



CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.

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October 9, 2014

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: Policy Review of Electricity and Natural Gas Distributors' Residential
Customer Billing Practices and Performance
Board File No.: EB-2014-0198**

On September 18, 2014 the Ontario Energy Board ("the Board" or "the OEB") released a Draft Report of the Board on the Residential Billing Practices and Performance of Electricity and Natural Gas Distributors ("the Report"). The Board invited stakeholders to provide written comments on the questions that were set out in the Report by October 9, 2014.

Cambridge and North Dumfries Hydro Inc. ("CND") is pleased to provide comments on the questions and is pleased that the Board has stated that they will consider such comments before finalizing the Board's policy for monthly billing and estimated billing.

By way of background, CND responded to the billing practices survey on July 18, 2014 and identified itself as a distributor that does not provide monthly billing to its residential customers, and has no current plans to do so.

CND's comments have been organized in the order of the questions as stated in the Report.

1. For the electricity distributors that do not offer monthly billing, what are the barriers faced in meeting the Board's goal of having all residential customers moved to monthly billing by January 1, 2016?

Barriers include:

- The incremental operating costs associated with monthly billing, as well as one-time capital costs associated with changes to the billing system, are not included in CND's existing rate structure;

- CND customers have not been engaged to solicit their preferences to moving to monthly bills from bi-monthly, which is an important consideration under the Board's Renewed Regulatory Framework for Electricity Distributors;
- CND believes that there is limited data to support the assumption that moving to monthly billing reduces bad debt expenses or collection costs, which would help to offset the incremental operating expenses associated with monthly billing; and
- CND at this point in time, has no evidence that customers will embrace e-billing to the extent that cost savings will be material.

Incremental costs not included in CND's existing rate structure

On September 11, 2014, the Board issued its Decision and Rate Order regarding CND's Cost of Service Rate Rebasing Application for Rates effective May 1, 2014. During the Rate Application process CND was questioned as to its billing practices and more specifically the issue of monthly billing vs. bi-monthly billing. CND stated that it had no intention to move to monthly billing. The cost of moving to monthly billing was a topic raised during the proceedings and specifically CND was asked the following questions during the Interrogatory Stage.

Energy Probe Interrogatory 4.2-Energy Probe-12 (b)

Does CNDHI bill all customers monthly? If so, has CNDHI considered going to bimonthly billing in order to reduce billing costs, especially in light of the announcement from Canada Post regarding postage rate increases? If not, why not?

Board staff Interrogatory 4.2-Staff-17(a)

Please identify any impacts that the implementation of monthly billing has had on billing and collection expenses or any other OM&A category.

Board staff Interrogatory 4.2-Staff-17 (d)

Please describe other initiatives that CND has undertaken, or intends to undertake, to manage the costs of monthly billing for all customers and, by extension on the rate impacts to recover billing and collecting expenses.

These questions clearly imply that intervenors and Board staff recognize that there are costs involved in moving from bi-monthly billing to monthly billing. The amount of such a move is in the range of a minimum of \$300,000 to \$400,000 for a distributor the size of CND. In CND's 2010 rate application the incremental costs for monthly billing were estimated at \$312,000. CND has no reason to think that that amount would be decreased over time. Other distributors have indicated the costs are in this range as well (Kitchener, Guelph)

CND had no such costs included in its most recent Decision and Rate Order and is very concerned that such costs will be expended with no corresponding recovery of such costs. CND suggests that, should the Board proceed with the implementation of monthly billing commencing January 1, 2016, a variance account should be approved to record such incremental costs, which would be disposed of during CND's next Rate Rebasing application.

Until utilities such as CND actually make the move to monthly billing, it is difficult to accurately estimate the incremental costs involved. Similarly, any benefits are difficult to estimate until such time as the move to monthly billing occurs.

Customer Engagement

CND surveys its customers on a regular basis and there has been no indication from customers that there is a preference to move to monthly billing. CND does not agree with mandating a certain customer service initiative without an adequate analysis and consultation with its customers.

One of the cornerstones of the Board's Renewed Regulatory Framework for Electricity Distributors is Customer Engagement. This would seem to be the perfect opportunity to survey, or canvas residential customers to determine if the customer preference is monthly, bi-monthly or some other method of billing. Customers should have a voice in the decision, armed with all the pros and cons of each method.

Limited data to support the assumption that monthly billing reduces bad debt expenses or collection costs

Although on the surface, it may be assumed that moving to monthly billing would decrease bad debt expenses, there is limited evidence to support this assumption. Collection expenses are not expected to decrease because CND collection efforts are similar, regardless if the collection amount is \$200, \$500 or \$1,000.

No evidence that customers will embrace e-billing

CND has been promoting paperless E-billing since June 2014. To date, 2.5% of the customer base have enrolled, which is excellent considering the short period of time the program has been available. Other utilities in the province that have had e-billing available for a much longer period of time than CND, have enrollment that is lower than might otherwise be expected. The costs savings that are hoped to be derived as more and more customers move to paperless billings have not yet been seen by CND. Perhaps more promotion (resulting in increasing costs) would generate more interest.

What are the offsetting benefits such as reduced costs?

At this point in time, CND can anticipate very few reduced costs as a result of moving to monthly billing. While CND recognizes that monthly billing will increase cash flow, it is difficult to estimate the savings or quantify the benefits that would be derived.

2. Should seasonal customers also be billed on a monthly basis?

This is not applicable for CND as CND has no seasonal customers.

3. Are there circumstances that should be considered as exceptions to the requirement for all residential consumers to receive bills based on actual meter reads?

CND has a minimal number of estimated bills but recognizes that there are limited unique situations that might require an estimated bill such as temporary equipment failure.

4. Are there any barriers to moving to eliminate estimated billing?

The only barrier that CND is aware of is faulty equipment.

Are these offset by any benefits?

None that CND is aware of.

5. For those limited circumstances where an estimated bill may be required, what is the appropriate methodology to be used in estimating the data?

In the event of a non-communicating Smart Meter, the MDM/R and CND's ODS have tools available to estimate consumption based upon past usage and customer class.

6. Should the policy establish a similar measure to that in the Gas Industry (<0.5% of meters with no read for 4 consecutive months)? If so, what should this measure be and should there be a disincentive for not meeting the measure?

The Gas Industry measure is reasonable. CND does not support disincentives since unique circumstances may arise that may rationalize not meeting the measure.

Two copies of this letter have been forwarded to your attention via courier.

If you require any additional information or clarification, please contact me at (519) 621-8405, ext. 2340.

Yours truly,

A handwritten signature in blue ink, appearing to read "Grant Brooker".

Grant Brooker, CPA, CA
Manager, Regulatory Affairs