



## **DECISION**

**IN THE MATTER OF a review of New Brunswick Power  
Distribution and Customer Service Corporation's  
Customer Service Policies  
arising from  
A continuation of an Application by New Brunswick Power  
Distribution and Customer Service Corporation for approval of a  
change to its Charges, Rates and Tolls**

**January 29, 2007**

**NEW BRUNSWICK**  
**BOARD OF COMMISSIONERS OF PUBLIC UTILITIES**

## **DECISION**

The New Brunswick Power Distribution and Customer Service Corporation (“DISCO”) applied to the New Brunswick Board of Commissioner of Public Utilities (the “Board”) in March of 2005 for an increase in its existing charges, rates and tolls. During the course of the hearing, it was agreed that a separate public process to review DISCO’s Customer Service Policies would be appropriate.

A formal hearing was held on December 4th, 5th and 6th, 2006. Formal intervenors included Vibrant Communities Saint John and Mr. Peter Hyslop, the Public Intervenor. The New Brunswick Municipal Electric Utility Association participated as an informal intervenor.

The panel of witnesses presented by DISCO consisted of:

- Mr. Rock Marois, Vice-President Distribution and Customer Service;
- Ms. Lynn Arsenault, Director of Retail and Customer Marketing; and
- Mr. Neil Larlee, Manager of Load Forecasts and Regulatory Studies.

In addition, the Board gave public notice of and held two public sessions during the evenings of December 4th and 5th. The Board heard from various public organizations and a number of important issues were raised. The following parties made presentations:

- David Ellis of the Electrical Contractors Association of New Brunswick;

- Alex Arseneau of the New Brunswick Non-Profit Housing Association;
- Linda McCaustlin of the Common Front for Social Justice;
- Gay Drescher of the Town of Rothesay; and
- Seth Asimakos of the Saint John Community Loan Fund.

These presentations provided insightful information and the Board appreciated hearing from the public on these issues.

At the outset, the Board believes that the issue of jurisdiction requires address, particularly as a number of questions were raised as to the Board's ability to order changes to DISCO's customer service policies.

The Board has carefully considered the *Electricity Act* and in particular section 101 which provides as follows:

**Application for change in charges, rates and tolls**

**101(1)** If a change in the *charges, rates or tolls* for its services would exceed the amount authorized under section 99, the Distribution Corporation shall make an application to the Board for approval of the change, and shall not make any change until it receives the Board's approval.

**101(2)** The Board shall, on receipt of an application under this section, proceed under section 123.

**101(3)** The Board shall, when considering an application under this section, base its order or decision respecting the charges, rates and tolls to be charged by the Distribution Corporation on all of the projected revenue requirements for the provision of the services referred to in section 97.

**101(4)** The Board may, when considering an application under this section, take into consideration

- (a) accounting and financial policies of the Distribution Corporation,
- (b) proposed allocations of costs among customer classes,

- (c) rate design matters,
- (d) ***customer service policies and charges, and***
- (e) energy programs instituted or planned by the Distribution Corporation.

Subject to Section 99, DISCO cannot change any of its customer service policies that in turn, affect their charges rates or tolls without approval of the Board. As such, it would be appropriate for the Board to accept, reject or require an amendment to a customer service policy when setting a particular rate, charge or toll. In fact, any policy that has a relationship to a charge, rate or toll (one time or recurring) affects DISCO's rates and as such, falls within the Board's jurisdiction pursuant to section 101 of the *Act*.

In this case, the Board has already considered the issue of rates and a comprehensive decision was issued by the Board on June 19<sup>th</sup>, 2006. The Board is not prepared, nor would it be prudent, to issue an order to amend DISCO's customer service policies that would, in turn, require DISCO to now change a charge, rate or toll.

Nonetheless, the Board has clear authority over such policies and the evidence submitted during the customer service hearing provided valuable input both for DISCO, for this Board and for future rate hearings.

However, the Board must comment on two particular matters that were discussed during the course of the hearing. The first is the pole attachment rate that DISCO charges to Rogers and others. DISCO stated that this rate does not appear in their Rate Schedules

and Policies Manual (“the manual”), even though the Board has made a determination as to the appropriate rate to be charged for this service.

DISCO is obligated to include this charge in the manual in order to be in compliance with the existing regulatory provisions. As such, the Board orders DISCO to immediately update the manual to include the appropriate pole attachment rate.

The second is a charge that is described in the Provision of Service portion of the manual. This section of the manual provides that if DISCO’s Facilities or Rental Facilities, located on a Customer’s Premises, are damaged by other than ordinary wear and tear, then the Customer will pay DISCO the charges associated with repairing or replacing the same.

Despite this written policy, the DISCO panel testified that DISCO does not charge a customer if DISCO’s equipment is damaged or destroyed for reasons beyond the customer’s control. As such, the Board orders DISCO to amend this portion of the manual to reflect its current practice and to affirm, in writing, that customers would not be expected to make such payment.

It must be recognized that there are some customer service policies that do not have a clear connection to rates, charges or tolls. The Board considers that it does not have the legislative authority to make an order in relation to such policies. However, these policies

do involve important customer issues as was made clear at the hearing. The Board, therefore, provides the following comments.

### **Equalized Billing**

During the hearing, the Board heard from intervenors about the advantage of using equalized billing to help customers deal with winter electricity bills.

The Equalized Billing program examines a customer's average electricity use for the previous 12-month period and establishes an equalized bill for each of the next 12 months. This program is available to all customers who have established what the company considers a "satisfactory billing history." Certain intervenors pointed out that many low-income customers who have fallen into arrears are not eligible for this program. It was suggested that these customers would benefit from access to equalized billing.

DISCO testified that the restrictions on access to Equalized Billing are there because of problems recovering overdue accounts in the past. The company stated that the vast majority of customers sign up for equalized billing in the fall of the year. Because of this, in the winter, the amount a customer actually pays is less than the cost of service. As a result, if a customer defaults there is a potential that the amount owing is greater than it would be otherwise.

While recognizing this concern, the Board recommends that the Company extend the equalized billing option to all those customers who are not in arrears or who are making good faith attempts to deal with arrears, regardless of their payment history. It also recommends that for those whom the company considers to have an unsatisfactory payment history, the entry point for the program should be limited to the months of April through July.

### **Energy Efficiency**

Efficiency New Brunswick was created to take a lead role in promoting energy efficiency. However DISCO has traditionally had a role and responsibility with respect to this matter.

For example, the DISCO panel explained that the company has energy advisors who will go to the home of customers and suggest ways to reduce energy use. However, the company also told the Board that energy efficiency is the domain of Efficiency New Brunswick.

For this reason the Board recommends that the Government clarify the roles of both Efficiency New Brunswick and DISCO with a view to achieving greater energy efficiency. The Government should also consider the consolidation of staff and programs under Efficiency New Brunswick to optimize the use of resources.

In addition, the Board recommends that DISCO's customer service representatives - as the prime initial contact with energy users – be knowledgeable of all programs that are available to Residential and General Service customers.

### **Credit Card Payments**

Recently, DISCO changed its policy to eliminate credit card payment as an option for customers. At the time the company explained the change was part of an effort to reduce costs.

The Board heard testimony that this change has meant that certain customers may be required to expend costly staff resources to pay for some services in advance. The Board believes that DISCO can provide options for payment that are convenient, cost neutral and do not pose an undue risk of increasing the cost to other ratepayers. It recommends that DISCO establish such a policy.

### **Security Deposits**

All customers are required to pay a security deposit of at least \$100 or the equivalent of two average monthly bill before service is provided, except in certain circumstances. The first exception is if the customer has a satisfactory payment history with DISCO. The second exception is, in the case of new customers, if the customer has a letter of reference from another utility.

The company said, in addition, there is a third way to avoid a security deposit that is not in the manual. If a customer consents to a credit check, and the results are satisfactory to DISCO, then the customer will avoid providing a security deposit. The Board recommends that this option be included in the manual.

The company stated that it does not believe that security deposits are an issue with its customers. The Board understands that the issue has not been raised as a significant concern in polling and customer service surveys. However, the Board also understands from testimony that for some low-income customers, new homeowners or new residents it can be a very significant concern.

The Board understands that the purpose of security deposits is to reduce the amount of bad debt. The Board questions whether a more flexible policy may achieve the needs of the company and also reduce the burden on some customers. The Board believes that this matter is one that can affect the charges, rates and tolls and therefore it is not prepared to deal with this matter at this time but believes that it is an issue over which the Board has jurisdiction.

#### **Access to an Up to Date copy of the Manual**

The manual defines the relationship between the customer and the company.

The manual should help the company meet its objectives of protecting assets, achieving efficiency and providing a uniform method of dealing with customers. It should also define the service the customer can expect and assure them that they will be treated in a manner similar to other customers. The Board therefore believes that an easily accessible, up-to-date copy of the manual is important.

DISCO testified that the company distributes about 300 copies of the manual across the province. The manual is also available to customers via the Internet and at NB Power regional offices. DISCO has, in the past, sent out copies to customers who request the manual. Additionally, the company will, on specific occasions, send out bill inserts informing customers about specific policies.

Despite these efforts, the Board is concerned that the manual is not as widely and easily available as it should be. Nor does the Board believe access to the manual via the Internet is as simple and straightforward as it should be.

For this reason, the Board recommends that the company make the manual as widely available as feasible, including providing copies to all public libraries in the province. In addition, the Board recommends that the manual be available from a single link on the main page of the company's website.

The Board also believes that it is not enough to simply make a copy of the manual available to customers. It must also be an accurate representation of the current policies.

At the hearing, the Board was told of cases where the manual did not match the current practices of the company.

One case, already mentioned above, is the omission of a clause that states that customers may avoid a security deposit if they consented to a credit check. While this policy has been in place since 2000 it is not included in any version of the manual.

In another case, the inclusion of fish farms in the same rate class as other farms was not added to the manual for close to seven years.

The Board believes that the manual should include all of the current practices in their entirety. Otherwise, the customers are wholly dependent on customer service representatives to inform them of the policies. The Board believes this situation is inappropriate and recommends that the company update the manual as soon as possible after changes in policy are made.

### **Dispute Resolution**

Certain parties expressed concern that the company is the final arbitrator of disputes involving the customer service policies. The public intervenor recommended that the Board be given the authority to arbitrate disputes.

The Board considers that there should be a check to the monopoly power that the company currently enjoys. However such independent arbitration would involve

additional cost and would also require a change in legislation. The Board therefore refers this matter to the Government for its review.

### **Other Matters**

A number of intervenors suggested that there are many customers who struggle to pay their bills on a regular basis. It was noted that the requirement to pay a late payment charge on outstanding balances, even when a payment plan has been arranged, increases the problem.

Some of the intervenors expressed concern over the significant number of customers who are disconnected by DISCO, especially during the heating season.

There are homeowners who do not have the financial resources to make the investments that would reduce their consumption of electricity. Many customers rent and are responsible for the electric bills but have no control over the energy efficiency of the building they live in. Often in such cases, there is little or no incentive for the owner of the building to make energy efficiency improvements.

Various parties made recommendations that they believe would provide assistance to many people with respect to their use of electricity. These recommendations included:

- Requiring DISCO to lower or eliminate certain charges and/or security deposit requirements for particular customers,

- Having DISCO provide adequate assistance to customers who are having difficulty in paying their electricity bills by allowing more favourable repayment arrangements and
- Requiring DISCO to establish a fund that would be used to assist low-income customers.

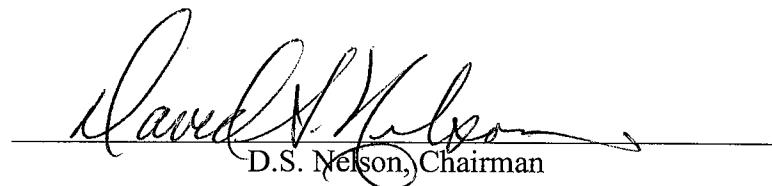
The Board has listened carefully and recognizes that these comments address important social issues. The recommendations, if approved by the Board, would require changes to DISCO's rates. Such changes would provide financial assistance to certain customers.

The money required to effect such changes would have to come from other customers by way of higher rates. This would create a situation where some customers would be paying more than other customers for the same service.

The Board is cognizant of its legislative authority under the Electricity Act, which requires the Board to approve rates that are just and reasonable. The Board is an economic regulator and its role is to establish classes of service and rates for each class that are appropriate having regard to the costs that each class imposes on DISCO. Just and reasonable rates mean that once the specific rates are established they should apply equally to all customers in the same class. All customers who qualify for a particular service should pay the same rate for that service and there should be no undue discrimination between customers.

In consideration of the above the Board has no legislative authority to establish rates that would discriminate between similarly situated customers on the basis of income or the ability to pay. The Board is aware of jurisdictions where the relevant legislation establishes policies that are clearly designed to assist certain customers. The Board considers that this is the appropriate way for such policies to be established.

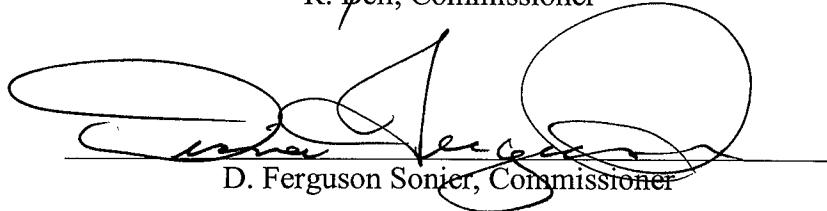
**DATED AT THE CITY OF SAINT JOHN, NB** This 29<sup>TH</sup> day of January, 2007



D.S. Nelson, Chairman



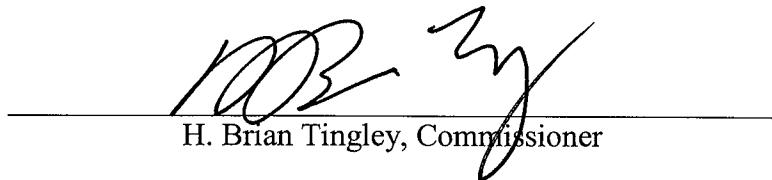
R. Bell, Commissioner



D. Ferguson Sonier, Commissioner



P. LeBlanc-Bird, Commissioner



H. Brian Tingley, Commissioner