October 25, 2010

Kirsten Walli
Board Secretary
Ontario Energy Board
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Toronto, Ontario
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Re: EB-2007-07222 Low Income and Other Customer Service Amendments, September 30, 2010 Proposed Changes

Dear Ms Walli:

The CHEC LDCs are pleased to provide further comments with respect to the proposed Customer Service Amendments, especially those focused on the Low Income Customer.

The comments are contained in the sections below. The intent of the proposed changes is recognized – removing barriers to assist low income customer to manage their utility bills. Within this framework the comments have been provided to caution the Board about unintended consequences which may occur and negate the benefits of the proposed code changes. Based on the comments contained in the following sections, recommendations are provided with respect to the proposed Code changes.

1.0 Introduction:

The proposed code changes suggested in EB-2007-0722 represent a significant undertaking in the low income portfolio. The customer service rules represent one of three tools to assist the low income customer. CHEC continues to support appropriate initiatives to assist low income and all customers who are experiencing difficulty in managing their electrical service costs.

The CHEC comments presented focus on two areas:

- Impacts on the customers we are trying to assist
- Impacts on the LDC and ability to respond.

CHEC representatives have been involved in the OEB Working Groups on conservation and on emergency funding. The exposure to round table discussions of social service agencies, interveners, gas utilities and LDCs has added significantly to a broader understanding of the low income portfolio. While the various parties were not in complete agreement on all issues the areas of agreement were quite pronounced. A common area of importance to agencies, interveners, gas utilities and LDCs was to identify the issues early, manage the arrears to ensure they are not excessive and to have working relationships with other parties who can assist customers in need. The comments in the first section of this paper will focus on these issues.

In addition to the focus on customers there is a need to identify issues from an operational perspective of an LDC. This is often difficult in this portfolio to present impacts in a manner which does not sound self serving on the LDC. In many instances the "self serving" part is in the ability to provide services for all customers, meeting the service requirements and conditions in a cost effective manner. The low income customer service rules will impact on short term increases in cost with unknown long term benefits. It is the position of CHEC that some of the proposed changes are not required and the costs associated with implementation can be avoided. These are costs which can be avoided on behalf of all customers including the low income customers.

2.0 Potential Impacts on Low Income Customers of Proposed Changes:

This section focuses on specific proposed changes and the potential impact on the low income customer. This section will address:

- Focus vs. Time
- Growth of Arrears Owing by Individual Customers
- Resources to Assist
- Good Faith Payment
- Waving of Fees
- Missed Payments

2.1 Focus vs. Time:

Presentations made during the stakeholder conference on low income noted the need for additional time for low income customers to make arrangement s for payment and payback of outstanding balances. These arguments are intuitively correct, to a point. Sufficient time allows for successful arrears management while extensive time may not. Much like reports to the OEB are penned to the deadline – more time may not result in earlier submissions as competing priorities are balanced. There is no reason to believe that this would not be the same for low income customers managing a number of payments to various parties.

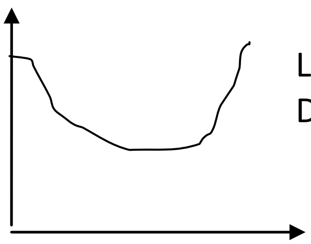
It is proposed that while additional time is required the second component for successful arrears management is "focus". Some would suggest that at the current time the LDCs force the focus through threat of disconnect. Traditionally the disconnect option is utilized only after significant involvement with the customer to affect payment. Where the customer has been participating in the re-payment process the disconnect notice is not required, whereas in other cases it is. For CHEC LDCs a review of the number of disconnects compared to disconnect notices will indicate a very low ratio (1% to 5%), a result of LDCs working with their customers with respect to account payment.

It is suggested that an appropriate balance of time and focus is required when dealing with arrears management. The recent code changes allow an extended and defined period of time to arrange assistance (21 days) and further provide guidance on minimum repayment periods (5 to 10 months). Experience with these recent changes may be advantageous prior to altering the Code timelines further.

The time – focus continuum can suggest a number of profiles and outcome. The first scenario based on the proposed changes, without the appropriate focus will result in a delay of customer payment and at a later date difficulty in addressing the higher arrears.

Scenario 1

Focus



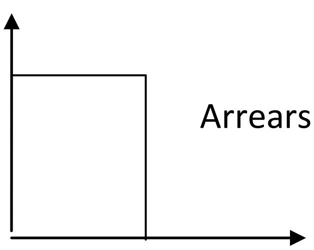
Lack of focus, missed payments
Disconnect reissued due to non payment

Time

In this scenario the disconnect notice drives the initial concern and focus on the issue. At that time the customer may enter into an arrears management program with or without the aid of financial counseling. In the proposed code changes the penalty for missed payments has been minimized and will contribute to a loss of focus on the customer's part. The customer has alternate priorities for funds and may miss payments while receiving minimal input from the LDC with respect to negative consequences in the short term. Focus only comes back on the arrears management after missing three payments and the LDC moves to disconnect.

Scenario 2

Focus



Arrears paid successfully

Time

Scenario 2 starts off the same with the LDC providing notice of disconnect and the customer focusing on resolution. An arrears management program which provides an appropriate time line for repayment, some flexibility within the program and is balanced with an expectation to pay, will better maintain the customer focus on the repayment and elimination of debt. A shorter time line and improved focus along with the other LEAP supports offers a better opportunity to long term arrears mitigation for the customer.

The application of any deposit against the arrears prior to a collection notice further dilutes the customer focus with respect to the need to manage the consumption and associated costs.

It is recommended that at this time the current code changes (which are very recent) remain unchanged to determine the opportunities to resolve low income arrears repayment within this structure. The recent Code changes provide additional time for customers while maintaining the LDCs ability to focus the customer on the arrears management program. In conjunction with the recent Code changes the LEAP Emergency Funding and Conservation Programs will be operational providing further resources to assist in the management of low income arrears.

2.2 Growth of Arrears Owing by Individual Customers:

Around the Low Income Emergency Funding Working Group tables emphasis on assisting customers deal with arrears while the arrears are at a manageable level has been a common point made by the Social Service Agencies. Addressing arrears at lower levels facilitates the Social Service Agency's ability to find funding, reduces monthly arrears payments and allows the customer to more quickly move out of debt.

The proposed code changes offer the opportunities to a customer who has lost focus on their arrears due to other financial pressures to increase their debt to an unmanageable level. A time line has been prepared following the timing in the proposed code changes for a monthly billed customer. The time chart is shown in Chart 1. For the purpose of the chart it was assumed that the customer took the full time allotted for each stage of the arrears management program, did not take the benefits of social service assistance and did not make any payments throughout the life time of the program. This time chart is not to imply that all low income customers will take this path, but is illustrative that if a customer is in financial difficulty, this is one of the options available to them.

From the time line it can be seen that the customer can enter into the program without any payment as the barrier of a 15% down payment has been removed. The customer is required to contact a Social Service Agency to confirm eligibility but does not need to avail themselves of any other services. Based on the current understanding of the proposed code the customer once entered into the arrears management program can avoid any payments and consequences for a period of 190 days. This results in 6 months of energy charges owing by the time that the LDC can re-focus the customer on the arrears issue. The resulting bills owing based on a 1,000 kWh per month utilizing the OEB on-line calculator is in the order of $800 to $1000. For bi-monthly billed customers the time line approaches 300 days.

An outstanding arrears amount of $800 to $1000 is a significant burden for both the customer and for any support agencies to try to resolve. A customer with electric heat, or a low income customer in a poorly insulated residence could expect a six month arrears in excess of these amounts. This is in general contradiction to the discussions around the Low Income Emergency Funding Working Group table and is seen to negatively impact on eventual resolution.

It is recommended that due to the potential for extensive growth in the arrears owing by low income customers in financial difficulty, the timelines as proposed in the code changes should not be implemented.

2.3 Resources to Assist:

The Codes require Social Services Agencies to be engaged in the determination of the eligibility of customers for the low income programs. This is supported by LDCs as LDCs are not well positioned to review, nor is it the appropriate relationship for the LDC to review the financial details of their customers. Further the involvement of the Social Service Agencies can provide financial literacy to assist the customer in managing other financial challenges.

While the involvement of Social Services is supported it is suggested that the Social Service Agencies do not have sufficient trained staff to deal with the expected volume of customers requiring services.

The Code requires LDCs to provide notice that deposits will be returned to eligible low income customers. This will require customers who believe they may be eligible to be request Social Service Agencies to review their eligibility and provide confirmation to the LDCs. This proposed Code amendment, over the initial months in 2011 when notices are sent out, will drive a high volume of customers to the Social Service Agencies. It is likely that the current resources within the Agencies will be challenged to deal with this volume of activity.

While challenging to address the volume the secondary impact of this activity will be that the Social Service Agencies will be qualifying customers without any further opportunity to provide financial education due to limited staffing resource. This results in the client being identified as eligible for low income programs and can enter into the proposed arrears management program without detailed financial counseling by a Social Service Agency. This will allow customers to start down Scenario 1 of the Time – Focus continuum.

While there will be an initial increase of customers accessing Social Services it is anticipated that the activity level will remain higher than in the past as a result of the disconnect notice identifying Social Service Agencies as an avenue for support. While this is seen as an important step in the arrears management program the ability of the agencies to manage this workload needs to be further evaluated. The Agencies will be further challenged with additional enquiries as LEAP Funding is brought forward and LEAP conservation programs both of which may involve Social Service Agencies.

Discussions with Social Service Agency personnel indicate they are aware of the pending changes but have not had opportunity to review in detail and evaluate the impact. They have not been focused on these changes at this time. Further it has been noted that their budgets are limited and that Boards may be reluctant to take on the risk and staffing required to appropriately manage this portfolio. Agencies may review their current involvement in the energy portfolio in light of the potential burdens placed on them due to the code changes. The implementation of the proposed Code changes may result in a lack of resources to appropriately address the needs created.

It is recommended that prior to moving forward with the proposed Code changes that the capacity of the Social Service Agencies to respond to the proposed requirements be evaluated and addressed. It is further recommended that the Ministry of Energy contact the appropriate Ministries to assist the Social Service Agencies to provide the resources required and to review the training requirements associated with the Codes.

2.4 Good Faith Payment:

The proposed code changes remove the needs for a down payment when entering into an arrears payment plan. While this removes a barrier for the low income customer to enter into an agreement it may also remove the need for the customer to discuss their financial position with a councilor. If the down payment presented a barrier to the customer, the lack of funding would focus the customer on resolution of the immediate problem and encourage them to seek assistance from a Social Service Agency. The LDC could encourage such a relationship based on the down payment requirement. If the customer can manage a down payment the customer has made a positive step forward in the relationship and has the opportunity within the mutually agreed arrears management payment plan to eliminate the remaining arrears while receiving service.

It is recommended that a down payment be maintained as part of the arrears program and is not to exceed 15% unless offered by the customer. It is further recommended that if the Board believes this is too high a requirement could be added which varies the down payment with the amount of the arrears owing. The upset limit could be capped at a fixed dollar amount. Such action would reduce the barrier to the customer while encouraging LDCs to work with their customers to maintain arrears at lower levels.

2.5 Waiving of Fees:

The proposed code includes the waiving of fees associated with collections on low income accounts. The waiving of fees appears to be contrary to the cost allocation methodology prescribed by the Board. It is however recognized that these fees do form a burden for low income customers.

Recognizing the burden these fees represent there are programs which utilize the waiving of fees as a reward for successful completion of arrears payment plans. Rather that waiving fees at the beginning of the program the fees are waived at the end of successful completion of the repayment. This approach recognizes the customers for the efforts they made, helps to keep them focused on successful repayment, reduces the monthly payments by not including in the arrears management program, helps to recover payments through the program for the benefit of all customers and maintains the fees in play for those customers who do not remain focused on the arrears repayment.

It is recommended that any outstanding fees waived should only be implemented after the successful completion of the arrears payment program and that no additional fees be added as long as the customer honours the arrears payment program.

2.6 Missed Payments:

The proposed code allows the customer to miss three payments before the LDC can take significant action with respect to collection of the account and broken commitments associated with the arrears payment plan. This removes the LDC's ability to highlight the issue to the customer and help them focus on the commitments made.

The existing code allows more than one missed payment and is more restrictive than the proposed changes. The recent Code changes have not had any opportunity to prove their merit in the market place in assisting all customers, including low income customers. Experience with these rules may prove adequate for the needs of all customers.

Earlier action, in cases where the customer has lost focus, will help to maintain the customer's arrears at a lower level which will prove beneficial when Social Service Agencies make access to programs such as the LEAP Emergency Funding for assistance.

It is recommended that the number of missed payments not be increased and that experience with the general program currently in place be gained prior to making any further changes.

3.0 Potential Impacts on LDCs:

Code changes require additional administrative work to implement, customers service information system upgrades and evaluation of other consequences. While there are several areas which could be addressed there are four items to note at this time:

- Final Bill Arrears Mitigation
- LDC requirement to pay IESO
- Deposit Ownership
- Time to implement.

3.1 Final Bill Arrears Mitigation:

Deposits are often applied to accounts at the time of final billing when the account is closed. In some instances the account is final billed because the customer has changed residence without notification to the LDC. In many instances these accounts are not collectable and the deposit is applied to them.

The results of one LDC's review and evaluation to determine the impact of maintaining deposits on account resulted in:

- A total of $56,750 owing on final billed accounts
- Applied $19,750 on deposit allowing the bad debt write off to be reduced
- Bad Debt of $37,000 results which reduced the bad debts by 35%.

The application of deposits to final billed accounts represents a true savings to the LDCs and their customers.

This is not to imply that all of these deposits were for low income customers. However it is reasonable to assume that a portion of the accounts would be and in this case approximately 80% of the deposits were from low income residences.

It is recommended that the requirement for the return of deposits not be implemented.

3.2 Deposit Ownership:

LDCs receive deposits from a variety of sources including Social Service Agencies. In some cases the Social Service Agency will provide the deposit with the understanding that it will be applied to the account to initiate service with the expectation that the customer will maintain good credit on the account. Following a good payment history the credit is returned to the Social Service Agency as per their request when they paid it on behalf of the customer. The funds are then available to the Agency to assist other individuals with financial needs.

The proposed changes indicate that the deposit, upon request is to be returned to the customer. It is suggested that the OEB does not have authority to direct the payment of funds in that manner and that the proposed amendments need to be modified.

In conjunction with the previous section on final bill mitigation **it is recommended** that the proposed changes with respect to deposits be eliminated.

3.3 LDC Requirement to Pay IESO:

LDCs are required to forward payment to the IESO for power purchased and delivered on a monthly basis. The extension of arrears for extended periods of time results in funds not being available for transfer. A shorter time frame to expect partial and eventually total payment is required to remove pressure on the needs for additional working funds.

Currently LDCs maintain a prudential associated with payments to the IESO. The funds on deposit help to offset the level of prudential required. The erosion of the funds on deposit will require higher prudential amounts and the associated cost.

It is recommended the proposed changes to the Code associated with extension of arrears management plans not be pursued at this time allowing experience to be gained with the recent code changes for all customers.

3.4 Time to Implement Changes:

The proposed changes will require modifications to the CSI system. The third party vendors required to make these changes are also the same third party vendors working on the Smart Meter Implementation and other LDC initiatives. The providers have already indicated their concern with meeting the current deadlines due to skilled staff availability.

It is recommended that implementation of any changes proposed be set at six to eight months from the date the Code changes comes into effect.

4.0 Summary:

The proposed changes to the Code, while focused on assisting the low income consumer to remain connected to the electrical system, may be in fact negatively impacting on the very customer they were proposed to assist.

In general terms it is recommended that the customer service rules recently implemented be given an opportunity to assist all customers including the low income customers. While these rules may have some shortfalls, through the collaborative efforts of the Social Service Agencies and LDCs, they may be found to be more than adequate to meet the needs in assisting the low income customer.

Respectfully submitted

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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

Chart 1

Time Line Prior to Final Disconnect Notice

Take it to the limit	**Days per Event**	**Running days**	
Consumption for 30 days			
LDC produces and mails bill			
Anticipated delivery	3	3	
Payment Due	10	13	
Mail back	3	16	
Payment not received			
Grace period	4	20	
Reminder sent			
LDC allows a grace period	7	27	
Payment Received or to next step			
Disconnect Printed	1	28	
Disconnect mailed	1	29	
Anticipated delivery	3	32	
Customer Receives			
Sits for 50% of time before action	5	37	New bill is now out
Next bill produced			
Contacts LDC			
Comes in day later & identified as low income	1	38	
Agrees to enter into Arrears Management Plan		current bill, deposits and arrears all added together - no downpayment required	
Next bill produced	27	65	
Delivery time	3	68	
Payment duration	10	75	
Mail Back	3	81	
First missed payment			
Account not collectable			
Sent out notice - heads up	4	85	
Nex Bill produced	10	95	
Delivery time	3	98	
Time to pay	10	108	
Mail back	3	111	
Second missed payment			

Acccount not collectable		
Nex Bill produced	10	121
Delivery time	3	124
Time to pay	10	134
Mail back	3	137
Third missed payment		
Send out notice to cancel		
Delivery time	3	140
Time to make right	11	151
Disconnect notice produced	1	152
Delivered by hand	1	153
Warning of disconnect	2	155
Next bill produced		
Goes to Social Service		

Actual Consumption owing has the initial 30 days plus the collection time **185 Days**

Note: Estimate only - time will vary based on variations in process