



October 9, 2014

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

**RE: EB-2014-0198 - Policy Review of Electricity and Natural Gas Distributors'
Residential Customer Billing Practices and Performance**

Dear Ms. Walli:

On September 18, 2014, the Ontario Energy Board (the "OEB" or the "Board") released a Draft Report of the Board on the Residential Billing Practices and Performance of Electricity and Natural Gas Distributors.

Bluewater Power Distribution Corporation ("Bluewater"), Burlington Hydro Inc. ("BHI") and Greater Sudbury Hydro Inc. (GSH") are pleased to provide comments to the Board.

Should you have any questions, please do not hesitate to contact any of the signatories below.

Sincerely,

Leslie Dugas
Manager of Regulatory Affairs
Bluewater Power Distribution Corp.
ldugas@bluewaterpower.com
519-337-8201 Ext 2255

Kathi Farmer
Manager of Regulatory Affairs
Burlington Hydro Inc.
kfarmer@burlingtonhydro.com
905-332-1851 Ext 284

Tijja Luttrell, CPA, CA
Regulatory Affairs Officer
Greater Sudbury Hydro Inc.
Tijja.luttrell@sudburyhydro.com
705-675-0514

**EB-2014-0198
DRAFT REPORT OF THE BOARD**

**ELECTRICITY AND NATURAL GAS DISTRIBUTORS'
RESIDENTIAL CUSTOMER BILLING PRACTICES AND
PERFORMANCE**

**COMMENTS OF BLUEWATER POWER DISTRIBUTION CORPORATION,
BURLINGTON HYDRO INC. AND GREATER SUDBURY HYDRO INC.**

OCTOBER 9, 2014

These are the comments of Bluewater Power Distribution Corporation (“Bluewater”), Burlington Hydro Inc. (“BHI”) and Greater Sudbury Hydro Inc. (“GSH”) collectively referred to in this submission as “BBGS”.

Bluewater, BHI and GSH are all distributors that currently bill a large proportion of their customers on a bi-monthly basis. In addition, each of Bluewater, BHI and GSH have made arrangements to share the costs of billing with cost sharing partners, arrangements that could be negatively impacted if all distributors are requested by the Board to implement monthly billing across all their customers. Accordingly each of Bluewater, BHI and GSH along with their customers and billing partners have a direct interest in the Board’s proposed policy with respect to a transition from bi-monthly to monthly billing.

4.2 Consultation on Monthly Billing for Electricity Distributors

- 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? What are the offsetting benefits such as reduced costs?***

Process Issues

On June 27, 2014 the Board issued its notice to all Electricity and Natural Gas Distributors and all other interested parties with respect to the Policy Review of Electricity and Natural Gas Distributors’ Residential Customer Billing Practices and Performance (EB-2014-0198) (the “Notice”).

Within the Notice it was communicated to interested parties that:

The Board intends to consider policies related to billing practices for all regulated natural gas and electricity distributors to help meet these objectives.¹

The Notice further set out the Board's preliminary views with respect to monthly billing:

The Board is of the view that more timely bills in the form of monthly billing would allow customers to more effectively respond to the drivers that increase their energy costs and allow them to better anticipate and manage payments, respond to pricing signals (i.e. using electricity at times of the day when prices are lower), and help reduce negative situations such as disconnections or arrears. A monthly bill also provides a channel for more frequent communication with customers. Furthermore, shortening the time between when the energy is consumed and when the bill is issued can help customers in understanding what factors are affecting the bill.²

The Board then went on to describe the process for the proposed policy review:

The Board plans to complete this review in a number of stages. The first stage will be to gather further and updated information from distributors on current billing practices. Following a review of this information, the Board will announce further stages in this policy review.³

The distributors, BBS included, provided the further and updated information requested by the Board through their answers to a survey attached as Appendix A to the Notice (the "Survey").

The Board then released its Draft Report of the Board: Electricity and Natural Gas Distributors' Residential Customer Billing Practices and Performance EB-2014-1098 (the "Draft Report") on September 18, 2014.

1 Notice from the Board dated June 27, 2014 Re: the Policy Review of Electricity and Natural Gas Distributors' Residential Customer Billing Practices and Performance EB-2014-0198, page 2.

2 Ibid. page 3.

3 Ibid. page 3.

With respect to the issue of bi-monthly vs. monthly billing, the Draft Report reaffirms at page 8 the Board's preliminary views, asserting that:

As indicated in the Board's letter dated June 27, 2014, timely and accurate billing is essential to customer satisfaction but also essential to better informing customers about their energy use and allow them to adjust consumption and control their costs. It also allows consumers to manage regular expenses by budgeting for payments monthly, rather than bi-monthly. As such, the Board wants to ensure that billing practices by all distributors in Ontario meet those customer needs and expectations. The Board also wants to ensure that customers have the information to gain a better understanding of their energy consumption so that they can better manage that consumption and control their costs.

The Board's [sic] is of the view that one of the most effective ways to achieve these objectives is to have all non-seasonal electricity residential customers in Ontario billed on a monthly basis and that this should occur no later than January 1, 2016.

The Board then goes on to request input from stakeholders on a limited basis, asking only for comments concerning the barriers faced in meeting the Board's goal of having all residential customers moved to monthly billing by January 1, 2016, and comments outlining the offsetting benefits such as reduced costs.

BBGS respectfully submits that it appears that the Board has pre-determined, without consultation, that all electricity distributors shall switch to monthly billing, and is seeking stakeholder input only with respect to:

- a) issues that may prevent such a switch within a mandated deadline of January 1, 2016; and
- b) comments that provide support for the policy in terms of the benefits of switching to monthly billing.

It does not appear to BBGS that the Board is seeking any input with respect to the appropriateness of requiring distributors to move from bi-monthly to monthly billing in the first instance, a procedural omission that BBGS finds surprising given the lack of an evidentiary record with respect to the assumed benefits of monthly billing, the net cost differential between bi-monthly and monthly billing, and actual customer input with respect to the desirability of monthly billing rather than bi-monthly billing.

BBGS notes that while the first step in this consultative was essentially fact finding in the form of the Survey, the information gathered through the Survey was limited, concerning only the current practices regarding billing and billing

related statistics. Accordingly, it appears to BBGS, there is no information on the record in this consultative supporting a conclusion that, in all or most cases, customers and distributors are better off moving to monthly billing from bi-monthly billing.

To that end BBGS provides the following observations from the perspective of distributors that not only are currently billing their customers bi-monthly, but also have entered into cost sharing arrangements that could be negatively impacted were they compelled to transition to monthly billing.

Lack of Evidence with Respect to Customer Input

The Board's view that monthly billing should be mandatory appears to be rooted in two assumptions about the impacts monthly billing will have:

- a) that monthly billing will provide better information than what is currently provided to customers about their energy use and accordingly allow them to better adjust their consumption and control their costs; and
- b) that monthly billing will allow consumers to manage regular expenses by budgeting for payments monthly, rather than bi-monthly.

With respect to the first assumption regarding the availability of better information, BBGS notes that currently customers are provided not only information about their actual consumption over the course of the two month billing cycle, but in addition many customers, including customers of BBGS, have access to daily and hourly information through online portals provided by their distributors. Accordingly customers are already provided the opportunity to access more detailed and, arguably, more useful information with respect to their daily and hourly consumption, accessible the day after the consumption has occurred, than what would be represented by an additional 6 bills per year. In addition BBGS notes that the OEB provides an online bill calculator for consumers looking for additional tools to help monitor and predict the cost of their consumption.

There are, BBGS agrees, live questions as to the frequency with which consumers access the online information provided by distributors, whether monthly billing information is materially more useful to them than what is already provided in a bi-monthly bill, and whether, accordingly, customers would be receptive to exposure to the incremental cost associated with the additional billing cycles. However these are questions that, so far as BBGS is aware, have not been put to customers for a response in any meaningful way.

BBGS would respectfully suggest that, prior to requiring approximately 1.9 million customers to pay the additional costs associated with a move from bi-monthly to monthly billing, customers should be consulted directly with respect

to the proposal, much in the same way the Board is seeking to have distributors engage directly with customers as part of the RRFE and reflect customer input within the distributor's Distribution System Planning.

With respect to the second assumption, that monthly billing allows customers to better manage their expenses, BBGS admits that is an attractive assumption. However, BBGS notes that despite consumption being calculated and billed on a bi-monthly basis, any single customer has access to the equal payment plan option, which allows customers to make equal monthly payments, providing precisely the value in terms of monthly (rather than bi-monthly) budgeting that monthly billing is supposed to add, with the additional value of smoothing the payments. Additionally, BBGS would also suggest it should be recognized that there may in fact be value for some customers to pay electricity bills every other month as part of their budgeting process, depending on their personal circumstances.⁴

BBGS does not purport to assert definitely that, as a budgeting tool, monthly billing is of little or no interest to consumers at large such that it should not be implemented as a tool; BBGS is simply pointing out that absent additional evidence the value of monthly billing in the context of the current billing options available to customers is questionable.

For these reasons BBGS does not think it is appropriate to assume, without specific customer input, that customers will be universally and materially better off if monthly billing is implemented without seeking customer input first.

Lack of Evidence with Respect to Material Cost Savings

In its most recent cost of service application, Bluewater applied for rates on the basis of a plan to move from bi-monthly to monthly billing. However in doing so Bluewater, having reviewed the added costs of moving to monthly billing, explicitly asserted that there was no business case to support the change.⁵ The assertion, from Bluewater's perspective, was that there was no economic case in support of the move to monthly billing, since the incremental costs outweighed the projected cost savings.

Accordingly the rationale at the time for the move was essentially twofold. The first rationale related to the potential value from a customer perspective of receiving monthly bills, an assumption made by Bluewater at the time much in the same way the Board has made similar assumptions in suggesting monthly

⁴ By way of example, BBGS posits a reasonable scenario where a customer may have arranged their finances so that some of their expenses come due and are paid in months where no electricity charges are due. A move to monthly billing could cause material disruption to such a customer as a result of the increased financial burden in what used to be a month free of electricity payment obligations.

⁵ EB-2012-0107 1.0-SEC-9, Tab 6 Schedule 27 page 1.

billing should be made mandatory. The second rationale stemmed from what appeared to be, at the time, a real possibility of government action requiring the utility to bill its customers monthly, such that it would be prudent to build the costs of monthly billing into the Cost of Service application rather than have to react, during an IRM year, to government direction.⁶ Ultimately as part of a Settlement Proposal the plan to implement monthly billing was withdrawn, with the corresponding incremental costs specifically removed from the proposed revenue requirement.⁷

GSH notes that it made a similar proposal in its last cost of service application (EB-2012-0126) to move to monthly billing in anticipation of possible legislation requiring it do so, but noted that in doing so its billing partner, the City of Greater Sudbury, would likely discontinue shared billing, an issue of concern discussed later on in these comments.⁸

Each of Bluewater, BHI and GSH have performed preliminary forecasts of the incremental cost of moving from bi-monthly billing to monthly billing. In each case the costs are material,⁹ even without making any assumptions about the impact the move may have on their respective billing partners, an issue that is discussed separately below.

BBGS acknowledges that the Board has raised the possibility that the move from bi-monthly to monthly billing may materially reduce the cost of the Working Capital Allowance (“WCA”) for a distributor making such a change in billing practices. On a purely economic analysis BBGS would suggest that it is only if a change in billing cycle materially changes the WCA requirement that a move to monthly billing could be justified; however BBGS submits that it has not been demonstrated that a move to monthly billing will, on its own, reduce the WCA requirement so significantly as to wholly offset the incremental operating costs associated with the transition.

To that end BBGS respectfully submits that the Board should engage in some empirical analysis of the actual WCA impacts of moving from bi-monthly to monthly billing, so that any subsequent decision will be based on a proper forecast of the net impact on customers. In addition, once that analysis is done, BBGS submits that the results of that analysis with respect to the net added costs to customers from monthly billing should be used in the context of the proposed consultation with customers concerning their perception of

6 EB-2012-0107 Exhibit 4 Tab 2 Schedule 7.

7 EB-2012-0107 Settlement Agreement Dated April 15, 2013 page 27.

8 EB-2012-0126 Exhibit 4 Tab 1 Schedule 1 page 3 “Greater Sudbury has been advised that with a move to monthly billing and the results of the BDR study the City of Greater Sudbury views the costs for maintaining the single bill as too high and is investigating either self-supplying the billing service or purchasing the service from a third-party. Given this information Greater Sudbury has prepared its 2013 budget anticipating a loss of this revenue stream.”

9 For Bluewater the forecast cost is \$340,000, for BHI the forecast cost is \$420,000, and for GSH the forecast cost is \$247,000.

monthly billing, with a view to determining whether customers are amenable to the added cost of delivering bills monthly in exchange for the benefits they perceive in doing so.¹⁰

In any event, should the Board continue to request through Board Policy that distributors implement monthly billing absent further information on the net costs of doing so or customer views on the proposal, BBGS respectfully submits that distributors should be directed to track the costs and cost savings related to the transition to monthly billing with any net costs to be cleared to the credit of the distributor in recognition of the fact that any such transition is at the request of the Board, ostensibly for the benefit of customers.¹¹

Shared Billing Issues

A distinct barrier to the transition by certain utilities from bi-monthly billing to monthly billing is the impact that transition may have on shared billing practices.

By way of example, each of Bluewater, BHI and GSH currently provide water-billing services to their corresponding local water utility, and in doing so recover revenue for those billing services. Other utilities have similar arrangements, providing billing services for other entities as a cost sharing mechanism. Such arrangements are directly beneficial to ratepayers, as the electricity related billing costs embedded in the distributors revenue requirement are materially reduced by the application of the recovered shared billing revenue against those costs when rates are set by the Board.

The issue of concern, BBGS submits, is that the cost sharing arrangements between, for example, Bluewater, BHI and GSH and their cost sharing partners are all based on the costs and suitability of bi-monthly billing; introducing the added cost and implications of monthly billing could have serious consequences on the sharing arrangements between distributors and their cost sharing partners who, for the most part, have no need or desire for monthly billing. In most cases it is likely that bi-monthly billing was already a concession on the part of the water utility, with less frequent billing being more than sufficient. GSH notes, for example, that prior to entering into a cost sharing agreement it billed its customers monthly while the City of Sudbury billed its water customers quarterly; the move to bi-monthly billing was made specifically to accommodate the cost sharing agreement, and was done so in consultation with customers.

¹⁰ BBGS further notes that there has been no consideration given to the added cost and effort imposed on customers on the payment side, i.e. the costs associated with paying their bills 12 times a year instead of 6 including bank fees, postage, etc.

¹¹ BBGS would anticipate that details of how and when the account would be cleared would depend on the circumstances of each distributor.

Accordingly utilities will likely not be able to recover the incremental costs associated with the transition to monthly billing from its cost sharing partner, since those costs represent a level of service that their cost sharing partners do not require. In addition there will likely be added complication and expense associated with either continuing to issue bills for the cost sharing partner on only a bi-monthly basis while issuing monthly bills for electricity distribution, or alternatively added complication and expense for the billing partner, internally, related to having its bills issued on a monthly basis when they only require bi-monthly billing.

Under such circumstances it is entirely possible that some cost sharing partners may consider exiting the cost sharing arrangement, moving to, for example, stand alone quarterly billing. This would result in the loss of the benefits associated with the cost sharing; ratepayers would not only be faced with absorbing the added cost of monthly billing, they would also have to absorb the costs that had formerly been recovered through cost sharing arrangements. By way of example, GSH has estimated the cost to ratepayers of losing its billing partner to be approximately \$900,000, on top of the estimated incremental cost of monthly billing, as a result of the inability to share billing costs.

BBGS respectfully submits that such cost sharing arrangements are of significant value to customers, and that the Board's policy decision regarding billing frequency should not be implemented in such a way as to impinge upon the cost sharing agreements reached with billing partners.

Accordingly, BBGS respectfully submits, the Board should acknowledge that the preservation of cost sharing agreements with respect to billing services may serve as a legitimate reason for a distributor to refrain from moving to monthly billing, unless and until the distributor can negotiate the terms of the cost sharing agreement in such a way as to preserve the cost sharing benefits for ratepayers.

Additionally BBGS respectfully submits that the Board should make clear that the Board's policy, if it ultimately requires a transition to monthly billing for all distributors, should not have any direct impact on the cost sharing agreement between distributors and their cost sharing partners. Specifically the Board should confirm, assuming the Board requires a transition to monthly billing, that the net incremental costs of monthly billing (should there be a net cost) are to be borne by the distributor (and subsequently recovered from ratepayers), with no costs incurred either to transition to monthly billing or maintain the existing cost sharing benefits with the cost sharing partner to be allocated to the cost sharing partner; all such costs should ultimately be recovered from ratepayers.

Lastly, in the event the Board seeks to require monthly billing across all distributors and in doing so causes billing partners to terminate their cost

sharing agreements, it should be clear that distributors are permitted to track the lost revenue and additional costs incurred as a result of the termination of any shared billing arrangement in a deferral account and recover those amounts from ratepayers.

SUMMARY

BBGS respectfully submits that it is premature to require distributors to universally move to monthly billing. The two rationales for such a transition, that:

- a) monthly billing will provide better information than what is currently provided to customers about their energy use and accordingly allow them to better adjust their consumption and control their costs; and
- b) monthly billing will allow consumers to manage regular expenses by budgeting for payments monthly, rather than bi-monthly

are not supported by adequate evidence from customers. Accordingly BBGS submits that the Board should obtain proper evidence with respect to customer views before requiring distributors to implement monthly billing.

BBGS submits that there is inadequate evidence to support a conclusion that there is a net cost savings as a result of transitioning from bi-monthly to monthly billing; accordingly BBGS submits that the Board should obtain some analysis with respect to the assumed savings, in particular the specific impact of monthly billing on a distributor's WCA, and use that information when consulting with customers before determining whether to ask that distributors move to monthly billing. In addition and in any event BBGS submits that a request that distributors transition to monthly billing should be accompanied with a direction to distributors to track the net costs of implementing bi-monthly billing to be recovered from ratepayers.

BBGS submits that the value associated with shared billing arrangements should be recognized by the Board, such that even if the Board generally requests that distributors move to monthly billing, distributors with shared billing arrangements should be allowed to defer any such transition unless and until it can be accomplished without impugning on its shared billing arrangements. Additionally distributors should be allowed to track and recover any costs associated with accommodating existing billing arrangements with a billing partner in a deferral account to be recovered from ratepayers, and as well as any lost revenue or lost cost sharing benefits in the event the Board's policy causes billing partners to terminate their cost sharing arrangements.

- 2. Should seasonal customers also be billed on a monthly basis? What are the barriers to moving to monthly billing? What are the offsetting benefits such as reduced costs?**

Bluewater, BHI and GSH do not have seasonal customer classes.

4.4 Consultation on Estimated Billing for Electricity Distributors

Stakeholders are invited to comment on the proposed policy of the Board regarding estimated billing for residential consumers and respond to the following questions:

- 1. Are there circumstances that should be considered as exceptions to the requirement for all residential consumers to receive bills based on actual meter reads?**
- 2. Are there any barriers to moving to eliminate estimated billing? Are these offset by any benefits?**
- 3. For those limited circumstances where an estimated bill may be required, what is the appropriate methodology to be used in estimating the data?**
- 4. Should the policy establish a similar measure to that in the GDAR (< 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?**

With respect to the four questions above, Bluewater, BHI, and GSH issue all their bills on actual meter reads, resorting to estimated bills only in occasional instances of meter failure. Accordingly Bluewater, BHI, and GSH presume that the questions are better answered by utilities that more commonly issue estimated bills for reasons other than temporary meter failure.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 9th DAY OF OCTOBER 2014