

EB-2018-0319

ENBRIDGE GAS INC.

**APPLICATION FOR APPROVAL TO CONTINUE THE EXISTING FINANCIAL TERMS
ASSOCIATED WITH OFFERING OPEN BILL ACCESS SERVICES FOR THE YEARS 2019
AND 2020**

**COMPENDIUM FOR ENERCARE'S CROSS-EXAMINATION
OF ROGER GROCHMAL**

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TAB 1

WRITTEN EVIDENCE OF ROGER GROCHMAL

January 10, 2020

Please state your name and background relevant to this proceeding.

My name is Roger Grochmal, and I am the President of AtlasCare, a residential HVAC and plumbing contractor serving the Golden Horseshoe area. I am also the Chair of the HVAC Coalition. I have been active in the industry for more than 45 years, with the result that I have direct personal knowledge of the Enbridge Open Bill Program, including its history and current status.

My CV is attached to this evidence.

Describe the purpose of your evidence.

I intend with this evidence to deal with two things:

1. The genesis and evolution of the Open Bill Program, and
2. The current issues with the Program associated with customer control over their bill, and termination/exit/penalty fees.

Please provide a summary of the Open Bill Program, its genesis and evolution.

In the 1990s HVAC contractors, led by the HVAC Coalition, expressed their concerns in OEB hearings that the Enbridge (then called Consumers Gas) appliance rental program was anti-competitive, in large part because it was subsidized by the regulated gas distribution business through marginal cost pricing of rentals. At that time, more than 98% of the gas water heaters in the province were rented from the gas utility, and the utility had started to rent other appliances, such as furnaces, as well.

Over a series of proceedings, during which the OEB ordered Enbridge to use fully-allocated costing to allocate costs in a fairer manner to the rental program, Enbridge initially split out its non-core businesses (including equipment rentals and other HVAC services) into a separate company – Enbridge Home Services -- and after a few years, determined that it would exit the rental program. That rental business was sold to Centrica plc (operating as Direct Energy and later Enercare) in 2002 for \$1 billion, including more than 1.3 million rental water heaters installed in the homes of Enbridge customers. One of the

terms of the sale was that the purchaser would have an exclusive right to bill their customers using the Enbridge gas distribution bill. The inclusion of this exclusive benefit (privileged access to a unique utility service) no doubt contributed to the valuation of the business. This transaction was not subject to OEB approval so there was no opportunity for the HVAC contracting industry at that time to register concerns about those unusually favourable terms and their implications for consumers.

The HVAC Coalition and customer groups grew increasingly concerned that this exclusive arrangement was contrary to the public interest, particularly because many customers were already confused as to whether Enercare/Direct Energy was the utility or was in some way affiliated with the utility.

Contractors and customer groups at that time thought the bill either should be solely a gas distribution bill (called at the time a “naked bill”), or should be open to all third party companies on a non-discriminatory basis. Enercare/Direct Energy argued that it should be allowed to continue with its special arrangement. On February 9, 2006, the OEB in the EB-2005-0001/0237 decision gave Enbridge until the end of 2006 to propose a non-discriminatory third party billing program, failing which Enercare and Enbridge would be required to have separate bills starting January 1, 2007.

How did the Board’s decision in EB-2005-0001/0237 lead to the Open Bill Program?

Enbridge, HVAC, Enercare, customer groups and others formed a consultative and essentially negotiated the terms of the original Open Bill Program. I was personally involved as a member of the HVAC Coalition Board. Our goal, which we communicated to our negotiating team, was to achieve a result that would have similarly neutral effects as a naked bill, i.e. the bill would not be dominated by one third party, something we knew sowed confusion in the minds of customers. However, instead of pushing Enercare off the bill, we would encourage enough companies to use the Open Bill Program that Enercare no longer had a preferred position, and customers would no longer be confused by charges being on the utility bill. To do this, we sought to create a program that would be readily accessible as a method of billing by large and small contractors and others supplying home energy related products and services.

The consultative’s discussions led to a Settlement Agreement, filed February 12, 2007 in EB-2006-0034, and approved by the Board in its decision in that proceeding on July 5, 2007. This could best be described as an interim arrangement, but it started to open up the bill to others. The settlement was focused on ensuring that there were no legal, practical, or other barriers to companies accessing the Open Bill Program. The potential additional disadvantages to customers arising from the use of the

utility bill were not fully understood nor addressed at the time, largely because no-one except Enercare had been using the utility bill to bill their customers.

Since there were still a lot of details to work out, the consultative continued its work even after the 2007 decision, reaching a more detailed settlement on the operation of the Open Bill Program, which was approved by the Board in EB-2009-0043 on December 2, 2009. Many of the parties in this proceeding were involved at that time.

The Open Bill Program was further extended by agreement between the stakeholders, including many who are in this proceeding, in a settlement agreement that was approved by the Board in EB-2013-0099 on September 12, 2013. The major changes in that proceeding were that the program was extended indefinitely, financial terms were extended until the end of 2018, and a new form of agreement with billers was agreed upon. Under the terms of that settlement, the new biller agreement could not be altered unless all parties had proper notice and were able to be part of the negotiations.

In the 2009 and 2013 negotiations, there was only limited discussion about the issues arising from the unique leverage created by use of the utility bill, especially for companies with many existing customers. The goal at that time was still to broaden the participation sufficiently so that customers would recognize that third parties on the bill were not in any way uniquely associated with the utility. While some of the customer problems were starting to appear, we did not focus on them at that time.

There is an agreement in this proceeding to continue the Open Bill Program, subject to resolution of two unresolved issues. Why do contractors support continuation of the program?

Contractors are actually divided on whether they support the continuation of the Open Bill Program. Many, probably a significant majority, still believe strongly that a utility bill should not be used for billing charges other than regulated charges, and they tell me that customers are still too often confused with respect to their rights and responsibilities when it comes to the utility bill.

On the other hand, there has been modest success in expanding access to the utility bill so that the perception that one company – Enercare - is associated with or supported by the utility has been reduced. This perception has not been eliminated by any means, but we find fewer customers today confused over whether Enbridge and Enercare are one and the same. In large part that has been facilitated by companies like Vista Credit, which offer a service for smaller companies in billing their

customers through the Enbridge bill. Although Enercare is still the dominant biller, there are now dozens of other companies that regularly use the Open Bill Program: a small number directly, and some more through intermediaries like Vista.

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.

For example, my company, AltasCare, uses the Open Bill Program only sporadically. We looked at participating directly, and found that the administrative burdens in meeting the utility's requirements were substantial (lawyers, bankers, IT systems, etc.), and were really only suited to a very large company or one that altered its basic business model. Even at our relatively large size, direct participation was not cost-effective. When customers are particularly desirous of this billing method, or their situation is specifically suited to it (as when they are currently renting and want us to offer an equivalent), then we use the services of Vista Credit to bill customers on their Enbridge bill.

Please describe your concerns, if any, with respect to the two unresolved issues.

One of the things we have learned in practice that we didn't really appreciate when we first negotiated the terms of the program is that the Open Bill Program effectively makes Enbridge a collection agency for the third party billers. While initially I, for one, suspected there would be some aspect of this, it was not until we saw it work in practice that I realized how effective this mechanism would be for existing rental companies to hold on to their customers.

Once a charge goes on the Enbridge bill, customers that would otherwise not pay that charge are much more likely to pay it anyway, even if they dispute it. There seem to be two reasons for this.

First, there is what some in the industry call the “fear factor”. Rightly or wrongly, many customers believe that if they don’t pay any part of their Enbridge bill, their gas will be cut off, or the utility will get angry at them. It doesn’t matter how many times we tell them this is not true. This bill is still a utility bill. Customers are much more likely to pay their utility bills than their bills from anyone else.

Second, there is what I have started to call the “hassle factor”. Even if you understand that not paying third party charges on your bill is allowed by Enbridge, actually getting your dispute resolved with the third party and with Enbridge is more difficult and bureaucratic than if you were just dealing with that third party supplier on their own.

Take the example of a homeowner who feels that their rental furnace or water heater should be upgraded to a newer, more efficient model. They may call Enbridge first, because the charge is on the Enbridge bill, but then they will be referred to the third party biller. When they call the third party biller, they may first be told that it is not yet time for them to get a new rental, or that there will be a significant cost increase. If the customer is unhappy with those answers, they may seek to get quotes from multiple contractors on a new furnace.

This is where it gets more problematic. The rental company will continue to bill them, and may well tell them that they have to continue with that company for a period of time (or forever). The customer will be reluctant to stop paying their Enbridge bill, but if they call Enbridge to complain about their lack of choice, Enbridge will tell them to talk to the biller. If the customer then decides to replace the water heater through a new supplier, and tells the biller to take their rental water heater away, they may be told a) the biller will not remove the water heater, or b) water heater can be removed, but there will be a substantial termination fee on their next bill.

Contrast two situations. If that customer is being billed through the Enbridge bill, they cannot tell Enbridge they will not pay any more charges from that biller. Enbridge will just refer them to the biller, who can tell Enbridge to reinstate the charge.

If that customer is one of my customers, billed through pre-authorized payments, a) I won’t charge them that kind of termination fee, and b) they can stop any of my charges from going through their bank account just by telling their bank (online, phone, or in person). The bank doesn’t try to talk them out of it, or refer them to anyone else. It just stops processing those payments. Done.

For longer term financing arrangements we work with financing companies such as Vista and Snap who require that we have a proper executed contract, signed confirmation from the customer that the work has been completed to their satisfaction and that any extras have been billed and paid for separately.

The bottom line is that the customer is less able, and perhaps less willing, to protect their own rights because their charge is on the utility bill. Enbridge will not accept instructions from their own customer that they don't want their bill from Enbridge to include charges from a biller, or even all billers.

Whether the customer has third party charges on their Enbridge bill is solely decided between Enbridge and the third party biller. Further, the third party biller decides what those charges will be, and Enbridge doesn't ask any questions.

Your comments raise the question of the first unsettled issue, the extent to which customers should be able to control what is billed through their bill. Please expand on that.

I can tell you that I, personally, have no bills from anyone that include charges other than those I have said should be on that bill. 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. I assume that Burlington Hydro, for example, which is my electricity distributor, would not include third party charges on my bill unless I told them directly it was OK.

The gas bill is currently an exception to that. Somebody who claims it's OK with me can tell Enbridge to bill me for something, and Enbridge will do that without checking with me, and without seeing any evidence that I actually agreed.

But that's not the worst part. The worst part is that if I call Enbridge and tell them it's not OK with me that this third party is billing me on the Enbridge bill, Enbridge won't follow my instructions and take it off. They'll refer me to the biller.

I accept that it is administratively difficult to allow third party billing only if the customer makes a phone call to Enbridge, or otherwise gives direct instructions. There is benefit in the simplicity of allowing third party billers to tell Enbridge that the customer has agreed billing on the utility bill is OK.

I don't accept, however, that if a customer tells Enbridge directly that they don't want a third party charge on their bill, it is OK for Enbridge to ignore their direct instruction. This gives third party billers more rights to control what is on my bill than I have.

From the point of view of the industry, this would solve some of the potential problems with billers taking advantage of customers. The utility would have less of a collection agency role, because the customer could just say no to the charge, and the utility would be out of the loop. The biller and the customer, independent of Enbridge, would have to work it out directly. Billers would have to collect their own charges whenever they were contentious.

This then allows customers to have more choice in the marketplace, and would limit the ability of more unscrupulous operators to use the utility bill to take advantage of customers.

From my point of view as a contractor, I would be happy if my customers were empowered to control what's on their bill. If I can't keep them satisfied, I shouldn't be able to use the utility bill to make them pay anyway. I am more than happy to work it out with them directly, and run the risk of not getting paid if I can't. That's how a competitive market works.

If customers had control over what is billed through the utility bill, is it still necessary to prohibit termination, exit, penalty and similar fees being billed on the bill?

I think 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. This would promote customer choice, and encourage companies to keep their customers happy.

Unfortunately, the customers who would not be protected by having control over their bill are the ones that are the most vulnerable. For many customers, if they are told by a biller they have to pay a \$200 exit fee on their utility bill to change water heaters, they might call Enbridge to ask if they have to pay that utility bill. When Enbridge tells them it will come off the bill, problem solved. A more vulnerable customer, though, like a senior living alone, or a new immigrant still grappling with Canadian practices, may be less likely to object or ask questions. If the biller says they have to pay, and the charge turns up on their Enbridge bill, they will assume they have to pay. Otherwise, why would their utility include it in their bill?

My company does not charge termination fees. Furthermore, whenever there are extra fees for anything, those fees are not charged through the utility bill, even if the customer's normal charges have been billed that way. For example, sometimes a customer will want a buyout so that they can own equipment they are renting or leasing. That payment is made on their credit card, not the utility bill.

There is no reason why customers should be forced to pay for large extra fees just because they are billed on the utility bill. If the customer has really agreed to pay those amounts, they can be paid by cheque or credit card. If the customer is not willing to pay directly, that raises a legitimate concern that the customer has not really agreed to the payments.

To protect the customers, the best approach is to prohibit termination, exit, penalty, and similar fees from being billed on the Enbridge bill. That way, the customers can pay what they agree is payable, and assert their rights to resist payments that they do not believe should be payable.

Do you have anything further to add?

No. I will be available for cross-examination on this evidence.

CURRICULUM VITAE

ROGER GROCHMAL, BSc., MBA, P. Eng.

Born: Calgary, 1950

EDUCATION

- B. Sc. in Electrical Engineering (1972) University of Alberta
- MBA (1973) University of Alberta
- C.Dir., McMaster University (Conference Board of Canada)

WORK HISTORY

- 1973 - *Dealer Manager* - Trane Company of Canada - a manufacturer of commercial, industrial and residential heating and air conditioning products.
- 1976 - *Service Division Manager* - Black & McDonald Limited - a national commercial and industrial service contractor.
- 1984 - *Vice President* - State Contractors Limited - A national commercial and industrial electrical and mechanical construction company.
- 1986 to Present - *Owner/ Manager* - AtlasCare- A residential heating, air conditioning, plumbing and drains service contractor operating in the Greater Toronto and Hamilton areas.

PROFESSIONAL

- Registered Professional Engineer - Ontario
- Life Member – ASHRAE
- Life Member - HRAI

INDUSTRY INVOLVEMENT

- Past Chair – Joint Training & Apprenticeship Committee (Air Conditioning)
- Past Member – George Brown College Advisory Committee
- Chair – HVAC Coalition
- Past Chair – ClimateCare Cooperative Corporation
- Vice Chair – Healthy Indoors Partnership
- Vice Chair – HRAI Government Relations Committee

COMMUNITY INVOLVEMENT

- Charter member of the Meadowvale Rotary Club
 - Past President
 - Paul Harris Fellow
- Chaired election campaigns for Ward 9 councillor, Mississauga
- Member - Finance Committee - St. John of the Cross Church
- Past President, Mississauga Minor Basketball Association

PERSONAL

- Widowed with 2 children, 6 grandchildren

TAB 2

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.
-

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.

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

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?

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.

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.

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

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.

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.

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.
-

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?

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.

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?
-

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.