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via RESS e-filing – signed original to follow by courier

Ms. Kirsten Walli

Board Secretary

Ontario Energy Board

PO Box 2319

2300 Yonge Street, 27th floor

Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Toronto Hydro-Electric System Limited ("THESL")

OEB File No. EB-2011-0269

**THESL's Temporary Exemption from Certain Sections of the Distribution
System Code ("DSC") and the Retail Settlement Code ("RSC")**

THESL writes in respect of the above-noted matter.

Pursuant to the Board's February 22, 2012 decision, please find attached THESL's Reconciliation Report outlining the measures THESL had taken to become compliant with the relevant sections of the DSC and RSC.

Please do not hesitate to contact me if you have any questions.

Yours truly,

[original signed by]

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IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application pursuant to section 74 of the Ontario Energy Board Act, 1998 by Toronto Hydro-Electric System Limited for temporary exemption from certain provisions of the Distribution System Code and the Retail Settlement Code.

Reconciliation Report

Background

On July 18, 2011, Toronto Hydro-Electric System Limited (“THESL”) filed an application seeking temporary exemptions from certain portions of the Distribution System Code (“DSC”) and Retail Settlement Code (“RSC”) (the “Exemption Application”). By decision dated February 22, 2012, the Ontario Energy Board (“OEB”) granted the relief sought by THESL in its Exemption Application – such temporary exemptions lasting until December 17, 2012.

As part of that decision, the OEB ordered THESL to provide a Reconciliation Report to the OEB by December 3, 2012, outlining the measures THESL had taken to become compliant with the relevant sections of the DSC and RSC and to confirm that any affected customers had been properly reimbursed all owed amounts (the “Order”).

Status of THESL’s Compliance

Pursuant to the Order, THESL advises the OEB that as of November 30, 2012, THESL is fully compliant with the sections of code previously subject to the exemption. Furthermore, with the exception of the Inactive Accounts (as defined and discussed in detail below), THESL has taken

all necessary steps to reimburse all customers that may have been affected by THESL's temporary non-compliance with specific code measures.

Section 2.4.26A of the DSC – Application of Security Deposits prior to issuance of Disconnection Notices

THESL is now fully compliant with the requirements of section 2.4.26A of the DSC.

In its reply submissions dated November 28, 2011, THESL indicated that it was operating at approximately 100% compliance with this section as a result of manual workarounds, but would implement an automated solution in 2012 to ensure that manual workarounds would not be necessary.

However, after an extensive analysis of its security deposit system, and the existing regulatory framework governing their ongoing collection and return, THESL determined that from a business perspective, it would no longer be cost effective nor prudent to continue to collect security deposits from its residential customers. Consequently, in the third quarter of 2012 THESL ceased collecting new security deposits from residential customers, and began systematically refunding all existing deposits.

As of November 30, 2012, all residential security deposits have been refunded. THESL continues to maintain full compliance with section 2.4.26A of the DSC, as it no longer makes use of residential security deposits.

Section 7.7.1 of the RSC – Option of Refunds for Over Billing Corrections

THESL is now fully compliant with the requirements of section 7.7.1 of the RSC.

At the time of its exemption application, THESL was operating at approximately 90% compliance with section 7.7.1 of the RSC through the use of manual workarounds. While most

customers were notified of the option of a refund of large credit balances as a result of overbilling adjustments, the system functionality resulted in a few situations where manual cancellation of bills and automatic recalculations could occur without a notification being sent to the customer. For these few customers who were inadvertently omitted but requested refunds on their own initiative, THESL provided them with a cheque refund.

As of November 30, 2012, THESL completed the implementation of a solution that identifies accounts that have been overbilled by an amount greater than or equal to a customer's average monthly bill, and letters are issued to customers outlining the options prescribed in section 7.7.1 of the RSC. This new solution computes the average monthly bill, compares this to the credit balance on the account due to a billing adjustment to determine if it is above the threshold and outputs the required parameters required to issue the customer a letter.

Section 4.2.2.4 of the DSC – Attempting to Contact Customers 48-hours Prior to a Scheduled Disconnection

THESL is now fully compliant with the requirements of section 4.2.2.4 of the DSC.

At the time of its exemption application, THESL had been operating at approximately 100% compliance with section 4.2.2.4 of the DSC as a result of manual workarounds. On February 3, 2012, THESL implemented a solution by which it identifies all accounts that should receive a 48-hour call prior to disconnection, and relays this account list to its third party auto-dialer contractor to make the required outbound calls. This solution has eliminated the manual intervention involved in reviewing planned field activities to determine which customers should receive the standard 48-hour call, and manually preparing and dispersing this list to the third-party vendor. The new solution references the disconnection event date parameters and dollar thresholds of the automated severance process to identify the accounts that should be extracted and transmitted.

Section 2.6.5 of the DSC – Late Payment Charges

Compliance

On February 21, 2012, THESL implemented code into its new CIS that brought it into compliance with Section 2.6.5 of DSC. All late payment charges as of this date have been and continue to be correctly calculated.

Reimbursement

Customers that were overbilled late payment charges during the affected period from July 6, 2011 to February 21, 2012, were reimbursed on November 24, 2012 through a credit to their account for the amount of the overbilling plus appropriate interest, calculated in accordance with Section 7.7.9 of the RSC. The late payment charge and interest credit applied to active accounts has been used to off-set any outstanding balances or will be applied against charges on future bills. Where a substantial credit balance exists, customers also have the option of requesting a refund cheque as per section 7.7.9 of the RSC. As detailed in Table 1 below, the average dollar amount reimbursed per active customer account is \$2.48 (inclusive of interest).

Table 1 – Reimbursement of Late Payment Amounts - Summary

	Active	Inactive	Total
Number of Accounts Affected	176,209.00	20,325.00	196,534.00
Late Payment Charge Credited	(\$422,751.85)	(\$35,108.35)	(\$457,860.20)
Interest Credited	(\$13,560.44)	(\$1,133.00)	(\$14,693.44)
Total Credit Applied	(\$436,312.29)	(\$36,241.35)	(\$472,553.64)
Average Credit per Account	(\$2.48)	(\$1.78)	(\$2.40)

Inactive Accounts:

Of the total number of accounts affected, 20,325 are no longer active and as such, THESL no longer has a confirmed address for the former customers associated with those accounts. THESL has issued and sent bills, noting these credits, to the last address on record. Nevertheless, THESL is uncertain whether any substantial proportion of these bills will reach the right customers (i.e. those customers who are entitled to the credits). More importantly, and as

detailed in Table 2 below, of the 20,325 inactive accounts, 17,339 involve refunds of \$2.00 or less (and a majority of these are for particularly small amounts of as little as \$0.10). The aggregate credit total for these inactive accounts is \$36,241.35, inclusive of interest.

By THESL's estimation, the cost of actively issuing all cheques to inactive customers would exceed the value of the credits themselves. In addition, it is very likely that despite the effort and cost required, THESL would not be successful in returning a majority of these funds to the rightful customers, nor that all customers would particularly want to receive cheques for such diminutive amounts.

Table 2 – Summary of Inactive Accounts

Amount of Credit	Number of Accounts	LPC Charge	Interest Credited	Total Credit
< \$1.00	13,722.00	(\$5,658.98)	(\$180.23)	(\$5,839.21)
\$1.00 to < \$2.00	3,617.00	(\$5,068.84)	(\$162.89)	(\$5,231.73)
\$2.00 and >	2,986.00	(\$24,380.53)	(\$789.88)	(\$25,170.41)
Total	20,325.00	(\$35,108.35)	(\$1,133.00)	(\$36,241.35)

In seeking the relief sought by THESL in its Exemption Application, THESL committed to reimburse any funds owed to its customers resulting from its non-compliance during the affected period. However, given the above-noted difficulties and inefficiencies involved in refunding such small amounts to inactive accounts, THESL feels it is prudent to explore alternative solutions.

THESL seeks the OEB's guidance as to how to proceed with the amounts currently due to customers of inactive accounts, and would be pleased to work with the OEB to find a pragmatic solution in this regard. Given the circumstances, one approach would be for THESL to publish a notice, requesting that any customer who has received a bill for these credits be given a time-limited option to request a cheque from THESL for their credit, after which THESL would make a contribution corresponding to any outstanding unclaimed amount (of the total of \$36,241.35) to a charitable organization, or to its LEAP agency partner. THESL respectfully seeks the OEB's guidance concerning this issue, and is eager to work with the OEB to develop an appropriate course of action.