

**HVAC COALITION  
Response to OEB Staff #1**

**Staff-HVAC-1**

**Ref 1: HVAC Evidence, pp. 4-5**

**Question:**

In the written evidence of Roger Grochmal, he asserted that customers are more likely to pay a charge on the Enbridge Gas bill than they otherwise would have. The reasons provided were that customers had concern their gas would be cut off or that it was a hassle to resolve disputed charges with Enbridge Gas and the third party.

- a) Please provide evidence supporting the claim that customers are more likely to pay a charge on the Enbridge Gas bill than they otherwise would have.
  - b) Please provide evidence supporting the claim that the reasons customers are more likely to pay are because customers have a concern their gas would be cut off or that it was a hassle to resolve disputed charges with Enbridge Gas and the third party.
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**Response:**

- a. In my experience talking to many customers, there is a hierarchy of bills that homeowners subscribe to. Your home is #1. Rent or mortgage payments are first. Second is heat and power. If you don't pay your utility bill, you run the risk of having your gas or hydro shut off. Homeowners don't make the distinction between the gas charges on the bill and other charges on the bill. There is no specific distinction or ability to pay elements of the bill while disputing other charges. You pay the bill or you don't pay the bill in its entirety, and deal with the consequences of that action.
- b. If the charge is less than about \$500, our experience is that most customers will pay it to get the monkey off their back, even though they may not believe it is fair, and even though they may have never seen the "contract" they are supposed to have signed. I note that when they ask Enercare for a copy of their "contract", they are advised that they have to pay a \$50 archiving fee to see it.

Witness: Roger Grochmal

**HVAC COALITION**  
**Response to OEB Staff #2**

**Staff-HVAC-2**

**Ref 1: HVAC Evidence, p. 7**

**Question:**

In the written evidence of Roger Grochmal, he stated that even giving customers more control over their own bills would not protect the most vulnerable customers. He provided an example of a senior living alone or a new immigrant grappling with Canadian practices, who may be less likely to object or ask questions of a utility bill. They will assume they have to pay.

- a) If a vulnerable customer assumes they have to pay an Enbridge bill, how will a bill from a third party be different?

Roger Grochmal's evidence stated "if customers had more control, fewer companies would use these extra fees as a way of forcing customers to remain with them, rather than looking at other suppliers".

- b) Are these fees typically agreed to in a customer's contract?
- c) If the intent is to force customers to remain with the third party through these fees, please explain the difference, from a customer's perspective, between the fees being collected through Enbridge Gas or the third party.

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**Response:**

- a. A third party bill doesn't carry the same weight as a bill from the gas utility, as evidenced by the very low bad debt allowance Enbridge includes in the assumptions for Open Bill Program costs. The third party would likely have to build a higher allowance for bad debts into their pricing, as they would have to deal with more disputes directly, and with the consequence that many customers might choose not to pay since the perceived consequences are not so great. This is one of the advantages to the billers of the Open Bill Program: customers are more willing to pay amounts that they don't believe, in fairness, they should pay.
- b. Here's the rub. In a very large number of the cases of legacy water heater installations, those originally done by Enbridge's predecessors, there is no

Witness: Roger Grochmal

signed contract. Consequently, there is no contractual fee structure that a homeowner is required to abide by.

Where there is a firm contract with specified buyout provisions, then the customer would be assumed to have been agreed to it by virtue of a signature on the contract, if in fact they were ever given an opportunity to read the contract. There, however, have been examples of contract signatures being obtained under fraudulent means due to misrepresentation. Legislation now exists to protect against this. In addition, in the case of Enercare (at least) the biller will not provide a contract to the customer without the payment of an additional archiving fee.

- c. On the surface, the difference is the perceived threat of the ability of the utility to turn off the supply of gas due to an unpaid bill. There is no communication that I am aware of that instructs homeowners on their rights and obligations when paying items on their gas bill. That threat to cut off the gas is nonexistent on a third party bill.

The underlying difference is actually stronger than that. People pay their utility bills much more readily than other bills, just because they are utility bills. In some cases, this is because they confuse the provider, like Enercare, the successor to the utility's appliance business, with the utility. In other cases, this is because although they know the charge is from a third party, they assume that the utility has approved or certified what the third party is doing, and so is backing them up on any given charge. In still other cases, customers don't put their minds to the difference between the types of charges on their utility bill. See also OEB/HVAC #1 (a).

**HVAC COALITION**  
**Response to OEB Staff #3**

**Staff-HVAC-3**

**Ref 1: HVAC Evidence, p. 7**

**Ref 2: Retail Settlement Code, Revised on January 1, 2017, Section 10.5.5**

**Question:**

In the written evidence of Roger Grochmal, he suggests that if a customer says no to a third party charge then the utility would be out of the loop and the customer and third party would have to work it out directly.

In Section 10.5.5 of the Retail Settlement Code, it describes a process where a customer submits a request to its distributor and the request is to be processed in ten business days unless a customer, by way of written authorization, terminates the request.

- a) Under a similar principal as the Retail Settlement Code, if a customer requests that a third party charge be removed from the Enbridge Gas bill and the request is processed in ten business days unless a customer, by way of written authorization, terminates the request, would HVAC find this acceptable?

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**Response:**

It is not clear to me why there should be any delay in following the customer's instructions to remove third party charges from the bill. However, if there are material administrative savings associated with a short delay to allow the customer to change their mind, most contractors would consider this a reasonable trade off.

**HVAC COALITION**  
**Response to Enbridge Gas Inc. #1**

**EGI-HVAC-1**

**Question:**

Please advise of your response to EGI's position on the unsettled items as set out in response to HVAC IR #30.

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**Response:**

HVAC has the following responses to the positions of Enbridge (we have used the wording of the Enbridge positions from Vista-EGI-1 for consistency):

1. **EGI Position:** Customers should not direct the addition of third party charges to their Enbridge bill through the OBA services, as this would be *"burdensome and expensive"*.

**HVAC Response:** HVAC accepts that there is administrative efficiency in allowing billers to advise Enbridge of new charges to be added to the bill. However, the customer should always have the right to contact Enbridge and advise that any specific charge, or all charges from a particular biller, or even all third party charges in total, should not be billed on the Enbridge bill. Once the customer gives Enbridge such a direction, the customer's control over their bill should be paramount, and the biller should have no greater or equal rights vis-s-vis the customer's Enbridge bill.

2. **EGI Position:** All customer disputes would be allotted a 15 day period within which they would need to be resolved by the biller. That is, EGI would no longer distinguish between CPA and non-CPA disputes, and all disputes would be allotted the same 15 day resolution period.

**HVAC Response:** HVAC does not believe that Enbridge should be involved in any dispute between a customer and a biller. Once Enbridge is advised that there is a dispute, the disputed charges should be excluded from the Enbridge bill unless and until the customer advises Enbridge otherwise.

3. **EGI Position:** If a biller reports a dispute resolved and the customer then contacts EGI and advises that the dispute is not resolved, then;
  - a. The disputed charges would be removed from future bills, credited back to the customer and charged to the biller and not permitted to be added back to the customer's bill in the future.

- b. The biller would be blocked from using the same Bill Type Code for recovering charges from that customer in the future.

**HVAC Response:** HVAC does not agree. Customers should have the right to control what third party charges are billed to them on their utility bill. Enbridge should have no involvement in any dispute between a customer and a third party biller. See HVAC's answers to #1 and #2 above.

- 4. **Enbridge Position:** There would be no restriction on billing of post-contract charges through the Enbridge bill.

**HVAC Response:** HVAC does not agree. In order to prevent abuses that have been a problem in the past, the best solution is to exclude from the Open Bill Program all charges that are of the nature of termination fees, penalties, exit charges, or any other charge of a similar nature. Whether they are "post-contract charges" should be irrelevant. The Open Bill Program is an exception to the normal expectations for utility bills, and is most well-suited to regular periodic charges that reflect an ongoing relationship between an Enbridge customer and a third party biller. No-one has provided any evidence or other support for a need to include these other, non-periodic, charges – which are not reflective of an ongoing third party relationship - on the Enbridge bill, and in the absence of any such reason the default should be that they are not included on the bill.

**HVAC COALITION**  
**Response to Enbridge Gas Inc. #2**

**EGI-HVAC-2**

**Question:**

Taking into account that currently most disputes are resolved without a charge being removed from the bill (see Staff Interrogatory #9(a)), please detail your expectation of what will happen with the number of OBA customers over the next four years if the proposal set out in your evidence is accepted and OBA charges are removed immediately when a customer disputes such charges.

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**Response:**

HVAC Coalition does not expect the addition of these two consumer protection measures to reduce or increase the number of OBA customers over the next four years. Billers who find the OBA program suits their business model will continue to use it, as they do today. Customers who find the OBA program convenient will continue to have their periodic charges billed to them on the Enbridge bill. Some billers may have to change some of their business practices to reflect the increase in customer rights, and that will benefit the customers, but the overall number of billers and customers being billed on the bill is likely to continue at levels roughly the same as current levels.

**HVAC COALITION  
Response to Enbridge Gas Inc. #3**

**EGI-HVAC-3**

**Question:**

Please explain in detail your proposal for how a disputed OBA charge would be reinstated on the Enbridge Gas bill, including:

- a) The role to be played by the customer and the Biller
- b) The manner in which instructions are to be conveyed to Enbridge Gas, so there is clarity that the customer and the Biller have reached consensus about the amount and duration of the re-instated charge(s).
- c) How the proposal made is different from the current process, including (without limitation) any changes to the current authorized agent practice and procedures.
- d) How the Biller fees will be adjusted to account for the extra administration required by Enbridge Gas

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**Response:**

HVAC believes that OBA charges, whether disputed or not, should be removed from the Enbridge bill whenever a customer so instructs Enbridge, period. This could be by telephone, online, or in writing. The issue is not whether the customer believes the charge is fair, or legal, or appropriate. The issue is whether the customer continues to consent to using the Enbridge bill to bill them for that charge. It is about billing method, not the substance of the charge.

The contractual relationship between the biller and the customer should not be Enbridge's concern, and Enbridge should not insert itself into that relationship, whether as mediator, adjudicator, go-between, or anything else. The biller and the customer should work out their own contractual relationship directly.

If the biller and the customer agree that a charge should be reinstated on the bill, Enbridge should do so only if the customer communicates that instruction directly to Enbridge by telephone, online, or in writing. Enbridge should not accept any instructions by a biller to reinstate any charge.

Witness: Roger Grochmal



HVAC has no comment on whether additional charges should be levied on billers whose customers remove their charges from the bill, and/or agree to reinstate charges. We are not aware of any additional charges today when customers register disputes and billers later advise Enbridge that the charges should be reinstated.

**HVAC COALITION**  
**Response to Enbridge Gas Inc. #4**

**EGI-HVAC-4**

**Question:**

Please provide details of the end of contract charges to be paid when an AtlasCare rental customer opts to end their rental contract for a water heater or HVAC product before the end of the rental contract term. Please include details of all such charges, whether they are referred to as termination fees, exit fees, buyout or something different.

a) Please confirm whether, under your proposal, any of these charges can be included on the Enbridge Gas bill.

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**Response:**

In the case of AtlasCare, 100% of our customers have a properly signed contract which we make available to them if they misplace it at no cost to them.

Depending on the nature of the contract, i.e. finance or rent to own (Vista), the options and costs for early termination and prepayment are clearly identified along with the entire cost of financing over the life of the contract. The only end of contract payments we have are buyouts if a financing arrangement is ended early, and those are similar to early retirement of any other term financing arrangement. There are no penalties or exit fees.

Neither AtlasCare, nor Vista to my knowledge, applies any of these charges to the customer's Enbridge bill. Neither do we charge anything for changes to venting or relocation of a water heater, for example, on the Enbridge bill. All payments that are not normal periodic payments are determined up front, to the extent that they can be, and collected on a credit card or payment by cash or cheque at the time they are due. AtlasCare believes that including this category of payments on a utility bill is coercive, and that is not the kind of relationship we seek to achieve with our customers.

**HVAC COALITION**  
**Response to Energy Probe #1**

**EP-HVAC-1**

**Reference:** HVAC Coalition Evidence, page 4

**Preamble:** *"In my view, it is unlikely that there will be increased penetration of the program in the contractor community. The administrative costs of using the Open Bill Program are significantly higher than using alternatives, including pre-authorized payments through the banks and credit cards, or even post-dated cheques. Most contractors will not offer Open Bill unless the customer specifically prefers this billing method, and this mostly happens in circumstances where the customer is already renting, and would prefer to continue with that form of monthly payment. The opportunity to take advantage of this service has been available to contractors for more than 10 years, and it has been well-promoted. I believe that those contractors and other suppliers who were inclined to incorporate the utility bill into their business model have already done so".*

**Question:**

- a) Please provide a numerical table that compares the cost of using the Open Bill Program to alternative methods of billing. Please identify any assumptions.
- b) Are contractors that use the Open Bill Program able to pass the higher administrative costs to the customers that want to be billed through Enbridge bill?
- c) Please confirm that HVAC Coalition does not support Enbridge spending ratepayer money on promotion of the Open Bill Program.
- d) Please confirm that HVAC Coalition does not consider Enbridge Open Bill Program as essential for the operation of a market for competitive gas energy services in Ontario. Please explain your answer.

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**Response:**

- a. I have not done this analysis for several years, so I do not have a current comparison available.
- b. While rental rates are somewhat adjustable, there is a requirement to be competitive, so most vendors of HVAC goods and services are price takers. Obviously the bigger the company, the more influence it can have on market prices, but even the largest companies have to stay in touch with the competitive

market. Some or all of the additional administration costs of the Open Bill Program are therefore absorbed as a cost of doing business.

In the case of AtlasCare, we ask customers to pay a small additional charge per bill if they opt for on-bill financing, to defray part of the additional costs of the Open Bill Program. We absorb the rest of the additional costs.

- c. The Open Bill Program is designed to be self-funding, so to the best of our knowledge no ratepayer money is spent on it. HVAC sees no reason why ratepayers should subsidize the Open Bill Program. If third party billers are allowed to share the Enbridge bill, the underlying costs of the bill should also be shared, saving ratepayer money. It should not be the other way around.
- d. There is absolutely no reason to believe that the Open Bill Program is essential for the operation of a competitive market for energy services, as evidenced by the facts that a) there is no Open Bill Program in the former Union Gas territory, which has a healthy competitive market for natural gas appliances and services, and b) there is no Open Bill Program for electrical and other non-gas appliances and services, which also have healthy competitive markets throughout Ontario. That having been said, while the program is not essential to the operation of my business, the HVAC Coalition has taken the position that there is value in the service, provided the terms are consistent and fair for customers and billers of all sizes, and opportunities for abuse or negative customer impacts are prevented.

**HVAC COALITION**  
**Response to Energy Probe #2**

**EP-HVAC-2**

**Reference:** HVAC Coalition evidence, page 6

**Preamble:** *"My electricity, telephone, cell phone, and cable bills don't have anything on them except the charges from those companies that I have agreed to."*

**Question:**

- a) To the best of HVAC's knowledge do any Ontario electricity distributors allow energy service providers to use their bill? If the answer is yes, please list the distributors and the types of services they offer.
  - b) Are rental electric water heaters available in Ontario? If the answer is yes, to the best of HVAC's knowledge please describe the rental electric water heater market including any services that HVAC Coalition members provide, the extent of competition, the billing practices, termination fees and penalties if any.
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**Response:**

- a. I am not aware of any LDCs who add third parties to their bills. I looked at both Toronto Hydro and Alectra and neither do this. My home company, Burlington Hydro does not, nor does Oakville Hydro where my company is located. I have attached a copy of an FAQ from Alectra's website. There are some cases where water and waste water charges by municipalities are included in the distribution bills, and I believe there are a few cases where distributor competitive affiliates have their charges billed on the utility bill. I do not know of any case where there is any unaffiliated third party charging for equipment or services on the utility bill.
- b. Electric water heaters are available for rent in Ontario. They are used where gas is not available, or there is no ability to legally vent a gas water heater. For the most part, the majority of the LDCs in Ontario have sold off their water heater portfolios to large aggregators such as Reliance and Enercare. They treat electric water heaters in exactly the same way as they do gas. HVAC Coalition members manage the electric water heater business in the same manner as they do gas water heaters.

**HVAC COALITION**  
**Response to VECC #1**

**VECC-HVAC-1**

**Reference:** HVAC Coalition evidence

**Question:**

- a) In your experience what is the median or average service life of 40 and 60 gallon (high efficiency direct power vented and standard mid-efficiency) natural gas storage water tanks?
- b) What are the most common causes of water tank failure?
- c) In your experience are high efficiency power vented water tanks more prone to failure than mid-efficiency standard (chimney vented) tanks?

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**Response:**

- a. There are a broader range of water heaters than the question implies. There are atmospheric vented tanks (low efficiency), power vented tanks (low efficiency), tankless water heaters (mid efficiency) and condensing water heaters (high efficiency). The median life of each of these types is about 15 years.
- b. The most common cause of failure is a leaking tank, generally as a result of corrosion.
- c. We have not noticed any material difference in failure rates for any of the categories of water heaters.

**HVAC COALITION**  
**Response to VECC #2**

**VECC-HVAC-2**

**Reference:** HVAC Coalition evidence

**Question:**

- a) In your experience what is the range of reasonableness for the purchase and installation of 40- and 60-gallon natural gas water tanks (as per 1a both high and mid-efficiency). We are not seeking your specific costs only a range of installed costs observed to be offered in the marketplace to consumers and including your observation of other HVAC companies
- b) In your experience what is the portion of installations which are high efficiency as compared to standard mid-efficiency water tanks.

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**Response:**

- a. Low and mid-efficiency water heaters are generally sold, installed, for a price ranging from \$1,400 to \$2,800 plus tax.

Similarly, the highest efficiency condensing water heaters are generally sold, installed, for a price ranging from \$3,100 to \$6,000 plus tax.

- b. The number of high efficiency condensing water heaters is, in our experience, less than 5% of the market.

The issue here is often one of timing. The decision to replace a water heater is usually driven by a basement full of water as the result of tank failure. The quickest and least painful thing to do for most homeowners is to replace like with like.

**HVAC COALITION**  
**Response to VECC #3**

**VECC-HVAC-3**

**Reference:** HVAC Coalition evidence

**Question:**

- a) Based on your experience would you recommend to a customer to purchase or rent a water heater and for what reasons?
  - b) In your experience what portion of customers choose to rent water tanks for reasons of affordability?
  - c) In your experience and assuming both options are available, would a customer with an affordability issue be better off financially renting a high efficiency water tank or owning a mid-efficiency chimney vented tank?
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**Response:**

- a. We recommend to all our customers that they purchase a water heater and do so before the current one leaks and floods their home. Our customers have several options. This could be an all upfront payment, a rent to own purchase, or finance of the purchase.

A rental (as opposed to rent to own) locks the homeowner into a very long term relationship with a service provider that prevents them from utilizing other service providers should they have a service problem. It is also becoming an issue for the resale of a home. Transparency of the real estate sales process is making homeowners aware of the existence of rental equipment in the home, and many want that equipment bought out before the deal can be finalized.

- b. In our experience it is very few. The issue isn't affordability as much as it is timing. Water heaters are usually operated until failure. A homeowner, suddenly without hot water, is often not in a position to shop around, so renting is an easy decision if the funds are not immediately available.
- c. At the current cost of natural gas in the province of Ontario, it is more cost effective to own a standard efficiency tank. The savings in gas consumption will not bridge the gap between the cost of the two water heaters, and renting does not improve these economics. At the present



time our ratio of purchased tanks vs rent to own options is about 60% vs 40%. The full disclosure requirement on sales contracts has made customers more aware of lifetime cost, and moved more customers towards the outright purchase of a water heater.