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April 18, 2008

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street  
27<sup>th</sup> Floor  
Toronto, ON  
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Dear Ms. Walli:

**Re: EB-2007-0722 – LPMA Comments on Staff Discussion Paper on Electricity Distributors: Customer Service, Rate Classification and Non-Payment Risk**

These are the comments made on behalf of the London Property Management Association (“LPMA”) on the Staff Discussion Paper titled Electricity Distributors: Customer Service, Rate Classification and Non-Payment Risk dated March 6, 2008.

These comments are made in response to the Board’s March 6, 2008 letter inviting participants in the EB-2007-0722 and EB-2007-0635 processes to provide comments on the Staff Discussion Paper.

These comments are generally organized to reply to the questions posed in the Staff Discussion Paper.

## **1.1 Bill Payment**

### **1.1.1 Due Date for Bill Payment**

**Q1. Are there any reasons why a customer would need or should be allowed more than a sixteen day payment period before application of a late payment charge?**

LPMA does not believe that customers need or should be allowed more than a sixteen day payment period assuming that the payment period starts when the bill is mailed,

delivered by hand or sent by e-mail. This response also assumes that the rules regarding the computation of time are based on those set out in Rules 6.01 and 6.02 of the Board's *Rules of Practice and Procedure*. This need is shown in the following example. If a bill is mailed on a Thursday or Friday, the 16 day period would end on a Saturday or Sunday. Payment made by mail on these days may not be postmarked until the following Monday. Similarly, payments made through financial institutions (where in person or by telephone or by internet) on the weekends or statutory holidays are usually not dated until the following business day.

**Q2. If a distributor were to provide a payment period longer than sixteen days, how would this affect the distributor's cash flow?**

A payment period of more than sixteen days would ultimately have a negative impact on the distributor's cash flow. As such LPMA would expect any distributor that would be impacted to request a higher working capital allowance component of rate base to reflect the cash flow implications. This would be done at the time of rebasing through a lead lag study. This would ultimately lead to higher rates for all customers. As such, LPMA does not believe that a longer payment period than sixteen days is appropriate.

**Q3. Where bills are "delivered" electronically, either by e-mail or by allowing customers to access bills on the internet, how should the date that the bill is deemed to have been sent be determined?**

If a bill is delivered by e-mail, the date that the bill is deemed to have been sent should be the date on which the e-mail was sent. If customers are allowed to access their bill on the internet, the date that the bill is deemed to have been sent should be the later of the date on which the bill is available to be accessed on the internet and the date of the e-mail sent to the customer to inform them that their bill is now available for viewing on the internet. In both cases, this is equivalent to physically mailing the bill.

**Q4. What processes do distributors currently have in place to determine or verify whether payment was received by the billing due date, particularly where payment is made by electronic means (telephone or internet banking)?**

No comment.

**Q5. In addition to payment by mail, at a financial institution, or by electronic means (telephone or internet banking), are there any other methods of payment that distributors accept? If so, how do distributors determine or verify whether payment was received by the billing due date?**

Some distributors may allow their customers to pay directly at their office, or through drop boxes at their office for after hours payments. LPMA believes that these payments should be considered to have been made on the date they are dropped off, even if they are made after normal business hours. This would be consistent with a distributor mailing bills after normal business hours and the bills are effectively mailed the following day. Since there are no constraints on the time of day associated with when a bill is mailed or when an e-mail is sent in determining the starting point of the payment period, there should be no constraints on the time of day associated with when a payment is made through the drop off option.

### **1.1.2 Allocation of Payments**

**Q6. Are there any technical limitations (e.g. billing systems) that would limit a distributor's ability to allocate payments towards energy charges first and non-energy charges second?**

LPMA believes that the first option provided by Board Staff for consideration is the option that should be adopted by the Board. Distributors are first and foremost providers of a regulated delivery service. If they chose to bill for other services, it should be deemed that any partial payment is allocated first to their primary business.

If there are technical limitations that may limit a distributor's ability to allocate payments toward energy charges first and non-energy charge second, then the distributor should eliminate these technical limitations. Since these technical limitations are the result of the distributor billing for more than energy services, any costs related to overcoming these limitations should not be recovered from regulated ratepayers.

**Q7. If there are technical limitations, what options are available to a distributor to ensure that a customer's payment is applied to energy charges first?**

Could the distributors consider a partial payment as actually two payments? The first payment would be equal to the energy charges, and if applicable, the second payment would be a partial payment for the non-energy charges.

**Q8. If distributors were given discretion as to how payments are allocated, do distributors need guidance from the Board as to how payments should be processed to ensure that it is not done in a manner that would lead to action that is inconsistent with section 31(1) of the Electricity Act, 1998 (in other words, to ensure that customers are only disconnected for non-payment of energy charges)?**

LPMA does not believe that distributors should be given this discretion. It will ultimately lead to ratepayer confusion and disputes.

**Q9. What are the implications of distributors being required to allocate payments in accordance with customer requests?**

The foremost implication is that the distributors would have the onus on them to advise customers that they can request that their partial payment be allocated. Distributors would need to educate their customers on the disconnection policies and implications associated with partial and allocated payments so that the customers can make an informed request.

### **1.1.3 Correction of Billing Errors**

**Q10. Staff has suggested three options for how distributors should refund to customers amounts owing for over-billed amounts. What are the advantages and disadvantages of each option?**

The advantage of the first option (credit to account) is its simplicity and it would be the least costly for the distributor to do. This option does not appear to address the situation in which the customer is no longer a customer of the distributor. The distributor should attempt to provide a cheque to the former customer if possible.

The second option has the advantage that the money over-billed to a customer is returned directly to them. The disadvantage is the cost to the distributor of issuing the refund. There is also an issue related to non-payment. Should the distributor issue the full refund to a customer if their account is not in good standing. Moreover, should the distributor issue the full refund if a customer's energy service are in good standing, but there is outstanding payments related to non-energy services?

The third option provided would still have to deal with the issue of non-payment status and would require some discretion on the estimation of the costs associated with the next 2 billing periods. It also raises the question of whether the amount associated with the next 2 billing periods is for energy services only or whether it would include non-energy costs.

LPMA suggests a variation on Board Staff's third option. The refund would be credited to the customer's account. If the amount credited exceeds the current bill to the customer, the customer would not pay anything for the current billing period but would be given the option of receiving a cheque for any credit remaining following their next billing period. The effect of this would be that the credit, if large enough, would eliminate the bill to the customer for two billing periods and then the customer has the option of leaving the remaining credit on their account for future use, or of receiving a cheque for the remaining amount.

**Q11. Staff has suggested three options for how distributors should bill customers for amounts under-billed. What are the advantages and disadvantages of each option?**

The first option provides an adequate amount of time to pay the amount in question if it is a substantial amount. The second option, in LPMA's opinion, is unfair to customers. They should not be required or expected to pay back a potentially significant amount in one payment, especially when the amount in question is not the result of anything the customer has done.

The problem with the third option is that of determining an appropriate threshold amount. Customers in many lines of businesses have cash flow problems in some seasons and even a modest amount could have significant impacts on their cash flow. Similarly, for low income residential customers, the determination of a proper threshold would be different from that for an average residential customer.

LPMA believes that the first option is the most fair and easiest to implement.

**Q12. With regards to the option where refunds would be provided in the form of a cheque if the amount owing was greater than a certain amount, what might be an appropriate threshold or criterion for determining the form of refund? Should the threshold or criterion differ depending on customer class?**

LPMA has provided a option in Question 10 above that would eliminate the need for a threshold determination and criterion.

Again, trying to apply a common threshold or criterion, even by customer class is problematic. Refunds to residential or business customers of the same amount mean different things to different customers. A low income residential customer that is entitled to a \$100 refund may react differently than an average residential customer. It will be difficult, if not impossible, to determine an appropriate threshold that would be fair to all customers in a customer class. The option of providing them with a refund cheque if they want it, regardless of the amount, would appear to be the fairest approach to this issue.

**Q13. With regards to the option where the repayment period for under-billing would depend on the amount owing by the customer, what is an appropriate threshold or criterion for determining the repayment period? Should the threshold or criterion differ depending on customer class?**

LPMA does not see any rationale for a different threshold or criterion depending on rate class. LPMA believes the repayment period should be equal to the length of the period during which the under-billing took place. LPMA believes this should apply to cases where it was not the customer's fault that the under-billing took place. Customers should not be expected to pay the under-billed amount faster than had the billing being correct in the first place.

**Q14. The RSC requires that distributors pay interest on amounts that were overbilled, but does not allow distributors to charge interest on amounts underbilled. Is this asymmetry appropriate?**

Yes, the asymmetry is appropriate. If a customer is over-billed, they are entitled to interest on the additional money taken by the distributor in error. Similarly, if a customer is under-billed, the distributor cannot charge the customer interest on amounts that were not billed to the customer in the first place.

**Q15. Where the customer is responsible for the under-billing, such as in the case of unauthorized energy use, including meter tampering or theft of power by the customer, should distributors be permitted to collect interest on the amount owing by the customer?**

Yes, where the under-billing is caused by the customer, then an interest penalty should be applied to the amount owing by the customer.

**Q16. In light of the time periods for over- and under-billing that apply in other jurisdictions, is there merit in reconsidering the time periods set out in the RSC?**

LPMA believes that, based on the information provided in the Staff Discussion Paper, that the six year period related to over-billing is still appropriate. However, the current two year allowable period for under-billing may be too long in the case where there is no unauthorized energy use. The standard across Canada appears to limit the duration of back-billing to six months. LPMA believes this is an appropriate timeframe that should be applied to Ontario as well.

#### **1.1.4 Equal Billing**

**Q17. Should all distributors be required to offer some form of equal billing? If so, what might be appropriate criteria for participation by customers?**

Distributors should not be required to offer some form of equal billing, but should be encouraged to do so, if the distributor believes it would provide benefits to its customers and do itself. In particular, if a distributor believes that by offering some form of equal billing it will be able to reduce its bad debt and/or collection expenses, then there would

be a business case to be made for offering some form of equal billing. This decision should be based on a business case, not only a regulatory requirement.

If some form of equal billing is offered, the only relevant criteria should be a satisfactory credit history for the customer. New customers, for whom a credit history may not be available, should be given the option of participating in the equal billing.

**Q18. If all distributors were required to offer equal billing, what are the implications for:**

- **Customer information / billing systems?**
- **Distributor's costs?**
- **Cash flow?**

The analysis of the implications of these items is why LPMA suggests that distributors should not be required to offer equal billing. Distributors should offer equal billing if a business case can be made that shows that incremental costs for customer information/billing systems would be offset by bad debt and collection expenses, for example. Cash flow can be positively or negatively impacted depending on when a customer enrolls in an equal billing plan and whether the distributor is a summer or winter peaking utility.

**Q19. For those distributors that currently offer equal billing, but not to customers enrolled with a retailer, what are the implications of being required to offer equal billing to customers enrolled with a retailer? Specifically, what are the implications for:**

- **Customer information / billing systems?**
- **Distributor's costs?**
- **Cash flow?**

LPMA sees no reason why customers enrolled with a retailer should not be able to participate in an equal billing plan. Again, however, the distributor should prepare a business case to analyze the overall implications.

## **1.2 Disconnection for Non-Payment**

### **1.2.1 Form and Content of a Disconnection Notice**

**Q20. Is the minimum information that staff has suggested should be contained within a disconnection notice sufficient? What information should be added?**



**Should any information be removed?**

The minimum information suggested by Staff appears to be appropriate. However, it is suggested that any action(s) that the customer can take to avoid disconnection should include a reference to the establishment of a payment plan that can be put in place between the customer and the distributor.

The distributor may also want to make the customer aware of other financial resources that may be available in their community to help the customer meet their payment obligations. The inclusion of the name of the program and a telephone number where the customer can obtain further information would be useful.

**Q21. Prior to commencement of the disconnection process, should distributors be required to send an overdue payment notice?**

Yes, an overdue payment notice, separate and distinguishable from the distributors' regular bill should be sent to the customer to ensure that the customer is aware that there is an overdue payment.

**Q22. Should the disconnection notice be a separate mailing from the bill, or is it sufficient that it be a separate document sent with the bill? What are the implications of requiring a disconnection notice to be a separate document from the bill? Specifically, what are the implications for:**

- Communications with a customer?
- Timing of notices and bills?
- Distributor's costs?

LPMA believes that the disconnection notice should be a separate mailing/delivery from the bill. Making the disconnection notice a separate document from the bill, but sent with the bill is not appropriate. Customers are accustomed to receiving numerous inserts that accompany their bill. Many of these customers do not read the inserts; as such the separate disconnection notice may get tossed without being noticed. The concept of a separate disconnection notice should be expanded to separate delivery of the notice.

Communications with the customer would be improved and the distributor's costs may actually be lowered because if the customer is more effectively made aware of the situation, they are more likely to resolve the problem before disconnection takes place.

**Q23. In addition to delivering a disconnection notice, should distributors be required to make personal contact with the customer (e.g. through a telephone call) prior to disconnection?**

Yes. The distributors should be required to make personal contact with the customer either through a telephone call or a visit to the location. Moreover, this personal contact should include the distributor providing the customer with payment options and information related to community resources that may be of assistance to the customer.

In the long run the added effort is likely to reduce the need for disconnection and reconnection. It is more efficient to spend the resources on keeping a customer connected than it is to disconnect, reconnect and collect past due payments.

## **1.2.2 Timing of a Disconnection Notice**

**Q24. What would be an appropriate length of time following delivery of a disconnection notice for a second notice to be required if disconnection has not occurred?**

LPMA agrees with the Board Staff suggestion that a second notice be required if disconnection has not taken place within the 14 days of delivery of the initial notice. This provides the distributor with 7 days after the disconnection date to actually do the disconnect. It also provides the customer with a well defined timeframe in which the disconnection can occur.

**Q25. What are the implications of requiring additional notice where a customer has not been disconnected within a certain length of time following delivery of the first notice? Specifically, what are the implications for:**

- **Communications with customers?**
- **Customer information / billing systems?**
- **Distributor's costs?**

Requiring additional notice should not have significant implications on the distributor and it should be noted that if it does, the distributor has control over whether or not there is a need for a second notice.

A second notice, however, may cause some confusion with customers who may not understand why they were not disconnected as per the first notice they receive. A second (and any subsequent) notice may also be seen by customers as less urgent. They may believe that because they were not disconnected previously, they will not be disconnected as a result of the second notice. This may be a reaction that should be taken into account by distributors so they minimize the use of a second disconnection notice.

### **1.2.3 Recipient of a Notice**

**Q26. What are the implications of allowing customers to designate a third party to receive copies of notices of disconnection? Specifically, what are the implications for:**

- **Communications with customers?**
- **Customer information / billing systems?**
- **Distributor's costs?**
- **Communications with social service agencies?**

LPMA believes that the option of allowing customers to designate a third party to receive copies of notices of disconnection should be encouraged, provided it can be done cost effectively. The third party could be a social agency or a family member, as examples.

The designation of a third party may be beneficial for elderly and other customers who may not understand the importance of a disconnection notice and may not realize that action is required immediately.

Assuming that social service agencies are a designated third party, communications with these agencies should be improved. They will have immediate notice of a problem and instead of waiting to be contacted by individuals that are experience a problem; the social agency could initiate the contact with the individual on a timely basis. This should ultimately help the distributor with payment and fewer disconnections.

### 1.3 Management of Customer Accounts

**Q27. In addition to the potential for property damage (e.g. from frozen pipes), are there any other implications of disconnecting a property when no new request for service has been received?**

Property damage can be caused by more than frozen pipes. For example, flooded basements may be the result of no power to sump pumps.

Disconnecting a property when no new request for service has been received may result in property vandalism and damage. Security lighting would no longer be operable and it may be apparent that a property is vacant increasing the possibility of vandalism and break-ins.

Insurance coverage on a property may be impacted by the disconnection of electricity service and the resulting impacts.

**Q28. When an account is closed, what are a distributor's criteria for determining whether to:**

- **continue to provide service to the property in the absence of a new request for service, or**
- **terminate service to the property?**

The best option is to ensure that a distributor does not have to make the determination of whether or not to continue to provide service or to terminate service.

Distributors should make every attempt to contact the property owner as soon as they receive notice of an account closure from their current customer in order to receive direction as to whether the distributor should continue to provide service to the property or whether service should be terminated.

Similar to allowing customers to designate a third party of a disconnection notice, the distributor could allow property owners to designate whether they want the utility to continue to provide service to the property or to terminate service when an account is

closed. This would be pre-approval to either continue service under the owners name or to terminate service.

When a distributor receives notice that the current account is being closed, and in the absence of any direction to continue service under another name, the distributor should send a disconnection notice to the owner of the property indicating that the current account holder has requested that their account be closed and that in the absence of any direction from the property owner, disconnection will occur in 7 days (the same timeframe associated with disconnection for non-payment).

**Q29. Are there circumstances in which it would be appropriate for a distributor to open an account in a person's name, and thereby seek payment from that person, where the person has not made a request for service? If so, please identify.**

The only circumstance where this would appear reasonable would be when another party requests the opening of an account on behalf of another person. In such a situation the distributor should get confirmation from this person as soon as possible. Information related to the requesting party should be obtained and retained until confirmation from the person named on the account is received. In such a situation, the distributor should perhaps send a "Confirmation of Account" request to the person named on the account.

**Q30. What types of information should a distributor collect from a person that is requesting the opening of an account in order to confirm the identity and, where applicable, authority of the person?**

A distributor should be allowed to collect any information related to the opening of an account that it feels is necessary to confirm the identity and authority of the person requesting service.

## **PART II: Evaluation and Reclassification of Customers**

### **2.1 Definition of Demand**

#### **2.1.1 Use of Billing Demand**

**Q31. What are the advantages and disadvantages of each of the options identified above?**

In general, use of kW would be less confusing to the majority of customers. This issue may be left as is, until the Board's current rate design process is completed.

**Q32. Should the general rule be that billing demand be determined on the basis of a consumer's measured kW?**

Yes. This would minimize customer confusion, especially for smaller general service customers.

**Q33. Under what circumstances should a distributor be permitted to assign a consumer on the basis of kVA as opposed to kW?**

This issue should be left until conclusion of the Board's rate design process is concluded.

**Q34. Should use of 90% of the kVA demand as billing demand be limited to cases where a determination of below standard power factor has been acknowledged to the customer (as with Nova Scotia Power)? This would give the customer an opportunity to correct the situation at its own cost before being re-classified.**

This option should be afforded to the customer. There can be significant differences between rate classes and the customer should be given the opportunity to try and correct the situation at their own cost if it saves them money in the long term.

## **2.2 Classification and Reclassification of Consumers to Classes**

### **2.2.1 Periodicity of the Calculation of Demand for Rate Classification Purposes**

**Q35. What are the advantages and disadvantages of each of the options identified above?**

Both of the options identified have advantages and disadvantages. The first option provides more stability, but does not necessarily reflect cause causation. The second option would better reflect cost causation, but could lead to annual changes in rate classes for some customers.

Overall, the Board may have to decide between rate class stability for a customer versus encouraging customers to minimize their maximum monthly peak demand. The second option provided by Board Staff could be considered desirable from a CDM perspective.

## **2.2.2 Assignment of New Consumers to Classes**

**Q36. What are the advantages and disadvantages of each of the options identified above?**

Given that either of the two options presented would only be in place for 12 months until the customer's classification is re-evaluated based on actual billing demand, any advantages or disadvantages of one option as compared to the other would be relatively short in duration. Also, as noted by Board Staff, this issue would only apply to a small number of customers where a customer's anticipated demand is at the threshold between rate classes. If the goal is to provide an economic incentive to the customer to properly size the connection, then the 80% option would appear to be the best approach to take.

**Q37. How does classification on the basis of 80% of service size relate to customer contributions for connection costs? In other words, is the distributor already compensated for over-sized assets by customer contributions?**

The answer to this question may differ from customer to customer. Again, since the duration of the initial rate class assignment is only for one year until the rate classification can be determined using 12 months of actual usage, the impact may be minimal. However, the customer contribution calculation may need to be revisited if the customer ends up in a different rate classification after one year than the one to which it was initially assigned.

## **2.2.3 Evaluation and Reclassification of Existing Consumers**

**Q38. What are the advantages and disadvantages of each of the reclassification options identified above?**

The option that would allow one distributor and one customer initiated re-evaluation per year has the benefit of providing more rate class stability to the customer resulting in less confusion than the second option which could involve multiple changes during a year.

The current rate design process at the Board may remove or change many of the boundary issues that currently exist with rate classes. The outcome of that proceeding may have a major impact on the analysis of this issue.

**Q39. In section 2.1.2, Board staff has suggested a 12 month average billing demand as a definition of demand. If that were to be adopted, would restricting the number of reclassifications become unnecessary?**

If the 12 month average billing demand is adopted, there would appear to be the possibility that the average could oscillate below and above the threshold for a rate class reclassification. This could result in substantial changes in the costs on a month to month basis for a relatively small change in consumption. On the other hand, the customer may be motivated to make CDM improvements to remain below the threshold to avoid the increase in costs.

**Q40. Should all customers be notified prior to a rate class change, regardless of the bill impact?**

Yes. Customers should be informed of the change, along with the reason for the change and a description of the potential impact on the customer's bill. This may also be an opportunity for the distributor to suggest conservation and demand management options that may help the customer avoid the higher cost rate class in the future.

**Q41. Is there a need for the Board to establish parameters around the application of the concept of an "abnormal condition"? If so, what parameters would be appropriate?**

It may be difficult to define an "abnormal condition" on a generic basis. Such situations are likely to be customer specific. As such, parameters that can be widely used may be difficult to establish.

### **PART III: Management of Customer Non-Payment Risk**

**Q42. Should the DSC be amended to expressly provide for accelerated billing?**

- **If yes, how should accelerated billing provisions be structured (e.g., triggers, notification process, conditions for returning to the distributor's normal billing cycle, timing of disconnection notices, other customer service implications)?**
- **Should customers have the option of negotiating an alternative arrangement prior to being placed on accelerated billing?**
- **Are there other customer non-payment risk management tools that should be considered along with accelerated billing?**
- **If accelerated billing should not be considered, how should the large customer non-payment risk referred to above be addressed, if at all?**



Yes. Accelerated billing should be expressly allowed.

The distributor should only have the ability to initiate accelerated billing if it has reason to suspect that the customer's creditworthiness is in question. The distributor should provide the customer with a reasonable amount of notice and also indicate that other options instead of accelerated billing may be acceptable to the distributor.

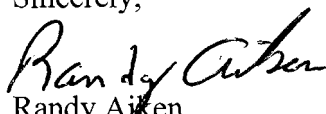
As noted below, it may be reasonable to shorten the disconnection notice period in the case where accelerated billing is in use. It may also be reasonable to shorten the payment period.

Customers should have the option of negotiation an alternative arrangement prior to being placed on accelerated billing.

Other customer non-payment risk management tools that could be considered in conjunction with accelerated billing is an accelerated payment period (i.e. less than 16 days) and a shorter disconnection notice period (less than 7 days). The Board may also wish to consider the viability of allowing large customer to prepay a portion of the electricity costs each month rather than use accelerated billing. This portion could be negotiated with the distributor.

Please contact me if the Board requires any further information related to these comments.

Sincerely,

  
Randy Aiken  
Aiken & Associates