

**Direct Testimony of
M.J. Erbland
Pages 6, 7 and 16
1996 General Rate Proceeding**

1 a surcharge added to the per kilowatt hour rate for the first 700 kWh sold each month to
2 customers in these two rate classes. The surcharge would be shown as a separate line
3 item on the bill. The surcharge would not apply to energy in excess of 700 kWh per
4 month. Energy sold in excess of 700 kWh per month would continue to be priced in
5 accordance with the Company's cost-of-service.

6
7 The proposed rate will help to ensure that all customers pay their fair share of the subsidy
8 regardless of their choice of heating fuel.

9
10 **Q. Would the proposed surcharge have any significant effect beyond its direct impact**
11 **on rates?**

12 **A.** Yes. Under the proposed surcharge some of the bills produced from estimated meter
13 readings would no longer automatically reconcile themselves to the correct total at the
14 time an actual reading is taken. Accuracy of billing would be a problem whenever a
15 customer's usage is under 700 kWh in one month and over 700 kWh in an adjoining month
16 where one of the two meter readings is estimated. Analysis indicates that approximately
17 40,000 customers would be expected to straddle the 700 kWh break-point in July to
18 August.

19
20 Without accurate monthly readings, it would be impossible to tell in which month the 700
21 kWh cutoff point had actually been reached. As a result, some customers would be
22 overcharged, and some undercharged.

1 To avoid this problem, the Company is linking this proposal to an elimination of its
2 practice of bi-monthly meter reading. While some estimated readings will always remain
3 necessary, the Company believes that the proposed surcharge makes discontinuance of
4 routine bi-monthly estimates a necessity.

5
6 **Q. How will the Company compensate for the increased cost of monthly meter reading?**

7 **A.** The Company presently reads all routes in December and January and requires 40 readers
8 in these months. In the other months, the Company requires 28 readers. Therefore the
9 number of person-years required for bimonthly meter reading is 30. The Company will
10 initiate a project to optimize the meter routes in 1997. It is estimated that, with optimized
11 routes, monthly meter reading will require 32 person-years of meter reading effort. It is
12 also expected that there will be a reduction of 1 Edit Clerk and 1 Customer Account
13 Representative as a result of the move to monthly meter reading. When fully
14 implemented, the net effect of these changes will be that the return to monthly reading will
15 occur without any substantial increase in cost. In 1996, costs will increase by
16 approximately \$135,000 to account for monthly meter reading. In 1997 costs are
17 anticipated to increase by \$243,000 as a result of monthly meter reading and the route
18 optimization project. In 1998, costs will return to 1995 levels.

19
20 **Q. Is a surcharge being proposed for the Company's other rates?**

21 **A.** No it is not.

1 **Q. Please summarize your testimony.**

2 **A. I have described the Company's view of energy markets in the Province with particular**
3 **emphasis on the increasingly intense competition in heating markets and I have described**
4 **why energy efficiency will continue to be a key element of the Company's future**
5 **competitiveness. I have discussed the need for fairness when recovering the Hydro rural**
6 **subsidy in Company rates and I have noted how the method of recovery of the subsidy can**
7 **be influential in consumer decision-making in heating markets. I have described why the**
8 **Company's rate proposal necessitates a return to monthly meter reading and I have**
9 **explained how meter route optimization will be used to minimize the cost of doing so.**

10
11 **I have outlined the Company's progress toward minimizing staffing levels and labour**
12 **costs. I have also discussed how improved productivity is being used to offset the impact**
13 **of less staff and I have presented several examples of productivity success stories.**

14
15 **I have discussed the importance of information technology to the Company and I have**
16 **commented upon the central role played by CSS in many of the Company's activities. I**
17 **introduced Exhibit MJE-3 which shows the economic benefits of the CSS. Finally, I**
18 **concluded with the observation that the importance of information technology, and the**
19 **CSS, will continue to accelerate.**