencing difficulty paying their bill and the Ontario Energy Board monitor the situation further to determine if there is need for further involvement. Further, if the OEB determines there would be benefits in setting certain measures, the OEB issue general guidelines and each LDC file with the OEB their procedure for same.

The implementation of the LEAP program, if it were to move to implementation, will require changes in technology, procedures, relationships and overall resources to adequately manage. Member LDCs were requested for input with respect to the Code changes to determine the benefits and impacts. Detailed input on the Code changes

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will be provided under separate cover to EB-2007-0722 however a high level summary is provided in this section to better demonstrate the reason for comments made with respect to LEAP.

Some of the major challenges that have been identified with respect to implementing the code changes to facilitate LEAP include:

- **Information and Billing Systems:** Changes such as the movement of due dates, extended due dates prior to further action, differential interest rates will require additional programming or changes to existing customer information and billing systems. These systems have been modified a number of times since market opening. LDCs anticipate they will incur significant administrative costs as many of the items proposed will require intensive manual effort where modifications to Customer Information Systems (CIS) may be cost prohibitive for such a small group of proposed customers.
- **New Customer Class:** The general feeling is that the changes proposed by LEAP are in effect creating a new customer class and may be viewed to be discriminating against other customers who are also suffering financially but have chosen not to seek the assistance of social services agencies (the working poor, pensioners). While the rates for low income remain the same as the general residential customer class the LEAP Program suggests a differential service process which differentiates the customer into a separate class.

In a cost allocation process any additional costs will be absorbed by the customer class or classes where those costs are incurred. *The Ontario Energy Board's Cost Allocation Informational filing committed extensive cost and resources to provide load data and data analysis.* It has been evident in rebasing filings that the driving force of all interested parties in the rate re-basing process is to reduce/eliminate cross-subsidization among customer classes. It would appear this premise of the cost allocation filing could be diluted by the LEAP program.

- **Extended Payment Duration:** Currently member LDCs work with all of their customers to obtain payment in a reasonable time frame. The extended payment period is offered in many situations however it is based on an assessment of the customer's past record of entering into and meeting the requirements of payment schedules. Automatic extension of the payment date increases the total amount due thereby increasing the customer's debt. When implementing LEAP it will be important to not confuse the customer's ability to pay with more time to pay. Providing a customer more time to pay, when they do not have sufficient funds to cover the existing debt and on-going consumption does not resolve the issue for

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the customer or LDC. Emergency funding, to place the customer back on an equal footing is often required.

- **Equal Billing:** The OEB paper makes reference to equal billing where many of our LDCs offer an “equal payment” plan. While very similar the equal payment plan calculates the expected consumption and the associated costs to offer the customer the opportunity to make equal payments based on this estimate. Generally the payments are pre-authorized with the customer’s account being debited for the agreed amount. The equal payment plan offers the customer a smoothing of costs and ease of payment based on the agreement that the funds will be available.

Extending the equal payment plan to customers in arrears is based on the premise that the customer will have the funds to cover the future payments. If it is unlikely the customer will have the funds, extending the plan increases the customer’s debt and the LDCs exposure.

The equal payment plan is offered by LDCs to customers based on consumption estimates and a known rate for the energy and associated delivery charges. CHEC member LDCs do not support the extension of equal payment to customers enrolled with retailers as the information to fully estimate the charges to establish the plan is not available. In addition as retail contract rates are generally higher than RPP rates the LDC’s exposure would be increased in the case of non-payment. The retailer does have the option of offering payments plans to address any needs within the market place.

Further consultation is required to fully realize the impact of these proposed changes. CHEC member LDCs look forward to participating on the LEAP Implementation Working Group to provide more input and work with the OEB to ensure appropriate implementation.

### **3) Targeted Conservation and Demand Management Programs**

The Board proposal for CDM programs specifically targeted for low income is supported by the CHEC member LDCs. Through the third tranche CDM funding a number of programs were targeted at the low income market. These programs while providing good experience did not determine a fool proof method or program for breaking down barriers to implementation.

Over the past several years there have been a number of initiatives by housing associations and cooperatives built on the implementation of technology along with education and benefits for the tenants. Incorporating these findings to determine proper program design will be an important step in developing CDM programs for the social

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housing market. Further work will be required to determine how to implement programs beyond those controlled by social housing. While targets can be set, achieving those targets will require an understanding of the issues, program design best suited for the populations and delivery channels that remove barriers to implementation.

**CHEC proposes that:** If the OEB determines to move ahead with a targeted CDM plan for low income delivered through the LDCs that the OEB facilitates the:

- Cross sector learning to best identify program requirements
- Identify program evaluation criteria other than TRC to allow for proper program evaluation that takes into account the education component of the program
- Central design of programs that are best suited for delivery across several jurisdictions and that can achieve economies of scale by standardizing the measures delivered by each LDC.

CHEC member LDCs are in support of continuing to work with all of our customers to achieve account payment while recognizing individual situations. CHEC member LDCs trust the input provided will be taken into full consideration in the OEB decision making process. We look forward to providing further input and working with the OEB to implement a program that best meets the needs of customers in Ontario.

Respectfully submitted

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**Member LDCs:**

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|-------------------------------------|-------------------------|
| 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 |