

October 26, 2010

Ontario Energy Board
2300 Young Street, Suite 2700
Toronto, Ontario
M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

RE: Union Gas Comments on the Board's Proposal to Amend Codes – Updated Proposed Low-Income and Other Customer Service Amendments to the Distribution System Code, the Retail Settlement Code and the Standard Service Supply Code (EB-2007-0722)

Dear Ms. Walli:

The Ontario Energy Board (“the Board”) issued a Notice of Proposal to Amend Electricity Codes on September 30, 2010. The Board also invited interested parties to provide written comments. The proposed amendments focus on additional customer service rules tailored to the special needs of low-income residential electricity customers.

Union, in general, has significant concerns with the customer service rules in place for electric distributors should they be applied to natural gas utilities. In this submission, Union will focus comments on the current proposed rules applicable to low-income customers. Union understands that the Board will be issuing amendments to the Gas Distribution Access Rule (“GDAR”) in the near future and that these amendments may result in the alignment of customer service rules between electricity and gas distributors. It is Union’s view that the customer service rules in place for electric utilities are not necessary and should not be imposed on the gas utilities. Union will make further submissions once the Board releases the amendments to the GDAR for comment.

Union’s systems and processes for billing and collection are highly structured. This structure is necessary because Union bills approximately 1.3 million customers on a monthly basis. This means that Union issues 15.6 million bills annually. For example, Union’s billing system does not have the functionality to allow different payment dates for individual accounts. Union bills its 1.3 million customers throughout the month, with the bill date being based on meter reading dates, which in turn are based on geography.

If the rules proposed for low-income electricity customers are also applied to customers of gas utilities, there will be significant operational and cost consequences. Union will incur additional

capital and operating and maintenance costs associated with modifying its billing system and processes. In some cases new applications would need to be designed and built. It is expected to take substantial time to implement the current customer service rules and the low-income rules should they be applied to the natural gas sector. Further, it is Union view that the proposed rules will increase the level of bad debt and negatively impact cash flow. Any costs resulting from the implementation of the proposed rules should be recoverable from ratepayers.

Union's concerns with the proposed changes to the rules applicable to electric distributors are detailed below.

Equal Billing Plan and Deferred Payment Date Options

Union's equal billing plan does not allow a customer to pick a payment date that best suits their needs. Adding this functionality to our billing system will cause Union to incur additional costs related to application changes and operational process changes. Further, expanding the billing options for low-income customers to defer bill payment date to the 5th business day of the following month would impact Union's operations substantially. Union's current practice is that invoices are due when rendered and request payment in full on or before the date shown on the bill. The costs associated with providing flexible payment dates will be significant and would need to be passed through to ratepayers.

Also, under the proposed rules, low-income customers who opt for an equal billing plan will not be required to have an account with a financial institution. Union does not accept cash or credit card as payment options. To maximize operational efficiencies and reduce security issues related to the handling of cash, all cash remittance offices were closed approximately 10 years ago. In order to begin accepting cash, Union would need to re-establish the necessary infrastructure and associated processes at considerable cost.

Arrears Management

The Board is proposing a number of requirements specific to low-income customers related to arrears management. These include specific rules for payment arrangements, time periods for these arrangements must cover, and limits on the initial arrangement.

Union's current arrears management practices are sensitive, flexible and meet the needs of individual customers. These practices provide customers with non-prescriptive flexible payment options and have resulted in reduced disconnections.

Due to the fact that Union has approximately 1.3 million customers, Union must print and mail bills daily with payment required 16 days after the bill is issued. Printing and mailing customer bills on a daily basis maximizes efficiencies by equalizing activities throughout the month in call handling and payment processing. If a customer cannot fully pay their bill within 16 days from when the bill is issued, the customer can contact Union to make payment arrangements. These arrangements are mutually agreeable to Union and the customer and are structured with the overall objective to pay off the total amount due. As long as the customer meets the arrangements and progresses towards settlement of the arrears, no collection or disconnection activity is initiated. Arrangements may continue over a number of months. Without proper

arrears management and payment, bad debt levels would rise as would the rates of all ratepayers from whom the bad debts are recovered.

For eligible low-income customers, the Board is also proposing that any outstanding service charges specifically related to the collection, disconnection, non-payment or load control must be waived and such charges shall not be included in the amount subject to the arrears repayment arrangement. It is Union's view that there should be no automatic waiver of outstanding service charges. .

Also the proposed rules state that after a low-income customer enters into an arrears arrangement, no further late payment charges may be levied in respect of the amount that is the subject of that arrangement. Union does charge a late payment fee on outstanding balances and other outstanding service charges specifically related to the collection, disconnection and non-payment regarding an arrears repayment arrangement. Late payment charges are set at a level to offset the cost of credit and collection activities. This is to protect other ratepayers who would be required to make up the loss of revenue from collection activities for non-paying customers. The late payment penalty charge is a well established and practical device to encourage prompt payment of utility bills. In doing so, this minimizes the growing cost of carrying accounts receivable.

The Board is also proposing that an eligible low-income customer must be allowed a minimum of two defaults of an arrears payment due under the agreement, a current electricity charge billing and/or an under-billing adjustment, before the distributor may cancel the arrears payment agreement. Union does not believe that the Board should set a minimum number of defaults before terminating a payment arrangement. From Union's perspective, payment arrangements are intended to be honoured by both utility and the customer. If a customer finds after entering into a payment arrangement circumstances have changed such that they will not be able to honour that arrangement, the onus should be on the customer to contact the utility prior to default so that, if necessary, alternative arrangements can be made.

Disconnection for Non-Payment Notice

Union works with its customers and social agencies to keep the natural gas service connected. Disconnecting a customer is always a measure of last resort. In cases where the all options to maintain gas service have been exhausted a notice of gas service disconnection is issued. Under the proposed rules for eligible low-income customers, electric utilities will be required to provide 48 hours notice of disconnection. Providing advance notice of disconnection is a significant concern to Union as it increases the potential risks to Union employees carrying out the disconnection. There have been occasions where customers have attempted to block access to the meter so that the utility service representative is unable to lock off the meter.

Security Deposit

The rationale for applying a security deposit by a utility is to protect a utility from those customers who fail to pay their bills and protect other ratepayers who would be required to make up the loss of revenue from non-paying customers.

The proposed electricity rules state a distributor must give notice to all residential customers, at least annually, that any eligible low-income customer may request and receive a refund of a security deposit previously paid to the distributor. Union does not support measures that would result in waiving security deposits for low-income customers. Without the requirement for security deposits for low-income customers, Union's payment plan is fundamentally changed.

For Union, while security deposits can be added to the customer's first bill and are due at that time, customers can request additional time to pay the security deposit. As long as the customer keeps paying the new charges on the bill each month and a portion of the security deposit, Union will allow the deposit to be paid over a number of months. The proposed rules allow eligible low-income customers to request refunds of a security deposit. The customer may elect to have the refund credited to their account or repaid in full by cheque within 11 days of requesting. Union rarely issues cheques to customers. Cheques are only issued when a customer is moving out of the franchise area and has a refund due to them. It is Union's view that the security deposit should be credited to the customer account and as such, assists in managing the utility account.

Conclusion

Union requests the Board consider the concerns expressed when finalizing the electricity rules and developing the proposed amendments to GDAR. In summary, Union believes if similar rules to the current electricity proposed rules are approved by the Board for gas utilities, there will be significant costs and substantial time required for implementation. Any costs resulting from the implementation of the proposed rules should be recoverable from ratepayers.

If you have any questions or concerns, please contact me at 519 436-4521.

Sincerely,

[original signed by]

Marian Redford
Manager, Regulatory Initiatives