



ONTARIO ENERGY BOARD

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THE ONTARIO ENERGY BOARD

**IN THE MATTER OF the Ontario Energy Board Act, 1998,
S.O. 1998, c. 15, Schedule B;**

Hearing held at 2300 Yonge Street,
25th Floor, Toronto, Ontario,
on Tuesday, September 23, 2008,
commencing at 9:39 a.m.

STAKEHOLDER CONFERENCE, DAY 2

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1 --- Upon commencing at 9:39 a.m.

2 **INTRODUCTORY REMARKS:**

3 MS. HARE: Good morning. My name is Marika Hare.
4 It's my pleasure to welcome you to the second day of our
5 consultation on energy issues related to low-income
6 consumers.

7 Yesterday we discussed the need for programs, some of
8 the principles underpinning programs, the roles of
9 distributors, the roles of regulators, the role of social
10 agencies, the role of government. We then talked about
11 what distributors have in place today and what social
12 programs are available, and we talked about some of the
13 gaps.

14 So a natural segue today is to talk about existing
15 programs in other jurisdictions. We may also get to topic
16 number 4, and I announce that for those listening on the
17 Web that we may actually move quicker than shown on the
18 agenda.

19 In order to prepare for a discussion of what's in
20 place in other jurisdictions, the Board commissioned
21 Concentric Energy Advisors, and with us today is John
22 Trogonoski, who will participate in the discussions, if
23 there are any questions about the programs that are listed
24 in his report.

25 But we also wanted to hear firsthand the experience of
26 people that have implemented low-income programs. And in
27 that regard, I contacted the Pennsylvania Public Utilities
28 Commission, because Pennsylvania's had programs in place

1 for many years. And they suggested that I contact Tim Dahl
2 of PPL Electric Utilities and Sadie Kroeck from Dominion
3 Peoples, and I'm very pleased to say that they accepted our
4 invitation and are here today to share their experience
5 with low-income programs.

6 Now, that worked so well that I then contacted the
7 Regie de l'energie, because Quebec has had programs in
8 place for a few years, and Claudine Vigneault is here from
9 Hydro-Quebec to share her experience.

10 So before we get to our guests, I just wanted to make
11 a few comments summarizing what we learned from the
12 Concentric Energy report, and what we see in that report is
13 that policy programs and measures implemented by regulators
14 in other jurisdictions are actually quite common.

15 Now, they're not always comprehensive, but to have
16 programs is quite common. And in many cases these programs
17 have been in place for many years. And the programs that
18 are listed in the report fall in a number of categories,
19 starting with rate discounts or a reduction of fixed
20 monthly charges. And here there's a difference between the
21 states, in terms of how much of a discount, how much of a
22 reduction. There's a difference about who pays, and
23 there's a difference about who administers the program.

24 There was some discussion yesterday about a low-income
25 rate, and a rate discount is not per se a low-income rate.
26 It's not a separate rate class. They're in the same class
27 as other residential customers, but they don't pay the full
28 amount of the bill.

1 We also see some rate design programs, in particular,
2 where the first block is lower, an inverted rate structure.
3 And that works if, in fact, the low-income consumer is also
4 a low-volume consumer.

5 We've seen the waivers of connection fees, late-
6 payment penalty charges, security deposit, reconnection
7 fees, and I think we had a good discussion about those
8 yesterday, in terms of the fact that some of those are
9 being implemented by the distributors in Ontario.

10 There are also alternative billing methods, customer
11 rebates, conservation demand management programs, equal
12 billing programs, payment plans for past due accounts, and
13 limits on disconnections, and the Concentric Energy report
14 gives examples of each of these in some detail.

15 And the note at the bottom of this slide is that
16 there's no special rate class that was found by Concentric
17 Energy.

18 I'd like to look at New Hampshire very quickly as an
19 example. They have on their bill a system benefit charge,
20 and it is 3 cents per kilowatt-hour, and so it's shown as a
21 separate line item on the bill.

22 Of that 3 cents, 0.12 cents is --

23 MS. GIRVAN: It's not 3 cents, is it?

24 MS. HARE: 0.3 cents.

25 MS. GIRVAN: Okay. Sorry.

26 MS. HARE: And then out of that -- now you've got me
27 worried, Julie -- 0.12 cents. So a tenth of a penny, let's
28 say, is applied to low-income assistance, and 0.18 to

1 energy-efficiency programs, and in their case it's paid for
2 by all customer groups, so commercial customers, industrial
3 customers, and residential all have a line on their bill
4 for this system benefit.

5 They use the federal poverty guidelines as the
6 determining factor in the amount of the benefit, but on
7 average it's about \$420 per year per participant.

8 MS. DADE: Sorry, Marika, is it -- I apologize -- 420
9 per, like, residential customer that they pay?

10 MS. HARE: No. For a customer that's eligible to
11 receive a benefit, it's about \$420.

12 MS. DADE: Okay. Thank you.

13 MS. HARE: Now, I wanted to share this pamphlet, and
14 this follows nicely from the discussion we had yesterday
15 about the need to inform low-energy -- or, sorry, low-
16 income consumers that these programs actually exist.

17 What I have on the screen, and what you can see in
18 person, is a pamphlet that I picked up from the New
19 Hampshire regulator, so it is the regulator that produces
20 the pamphlet, to make all consumers aware that the program
21 exists. And here you can see in the pamphlet that the
22 discount is between 5 to 70 percent on the electricity
23 bill.

24 And of interest, it lists the utilities that
25 participate in the program. It shows the eligibility
26 guidelines, and they are related to the federal poverty
27 guidelines, and the factors that are taken into
28 consideration are the actual income and the number of

1 people in the household.

2 It explains how the program is funded and how to apply
3 for the program. And in their case, it is the community
4 agency that accepts the application, so the application is
5 filled in by the social agency. And on the back of the
6 pamphlet there's a list of agencies that the people in need
7 can contact. So I thought that was an interesting example.

8 And with that I'm going to turn it to Claudine
9 Vigneault from Hydro-Quebec.

10 **PRESENTATION BY MS. VIGNEAULT:**

11 MS. VIGNEAULT: Good morning. I'm going to be
12 discussing in more detail our collection services for low-
13 income customers. We do have energy efficiency, we do have
14 equal payment plans, we have a service, a customer service,
15 that is called before you rent. You can call in to find
16 out what the cost of energy -- electricity is for a
17 specific address, to find out if you can afford it before
18 actually signing the deed.

19 So those are different things we have. But I'll go
20 into more depth on the collection services.

21 Hydro-Quebec Distribution serves about 90 percent of
22 the population in Quebec. We have the obligation to serve
23 all customers. There are no interruptions in service
24 between December 1 and April 1.

25 And we go a step further. Not only do we not
26 disconnect service during the winter; before December 1st
27 we reconnect anybody that has interrupted service, without
28 asking for any money, to make sure everybody can heat

1 during the cold season.

2 A picture of our customers: We have about 3 million
3 residential customers. There are about 380,000 low-income
4 customers, per Stats Can low-income-cutoff data, and we've
5 estimated that about 40,000 of those wind up in heavy
6 collection.

7 Now, why have services for low-income customers?
8 Because it's efficient. We -- nearly half of our heavy
9 collection -- of our customers in heavy collection
10 situations are low-income customers.

11 Electricity expense: In Quebec, we're fairly unique,
12 in that about 75 percent of the households in Quebec heat
13 space with electricity. So on average, regular customer --
14 all customers have a percent of income devoted to
15 electricity at the rate of 3.7 percent, and it's more than
16 double at 7.9 for low-income customers on average. It can
17 go up to 20 percent, if you have a not-well-insulated
18 dwelling.

19 Also, when we survey our customers on our annual
20 survey, sorry -- they ask that Hydro-Quebec be more human
21 and flexible toward customers that are facing difficult
22 situations. And as a social responsibility, to be a good
23 corporate citizen, consumer associations do challenge us to
24 be more efficient and do things differently. And there was
25 a resolution passed by the board of directors of HQD to
26 maintain service as much as possible for low-income
27 households.

28 This slide looks like a complicated slide, and I won't

1 be explaining all the little squares there, but it shows
2 you that we've been working at this for ten years. And
3 we've been building on small wins along the way. It needs
4 a change in mentality, a change in values, for these types
5 of things to go forward. So this shows you that we've been
6 working by small steps, and making sure that the strategic
7 plans always have a note regarding these types of services,
8 that we look forward and plan for these types of services.

9 I'm starting with how we developed the programs
10 because it's really been the key to our success. We
11 cooperate with consumer associations because they have a
12 unique expertise regarding that particular portion of the
13 population. We needed to improve our understanding of the
14 low-income household realities, and we did that through
15 joint studies and pilot projects with the consumer
16 associations. Also, they have a very high credibility with
17 the population, so it was easier to do in-depth studies, to
18 actually go inside the homes, when we were accompanied by
19 consumer associations than if just Hydro-Quebec wants to
20 find out how do you budget. That's not as easy.

21 So that brought us an enormous amount of wealth of
22 information to work like that. Not only did we study with
23 the consumer associations, we now have very strong links
24 with them. We developed the services with them. We have a
25 joint task force. We meet monthly and actually have six
26 members from the consumer association, six members from
27 Hydro-Quebec, and together we develop the programs. That
28 joint task force has a consultative role with the

1 management, and the management decides "yes" or "no", do we
2 go forward.

3 We also have an operational link, a dedicated phone
4 line, even though all our representatives are the ones that
5 negotiate the terms with the clients, consumers -- clients
6 going through a consumer association for a budget
7 consultation can choose to have somebody from the consumer
8 association negotiate for them. So with procurement, they
9 can go through that line to be able to get our services.
10 If they've not been successful before or not understood how
11 it works, they can go through that third party line.

12 And we also have an annual meeting with the consumer
13 associations, where we present anything we've changed in
14 our ways so that they are aware and not surprised if
15 questions come from the consumers. They can also, again,
16 challenge us if they find that our new ways are not what
17 they were expecting.

18 The lessons learned in all those studies is that
19 traditional collection methods don't work with the low-
20 income customer. We found out that we need to consider the
21 fact that the customer's stretched budget is vulnerable,
22 especially twice a year, at the start of school year and at
23 the holiday season. So that's one of the things we needed
24 to factor in.

25 The income is often insufficient to meet the basic
26 expenses. Payment of bills is done alternatively, so they
27 create debt accumulation with different suppliers and pay
28 very irregularly, especially in a context where there's a

1 winter moratorium on interruptions.

2 And the actual menace, or interruption of service
3 creates a difficult customer relation, and customer -- the
4 customer often avoids or breaks the contact with the
5 suppliers, so it's hard to negotiate at that point.

6 What we have found, that it works with the low-income
7 consumer is collecting the available dollars. Payment
8 agreements that's adapted to the payment capacity helps
9 payment regularity, it helps maintain good customer
10 relations. The operational costs are not increased, and
11 when we built in the flexibility, it helps the customers
12 and it facilitates operations.

13 So an example, our first service offers the adapted
14 payment agreement, which was put in in 2001. In order to
15 reduce the payment, we lengthened the term, so it can go up
16 to 48 months. It covers both consumption and debt, and the
17 word here shouldn't be "write-off," but it should be we
18 cancel administrative charges while the payment agreement
19 is respected.

20 And the built-in payment flexibility is that a
21 consumer can miss a payment and not be -- not have broken
22 its agreement. We have put in flexibility as far as the
23 equivalent of two payments, so it's based on the money
24 value. If they're late by half of a payment, then they can
25 sort of do that four times before actually breaking the
26 agreement. And if they catch up, then there's no problem.
27 They never receive a menace of interruption.

28 At the end of 2007, we had close to 23,000 agreements

1 of that sort.

2 The benefits of that specific agreement is we
3 significantly reduce our service interruptions by half.
4 When we used to -- in the late '90s, we used to interrupt
5 between 35- to 40,000 customers. Now it's more like in the
6 17- to 20,000 customers which are interrupted for non-
7 payment.

8 We have a much better control of the bad debt expense.
9 And we did a five-year study on consumers that went through
10 a payment agreement that looks like that, and when the
11 agreement is successful and completed the clients do not
12 come back into collections.

13 However, it's not successful for everybody, and we
14 decided to find out what's the difference between those
15 that succeed and those that don't.

16 And we did a very in-depth study with the consumer
17 associations again, and found that on the demographic side,
18 68 percent of households have children, 38 percent are
19 single parent households, 51 percent did not have a high
20 school diploma, and only 23 percent were employed. And in
21 the two years preceding that study, the families were
22 experiencing 1.8, almost 2, problematic situation, such as
23 loss of income, job loss, serious illness, separation or
24 divorce; multiple problems creating a disorganized life
25 situation, which, after that, influences payment behaviour.

26 And so we worked again with the consumer associations
27 and saw: Where can we go further? It was actually very
28 profitable for us to do the first one. Then there's room

1 to do more.

2 So we still have adapted payment agreement, but we
3 added one portion with debt support, another with
4 consumption support. Again, we go to 48-month agreement,
5 but it's cut out in 12-month sequences because we felt that
6 those consumers needed -- needed to be accompanied more
7 closely, so every year we make sure we speak to them. And
8 because they don't pay full debt and/or consumption, we
9 need to ask for proof of revenue for those customers.

10 So, again, we have the built-in flexibility in that
11 agreement, and if the agreement is honoured, we write off a
12 portion of the debt every year over four years, and at the
13 end, the debt is fully eliminated.

14 And we, again, cancel administrative charges rather
15 than write off.

16 The consumption support, there is no debt payment, and
17 we actually support the consumption, on an average, to the
18 tune of about 40 percent. And with those we found that it
19 gives us additional tools to meet the customer needs and
20 maintain good relations, and at that rate, at that level of
21 support, there is no impact on rate. It promotes better
22 paying habits and results in increased yearly payments. We
23 actually get more money in by accepting smaller regular
24 payments than demanding the high payments when there's a
25 shutoff.

26 And we make links with energy efficiency, which -- and
27 it is mandatory for those customers with high consumption.
28 Since we are supporting consumption, we would like to

1 support efficient consumption. And it's a very good
2 success rate, 75 percent in 2007. So we're very happy with
3 that particular program.

4 So when we look at our portfolio of collection
5 solutions, we see that we have solutions for almost
6 everybody. There's still a little red triangle at the
7 bottom where the situation is so disorganized, they're so
8 difficult, that the adapted agreement with consumption
9 support is not sufficient at the level we're supplying now.

10 And when we look at the numbers, we see that of the
11 40,000 that we've estimated are in heavy collection --
12 because not everybody identifies themselves -- we have,
13 let's say, 22,000 for the first type of agreement, and we
14 have a potential of 12,000 for the other. We believe that
15 about 2,500 to 3,000 would need a new service, a more
16 generous service.

17 So we're almost attaining everybody. It's easier to
18 help people that are already receiving help, people that
19 have already been identified by the government as being
20 low-income. Households that have a minimum wage are very
21 difficult to help. And we had discussions with Electricite
22 de France, and they have the same problem.

23 So it's a challenge for the future. So we are now
24 currently looking at developing a solution for the
25 customers in the red triangle, and we've already received
26 approval from the board of directors to go ahead and from
27 the Regie de l'energie for the budgets presented. And our
28 challenge again is getting the customers to provide us

1 sufficient information to help us help them, going forward.

2 We also -- as I said, there needs to be a change in
3 mentality and a change in values. And we -- in order to
4 improve employee expertise, competence, and commitment --
5 we needed to increase awareness of the reality of poverty,
6 and we created a workshop on the views of poverty, to go
7 beyond prejudice. And it's a program that presents both
8 statistics, what are the different perceptions of poverty,
9 and what's a reality with actual people living -- poverty,
10 giving -- témoignage -- giving life situations.

11 And also, there's a budget exercise where people are
12 given: Okay, here's your rent, here's your food, here you
13 have so many children, these are the activities the school
14 is asking you to pay for, and this is your income. You try
15 and balance it.

16 So that has helped people understand. But also, we've
17 brought into that equation the business value of providing
18 the services. It works. It's more efficient.

19 Our regular collection representatives will offer the
20 adapted agreement without support. And they will refer the
21 potential customers for the adapted agreement with support
22 to a specialized team. Because the customers are in a more
23 fragile situation, they need support that is different.
24 That specialized team is selected with a specific skill set
25 and is provided specific training and support. So that's
26 how we've done it.

27 So in conclusion, we need to invest energy and
28 resources to serve all customers, including low-income

1 customers, and our choice was to invest positively, by
2 targeting the available dollars, and also by opening
3 ourselves to untraditional partners and methods.

4 And based on our experience, the collaboration between
5 our utility and the community has been challenging but
6 beneficial to everyone, both the -- three ways: The
7 company, the consumer associations, and the customer.

8 MS. HARE: Our next speakers are Sadie Kroeck and Tim
9 Dahl.

10 **PRESENTATION BY MS. KROECK AND MR. DAHL:**

11 MR. DAHL: Good morning. Sadie and I would like to
12 thank you for the privilege of coming up here and joining
13 you in this consultation. We came up here to learn some
14 new things. We've already picked up some good ideas. We
15 were walking down today, and taking the cab ride, I
16 thought, I'm going to steal some good ideas, and also to
17 share our experiences in Pennsylvania as well.

18 A quick background about our two utility companies:
19 PPL Electric Utilities, 1.4 million customers in 29
20 counties in central and eastern Pennsylvania. We're
21 investor-owned, 36,500 miles of transmission and
22 distribution lines, 2,200 employees. We're part of a
23 larger PPL corporation, which is about 7,500 employees in
24 Pennsylvania.

25 Dominion Peoples is in the western part of
26 Pennsylvania, 355,000 customers, 16 counties. Also
27 investor-owned. 7,800 miles of pipeline, 840 employees.

28 Sadie and I are doing sort of a team approach today.

1 I'm going to give a high background of some of the programs
2 and services in Pennsylvania. Then we'll each individually
3 talk about some of the programs that we have been doing for
4 a number of years. And as Marika noted, we've had programs
5 probably for over 20 years in Pennsylvania.

6 Our first large program is called Customer Assistance
7 Program, or CAP. That provides reduced payments or rates,
8 arrearage forgiveness, and referrals to other programs.
9 For PPL Electric, it cuts your payment about in half if
10 you're on our CAP program.

11 There's also the Low-Income Usage Reduction Program,
12 or LIURP, which is weatherization, again offering free
13 weatherization services and energy education as well. And
14 again, these are for lower-income households.

15 There's also what's called a hardship fund, which
16 provides shareholder, customer, and employee donations to
17 pay for home energy bills, and we'll talk about that in
18 some detail.

19 And then there's a program called CARES, which
20 assesses customer situation and makes referrals to internal
21 and external assistance programs. We've developed over the
22 years a large network of community-based organizations to
23 help that.

24 And Sadie will also talk a little bit about the
25 Federal Low-Income Home Energy Assistance Program. It's
26 about a \$2.2-billion program in the States, of which
27 Pennsylvania is the second-largest recipient of LIHEAP
28 funding.

1 Just to put it in the context of the annual funding,
2 these results are from 2007. If you look in the second
3 column where it says "CAP", again, this is the reduced
4 payment for customers.

5 In 2007, the expenditures were about \$330 million in
6 Pennsylvania, and you'll see the split between electric and
7 gas. The weatherization or the LIURP was \$28 million, the
8 hardship funds, almost \$6 million in contributions. So the
9 total contributions and assistance to low-income in 2007
10 was estimated \$364 million. This year we think that number
11 will be somewhere around \$390 million in assistance.

12 And except for hardship funds, utilities fund these
13 programs through residential rates. Our Public Utility
14 Commission has said it's appropriate for these types of
15 programs to be funded only by residential ratepayers.

16 And then on the bottom part of the table, you'll see
17 the number of customers. So at the end of 2007, if you
18 took a snapshot of active accounts in the CAP program, it
19 was about 397,000. About 25,000 households received
20 weatherization assistance, about 19,500 customers received
21 a hardship grant and a total of almost 441,000 customers
22 receiving some type of benefit through their electric or
23 gas utility.

24 I'm going to turn over to Sadie to give some
25 background and then talk about some of the specifics.

26 MS. KROECK: Okay. Thank you, Tim, and thank you for
27 inviting us today. It's a pleasure to be here.

28 I would like to just give a brief overview and a

1 little bit of history about how these programs came into
2 place and some of the regulations that were enacted to make
3 sure that we worked with our low-income customers.

4 In the late '70s, there were regulations called Title
5 52PA Code Chapter 56, customer rights and responsibilities.
6 And that was the first fully comprehensive set of
7 regulations that really set forth billing, credit, deposit,
8 termination, and complaint procedures. And those were for
9 all residential customers.

10 However, it was recognized that there were some
11 customers who were having problems paying their bills, and
12 in the late '70s, due to the high energy prices, hearings
13 were conducted throughout the state. They were called the
14 ability-to-pay hearings.

15 As a result of those hearings, the Commission sent out
16 secretarial letters, which, although not having the full
17 force of regulation, these were some recommendations that
18 companies were asked to follow. And they were really kind
19 of a precursor to the regulations for the programs that Tim
20 described.

21 What Tim didn't tell you was one of the very early
22 programs, the CARES program -- which is an acronym for
23 Customer Assistance, Referral and Evaluation Services --
24 was actually started by PPL, and started by Tim. So he was
25 really in on the ground on this. And both of us, I guess,
26 have been around for a long time, but prior to coming to
27 the Dominion Peoples, I worked for a public utility
28 commission in the consumer affairs department. So I was

1 there when these regulations were enacted.

2 As a result of the recommendations, there were also
3 some regulations that came out, and policy statement. One
4 of the regulations was for weatherization. And we're going
5 to explain some of those programs a little later, but we
6 kind of wanted to show you the progression from the '70s
7 with the consumer rights and responsibilities, the early
8 '80s with the ability to pay -- late '70s, early '80s, with
9 the ability to pay hearings, and then in the late 1990s,
10 the Energy Choice programs, where customers could select
11 the supplier, came to be.

12 And as a result of those programs, the Commission was
13 concerned that customers, low-income customers, would not
14 have the same options available to them. And as part of
15 these rules, they required that utility companies maintain
16 the programs at the same level that they had prior to the
17 Energy Choice.

18 So we had to actually develop plans and submit them to
19 the Commission and have them approved to demonstrate that
20 we would continue with our low-income programs. And I just
21 put some of the cites: 52PA Code of the regulations and
22 66PA Consolidated Statutes, annotated. That's actually the
23 law.

24 And if we go to the next page, this is just a
25 definition of universal service and energy conservation
26 under the law as it was developed, I think, in 1999.

27 The same part for the electric companies; I'm not
28 going to read that, but it basically says we will continue

1 the same consumer protections for low-income customers as
2 before Energy Choice.

3 As a result of these regulations, we're required to
4 file a plan every three years. Dominion Peoples' plan was
5 just filed in June, and the plan is public. It is on the
6 Public Utility Commission's website. And I think they're
7 website is www.PA.state.PUC. I wrote it down, and I can
8 give that to you later.

9 Also, the regulations spell out what we need to put in
10 the plan, and that's in Chapter 54 for the electrics and in
11 Chapter 62 for the gas companies.

12 We are required to conduct an independent evaluation
13 every six years. We select an evaluator who comes in and
14 reviews our plan to see if it's cost-effective, to see if
15 we're meeting the needs of the low-income customers. We
16 have to develop a needs assessment as part of this
17 evaluation. And we're also required to submit an annual
18 report to the PUC. And the first reporting year for the
19 electrics was in 2001. The gas companies began reporting
20 in 2003.

21 And I just put a sample of -- this is a sample of our
22 universal service reporting. We send it in on-line, and
23 then from that the PUC issues an annual universal service
24 report. Again, that report is available on-line at the
25 PUC's website.

26 So there is oversight from the Commission with respect
27 to not only submitting the plans but also submitting our
28 data, so that they can review and analyze it.

1 I'm going to turn it back to Tim now.

2 MR. DAHL: This is just the slide that shows average
3 annual spending per residential customer in Pennsylvania,
4 and you'll see on the left is the light blue. That would
5 be spending per electric utility customer. On the right
6 would be spending for natural gas customer. And as you'll
7 see, the table there, there's been about a 35 percent
8 increase from 2005 to 2007 for gas -- for electric
9 customers and about a 27 percent increase for electric --
10 or gas customers.

11 Some of the early programs that they had done was at
12 the Customer Assistance Program, and those started as early
13 pilots.

14 [Conferring.]

15 MS. KROECK: Oh, it's okay. I'm very flexible, and
16 we've both been doing these programs for so long that we
17 can talk about each other's programs. I think the one
18 thing that we learned early on was, although there is
19 competition in a lot of areas, there's not competition in
20 working with payment-troubled and low-income customers.
21 And the utilities work collaboratively. We work very
22 closely with regulators, we work very closely with each
23 other, and we learn from each other.

24 In western Pennsylvania we're kind of unique because
25 we have three major gas companies within one county. So we
26 do work very closely together on these programs, but we
27 might be competitive with respect to the retail end of the
28 business. So it's kind of a unique situation.

1 The Customer Assistance Programs actually started as
2 pilots. The first pilot that we had at Peoples was called
3 Project Match, and each time the customer paid \$50 we would
4 match it \$50. We had about a thousand customers in that
5 program, and with some of the other utilities we hired an
6 evaluator to see how these programs worked. And we went
7 on, then, to actually creating the Customer Assistance
8 Programs as we know them today.

9 And most of the programs -- Peoples', for example --
10 is based on a percent of a customers income, and the
11 percent of income is 8 percent, 9 percent, or 10 percent,
12 up to 150 percent of the federal poverty level. Their
13 monthly payment can be as low as \$25, and as long as they
14 make that payment every month they will stay in service.
15 We will forgive the difference between their monthly
16 payment and their actual bill. We do that every month. If
17 they make 12 payments on time, we will forgive 25 percent
18 of their arrears.

19 So the Commission and the utilities try to tell
20 customers: This is the best deal in town. If you get on
21 this program and you stay on it, you will have all of your
22 arrears forgiven, and you will also be able to maintain
23 your payments because they're more affordable.

24 We have about 14,000 customers in our CAP program
25 right now, and we continue to evaluate and monitor, and
26 work very closely to try to give them some conservation
27 education as well.

28 One of the concerns was that customers would not

1 conserve if they had a fixed payment. So we do try to
2 monitor that and make sure that customers are conserving.
3 There is an annual re-verification of income, so once a
4 year we re-verify that their income has either stayed the
5 same or, if it's changed and if their income has gone up,
6 their payments could indeed change.

7 Okay. CARES is the next program. And it's the
8 Customer Assistance, Referral and Evaluation Services.
9 It's a one-on-one program. It varies among companies, but
10 at Peoples we have two social workers on staff who work
11 with our payment-troubled and special needs customers, and
12 we also conduct training for our field personnel to
13 recognize any issues or problems out there and to refer
14 them to us for follow-up.

15 During the winter, when we are surveying customers who
16 are off to try to help them get their service restored, we
17 are the last step in the process. If we've made all of our
18 phone calls and all of our field attempts and our field
19 personnel feel that somebody needs an additional contact,
20 we send over to our department for follow-up.

21 So it's a one-on-one; it's to try to get customers to
22 where the assistance is. Quite often many of the folks
23 have fallen through the safety nets and they need someone
24 to help them. We work closely with the social service
25 agencies.

26 We also do a lot of collaboratives. I just listed
27 some. The Stay Warm campaign is a campaign that's
28 conducted by the state. And that's where the utilities and

1 the agencies work together to promote energy efficiency and
2 referral sources. There are also workshops and fairs that
3 are held. The Utility Wise is one that is done in
4 conjunction with the Public Utility Commission to educate
5 agencies about the programs that are available, and then
6 each year we participate in some free furnace tune-ups in
7 conjunction with the mechanical contractors in some of our
8 unions.

9 This is just a sample of one of our bill inserts that
10 we send out to let customers know what's available for
11 them. And it outlines the programs that we're going over
12 today.

13 That's the customer referral guide that we
14 distributed. It is also available on-line on our website.

15 And I'm going to talk briefly about LIHEAP. Now, I
16 don't know, do any of you know who Franco Harris is? Ah.
17 One. It might have been better to say Mario Lemieux, but
18 Franco Harris is a former Pittsburgh Steeler, and about 50
19 -- we debate how long he's been volunteering his time with
20 the gas companies. One of the women's son is 18, and she
21 said that she was pregnant when Franco came on board with
22 us, so we say it's 18 years.

23 But we asked Franco if he would, you know, work with
24 us to promote the Low-Income Home Energy Assistance
25 Program. It's a federally funded program. It's
26 administered by the state. And the utilities, along with
27 the state government, conduct outreach, because we found
28 that a lot of people were not availing themselves of this

1 program. And it's a very important program.

2 And we found that if the utilities promoted it, people
3 were more likely to take advantage of it, because they
4 felt: Well, okay. That's money that I can get. Whereas a
5 lot of people were reluctant to take federal funds.

6 We've sent out a bill insert each year to just remind
7 customers to apply and let them know what the income
8 guidelines are.

9 And we do outreach in conjunction with two other gas
10 companies, Columbia Gas and Equitable Gas. And we also
11 participate at the federal level to try to promote an
12 increase in funds. Tim and I have been up at Capitol Hill
13 to encourage them to increase the funds.

14 But I just wanted to give you an example of -- this is
15 our outreach day that -- standing at the podium is Franco,
16 and to his, I guess, right, left -- well, anyway, on the
17 side there is the president of Columbia Gas. And we had a
18 football team come in to kind of generate some excitement.
19 And as I said, Franco donates his time, and these are the
20 three company representatives.

21 But it means a lot for the state. And the average
22 grant for electric customers was \$272, and for gas
23 customers \$262. So you can see that it's important that we
24 encourage our customers to apply and take advantage of
25 these programs.

26 And Tim, do you want to...

27 MR. DAHL: You might as well finish up here.

28 MS. KROECK: I'll finish on the LIHEAP.

1 We just wanted to put together a chart here that
2 illustrated the federal dollars versus what the companies
3 are spending in Pennsylvania for the programs. EAPA is an
4 acronym for the Energy Association of Pennsylvania, and
5 it's comprised of the investor-owned gas and electric
6 companies, the major companies.

7 And recently, our president testified before the state
8 Public Utility Commission on the programs and services that
9 we offer. And this was one of the charts that he used to
10 show the difference between what we're spending -- that,
11 again, those are primarily ratepayer funds, but there are
12 shareholder funds in there -- and what we receive from the
13 federal government.

14 When this slide was done, it was projected that we
15 would get \$141 million this year from the federal
16 government, and we expect to spend about \$395 million
17 state-wide. So there is a gap, but we continue to
18 encourage our customers to apply for this very important
19 program, and we continue to encourage the federal
20 government to increase the funds, to help to better assist
21 our customers.

22 Now I'm going the turn it back to Tim to talk about
23 the weatherization part.

24 MR. DAHL: We talked earlier about the Low-Income
25 Usage Reduction Program, or weatherization. It's about \$28
26 million of expenditures last year. The average expenditure
27 for a heating job for electric was about \$1,850 and for gas
28 \$2,850.

1 In Pennsylvania, it's predominantly natural gas
2 heating. We are one of the highest of electric at PPL.
3 We're like 31 percent electric. But other companies, like
4 Duquesne in Pittsburgh, is about 5 percent electric, so
5 there's more of a weight toward natural gas.

6 I'll talk briefly about PPL Electric's program. It's
7 called the Winter Relief Assistance Program, or WRAP.
8 Begun in 1985, it's administered by local social service
9 agencies and private contractors.

10 This year's budget is about \$7.75 million. That will
11 serve approximately 3,000 customers. Since 1985 we've
12 expended about \$100 million in weatherization and completed
13 about 60,000 homes.

14 And the services include an energy audit, energy
15 education at a couple times during the process. Installed
16 measures which -- we have about a hundred installed
17 measures that we can do, including solar water heating, but
18 primarily is about, you know, 15 or 16 that are the most,
19 you know, used, like attic insulation, wall insulation,
20 caulking. Those things you are all very familiar with.

21 And what -- how people get in this program is they
22 call us because of a bill payment issue. We get their
23 income, find out they might be eligible. We make referrals
24 to this program. And we also advertise the program through
25 bill inserts and sometimes paid advertising if we need to
26 do it.

27 One of our challenges is, this is a mature program, so
28 it is harder each year to, you know, identify households.

1 You have to be 18 years or older and a customer of PPL
2 Electric, household income at or below 200 percent of the
3 federal poverty level, which is about 28,000 for a family
4 of two, 42,400 for a family of four.

5 Commission regulations allow us to spend up to 20
6 percent of our weatherization budget on families between
7 151 to 200 percent of poverty.

8 The program is open to both homeowners and to renters.
9 It's about a 60/40 split between homeowners and renters,
10 but to do a rental property we must have the landlord or
11 property owner give his or her permission. If we have a
12 multi-unit building and there's -- at least half of the
13 units are eligible, we'll do the entire building for
14 weatherization, again, at no cost to the customer or the
15 property owner.

16 You have to have lived in your home for nine months.
17 You have to have installed electric heat or use a minimum
18 of 6,000 kilowatt-hours annually.

19 For us, the types of jobs we'd call full cost, base
20 load, and low cost. And a full-cost job is, you have
21 installed electric heat. About 43 percent of the jobs that
22 we do would be that type. About \$2,600 to complete
23 weatherization on that home, an average energy savings of
24 about 10 percent.

25 Pennsylvania has a very aggressive data collection
26 requirement through the Public Utility Commission, where we
27 provide lots of detailed information: 12 months usage, 12
28 months post-usage for weatherization, to understand: Are

1 we really getting savings and benefits from the program?

2 Base load, they have neither electric heat nor
3 electric water heating. They have oil heat, or maybe
4 propane or coal, in Pennsylvania. No one regulates them.
5 But the Commission says we still need to provide services,
6 so electric utilities provide them services. It's about
7 half of the jobs. \$800 cost. Typical things there. We
8 replace the refrigerator, you know, caulking, you know,
9 those kinds of things. A low-energy savings there of
10 around 2 percent. And again, if you look at the whole
11 household, they use different types of energy.

12 And then low-cost would be installed water heating,
13 which is about 5 percent of the jobs. Again, \$900 in
14 expenditures, 7 percent savings.

15 One of the requirements for all installed measures is
16 they must meet the PUC standard of a 7- to 12-year payback.

17 In Pennsylvania and, in fact, across most of the US, a
18 number of electric and gas utilities have what are called
19 hardship funds. And last year in Pennsylvania, about \$6
20 million were raised in donations, corporate and customer
21 donations, "corporate" meaning the Electric Utilities
22 Corporation.

23 3.3 million for electric, about 2 and 1/2 million in
24 gas, and around 20,000 customers assisted last year. And
25 the average grant for an electric was \$289, and \$445 for
26 gas.

27 And how people get in the program is, they -- again,
28 they call in: I have an overdue bill. I can't pay. I

1 might be up for a termination of service.

2 Our representatives then would make referrals to these
3 programs, give them phone numbers and things of that
4 nature. And they call the agencies and the process starts.

5 Our program Operation HELP started in 1983. We use 16
6 community-based organizations to run the program. One of
7 the things we require -- everybody is linked
8 electronically, so all the forms are done electronically,
9 the money is sent electronically, you know, nothing is --
10 there's no cheques, no cash. We had to move everybody,
11 including our weatherization vendors, the job tickets,
12 everything, the payments, is all electronic. Which was
13 interesting, working with physical workers to do that kind
14 of work to -- my fingers are too big for that keyboard.
15 No, no, it will work. Here's what you have to do. But we
16 needed to get everybody up to being in the electronic age,
17 or at least close to being in the electronic age.

18 Funding for our program this year is about \$1.45
19 million, a \$1 million contribution from our corporation,
20 estimated \$450,000 in contributions from customers and
21 employees. And customers can give by adding payments to
22 the bill. And we have a very flexible billing system. If
23 you want to give \$20 a month through the winter, we can do
24 that. If you want to give, you know, \$2 a month, we can do
25 that as well.

26 As I tell people, our most interesting contribution to
27 the program came some years ago from the Allenwood Federal
28 Penitentiary in Pennsylvania. They sent us a cheque for a

1 thousand dollars, and it came from their benevolent
2 society. After the cheque cleared, we sent them a thank-
3 you note, but it was one of our most unusual contributions,
4 because prisoners generally don't get electric bills from
5 us.

6 Since 1983, \$18.1 million in funding and about
7 67,000 customers assisted.

8 Again, the guidelines here: 200 percent of the
9 federal poverty level. And what types of things do the
10 agencies that administer the program look for? It might be
11 hardship situations, death of the primary wage earner,
12 serious illness or injury, health-threatening situations,
13 families with infants, households with elderly disabled
14 persons; those types of things.

15 The program, unlike the LIHEAP program, the federal
16 program, which basically runs over the winter, our program
17 runs on a year-around basis. It also is unusual in that it
18 pays for any type of home energy bill. Electric, gas, oil,
19 coal, we pay any bill. We give the money to the agencies;
20 they make the call on where the money goes.

21 It's a \$500 maximum grant annually, and they call in
22 from an agency and they say: I'm going to give Sadie a
23 \$500 grant for Operation HELP. And if she's up for
24 termination, they stop termination on that guarantee from
25 the agency. And we distribute the funding to the
26 organizations quarterly.

27 And that's it.

28 MS. KROECK: That's it.

1 MS. HARE: Our next speaker is Theresa McClenaghan,
2 representing LIEN.

3 MS. BHANJI: Slide 39.

4 **PRESENTATION BY MS. McCLENAGHAN:**

5 MS. McCLENAGHAN: I'll just take a moment to go
6 through to where we need to be.

7 Okay. So first I want to apologize to those in the
8 room who know far more about this topic than I personally
9 do. But we've had a great deal of assistance over the
10 years from a number of very valuable experts, including
11 INDECO, Judy Simon, who was here yesterday with another
12 presenter, Roger Colton, Malcolm Jackson, and others, and
13 so much of this information has been provided to them
14 either for this consultation or for reports they prepared
15 for us over the years as we've been looking at this issue.

16 And subsequently in the discussions, if there are
17 questions that I don't know the answers to, we'll be able
18 to go back and get those answers from those who have
19 assisted us with them.

20 The first thing we want to note is that, in terms of
21 the work that we've done in reviewing other jurisdictions,
22 there are two basic objectives, and we've been hearing
23 about some examples of those today. One objective is usage
24 reduction, and another is rate affordability.

25 And you saw in our presentation yesterday if you were
26 here that we also, at LIEN, emphasize usage reduction as a
27 way to decrease overall consumption and allow consumers to
28 participate in the overall conservation culture, in

1 addition to it being an important method to improve
2 affordability, and then secondly, rate affordability in and
3 of itself as an important goal. And we're going to review
4 today some of the different types, of which we've heard a
5 couple of examples.

6 In terms of how the programs are structured in various
7 jurisdictions, and we'll have a few examples of each and so
8 I won't belabour them right now, but this is how the
9 presentation is organized for the next few slides, is there
10 are some rate affordability programs that are based on
11 percentage-of-income programs, there are some that are
12 based on a percentage of the bill, there are some that are
13 discount programs, and there are different types of
14 discount programs. There are across-the-board programs and
15 there are tiered programs, and we'll get into those as
16 well.

17 And then in terms of usage reduction, there are -- as
18 we just heard, for instance, from our colleagues from
19 Pennsylvania -- programs that deal with the whole home,
20 with base load only, where it's not heated, for instance,
21 electrically, where there is heating usage reduction and
22 refrigerator replacement as some of the major types of
23 usage reduction programs.

24 In general, the programs have these objectives that
25 are on this slide: public health and safety, provision of
26 essential goods, efficiency of utility operations,
27 providing least-cost service, preventing home energy
28 insecurity, and compensating for reverse subsidies. And

1 again later, if not in topic 3, then in topic 4, we'll get
2 into a little bit of that as well.

3 So some examples of other jurisdictions, and it's just
4 a sampling. An example of a fixed-credit program: First
5 of all, this one is ratepayer-funded. And so a couple of
6 ratepayer-funded programs. And a fixed-credit program in
7 New Jersey, so it's offered state-wide. Both gas and
8 electric are included in that program. It's based on a
9 percentage of income, and it's a credit program, not a
10 payment program. And it's mandated by statute.

11 For a percentage-of-income program, Ohio is the
12 example. It's also state-wide. It was made mandatory by
13 Commission order, as opposed to by statute. And the
14 payments are fixed as no greater than a set percentage of
15 income. And as noted, it was adopted under the
16 Commission's inherent authority.

17 In terms of another couple of types of programs that
18 are ratepayer-funded, we have the example of Indiana, which
19 is a tiered discount program, and so the discounts vary
20 depending on the income and resulting bill burden. And it
21 was again adopted under Commission jurisdiction. It's not
22 uniform state-wide there. It's been adopted by two natural
23 gas utilities and the participation, the enrolment
24 criteria, is base on LIHEAP, the program we just heard
25 about from Pennsylvania, the federal program enrolment.

26 And there are some benefits to the tiered discount
27 program in that it does provide some incentives to
28 consumers vis-à-vis conservation, for example, and in that

1 kind of approach, if the bill increases, the consumer is
2 dealing with that; if it decreases, then they're
3 benefiting.

4 And then California is an example of a ratepayer-
5 funded program that's a straight discount program. It's
6 also mandated by statute and it's a straight 20 percent
7 discount. It does not vary based on income or bill burden.
8 And it is state-wide, although there's different outreach
9 in terms of the company. And this program, the comment
10 would be that it's not necessarily true that it's reaching
11 the exact need where it's needed. Some consumers may be
12 getting more help than you would predict from an energy
13 burden calculation, and others may be getting less.

14 And then we have Pennsylvania. So I don't think I
15 should belabour that, since we've just heard from the
16 experts on that. But it's described here as a mixed
17 program design, and I think we saw elements of that in what
18 we just heard.

19 In terms of evaluations of the various programs that
20 include the ones we've just surveyed, the next few slides
21 will talk about how these programs have impacted a variety
22 of factors. And as we heard from Sadie and Tim, many of
23 these programs are very well evaluated at the outset, and
24 then continuing in terms of monitoring their performance.

25 So in terms of generalizing some of the results, as we
26 saw both from Claudine and from Pennsylvania, payments
27 don't become perfect, but they're vastly improved, in most
28 cases. And that's whether you measure them in terms of the

1 number of payments -- so from a regularity of cash flow
2 perspective, both for the consumer and for the utility --
3 or whether you look at it in terms of a payment to bill
4 coverage ratio, how much of the bill is being covered. In
5 both of those measures, there's vast improvement.

6 Then there's also a reduction in the -- or an increase
7 in the number of payments per year by payment-troubled
8 customers. So instead of, say, four payments per year,
9 they might make ten or more per year. So they might have
10 trouble in the middle of the winter and then catch up.

11 Payment coverage ratios: Pennsylvania was cited here.
12 We could ask if we are correct on that figure. And in New
13 Jersey, 90 percent. And as the bill burdens increase, the
14 payment-coverage ratios decrease. So the assistance from
15 these programs is measurably beneficial.

16 In terms of impact and arrears from evaluating the
17 programs, again, they're not necessarily eliminated.
18 Experience with arrears does continue. But again, they're
19 vastly reduced. And I think we heard from Claudine, in
20 many cases there needs to be a timeframe to help customers
21 get into a new pattern where they're able to manage with
22 their household the utility experience.

23 But payment patterns do improve over time, measurably
24 so, and some of the ways that that's measured, including
25 how many accounts with arrears are there, the raw number of
26 accounts decreases, the dollar levels of arrears decrease,
27 and the seasonality is levelled, so that it's not
28 necessarily the case that you have the big peak in the

1 winter, for example.

2 And again, the biggest impact and the biggest
3 assistance is with the accounts that have the highest
4 arrears that might otherwise be taking an awful lot of the
5 energy and effort by the utility in dealing with that.

6 In terms of the experience on collection activities,
7 again, we've had the benefit this morning of hearing about
8 that. Dramatic reduction in evaluation of these programs,
9 in general, in terms of incidence of service terminations,
10 which is a very important measure, given that all of us
11 here don't want to see that kind of result happening. So
12 in general, 70 percent or more in some cases.

13 The intensity of collection contacts decreases. So
14 rather than getting to the point of a disconnection notice,
15 just a reminder may suffice, for instance.

16 Again, not seeing or expecting an elimination of the
17 total collection activity, but the point here, that then
18 the utility can redirect its collection efforts to other,
19 more productive accounts, while still seeing all of the
20 benefits we have just reviewed, in terms of total dollars
21 and cash flow and so on from the low-income segment of the
22 customer base.

23 In terms of the general impact on revenues in the
24 evaluations, the financial impacts can be measured in terms
25 of receipts and less cost of collection. And so Indiana,
26 the statistic is cited at -- the program participants were
27 billed 90 percent of what non-participants were billed, but
28 they paid 111 percent of what non-participants paid. So in

1 other words, those who were in arrears did better compared
2 -- under the programs -- compared to those who were not
3 under the programs.

4 Indiana, again, both collection activity and low-income
5 discounts reduced arrears, and the low-income discounts
6 reduced arrears more on a dollars-spent basis than did
7 comparable collection, routine collection activity.

8 So the conclusions were -- that can be reached -- low-
9 income programs can be revenue-neutral, in terms of
10 increasing receipts, even though the bills are reduced.
11 And secondly, they can be more cost-effective, in terms of
12 increasing receipts, than the available collection
13 alternatives.

14 In terms of, again, the evaluation experience in the
15 US, cost-reduction experience, some cost offsets from the
16 low-income programs. So one is a decrease in bad debt,
17 because the payment responsibility is transferred to
18 higher-income households.

19 So in other words, those who are not paying, not
20 because they're low-income but for other reasons, can have
21 better attention paid. And again, bad debt decreases
22 because low-income customers have more affordable bills and
23 therefore can better keep them up.

24 Working capital decreases as the arrears decrease; in
25 other words, the amounts that the utilities need to borrow
26 for working capital decreases.

27 As noted, the customer service and collection expense
28 might not decrease, but it's just not on the low-income

1 customer per se. It's on other pieces of the utility's
2 business. And the impacts on reduced expenses have been
3 picked up in base rate cases.

4 And the last point is something that other people in
5 the room might understand better than me.

6 And then in terms of usage impacts, there's been no --
7 as I queried yesterday, in these evaluations, no systematic
8 usage increase has been found to occur as a result of low-
9 income affordability programs, which is a bit
10 counterintuitive, because that's what many of us worry
11 about, and we heard about that yesterday, but in the
12 evaluations that has not been found to be true.

13 It's also been noted that the programs do tend to
14 attract some of the highest-use customers at the beginning,
15 because the customers with low energy burdens don't have a
16 reason to choose to participate. They're not facing that
17 burden.

18 And so in that case -- and again, as we heard from
19 Claudine and Sadie and Tim, and we would want too, those
20 customers participating in usage-reduction programs. So
21 making an explicit connection between the affordability
22 program and the usage-reduction program is very valuable,
23 and similarly, a fixed-credit program, which, as I
24 mentioned earlier, then, if the customer does increase
25 usage, it's that customer's responsibility versus, if they
26 decrease usage, they have an incentive because they see a
27 benefit at the end of the day.

28 And then in terms of energy-efficiency programs, just a

1 quick survey of a few: In California, the low-income
2 energy-efficiency programs are offered by both gas and
3 electric utilities, including free weatherization, furnace
4 repair or replacement, and criteria that include age,
5 income, size of household, and disability as examples.

6 We have legislative requirements in Connecticut for
7 these type of energy-efficient programs by the utilities,
8 and the electrical programs are delivered through community
9 agencies and gas programs through a housing and investment
10 fund for energy conservation loans and heating equipment
11 upgrades.

12 Illinois has had a program since 1981, and 10 percent
13 of the benefits charge that's collected for the low-income
14 energy assistance fund is provided specifically for the
15 low-income weatherization assistance program, and is also
16 delivered through community agencies, with a priority to
17 seniors and those with disabilities.

18 In Maryland, Columbia Gas operates a weatherization
19 program with the Maryland Office of Weatherization and
20 provides energy audits. And I should add that we have
21 copies of some of the reports done for us over the years
22 that have much more detail and many more examples. I'm
23 just picking a few highlights of different programs.

24 And again, other jurisdictions that are reviewed in
25 more detail in the reports we've done over the years
26 include the states listed here.

27 And I think that brings us to the end of the
28 presentation for today.

1 MS. HARE: Thank you.

2 We'll take our morning break now and come back at
3 eleven o'clock, where we'll continue our discussion,
4 questions of our presenters.

5 --- Recess taken at 10:48 a.m.

6 --- Upon resuming at 11:07 p.m.

7 MS. HARE: We're resuming with questions and comments.

8 MR. WETSTON: Are we on? Can you hear me?

9 You haven't met me. I'm Chairman of the Ontario
10 Energy Board, just to let you know who I am, and my
11 colleagues here, Paul Sommerville and Vice-Chair Gordon
12 Kaiser on my left. We obviously thank you for coming today.

13 As you might imagine, we at the Board have a lot of
14 discussions with you as colleagues on a lot of issues.
15 They stem from the FERC to some of the state commissions,
16 through our work with NARUC, other bodies, NPCC, and we've
17 even done some other work with your ISO in Pennsylvania and
18 in that region.

19 The question that I have for you all, and one of the
20 things that I recognize, is you're utility-based, and
21 you're speaking from the perspective of your utilities.

22 We're a regulator. And the thing that I'd like to
23 understand a little bit more is: What is it, what's the
24 role of the regulator, more specifically, with respect to
25 these programs in your particular jurisdictions? Now, I
26 understand the Regie de l'energie in Quebec, and I think I
27 have a good idea of what the Commission does in
28 Pennsylvania, but can you help me a little bit with what

1 their involvement is?

2 From what I understand, there's some responsibility,
3 obviously, for approval of some things. There is also some
4 responsibility for reporting relationships, information
5 gathering, of a sort. So I would say this both for Quebec
6 as well as Pennsylvania. Can you give me some help here as
7 to the role of the regulator in your work?

8 MS. VIGNEAULT: In Quebec, recently there's been an
9 addition to the law that gives the powers to the Regie, and
10 it's been added that the Regie should verify that impacts
11 on the low-income customer is analyzed, and that programs
12 should be in place. But it doesn't say what programs, it
13 doesn't say -- it's very vague.

14 When the Government of Quebec issued its
15 energy strategy in 2006, it said -- it encouraged
16 distributors to be imaginative and to help low-income
17 customers, but that those programs should be rate-neutral.
18 So we took advantage of that new document and voluntarily
19 presented what we were already doing.

20 And since then we are voluntarily presenting the
21 budgets and programs we are developing for the following
22 year, even though it's below the threshold of approval for
23 the Regie. The Regie approves, I believe, programs that
24 are \$10 million and more, and we're currently under that
25 because we've separated energy efficiency and the other
26 programs.

27 So energy efficiency is within one envelope and the
28 other programs are below 10,000.

1 So we present voluntarily all our initiatives, a bit
2 to make sure that it's out there, that it's known, and to
3 show that we are already working with the intervenors. And
4 so demands are not very -- very great on Hydro-Quebec
5 because we're bringing forth the information.

6 Other distributors, which are facing problems and are
7 not addressing as voluntarily, are being challenged to do
8 something. Pretty much the situation.

9 MR. DAHL: In Pennsylvania the role of the Commission
10 is several. One, to encourage these programs, that they
11 happen; two, to make sure that they're done cost-
12 efficiently and effectively; and three, to provide, I
13 think, significant oversight in the development of the
14 programs and what happens. And they've really done that
15 through regulation. The Low-Income Usage Reduction
16 Program, or weatherization, and the Customer Assistance
17 Program, or CAP, have very detailed and technical
18 regulations associated with them.

19 And then, as Sadie had noted, we're required every
20 three years to put out a universal service plan, which is
21 basically like a form of rule making. We prepare the plan,
22 we submit it through our Office of General Counsel. It goes
23 to the Commission. They review it. We have informal
24 meetings with them.

25 The last year they've been setting out those plans for
26 public comment, and they've actually been holding public
27 hearings on those meetings to have a lot of input.

28 And with weatherization, similar kinds of oversight

1 and regulations, but a lot more on reporting. The
2 reporting requirements are fairly intense with that, and
3 we've set up the systems over the years to modify that, but
4 we have data dictionaries and all those kinds of things to
5 collect the data. So they have really done it through
6 regulation. And then they meet periodically with utilities
7 to have consultations about, you know, how are things
8 going, what needs to be developed. And then ultimately, if
9 you have a rate case proceeding -- and one of my roles is
10 to be a rate case witness -- is, you know, when you put
11 together your direct testimony, you present what are your
12 plans for your low-income programs and what are your plans
13 for rate recovery, if any, of those programs.

14 So they have really done, really, a lot through
15 regulation and a close oversight of what we've been doing.
16 And Sadie can add anything else to it.

17 MS. KROECK: I think you pretty much covered it. I
18 did give a couple of cites where you can find the actual
19 regulation and the statute.

20 We also work closely with the Commission in
21 collaboratives. When the gas companies were deregulated, a
22 Universal Service Task Force was created. And that was
23 chaired by the Commission's Bureau of Consumer Services.
24 So we worked very closely with them in a collaborative, and
25 when the electric company was deregulated, the task force
26 was actually convened before the deregulation occurred.

27 MR. WETSTON: I have one more question, and then
28 obviously others will participate. And part of the reason

1 for my being a bit urgent is unfortunately I have another
2 commitment I'd like to go to. So I'd like to ask you this
3 question.

4 We in Ontario have a certain amount of responsibility
5 at this Board over the bill. We don't have all the
6 responsibility. I think Pennsylvania's in a competitive
7 electricity market, and also in a competitive gas market.
8 Quebec is not. And we in Ontario have a hybrid market.

9 My question really flows from the point of view of, it
10 seems to me that the relief that is provided here for low-
11 income consumers, is it only from distribution rates that
12 the utilities are responsible for through the revenue
13 requirements that they obtained from the oversight of the
14 Commission? I understand the same thing in Quebec, from
15 the point of view of the overall revenue requirement of
16 Hydro-Quebec distribution.

17 Give me a sense of where this comes from, from the
18 point of view of the pot of money available to the
19 distribution companies in Pennsylvania, and of course in
20 Quebec.

21 MR. DAHL: For PPL Electric, it's only distribution
22 rates. We have what's called a universal service rider
23 that's embedded in our distribution rates, and we collect
24 the money to pay for the two primary programs, our Customer
25 Assistance Program and our weatherization program.

26 We submit quarterly reports to the Commission to show
27 what the expenditures have been for those. We do it every
28 quarter. At the end of the year, we do a reconciliation.

1 It goes to the Commission's Bureau of Audits to see that
2 everything was done according to the agreement that we had
3 with the Commission. And then if we underspent or
4 overspent, the percentage is adjusted to either give
5 customers back a credit or to collect more money because of
6 the expenditure.

7 But for us it's totally in distribution rates. And
8 again, it's not a line item, it's embedded in the
9 distribution charts, but there are significant reporting
10 requirements along the way with it.

11 MS. KROECK: And the same for Dominion. It is
12 embedded in the rates. We filed a separate tariff for our
13 Customer Assistance Program, which is our largest program,
14 that we spend about \$16 million a year on that. It is also
15 embedded in the rates. And the only other program that you
16 would see would be the hardship fund, which is about
17 \$300,000 a year, and that is committed from our
18 shareholders. But otherwise, it does come from our
19 customer base.

20 MR. WETSTON: Thank you.

21 MR. SOMMERVILLE: What is the bill impact of the
22 programs in Pennsylvania? What is the quantum of the
23 rider? And that's from residential customers only, as I
24 understand it.

25 MR. DAHL: Yes, we had done a back-of-the-envelope
26 kind of calculation for us, because we give information to
27 our customer service representatives, who get questions
28 about these issues. And for a thousand kilowatt-hours,

1 which is the average bill for us, it's a little under 2
2 percent of that bill would be used for funding the two
3 primary programs.

4 MR. SOMMERVILLE: Thank you.

5 MS. KROECK: And for us, initially our Customer
6 Assistance Program was funded by all of the ratepayers,
7 residential, commercial, and industrial. In our last
8 filing, we had some intervenors, and the funding now is
9 borne by the residential customers. But what we agreed to
10 as part of our settlement: 95.7 percent is paid by the
11 residential customer base. Dominion agreed to absorb the
12 commercial and industrial, which is 4.3 percent. So we are
13 paying for those costs.

14 And again, we did a back-of-the-envelope, and we think
15 it averages about 45 to \$50 per customer per year. So it's
16 -- and I think the range in one of the charts, I think it
17 is between 45 and about \$100 per customer in the utilities
18 throughout the state.

19 MR. WETSTON: A quick follow-up then to Paul's
20 question, and that is that -- now, I know the structure in
21 Quebec. I know the population of Quebec. I understand the
22 90/10 distribution split in Quebec. But I don't know it
23 quite in Pennsylvania.

24 How many distribution companies do you have and what's
25 the population of Pennsylvania?

26 MS. KROECK: We have seven major gas utilities and
27 about --

28 MR. DAHL: Six major electric, and the population is

1 just a little over 12 million.

2 MR. WETSTON: So almost the size of Ontario. I think
3 we're about a million more.

4 And you have 13 in total, all regulated by the PUC?

5 MR. DAHL: Yes.

6 MS. KROECK: Yes.

7 MR. WETSTON: Okay.

8 MR. KAISER: And do they all have similar programs, or
9 is it just you two?

10 MR. DAHL: They all have basically identical programs,
11 because the regulations require them to have the
12 weatherization and the CAP programs on their own. They've
13 all established hardship funds, and CARES as well.

14 MR. KAISER: Is it the case that in all of them, the
15 residential customers are largely bearing the burden?

16 MS. KROECK: I'm sorry, I couldn't hear you.

17 MR. KAISER: You've indicated that you just changed
18 recently from collecting it from all customers to --

19 MS. HARE: Do you have the mic on?

20 MR. KAISER: You're now collecting it from the
21 residential customers largely. Is that true of all of the
22 utilities now?

23 MS. KROECK: I believe most of the utilities are
24 collecting it from their residential customers. Actually,
25 I think we were the only utility that was collecting it
26 from all -- all of our customers.

27 MR. KAISER: So that part of it, I take it, is not
28 part of the regulation. That's up to the utility to make

1 that determination?

2 MS. KROECK: That's usually decided as part of the
3 filing for rate recovery.

4 MR. DAHL: But the Commission has put out a policy
5 statement indicating that they think it's appropriate for
6 these types of programs to be funded only through the
7 residential customers.

8 MR. KAISER: Thank you.

9 MS. KROECK: And right now the Commission is reviewing
10 some of these regulations, so it is a matter of discussion.

11 MR. WETSTON: Now, are those regulations state
12 regulations or Commission regulations?

13 MR. DAHL: Commission regulations.

14 MR. WETSTON: Not by the state?

15 MR. DAHL: They're not in the statute, no, that's
16 correct.

17 MR. WETSTON: And so just the follow-up question
18 there, as being Commission regulations, I know that in
19 Theresa's presentation, some other states were doing it by
20 Commission order, as opposed to by regulation. I would
21 simply assume that they probably had an option or an
22 alternative, but I don't know what the authorities might
23 be. But in any event, in your jurisdiction it's done by
24 way of Public Utility Commission regulations?

25 MS. KROECK: That's correct. Early on we had some
26 Commission orders, and many of the utilities treated those
27 as if they were regulations, and then the regulations
28 followed.

1 MR. SOMMERVILLE: Ms. Vigneault, you indicated that,
2 I think, you're under a mandate to have your programs be
3 rate-neutral. Is that still true?

4 MS. VIGNEAULT: It's not a mandate. It was the
5 government's energy strategies. So it's not in a
6 regulation. It's not -- but we -- we're government-owned,
7 and we report in to the Minister. So we sort of have to
8 heed those directions.

9 MR. SOMMERVILLE: Right. And if I understood your
10 materials correctly, it said that it was -- there was no
11 rate impact. And is that --

12 MS. VIGNEAULT: For the collections program, yes.

13 MR. SOMMERVILLE: And is that -- Ms. McClenaghan's
14 materials had a series of points related to cost reductions
15 and that sort of thing. Could you comment on that?

16 MS. VIGNEAULT: Well, I had some information in my
17 presentation. We've reduced significantly the
18 interruptions. And that means less trucks on the road,
19 less technical personnel on the road.

20 We've mechanized the flexibility of our payments
21 within our automatic letters that are sent out to the
22 customers. So the first agreement I presented is really --
23 is really managed by the system up until we get to the
24 point where they've not respecting their agreement, and
25 then a representative gets in the loop.

26 When we go to our more assisted, supported agreements;
27 those require a bit more manpower, but before we used to
28 have those agreements, we would write off most of those

1 households' debt, because they just couldn't face it.

2 So by accompanying this client more closely, we're
3 able to remain rate-neutral and also have good customer
4 relations with them.

5 MR. SOMMERVILLE: Mr. Dahl, Ms. Kroeck, could you
6 comment on that aspect as well, the sort of cost reductions
7 associated with this kind of program?

8 MS. KROECK: That is part of the evaluation that is
9 conducted every six years. And actually, the term
10 "revenue-neutral" is used in some of the regulations, I
11 think in the weatherization, the Low-Income Usage Reduction
12 Program. The goal is for it to be revenue-neutral.

13 So we look at this very closely, you know, to try to
14 make sure that it doesn't have a negative impact on our
15 other customers. But there are expenses associated with
16 these programs, and we have to monitor them pretty closely.

17 MR. DAHL: We have seen a significant improvement in
18 payments from low-income customers on our CAP program.
19 Over 80 percent consistently pay their bills. You look at
20 other residential customers, non-low-income, probably 80
21 percent do not ultimately pay their full bill. So again,
22 you're not sending out resources to shut off service.

23 Pennsylvania also has very technical regulations on
24 complaint filing. Customers can go through the complaint
25 process, which is fairly expensive for us, including a
26 formal complaint, which includes lawyers and administrative
27 law judge, and can cost us easily a thousand dollars.

28 So we're looking at: How do we remove collection

1 costs? How do we remove telephone costs? You know, how
2 much a telephone call costs, by not having somebody call
3 in? That's \$5 we don't have.

4 So reducing calls, reducing complaints, reducing
5 collection activities, increasing payments and cash flow,
6 and then working with the agencies, this large network is
7 bringing in additional resources to these households, not
8 just the utility program, but federal energy assistance,
9 women's, infant and children, other things that those
10 agencies can be are -- how do we bring more ability to pay
11 to that household, thereby managing our costs?

12 Is it a perfect system? Absolutely not. But is it
13 better than it used to be? Significantly better.

14 MR. SOMMERVILLE: Thank you.

15 MR. KAISER: One of the things that we have heard
16 continuously from the utilities is that they have
17 difficulty determining who's eligible. They don't know the
18 income levels. They have privacy concerns. Is that a
19 problem in Pennsylvania?

20 MS. KROECK: Again, because of the way the regulations
21 were written, we started early on obtaining income and
22 expense information from customers when they called in for
23 payment arrangements. Now we gather primarily the income
24 information.

25 So we have a lot of that on file, and we work closely
26 with our state agencies when customers receive LIHEAP, the
27 Low-Income Home Energy Assistance Program. But it can be
28 difficult, particularly -- we try to re-verify the income

1 annually. And it is -- it's sometimes difficult to obtain
2 that information from customers.

3 MR. KAISER: Just to complete the last answer, is the
4 bottom line that the -- from a financial point of view,
5 from a perspective of a utility -- the benefits of these
6 programs exceed the costs, or can we go that far?

7 MR. DAHL: I think for us that's our objective. I'm
8 not sure we're there yet. But that's probably almost
9 revenue-neutral to where we're at. But we think public
10 relations-wise, cost-wise, working with our regulators and
11 so forth, that we have seen the benefits of doing this.

12 Is it on the plus side yet? Maybe for some programs,
13 but in the whole, probably not every one of them.

14 MS. HARE: A question from Pat Squires at Enbridge.

15 MS. SQUIRES: Is it on? Okay. Pat Squires, from
16 Enbridge Gas Distribution.

17 I have a question for the presenters from the
18 utilities from other jurisdictions. And I apologize, I
19 didn't -- I missed your presentation, Marika, so I might
20 not have gotten all of it.

21 MS. HARE: Could you speak more slowly?

22 MS. SQUIRES: Okay. I have a question about the
23 programs that are focused on the weatherization, so not so
24 much the customer care initiatives but the weatherization
25 and other sort of conservation programs.

26 I don't think I heard anybody mention a cost-
27 effectiveness criteria, such as TRC, or total resource cost
28 test. And I'm wondering if -- I did hear some mention of

1 payback criteria this morning, but I wonder if there are
2 any other cost-effectiveness criteria that these programs
3 must meet.

4 MR. DAHL: There isn't. We really go by the
5 Commission regulation of a payback. We do the energy
6 audit. We develop a priority list to see the measures that
7 fall within a seven-year payback. If it meets that
8 measure, then it gets installed. If it does not meet that
9 measure, it will not get installed. And the Commission
10 periodically revisits those to say do they need to be fine-
11 tuned or something, but really, to make it for simplicity
12 of implementation, we go by the 7- to 12-year payback,
13 depending on the measure installed.

14 MS. KROECK: Our program is conducted in the same
15 manner, but we do find that because we are targeting the
16 high users with the high arrears, and many of the customers
17 who are in our Customer Assistance Program, there is a
18 significant reduction in usage. So we are, you know,
19 hopefully helping these customers not only be more
20 comfortable, but make their bills more affordable.

21 MS. VIGNEAULT: In Quebec, all of the programs present
22 the total resource cost, and the Regie has accepted that
23 the entire program has to be profitable, but the components
24 for low-income may not be.

25 Ms. Squires: Just one follow-up, if I may. So back
26 to the American utilities, for example. Are the
27 weatherization programs for low-income part of what may be
28 a DSM or a conservation portfolio of statement of facts, or

1 is it separated from that activity?

2 MR. DAHL: At PPL Electric it's separated from that.
3 In our state, our generation rate caps are coming off. We
4 had the law passed in 1998 to deregulate our industry.
5 They are required to have rate caps on distribution for six
6 years and on generation for 11 years. Those prices are
7 coming off. Our estimated price of the overall bill will
8 go up 35 percent in 2010.

9 So, for non-low-income, there's been a tremendous
10 activity on our company to promote DSM, energy
11 conservation, peak rates and so forth. But prior to that,
12 there was really no demand-side management programs for
13 non-low-income. It was just the low-income programs.

14 That now is picking up significantly for electric
15 utilities in Pennsylvania.

16 MS. HARE: Question from Julie Girvan.

17 MS. GIRVAN: Julie Girvan from the Consumers Council
18 of Canada.

19 I have a question about just trying to understand this
20 concept of "revenue-neutral", and I'm a little bit confused
21 about what that means. You said you're close to revenue-
22 neutral, and I'm assuming that's from the distribution
23 utility perspective. But does that also have to do with
24 the fact you are getting a substantial amount of federal
25 and state assistance to support the programs?

26 MR. DAHL: In Pennsylvania, federal assistance is
27 extremely limited. Last year we got \$4.5 million in LIHEAP
28 assistance. And we get no state funding, period. There is

1 no state funding in Pennsylvania for any type of energy
2 assistance program. It's really through our customers'
3 rates.

4 So the idea, the balance you hope to have is
5 increasing payments from customers, and then eliminating
6 costs on your part, pushing down collection, pushing down
7 PUC, informal complaints, and carrying costs and those
8 kinds of things. So that's what you're trying to balance,
9 is pushing up in payments and other resources that would
10 come in to help these customers pay their bills, plus
11 pushing down your expenses.

12 If you can get those roughly to match, that would be,
13 you know, revenue-neutral. Some people believe that's easy
14 to do. It's harder to do than you think.

15 MS. GIRVAN: I guess I got confused, then, about the
16 slide that you had about the \$300 million in Pennsylvania
17 in terms of overall assistance. It wasn't clear to me how
18 that fits into the calculation of that.

19 MS. KROECK: Okay. The \$300 million is what the
20 investor on regulated utilities are spending collectively
21 on all of these programs. And so some utilities are
22 probably closer to having them be revenue-neutral than
23 others, depending on their costs. But that's what all of
24 the utilities are spending on their Customer Assistance
25 Programs, weatherization programs, CARES and hardship
26 funds. Those are only utility costs.

27 MR. DAHL: And that's one of the reasons the
28 Commission has yet to file a universal service plan every

1 year, have an extensive evaluation every six years, and
2 have fairly rigorous reporting requirements, because they,
3 like we, are interested in running cost-effective programs,
4 and we have to show every -- in our plans, things we're
5 doing to make improvements and that, to be as efficient as
6 we can.

7 MS. KROECK: Does that --

8 MS. GIRVAN: Yes, I guess I was just confused about
9 that, the graph with the federal assistance, and the -- or
10 the -

11 MR. DAHL: That's simply a comparison that we want the
12 federal government and state government to step up more,
13 because frankly, they're not doing their part.

14 MS. KROECK: That's what we're trying to illustrate.

15 MR. DAHL: That's really where we're coming from. You
16 know, LIHEAP, \$2.2 billion, it has been the same for 20
17 years. So you figure in inflation, the feds are really
18 letting us down. That figure should be 5.1 billion,
19 conservatively. It's 2.2 billion. So we as utilities have
20 done a lot. Let's get the federal government and the State
21 of Pennsylvania to do something. That's our perspective.
22 It's a little biased, but that's ...

23 DR. PORAY: Good morning, my name is Andy Poray, from
24 Hydro One Networks. Can you hear me all right? Can you
25 hear me now? Yes?

26 Andy Poray from Hydro One Networks.

27 Just following up on this funding issue, I noticed in
28 one of your slides you said that there was a funding of

1 \$1.45 million, of which 1 million came from the holding
2 company. Now --

3 MR. DAHL: That's correct.

4 DR. PORAY: So, can you just explain how -- and how
5 does that fit in with the revenue-neutrality?

6 MR. DAHL: Well, that's just a source -- it's a source
7 of income for our hardship fund. When we started the
8 program in 1983, we felt if we were going to ask customers
9 and our employees to make contributions, the corporation
10 should do something as well.

11 The first year it started out they made a \$76,000
12 corporate contribution. This last year it was \$1 million.

13 And it's just not so much revenue-neutral kind of
14 thing as we have this hardship fund; we want to help pay
15 any type of energy bill. We believe our corporation, being
16 a good corporate citizen, should have some role. And it
17 was decided that the contribution was really \$1 million.

18 DR. PORAY: So that goes towards reducing the impact
19 on the ratepayers, presumably?

20 MR. DAHL: Really, that's what we're trying to do,
21 yes. Because what you can do with the Low-Income Home
22 Energy Assistance Program, with the hardship fund, and with
23 the other programs, is let's say Sadie and I are
24 caseworkers at a social service agency. Somebody comes in
25 who needs assistance. What are my resources available?
26 I'm using LIHEAP right now because the program's open. I
27 want to save my hardship funds for this person, because you
28 know they actually don't qualify for that program. They're

1 still low-income, but they don't qualify.

2 So what are my resources available to me to spread out
3 and help as many people as possible through utility
4 hardship funds, the CAP programs, our -- the Low-Income
5 Home Energy Assistance? It's really finding a portfolio of
6 assistance programs, how do I use those to best serve
7 clients, and serve as many clients as I can with a
8 meaningful amount of funding.

9 DR. PORAY: And just one final question: Is that an
10 annual contribution that you get to the program?

11 MR. DAHL: Yes, it is.

12 DR. PORAY: Okay. Thank you.

13 MS. HARE: James from Direct Energy.

14 MR. JAMES McINTOSH: Good morning, James McIntosh,
15 Direct Energy.

16 I was rather struck with the numbers on that chart.
17 I'm curious to know, given your legacy -- and this is
18 directed to our friends from Pennsylvania -- how did you
19 get the consumer groups on-side? Was the surcharge -- I'll
20 call it a surcharge or the extra charge -- was that
21 initiated by the utilities? Was it recommended by the
22 consumer groups? I'm curious to know the legacy of the
23 interaction between the utilities and the consumer groups.

24 MS. KROECK: Well, it started in the late '70, and the
25 customer groups that we dealt with were very much in favour
26 of these programs. The consumer advocate, of course, has
27 the role of trying to represent all residential
28 ratepayers. So they look very closely at these. I would

1 say that initially the consumer groups were more in favour
2 of these programs, and the whole thing just kind of
3 progressed. And when the hearings were held on this, the
4 opposition would have been more from the industrial
5 customers. And I don't know, Tim, if you want to...

6 MR. DAHL: Yes, I think they really did push for that.
7 I think some of the utilities said: There's got to be a
8 better way in collections, and this is a tool, or things
9 that can help us, so let's find that balance. And one of
10 the things we always have to look at is how much is enough?
11 Where's the tipping point where we want customers through
12 this universal service rider that we have -- we think they
13 have some role in supporting, we as a corporation have some
14 role in the state. And where's the point you say: Well,
15 how much do I charge residential where that really should
16 be a broader tax-based kind of approach?

17 So one of my roles -- I'm a registered lobbyist in
18 Pennsylvania -- is to also to sort of, you know, push down
19 expectations about: You know, we can't be everything to
20 everyone, but we'll do our part, but, you know, let's find
21 a balance there, because ultimately, who pays? We don't
22 care how many are low-income. Put them all in, because you
23 have a universal service rider. You're like sailors on
24 leave, right? You don't care. But we do care, because
25 it's our residential ratepayers, the others, who get that
26 bill.

27 And so that's our objective, is striking that balance.
28 Help people who need assistance. Have effective programs.

1 But watch what it means to all the other customers.

2 MS. KROECK: And I think as these programs increase in
3 size you will see more -- kind of more oversight. But the
4 consumer groups did support these early on.

5 MS. HARE: Karen?

6 MS. TAYLOR: Karen Taylor, from the Ontario Energy
7 Board.

8 I know you answered this question for the Chair, but
9 when you answered it, it created a little bit more
10 confusion. The Chair asked whether or not the relief
11 provided attaches itself only to the regulated utility
12 rates, and I thought I heard, yes, that it does. So you're
13 forgiving the rate-regulated part of the customer's bill.

14 Can you clarify for me then, what happens to the energy
15 portion of that bill? Do you eat that as bad debt if that
16 cannot be collected, or is it collected through --
17 eventually from the customer?

18 MR. DAHL: Well, overall the funding for the programs
19 is through the universal service rider at our company.
20 Sadie's company has a similar recovery mechanism that's
21 only charged to the distribution portion of the bill, so
22 the funding.

23 But the total bill, which includes, you know,
24 generation, transmission, distribution, if you make a
25 certain amount of payment, whatever cannot be collected, if
26 it happens to be, you know, the remainder of the bill, that
27 gets written off by us, you know, but we try, of course, to
28 collect that money as best we can.

1 But if it turns out to be uncollectible, that's
2 written off. We track that, and we would come in for our
3 next rate case, we would put in an -- you know, a recovery,
4 you know, request for bad-debt expense.

5 But I don't think you're getting confused. The rider
6 is just to collect the money, but it's to pay the entire
7 bill. I mean, we're not saying: If I get this money, it's
8 only to pay the distribution portion of the bill. It's for
9 the entire bill, because as a customer, they only see one
10 bill, even though in Pennsylvania we're required -- if you
11 see our bill, it's bad. It's broken out in so much detail
12 no one can clearly understand it, but it breaks it up by
13 all these separate components. But the funding is really
14 to pay the entire bill.

15 MS. TAYLOR: No, I understand where the funding comes
16 from. I was wondering if you were making a distinction on
17 what portion of the bill you're forgiving, but, no.

18 MR. DAHL: No, we're not.

19 MS. TAYLOR: The other question I have is, you've
20 mentioned statutes a couple of times in your answers to
21 questions. So if you could, can you briefly describe the
22 legislative environment that empowers the Commission to
23 establish the ratemaking and codes and regulations that
24 back all these plans up? Is there a specific statute in
25 Pennsylvania that says: Yes, Mr. Utility Regulator, you
26 have the authority to do all of this, because you are
27 recovering a very large amount through the distribution
28 revenue requirement on a particular class of customers?

1 MS. KROECK: The statute in Pennsylvania obviously
2 empowers the Commission to enact the regulations. And the
3 statute is Title 66, Pennsylvania Consolidated Statutes,
4 annotated, CSA. And there's a portion in there that gives
5 the powers to the Public Utilities Commission.

6 As a result of those powers that the Commission has,
7 the Commission can then go and develop and institute these
8 regulations. The regulations are in 52 PA Code. And
9 that's www.pacode.com.

10 Now, I tried to pull up the site for the statutes
11 today, and I was having difficulty. But if you -- if you
12 look -- it's called Purdons, P-U-R-D-O-N-S. And it's Title
13 66, where the powers are.

14 And what happened was we had regulations, and when
15 utility companies deregulated in Pennsylvania, there were
16 statutes that kind of gave them the energy choice, and
17 within those statutes it said that the universal service
18 programs needed to be maintained at the same level. And
19 that's where the regulations came from.

20 I do want to make one thing, when you were talking
21 about the costs. If a customer has selected a supplier
22 which is a non-regulated entity, that customer is not
23 eligible to participate in a Customer Assistance Program,
24 because there is no recovery for that.

25 So when you were asking about the, you know, the
26 allocation of the charges -- for example, a customer can
27 choose a supplier for their gas company. Then they would
28 not be able to participate in a Customer Assistance

1 Program.

2 MS. HARE: Even for the distribution component?

3 MS. KROECK: No. That's how ours is designed. I
4 don't know how yours is.

5 MR. DAHL: Ours, they could shop. What would happen
6 is, we would reduce -- you know, based on the amount that
7 they purchased their generation for, we would
8 correspondingly change their payment amount. But there
9 were so few customers who chose to shop, because it's not
10 easy, that it didn't continue.

11 The Office of the Consumer Advocate felt that, as a
12 public policy matter, how could I tell you that you cannot
13 shop or have this option because you happen to be on a
14 utility program?

15 This is going to get much more interesting in the next
16 couple of years, when the generation rate caps for all
17 electrics come off, and we expect a lot more suppliers
18 coming in with a lot more competitive rates. Then this
19 issue will resurface again and have to be addressed.

20 MS. KROECK: As I say, this is something that will
21 come, you know, will come around again. One of the
22 utilities, I believe, does shop for a supplier for its low-
23 income customers. So it's a little different for each
24 utility, and this was an area that we will probably look
25 into a little closer as we move down the road.

26 MS. TAYLOR: And just, I'll make one more final sort
27 of follow-up question. If they're not eligible on the
28 basis that they do shop for the commodity, do they actually

1 then have to make a payment for the rider under the
2 universal service rider?

3 MS. KROECK: Well, it would be part of their bill,
4 yes.

5 MS. TAYLOR: Yes. Okay. Thank you.

6 MS. HARE: Alison, and then Christine.

7 MS. CAZALET: Am I correct in understanding that in
8 Pennsylvania there's the two programs, the weatherization
9 and -- is it the LIHEAP, is the second one -- that the
10 Commission requires all the utilities to provide, and then
11 it's up to the utilities to develop their own programs if
12 they want to, beyond the two required programs?

13 MS. KROECK: Well, there are actually four programs
14 that are required: the Customer Assistance Program, which
15 is the percent-of-income plan; the weatherization program,
16 which -- I hate to use so many acronyms, because the
17 letters kind of buzz around in your head -- but it's the
18 Low-Income Usage Reduction Program. Those are the two that
19 are the most expensive for the utilities.

20 But we also have the Customer Assistance Referral and
21 Evaluation Services, which is more the one-on-one working
22 with customers, and the hardship funds, which are -- the
23 funding for those programs are from our shareholders.

24 The LIHEAP is the federally funded program that we
25 encourage our customers to apply for, because those are
26 grants that go directly on to their bill. They get --
27 there are three components of the LIHEAP program. There's
28 a cash grant that is based strictly on your income and the

1 number in your household and the region in which you live,
2 because of, you know, how cold it can be.

3 There's an emergency or crisis component, which, if
4 you have a heating-related emergency -- your furnace is
5 broken, your service is off -- that also can be available.
6 And then a portion of those federal funds can be used for a
7 federally funded weatherization program.

8 MS. CAZALET: So the programs are -- there is that set
9 of programs that are required?

10 MS. KROECK: Right.

11 MS. CAZALET: I mean, in experience with your
12 utilities, and if you know about the other utilities -- and
13 maybe, Theresa, you know about this, about the other
14 jurisdictions that you looked at -- is it common that
15 utilities also develop other programs beyond what is
16 required of them?

17 MS. KROECK: Well, some of the programs actually were
18 developed before they were required, you know, and so we
19 kind of just -- the CARES program that PPL had was first.
20 We had a social service program and a fuel fund in place
21 before the requirement.

22 So -- but we often go beyond, in terms of trying to
23 work with our customers, because of our social
24 responsibility. And Tim, I don't know what you...

25 MR. DAHL: And if you look at the five programs, that
26 family of programs, the big two are the weatherization and
27 the CAP program. And that's where the most interest is and
28 the funding, and that's what's in the universal service

1 rider, are your rates.

2 And then the CARES program, that's not a really big
3 issue, because in a rate case that might be money you have
4 for somebody's wages and so forth. So that's not a huge
5 issue.

6 And the hardship funds, the Commission really has no
7 control over those whatsoever. In a rate case, people have
8 tried to bring up things that the Commission should do, and
9 they say: This is not customer rates, this is shareholder
10 dollars. This is all voluntary donations. We encourage --
11 we do this, but we cannot tell Dominion or PPL to change or
12 do anything with their programs. They could stop them
13 tomorrow, and maybe we would have some discomfort with
14 that, but legally we can't really do anything.

15 But they encourage that sort of -- and then the
16 promotion of LIHEAP, the federal funding, is to do things
17 to create awareness of customers about all of your
18 programs, including LIHEAP.

19 But the two real big ones are the weatherization and
20 CAP, because that's where the significant dollars are, and
21 that's where there's rate recovery.

22 MS. HARE: Christine.

23 MS. DADE: Thank you, Marika. Can you hear me okay?
24 Okay. I just wanted to say thank you very much for
25 starting off with your presentation. I've really enjoyed
26 it. It's opened up my eyes to a few new things this
27 morning. But I have questions for everybody.

28 Claudine, when I'm looking at -- for Hydro-Quebec in

1 your customer base, and it's very nice to hear the
2 distributor's side of issues, do you have -- what is your
3 billing process? Like, do you bill every month? Do you
4 bill every two months? Do you have a delay in billing?
5 What happens at Hydro-Quebec?

6 MS. VIGNEAULT: We have a bimonthly billing, but if
7 you get on the equalized payment plan, then you receive a
8 monthly bill.

9 MS. DADE: It's more like a payment process, right,
10 when you get a monthly payment, process?

11 MS. VIGNEAULT: Right.

12 MS. DADE: But you still bill every two months.

13 MS. VIGNEAULT: Every two months.

14 MS. DADE: So in the interruption of service between
15 December and April, do you find sometimes you have the
16 leftover effect, like getting a bill coming in just after a
17 certain point in time or before a certain point in time,
18 where it might be difficult for disconnection? Like, say,
19 for example, if somebody gets a bill November 25th.

20 MS. VIGNEAULT: Okay.

21 MS. DADE: And it's a really, really high bill, but
22 it's not December 1st.

23 MS. VIGNEAULT: Well, the high bills would be in
24 February, first of all, for the seasonality.

25 MS. DADE: You never know.

26 MS. VIGNEAULT: But most heat with electricity, so our
27 high bills are really in a January, February timeframe. So
28 that's a given. And we make sure everybody has electricity

1 come December 1st.

2 MS. DADE: Regardless?

3 MS. VIGNEAULT: Regardless.

4 MS. DADE: But it's -- because in Ontario we sometimes
5 have a bimonthly billing issue. We also have a delay
6 sometimes in the billing process, because of pricing.

7 The contract, the agreement that you have, it's an
8 actual agreement that these customers sign?

9 MS. VIGNEAULT: The first one is a verbal contract
10 over the phone. It's just a negotiated agreement. Because
11 they wind up paying full debt and consumption, there is
12 really no need to be very tight on that one.

13 For the other one, for the ones with support, we
14 actually require proof of income. We ask for a signed
15 declaration of situation, and we have them sign a contract.

16 MS. DADE: And that's legal? Acceptable?

17 MS. VIGNEAULT: It's passed through our legal
18 department and all that, yes.

19 MS. DADE: And I know that you said you're finding
20 your operations cost didn't increase, but that's a pretty
21 big expense to have that type of -- I mean, that's just --
22 looking on the operational side.

23 MS. VIGNEAULT: It's really a rearrangement of the
24 collections methods. It's not more expensive.

25 MS. DADE: Okay. And I think you made a good point
26 that the awareness of the reality of poverty, I think that
27 that's something that we -- you know, maybe all need to
28 look at.

1 Is it -- is poverty increasing?

2 MS. VIGNEAULT: Well, we've just -- I've just looked
3 at Statistics Canada data, and for the Province of Quebec,
4 what we've seen is in the last few years we've had a good
5 economic period, and so the numbers of households that are
6 poor have decreased.

7 However, those that are poor are spending more on
8 energy than they used to. So those that are poor are
9 getting poorer. Those that are getting richer have a lower
10 percentage of income devoted to energy. But that was 2006.
11 Maybe in 2007 and '8 it's gone up. So that data was
12 positive for the ones that are not low-income.

13 MS. DADE: Okay. Thank you very much.

14 MS. VIGNEAULT: You're welcome.

15 MS. DADE: Tim and Sadie, again, how is the billing in
16 Pennsylvania, both for gas and electricity?

17 MR. DAHL: In Pennsylvania we bill monthly. The very
18 first project I worked on 30 years ago, when I came out of
19 graduate school, is: Give us the reasons why we should go
20 from bimonthly billing to monthly billing, and the benefits
21 to consumers. So we've been doing monthly billing now for
22 quite a while. And I believe it's --

23 MS. KROECK: We bill monthly. We read the meters
24 every other month, and we're required to obtain an actual
25 reading once a year. We offer a budget plan where a
26 customer, any customer, regardless of their income, can
27 establish an equalized budget over a 12-month period.

28 MR. DAHL: And we have an automated meter reading

1 system. So we used to have 205 meter readers. We have
2 none now. It's all done electronically, goes to the
3 substation and goes back for billing.

4 And we're also using that to help customers answer
5 bills, because when they call into our call centre, our
6 reps on the phone can bring up your usage and show: God,
7 Sadie, last Saturday you used a lot of electricity. What's
8 going on there? And in fact, in a couple of months it will
9 be: At 4:00 o'clock you used a lot of electricity. You
10 know, hourly things.

11 So it's been a benefit to help explain, because rather
12 than send a representative out to the home to do the
13 investigation, if I can explain, the rep on the phone:
14 Well, you know what? It was colder. You know, here are
15 the degree-days. Here's some usage information. Here's
16 some things that I can explain.

17 So intuitively, over the phone: Oh, yeah, yeah, I
18 guess you're right. It makes sense.

19 And then we don't have to send somebody out.

20 So we've been able to use that tool to do some other
21 things for us, but it's --

22 MS. DADE: Is that tool available to the customer for
23 them now to actually go on and see?

24 MR. DAHL: They can go www.PPLelectric.com. You go to
25 our website and there's all kinds of information available,
26 including shortly hourly usage for customers, because when
27 the generation rate caps come off, we're going to be
28 offering a lot more time-of-use options and other things to

1 customers. Our big push now is understanding how you use
2 your electricity and ways to use it more wisely.

3 MS. DADE: Well, that's an actual added benefit to
4 hear that for something else.

5 MS. HARE: We're going to go to Colin next.

6 MS. DADE: Pardon me?

7 MS. HARE: We're going to go to Colin next.

8 MS. DADE: I had a couple more.

9 MS. HARE: Oh, okay. There's a queue now of
10 questions. I wasn't sure how long you were going. We'll
11 come back to you.

12 MS. DADE: Okay.

13 MS. HARE: Colin.

14 MR. McLORG: Thank you, Marika. Good morning, Panel,
15 and thank you for your presentation, which I found, as I'm
16 sure everyone else did, very interesting and informative.
17 I had two questions. I'm going to cut that down to one
18 now, and it's for the folks from Pennsylvania.

19 I understand that there are several utilities in your
20 jurisdiction, and they each have, I would expect, slightly
21 different demographics and so on. Do they each have a
22 different -- did you call them system benefit rider or
23 universal service rider? Is the amount of that rider
24 different in each jurisdiction or, if not, and it's the
25 same, does the level of service provided vary according to
26 the utility?

27 MS. KROECK: Each company files for its own rate of
28 recovery, and each one does it a little differently. So it

1 is company-specific. And the amount of recovery they
2 receive, you know, of course depends on, you know, what
3 they're requesting and what their need is.

4 The gas companies, by and large, file tariffs for rate
5 recovery. We've been filing tariffs for the recovery on
6 these universal service programs. The electrics have rate
7 caps, so your funding mechanism's a little -- their funding
8 mechanism's a little different, I think.

9 MR. DAHL: We're using a rider, but with respect to
10 level of service, that's where the Commission regulations
11 come in that say: No matter what program I'm in, I should
12 get the same level of service that -- at Duquesne or
13 Peoples, or Equitable in Pittsburgh, as I'm getting in the
14 eastern part of the state, that that should be the same,
15 and you should be doing things cost-effectively. And, oh,
16 by the way, you're collecting \$24 million through your
17 universal service rider to do the programs.

18 Our expectation is, you expend those \$24 million in
19 the ways that, you know, are required by the regulation and
20 your plan and so forth, that, you know, if you're going to
21 collect that money, we expect you to spend the money
22 accordingly and to provide a high level of service to
23 whoever the customer is in whatever part of the state. If
24 that's your question.

25 MR. McLORG: Well, I think it is almost my question --
26 and Marika, I'll be quick with this, but -- extracting from
27 general electricity service, and I understand what you said
28 about that, is it the case that, for example, a relatively

1 poor area would have a lower universal service rider? What
2 is the level of the riders, generally?

3 MS. KROECK: Oh, okay. Now I'm with you. We cannot
4 discriminate in rates. So the rates are the same across
5 the board. Each company has its own rate structure.

6 So I guess your question is, would the universal
7 service rider maybe be higher in an area where it's more
8 heavily populated with low-income customers. And is
9 that...?

10 MR. McLORG: Yeah, not within one company. I
11 understand the rates have to be uniform. But between
12 companies.

13 MS. KROECK: Okay. Each company, of course, files for
14 its own level of recovery, and it's not based on the low-
15 income population per se, but based on that company's
16 particular rate request.

17 MR. McLORG: I see.

18 MR. DAHL: But one thing we do try to do, in the
19 delivery of services, we look at where low-income
20 populations are. And we know from the census data, in
21 Pennsylvania, around 18 percent of our customers are at or
22 below the poverty level, if you used 150 percent as sort of
23 the standard cutoff that the federal government uses for a
24 lot of programs.

25 So we look at where the people live based on that.
26 And we have it by county, and we serve 29 counties. So we
27 try to allocate funding, weatherization or a hardship fund
28 and so forth, across, you know, the service territory to

1 match the need.

2 It's not the same for the CAP program, because they're
3 calling in because they have a bill-payment problem, and
4 that goes across the entire service territory.

5 MS. KROECK: But we cannot discriminate in rates. We
6 can't, you know, establish different rates for different
7 customers. So it is across the board.

8 But in terms of outreach, to get customers to accept
9 these programs, we do try to find out where the highest
10 level of need is and work with those customers.

11 MR. McLORG: Thanks very much.

12 MS. HARE: Ian?

13 MR. MONDROW: Thanks, Marika.

14 If you can bear with me for a second, I'm trying to
15 follow the various programs. And in fact, I'm not sure in
16 the end it matters to your main message, so I won't take
17 very long. But maybe you can just help me sort through
18 this.

19 And I'm sure, you know, programs in our jurisdiction
20 would be as confusing for you. So I think you can probably
21 help me fairly quickly.

22 I'm looking at the PPL brochure that you handed out.
23 And I want to start first -- there's a Low-Income Home
24 Energy Assistance Program -- that's the LIHEAP program --
25 which you've referred to a few times. That's federally
26 funded, as I understand it.

27 MR. DAHL: That's correct.

28 MR. MONDROW: Is there any utility funding associated

1 with that?

2 MR. DAHL: No, there is not.

3 MR. MONDROW: Okay. Then there's a Pennsylvania
4 Department of Community and Economic Development
5 Weatherization Program, also federally funded?

6 MR. DAHL: Yes, from the LIHEAP allocation, the states
7 can determine up to 15 percent of the allocation can go to
8 state weatherization, and in Pennsylvania, when they get
9 that \$141 million, they transfer 15 percent of that to a
10 state agency that does a state weatherization program
11 through our Department of Community and Economic
12 Development.

13 MR. MONDROW: No utility funding associated with that?

14 MR. DAHL: No.

15 MR. MONDROW: Okay. Then we have the utility
16 assistance programs, which were on one of your slides. I
17 think it was slide 3. So there's the Customer Assistance
18 Program, which is the reduced-payment rate issues. That's
19 utility-funded by the universal rider; is that right?

20 MR. DAHL: In our case, yes, correct.

21 MR. MONDROW: In your case. And then you have the
22 Low-Income Usage Reduction Program -- or the LIURP -- which
23 is the weatherization program -- I'm sorry, Low-Income
24 Usage Reduction Program. The acronym is LIURP, L-I-U-R-P,
25 which is the weatherization program. That's also a utility
26 program funded through the rider --

27 MR. DAHL: Through the rider; that's correct.

28 MR. MONDROW: Okay. And then there's the hardship

1 fund, which is donation-based, not subject to regulation at
2 all. And there's the CARES program, and the admin -- which
3 is the referral program -- there are administrative costs
4 for that, presumably.

5 Are those recovered in the universal rider as well,
6 those costs?

7 MR. DAHL: No, those would be recovered through base
8 rates.

9 MR. MONDROW: Those are base rates. Okay.

10 And so in respect of the first two of those utility
11 programs, the Customer Assistance Program and the Low-
12 Income Usage Reduction Program, those are the two that are
13 mandated by, you called it a Commission regulation, I
14 believe. Was that right?

15 MR. DAHL: Yes.

16 MR. MONDROW: That's right? That's great. Thank you
17 very much. That helps a lot.

18 MS. HARE: Andy?

19 DR. PORAY: Thank you. I appreciate the opportunity
20 for a second question.

21 I just want to go back to what you said about the
22 difference between what you collect and your revenue
23 requirement, that you track that for future recovery when
24 you go for rebasing.

25 So you track that through a variance account?

26 MR. DAHL: Yes, we do.

27 DR. PORAY: Okay. Sorry. And it's on the total bill,
28 not just the distribution bill, is it?

1 MR. DAHL: That's correct.

2 DR. PORAY: So how do you determine what portion of
3 what you're tracking should in fact be recovered for your
4 distribution revenue requirement?

5 MR. DAHL: We worked with our accounting people,
6 because we have done similar kinds of, you know, cost
7 recovery mechanisms, and they break out the individual
8 charges. So we'd know the distribution charge and so
9 forth, and the distribution revenues minus state taxes,
10 minus those kinds of things.

11 So they do track it individually. So they know the
12 distribution amount and how to recover that.

13 DR. PORAY: And my last one is, how successful have
14 you been in recovering those revenues through your rate
15 cases?

16 MR. DAHL: We have been -- we have been successful in
17 doing so. The advocates want us to spend more. The
18 industrials don't want us to spend near as much. But they
19 don't really care, because it doesn't get charged to them.

20 So we try to strike that balance of serve the
21 customers who need it and, you know, minimize the impact on
22 all residential customers.

23 For us, 2009 will be the first time that the
24 reconcilable surcharge will go through the process with the
25 Commission, so we'll get a reading on what they think of
26 that.

27 Our low-income advocate opposes it, because he doesn't
28 think it offers enough discipline to companies to run

1 effective programs. We would disagree with that
2 perspective.

3 DR. PORAY: Okay. Thank you.

4 MS. HARE: Theresa?

5 MS. McCLENAGHAN: I have three questions. The first
6 one is, just to clarify, the programs that you had in the
7 utilities in Pennsylvania, as I understand it, predated the
8 statute, and then the statute itself provided to continue
9 those programs; is that right? So it's not that the
10 statute authorized the programs in the first place.

11 MS. KROECK: That's correct.

12 MR. DAHL: That's correct.

13 MS. McCLENAGHAN: Okay. And then the other question
14 is, in terms of the regulations that you're now working
15 with, what timeframe did you work to develop them in the
16 form we now see them? Was that a process over time,
17 iterations? How did that work?

18 MS. KROECK: Well, the weatherization regulation came
19 out in 1987. So it has -- I mean, these have evolved over
20 time. The weather -- and the CAP policy statement was in
21 the late --

22 MR. DAHL: 1990 --

23 MS. KROECK: 1990s --

24 MR. DAHL: 1992.

25 MS. KROECK: Oh, early '90s. I'm losing track of time
26 here, but -- so these have been evolving over the years.

27 And what happened was, when deregulation occurred,
28 they wanted to make sure that the programs wouldn't go

1 away, so it's mentioned very specifically in the statute
2 that they would be maintained at the same level, resulting
3 in the plan needing to be filed every three years, in terms
4 of what we were going to do.

5 The hardship fund started in the mid-1980s, many of
6 them. Some may have started a little earlier or a little
7 later. But you'll see that the hardship funds, which are
8 the programs that are not regulated, which are our
9 shareholder funds, many of them are celebrating their 25th
10 anniversary now.

11 MS. McCLENAGHAN: Okay. And you mentioned earlier --
12 at some point one of you mentioned that you had -- you felt
13 the federal government hadn't really kept up with the
14 pressures over the years.

15 And so I'm wondering if you can describe what would
16 have been the effect on the programs if you were relying
17 exclusively on federal and state funding, versus the way
18 you fund them now, with the riders and the charges.

19 MR. DAHL: Well, we wouldn't have programs per se, I
20 mean, because the state has provided no state funding. The
21 30 years I've been in Pennsylvania, one time they provided
22 funding two years ago to supplement the Low-Income Home
23 Energy Assistance Program, or LIHEAP.

24 Pennsylvania's program, with its funding, helps about
25 340- to 350,000 customers annually. They would have
26 continued to receive assistance.

27 It's unlikely that we would have started big
28 weatherization programs or CAP programs on our own without

1 some hope of cost recovery, because they are, you know, a
2 significant expense, and we feel we can do something
3 through our ratepayers as well as our shareholders. But
4 the programs really probably wouldn't have developed the
5 way they are now --

6 MS. McCLENAGHAN: Okay.

7 MR. DAHL: -- from my perspective.

8 MS. KROECK: I think you're probably right. I think
9 the need was great, and because of -- and I hate to say
10 because of the cold winters we have, because you obviously
11 have them too, but, you know, there was a great need out
12 there and a huge gap, and the utilities were asked to step
13 in and help.

14 MR. DAHL: Because we developed these programs on our
15 own, I think we would have had programs, but they wouldn't
16 have been funded at the levels they're funded at now.

17 MS. KROECK: Yes. We've always done something, and
18 you know, we are concerned about our customers, we want to
19 work with our customers. But I think Tim's probably right.
20 At the level, probably not.

21 MS. RAWLINGSON: Tracy Rawlingson with Halton Hills
22 Hydro.

23 I have a question for you about the retailers. Do the
24 retailers collect their own charges or do the utilities
25 collect for them? And if the utilities collect those
26 charges, when do they pay the retailers? Do they pay only
27 once the money is collected or do they guarantee payment?

28 MS. KROECK: That is case by case, depending on the

1 utility company. I know we have varied that over the
2 years, and right now, I believe we do collect for the
3 retailers. I'm not sure when they true that up or
4 anything, but it's all on one bill. We collect it, and
5 then we send it over to them. Tim, how do you --

6 MR. DAHL: When we first had competition in
7 Pennsylvania, that's what we did. We would have one bill,
8 because many of the suppliers said: You know, I'm not
9 interested in doing billing work. If anybody does billing,
10 they know it's complicated, so let's have the utilities use
11 their billing engine, and then we will, you know, collect.

12 And we guaranteed their payment. Even if the customer
13 didn't pay, that was part of the thing. They got their
14 supply payment from us. Then it was up to us to collect
15 the overdue receivables.

16 MS. RAWLINGSON: Okay. This question is for Sadie.
17 How do you educate your customers about their ineligibility
18 for these programs if they do decide to sign with the
19 retailer?

20 MS. KROECK: Their -- oh. Okay. What we do is we
21 have, as part of our call centre, we have folks who are
22 trained to work with low-income customers. This came out
23 of our last evaluation, kind of a one-stop-shop concept.
24 When a customer calls in, you know, make one call, get all
25 of the assistance you need.

26 The majority of the low-income customers who call in
27 do not have -- have not selected a supplier. So it's not a
28 very big issue. But if they have, we advise them that the

1 program is only available if they do not have a supplier.
2 And some of them then will go and cancel their supplier,
3 look at their rates, but we don't tell them: You know, you
4 have to cancel your supplier to get this program.

5 The other thing is they're not eligible for the
6 Low-Income Home Energy Assistance Program either, if they
7 have a supplier. So many of the customers who go into the
8 low-income programs do not have a supplier. At least
9 that's our customers. Like I said, each company does
10 something a little differently. But we try to explain to
11 them what the benefits of these programs are, rather than
12 telling them to cancel whatever programs they have now.
13 You know, we explain what all of the programs can do to
14 help them.

15 MS. RAWLINGSON: So there's no prior education before
16 they would choose a supplier?

17 MS. KROECK: We did have something, and I don't know
18 if it was in a bill insert, but we did have -- we did try
19 to do something early on for customers to let them know.

20 MR. DAHL: When shopping first started in
21 Pennsylvania, over a period of five years we spent \$20
22 million in a consumer education program, and if the program
23 were to start again, as the rate caps for generation come
24 off, it will probably be, state-wide at least, \$5 million
25 in expenditures, and probably more, to let people know what
26 their choices are. And on our own we will take the
27 initiative to inform people: Here are your choices, here
28 are the suppliers. And also the Commission and the Office

1 of the Consumer Advocate have very good websites about
2 those things. And I see that expanding as the market
3 develops, as we think it will over the next several years.

4 MS. RAWLINGSON: Thank you very much.

5 MS. HARE: Christine.

6 MS. DADE: Yes, thank you very much, Marika. Just a
7 couple more thoughts.

8 You mentioned that you had -- a lot of this stuff is
9 done electronically. Money is transferred. The funding is
10 transferred back and forth. We had comments yesterday
11 that, you know, a lot of people are maybe -- are not hooked
12 up to the internet or whatever. But sort of same size of
13 the state as compared to Ontario. How did you manage to?
14 Is it just education to get everybody on-line like that, or
15 the social agencies that are helping with that?

16 MR. DAHL: Well, the social agencies, people think:
17 Well, they're social agencies, they're not that
18 sophisticated. Well, that would be a myth and you would be
19 wrong. They know as good as anybody else what's going on.
20 So we wanted to exploit their willingness to get tied in
21 with us. Plus we wanted to make it more efficient. Think
22 of all the paperwork that flies back and forth. The
23 Commission, when they do their informal complaints, they
24 used to fax a million pages a year to the utilities, and
25 then they finally said: Well, there's got to be a better
26 way. And now it's all electronic. Well, that's the same
27 philosophy as what we're trying to do, is to get our
28 agencies and contractors: Let's make things happen

1 quickly. You do the work. It gets in quickly. Your
2 payments come quickly. And with customers -- like most
3 utilities, I'm sure, here in Ontario -- sign up for
4 automated billing, sign up for paperless billing, those
5 kind of things, those are transactions that help keep costs
6 down, and so on and so forth.

7 So it's a pretty good saturation of PC users, even
8 among elderly customers. Let's not just pigeonhole them
9 as: You're elderly, you can't do anything. That's another
10 myth that needs to be exploded.

11 MS. DADE: That's good to know.

12 MS. KROECK: I was just going to add, it's been a long
13 time coming, but when the program started, obviously there
14 was some resistance, but our fuel fund at Dominion Peoples
15 is the Dollar Energy Fund, and they have an on-line system
16 called iPartner. And all of the agencies have been trained
17 in the use of it, and it has really made a difference.

18 So we work closely with the social service agencies,
19 and many of them now use these electronic, you know, ways
20 to transmit information. It's really speeded up the
21 process.

22 And, you know, even in terms of seeing how much
23 funding is left, you know, we know how many more customers
24 can be assisted. So it's been great.

25 MS. DADE: Oh, that's good to hear.

26 When a customer can donate on their bill, is that a
27 charitable donation?

28 MS. KROECK: Yes.

1 MR. DAHL: Yes.

2 MS. DADE: On their tax.

3 MR. DAHL: It's tax deductible. Yes, it is.

4 MS. KROECK: And we put a message -- and I'm sure you
5 do too -- right on your bill, saying: "Your donation to the
6 Dollar Energy Fund is tax deductible." And it's an easy
7 add-on. They can add a dollar or whatever amount they
8 choose. If they add exactly a dollar, it's taken out
9 automatically. If they select a different amount, we ask
10 that they make a pledge so we know how much to take out
11 each month.

12 MS. DADE: Great.

13 Teresa, I just wanted to ask you, in one of your
14 slides, on slide 43, you've put in under the mixed program
15 design, Pennsylvania, you have "recommended". Is this
16 because your group is recommending this type of process,
17 like percentage of income or percentage of bill?

18 MS. McCLENAGHAN: You know what? I need to check that
19 for you. I know we do prefer the tiered rate discount
20 approach, partly for the reasons I mentioned earlier. But
21 that question, I'll have to find out what we meant.

22 MS. DADE: Okay. Great. And that was it. Thank you
23 very much.

24 MS. HARE: Thank you. Ian.

25 MR. MONDROW: Thank you. Ian Mondrow, for anyone
26 listening remotely.

27 I just want to ask one follow-up question so I can get
28 these categories right. And I had the luxury of a minute

1 of thinking about it after we last spoke a few minutes ago.

2 So for the three programs that are in some fashion
3 funded through the utility, in the case of the CAP program
4 and the low-income usage program, that's the rider. In the
5 case of the CARES program, that's baked into distribution
6 rates, I gather.

7 You talked about revenue-neutrality. And I'm not sure
8 that I understand quite what you mean when you referred to
9 that term. Can you just elaborate on that in respect of
10 these three programs or the two funding mechanisms
11 applicable?

12 MR. DAHL: Well, I think ultimately what you try to do
13 is that I can get enough revenue and resources through
14 customer payments or LIHEAP payments or other kinds of
15 things, or a usage reduction in their bill, that the money
16 I'm expending to assist them, you know, is going to mostly
17 be a wash. And some customers it is, and some it isn't,
18 because we have very high users and we try to work to get
19 them down. But that's what you're trying to do, is: My
20 inputs, my expenses, can I get that to match the revenue
21 from customer payments or other resources, or elimination
22 of expenses?

23 You know, they don't file a PUC informal complaint,
24 which I know costs us \$162 just to do the paperwork on
25 that. If I can eliminate that, that helps me. And with
26 low-income and payment issues, we have a lot of those kinds
27 of complaints.

28 As a coping mechanism to say: I can't pay their bill.

1 Maybe if I filed a complaint with the regulator, I can put
2 off the day of reckoning, or I can get a better deal.

3 So that's really what we're trying to do.

4 MR. MONDROW: When you do do that, or the closer you
5 get to it, the lower the rider, the less the rider becomes
6 and the less the increment to contribution rates becomes on
7 account of these programs?

8 MR. DAHL: That's ultimately what you would like to
9 do, is say: Let's serve people who really need our
10 assistance. Let's be as efficient about it as we can so I
11 can minimize collecting dollars from other ratepayers to
12 help low- income customers. Where can I get that? Some
13 people say: Put them all in because you have a rider.
14 We're saying we don't think that's a great thing to do.
15 Help those who need assistance so we can minimize impact on
16 other residential customers.

17 MR. MONDROW: And that revenue-neutrality, that's an
18 objective of the Commission as well?

19 MR. DAHL: Yes, I have seen that in some of the
20 Commission write-ups and so forth, and evaluations. That's
21 something they're interested in. And various evaluators,
22 Roger Colton and others, I know that's a theme that they're
23 very interested in as well.

24 MS. KROECK: Another way to look at it with the
25 revenue-neutrality is with the CAP program, for example.
26 If a customer can't -- you know, has a bill of, say, \$100 a
27 month, and that customer pays part of it every three
28 months, and we have to shut the customer off, and we end up

1 maybe getting \$300 from the customer over the course of a
2 year, plus the expenses associated with the termination, if
3 we put that customer on a CAP program that's based on a
4 percent of income, and they pay now \$50 a month, and they
5 pay every month, now at the end of the year, you know,
6 we've received \$600 of payments, plus whatever third party
7 funding we've encouraged that customer to obtain.

8 So that's where you're hoping to see the better
9 payment patterns and more buy-in from the customer, because
10 I know a lot of the customers I work with, the bills are so
11 overwhelming and their income is so limited that they
12 can't, you know, they can't see their way out.

13 So if they owe us a thousand dollars, they might as
14 well owe us a million dollars, because they're not ever
15 going to be able to pay it.

16 MR. MONDROW: So I guess revenue-neutrality also
17 speaks to sustainability. I mean, what you're trying to do
18 is help these customers take control of and manage their
19 expenses in the longer-term.

20 MR. DAHL: And really, that's what we're -- we are
21 really trying to do that. If someone's a senior on a fixed
22 income whose ability to pay will never change, you know,
23 that's probably going to be a longer-term situation, where
24 people who are younger, maybe have ability to get better
25 jobs or education, maybe they need this as a bridge for a
26 couple of years and not a long-term kind of thing. So
27 you're really, you know, trying to match that need.

28 MR. MONDROW: Thank you very much.

1 MS. HARE: Julie?

2 MS. GIRVAN: I just had a quick question for our
3 friends from Pennsylvania.

4 What is the annual cost -- oh, sorry. We're sharing a
5 microphone.

6 I'm just curious about the annual cost recovered
7 through rates for each of your respective utilities. And
8 potentially, you could put that in the context of your
9 overall O&M expenditures, say. And then the other thing is
10 the level of the rate rider, if you could help us with
11 that.

12 MR. DAHL: Well, this year we're --

13 MS. GIRVAN: Just ballpark, would --

14 MR. DAHL: Well, this year we're projecting for the
15 programs through the rider, through the weatherization and
16 our CAP program, we'll have about \$32 million of
17 expenditures.

18 Now, I think our distribution revenues are somewhere
19 around \$800 million. I would have to check on that. We
20 have total revenue -- a total of about 3 billion a year,
21 but, you know, that's generation, transmission, and so
22 forth.

23 So that's kind of about where it puts it into
24 perspective. And I could check on the distribution number
25 for you.

26 MS. KROECK: I'd have to check on what our revenues
27 are. I want to say \$350 million a year, but that could be
28 wrong. It could be way wrong, because I'm not a financial

1 person. But our CAP --

2 MS. GIRVAN: But you have indicated that you've got,
3 what, 500,000 customers or something?

4 MS. KROECK: We have about 355,000 customers.

5 MS. GIRVAN: Okay. Yeah, that's -- so --

6 MS. KROECK: But our costs for our CAP and our
7 weatherization program are approximated at about \$17
8 million a year, so if you divide that up amongst the number
9 of customers, it's about \$45 per customer per year.

10 MS. GIRVAN: Okay. Thanks very much. That's helpful.

11 MS. KROECK: But I do have to caution you that my math
12 skills are somewhat limited.

13 MS. HARE: Alison?

14 MS. CAZALET: Alison Cazalet.

15 Tim, I think I heard you say in your presentation --

16 MR. DAHL: I deny what I said.

17 MS. CAZALET: -- that your programs also provide
18 assistance to customers who may not be electric customers,
19 that use coal or other fuels?

20 MR. DAHL: That's correct. For the hardship fund,
21 that pays any type of home energy bill. And it's open 12
22 months a year. So the agency gets it and determines, you
23 know, where's the need to pay the electric bill/gas, and
24 then they make that determination, and that's where the
25 money goes.

26 If heating oil goes way up, we sometimes see the rise
27 in payments toward home-heating oil, or natural gas
28 sometimes.

1 MS. KROECK: Which is why I wrote that number down, so
2 that when I get back I'm going to send our customers over
3 to his hardship fund. Now, he's on the opposite end of the
4 state, so I --

5 [Laughter.]

6 MR. DAHL: And then the weatherization, the base load,
7 you can -- you know, you're not -- and sole electric heat,
8 so you could receive base-load services for weatherization,
9 which may include caulking, a new refrigerator, replacement
10 of an air conditioner, you know, those kinds of things.

11 MS. CAZALET: So those -- but the programs that are
12 funded through the rate rider that's paid by your
13 customers, those programs are not available to the non-
14 customers who use other --

15 MR. DAHL: Well, everybody's our customer. We have no
16 non-customers except for the Amish, because everybody has
17 electric. So they're our customers. It just depends on,
18 you know, how much, you know, benefit they would get.

19 If Sadie would heat with gas, we would say, you know,
20 we're going to maybe do some base load services for her,
21 but we want UGI, the local gas company, to spend their
22 weatherization money on her, because she has gas heat.

23 So we try to have some interplay among the -- between
24 the utilities, to say: I can only do so much, because
25 she's base load, but the gas company can do full
26 weatherization. Let's let the gas company take that case,
27 and not the electric.

28 MS. CAZALET: And what about customers who I suppose

1 are not customers directly of you, because they pay their
2 energy costs through rent? Is there any sort of assistance
3 for them from the utility companies, or would they have to
4 go elsewhere if they needed some help for that?

5 MS. KROECK: For our programs, the service must be in
6 the ratepayer's name. If a renter -- if the renter has
7 service in his or her name, that renter is eligible, but if
8 it's a landlord, they're not eligible. And the thinking is
9 that, as a landlord, that would be the responsibility of
10 the landlord.

11 MR. DAHL: But there are cases where they would be
12 eligible for the Low-Income Home Energy Assistance Program.

13 MS. KROECK: Right.

14 MR. DAHL: There are some specific instances where
15 they can get some money to pay for that bill.

16 And the other situation we have are FERC customers,
17 Federal Energy Regulatory municipal customers, which we
18 just sell power to. They get no benefits as well. And we
19 have about 17 or 18 of those communities around our service
20 territory. They are ineligible for programs as well.

21 MR. JAMES McINTOSH: James McIntosh, Direct Energy.

22 A question for Claudine. You've heard a lot about the
23 funding of the universal example in Pennsylvania. Does
24 Quebec have any -- or maybe I missed it, but does Hydro-
25 Quebec have anything that would parallel that?

26 MS. VIGNEAULT: In terms of...?

27 MR. JAMES McINTOSH: A surcharge for some of these
28 other programs?

1 MS. VIGNEAULT: No. Right now it's strictly cost-of-
2 service, and there is no Provincial Governmental help for
3 energy currently.

4 MR. JAMES McINTOSH: Okay. Thank you.

5 MS. HARE: Any other questions?

6 What I'd like to suggest that we do then is break for
7 lunch until 2:00 o'clock.

8 But on the chance that you might think of some
9 questions over lunch that you think: Oh, I missed my
10 chance, I'll ask our panellists to come back just to see if
11 there are any final questions. And we'll see how long that
12 takes. And then we'll move to topic 4. Okay? So 2:00
13 o'clock.

14 --- Luncheon recess taken at 12:25 p.m.

15 --- On resuming at 2:02 p.m.

16 MS. HARE: Okay. Good afternoon. We're resuming our
17 consultation on low-income issues, and we'll continue with
18 the panel on topic 3 if there are further questions.
19 Please.

20 MS. MOREAU: It's Rhonda Moreau from Kitchener-Wilmot
21 Hydro.

22 I had one question regarding the rate rider, and just
23 a question more from a customer service aspect. Are all
24 customers that are paying this rate -- and I'm assuming
25 it's an embedded rate in your distribution -- are they
26 aware of the rate?

27 MR. DAHL: It isn't --

28 MS. MOREAU: And if so, what type of reactions do you

1 deal with, or do they see it as a forced contribution, or -
2 -

3 MR. DAHL: At PPL Electric Utilities, it is embedded
4 in the distribution rate. It's not a separate line item.
5 I would say almost no one knows that it's even there. And
6 there was some discussion -- as Sadie had mentioned earlier
7 -- about the collaboratives, when we were doing
8 restructuring in the industry. Some argued to have it as a
9 line item on the bill. Our Public Utility Commission on
10 utilities argued let's not have it on the bill because
11 we're going to invite a lot of consumer calls and issues
12 and so forth, and that was the way it was decided not to
13 really put it on the bill.

14 But I would say most people don't know about it. If
15 they ask, we have information and we tell them, but it's
16 not something that's widely known.

17 MS. HARE: Other questions?

18 Theresa.

19 MS. McCLENAGHAN: I had obtained the answer to the
20 question about slide 43 in our materials. And I took the
21 liberty of double-checking it with Sadie just before the
22 break, to make sure I was understanding it correctly.

23 So the bullet that says "Recommended percentage of
24 income or percentage of bill" under the slide dealing with
25 Pennsylvania mixed program design refers to the fact that
26 there, the Commission recommends that one of those two
27 forms be used in the design of the program.

28 But the Commission -- the utility then can choose the

1 actual design of their program, and if it's not one of
2 those two approaches, they must show it's at least as
3 effective as one of those two approaches.

4 So it wasn't our recommendation. It was just relating
5 that that's the way it's done by the Commission there.

6 MS. HARE: Colin.

7 MR. McLORG: Thank you, Marika. Colin McLorg for
8 Toronto Hydro.

9 My second question which I had deferred from this
10 morning, and which I now feel at liberty to ask, is for all
11 of the presenters. And I just was intrigued with your
12 collective remarks about the need to reaffirm the status of
13 eligible customers periodically, annually, or at some other
14 interval, by some means, and I just wondered if you could
15 elaborate what is involved in maintaining the status of
16 eligible customers, and does your inquiry necessarily rely
17 on a customer self-reporting income or is there any
18 independent validation of the income levels of eligible
19 customers?

20 MS. VIGNEAULT: It starts off with a letter asking the
21 customer to send in the information. If it is not sent in,
22 then a representative will try and get in contact with the
23 customer for the information to get in.

24 We've even gone to the length of sending out agents,
25 when it's their low season, to actually collect the
26 information.

27 MR. McLORG: And, sorry, just for clarity, what
28 information do you accept as proof of income?

1 MS. VIGNEAULT: We ask for, if people are on welfare,
2 there's a particular document that's given out by the
3 government that says so. Or income tax -- what's it --
4 it's called the --

5 MR. McLORG: Notice of assessment.

6 MS. VIGNEAULT: Yes, that's it, the notice of
7 assessment.

8 If they haven't done that, then we'd ask for some -- a
9 proof of wages. But usually those two work.

10 MR. McLORG: And the Pennsylvania folks?

11 MR. DAHL: For our Customer Assistance Program, we
12 work it through community-based organizations. They
13 contact the client who has been referred, and ask them to
14 send in income information, which would be pay stubs, tax
15 forms, medical cards; those kinds of things.

16 If they had been assisted in the current program year
17 for the Low-Income Home Energy Assistance program, we ask
18 for no documentation because a third party has already
19 documented that information, so why should we put them
20 through that effort?

21 That information comes in; they use it to establish a
22 payment plan.

23 On the 11th month, our computer generates a message to
24 that agency saying it's now time to check Sadie's income to
25 see if she's still eligible. Then they do it again, so
26 it's all done automatically at the 11th month.

27 For our weatherization program, that's self-reported
28 income, because we send somebody to the home to do the

1 audit -- you know, insulation of materials, and they're
2 going to see right away, this isn't the kind of home that
3 we would typically have in our neighbourhood.

4 Then we ask for income, the same we would ask from our
5 CAP customer.

6 MR. McLORG: Thanks, all.

7 MS. KROECK: For our program, it's very similar. Our
8 CAP program is administered by Advantage Credit
9 Counselling, and they're actually based in our office. And
10 once a year, they'll have a list of customers and they will
11 ask them to re-verify their income by the same methods.

12 For our weatherization program, about 80 percent of
13 the people who receive weatherization are in the CAP
14 program. So we pretty much have the income verification
15 before we go out. But if not, we will send them a series
16 of letters and advise them that they can be taken out of
17 the program if they fail to re-verify.

18 MR. DAHL: But our years of experience have shown that
19 for the most part, people aren't lying about their income.
20 Or there are some who are trying to, you know, game the
21 system. Yes, indeed. But for the most part it hasn't
22 shown that people are trying to get around by falsifying
23 income and so forth. It has been our experience in
24 Pennsylvania.

25 MR. McLORG: Thank you.

26 MS. HARE: Maurice.

27 MR. TUCCI: Maurice Tucci from the Electricity
28 Distributors Association. I'll be speaking next, but I

1 just want to get a jump-start.

2 I wanted to ask a question about the low-income. What
3 kind of -- you said 200 percent of the federal poverty
4 level is the -- what is that exactly?

5 MS. KROECK: The income guidelines are actually in
6 here, and these are the same throughout the state. To be
7 eligible for the Low-Income Home Energy Assistance Program,
8 for one person in the household it's \$15,600, and the 200
9 percent, that's the CARES program. And some aspects of our
10 fuel fund, the Dollar Energy Fund, and about 10 to 15
11 percent of our weatherization customers, if they have
12 special needs and are elderly, it's \$20,800 a year. This
13 is before taxes. So it's their gross income.

14 MR. DAHL: But the federal government, the US
15 Department of Health and Human Services --

16 MS. KROECK: Oh, I'm sorry, I should have started at
17 the beginning.

18 MR. DAHL: -- establishes the poverty level for the
19 lower 48 -- Alaska and Hawaii, because Alaska and Hawaii
20 are higher. And they establish that here is the baseline.
21 So 100 percent of poverty would be the poverty level, and
22 then you say that, well, for this program the eligibility
23 is 150, if we were to establish it 50 percent higher based
24 on each level of household members.

25 MS. KROECK: And each state, each program actually
26 designs their own.

27 In Ohio, for example, they decreased it, to I believe,
28 175 percent of the federal level, so it's a little

1 different depending on the needs of the particular area.

2 MR. TUCCI: The only observation I had was, I guess
3 when we first saw this and we were looking at family sizes
4 of eight people and the poverty level was deemed to -- you
5 know, a fairly high level, I thought. And no stakeholders
6 take any issue with asking this -- I guess a sort of
7 straight question that some ratepayers who understand what
8 was going on, they'd say: I make, let's say \$60,000, but I
9 don't have seven kids, and yet someone else who's
10 irresponsibly -- they might say -- had seven kids now gets
11 a discount.

12 MS. KROECK: You're on tricky ground there.

13 MR. TUCCI: No, but I'm just raising this question.

14 MR. DAHL: It's a slippery slope to go down.

15 MR. TUCCI: Yes. It doesn't seem like -- or I guess
16 I'm just asking, there's not a lot of people who have eight
17 kids.

18 MR. DAHL: The reality is that the people who get
19 assisted by these programs have very low incomes. Even
20 though we're allowed to go up higher, for our CAP program
21 the average household income is \$15,000. For
22 weatherization, it's like \$14,000. And the PUC tracks it
23 by company, to show who it is. So the people who actually
24 get the benefits have extremely low incomes.

25 Let me give you \$15,000 a year and a \$500-a-month
26 electric bill, and you pay your bills and rent and so
27 forth, and what's going to happen.

28 So that's the reality. Do we have some people who get

1 assistance to go higher? Absolutely. But the reality is
2 the money is really going to lower-income.

3 And some people have argued: Why give anything to
4 anybody else unless you've served all the low-income first?
5 And others would say: But here's somebody who's more like
6 kind of what the definition is, "working poor". They're
7 struggling. They need assistance too. Why should they be
8 shut out completely?

9 So it's trying to strike that balance of helping the
10 lowest-income and then trying to find some assistance for
11 others, who really is -- there's no solution for them.
12 There is no program other than perhaps a utility program
13 that provides them some assistance.

14 MS. VIGNEAULT: If I may add, we use the Statistics
15 Canada low-income cutoff grid. And we use the one grid
16 that is for agglomeration, I'd say, cities, 500,000 and
17 more. It's the most generous one. It would be complicated
18 to use for each size of municipality. That would be
19 complicated.

20 And it is reviewed every year by Statistics Canada,
21 and the definition of a low-income household is that you
22 don't have enough money to face all the obligations, all
23 the basic needs.

24 So when you go up to eight, they've calculated it.
25 It's not a fly-by-night type of thing. It's a proven
26 number. And it's recognized both by the consumer
27 associations.

28 MR. TUCCI: So for Canada you're not saying 150

1 percent or 200 percent?

2 MS. VIGNEAULT: No.

3 MR. TUCCI: You're just accepting 100 percent.

4 MS. VIGNEAULT: Yes.

5 MR. TUCCI: And why are you raising the federal one?

6 Is it not -- is it seen as not adequate? Is it a bogus
7 number for the feds?

8 MR. DAHL: Well, some people argue that it's really
9 almost artificial, that what you really need to look at is
10 more like -- they're doing it in Quebec -- is: what's it
11 take for a sustainable wage, dependent on where I live?
12 What's it really take to live? And that's really what you
13 should be judging, you know, assistance on and so forth.
14 And that makes a lot of sense, but it's difficult to
15 calculate by area.

16 So we're kind of stuck with really going with: Here's
17 the federal guidelines, and this is what we go by. But
18 some have argued that sustainable wage is a better measure.
19 To live in the Allentown/Bethlehem area, where I'm from, a
20 sustainable wage -- this is just getting by -- may be
21 \$44,000 a year for a family of four, which would be over
22 and above the federal guidelines.

23 But that's what it really takes to live, you know, a
24 basic life. So some are pushing to say it should actually
25 be a little bit higher.

26 MS. KROECK: And one of the reasons, actually, we use
27 these guidelines is they fall in line with the guidelines
28 that the state uses for the Low-Income Home Energy

1 Assistance Program, and each state -- although it's a
2 federally funded program -- each state establishes what
3 they believe is the level of need.

4 And in Pennsylvania, for many years, it was 135
5 percent of the federal poverty level, but we were able to
6 demonstrate that, you know, that the need is great, really,
7 at 150 percent as well, because we were finding that from,
8 you know, that gap there was a lot -- a lot of your older
9 adults.

10 MR. TUCCI: And I'm assuming when the federal
11 government does this averaging across the 48 states, it
12 really -- it doesn't really work for, let's say, a
13 community that's farther north with colder climate than
14 farther south, and so they're just taking an average that
15 sort of doesn't mean anything.

16 MR. DAHL: The consumer price index kind of -- you
17 know, shopping basket of things, and it doesn't take into -
18 - where the LIHEAP program in Pennsylvania, they look at,
19 for the basic cash grant, where you live in the state,
20 because there's more heating or cool -- more heating-degree
21 days, the type of fuel you have, the number of people.

22 So they're trying to throw in some additional factors
23 that create some equity among the amount of the grant you
24 could get. But that's the only program I am aware of that
25 tries to do that.

26 MS. HARE: Any other questions?

27 MR. GRUENBAUER: Thank you, Marika. It's Jim
28 Gruenbauer, City of Kitchener.

1 A real quick and easy question for our American
2 friends. Tim, you have 1.4 million customers. I was just
3 wondering, how many electric customers are in the State of
4 Pennsylvania in total?

5 MR. DAHL: It's about 4 and 1/2 million electric
6 customers.

7 MR. GRUENBAUER: Okay. And same question for Sadie.

8 MS. KROECK: Well, I'll calculate it real -- it's
9 probably close to 2 million, just a -- we have 350.
10 Columbia's about the same, 700, national fuel -- a million.

11 MR. DAHL: Peoples, 400,000.

12 MS. KROECK: Yeah, so it's almost close -- it's
13 probably close to 2 million gas customers.

14 MR. GRUENBAUER: Okay. So both of you are roughly 20
15 percent market share?

16 MR. DAHL: Yes.

17 MR. GRUENBAUER: Okay. And your programs would be
18 quite representative of what the other folks are offering
19 as well?

20 MR. DAHL: Yes, they would --

21 MS. KROECK: Yes.

22 MR. DAHL: -- as far as the -- yeah. We're the
23 second-largest electric utility. PECO Energy in the
24 Philadelphia area is lightly larger than we are.

25 MR. GRUENBAUER: Well, again, bean counter, drawn to
26 the numbers, which you would have heard yesterday if you
27 were here.

28 And thanks for coming, by the way, all three of you.

1 I think it's great that you're here and sharing as much in
2 the way of detailed information as you are. And that's
3 where I was going with this. You've provided a lot of
4 detail. Take your market shares, extend, because we're
5 still -- at least I am -- still trying to grapple with, how
6 big is that gap.

7 And the other thing I would commend you for is I think
8 your compassion for this issue is coming through loud and
9 clear. I'm thinking of this as a collision of compassion
10 and financial self-interest, and it's hard for some people,
11 but I commend you for what you're doing.

12 MS. KROECK: Thank you.

13 MR. DAHL: Thank you.

14 MS. VIGNEAULT: Thank you.

15 MS. HARE: Thank you for saying that, Jim, on behalf
16 of the participants. Certainly Board Staff, and I know the
17 Board members, remarked at the lunch break how useful it
18 was and how much we appreciate your coming to Ontario, to
19 Toronto, to share your experience and your expertise with
20 us. So thank you very much.

21 ALL: Thank you.

22 MS. KROECK: I appreciate being invited. Thank you
23 all.

24 MS. HARE: Okay. We'll now turn to -
25 [Applause.]

26 MS. HARE: We'll turn now to topic 4:

27 "Rate-related measures and issues associated with
28 the implementation of rate-related measures to

1 assist low-income energy consumers."

2 And I'll ask Maurice Tucci and Dana Silk and Theresa
3 McClenaghan to -- want to stay where you are? Maurice, are
4 you okay to change slides from where you are?

5 MR. TUCCI: I'm okay.

6 MS. HARE: Okay. Good.

7 MR. TUCCI: I'm fine here.

8 MS. GIRVAN: Are you sure, Maurice?

9 MR. TUCCI: No, I can see them.

10 **PRESENTATION BY MR. TUCCI:**

11 MR. TUCCI: I want to start with LDC views. And, you
12 know, there is maybe some feeling that -- some of the
13 comments yesterday, some LDCs are not as -- that we sounded
14 like we're negative about helping low-income people.
15 That's not really true.

16 Utilities have been working with social agencies and
17 assisting low-income consumers. They have a lot of
18 firsthand experience with the problems that social agencies
19 have in attempting to assist low-income consumers, and
20 particularly the issue that comes up is they don't have
21 enough funding a lot of times, although yesterday it was
22 noted that sometimes not all the funding is accessed.

23 But we do have specific concerns with using rate
24 design as a means to assist low-income. And fortunately, I
25 don't hear a lot of support for some of the more, I guess,
26 controversial rate design proposals that are used in other
27 jurisdictions, and that's maybe good that we're not, you
28 know, pushing that, those ideas.

1 But I didn't know that that's -- that there wasn't any
2 stakeholders that were going to propose lifeline rates, and
3 a lot of my presentation actually addresses that issue.

4 I wanted to also as an opening comment talk about what
5 utilities do with these customers, and particularly when do
6 they use disconnection and when they don't. And we see,
7 you know, disconnecting customers is a tool that we use.
8 And it's -- primarily it's to try to get the customer's
9 attention when we threaten to disconnect. Usually, in most
10 cases, the threat of disconnection gets the customer to
11 call. And when we don't receive calls from customers and
12 they're ignoring us, that's usually when we send out this -
13 - a notice of disconnection.

14 So utilities, you know, see this as a tool, and they
15 have a managerial responsibility to ensure that they
16 collect fairly all the money that's expected to be given to
17 the, I guess, the ISO in this case, and, you know, it flows
18 back.

19 So we're the collection agent, practically, you know,
20 at the end of the line, directly contacting the customers
21 and interacting with them.

22 And you know, utilities have this culture of ensuring
23 that they try to collect as much money as they can from
24 everybody to collect the full bill, because when we don't
25 collect the full bill, the cost is actually borne by our
26 customers, our local customers. And we have a
27 responsibility to manage that bad debt and manage that cost
28 that our own customers are facing, or will be facing.

1 So, you know, anything that could reduce that bad
2 debt, we would look forward to and would be happy to see.
3 But we don't believe cross-subsidies is the way to do it.
4 Maybe it's better practices.

5 And we're always looking at best practices in dealing
6 with these customers, and, you know, utilities would be
7 interested in that. But I forewarn you now, don't think
8 that a uniform, consistent practice is the ideal solution,
9 because, you know, my experience with the utilities is
10 they've told me time and again that in different places,
11 different practices seem to work better than others.

12 And, you know, we've had experience where the
13 Government decreed one year there will be no disconnections
14 in the wintertime. And that year we had a huge increase in
15 the number of bad -- in the number of cases of customers
16 not paying. These were not low-income people, these were
17 just people who decided to take advantage of the
18 opportunity not to pay their bills, and we experienced
19 significant higher bad debt through that. And we have, you
20 know, told the Government: You know, don't make these
21 decrees again, because it actually doesn't work to our
22 favour and creates costs for our customers.

23 So utilities maybe in their local community might want
24 to do something like that. They understand what their
25 community needs and what would work in their community.
26 But it doesn't always work in every community. There's
27 differences between them. And the customers are different,
28 and the amount of low-income people in their communities

1 are different too.

2 Now, I just wanted to start off with -- the topic I'm
3 supposed to talk about is rate-related issues. And a lot
4 of people, you know, bring up proposals to subsidize and --
5 or re-design rates. And I thought for the benefit of
6 people who maybe are new to the industry or don't
7 understand the electricity industry, I'd start with
8 Professor James Bonbright's *Principles of Public Utility*
9 *Rates*. This was published in 1961. And I'm sure most of
10 the stakeholders here are very familiar with these
11 principles. We've been quoting them ever since they've
12 been written, in hearings and things, and we debate them,
13 and we bring them up to defend proposals that come before
14 the Board.

15 These principles have been underlying the way we
16 regulate utilities, and it's actually, to some degree,
17 affected the culture of the way utilities operate. We've
18 taken these principles to heart, and they, you know, they
19 primarily guide us with respect to rate design and maybe
20 the way we treat customers, but it's been around for 40
21 years. And I don't think that we would call these classic
22 or out of style or old-fashioned principles.

23 As far as I know, the principles are still relevant
24 today. The rationale behind them and the arguments that
25 were brought forward are still applicable, and they haven't
26 really changed.

27 So these were the principles. They're not in any
28 particular order. I just wrote them as they were written in

1 the -- in Bonbright's book. And the basic things, I guess,
2 you know, to bring everybody up to speed, they should be
3 practical. No controversy in interpretation.

4 Yielding the total revenue of the utilities: That one
5 has a little star. And I'll get to that in a second.

6 Revenue stability from year to year: Stability of the
7 rates themselves. Don't have unexpected rate changes.

8 Fairness of the specific rates in apportioning the
9 total costs among the customers: That has a star.

10 Avoidance of undue discrimination and efficiency of
11 rate designs and rate blocks to discourage wasteful use:
12 And that one has a star.

13 And I point -- those three that have little stars are
14 Bonbright's three primary principles. He didn't put them
15 at the top of the list for some reason, but later on he
16 discusses that these are the primary ones, the ones that
17 really are important.

18 Now, what I want to point out is, these are the
19 principles for rates, they're not the principles for how do
20 we fund CDM. They're not -- they don't really get into the
21 principles of why we pool transmission costs exactly. I
22 mean, they're not -- you know, there's different things
23 sometimes when you deal with a specific issue that arise.
24 And I just wanted to say that this is really about rate
25 design, and that's the topic that we have today.

26 Now, in addressing these principles, a sort of another
27 objective comes up. And it's this notion of rates should
28 track cost, to the extent practical. And over time, this

1 is seen as a way to get customer acceptance. There's an
2 understanding that tracking cost is fair. Customers,
3 different customers, would see that tracking cost is the
4 fairest thing. And there's wide -- like the slide says,
5 widespread acceptance of this notion.

6 Another practical principle is addressing optimal
7 utilization, where -- and here it's customers should be
8 encouraged to take service in whatever amounts they wish,
9 as long as they are made to pay for the cost. So here
10 we're not prejudging what people do with the power that we
11 sell them. We're not telling you, you know, this is wrong;
12 don't use electricity. We're just telling you to be --
13 we're encouraging you to be efficient, and want you to use
14 your electricity wisely. But we don't say: Oh, you know,
15 you shouldn't buy a plasma TV, because it's wrong; it uses
16 too much electricity. We don't tell people that. It's up
17 to the person to decide whether he wants to pay for that
18 electricity to use a plasma TV. We don't prejudge his use.

19 So it's important that we actually track costs in
20 order that -- so we don't have to end up telling -- giving
21 directions to people about how they should use electricity.
22 We're not rationing electricity. We're telling people:
23 You can use it any way you want as long as you pay the
24 actual cost.

25 And another important objective is non-discrimination.
26 And this underlies a lot of practices utilities have. We
27 have an obligation to avoid undue or unjust discrimination.
28 And it's consistent with this goal of just and reasonable

1 rates, and I think the practical way of describing
2 discrimination is if you have customers receiving the exact
3 same service, paying differently. That's discriminatory.
4 So we try to treat all customers the same. If they're
5 receiving the same service, we charge them the same. And
6 that's an important principle that underlies a lot of the
7 practices that utilities have.

8 And I wanted to point out what Bonbright actually said
9 on this notion of ability to pay, his criteria, that it's
10 been around for a while. He talked about this in his book
11 in 1961, so I'm assuming these arguments about ability to
12 pay have always been around.

13 And he said he believed that rates are an ineffective
14 instrument to minimize this issue of income distribution,
15 and alternative instruments are better at accomplishing
16 this objective.

17 And, now, I'll point out that he did say there are
18 situations where it would be appropriate, maybe, for
19 society to fund something, provide a subsidy, in order to
20 receive a payback later on from that subsidy at a future
21 date. And this is -- you know, it's been an argument,
22 maybe, that's been used for economic development. We've
23 had situations years ago where often rate proposals were
24 brought forward and it was pointed out that if we lowered
25 the cost to certain customers, we'd actually be better off
26 in the long run.

27 And so that's an argument that sometimes is used to
28 not track costs as well as we could. But he does point out

1 that there's difficulty in actually measuring and
2 prophesizing these benefits. And there's often -- you
3 know, when these proposals come forward to subsidize
4 someone, there's often a lot of disagreement about how much
5 the benefit will be, how much of a subsidy we should be
6 providing. We've had -- over the years of hearings, this
7 keeps coming up -- this question of: You know, if we're
8 not tracking costs and we're subsidizing someone, what's
9 the benefit that we're getting?

10 And we did some talk this morning about, you know, if
11 we change some of our policies and we have maybe different
12 practices with respect to collection, and we incur some
13 extra costs with respect to collection in order to ensure
14 recovery of some other costs, maybe it's a good investment.

15 Those are the kinds of things that we're not sure --
16 you know, these are controversial things, and we'd have to
17 -- every situation might be different. It might be working
18 in one utility, or one jurisdiction, and it might not work
19 in another jurisdiction. So we'd have to maybe see and
20 test before we know for sure that these -- the benefits
21 outweigh the costs.

22 Now, I would think that this criteria that they sort
23 of use, this benefit to ratepayers in the long run, sort of
24 a public interest argument, has been used in a lot of other
25 jurisdictions. I think that comes up very frequently. And
26 the justification for providing subsidies and maybe even
27 lifeline rates has been that it provides some benefit in
28 the long run.

1 I don't know exactly what the conversations they've
2 had in the past or why regulators who recruit these
3 practices --

4 --- Technical difficulties with microphone.

5 MR. TUCCI: But -- well, I'll say, I'll point out, the
6 regulatory mandate that we understand is cost-based
7 ratemaking is the primary approach. It's widely used, and
8 it's the way to judge whether things are just and
9 reasonable.

10 The role -- and it's pointed out in the consultant's
11 paper -- the role of regulation is really to prevent
12 utilities from using their market power to price-
13 discriminate between customers and consider relative demand
14 elasticities.

15 You know, we're not allowed to adjust rates to base it
16 on willingness to pay. It would be easier -- life would be
17 easier for utilities if we lowered the rate to some
18 customers and raised the rates to other customers based on
19 their ability to pay. But that's seen as discriminatory.
20 So we don't -- we understand we're not supposed to do that,
21 and we don't. We treat all customers the same, as if
22 they're the same.

23 Taking advantage -- any rate that actually takes
24 advantage of the utility's market power probably is
25 incompatible with the primary purpose of utility
26 regulation, which is to act as a substitute for competitive
27 markets.

28 We're always looking for: How would a competitive

1 market operate? What do competitors do? Do they cross-
2 subsidize between customers? They probably can't, because
3 they would lose -- they -- you know, if they lowered the
4 price to some customers to give them a discount, but had to
5 raise the price to other customers, they would lose those
6 customers because those customers in a competitive market
7 would have choice and would leave.

8 So without market power you really can't discriminate
9 between customers.

10 So generally, we're trying to create prices that are
11 reflective of competitive -- of a competitive market,
12 competitive industry sector, and we want to eliminate
13 customer concerns over market power. You know, customers
14 understand that, you know, the utilities have been
15 regulated in a certain manner that does not take advantage
16 of their market power.

17 So regulation seeks generally to establish rates that
18 are cost-based and which do not discriminate. And I guess
19 the question is: Unless there's some kind of market
20 failure that's going on that has to be rectified, why would
21 we take -- do something and change from that principle?

22 A slightly different issue is this regulatory mandate
23 to encourage conservation. And any kind of a rate, I
24 guess, that -- and we talked about it yesterday -- a rate
25 that lowers the commodity charge, I guess, to customers
26 would be in conflict with encouraging people to conserve.

27 And I think what I'm pointing out is, if -- and no
28 one's proposing this, I hope, thankfully, I think -- but

1 we're not going to lower the commodity charge. If we're
2 going to do something, it would be something else. We're
3 not trying to remove the price signal from customers.

4 But some rate proposals that have happened in the US,
5 they have reduced the commodity charge. I don't know
6 whether those will continue with this, you know, overall
7 goal to encourage more conservation, but I guess the
8 problem that maybe some of these US jurisdictions have is,
9 once they implement something, it's hard to take it away.
10 So maybe they're stuck with it for a while.

11 But clearly, a reduction or waiver of fixed costs
12 makes more sense. And waiving these fixed costs is more
13 compatible with the energy-efficiency goals.

14 Now, I just want to touch quickly on this rate design
15 of lifeline rates or inverted block rates that sometimes
16 comes up. And we've already discussed that there's no real
17 correlation between income and electricity usage. And more
18 importantly, I think, is, these lifeline rates violate
19 ratemaking principles of cost causation.

20 So I take the position that lifeline rates are not
21 just and reasonable and they represent discriminatory
22 pricing. And hopefully no one is -- will be proposing
23 this.

24 But it's preferable to not adjust the rates, not
25 fidget with the rates, and provide support to customers
26 through other means.

27 And I just -- this is just a slide saying even LIEN
28 agrees with this. Electricity use is typical for low-

1 income people, and any kind of rate design that is based on
2 low usage won't work at helping the people on electric
3 heating.

4 And in fact, the view is that an inverted rate would
5 actually make -- you would be worse off. Customers on
6 electric heating would be worse off, and low-income
7 customers on electric heating would be worse off.

8 So I think that generally, of all the rate design
9 proposals that are out there, I would leave rates alone,
10 and if you had to do something, I would move to some kind
11 of discount on the bills.

12 I guess some utilities have this practice, and it
13 would be some fixed amount, some pre-fixed amount, that was
14 determined ahead of time. And maybe it would vary. There
15 is proposals here that it varies on the number of
16 customers. I'm assuming it might vary on whether you have
17 electric space heating.

18 I would prefer if this was given to customers, it was
19 a separate item on the bill, so the customers actually see
20 what their overall bill would have been before they got the
21 discount.

22 But here the question is -- the key question for
23 distributors is: How is this funded and who determines
24 eligibility?

25 With respect to how is it funded, we have serious
26 concerns with if it's funded through ratepayers, local
27 ratepayers, because -- I'm touching on a presentation I'll
28 do tomorrow on funding options, but having -- local -- it

1 isn't -- we see it as not a fairness issue between
2 utilities. Some utilities have more low-income people than
3 others, and we don't think it's fair that something that we
4 really think is the responsibility of the Province, of
5 local government, of government, to deal with this low-
6 income issue, to have our ratepayers pay for it, it reminds
7 me of the controversy that happened when the Provincial
8 Government downloaded social services on to municipalities.
9 And municipalities have been complaining ever since that it
10 wasn't fair, that it should have been a cost that was
11 pooled across the province.

12 And this is a similar issue. We're very concerned
13 about imposing these costs on local ratepayers, and we
14 would prefer if it was spread across all the customers, if
15 we were doing this.

16 It's like a good tax is one that's spread as far out
17 as possible. When you tax certain people and you say:
18 You're the ones who are paying the tax, that causes
19 problems.

20 And I am worried that if, even if in the beginning
21 it's agreed that it's a cost that everybody would pay, over
22 time I'd expect there'd be pressure exerted by some
23 customer groups to stop paying it, and eventually it would
24 be pushed to the residential customers. So I am worried
25 about residential customers being stuck with this cost.

26 If we implemented bill discounts, there would be
27 noticeable implementation costs. We say we may need to
28 collect confidential information. As you noted, some

1 utilities are doing that right now. We would obviously
2 have to provide additional reports to the regulator to
3 measure whether the program is effective and the costs are
4 reasonable. We would increase our coordination with social
5 service agencies and charitable organizations to determine
6 eligibility of these customers, and dealing with customers
7 that are facing disconnection. So we would have to
8 dedicate a lot of employees and other resources to
9 administer this program. And clearly, the feeling that we
10 had was social agencies are the -- we think they're the
11 best able to determine who is eligible. We also think
12 they're the best able to deliver these programs too. We
13 would prefer if they delivered these kinds of programs
14 instead of us.

15 And there are some just obvious administration
16 questions that have come up in the consultant's report.
17 How do we determine level of assistance? How frequently is
18 it modified? How do we determine -- there's a number of
19 questions that come up. I don't want to get into them.
20 But ultimately, I guess the fundamental question, if we're
21 going to use public policy and say this is a good thing to
22 do: Can we get customers, the general customers out there,
23 to accept this policy? Because I'd expect they'd ask this
24 question. Are these solutions that are being proposed,
25 bill discounts, are they just a Band-Aid solution?

26 They're going to turn around and say: Shouldn't we be
27 focussing on addressing the causes, not administering
28 antidotes? So we should be putting more emphasis on

1 programs to assist lowering usage to reduce bills. And the
2 government should be encouraged to give more money to
3 social agencies.

4 Those are the things that I think customers are going
5 to ask.

6 Now, I just want to say one thing about this emphasis
7 on lowering customer bills. CDM programs, as I said
8 before, the principles that we have don't completely apply
9 to CDM programs. The difference with CDM programs is we do
10 look at ensuring everybody has access to the CDM programs.
11 So CDM is designed to lower consumption of customers while
12 it will probably raise costs. There's a cost to doing CDM,
13 so it raises costs and lowers customers' bills. And so the
14 philosophy has been we're hoping everybody's bills go down
15 so everybody's better off. And if low-income people cannot
16 participate in existing programs, so we design targeted
17 programs to serve their needs and have them participate.

18 So there's nothing -- we don't see anything wrong with
19 particular programs that are targeted to low-income people.
20 What we do see is problems with adjusting rates or having
21 explicit cross-subsidies that conflict with the principles
22 of not discriminating between customers.

23 That's it.

24 MS. HARE: Thank you. Our next speaker is Dana Silk
25 from EnviroCentre.

26 DR. SILK: Shall I go forward? Yes.

27 MS. HARE: Yes.

28 **PRESENTATION BY DR. SILK:**

1 DR. SILK: Dana Silk, EnviroCentre.

2 First of all, I do -- I'm a little surprised about the
3 amount of nervousness there is in the room about rates,
4 because, you know, this is like a consultation on rates and
5 so, you know, I don't understand why people get so nervous
6 about rates. And I'm a little surprised that one would
7 have to go back to 1961 to refer to rate principles and
8 talk about there being no market failure in this sector,
9 when, since 1961 -- by sort of general estimates -- we're
10 looking at about a billion dollar a year of market failure,
11 a \$40 billion debt that was built up in this sector since
12 1961.

13 So I think we, you know, might want to address some of
14 these issues in a more comprehensive and updated manner.

15 I'm also a little surprised about the -- I guess it's
16 the semantics of there being apparently no -- what is it
17 saying? The Concentric report:

18 "No evidence of a separate rate class has been
19 implemented for benefit of low-income energy
20 consumers."

21 And I did a little Googleing, actually, this morning,
22 and I came across -- this is August 2008, from the PULP
23 network. I wasn't quite sure what that was, but it is the
24 Public Utility Law Project of New York, and the headline on
25 this little one is "A well-kept secret. Con Edison's low-
26 income rate program," which was the result of an electric
27 rate case in 2000.

28 So there does appear, at least in the State of New

1 York -- I think that's Con Ed, right? -- to be a low-income
2 rate program in New York.

3 And I think we might want to pay a little more
4 attention to that.

5 I think the other thing that -- one of the weaknesses
6 of the Concentric report is, certainly in the case of
7 Ontario, one of the most important advances in this field
8 was the decision, if not by the Board, by the Government,
9 to move ahead with an inverted rate structure, which
10 clearly -- I think, you know, we're beyond the argument
11 that the sort of same service should equal the same
12 charges. We're beyond that. The Government clearly moved
13 us beyond that in 2004, 2003, I think. The inverted rate
14 structure, which is similar to the inverted rate structure
15 in Quebec.

16 It's a very important thing. Now, whether you
17 consider that to be a lifeline rate structure or not, it
18 doesn't really matter. The point is we already are there,
19 and what I think we need to do is pay more attention to how
20 we can implement the inverted rate structure, at least over
21 the next two years. It's unclear what's going to happen
22 when time-of-use rates come into effect in 2010, if they're
23 going to completely replace the inverted rate structure or
24 if there's a possibility for some kind of hybrid rate
25 structure.

26 Back in 2004, EnviroCentre made a presentation to the
27 Ontario Standing Committee on Social Policy when it was
28 looking at Bill 100, the Act to restructure -- the

1 Electricity Restructuring Act -- and we made it quite clear
2 back then that low-income households should never need to
3 choose between paying for electricity and paying for food
4 or shelter. Contrary to sort of the David Suzuki ads,
5 however, most low-income households cannot afford to unplug
6 the beer fridge in the basement because it's still in the
7 kitchen. It's not a very efficient fridge either, but it's
8 still in the kitchen. And we urged the Government back
9 then to legislate the new lifeline rate for the first 750
10 kilowatt-hours. It's up to a thousand during the winter to
11 accommodate people with electric heat, and to ensure that
12 low-income households do not suffer unduly from increasing
13 rates.

14 So our position is that lifeline rates, contrary to
15 the previous speaker, are the best way to address this
16 issue, in conjunction with other social programs to
17 accommodate households with more members in the family, and
18 those living in substandard housing. By doing so, these
19 rates would also maintain the pressure to retrofit
20 substandard housing and to invest in the use of
21 decentralized energy-efficient appliances, notably for low-
22 income households across Ontario.

23 During my research as well last night, I came across
24 the Los Angeles LDC. And they've got a very good program
25 for low-income tenants. If you're a low-income -- not
26 tenants, household. If you're a low-income household and
27 you qualify under these programs, you get a free energy-
28 efficient refrigerator. I mean, that's pretty progressive.

1 That's the kind of thing that we need to do in Ontario,
2 because it's our position that the days of subsidizing
3 Olympic record rates of electricity consumption per capita
4 in Ontario must come to an end. It's time for the people,
5 the consumers, to begin to pay something closer to the real
6 costs of their consumption, which should be the purpose of
7 rates in the public interest, just and reasonable rates.

8 So we would not accept the Concentric report's
9 suggestion that some customers would be subsidizing low-
10 income customers, because I think if we were to look at an
11 analysis of the \$20 billion residual debt that's now being
12 paid by all customers, including low-income customers,
13 which they really had very little to do with generating
14 that debt in the first place -- and again, I recognize that
15 that was a decision of the Government.

16 But I think the Board should take that into
17 consideration when it's considering low-income programs,
18 because these low-income households are being burdened, are
19 -- I think one can argue that low-income households are
20 being discriminated against, because they're being forced
21 to pay off the debt generated by middle- and upper-income
22 households over the last 40 years, basically.

23 We would also have a little concern about some of the
24 conclusions in the Concentric report, saying, for example,
25 that a significant number of poor people will be worse off
26 under inverted block rates, but the report fails to provide
27 any data to justify that claim.

28 There's also a conclusion or a suggestion that in many

1 cases:

2 "The elimination of the customer charge will
3 provide something close to free connection and
4 billing services for wealthy customers with
5 second homes."

6 Of course, that wouldn't be very equitable. But I
7 think the report fails to recognize that those of us who
8 are proposing that kind of initiative are suggesting that
9 it only be made available for qualified low-income
10 customers.

11 There's also a suggestion:

12 "Proponents of inverted lifeline rates rarely
13 know how these rates will actually affect the
14 poor".

15 Again, without -- I couldn't see it referring to any
16 proponents or any research in this field to justify that
17 suggestion, if not conclusion.

18 And speaking on our own behalf, we have done some
19 research in Ottawa, in terms of -- we've actually monitored
20 the impact of Smart Meters and time-of-use rates. We did
21 that -- only ten households, but still. And we do have
22 some research, and it is not nearly as black-and-white as
23 some people might want us to believe.

24 Finally, in the Concentric report, there's a rather
25 troubling suggestion that lifeline rates:

26 "If they are at all successful, would reduce the
27 need or incentive to do things like wear
28 sweaters, weather strip indoors, or take shorter

1 showers".

2 That fails to remind people that there was an earlier
3 suggestion in Ontario that "people cuddle together under a
4 warm blanket with a bottle of wine". I don't know how many
5 people in this room will remember who made that suggestion.

6 MR. SOMMERVILLE: I followed that advice.

7 [Laughter.]

8 DR. SILK: That suggestion was actually made by a
9 former Minister of Energy, and he was, of course, roundly
10 criticized for that, perhaps taken out of context. But
11 we're not sure that that's a very progressive way to deal
12 with these issues.

13 We're also not sure -- what we're suggesting, that if
14 there were a significant difference in a lifeline or in the
15 inverted rate between the existing rate level -- because in
16 Ontario the problem with the inverted rate structure is,
17 there's really not that much of a difference. It's 5 cents
18 for the first 750 or 1,000 kilowatt-hours, and then 5.9.

19 And so the differential there, although it's a step
20 forward, really isn't that significant in the long-term.
21 It really doesn't adequately reflect the differences in
22 price.

23 So I wanted to walk you through Kyoto. I referred to
24 the Kyoto Protocol yesterday, or -- I guess it was
25 yesterday. As you might know, the Kyoto Protocol, which
26 Canada signed and ratified, requires that richer countries
27 -- and I think in this context the analogy I'm trying to
28 make here is that the richer countries, or consumers,

1 richer consumers who are responsible for generating most of
2 the problem accept their responsibility by cleaning up
3 their own backyard, for example, paying off their stranded
4 debt, by helping less developing countries or low-income
5 consumers in Ontario invest in measures that avoid the
6 mistakes made by the richer countries or the consumers.

7 And so at the international level, these principles
8 are widely accepted, if poorly implemented, unfortunately.
9 But those same principles should be -- should inform Board
10 decisions on moving ahead with tariffs in Ontario.

11 Furthermore, I think the increasingly accepted
12 principles of inter-generational equity should also come
13 into play.

14 So it's a bit of a rhetorical question, but here it
15 is: Why should single-parent mothers living in substandard
16 housing share the same rate burden as rich retirees whose
17 electricity consumption was grossly subsidized for decades
18 -- \$40 billion -- whose savings helped them to invest in
19 energy-efficient upgrades -- better fridges, better-
20 insulated homes -- and whose excessive consumption has
21 driven up asthma rates and other health issues, notably by
22 all the coal-fired generating plants in Ontario? And
23 that's driven up the health cost that, to add insult to
24 injury -- or, in this case, more injury to insult -- these
25 costs are now being borne by the same single-family mothers
26 and their children.

27 There's something clearly wrong with the way that we
28 are approaching tariffs in this field in Ontario.

1 If we look at the 2006 Statistics Canada, which was
2 the most recent data that I was able to find, the average
3 expenditure per household in Ontario for water, fuel, and
4 electricity for the principal accommodation, was \$2,392.

5 And if you compare that to some of the other parts of
6 average expenditures, you're looking at communications,
7 \$1,500; tobacco and alcohol products, almost \$1,400; pets -
8 - I just threw that in there -- \$440; games of chance,
9 \$262. To sort of put this in context, in terms of how much
10 -- what significance the expenditure per household really
11 is.

12 If we were to assume that most low-income households
13 probably spend less on water, fuel, and electricity, the
14 average from Statistics Canada, bearing in mind that they
15 may spend higher amounts on heating and cooling because of
16 poorly insulated homes and inefficient furnaces and heating
17 equipment -- but I suspect, and part of the problem is, we
18 don't really have very good data in Ontario on this -- that
19 that is compensated by the fact that most low-income
20 households live in much smaller homes, they've got fewer
21 appliances, and there's also the unfortunate -- what is
22 referred to as the "discomfort premium" in all too many
23 low-income households, which basically means people aren't
24 very comfortable in their homes because they can't afford
25 to heat their homes up to 20, 22 degrees, or cool them
26 down.

27 Even so, if we accept this number, the \$2,392, if we
28 compare that to the average LICO rate for a family of four

1 of about \$40,000, it's really only 6 percent.

2 And if we add to -- or not add to that, but in the
3 data that EnviroCentre has established, based on, I think
4 it's 60 homes that we've done, and we've done the
5 consumption records in Ottawa -- these are homes with
6 electric heat -- the average expenditure is 3,000 -- well,
7 it's about \$3,500. Even that, with electric heat, is less
8 than 9 percent of the total household income.

9 The data that I've also got there for cell phone,
10 satellite TV, gambling, and tobacco, those are increases in
11 the average family household expenditures. They're a
12 little bit out of date, but they clearly show, if you were
13 to look at what -- how much electricity plays a role in the
14 change in the price -- or the cost of electricity to
15 households in general, it pales in significance to what
16 people are really spending more on these days, and it's not
17 electricity.

18 And that's, from our point of view, actually a bit of
19 a problem, because our conclusion in this is that energy
20 poverty is actually an oxymoron in the Canadian context,
21 that it's very, very difficult to suggest that there are --
22 there are always exceptions, of course, that need to be
23 dealt with -- but the consumption of electricity and fossil
24 fuels in Canada is between five and 17 -- sorry, five and
25 seven times more than the world average.

26 I've got more data in the actual briefing, but if you
27 just look at this comparison between Canada and Denmark. I
28 chose Denmark. It wasn't one of the Concentric report

1 countries, but Denmark is reasonably similar to Canada.
2 It's a northern country, relatively civilized, you know,
3 good health programs, good social programs, a decent
4 economy, all that kind of thing. Granted, it's a little
5 smaller, but look at the numbers. Kilograms of oil
6 equivalent -- I think that's what that stands for, yes --
7 in Canada per capita, it's 8,300. In Denmark, it's less
8 than half that. In Canada, electricity, 17,209 kilowatt-
9 hours per person, compared to Denmark of almost a third.
10 And look at the prices. Ten cents on average per kilowatt-
11 hour in Canada. It's almost four times that in Denmark.

12 And I think one could claim, or certainly make a
13 pretty strong case, that there's a correlation here between
14 a more accurate price of the commodity and the consumption
15 of the commodity. And I think we need to pay more
16 attention to that, because the problems in Canada compared
17 to Denmark and other Western European countries, are
18 getting worse.

19 According to the International Energy Agency, between
20 1990 and 2005, changes in greenhouse gas emissions actually
21 increased in Canada by 10 percent. In Western Europe, they
22 decreased by 1.3. In the United Kingdom, which has a very
23 aggressive program now over the past five to ten years in
24 this field, they actually decreased by 10 percent. And
25 again, you know, the United Kingdom can, I think, be
26 compared favourably to Canada in terms of living standards,
27 social, environmental, health. It's, you know, not a --
28 it's not like Russia. And that's actually one of the

1 reasons why the numbers are quite low when you combine
2 Eastern and Western Europe, because of the problems in
3 Russia.

4 So I think one could conclude that the most
5 responsible public policy and regulatory remedy to the very
6 real problems of low-income issues is to improve lifeline
7 rates and levels, and to implement energy prices that more
8 accurately reflect the real costs to the public interest,
9 including our social and our environmental deficits.

10 There are also some suggestions in the Concentric
11 report that the need for low-income energy programs may be
12 substantially reduced because some households with low
13 amounts of earned income need not sacrifice basic housing,
14 food, or medical care. And this is just my assumption, but
15 it's presumably because they could just sell their home.

16 Lifeline rates, by the way, would easily address this
17 issue. Perhaps, though, not to the satisfaction of rich
18 widows living in larger homes, but that's another problem.

19 Another troubling aspect or conclusion -- or
20 suggestion, at least -- in the Concentric report is that
21 utility regulation has sought to establish rates that are
22 cost-based. I think that needs to be squared with, again,
23 the current \$20 billion of residual debt of the Ontario
24 Electricity Financial Corporation. And I would point out
25 that that debt does not reflect the environmental or social
26 debts which today, unfortunately, still are barely
27 recognized, they're certainly not on the books, and in
28 fact, they're not being paid off.

1 And in fact, one, I think, could make the case that
2 the environmental and social debt of Ontario's electricity
3 and natural gas sector is actually increasing every day.
4 We're making a little bit of progress on the straight
5 economic issues, but on the social and environmental issues
6 it's actually getting worse. The deficit is actually
7 growing on a daily basis, for low-income households are
8 getting poorer, the environment is getting worse, I think.
9 Nobody except Stephen Harper and maybe a few others would
10 dispute that. I would hope nobody else in this room would
11 dispute that, but we'll see.

12 There's also a conclusion in the Concentric report --
13 oh, no. Sorry. This is the good news in the Concentric
14 report.

15 It did conclude that:

16 "Discounts that waive or reduce the fixed monthly
17 charge usually are perceived as being more
18 equitable because they improve the affordability
19 of the services for low-income customers without
20 regard to energy consumption levels."

21 And that's certainly a very important point.

22 One of the sort of not-so-good points, again, in the
23 Concentric report is that it appears to call into question
24 the:

25 "Equity of many richer people helping a
26 relatively small segment of customers."

27 Yet it does go on to cite examples of utilities in 11
28 US states that waive or reduce security deposits. So

1 that's good and bad.

2 It's also encouraging to note that the Concentric
3 report found, based on a review of all 50 states, that 48
4 jurisdictions -- which I think means states, but I'm not
5 sure -- have implemented policies or adopted rules to
6 protect consumers from disconnections during extreme
7 weather conditions or for medical reasons. And that's
8 certainly a policy that we would argue needs to be mandated
9 by the Board as quickly as possible.

10 I would also point out, I think -- sorry -- that, I
11 believe again it was a Board decision to continue the Rural
12 and Remote Rate Protection program. Now, that might be
13 criticized for subsidizing certain customers based simply
14 on location. But it is a clear precedent for subsidizing
15 certain consumers based on need. That said, it would be
16 our position that only qualified low-income households, and
17 there we would include farmers, in rural areas should be
18 subsidized, not cottage owners. Thank you.

19 MS. HARE: Okay. Our last presenter on this topic is
20 Theresa McClenaghan.

21 **PRESENTATION BY MS. McCLENAGHAN:**

22 MS. McCLENAGHAN: Okay. Thank you. We're at slide 55
23 in the LIEN presentation, topic 4.

24 So we're at slide 55 in the beginning of topic 4,
25 rate-related measures and issues. There might be some
26 elements of this presentation which share some elements of
27 both of the previous presenters, even though they seem very
28 opposed to each other, because this is a consideration of

1 the fact that while we're talking in general at this
2 hearing about a range of options for low-income consumers,
3 this particular discussion is making the point that not all
4 low-income issues involve the decision and implementation
5 of an actual program. And certainly, while we want to see
6 that too, it's interesting to examine this issue in itself
7 within the structure of, if I can call it, traditional
8 ratemaking.

9 And so some of the low-income issues that arise do
10 involve those -- that basic historic process as it's
11 normally been done, but maybe with a bit of a different
12 perspective in terms of understanding the implications for
13 low-income consumers and unwrapping that a bit more.

14 So if we go on to slide 56, first of all, dealing with
15 the issue of cost causality, which previous speakers have
16 already outlined for us. An attribution of costs according
17 to where they're being created is also a relevant
18 consideration within this sphere. So one point is that
19 fees that are over and above the cost base need to be
20 scrutinized, and so are, for instance, general customer
21 service expenditures being disproportionately placed on
22 low-income consumers.

23 Those fees that are over and above the cost base
24 should be -- the low-income consumer should be given
25 exemptions from those fees because they're the least able
26 to bear them, and there's not a direct relationship.
27 There's often a situation where there's prioritization of
28 disconnection activities, which we've seen, for example,

1 this morning, is not ideal, not desirable, and in an
2 appropriately designed program not even necessary. And so
3 the utility could be reallocating those kinds of efforts to
4 other more productive activities within the utility. And
5 they just shouldn't be incurred and placed on this sector.
6 Similarly, reconnection fees, connection fees and things
7 like that. So they just increase the burden to those least
8 able to pay, without an appropriate relationship.

9 In terms of the basic rate structure, both Mr. Tucci
10 and Mr. Silk were just discussing the concept of inverted
11 rate structures, and in particular, in an environment as we
12 have in Ontario where we're looking at an increasing cost
13 environment, rebuilding of a system, in some elements
14 expansion of a system, the inverted rate structure is
15 appropriate.

16 But it's critical to look at that first block and say:
17 Is it appropriately set, and is the difference -- and Dana
18 just made this point -- is the difference between them
19 correctly set?

20 And so, for instance, applying seasonal rate
21 differentials on the first block can rarely be justified on
22 a cost causation basis. So, for example, talking about our
23 client base, LIEN members' clients, many of those clients
24 would not be accessing central air-conditioning in summer
25 months, for instance. At best they might have window air-
26 conditioners and that kind of thing, with differences in
27 usage.

28 And similarly, the lost rate recoveries and lost

1 fixed-cost recoveries are also rarely justified on a cost-
2 causation basis as well.

3 The low-income consumers tend not to be the biggest
4 users, whether we're talking about on a seasonal basis or
5 on a year-around basis. So another term, perhaps, is
6 "lifeline rates", talking about getting a basic rate
7 structure for that first block of use at an appropriate
8 level, and then dealing with cost differences for higher-
9 usage consumers.

10 Similarly, expense of peaking fuels and the purchase
11 power costs for peaking fuels can rarely be justified on a
12 cost-causation basis for that first block of consumers, and
13 in particular for low-income consumers. Those are not the
14 consumers that are causing that peaking profile.

15 In terms of the justification that's sometimes used
16 about price signals, again, if we're talking about price
17 signals from the point of view of affecting behaviour, then
18 that's not terribly relevant in the case of low-income
19 consumers.

20 Much of the usage by low-income consumers, as we
21 discussed yesterday, is non-discretionary. Even if it's,
22 for instance, high usage, relatively speaking, by way of
23 electric baseboard heat, that's not optional in Canada's
24 climate. Price signals are not going to help with that.
25 Consumers who have to stay home all day are not going to be
26 assisted by price signals of that nature.

27 The converse is that there should be a reciprocity, so
28 the customers where there is benefit can reap the benefit.

1 And again, in terms of low-income consumers, sometimes this
2 isn't analyzed. And some examples are provided here.

3 So, for instance, if there's a disproportionate
4 contribution to cash deposits, then the rate of return
5 associated with that can be allocated. If there's a
6 disproportionate payment of late fees, then the revenue
7 from those fees can be allocated. And if low-income
8 weatherization is reducing bad debt and working capital,
9 then that's one way that you could talk about those being
10 allocated back into, for instance, additional
11 weatherization programs.

12 And -- yeah, I think we already made the points on
13 slide 60.

14 But in terms of slide 61, the first aspect of this is
15 simply to this, that it's not even as though there is one
16 stringently defined or even very defined meaning of the
17 term "cost-based". And here are four examples of different
18 evaluations of different kinds of costs that people talk
19 about.

20 It's a term that's used in different contexts in
21 ratemaking, and so it has to be unpacked quite a bit more,
22 in terms of understanding the impacts on low-income
23 consumers.

24 And in terms of the argument that there should never
25 be subsidies, there are other precedents, and we heard
26 about these yesterday as well, in terms of promotion of
27 social goals within the context of the ratemaking structure
28 of the utility.

1 So one example that's been referenced is remote and
2 rural connection and transmission for electricity services
3 and other utilities, provision of basic telephone service,
4 similarly, and carbon reduction with conservation incentive
5 rates.

6 Another concern is that in some cases non-cost-based
7 rates are approved, even though they are a burden to low-
8 income consumers. And so the late fees are an example, if
9 it's an arbitrary percentage of the late fee, deposits that
10 are requested are not cost-based, that have an element,
11 perhaps, of arbitrariness as well.

12 The other element is that in some contexts in utility
13 ratemaking, subsidies aren't expected to be cost-based, if
14 they're a payment for a broader right or good, like a
15 right-of-way for public services.

16 And so in the case of ensuring affordable, basic
17 services to all consumers, the argument can be made that
18 that too is, in the same manner, ensuring equitable access
19 by all consumers and not having a system where even the
20 lowest tier of the inverted rate is unaffordable to a
21 significant block of consumers.

22 And that's our presentation for this topic.

23 MS. HARE: I think we should take a 15-minute break
24 and then come back at 3:30 and have questions and
25 discussion. But as you're thinking about your questions
26 over the next 15 minutes, I'd suggest maybe you think --
27 and when we come back, we make it clear whether we're
28 talking about the commodity and whether we're talking about

1 distribution rates, because I think this is where there's
2 some misunderstanding about what people are talking about,
3 when we're talking, for example, the example of the
4 inverted structure being on the commodity, and the comments
5 in the Concentric report about cost-causation.

6 So as we think about the questions, if we come back
7 and make sure we're framing them as to what it is we're
8 talking about, it will be helpful. Okay?

9 So let's come back at 3:30.

10 --- Recess taken at 3:20 p.m.

11 --- Upon resuming at 3:39 p.m.

12 MS. HARE: Okay. We're back, and we'll have some
13 discussion on issue 4, the rate-related matters.

14 There were some comments made about the Concentric
15 energy report that John would like to address. So, John?

16 MR. TROGONOSKI: Yes, thank you, Marika. This is John
17 Trogonoski with Concentric Energy Advisors.

18 During the last segment, we heard some comments
19 invoked by several different people regarding the
20 information contained in the report that Concentric
21 provided for the Ontario Energy Board, and I just wanted to
22 take a brief opportunity to respond to a couple of those.

23 First of all, I guess I wanted to say that the purpose
24 of the survey that we did was to summarize the programs and
25 policies and measures that have been adopted already in
26 other jurisdictions, and specifically in the section we're
27 talking about here, which is rates and rate discounts and
28 rate designs, I would note that the section of the report

1 is titled "Description and policy consideration."

2 Now, to me that means that policy consideration could
3 either be a pro or a con for that particular policy. It
4 doesn't necessarily say that we're advocating it or that
5 we're opposing it; we're simply saying these are the things
6 that other jurisdictions have had to grapple with as they
7 have dealt with the issue of rate design and rate discounts
8 in the area of low-income energy assistance programs.

9 So I think the idea that somehow we are saying that
10 inverted block rates are a good thing or a bad thing is
11 simply not true. We're simply saying: Here's what
12 inverted rate blocks are, and here's the pros and here's
13 the cons.

14 Now, on that particular issue, I think the idea of an
15 inverted block rate structure isn't necessarily designed to
16 only benefit low-income customers. It's designed to
17 primarily encourage conservation that could benefit low-
18 income customers. It could also benefit customers who have
19 a second home and are very wealthy. So the program itself
20 is not necessarily intended specifically or targeted at
21 low-income customers.

22 So I just wanted to clarify that fact. The entire
23 concept of an inverted block rate structure depends on the
24 assumption that there is some correlation between a
25 person's income and their usage, and that's not necessarily
26 the case with a low-income customer -- in the opinion of
27 Concentric, at least -- because low-income customers tend
28 to either fall into the group of being elderly or ill or

1 they have either limited or no income or job, which means
2 that they're probably more likely to be at home during the
3 day and possibly use more electricity than a person who is
4 not in that situation, which means that an inverted block
5 rate structure may not actually benefit that customer.
6 They may use more, and it may not be because they want to
7 use more, but simply because they have the opportunity to
8 use more.

9 I also wanted to just further stress that I don't
10 think anywhere in this report do we draw any conclusions,
11 and if we do draw a conclusion it is simply that if the
12 Board wishes to consider low-income energy programs in the
13 future, I think they need to recognize that there's going
14 to be some trade-offs between the traditional ratemaking
15 principles of cost-based ratemaking, what is a just and
16 reasonable rate, versus the social goals that you may want
17 to achieve by providing some kind of a reduced rate or a
18 subsidy or whatever you want to call it, to low-income
19 customers.

20 So all we're trying to say here is there are trade-
21 offs. Yes, you may need to say: Okay, we've always based
22 rates on costs, but in this one case we're going make an
23 exception and we're going to say, because it's our social
24 goal to help these people, and we want to be compassionate,
25 and we want to give assistance to them, therefore we're
26 going to slightly modify our traditional ratemaking
27 principles for that reason. And we've seen a lot of
28 jurisdictions do that, but it is a threshold question that

1 the Board will have to decide if they ever get to that
2 point.

3 I guess the other thing I would say is I don't know
4 anything about the history of the \$40 billion or \$20
5 billion or whatever that was referred to earlier. I
6 understand that it has something to do with the commodity
7 portion of the bill or not the distribution portion of the
8 bill, but our report assumed that the current rates that
9 are in effect in Ontario have been determined by the Board
10 to be just and reasonable rate, and based on cost, and I
11 guess I don't see this particular stakeholder conference as
12 being the appropriate place to bring up those arguments. I
13 think what we're here to talk about is how best to help
14 low-income customers and does the Board want to do that,
15 not, you know, who did what to who for how much money. I
16 don't -- I mean, that to me is not a discussion we need to
17 have.

18 I think we need to focus our attention on the question
19 at hand, which is what is the best solution to this
20 problem. Does the Board want to consider solutions? Is
21 this something that's important to the Board? And if so,
22 what experience have other jurisdictions gained already
23 that can now be applied to Ontario so you can benefit from
24 the knowledge of people who have already done this?

25 And I guess that's my response for right now.

26 MS. HARE: Thank you.

27 Questions? Comments? Dana.

28 DR. SILK: I would just respond by saying that

1 certainly in the Canadian context, a \$40 billion debt, half
2 of which is residual, half of which is sort of assets, is a
3 lot of money; I recognize that it's not a lot compared to a
4 \$700 billion debt or buyout or whatever it is in
5 Washington. But it's a lot of money. And it's as a result
6 -- and until we realize and determine how we got to that
7 point, I'm not so sure we can afford to ignore such
8 substantial debts.

9 So I think an analysis of how we got this point is
10 pertinent to the Board's discussion on setting rates.

11 DR. HIGGIN: Hello.

12 Roger Higgin for VECC. We're consultants to VECC.

13 I'd just like to put on the table this issue of
14 starting with the distribution bill only, leaving aside
15 commodity, and the tension that's there between fixed
16 charges and variable.

17 And the fact is the Board has been asked recently for
18 the last several years to significantly increase fixed
19 charges. It's done that on the driver from the utilities
20 that they want to recover more of their fixed costs,
21 service lines, meters, customer care, and that that there
22 is a risk commensurate with that, so that that plays into
23 the whole question of what is the allowed return, the risk
24 premium, and so on. So that's where we've been going. And
25 we're still going in that direction. So I put it on the
26 table: Do we need to continue going in that direction to
27 get 100 percent -- which is the utilities' goal -- of all
28 of those fixed costs recovered in rates through the fixed

1 charge?

2 That's the question, and I think that's a fundamental
3 issue that we need to think about within this forum.

4 MS. HARE: I guess I might say one thing, Roger, to
5 respond to that, and first maybe I'll respond to what Dana
6 said. But the dollars that you're talking about are a
7 result of the debt incurred with the restructuring of the
8 market. So we're talking about something that has nothing
9 to do with how we set distribution rates today. That's a
10 fact that we're all going to be paying for. It was a
11 political decision, part of the restructuring. So I don't
12 really see, personally, how that's helpful.

13 Now, in terms of, Roger, the split between fixed and
14 variable, yes, that's a very interesting question, and one
15 that we're dealing with in the rate design project on
16 electricity that I know you know about. And I guess this
17 maybe is a good segue to say that maybe some of the things
18 that we are talking about, that we have been talking about
19 the last couple of days and will be talking about the next
20 couple of days, depending on what the Board's decisions are
21 on them, may find their way in a number of projects that we
22 have underway.

23 For example, the rate design project may find its way
24 into the time-of-use project. We're looking at service
25 charges, and we're looking at things like disconnection
26 policies. The Staff went out with a discussion paper on
27 that already.

28 So in all of those projects, we didn't specifically

1 address low-income issues. So this is a very good
2 opportunity. But depending on what the decision is, it may
3 find its home in those projects.

4 But the issue that you're raising about the amount of
5 the fixed monthly charge versus variable is one that the
6 utilities will argue that makes sense, because they will
7 argue that almost all of the costs actually are fixed. And
8 if the costs are fixed, it makes sense to have a totally
9 fixed rate.

10 On the other side of the coin, I'll just share with
11 you, I mentioned that I was meeting with four regulators,
12 and very much we asked them this question: What is your
13 fixed amount? And they all said that although it
14 intuitively makes sense, they would never go there, because
15 there would be such an adverse reaction from the
16 residential customers.

17 And I'm not sure that it's all that different here, in
18 terms of the history of what we've had, that maybe it makes
19 sense for a higher fixed amount, but you need to consider
20 what the impact is on the low-volume customers, and then
21 how will that be, you know, perceived by customers that
22 have been paying a certain way for so many years?

23 No decisions have been made. This is exactly where
24 we're at in the thinking, though.

25 MS. GIRVAN: Sorry, Julie Girvan.

26 I was going to add to that. The other side to that
27 is, too, the issues around conservation and the
28 relationship between having a high fixed charge and how

1 that could go against conservation initiatives.

2 MS. HARE: Right.

3 Ian?

4 MR. MONDROW: It's Ian Mondrow.

5 I guess a question -- and maybe Mr. Silk and Ms.
6 McClenaghan can help me with. I'm not clear at this stage
7 whether the conventional view is that low-income customers
8 use less electricity than non-low-income customers --
9 talking about households now -- or not. And that would
10 help me, I think, to understand some of the positions that
11 you're putting forward.

12 So maybe I could ask both of you to address your views
13 or understanding of that question.

14 MS. McCLENAGHAN: We provided -- it's Theresa
15 McClenaghan speaking, firstly.

16 We provided with our filings with the Board a couple
17 of things that might assist. One is dwelling
18 characteristics and household equipment by household income
19 quintile, based on the 2006 Stats Can data, and one for
20 heating and cooking, and one for appliances.

21 And we've also, in some of the slides, talked about
22 characteristics of dwellings. It's not a black-and-white
23 answer, and I think the approach we're advocating is that
24 there need to be realistic solutions for the consumers who
25 find themselves in a range of circumstances.

26 So a low-income approach in Ontario, writ large across
27 all of the issues that the Board deals with and beyond,
28 would mean that there's a range of provision of access to

1 demand management and usage reduction programs, and some of
2 those are targeted to people who own their own household,
3 and some of them are targeted to tenants, some of them are
4 targeted to people who have electric heat and some of them
5 are targeted to gas, and a whole range of other issues.
6 And some of things that could help with that usage would
7 need to be differentially targeted for those different
8 circumstances.

9 Similarly, on the rate side, in terms of discount
10 programs or whatever it may end up looking like, there
11 would need to be evaluation of how we ensure that the
12 programs are appropriate, whether it's someone who is in
13 their home with electric baseboard heat and has no
14 wherewithal or program available to change that in some
15 way.

16 And so that's where an affordable energy-burden
17 discussion may come to bear, to say, how much can that
18 household be paying. And even though by no wish of their
19 own, their consumption may then be going beyond that, there
20 is still a solution for them, for that particular
21 circumstance they find themselves in.

22 So that's why you may find that it hasn't been a sort
23 of single scenario. There are multiple scenarios that we
24 are dealing with across the province.

25 MR. MONDROW: Thank you.

26 DR. SILK: I'll be brief. Clearly, I don't think
27 there's any dispute but that low-income households consume
28 far less electricity, and natural gas, for that matter,

1 than middle- and upper-income households, but the share of
2 their -- what they pay for that consumption as a proportion
3 of their total or disposable income is obviously higher
4 than middle- and upper-income households.

5 MR. MONDROW: So is that an inconsistency? I
6 shouldn't put it that way. I don't mean it pejoratively.
7 I'm just trying to understand it. You hold a different
8 view, I gather, Mr. Silk, as to whether you can
9 differentiate and use, for example, a rate solution to
10 address, in part, low-income issues.

11 I mean -- and maybe give some explanation of that
12 proposition I put forward. It seems to me that if you
13 can't identify low-income customers by usage levels, then a
14 rate that just goes to usage level is not going to help
15 very much, or at least not help all of the potential
16 categories of low-income customers, whereas if it's easy to
17 look at usage and say, you know, low-income customers all
18 fall in a particular usage band, it's a different
19 proposition to address their situation through a rate
20 mechanism. I'm trying to get a sense of whether there's
21 unanimity on that or whether there's divergence on that.

22 DR. SILK: Well, there's certainly not unanimity, but
23 -- and there might be a lot of divergence, but it's --

24 MR. MONDROW: But [inaudible] as to whether it could
25 be used, not whether it should be used.

26 DR. SILK: It certainly --

27 MR. MONDROW: Whether it could be used.

28 DR. SILK: -- could, and what we're arguing is that it

1 should be used. Most low-income households in Ontario
2 consume relatively little electricity and natural gas,
3 because they're living in very small, usually social
4 housing units that were built 20, 30, 40 years ago now.
5 And, you know, you can only put so many plasma TVs in a
6 very small house.

7 So it's relatively easy to identify these people. It
8 would be relatively easy to assign -- to qualify low-income
9 households for -- that's what we're recommending -- an
10 appropriate inverted rate structure -- call it lifeline or
11 what you will -- that would be based -- that would be a
12 seasonal adjustment -- and we're talking for the next two
13 years. We'll see what impact time-of-use rates have on the
14 commodity charge.

15 And if we wanted to, we could actually make it
16 dependent on number of people in the household. That would
17 be a relatively easy way to say: Okay. You've got five
18 people living in this house. You know, with an energy-
19 efficient fridge, a high-efficiency furnace -- and we can
20 even throw in some CFLs -- you shouldn't be using more than
21 1,000 kilowatt-hours a month. And we'll provide that to
22 you at a rate that approaches the actual cost. Not less
23 than the actual cost -- actually, I'm saying, yes, it would
24 be actually less than the actual cost.

25 And if you want to go out and get two or three plasma
26 TVs on top of that, you're going to have to pay a much
27 higher cost to run your plasma TVs; that's what we're
28 saying. That's the whole principle of what's called a

1 lifeline rate, and it's relatively easy to do.

2 MR. MONDROW: So under that principle you make an
3 assumption about what an efficient mix of consumption
4 equipment would be, regardless of what the actual --

5 DR. SILK: It wouldn't be an assumption. We've been
6 doing this for ten years. We've got pretty good data on
7 what it actually costs, what kind of equipment is needed.
8 You know, we have installed hundreds -- we've taken out
9 hundreds of inefficient refrigerators that can consume up
10 to 2,500, even 3,000 kilowatt-hours a year, so we're
11 talking, you know, over \$300 a year, and we've replaced
12 them with Energy Star refrigerators that can consume 400.

13 So we're going down from a price for many low-income
14 households, could have been paying 200, 250, \$300 a year,
15 and we're giving them a fridge, and that's only going to
16 cost them 40 or 50 bucks a year.

17 So that's good for the low-income households, but it's
18 even much better for the province, because we're not
19 generating from coal-fire-generating plants all of these
20 greenhouse gases and using public funds to make climate
21 change even worse.

22 And it's, as I said, relatively easy, and it isn't
23 based on assumptions. It's based on on-the-ground
24 experience working with hundreds, if not thousands, of low-
25 income households.

26 MR. MONDROW: I think I understand your proposal.
27 Thank you.

28 DR. SILK: Thank you.

1 MS. HARE: I think Colin has a question, or a comment.

2 MR. McLORG: Well, a question, actually, Marika.

3 Thank you. Colin McLorg, Toronto Hydro.

4 A question for Ms. McClenaghan, if I may. The first
5 bullet on your slide 56 is, cost causality means that the
6 customer causing the costs should bear the costs.

7 Conversely, if a customer does not cause the costs, he or
8 she should not pay them.

9 And I think that often that's referred to generally as
10 the user pay principle.

11 So my question is one, really, of clarification. I
12 understand that the essence of your position is that there
13 are good reasons to depart from the user pay principle, to
14 recognize ability to pay on the part of a subgroup of
15 customers. And so that, strictly speaking, you're not
16 really saying that the user pay principle should apply to
17 all customers but just to low-income customers; do you
18 think that's a fair statement?

19 MS. MCCLENAGHAN: No, I didn't quite follow your last
20 sentence, but the -- first of all, I think we heard this
21 morning from some of the jurisdictions that when you look
22 at the programs that they're implementing, they actually
23 are ending up within the sphere of that program relatively
24 revenue-neutral, as they described it. And so some of the
25 discussion here is about the fact that if you look at that
26 whole basket of activities, you would find that you're
27 saving some money, you're recouping some money, you're
28 doing better on receivables, you're doing better on cash

1 flow. There's a whole basket of benefits that we reviewed
2 earlier today. So if you take that all into account, that
3 in itself, before we get into the bigger picture question
4 about what's energy poverty and what's an affordable energy
5 burden, would in itself justify quite a bit of action
6 within the Board's relatively traditional sphere of
7 approaching the issues.

8 And then, beyond that, we would also be saying, when
9 we look at how we should be approaching this issue, the
10 question would be -- it's kind of like that little red
11 triangle Claudine put up for us today -- that there are
12 still going to be people who need emergency assistance.
13 There's still going to be a class of people for whom
14 affordability is still an issue, despite those various
15 programs. And it's appropriate to turn our collective
16 minds and come up with an approach that says: What's the
17 best way, the most efficient and the best incented way to
18 approach that?

19 In a preliminary way we've indicated that, for
20 instance, a tiered discount program might be a good way to
21 look at that particular remaining energy burden issue --
22 similar, but I don't think identical to what Dana is
23 Outlining -- in that in a tiered discount program the
24 consumer would have some incentives to conserve, would see
25 the benefits of conservation, but if they made choices, you
26 know, to go beyond, then that would be a decision for them
27 to bear. But you would evaluate their eligibility for the
28 program based on an energy burden, energy poverty,

1 affordability criteria, whatever we may call it. And then
2 it may be eligibility for different aspects of the program,
3 whether it's conservation demand management and other usage
4 issues, whether it's the fact that once you do that, maybe
5 their bill is affordable. Maybe once you deal with the
6 usage issues, that particular family's bill is affordable
7 within a 6 percent or whatever statistic we want to use,
8 percentage of income basis.

9 But there will be -- the fact is there will be --
10 customers who, something happens, they need an emergency
11 assistance program, or despite all that it's still
12 affordability program problem for them, and in terms of
13 ensuring access to all customers, especially access to
14 something like this that's essential, basically, in this
15 day and age, we have to come up with an approach that
16 ensures they get the benefit.

17 And I might add that the one maybe additional layer we
18 haven't discussed very much today is that LIEN would like
19 to see whatever we come up with in the end not require that
20 people get to the point of disconnection notices before
21 they can access the programs. We would like it to be much
22 more thoroughly thought out and designed such that bills
23 are much more affordable for a range of circumstances all
24 along, and that we're not waiting until that family is in
25 dire straits, has already made a number of very -- you
26 know, tough decisions in terms of what they're
27 prioritizing.

28 So it is multi-faceted, which I know makes it sound

1 complex, but I think it is very doable as well.

2 MR. MONDROW: Thank you.

3 MS. HARE: Yes. Andy.

4 DR. PORAY: Am I on? Hi. Andy Poray from Hydro One
5 Networks. Thank you, Marika.

6 I have to leave very shortly, so can I raise two
7 concerns, or observations, perhaps? And one concern that I
8 have has been raised by some of the things that Mr. Silk
9 has said, and it's in the context that it's easy to do. We
10 have the information; it's easier to do.

11 I think the issue here is information. And we heard
12 this morning from our visitors from the United States and
13 Quebec that in order to be able to implement these types of
14 programs, you do need a lot of information, a lot of
15 information in terms of income levels, consumption. And
16 so, inasmuch as this can be done, there are challenges in
17 doing it.

18 Utilities typically don't keep a track or don't have
19 the information, in terms of what appliances consumers
20 have. Only if you have a survey, and even then it would be
21 a survey on a small proportion of customers, so generally
22 we don't know what appliances they use, and all we get is
23 just a total consumption per household. So I think we have
24 to be careful in terms of what -- when we say it's
25 relatively easy because we have the information, we'd have
26 to get that information, we'd have to marry that
27 information to other information pertaining to income
28 levels that would perhaps enable us then to do that.

1 The other comment I wanted to make was the comment
2 which was made by LIEN just a minute ago, and that is the
3 ability of the utilities to extract savings by virtue of
4 the fact that they will be able to do things by
5 implementing these programs. The concern I raise there is
6 that for the natural gas utilities, they're already under a
7 performance-based regulation or incentive regulation type
8 Environment, where their rates are essentially fixed, or
9 they will rise in accordance with certain expectations,
10 where productivity has already been factored in.

11 And the electricity distributors are going there, with
12 third-generation IRM. So inasmuch as we are going to be
13 looking for the savings under that, under normal operating
14 and working conditions, if we now impose other types of
15 costs, there will be very little room, or at least there
16 will be limited room, to balance those savings against
17 productivity gains.

18 So those are just sort of some of the concerns that I
19 want people to be aware of. Thank you.

20 MS. HARE: Anything else?

21 Well, if not, then I suggest we break for the day.
22 We'll start tomorrow with the presentation by Murray Newton
23 from the Industrial Gas Users Association that wasn't able
24 to be here the last few days, and then we'll move into
25 topic 5, and we'll probably get to topic 6 in the
26 afternoon. So for those of you that are presenting, let's
27 be prepared to move to topic 6 in the afternoon and we'll
28 see how things go.

1 Thank you very much.

2 --- Whereupon the hearing adjourned at 4:07 p.m.

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