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October 23, 2009

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

Re: EB-2007-0722 Revised Proposed Amendments to the Distribution System Code, the Retail Settlement Code and the Standard Supply Service Code

Dear Ms. Walli:

Bluewater Power Distribution Corporation ("Bluewater Power") would like to submit comments in regard to the above noted code amendments related mainly to issues surrounding customer service policies and processes. Bluewater Power supports the submission made by the Electrical Distributors Association ("EDA"), and would like to provide supplemental information to support that submission given the magnitude of the proposed changes on this, and other, LDCs.

Our goal in making separate submission is to assist the OEB to understand the magnitude of the implications for the proposed changes. The quest for consistency across the province may appear to have merit at face value, but it ignores the complexity of making changes to our Customer Information System ("CIS") and even the complexity and implication of changes to our business practices. For example, the fact that one utility allows Equal Payment Plans for customers signed with a retailer does demonstrate that practice is possible; of course it is possible, the point we have been trying to make through this proceeding is that it will cost money (CIS changes and an increase in bad debt risk) and those costs are not currently built into rates. Moreover, the timing could not be worse given the challenges we face as an industry at this point in time. Having said that these changes are possible, there are proposed changes that we do not think can be justified, nor should they be imposed, and we would challenge the OEB to establish that the required investments are prudent investments for any utility not already in compliance for historical reasons.

Accordingly, this submission is broken down into three sections. "Timing" will address the need for more time to comply, if required, as requested by the EDA. "Cost Recovery" will address the need to create a cost recovery mechanism to compensate those utilities that do not have certain

costs built into rates. “Prudence” will address a sample of changes being imposed that we do not believe can be justified from a cost benefit perspective.

1. Timing:

Bluewater Power is a distributor serving approximately 36,000 customers and we are, thereby, considered a mid-sized utility. Any changes that affect our Customer Information System (“CIS”) system must be channeled through our IT department and in most cases result in incremental consulting fees in order to implement the changes. The current regulatory environment is such that for the next twelve to eighteen months both internal and external resources will be fully occupied with implementing changes in order to be compliant with International Financial Reporting Standards (IFRS), followed immediately by installing and implementing TOU billing related to smart metering. For a utility of our size, business resources and IT resources are limited

Therefore, we will be unable to meet the timelines indicated. We support the EDA’s submission to revise the deadline for all changes to January 1, 2011. To be blunt, however, that deadline is aggressive for our utility considering the other challenges that are being faced by the only personnel we have available to address issues of that nature.

2. Recovery of Costs

The costs required to enable the proposed changes to our CIS system are concerning. Although firm estimates related to the changes are not possible until a full scope of work is completed, the costs could be on the order of magnitude of hundreds of thousands of dollars. The changes do not just impact CIS, they impact business practices which will lead to further drain of staff resources as well as increased risk of bad debt and financing costs. A sampling of some of the changes of greatest concern are listed and discussed separately below:

7.2.5 Equal Payment Plans

A distributor that provides distributor-consolidated billing for a residential customer shall bill the customer on the basis of an equal monthly payment plan if so requested by the customer or the retailer. The equal monthly payment plan shall comply with the requirements set out in the Standard Supply Service Code.

Bluewater Power’s CIS system is not currently able to calculate an EPP amount for customers enrolled with retailers. We do not know what a customer has contracted for with the retailer for the commodity, and the retail module and the billing module do not currently interact with each other. Additional complexity arises with retail customers as they are subject to the global adjustment credits or debits which change each month depending on the variance between the actual cost of power and contracted cost of power. That value is not able to be estimated with any certainty. Uncertainty of the estimates leads to EPP’s that are either over-billed or under-

billed which creates additional bad debt risk for distributors. Currently retail contracts are at higher commodity prices than the regulated price plan (“RPP”) amount, which would therefore increase the EPP amount we would charge a customer, which potentially leads to a higher chance of bad debt, and leads to an increase in the commodity costs we are financing for customers through the months with the highest consumption.

2.4.26A A distributor shall not issue a disconnection notice to a residential customer for non-payment unless the distributor has first applied any security deposit held on account for the customer against any amounts owing at that time and the security deposit was insufficient to cover the total amount owing.

Bluewater Power believes that the security deposit should not be applied to active arrears. In many cases the deposit is applied at the time of final billing, and without an available deposit the incidence of bad debt related to final bills will increase.

2.8.3 Despite any other provision of this Code, with the exception of the parties mentioned in section 2.8.1.1, where a distributor receives a request to close or transfer an account in relation to a rental unit in a residential complex as defined in the Residential Tenancies Act, 2006 or another residential property, the distributor shall not seek to recover any charges for service provided to that rental unit or residential property after closure of the account from any person, including the landlord for the residential complex or a new owner of the residential property, unless the person has agreed in writing to assume responsibility for those charges.

Bluewater Power supports the notion that landlords should be accountable for the power usage at their property between tenant occupancies. Forcing the distributors to disconnect and reconnect for a potentially short period of time simply increases the costs. There are approximately 700 move-outs per month in our service territory, and more than half would be tenants. At least half again would currently go into the landlord’s name for a period of time. If we are unable to secure the landlord’s permission to put the account in its name, then the utility would lose fixed charges currently collected through rates; assuming the average vacancy is 15 days that equates to lost revenue of \$1400 monthly. In addition, we will be imposing a \$65 disconnection charge on the exiting tenant and a \$65 reconnection charge on the tenant moving in. This would equate to additional costs of \$26,000 per month and we foresee serious challenges collecting these fees. If uncollected, that would impose a significant burden that will ultimately be borne by all ratepayers.

Should the OEB proceed with the proposed amendments, Bluewater Power supports the EDA’s request for the establishment of a deferral account to track the capital and O&M expenditures related to becoming compliant with these directions. The nature of the material costs that we anticipate are as follows:

- (1) Capital Costs: CIS upgrades and staff training
- (2) O&M: Business process changes, staff training, increased staff to respond to new requirements (ie. Disconnect/reconnect, increased demand on labour to comply with new credit processes)
- (3) Incremental Bad Debt expense: There are numerous proposed changes that will impact bad debt expense (ie. DSC: Section 2.4.12, Section 2.4.20, Section 2.7, Section 4.2.3, Section 4.2.2.6, as well as RSC Section 7.2.5) and we would propose that the OEB allow a true-up of Bad Debt expense incurred annually versus the Bad Debt expense built into rates be included in the deferral account.
- (4) Lost Revenue: current rates are based on an established number of connections; a change in policy with respect to landlords would have the impact of reducing the amount we collect for fixed charges and is a lost revenue that should be tracked as that revenue was assumed in determining our current rates.

There are other costs or foregone revenue that we anticipate due to these changes. They are difficult to quantify at this point in this process, so we would suggest the OEB ought to initiate a review of those potential costs or lost revenue items in order to provide guidance for the establishment of the deferral account requested.

3. Prudence

There are certain benefits achieved through these proposed amendments and we do not believe the cost could ever be justified in a Cost-Benefit Analysis. None has been undertaken to-date to justify these expenditures and we would suggest that should be completed prior to ordering any changes to the DSC or RSC that impact a distributor's cost of doing business.

For example, there are numerous changes that will require capital upgrades to our CIS for the purported purpose of assisting customers to manage their debt. Uniformity across the province does not establish the prudence of these investments; these practices most likely reflect legacy practices dating back to the days when electrical distribution was managed by elected commissioners. The OEB ought to be required to consider whether there is any evidence the proposed changes would benefit customers and, if there are benefits, whether the costs to achieve those benefits can be justified. We are proud to say that Bluewater Power works diligently with those customers who require assistance and we deal every day with customers to assist them to pay their bills. We also work closely with social service agencies and it is our submission that many of the issues proposed to be dealt with through these changes are most effectively and efficiently dealt with through social agencies. No such alternatives have been considered by the OEB in its analysis to date.

One other concrete example is the requirement to allow payment by credit card.

2.6.6 Where a distributor has issued a disconnection notice to a residential customer for non-payment, the distributor shall permit the customer to pay all amounts that are then overdue for payment by credit card issued by a financial institution.

Bluewater does not currently accept credit cards as a method of payment. To do so would require capital expenditures to buy remote payment devices and to pay associated processing fees. We would also be required to assign cashier responsibilities; the full-time position of cashier was eliminated in 2000 as a cost saving measure and we anticipate union issues if we are forced to re-establish a staff person responsible for cashier-type services. These are significant potential costs and for what benefit? We work very closely with our customers. We consider ourselves experts on the subject and we can assure the OEB that any customer in a position where their electricity is about to be disconnected is in no position to pay by credit card. If they were, they would have done so prior to a disconnection notice being delivered. These additional costs would be incurred and there will be virtually no benefit to customers.

Accordingly, while we would be prepared to comply with the proposed amendments by January 1, 2011 as requested by the EDA, it is our submission that two things are required in order for the imposition of these changes to be fair to distributors:

- (1) A deferral account must be authorized to track incremental Capital and O&M, as well as lost revenue, all of which will be imposed by the proposed changes in policy to the extent not already built into base rates for the utility; and
- (2) The OEB must undertake a Cost Benefit Analysis to satisfy itself that the potential costs of implementing these changes are justified in light of the anticipated benefits.

All of which is respectfully submitted by Bluewater Power.



Alex Palimaka
VP, Corporate Services and General Counsel



Leslie Dugas
Manager of Regulatory Affairs