



April 17, 2009

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto, ON M4P 1E4
Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: Consultation on Energy Issues Relating to Low Income Consumers and Proposed Code Amendments relating to Customer Service, Rate Classification and Non-payment Risk

EB-2008-0150 and EB-2007-0722

Response to Invitation to Comment

In its Report and Proposed Code Amendments, both issued March 10, 2009, the Board invited stakeholders to provide comments on the two very significant documents with a particular focus on implementation costs and timeframe. *ENWIN* has prepared this single document with comments that span the issues set forth both in the Report of the Board and the Proposed Code Amendments.

ENWIN's service area, the City of Windsor, suffers from the highest unemployment rate in Ontario. Currently, Windsor's official unemployment rate is 13.7%. That rate is over 50% greater than the provincial average of 8.7%. Accordingly, proposals to further accommodate the needs and interests of low income electricity consumers are particularly important to *ENWIN* and its customers. *ENWIN's* submission is enclosed.

Yours very truly,

***ENWIN* Utilities Ltd.**

[original signed]

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IMPLEMENTING THE LOW-INCOME ASSISTANCE PROGRAM

I Temporary Financial Assistance

A) Costs

The Board's proposal would cost 0.12% of *ENWIN's* distribution revenue requirement. In 2009, this amounts to about \$65,000. This would more than double the approximately \$25,000 that *ENWIN* currently allocates to the Keep the Heat program. *ENWIN* would recover these incremental costs through a Deferral Account until the costs could be incorporated into *ENWIN's* revenue requirement.

ENWIN does not anticipate incurring any incremental start-up or incremental operating costs associated with what is essentially an expansion of the Keep the Heat program, beyond the funding amount noted above.

ENWIN does anticipate that the social services agency currently administering the Keep the Heat program would incur additional operating costs in order to provide assistance on a year-round basis and to a larger pool of applicants. Assuming 1 incremental front-line FTE, this would cost approximately \$85,000.

The total incremental cost of this initiative would therefore be approximately \$125,000. Of that, \$40,000 would clearly be attributed to a Deferral Account. It is not clear how the remaining \$85,000 would be recovered in order to keep the social services agency whole.

B) Timeframe

This initiative could begin immediately and would likely ramp-up to full staffing (and therefore full capacity) within 1-2 months.

C) Comments

This is the most cost-effective and efficient mechanism in the LEAP. This will quickly get financial relief to those that require it. There is minimal increase to administrative resources and no system changes required.

It will be important for the Board to confirm that the current social service agency involved in administering Keep the Heat is an approved social services agency for the purposes of LEAP. It will be important for the Board or the social service agency to establish a meaningful and workable definition of "eligible low income electricity consumer" prior to program launch. Particular attention will need to be given to whether the definition ought to include individuals receiving OW, ODSP, OAS, EI, OSAP, and other forms of assistance.

II Tailored Customer Service Measures

A) Costs

Start-Up Cost Estimates¹

		Only Internal Resources for First Implementation	Outsourced Resources for First Implementation ²
Staff ³	Information Technology	\$85,000	\$21,250
	Customer Service	\$21,250	\$21,250
	External Provider ⁴	\$0	\$200,000
IT/CIS Systems ⁵		\$50,000	\$50,000
EPP for Retailers' Customers ⁶		unknown	unknown
TOTAL: 1 st Implementation		\$156,250+	\$292,500+
TOTAL: 2 nd Implementation ⁷		\$242,500+	\$242,500+

¹ All numbers are estimates. It is *ENWIN*'s expectation that the Board will only use these figures as "ballpark figures" to assist with policy development. It is *ENWIN*'s expectation that the Board will keep distributors whole on actual costs.

² Given the Smart Metering Initiative, IT Infrastructure projects as set out in *ENWIN*'s 2009 COS application, Distributed Generation and other projects associated with the Green Energy Act, and regular operations, it may not be possible for *ENWIN* to perform this start-up work using the "Only Internal" resources option.

³ This assumes a fully-loaded cost of \$85,000 per internal employee.

⁴ Rough estimate based on internal expert assessment.

⁵ Rough estimate based on internal expert assessment of the cost of "Predictive Caller" technology to make the proposed call prior to disconnect. This one-time cost would be significantly less expensive than the ongoing costs associated with having an individual make the calls. *ENWIN* currently has 23,000 to 25,000 disconnects per year and anticipates that each call regarding disconnect would take about 5 minutes, based on experience with collection-related calls. This option would take approximately 2,000 hours, which is 1 FTE (\$85,000 per year).

⁶ Given the information currently exchanged by EBT, this proposal would not be technologically feasible. Distributors do not generally know the contract terms that retailers have with their customers. It is unknown what start-up costs would be incurred to make this information known and usable for EPP.

⁷ As set out in *ENWIN*'s 2009 COS application, *ENWIN* is in the process of transitioning to new IT Infrastructure. This transition is not expected to be completed until late 2010. As a result, if LEAP implementation must occur

Operating Cost Estimates

		Annual Cost
Staff	Information Technology	\$21,250
	Customer Service ⁸	\$170,000
Billing ⁹		\$330,000
Meter Reading ¹⁰		\$243,000
Cheques for Billing Errors ¹¹		\$21,000
Working Capital Allowance ¹²		\$105,748+

using the existing system and a future system, *ENWIN* will incur many of the costs twice. *ENWIN* would not incur the Predictive Caller cost twice. Because *ENWIN* will not have developed the expertise using the new system, the second implementation would necessarily be done by outsourced resources.

⁸ Assumes 1 incremental FTE to manually manage security deposits, a function that is currently automated but that can not be automated based on the proposed terms. In the event that post-secondary students living away from home may be eligible low-income electricity consumers, the number of FTEs would be exponentially greater in August-September and April-May to manage security deposits and rebates. Assumes 0.5 incremental FTE to manually manage EPP, a function that is currently automated but that can not be automated based on the proposed terms. Assumes 0.5 incremental FTE manually manage billing errors, a function that is currently automated but that can not be automated based on the proposed terms.

⁹ The proposal would make billing electricity and other products (water and waste water) together impractical and potentially disadvantageous to water and waste water service providers (e.g. working capital allowance, priority electricity charges). This estimate provides for moving from 1 bill to 2 bills. This only includes costs of materials, not system changes or labour.

¹⁰ The proposal would make reading electricity and water meters at the same time less feasible. Currently, by reading both meters at the same time, costs are halved. Accordingly, pre-Smart Metering, the routes would be read independently, thereby doubling the cost in 2010.

¹¹ Currently billing errors in the customers' favour are applied to future bills. In the event that cheques must be issued and sent to customers, the cost of cheques and related materials (exclusive of labour) would be incremental costs, which are reflected here. Assumes that 0.5% of monthly bills to 10,000 low-income customers result in a corrective cheque (\$35 fully loaded cost per cheque sent). If the definition of "billing errors" includes estimates used when access to a meter was blocked, these costs would be exponentially greater.

¹² Deeming the receipt of the bill 3 days after it is issued could increase WCA by an estimated 18.75% (3 more days / 16 current days). Because it is not expected to be feasible to record the post-mark or customer's bank receipt of payment date, *ENWIN*'s plan is to formalize a 3 day grace period as an alternative. This could increase the WCA by a further 18.75%. While the combination of these increases could theoretically increase *ENWIN*'s WCA to increase to 20.63% (\$10,574,799) without a prospective lead-lag study or monitoring actual results, it is difficult to estimate the true impact. For the purposes of this submission, *ENWIN* has estimated experiencing at least 1% of the potential impact (\$105,748).

EPP for Retailers' Customers ¹³		unknown
Off-setting Savings ¹⁴		\$0
TOTAL		\$890,998+

Total ENWIN Costs

For the reasons stated above, it is most likely that *ENWIN* would be required to outsource set-up. Assuming *ENWIN* must come into compliance for the customer service measures set out above prior to 2011, there would likely be 2 implementations of the initiative. **Accordingly, the most likely cost for *ENWIN* to implement the customer service measures over the first 4 years would be greater than \$3,369,992.**

Outsource Option			
Year 1 (1 st Start-up)	Year 2	Year 3 (2 nd Start-up)	Year 4+
\$1,183,498	\$647,998	\$890,498	\$647,998

Total Social Service Agency Costs

ENWIN anticipates that as a result of its unemployment rate, it would be a conservative estimate to predict 10,000 of its 75,000 residential customers could be eligible low income electricity consumers. It is unlikely that a social service agency could absorb the initial and ongoing assessment of consumers without significant additional staff. Assuming that each eligible consumer will require 0.5

Providing an incremental 39 days before disconnect to low income consumers will further increase the WCA and the likelihood and magnitude of Bad Debt Expense, however the quantification of these costs is less certain due to the potentially offsetting influence of the emergency financial assistance initiative. Accordingly, *ENWIN* estimates that the emergency financial assistance initiative and the Bad Debt and WCA related to disconnects will offset each other.

¹³ See Start-Up Costs Estimates above.

¹⁴ *ENWIN* anticipates that the only offset will result from the emergency financial assistance initiative. *ENWIN* estimates that this fund and the Bad Debt and WCA related to disconnects will offset each other. Just as the Bad Debt and those particular WCA costs related to extended disconnects have not been included as costs, the benefits from the emergency financial assistance initiative are also not included. No further offsets are foreseen.

hours of attention (e.g. application evaluation, status re-assessment, communications regarding consumer with other agencies and *ENWIN*) each year, this would take 5,000 hours, or 2.5 FTEs. Using \$85,000/year/FTE, the **staffing cost to the social service agency would be \$212,500 per year. Set-up costs and system costs could easily add an additional \$50,000.**

B) Timeframe

ENWIN has based the start-up costs on a 6 month period to prepare for the customer service measures proposed in LEAP. A more expedient timeframe would result in greater costs for additional outside services. Additional time will be required at the outset to analyze the final requirements and perform the necessary outsourcing processes.

C) Comments

This is the least cost-effective and efficient mechanism in the LEAP. This will require significant increases in administrative resources at *ENWIN* and the social services agency. There are significant system changes required.

ENWIN's initial assessment is that the costs of adopting the proposed measures may not be significantly different if the measures were applied to all residential customers rather than only to eligible low income electricity consumers. The start-up costs would be almost identical because the system changes would be similar in effort in either scenario. While it would not be necessary to engage in the same identification procedures for the customer service measures, those identification and re-assessment procedures would be required for the emergency financial assistance in any event. The most uncertain and perhaps most significant concerns relate to the potential impacts on working capital allowance and bad debt expense. These costs could potentially remain very similar to the status quo or increase exponentially.

It will be important for the Board to make the start-up funds (est. \$535,000) and annual operating funds (est. \$890,998 (2010), \$647,998 (2011+)) available to *ENWIN* to keep the distributor whole. It will also be important to keep the social service agency whole by covering start-up costs (est. \$50,000) and annual operating costs (est. \$212,500). It is unclear what recovery mechanisms will be used for *ENWIN* and the social service agency.

It will also be important for the Board to provide a reasonable implementation period. For *ENWIN*, once the final code amendments are made, an assessment of the required changes will be performed and an RFP issued. This preliminary process will likely take a month. Thereafter, *ENWIN* anticipates needing 6

months of implementation time. **Accordingly, ENWIN proposes the Board provide a 7-8 month start-up period following the issuing of amendments.**

ENWIN requests that the Board hold an implementation session in the coming months for the benefit of distributors and social service agencies. There are numerous details that have yet to be articulated that will significantly affect implementation.

III Targeted Conservation and Demand Management Programs

A) Costs

ENWIN anticipates that these programs will be cost-neutral and eligible for LRAM and SSM under the existing framework of those mechanisms.

B) Timeframe

ENWIN will have regard for the Board's expressed preference for these targeted programs as it considers its future CDM programming.

C) Comments

This programming is not expected to increase incremental CDM costs or require revisions to any existing timeframes. In combination with the emergency financial assistance program, this initiative should bring meaningful and direct value to low income consumers.

It is important to be mindful of the fact that many low income populations are highly mobile and addresses may change more quickly in some cases than for other populations. To be meaningful for the consumer, programming will need to result in immediate and short-term benefits.

IV Reporting Requirements

A) Costs

ENWIN notes the Board's goal is to not increase costs as a result of new reporting requirements. Nevertheless, additional costs may be incurred. This may be particularly true for *ENWIN* and other distributors that may be required to perform 2 implementations due to system changes. *ENWIN's* expectation is that the Board will continue to ensure that distributors remain whole for any costs.

B) Timeframe

ENWIN anticipates that incorporating reporting mechanisms into its systems will be part of the 7-8 month start-up period.

C) Comments

Given the significant costs associated with the customer service measures, reporting will be an important gauge of the efficacy of that initiative in particular.

V Education and Outreach

A) Costs

Pursuant to the Board's statement that consumer awareness campaigns are "critical" to the success of the LEAP, *ENWIN* anticipates that the Board will clearly define the cost-recovery mechanism that will support these incremental activities and ensure that distributors remain whole.

B) Timeframe

ENWIN is eager to educate its customers on the LEAP, particularly the emergency financial assistance initiative, which will provide direct and meaningful assistance to thousands of Windsorites. There are minimal start-up issues associated with the emergency financial assistance, *ENWIN* suggests that the Board make allowance for recovery of these expenses through the same Deferral Account as will be used for the emergency financial assistance contribution. This will ensure the campaign begins without delay and consumers begin accessing the funds as soon as possible.

C) Comments

ENWIN supports this initiative.

VI Concluding Comments

ENWIN commends the Board for attending to the interests of low income residential consumers at this very difficult time. The emergency funding and targeted CDM will help many individuals that are in serious need of aid.

While ultimately *ENWIN's* financial corporate interest will be satisfied so long as the Board keeps *ENWIN* whole, *ENWIN's* hope is that the Board will reconsider the benefits of the customer service measures in light of the anticipated costs. It appears as though the good intentions of the proposed code amendments will create considerable administrative costs relative to actual benefits. Many of the productivity improvements that have been made over the past decade will be lost as *ENWIN* and other distributors are forced into more manual processes and interventions that are required under the proposed measures.

This contrast is made all the more stark by the cost-effective emergency financial assistance and CDM initiatives. *ENWIN* notes that the approximately \$860,000 to \$1,450,000 in incremental costs to implement and administer the customer service measures is 7 to 12 times greater than the \$125,000 incremental cost of the emergency funding assistance initiative. Were the Board to abandon the proposed code amendments and focus on emergency financial assistance, more money would go to those in need and it would cost the remaining customers much less.