

March 10, 2008

Kristen Walli  
Board Secretary, Ontario Energy Board  
P.O. Box 2319, 2300 Yonge Street, Suite 2700  
Toronto, ON, M4P 1E4

**OEB Reference # EB-2007-0662**

Dear Ms. Walli,

We would like to thank the Ontario Energy Board (OEB) for the opportunity to comment on the Revised Proposed Amendments to the Affiliate Relationships Code (ARC) released on February 11. Kingston Electricity Distribution Limited (KEDL) supports the purposes of the ARC as outlined in section 1.1 of the code, and is committed to working with its municipally owned affiliates in accordance with the provisions of the ARC.

*KEDL recommends that the definition of definition of “Energy Services Provider” should not be modified to include metering or billing for electricity or natural gas services.*

In Kingston, an affiliate company, Utilities Kingston, provides metering and billing services both for KEDL’s electricity distribution customers as well as for the City of Kingston’s water, sewer and natural gas customers. In many cases, the customers in Kingston receive one utility bill for all of these services. Since the introduction of the ARC, sharing of information has been permitted for the purpose of billing (s. 2.6.2) and KEDL, the City and our customers have benefited from this relationship in both achieving cost savings and operational efficiency and improved convenience. Addition of metering and billing to the definition of “energy services provider” will prohibit the involvement of Utilities Kingston employees in the metering and billing of KEDL’s customers due to section 2.2.3 interpreted as per Compliance Bulletin 200604.

Customer information that is metered and collected for electricity billing is essentially the same information that is collected for water, sewer and gas billing (i.e. hourly consumption data). Information systems infrastructure and metering and billing expertise that Utilities Kingston has in place for the City of Kingston’s water, sewer, and natural gas, services has been applied to KEDL’s electricity billing, creating significant economies of scale benefitting KEDL’s ratepayers. To put the magnitude of these economies of scale in perspective, if the definition of “energy services provider” is to be modified to include metering and billing, KEDL’s ratepayers would have to absorb an increase of \$250,000 per year in postage costs alone, before taking into account the cost increases related to hiring additional staff so as to comply with s.2.2.3 of the ARC. A further illustration is that Utilities Kingston employs meter readers that can capture readings for all four utility services in one trip. Should the OEB include metering and billing in the definition of energy services provider, these staff can no longer be shared, effectively doubling the number of trips needed to read meters in the City of Kingston and thereby doubling the financial costs and environmental footprint of meter reading activities.

KEDL does not believe that there will be any harm to ratepayers or to non-affiliated entities from the exclusion of metering and billing from the definition of energy services provider, as other provisions of the ARC that are applicable to all affiliates will still apply. Section 2.6 ensures that information made available to Utilities Kingston by KEDL will not provide it with any unfair advantage, and that access to KEDL information is non-discriminatory. The “Transfer Pricing” and “Outsourcing to an Affiliate” provisions of the ARC ensure that KEDL would have to undertake an independently evaluated competitive bidding process for all services provided by Utilities Kingston at least once every five years, ensuring that KEDL’s ratepayers are receiving the best value and allowing competitors to openly bid for provision of these services. Utilities Kingston complies with the intent of the ARC by separately identifying the entities and amounts being billed for on all invoices, minimizing customer confusion.

Furthermore, the customer information collected and processed by Utilities Kingston is protected by both the *Municipal Freedom of Information and Protection of Privacy Act, RSO 1990* and the *Personal Information Protection and Electronic Documents Act* and therefore can only be used for the purpose for which it was collected, specifically for the purposes of billing for an individual commodity unless some other specific consent to use the information is granted by the individual. Section 2.2.2 of the ARC ensures that access to customer information and Utilities Kingston’s information technology infrastructure is arranged so that only staff involved in metering and billing have access to customer information. Given compliance with these requirements, it would be impossible for Utilities Kingston to use the information to gain some sort of unfair competitive advantage in the marketing of other energy services.

Integrated metering and billing for water, sewer, natural gas, and electricity services is part of the City of Kingston’s strategy for exercising its right to foster Conservation and Demand Management. It has enabled Kingston to be the first community to pilot the use of smart meters for electricity, water and natural gas utilities. This is a significant advantage as each of these utilities will benefit from the conservation incentive created by customers having access to hourly information regarding their consumption. It also permits the development of rate designs for gas and water that promote conservation of all three commodities. This creates significant potential for electricity conservation as water consumption in particular creates a large peak electricity load during the summer months. The proposed change to the Code definition of “Energy Services Provider” would make it difficult if not impossible for Kingston to pursue this unique initiative.

Kingston Electricity Distribution Limited is in a unique position as one of only two electricity distributors owned by municipalities that are also gas distributors. As outlined in section 36.8 of the Ontario Energy Board Act, these municipalities are recognized as unique. We hope that the board will take this fact into consideration in their upcoming deliberations. Regardless of the outcome of the current consultations, we look forward to working with the compliance office to demonstrate that KEDL can satisfy the purpose and intent of the ARC while continuing to provide the citizens of the City of Kingston and the affiliated and non-affiliated energy service providers who serve them the cost savings and convenience of consolidated billing for water, sewer, natural gas, electricity, and other energy services.

Thank you for your consideration,



Jim Keech  
President & CEO