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VIA EMAIL and RESS

October 30, 2008

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, Ontario
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Dear Ms. Walli:

Re: Consultation on Energy Issues Relating to Low Income Consumers
Enbridge Gas Distribution Inc. ("Enbridge")
Board File No.: EB-2008-0150

In response to the Ontario Energy Board's ("OEB") request for written comments on energy issues relating to low income consumers, please find enclosed Enbridge's written comments.

This submission has been filed to the OEB using RESS.

Sincerely,

Lesley Austin
Regulatory Coordinator

enclosure

cc: Scott Stoll, Aird & Berlis (via email)

CONSULTATION ON ENERGY ISSUES RELATING TO LOW INCOME CONSUMERS

SUBMISSIONS

OF

ENBRIDGE GAS DISTRIBUTION INC.

Introduction

Enbridge Gas Distribution Inc. ("Enbridge") recognizes the depth and complexity of the broad issue of poverty and has found this consultation process (the "Consultation") to be informative and helpful. The Ontario Energy Board ("OEB" or the "Board") has brought together many organizations, distribution companies, consumer representatives and social agencies, to share their views and it is clear that each organization gave this matter serious consideration. Further, after listening to submissions, it would appear this Consultation is just the first step towards gaining a better understanding of the issues and the energy industry's role in reducing or alleviating the problem.

In his opening remarks to stakeholder, Mr. Wetston, Chair of the Board, requested that people focus on solutions and not just the problems. Participants took this request to heart, but the challenge is that the development of any potential solution is only at its infancy. A better understanding of the poverty issue, as well as currently available low income customer support programs, need to be fully considered and understood before additional efforts and resources are contemplated. Throughout the course of the Consultation it became evident that much is being done by the various stakeholders but there still appears to be a lack of common understanding of the extent

and definition of the problem and the various programs available. This knowledge gap results in a lack of coordination and presumably reduced effectiveness in the delivery of such programs. Enbridge submits that the delivery of any solution should be through the most efficient means to ensure the maximum benefit is delivered.

Enbridge would like to reiterate that it fully supports the Consultation. However, as a regulated utility, Enbridge needs to listen to all of its customers and must balance their needs. Therefore, Enbridge submits that the solutions must be transparent, consistent with the Board's jurisdiction, statutory powers, and the regulatory principles that have been used in Ontario for several decades. In keeping with those principles, the utility should not be exposed to increased risk or increased costs without an ability to recover all such associated costs. Also, most distributors and several consumer groups wish to avoid having one rate class subsidize another rate class wherever possible. The poverty issue is complex and Enbridge encourages participants to proceed cautiously to avoid actions that may have unintended and adverse consequences.

Enbridge supports the Board initiative to play a greater role in providing information to the public. As part of fulfilling that role, Enbridge along with other parties has suggested the organization of a Task Force to report on this issue on a regular basis. This Task Force could help draw attention to the issue, propose solutions that could even be beyond the jurisdiction of the Board, and could serve to measure and report on the success of the industry in achieving its goals.

Enbridge's Current Practices, Programs and Procedures

Ms. Boukydis, Director of Public and Government Affairs for Enbridge began her presentation with the following statement, "Enbridge is caring and supportive in providing assistance to all customers, and places a priority on helping customers stay connected to gas service. We work to balance need[s] of all our customers."[1] Enbridge

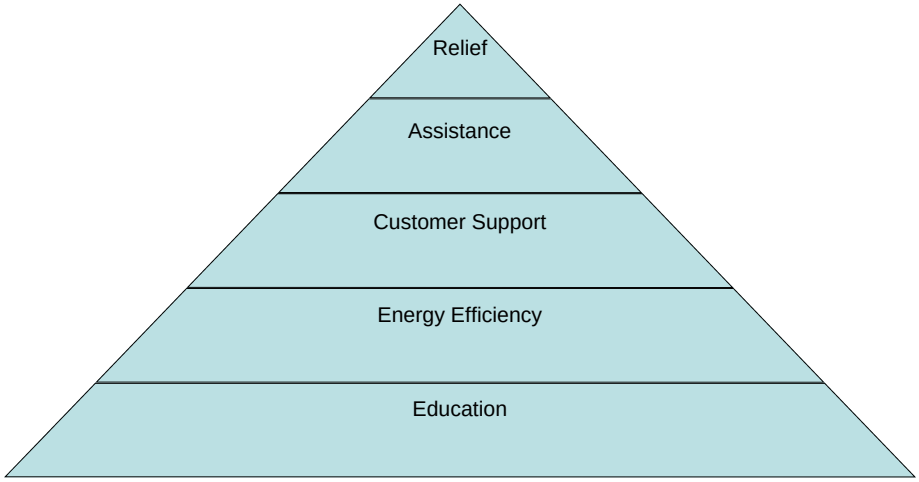
[1] September 22, 2008 [Tr. 1], p. 108, ll. 18-21.

can not overstate the importance it places upon the relationship with its customers. Like any business, the relationship between the utility and its customer is the lifeblood of the organization. Enbridge is sensitive to the needs of all customers and as a regulated utility recognizes there is a balancing of interests that must occur among these customers.

Enbridge takes pride in its customer care practices and policies. Enbridge engaged a consultant, IndEco, to compare Enbridge's practices to the practices of other utilities in Canada and the United States in order that Enbridge could better understand where its business practices ranked relative to other utilities. IndEco found that Enbridge ranked at or near the top of utilities in North America. In short, Enbridge's current policies are already taking significant steps to alleviate the hardship of low income households.

	Enbridge Rank Compared to Canadian Utilities	Enbridge Rank Compared to US Utilities
Disconnection	High	High
Reconnection	High	High
Late Payment Penalties	High	Medium
Equal Billing	High	High

Enbridge seeks to develop customer service practices that are proactive, sustainable and meet the needs of the broadest number of customers. All customers, including low income customers, benefit from an efficiently operated utility committed to providing high levels of service. Enbridge's current practices and policies operate at each level of the Customer Service Pyramid (see figure below). In particular, Enbridge feels that a utility is most effective in providing education and energy efficiency programs to its customers and potential customers. Enbridge is in the business of delivering natural gas safely and efficiently and knows that business very well. Further, energy education and energy efficiency are long-term, sustainable solutions that can provide significant benefits that will help reduce the need for the remaining services (customer support, assistance, relief).



In the 2007/08 heating season, Enbridge made available $654,000 to the Winter Warmth Fund which is comprised of $300,000 from the company and $354,000 from the interest on the Garland Settlement.[2] The Winter Warmth program is delivered through the United Way and they screen and qualify applicants for the program.[3] This program helped 1,124 households with an average grant of $353 per household which represents approximately 75% of the annual regulated cost of delivery and load balancing services provided by Enbridge.[4] It should be noted that $188,000 was available but not used for the Winter Warmth Fund and was distributed to the United Way Community Fund. During the Consultation, it was suggested that the Winter Warmth Fund design may be improved to ensure that all of the funds earmarked for the Winter Warmth Fund are utilized by that program. Enbridge is encouraging improvements to the design and implementation of the Winter Warmth Fund to ensure the maximum number of low income customers in need of assistance benefit from the program. The United Way is in the process of retaining a consultant to look at potential program enhancements.

[2] The use of the money from the Garland settlement is restricted by the court approved settlement agreement.
[3] Enbridge response to Undertaking filed October 3, 2008.
[4] Enbridge Gas Distribution Presentation – Topic #8, Slide 3.

In the late fall, Enbridge conducts its Pre-Winter Hardship survey. This survey consists of a visit to all customer premises that have not had their gas service reinstated since they were disconnected for non-payment earlier in the spring or summer. The purpose of these visits is to identify potential hardship situations so that Enbridge can work with these customers to help them reinstate gas service before the winter heating season. Contact information for the Winter Warmth program and other social agencies is provided so that the customer can access other needed assistance.

Another program, namely the Golden Age Services program, provides customers over the age of 65 with the option of paying their monthly gas bill right after receiving their pension cheques. Approximately 117,000 seniors have taken advantage of this program which also waives late payment penalties and provides for other special payment arrangements. This service provides customers with a tool to better manage their monthly budget which we heard was especially important for low income households.

Enbridge has comprehensive customer care service and during this consultation highlighted several of the programs. For example, third party notification enables a customer to identify a person who Enbridge may contact in the event the account falls into arrears in order that steps can be taken to ensure the customer continues to receive gas service. Enbridge also advises customers to contact Enbridge if they are having a problem paying their utility bill. The Budget Billing Plan allows customers to budget for their monthly bill and avoid larger bills during times of high consumption. Estimated annual gas charges are divided into 11 equal installments. These are billed from September through July and trued up in August.

While low income customers comprise approximately 6% of Enbridge's residential customer base, as part of EB-2006-0021, Enbridge designates 14% of its residential energy efficiency program budget to low income customers. As part of the energy efficiency program, Enbridge provides the Enhanced TAPS program which

includes the regular features of the TAPS[5] program plus a programmable thermostat is included. The Enhanced TAPS program reduces the average customer usage of natural gas by 345m^3; electricity by 52 kWh and water by 50 litres per year and results in annual energy bill savings of $94.

In addition, Enbridge offers a Weatherization Retrofit program that improves the energy envelope of low income residences through improved insulation and caulking. The average cost of the weatherization program to the utility is $2,700 per household[6] and results in an annual savings of $500 per year with reductions in natural gas (1,160m^3) and electricity (189kWh) usage. Enbridge also delivered "Green Boxes"[7] through the local food banks and offers low income homes the opportunity to switch to a more efficient natural gas water heater at no cost. These measures can provide significant savings and increase comfort for low income households.

The Consultation spent a significant amount of time on late payment charges, reconnection fees, disconnection policies and security deposits. Advocates for low income consumers spoke to the adverse impact such policies can have while utilities attempted to educate such groups on their perspective. However, Enbridge felt there was a misunderstanding in that these programs do not enrich utilities as some participants incorrectly believed, but merely help a utility recover its costs.

Late payment and reconnection fees were also seen as burdensome. Enbridge acknowledged that the written policy does not endorse writing off such fees but the reality is that Enbridge does waive these fees in certain situations including those involving low income consumers.

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[5] The TAPS program includes low flow showerheads, faucet aerators and pipe wrap to help consumers use less energy.

[6] This cost includes the energy audit both before and after the improvements.

[7] The Green Box contains an application for the Enhanced TAPS program and simple weatherization measures.

There was significant discussion about the security deposit policies of utilities and the adverse impact such policies have on low income consumers. Certain parties felt that such a policy unfairly punished low income consumers and unjustly enriched the utility. Enbridge disputes such notions and believes that a proper understanding of the security deposit policy confirms there is no enrichment of the utility. Enbridge's policy is to obtain a security deposit from customers equal to 2.5 times the estimated average monthly consumption unless a customer meets one of the waiver criteria. A security deposit is held by the utility, essentially in trust, on behalf of the customer. Interest earned is returned to the customer or used to reduce the amount owed by the customer to Enbridge. After two years of good payment, the security deposit is returned. Currently Enbridge has approximately 128,000 security deposits totaling approximately $43 million that it is holding for residential and commercial customers.

The decision to disconnect a customer is not treated lightly and Enbridge takes several steps to avoid coming to such a point. As noted above, the Enbridge policy is not to disconnect residential customers during the late fall and winter, and a customer must have an outstanding balance in excess of $200 before disconnection is pursued. Enbridge's disconnection process involves up to nine steps that occur over a period of 78 days. In 2007 Enbridge issued 35,265 disconnection notices of which 30,049 resulted in disconnection, both of which are reductions as compared to 2005 and 2006.[8]

Enbridge has already incorporated many programs and expends considerable resources in delivering programs and services to low income households. As previously mentioned, the IndEco report confirms that Enbridge's practices compare very favourably against other North American utilities. Each of Enbridge's policies was carefully developed. The operational and financial impacts associated with any alteration of an existing or new program that may be introduced as the result of this consultation or direction from the Board must be fully understood and appropriately addressed within the context of the incentive regulation mechanisms currently in place.

[8] Enbridge response to Board Undertaking filed October 3, 2008.

Board's Role Going Forward

Enbridge listened carefully to the presentations by the various groups and gained a much better understanding of the issue than it had prior to the Consultation. However, Ontario is just beginning to discuss the issue and to define a role or a direction at this time is likely premature as the industry must gain a better understanding of the nature and magnitude of the issue. Only then can appropriate cost-effective solutions be developed and roles defined.

As stated, Enbridge supports the Board playing a greater role in gathering information to aid utilities, social agencies, consumers and governments in understanding the issue. Enbridge has stated that it supports the creation of a Task Force or committee that will gather information to allow the industry to have a better understanding of the mandates of other stakeholders, the efficacy of existing programs, the overlaps and gaps in the program delivery, and the extent of the needs of low income consumers.

Other Viewpoints

A number of consumer groups openly recognized the plight of the low income customer and also expressed views that solutions are to be found beyond the jurisdiction of the Ontario Energy Board and energy policy. The following concerns were raised about using energy policy to address the poverty issue:

> **Poverty is a Broad Societal Problem** – The real underlying issue is poverty. Therefore certain groups felt the solutions would need to be broad based and should be funded through the federal, provincial, and municipal governments, not through utility rates. CCC stated "it is the duty of government to make heat-or-eat a part of their social assistance programs".[9] IGUA stated that public policy is the role of the provincial government while the OEB's mandate was the

[9] September 22, 2008 [Tr. 1], page 35, ll. 7-12.

implementation of one element of government policy, energy policy, which is based in statute and informed by regulatory principles.

No Cross-subsidization – Cross-subsidization should be avoided,[10] in part because of regulatory principles, but also in part due to the fact that subsidies have the potential for unintended consequences (incorrect signals to consumers) and are not an efficient approach to the problem.

Potentially Inefficient – Many parties expressed concern about the ability of utilities to efficiently deliver broad based social programs and that additional costs may be incurred in excess of any benefit. There are over 80 utilities in Ontario and Enbridge is not aware of any utility that has a system in place for identifying and tracking low income households. The introduction of such a requirement will undoubtedly have a cost and such costs of implementation should be considered in evaluating solutions. Government, social service agencies or community groups may be better suited to certain tasks than utilities. Enbridge believes the resources should be used as efficiently as possible in order to provide the greatest benefit.

Consistent with the views of a number of stakeholders, CCC supported the continuation of utility programs that provide some relief and preventative measures to low income customers including energy efficiency programs. IGUA supported measures that did not involve rate subsidies.

Government: Part of the Solution

While the Board brought together many groups that have an interest and perspective on how the OEB and utilities should interact with low income consumers, certain groups were not present or had limited representation during the Consultation process. Electricity retailers and natural gas marketers are key players in the delivery of energy and should be part of this process.

The federal, provincial and municipal governments are also key as they establish the budgets and programs that will be offered as part of the social safety net. During the presentation by the City of Hamilton, it was stated that the funding for social welfare programs is a combination of municipal (1/5) and provincial (4/5) funding. However, each municipality decides the programs it will offer and the extent of the funding provided. Further, unlike the natural gas industry, in the electricity sector many municipalities are also the shareholder in the distribution utility so it raises questions of whether such relationships can be used more effectively and whether all utilities can or should be treated equally.

Any potential solution should also try to minimize the potential of others retreating from current programs with the net result being no real gains and possibly regression. Given the impact government has on informing the public interest, its establishment of priorities and its role in funding social service agencies, the ongoing dialogue should include representation from both provincial and municipal governments.

Issues Raised

The Consultation was the beginning of a dialogue on energy and low income consumers and parties started to understand some of the issue on a general level. However, a much deeper understanding of the issues is required. Many parties raised questions that will require answers and Enbridge has summarized some of these issues (see below) which will need to be considered and dealt with as we go forward.

- ***Targeting the Right Recipients*** - How are the correct recipients defined and identified? Is a consistent criterion appropriate across a province as large and diverse as Ontario? Poverty is not defined in Canada but a proxy, the Low Income Cut-Off ("LICO") is the generally used measuring stick. Many social service agencies stated that income was not the only determinant and that certain consumers that don't meet the LICO criteria should have access to such

[10] September 22, 2008, [Tr. 1], page 69. ll. 25-6.

programs. We also learned that utilities do not have a mechanism for identifying and tracking low income households nor do the utilities have any expertise in identifying low income customers. Enbridge relies upon the United Way to screen and qualify applicants for the Winter Warmth Fund. Further, we heard that in Pennsylvania each utility operates in a similar but distinct manner and each are free to set their own criteria for qualification.

- ***Hardship is not just a Household problem*** – In the past the Board has not considered the ability to pay as an element in setting rates. Should a program designed to alleviate the hardship of energy prices be restricted to residential customers only? It has been suggested that many other organizations (schools, hospitals, charitable organizations, municipalities, industrial customers) could seek the benefit of a preferential rate should the Board contemplate using ability to pay as a factor in setting rates.

- ***What is the magnitude of the issue?*** While there appears to be an unmet need for funding and programs, it was not clear as to the extent of the problem or the amount of funding that is required to address the problem. Therefore, Enbridge has suggested a Task Force or Committee be formed to examine and report on the current state of programs and the extent of the poverty problem in Ontario.

- ***Extent of Direct Contact with Low Income Households*** - Ontario has approximately 4.5 million households of which approximately 2.7 million are within the Enbridge franchise area. Based on Enbridge's research, it estimates there are approximately 485,000 low income households. However, approximately 104,000 or only 20% of low income residences are actually customers of Enbridge. The remaining 80% are not direct customers of Enbridge but are paying their utilities in rent, or are using electricity, propane or other fuels to meet their energy needs. This lack of direct connection to so many low

income households means Enbridge has a very limited ability to meet the broader societal need.

- ***Programs and Organizations*** – Hydro One indicated it deals with over 200 local agencies and each organization has its own programs. Enbridge deals with many local social service agencies on a daily basis as well. There is a considerable amount of work to coordinate activities and programs to ensure duplication is avoided and that programs are delivered in the most efficient way possible. Fundamentally the question becomes is society best served by having a natural gas or electricity distributor deliver such programs or is it better served through complementary efforts with social service agencies, and if so, what is the utility's role?

- ***Commodity Pricing*** – The commodity price of natural gas is set in the marketplace and beyond the Board's jurisdiction and represents approximately 65% of the average customer's natural gas bill. The price of electricity for residential customers is established by the OEB through the Regulated Price Plan and comprises the majority of a customer's bill. In addition to the amount energy costs, the stress of price volatility in energy is primarily associated with commodity volatility and not the regulated cost of delivery. In addition, the Board has no jurisdiction over other fuels such as propane, oil or wood.

- ***Creating the Correct Signals*** – Any program should send signals to encourage distributors and consumers to act in the desired manner. A program that discourages conservation should be avoided. Utilities are currently required to measure and assess their proposed conservation programs using the TRC model in order to receive Board approval. The current TRC test does not provide the utility with any incentive to proceed with marginally beneficial projects and is overly restrictive to achieve the societal benefits desired.

- ***Limitation on Reach*** – Low income households struggle to make ends meet. Energy can represent as much as 10 – 12 % of the household's budget. Of that energy cost, only 35%, or 3.5% to 4% of the total household budget is within the regulated control of the OEB. Therefore, on a societal level, small reductions in the regulated portion of the total bill can only provide very limited relief.

- ***Locational Inequities*** – Concerns were raised about demographics and the potential impact on utilities resulting from their customer demographics. Certain utilities that have a higher proportion of low income consumers may be adversely impacted by policies intended to aid low income households and perpetuate rather than solve the problem.

- ***Community Acceptance*** – The Toronto Environmental Alliance ("TEA") shared the experience it has gained during two pilots. First, each community is unique and people delivering the programs must understand the inner working and dynamics of the community. TEA trained residents in each community to deliver the program. Utilities do not have the expertise that social agencies have gained over the course of many years, and are not set up to be the primary identifier of such communities.

The list of issues is not intended to be comprehensive but merely to illustrate the complex nature of the problem. Therefore, Enbridge encourages stakeholders to take the steps necessary to fully understand the problem and to develop solutions that avoid unintended consequences which could be detrimental to all concerned.

Conclusions

Enbridge currently provides a number of services and programs that benefit low income consumers. Enbridge has heard that some improvements in program delivery may improve the effectiveness of the programs and Enbridge is open to considering such suggestions.

Enbridge supports the Board's efforts to better understand the impact that the natural gas and electricity industry has on low income households and feels it is essential to have such understanding in order to make informed and effective policy decisions. Enbridge believes that the solutions must be transparent, consistent with the Board's jurisdiction, statutory powers, and within the construct of well established regulatory principles. In keeping with those principles, the utility should not be exposed to increased risk or costs without an appropriate mechanism for recovery of the associated costs.

As stated previously, Enbridge is caring and supportive in providing assistance to all customers, and places a priority on helping customers stay connected to gas service while balancing the need of all our customers. Enbridge can not overstate the importance it places upon the relationship with its customers and looks forward to working with stakeholders to develop meaningful solutions and to bring clarity in terms of the roles and responsibilities of the various parties.