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VIA RESS, EMAIL and COURIER

October 5, 2018

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

Re: Review of Customer Service Rules
Ontario Energy Board (the "Board") File No.: EB-2017-0183
Comments of Enbridge Gas Distribution Inc. ("Enbridge")

In accordance with the Board's letter dated September 6, 2018, enclosed please find comments of Enbridge on the Board's Report titled Review of Customer Service Rules for Utilities Phase One.

Please contact the undersigned if you have any questions.

Sincerely,

(Original Signed)

Bonnie Jean Adams
Regulatory Coordinator

Encl:

Comments of Enbridge Gas Distribution Inc.

in response to

Report of the Ontario Energy Board:
Review of Customer Service Rules for Utilities Phase One

EB-2017-0183

October 5, 2018

Contents

1. Introduction

On September 6, 2018, the Ontario Energy Board ("Board") issued for comment its Report titled Review of Customer Service Rules for Utilities Phase One ("Board Report"). The Board Report is the outcome from Phase 1 of a Customer Service Rules Review Process initiated by the Board on May 16, 2017. Among other things, this process has incorporated submissions from utilities and interested parties, customer and industry surveys, and jurisdictional scans. Specific to natural gas distributors, one objective of this initiative is to review the current regulatory framework for natural gas distributor customer service rules, and consider whether it should be aligned with the regulatory framework applicable to electricity distributors.

The high-level conclusion in the Board Report is that the customer service regulatory framework for gas and electricity distributors should be aligned.[1] As set out in the cover letter issuing the Board Report, "[t]he OEB proposes to develop customer service rules for gas distributors that are aligned with the rules applicable to electricity distributors (including changes resulting from this consultation), to establish a standard minimum level of customer service across energy distributors in Ontario." This will likely be effected through changes to the Gas Distribution Access Rule ("GDAR"). The Board Report sets out in some detail many of the items that are proposed to be included in the Customer Service Rules that will apply to gas distributors.

At a high-level, Enbridge Gas Distribution Inc. ("EGD" or "the Company") is supportive of the Board's efforts to "…maintain the right balance between consumer protection and the operational needs of energy utilities", as expressed in the Board's cover letter. While EGD believes that its current Conditions of Service do maintain this balance, the Company acknowledges and does not dispute the OEB's plan to be more prescriptive about the contents of EGD's customer service rules in the future, provided it is determined that the benefits outweigh the costs of such rules.

EGD is concerned, however, that a "one size fits all" standardized approach to minimum customer service rules for both gas and electricity distributors fails to recognize the significant differences between the businesses. As set out in these submissions, EGD believes that there are a number of items that should be treated differently between gas and electricity distributors.

In preparing these comments for the Board's consideration, EGD has focused on the items in the Board Report which it believes are of the greatest importance, rather than undertaking a line by line commentary of the Board Report. While EGD does not necessarily agree with or endorse all of the other items in the Board's Report, the Company believes that the highlighted items are the key matters the Board should reconsider before issuing a Final Report and/or changes to GDAR and associated new mandatory Customer Service Rules. EGD has structured this submission such that for each highlighted item, a brief summary of the Board's proposal is provided, followed by EGD's comments and EGD's recommendations.

Importantly, EGD notes that there will be substantial costs associated with implementing the new Customer Service Rules described in the Board Report. These costs will include one-time capital costs such as those to implement IT and billing system changes, as well as increased bad debt costs and ongoing incremental O&M costs. EGD plans to record these costs each

[1] Board Report, at page 10.

year in its Gas Distribution Access Rule Impact Deferral Account ("GDARIDA"), for later clearances to customers. If the Board determines, after considering comments from interested parties that it will proceed with implementation as currently set out in the Board Report, it will be necessary for the Board to follow the procedures set out in section 45 of the *OEB Act* requiring notice that, *inter alia*, invites further comments on the proposed new rules and describes the anticipated costs and benefits of the proposed rules. It is not evident in the Board Report that the Board has yet considered the increased costs to ratepayers to implement the new rules.

2. Winter Disconnection & Reconnection

OEB Proposal

The Board Report proposes to "[d]evelop winter disconnection and reconnection rules for the gas distributors based on the current licence conditions in effect for electricity distributors as proposed to be amended [in the Board's Report]."[2] Among other matters, the current licence conditions for electricity distributors require that "…previously disconnected homes be reconnected at no charge by November 15th."[3]

EGD Comments

EGD currently abides by a voluntary disconnection moratorium each winter from November 1st to April 1st, consistent with practices in the electricity sector and other jurisdictions.[4] EGD will not disconnect customers for non-payment during this time period. In the Company's view, this moratorium has proven successful in striking the appropriate balance between ensuring the safety of customers during cold winter months and preserving a critical incentive for customers to pay their natural gas bills. In light of current practice, EGD takes no issue with the Board's proposal to mandate a moratorium on natural gas disconnections between December 1st and April 30th each winter. This may result in some additional costs, for system updates and changes in bad debt.

In EGD's submission, it is not appropriate to apply the electricity distributor licence conditions for mandatory reconnections of disconnected customers each November to gas distributors. There are significant differences between electricity and natural gas as energy sources. Among other areas, these differences can be seen both in the requirements placed upon natural gas distributors when energizing natural gas systems and the ways in which customers use natural gas on a day-to-day and month-to-month basis. These differences make it inappropriate to require mandatory reconnection at the start of each winter season of customers who have been disconnected for non-payment.

First, as noted by the Board in its Report, the requirements to re-energize natural gas systems are significantly more onerous and invasive than the corresponding requirements for electricity

[2] Board Report, at page 47.
[3] Board Report, at pages 42-43.
[4] Board Report, at pages 42-44.

systems.[5] The reconnection of electricity customers can take place with comparative ease; instantly re-energizing relevant appliances and end-uses within a customer's home without any need for direct interaction between customers and utility technicians. In contrast, the characteristics of natural gas dictate a more involved and time-consuming approach. The *Technical Standards and Safety Act* requires that a distributor inspect appliances for safe operation upon re-energization; in turn requiring technicians to coordinate entry into customers' homes. These additional requirements necessitate not only added time at a customer's premises to facilitate reconnection, but greater administrative effort to coordinate technicians' work schedules with the availability of specific customers. This incremental effort is further exacerbated by the reality that not all customers scheduled for reconnection will fulfill their commitment to be present on the premises at the agreed upon time, requiring additional administrative effort and technicians' time to facilitate rescheduled reconnections.

The importance of this difference is one of cost. A requirement to reconnect all customers who have been disconnected for non-payment in the fall of each year will incur an incremental cost; a cost which will be borne by other ratepayers given that the Board has not recommended the creation of a reconnection fee at this time.[6]

The second relevant difference between natural gas and electricity is seen in the different ways customers use these two energy sources and the degree to which customers can manage their daily lives without one or the other. Natural gas is an important energy source within the context of the Province's overall energy mix. However, within an individual residential customer's day-to-day life, natural gas assumes a lower priority than electricity, especially during the warmer months. For customers who do not depend on natural gas for water heating or cooking, natural gas service may be viewed as largely unneeded during many months of the year. If necessary, customers know that they could opt to use electric water heating and *ad hoc* electric space heating if they have no access to natural gas from April through to November. Contrast this to electricity, for which there is no viable alternative for the vast majority of end uses.

This difference in consumer priority between natural gas and electricity is important because it creates a fundamentally different set of incentives in a disconnection scenario. At any time of year, a customer will be motivated to pay arrears to have their electricity service reconnected as soon as they are able. In contrast, a customer may be less motivated to pay arrears to have their gas service reconnected during non-winter months. EGD is concerned that if customers learn that their disconnection for non-payment is temporary, because they will always be reconnected by late Fall each year regardless of amounts owed, then there may be a diminished incentive to pay arrears owning. This situation is ripe for 'gaming'; particularly within rental facilities where residents do not own the ultimate premises. The ability to lock an account is the primary tool gas utilities have available to maximize collections and in doing so lower the cost of service for all ratepayers through reduced bad debt and accounts receivable. EGD is concerned that natural gas customers do not have the same inherent incentive to pay for reconnection as electricity customers, and that the imposition of the electricity distributor reconnection requirement upon natural gas distributors will impact O&M expenses and bad debt. The amount of these additional costs is difficult to predict, but it could prove to be significant.

[5] Board Report, at page 45.
[6] Board Report, at page 47.

For the reasons set out above, EGD does not believe that it is appropriate to mandate reconnection of all gas customers who have been disconnected for non-payment. However, in the event that the OEB proceeds with this requirement, EGD suggests that customers should meet certain criteria in order to be eligible for reconnection, specifically:

i. Customers be residential (Rate 1) customers;
ii. Customers must use natural gas as sole heat source;
iii. Customers must pay the lesser or $200 or 50% of their outstanding bill; and
iv. Customer must contact EGD for reconnection. The onus is not on Enbridge to contact disconnected customers for reconnection.

This approach would limit mandatory reconnection to customers who require the service, and reduces the chances of "gaming".

EGD Recommendation

1. No opposition to the OEB formally prescribing a moratorium on winter disconnections from December 1st to April 30th for natural gas distributors, consistent with proposed updated electricity distributor licence conditions.

2. The OEB should abstain from imposing a mandatory winter reconnection policy upon natural gas distributors, in recognition of the inherent differences between natural and electricity and the costs to all ratepayers from such a change.

3. In the event that the OEB does prescribe a mandatory reconnection policy, this should include appropriate conditions, including those set out above.

3. Equal Monthly Payment Plans

OEB Proposal

In its Report, the Board defines equal monthly payment plans as "…a payment option whereby an equalized payment amount is automatically withdrawn from a customer's account with a financial institution."[7] The Board recognizes that gas distributors currently offer equal monthly payment plans. The Board Report proposes a number of items that should be mandatory for equal billing plans, including requiring that "…customers choosing the pre-authorized automatic monthly payment option should be provided with a choice of at least two dates within a month for automatic payments to be withdrawn".[8]

[7] Board Report, at page 20.
[8] Board Report, at page 26.

EGD Comments

As noted, EGD currently offers customers a budget billing plan. EGD is open to accommodating most of the proposals set out in the Board Report (many of which are already part of EGD's business practices), subject to being able to record and recover associated incremental costs. The Company does not believe, though, that it is appropriate to implement the proposed change quoted above.

EGD appreciates the Board's desire to offer customers the convenience of selecting between two dates for the withdrawal of funds under an equal monthly payment plan. However, EGD notes that the implementation of this direction presents a practical challenge, and associated costs, which should be weighed against the unquantified benefit of convenience it would afford customers.

Principally, EGD is concerned that the requirement to allow customers to select from two dates ignores the realities of cyclical billing, which is central to the gas utilities' current billing practices to a degree that may not be true for electricity distributors. Unlike electricity distributors, Ontario's gas utilities have not been directed to invest in advanced metering infrastructure ("AMI") (i.e. smart meters) and continue to rely on route-based meter reading. The dates of these meter reading visits are not selected at random for a given customer; they are based upon a strict, geography-based schedule designed to maximize productivity and ensure that all customers' meters are read within acceptable timelines for billing purposes. This means that it is not simple to adjust an individual customer's billing date. Instead, the billing dates for groups of customers align with the meter reading schedule for those customers. Utility bills are meant to reflect the customer's recent consumption and therefore are issued shortly after meter reading.

Where a customer is able to pick different billing dates, then there will be a longer lag between the time the customer consumes gas and the time when the customer pays. That is because the billing period cannot change, since the meter reading happens on a predetermined schedule. To meet the requirements in the Board's Report, each of the two payment dates offered to a customer must be at least 20 calendar days from the date the bill was issued to the customer.[9] As customers opt to select the later date, EGD expects to experience increases in working cash requirements through higher average accounts receivable balances. This will increase costs for all customers.

In EGD's view, the qualitative benefit of convenience for customers realized through the implementation of the Board's proposal does not justify the requirements for system changes, increased working cash and ultimately increased costs for ratepayers. The Company notes that this particular idea (two different payment dates) was not mentioned in the Board's "Customer Feedback" section relating to equal payment plans within the Report[10], implying that this is not a high priority issue for consumers. Finally, the Company notes that equal payment plans continue to be elective programs which customers can opt in or out of. To the degree that a single prescribed payment date is too inconvenient for a given customer to mitigate, that customer can opt out of the equal payment plan; electing instead an equal billing plan without pre-authorized payments or no plan at all. EGD also works with individual customers to

[9] Board Report, at page 19.
[10] Board Report, at page 23.

implement alternative payment arrangements in the event customers are unable to pay their entire bill by the due dates.

EGD Recommendation

1. Remove the following requirement from the Board's current proposal on page 26 of the Board Report:

   - "Equal billing customers choosing the pre-authorized automatic monthly payment option should be provided with a choice of at least two dates within a month for automatic payments to be withdrawn."

4. Arrears Payment Arrangements

OEB Proposal

It is presently unclear to EGD whether the Board has proposed in its Report to require natural gas distributors to make OEB-prescribed arrears payment arrangements ("APA") available to customers in addition to the flexible, negotiated APAs currently offered by the gas utilities. The Company's comments and recommendations in this area are only relevant in the event that the Board does seek to make OEB-prescribed APAs a mandatory offering from gas distributors.[11]

EGD Comments

EGD submits that requiring gas distributors to offer OEB-prescribed APAs could increase accounts receivable balances and administrative burden. By way of example, EGD points to the requirement to offer a 10 month payment period for customers whose outstanding balance is more than twice their average bill. This requirement could create a situation where a customer with an average bill of $80 and an unpaid balance of $200 would have 10 months to repay this amount in $20 increments. The Company finds this requirement to be excessive and is concerned it will increase overall accounts receivable and working cash requirements. Another example is the requirement to provide ten days written notice prior to cancelling an APA. EGD notes that by the time an APA requires cancellation, there will have already been numerous communications indicating the timelines and consequences associated with defaulting on the APA. This additional notice period therefore appears redundant and unnecessary.

In the Company's view, requiring gas distributors to offer both their own APAs and OEB-prescribed APAs is unnecessary. The "Customer Feedback" section of the Board's Report does not mention customer support for the stringent OEB-prescribed APAs, instead expressing a desire to "…negotiate payment arrangements that address their specific needs with their

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[11] This topic is discussed at pages 31-36 of the Board Report. No indication is provided as to any specific concerns from the OEB with the current APA options offered by gas distributors.

utilities"[12]; which is the current practice successfully employed by EGD. Further, electric utilities call for similar flexibility and "…reported limited success rates in relation to the OEB-prescribed APAs."[13] Given that EGD's ratepayers would incur costs to implement OEB-prescribed APAs, the Company disagrees with the implementation of an approach which has not been requested by its customers.

EGD Recommendation

1. Clarify in the Board's Final Report (or in the new prescribed Customer Service Rules) that natural gas distributors will not be required to offer OEB-prescribed APAs.

5. Payment Allocation

OEB Proposal

The Board Report indicates that "Utilities should allocate payments between energy and non-energy charges as per the current electricity Rules unless the customer currently requests otherwise."[14] The current electricity Rules stipulate that partial payments will be allocated first to energy charges, and then to non-energy charges, even where the non-energy charges are older.[15]

EGD Comments

The OEB proposal is different from EGD's current practice, which is to allocate partial payments to the oldest outstanding amounts, regardless of the nature of the charges. This was specifically reviewed by the OEB within the EB-2010-0280 proceeding that examined customer service rules for gas distributors.[16] EGD's current practice supports its Open Bill Program, by ensuring that customers with non-gas charges cannot simply ignore those charges. The Open Bill Program provides an annual $5.4 million benefit to EGD's ratepayers. That benefit may disappear or be reduced where EGD is required to allocate all partial payments to gas charges first, even where there are ongoing outstanding Open Bill charges that date back further.

EGD Recommendation

1. Clarify in the Board's Final Report (or in the new prescribed Customer Service Rules) that natural gas distributors will not be required to adopt the payment allocation approach set out in the current electricity Rules.

[12] Board Report, at page 34.
[13] Board Report, at page 34.
[14] Board Report, at p. 31.
[15] Board Report, at p. 29.
[16] EB-2010-0280, Notice of Proposal – Proposed Amendments to GDAR, June 29, 2011, at page 3.

6. Implementation: Cost Recovery & Timing

OEB Proposal

As noted, the Board Report does not address issues of cost recovery of incremental amounts incurred as a result of prescribing and implementing the new prescribed Customer Service Rules for natural gas distributors. It is also EGD's understanding that there are currently no specific timelines by which the final Board Report or prescribed Customer Service Rules and GDAR amendments will be available, nor any timelines for when new rules must be fully implemented.

EGD Comments

As explained in these submissions, it is likely the prescribed Customer Service Rules will result in incremental costs being incurred by gas distributors. These are not costs that were considered or included in EGD's costs at its last cost of service proceeding in 2014. Even now, EGD is not able to forecast the likely costs with any precision, until the actual Customer Service Rules are known and until there is some experience with the operational and billing impacts of implementing the new rules. With that context, EGD's current high-level estimate of the incremental one-time implementation costs for the Board's proposed new prescribed Customer Service Rules is around $0.5 million to $0.7 million, and EGD estimates it will incur ongoing incremental annual costs of around $2 million to $3 million per year from implementing the new rules.

EGD plans to record the incremental costs associated with prescribed Customer Service Rules in the GDARIDA. As described in the relevant Accounting Orders, the purpose of the GDARIDA is "record all incremental unbudgeted capital and operating impacts associated with the development, implementation, and operation of the Gas Distribution Access Rule and any ongoing amendments to the rule."

EGD has not completed a detailed review of how long it will take to implement the proposed new prescribed Customer Service Rules. Time will be needed for assessing, designing and implementing system changes, especially for customer billing. Time will also be needed to update Conditions of Service and related administrative practices, and provide appropriate communications to customers. Taking these items into account, EGD estimates that it may require one year or more to implement new Customer Service Rules, from the time that they are prescribed and finalized by the Board. EGD expects to be able to provide more information about timing requirements when the Board publishes its Notice setting out more details of the proposed changes to GDAR, including any proposed new prescribed Customer Service Rules.

EGD Recommendation

1. OEB should confirm that EGD is permitted to record and recover the incremental costs associated with implementing the Board's new prescribed Customer Service Rules through the GDARIDA.

2. Provide appropriate timelines for implementation of the Board's new prescribed Customer Service Rules, and provide gas distributors with the opportunity to comment on the proposed timelines as part of the Notice of changes to GDAR process.