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October 30, 2008

via RESS e-filing – signed original to follow by mail

Ms. Kirsten Walli, Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Consultation on Energy Issues Relating to Low Income Consumers
OEB File No.: EB-2008-0150

As part of the Consultation on Energy Issues Relating to Low Income Consumers, the Board invited participants to submit written comments on material presented and discussed during the meetings held from September 22 to 25, 2008. Toronto Hydro-Electric System Limited (THESL) has set out its comments below.

Like many utilities involved in this proceeding, THESL fully acknowledges the difficulties faced by low income consumers, and is supportive of any reasonable measures that can be implemented to address the concerns of this group. As noted in its presentation, THESL has already taken steps to help mitigate some of the difficulties confronting low income consumers. For example, THESL is active with CDM efforts targeted at social housing consumers, having participated in an appliance replacement program under its 3rd Tranche CDM programs, and is currently engaged in an education and CFL distribution program under the auspices of the Ontario Power Authority (OPA). In addition, THESL is an active participant in the United Way's "Winter Warmth Fund" which helps low income consumers stay on track with their electricity bill payments during the winter months. Internally, THESL has taken steps to improve its customer care policies and procedures, offering flexible repayment plans to customers who fall behind in their bill payments, information on efficient energy use, and monthly billing (upon request), to alleviate some of the difficulties in paying larger and potentially more volatile bills. THESL plans to offer the latter option to all its customers with the introduction of a new CIS in the near future. Going forward, THESL is committed to expanding its programs to better serve its customers, and the low income segment in particular.

On the issue of electricity rates, however, THESL sees conceptual and practical difficulties in the implementation of a special distribution rate for low income consumers. If discounted rates were funded through reallocation of revenue responsibilities within individual utility revenue requirements, it would create rate cross-subsidization which would depart from the principles of cost causality and the Board's own Cost Allocation directive. It is unclear whether non-residential low income customers, perhaps such as charities and places of worship, would not also be eligible under the same or substantially similar criteria. In addition, the discounted rates could be regarded by some as discriminatory and be challenged in the courts.

It is also clear that under such a system, the relative burden on remaining ratepayers would differ significantly and arbitrarily between different utilities. Those utilities serving areas with high income demographics would have little burden, and it would be spread over high income customers. Conversely, those utilities serving areas with low income demographics would have high burdens, spread over remaining customers many of whom may be only marginally above the low income cutoff. Therefore it appears that a system based on individual utility service areas and revenue requirements is unsuited to equitable income transfers.

From a practical perspective, utilities are currently not positioned, equipped, or trusted to carry out income re-distribution programs, and a move to engage them in such activities would be a significant departure from current core business activities. One problematic issue would be the identification and continuous tracking of a sub group of customers based solely on income. Aside from confidentiality considerations, which are substantial, it would be expensive, unwieldy, and ineffective for utilities to means-test their customers and to maintain a valid status for means-tested customers.

The impact on regulatory procedures would also be substantial. There is currently no history on consumption for any low income class which might be defined, and there is no established way to forecast what consumption for that class might be in the future. Consequently, foregone distribution revenue would have to be recovered by way of a deferral account for every distributor.

In summary, the electricity distribution rate structure is not a vehicle through which direct and equitable financial assistance can be provided to low income consumers. Utilities are not positioned to implement income-based discounted rates effectively or efficiently, particularly given the administrative difficulties outlined earlier, and the introduction of such rates would create the need for further deferral accounts and significant consequential regulatory burden.

THESL remains prepared to deliver reasonable customer care and CDM measures targeted to the low income segment. THESL believes that such measures can be implemented effectively and efficiently by utilities, and can contribute meaningfully to alleviating some of the difficulties faced by low income consumers.

Sincerely,

[original signed by]

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cc: Registered Stakeholders in EB-2008-0150