

March 11, 2021

VIA EMAIL

Ms. Christine E. Long  
Registrar and Board Secretary  
Ontario Energy Board  
2300 Yonge Street, 26<sup>th</sup> Floor  
PO Box 2319  
Toronto, ON M4P 1E4

**Re: Greater Sudbury Hydro Inc.: Notification of Billing Error and Resulting Issues under section 7.7 of the Retail Settlement Code**

Dear Ms. Long,

We are writing today to advise the Board of a billing error that Greater Sudbury Hydro Inc. (GSHI) has discovered and to seek certain relief and guidance from the Board as we take steps to correct the error and provide refunds to customers as necessary. In view of the nature and scope of the billing error we are asking that:

- a) the Board provide GSHI an immediate exemption from the requirement under s. 7.7.2 of the Retail Settlement Code that GSHI issue refunds in its next billing cycle, and
- b) the Board provide approval to GSHI's refund proposal.

#### **Discovery and Nature of the Billing Error**

On March 3, 2021, in the context of a review of GSHI's 2020 results, GSHI staff discovered an error in the way that GSHI's billing system translated GSHI's Board Approved Tariff into amounts to be collected from customers in their bills, resulting in overcharges to its customers.

On examination GSHI staff realized that, while there were no errors in the tariffs underpinning GSHI's rates, GSHI's billing system was incorrectly prorating GSHI's approved fixed charges with the result that GSHI has been recovering slightly more revenue from fixed charges than the tariffs ostensibly allow on an annual basis.

GSHI's billing system takes the approved "monthly" charge from GSHI's approved tariff, translates that monthly charge into a "daily" charge, and then applies that "daily" charge when calculating the bill for each customer. The error occurs because in the course of this translation GSHI's billing system incorrectly assumes that all months are 30 days; this incorrect assumption has the effect of creating a

“daily” charge that is based on dividing GSHI’s forecast annual revenue from fixed charges by 360, and then billing customers that “daily” charge 365 times a year.

By way of specific illustration, GSHI’s current approved monthly service charge for residential customers is \$29.31. That means that GSHI should recover, on an annual basis, 12 months x \$29.31 from each residential customer in 2020 (for customers that remain connected for the entire rate year from May 1, 2020 to April 30, 2021) or \$351.72. Instead, GSHI’s billing system divides the monthly charge of \$29.31 by 30 to establish a “daily” charge of 97.7 cents per day, and then bills residential customers that daily rate each day from May 1, 2020 to April 30, 2021, resulting in an annual recovery of 365 days x 97.7 cents or \$356.605, an overcharge of \$4.89 for the year for each residential customer (this example ignores the delayed implementation of GSHI’s May 1, 2020 rates).

This billing error is not limited to the residential class or the service charge; it applies to all fixed monthly charges across all rate classes. This includes, for example, fixed charge rate riders, the Smart Metering Entity charge, and the Standard Supply Service – Administration Charge. As a matter of scope, however, the residential monthly service charge is the largest. For 2020, assuming the overcharge continues through to April 30, 2021 and considering the delayed implementation of GSHI’s May 1, 2020 rates, the overcharge per residential customer is equal to \$4.685 for the service charge plus \$0.208 for all other residential fixed charges for a total annual overcollection of \$4.893. GSHI has approximately 43,000 active residential customers so this would result in a total over-recovery from the residential rate class of approximately \$214,000 in the year; for all other rate classes the annual over-recovery is approximately \$40,000 combined. For reference, GSHI’s materiality threshold, calculated as 0.5% of its base distribution revenue requirement, is \$125,763.

### **Correcting the Billing Error Prospectively**

In order to correct the billing error going forward GSHI proposes to fix the proration within its billing system. In examining its system GSHI can adjust the effective “daily” rate to avoid future over-recovery. By way of example using the existing approved residential service charge, GSHI could take the approved monthly charge of \$29.31, multiply that charge by 12 months, divide that result by 365, and then multiply that result by 30 in order to produce a prorated 30-day service charge of \$28.31. GSHI can then input the prorated monthly service charge of \$28.31 into its Billing system, which will then translate that prorated charge into a correct daily charge of 96.36 cents per day, which will then produce the correct \$351.72 of revenue per residential customer per year. A similar prorating exercise can be done for all of GSHI’s approved monthly fixed charges. GSHI believes that this proration exercise, which will only have to be done when newly approved charges are input into its billing system, will effectively protect its customers from future overcharges of this nature until GSHI updates/replaces its current billing system or otherwise seeks approval of an adjusted tariff in its Cost of Service rate application that reflects a set of “30 day” rates for all fixed charges instead of “monthly” rates.

As the error occurs within GSHI’s billing system and not in its Board approved Tariffs GSHI expects that it is at liberty to make the correction on its own initiative; however GSHI wanted to advise the Board of the proposed solution in the event the Board has any concerns about GSHI’s proposal, particularly since the

solution will be applied in the first instance, in all likelihood, to GSHI's new rates for 2021, the draft order of which is currently under review prior to final approval in EB-2020-0024.

### **Process to provide Refunds for the Billing Error**

#### *The Need for a Temporary Exemption from the Time Requirement in Section 7.7.2 of the Retail Settlement Code*

GSHI recognizes that under section 7.7 of the Retail Settlement Code it is required to provide refunds to its customers for amounts overbilled where Measurements Canada has not become involved. Since the overbilling in question is not related to metering in any way but rather is solely related to fixed charges GSHI believes that section 7.7 of the Retail Settlement Code applies.

Under section 7.7.7 of the Retail Settlement Code distributors are required to refund overcharges for a maximum period of up to 2 years; GSHI can confirm that the billing error has persisted for a period of at least 2 years.

Under section 7.7.2 where the total overcharge to a customer is less than the customer's average monthly bill the refund is to take the form of a credit on the customer's next regularly scheduled bill. GSHI estimates that the maximum refund owed to any of its residential customers, even if connected for the full two-year period contemplated by section 7.7.7, would be less than \$10, well below the average monthly bill for any of GSHI's residential customers. Accordingly, in the normal course, GSHI would be required to issue refunds in the next billing cycle for each of its customers.

However, it is not the case, for example, that GSHI bills all its customers on the same single day each month, or that 50% of GSHI's customers are billed on one day of the month and the other 50% two weeks after; GSHI bills some subset of its customer every business day of the week. Accordingly, in theory, the moment this billing error was discovered on March 3, 2021, there were customers scheduled to be billed the following day, March 4, 2021, and the day after that, March 5, 2021, and so on that were entitled to refunds as of those dates.

Additionally, unlike what GSHI expects would be the case from more typical billing errors, the identified error affects essentially all of GSHI's existing customers that are being billed any fixed charge as a component of their bill, back the entire 2-year period prescribed by the Retail Settlement Code. As such, GSHI expects that material time and effort will be required prior to processing refunds, even if the Board accepts GSHI's refund proposal as set out below.

Accordingly, GSHI respectfully asks that the Board provide GSHI a temporary exemption from the time requirement imposed by s. 7.7.2 of the Retail Settlement Code for process refunds so that GSHI may properly plan for providing refunds to most if not all of its affected customers.

#### *GSHI proposal for the Form of Refund Contemplated by Section 7.7 of the Retail Settlement Code*

In the present case the nature of the billing error is such that a refund of some amount applies to all of its existing customers, with the total refund owing approximating \$497,000 over the past two years based

on our preliminary review.

Under these circumstances GSHI would respectfully propose that GSHI be permitted to fulfill its obligation to refund overcharged amounts through the use of a one-time credit to each of its current customers (with the quantum of the credit calculated by class) on their May 2021 bills, based on a refund of overcharges for the entire 2-year period whether or not all of its current customers have been customers for a full two years. In this way all of GSHI's existing customers will receive the maximum credit available based on the two-year term contemplated by the Retail Settlement Code. GSHI believes that this refund proposal to all existing customers will reach the vast majority of customers who were overcharged over the past two years. GSHI can confirm that approximately 83% of its current customers have been customers for the last two years.

### **Summary**

Having identified the billing error on March 3, 2021 GSHI respectfully submits that it has acted quickly to confirm the nature and scope of the error and identify appropriate solutions, both in terms of fixing the error on a prospective basis and in terms of calculating and providing a refund to its customers. While we expect that the Retail Settlement Code contemplates that utilities will identify and rectify billing errors without necessarily engaging the Board, the fact that this billing error:

- a) affects essentially all of GSHI's customers,
- b) spans the full 2-year refund period contemplated by the Retail Settlement Code, and
- c) arises at the same time GSHI is on the cusp of implementing new rates for the 2021 rate year,

compelled GSHI to immediately notify the Board of the billing error to ensure that GSHI's proposed actions in terms of rectifying the error going forward and providing refunds to GSHI's customers were appropriate.

For all these reasons we respectfully ask that the Board provide:

- a) an immediate exemption to section 7.7.2 of the Retail Settlement Code so that GSHI may spend the appropriate amount of time to implement solutions to this issue, and
- b) any other guidance to GSHI that the Board feels is appropriate under the circumstances, including, GSHI expects, consulting with OEB Staff with respect to GSHI's proposal.

Yours Truly,

*Original signed by*

Tiija Luttrell, CPA, CA  
Supervisor – Regulatory

Cc: Vince Mazzone, Frank Kallonen, Catherine Huneault, Michael Buonaguro