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November 10, 2014

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")
Development of an Ongoing, Ratepayer Funded, Electricity Bill Assistance Program
OEB File No. EB-2014-0227

Enclosed please find attached THESL's written comments in respect of the above-noted matter.

Please contact Jack Lenartowicz, Regulatory Consultant at jlenartowicz@torontohydro.com if you have any additional questions.

Yours truly,

[original signed by]

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Toronto Hydro-Electric System Limited ("THESL")-
Ontario Energy Support Program ("OESP") Comments (EB-2014-0227)

Overview

On October 23, 2014, the Ontario Energy Board ("OEB") sent a letter (the "OEB Letter") inviting stakeholders to attend a Stakeholder Forum and/or provide comments concerning the development of an Ontario Electricity Support Program ("OESP"). THESL attended the Stakeholder Forum on November 6th, 2014 (the "Stakeholder Forum"), and provides the following additional comments for the OEB's consideration. THESL is also a signatory to the CLD submissions on this matter, but provides these additional comments to reflect and emphasize concerns specific to its circumstances.

Questions for Stakeholder Input

The OEB's October 23, 2014 Notice asked stakeholders to specifically consider three particular issues in their written comments. THESL's views on these three issues are provided below.

Assist the greatest number or those with the greatest need?

THESL submits that this question is best answered in the context of the intended level of funding that is to be made available for the program and the intended level of financial support to each individual customer (i.e. "how many customers can we assist if we want to set the value of the OESP at x, while keeping total program costs/rate increases in a desired range?").

THESL is primarily guided by the direction provided by the April 23, 2014 letter from the Minister of Energy to the OEB (the "Minister's Letter"), which identifies a goal of providing financial assistance to low income customers at a level comparable to the 10% OCEB credit. In following this direction, THESL submits that the OEB need only identify the proper qualifying criteria, so as to constrain the overall program costs at an acceptable level. THESL would further suggest that a conservative approach be taken such that the eligibility criteria is set cautiously, and updated and relaxed at later intervals if uptake proves below expectations or additional funds are made available at later dates.

THESL notes that the overall intended costs of the program are the obvious constraint to any discussion of possible volumes of eligible applicants and the level of assistance that can be provided. A larger credit, or a larger eligible pool of applicants, will necessarily require larger rate increases affecting all ratepayers to cover the costs of the program. THESL cautions against expanding the program too quickly to the point of notably affecting rates of all other customers (some of which will inevitably be just beyond the OESP eligibility criteria; being required to fund the program through higher rates, but not being able to take advantage of it themselves).

How should the OESP best meet its intended objective?

In the OEB's Letter, the OEB identifies three specific methods by which the OESP credit could be passed on to customers: a) a percentage based credit, b) a fixed credit, or c) a fixed credit tied to customers' income and consumption levels.

THESL submits that of these three alternatives, option (a), using a percentage-based credit applied to the customer's total bill would best meet the objective of the OESP, and also be the most preferable from an administrative and implementation perspective. THESL notes that this option had broad support among utility participants at the Stakeholder Forum.

In the Minister's Letter, the OESP is envisioned to be similar in nature, and provide "a similar level of relief" to the existing OCEB credit. Designing the OESP as a percentage based credit would best meet this objective, be seamless for customers currently receiving the OCEB credit, and also automatically (and fairly) account for differences in customers' electricity bills. From an implementation perspective, the billing infrastructure to apply a percentage based credit is already in place (through the current requirement to bill OCEB). Given this, it could be adapted for the purposes of OESP with less difficulty than the other potential options.

In terms of implementation, option (b), a fixed credit, would also be acceptable. However, THESL does not believe that a fixed credit would be fair in reflecting the differences in customer's electricity bills and the general intentions of the OESP.

THESL has considerable concerns with option c), which would require that the level of credit be tied to customers' income levels and/or monthly consumption. Such an approach would be extremely complicated and costly to implement, requiring not only a process for income eligibility qualification, but also the identification and tracking of the specific individual level of income of each customer, together with the expected or forecast level of consumption of each customer. Such a specific approach would be very costly and complicated to maintain, and fundamentally, THESL does not believe that such a customization would result in a materially different allocation of available OESP funding. That is, for the the majority of customers, THESL does not believe that variations in income criteria and consumption patterns (within the low income customer group) would be notable enough to materially affect the size of a credit (assuming the credit is expected to be in the approximate range of 10% of a customer's bill), and certainly does not believe that the cost and effort required to allow for such a customer specific allocation would be justified. As noted by THESL representatives at the Stakeholder Forum, the administrative cost of the existing LEAP program is at 15% of total program funding, without any utility-side costs included. An option for the OESP of this complexity, involving a manual calculation of credits for every qualifying customer, would be significantly higher.

How should the OESP be funded?

THESL strongly submits that if the OESP is to be a ratepayer funded program, it should be funded through a provincial charge. While the LEAP program is funded through distribution rates, the OESP (unlike LEAP) is not intended to be an annually capped source of funding and will require ongoing reconciliation between the grants provided to eligible low income customers, and the costs of those grants as recovered through rates. Attempting to maintain an ongoing reconciliation on an individual utility basis would be unnecessarily complicated and administratively burdensome. In addition, different utilities will have different requirements for the OESP based on the characteristics and demographics of their customer base. It would be unfair to the customers of utilities with a higher than average number of OESP applicants to have to pay higher than average rate increases into the OESP fund (especially when some of those customers will be OESP applicants themselves). As such, THESL suggests that if the costs of the OESP are to be recovered from ratepayers, they should be collected through a provincial charge and cleared on a monthly basis in a manner similar to other provincially recovered charges. THESL notes that this approach had unanimous support from all participants at the Stakeholder Forum.

<u>Additional Comments:</u>

Further to the issues identified in the OEB's Letter, THESL is also providing additional comments for the OEB's consideration in its development of the OESP framework.

Qualification of Eligible Low Income Customers

THESL notes that one significant issue not addressed by the OEB's Letter is the manner by which low income customers are to be qualified for eligibility for the OESP. Fundamentally, THESL believes that qualification for the OESP needs to be maintained through social service agencies or other designated government agencies. Consistent with comments provided in earlier low income energy issue consultations and through the LEAP Financial Assistance Working Group, THESL wishes to voice its strong concern for any potential distributor involvement in the process of eligibility determination, screening, or tracking. Aside from confidentiality considerations, which are substantial, it would be expensive, unwieldy, and ineffective for utilities to qualify eligible low income customers.

THESL submits that electricity distributors are not in a position to perform this function, and would strongly advocate for a continuation or expansion of the current agency partner system under LEAP, or the appointment of a government agency to perform this function, preferably through an existing process (e.g. income tax filings). THESL notes that there was unanimous agreement from all parties at the Stakeholder Forum that eligibility qualification not be undertaken by utilities.

Expiry of Eligibility and Requalification

In mirroring the LEAP program, THESL would suggest that an appropriate eligibility period for OESP be established to reflect the potentially changing circumstances of low income customers. The length of this period (before customers would need to re-qualify for renewed access to the OESP), should be long enough so as not to be administratively burdensome, but also short enough to reasonably capture any changes to a customer's financial circumstances. THESL suggests that the 2 years used by LEAP or some similar timeframe may be appropriate. Increased volumes of eligible customers would necessarily require an extended timeframe.

Integration with LEAP and Low Income CDM Initiatives

At this early stage, THESL would urge the OEB to consider the potential overlap and integration of the OESP with other current low income initiatives. To the extent that the promotion, marketing, communication, eligibility criteria, and perhaps even the qualification process for OESP can be synchronized, standardized, or coordinated with existing processes (such as LEAP), it will reduce the cost of implementation and operation of the program. From a utility perspective, this will be particularly relevant to the simultaneous management of LEAP financial assistance, LEAP customer service rules, and the OESP. In addition, any potential increased participation in low-income CDM programs may help to lower customer bills and the level of financial support required through the OESP.

Implementation Costs are linked to OESP complexity

Regardless of the ultimate framework selected, the implementation of the OESP will require some degree of system and process changes, system testing, communication roll out, staffing increases, ongoing communication and program management, and revenue reconciliation. While the costs of these efforts can be minimized by leveraging and adopting the existing LEAP/OCEB framework (as envisioned by the percentage based credit approach), any additional complexity built into the OESP framework (through an income level dependant credit, for example) and eligibility criteria which would allow for relatively higher volumes of eligible customers will by necessity increase implementation and/or operational costs associated with the program. THESL respectfully suggests that all these costs be considered in designing the OESP framework.

Implementation Timeline

THESL notes that the Minister's Letter requests that the OESP be ready for implementation as of January 16, 2016, in time for the expiry of the OCEB on December 31, 2015. THESL believes this timeline is reasonable, but only if a conclusive framework for the OESP is released for implementation in early 2015, and that the approved framework leverages existing systems and solutions. To the extent that the selected OESP framework is relatively more complex and requires significant billing system upgrades and the development of a new qualification process, implementation by the desired timeline will be a challenge.