

1 **CUSTOMER CARE OM&A**

2
3 **1.0 INTRODUCTION**

4
5 Customer Care OM&A represents the set of work activities required to provide customer
6 care services to customers connected to the Hydro One Distribution system, to address
7 the Company goal to improve customer satisfaction, and to meet or perform better than
8 the relevant service levels stipulated in the Electricity Distribution Rate Handbook,
9 Chapter 15, Service Quality Regulation.

10
11 The Customer Care Work Program includes service programs and projects. The main
12 service programs are: meter reading, billing, settlements, customer contact handling and
13 collections. Project work includes regulatory compliance initiatives and service
14 enhancements.

15
16 The Customer Care services programs are provided to the approximately 1.2 million
17 customers who are connected to the Hydro One Distribution system. These customers
18 are in a variety of rate classifications, and include residential, seasonal, farm and general
19 service customers, as well as local distribution companies, direct customers and
20 generators with connection points embedded in the Hydro One Distribution system. The
21 services are provided to customers purchasing electricity through Standard Supply
22 Service or under Retailer contracts.

23
24 **1.1 Customer Care Resources**

25
26 The Customer Care services of billing, settlements, contact handling, and collections are
27 delivered through the outsourcing contract with Inergi LP. The Inergi contract became

1 effective on March 1, 2002 and the contract is described in Exhibit C1, Tab 2,
2 Schedule 6.

3

4 Although these services are delivered by Inergi, Hydro One retains within the Company
5 accountability for customer policy, planning, work program budgeting and service
6 performance management. The focus of this work is to translate corporate customer
7 objectives into Inergi service delivery results, and to build a healthy buyer-vendor
8 relationship that allows Hydro One Distribution to benefit from the specialized expertise
9 of the outsourcing partner. Hydro One resources also manage customer research and
10 surveying, Customer Service System project management, and management of escalated
11 customer complaints.

12

13 The meter reading service program and delivery of field support services are required for
14 customer billing, settlements and collections, and these activities remain within Hydro
15 One.

16

17 **2.0 WORK PROGRAM FUNDING**

18

19 The proposed Customer Care Work Program funding for the test year, and the spending
20 levels for the bridge and historic years, are provided in Table 1 below.

Table 1
Customer Care Costs by Category (\$ Million)

Description	Historic			Bridge	Test
	2004	2005	2006	2007	2008
Base Services	80.1	76.8	80.9	80.8	84.6
Bad Debt	11.8	9.7	17.3	13.5	13.0
Regulatory Compliance	7.1	6.6	4.1	0.7	3.6
Service Enhancements	4.0	3.1	1.4	2.1	2.6
TOTAL	103.0	96.3	103.7	97.1	103.8

The Base Services represent the largest cost component of the Customer Care Work Program, and include the provision of meter reading, billing, settlements, contact handling and collection services to Hydro One Distribution customers. Bad Debt is shown as a separate cost category.

Regulatory compliance work is required to implement government and regulator policies which impact Customer Care, such as the Bill 100 legislation or Regulated Price Plan, and distribution customer rate changes. Costs related to smart meters are not currently part of this work program. All smart meter OM&A costs are included in Exhibit C1, Tab 2, Schedule 2. Service Enhancements represent investment in service or productivity improvements to our customer service programs, such as initiatives to automate processes or introduce self-serve options.

The Total Customer Care Work Program increases by under \$1 million over the period 2004 to 2008. The largest change is in the Base Services costs, due primarily to annual cost-of-living-adjustment (COLA) added to Inergi fees, and to a change in customer care management costs. This is offset by a reduction in spending on regulatory compliance projects.

1 The sub-sections that follow provide a description of each of the Customer Care cost
 2 categories.

3

4 **2.1 Base Services**

5

6 Table 2 below shows the breakdown of Base Service program costs for the historic and
 7 bridge years and the planned expenditures for the test year.

8

9

10

11

**Table 2
 Customer Care Base Services Cost Breakdown**

Description	Historic			Bridge	Test
	2004	2005	2006	2007	2008
Customer Service Operations	37.8	35.5	39.0	39.3	40.5
Meter Reading	23.3	23.6	22.2	19.9	19.6
Other Field support costs	6.8	6.8	6.8	6.5	7.6
Other Service Support costs	9.3	8.4	8.8	8.7	9.8
Customer care management	2.9	2.5	4.1	6.3	7.2
TOTAL	80.1	76.8	80.9	80.8	84.6

12

13 **2.1.1 Customer Service Operations**

14

15 Customer Service Operations costs include delivery of billing, contact handling,
 16 collections and settlements services, and the customer services included in the contract
 17 with Inergi LP. The change in costs year-over-year represents the annual cost decline in
 18 base service fees contained within Hydro One Distribution's contract with Inergi, offset
 19 by growth in annual volumes, annual COLA amounts, and changes in scope of services
 20 delivered.

21

1 2.1.1.1 Billing

2
3 This service program covers delivery of the billing process, including validation and
4 editing of meter reading data, bill calculation, exception handling, accuracy management,
5 bill creation, insertion and issuance, and validation of receivables processing.

6
7 The majority of customers are issued monthly bills, but approximately 160,000 seasonal
8 customers are issued quarterly bills and about 140,000 customers are billed bi-monthly.

9
10 Hydro One Distribution has implemented a number of initiatives to improve billing
11 services for customers and manage billing costs. An electronic billing presentment and
12 payment option was launched for Hydro One customers in 2007. Ongoing changes to the
13 method of estimating consumption between actual meter reads have been implemented to
14 better align consumption amounts to bills issued and to smooth out variances between
15 bills. In addition, Hydro One has expanded the ability to receive customer self-reads. In
16 2008, Hydro One plans to promote Summary Billing to more customer segments, and
17 promote self-service options on the Hydro One website.

18
19 2.1.1.2 Contact Handling

20
21 Hydro One's Distribution customers contact the Company in many ways: by telephone,
22 letters, faxes, email, via self-service features on the Interactive Voice Response (IVR)
23 technology and the Company's Internet website. This service program covers the
24 management of customer calls and other types of contacts at Hydro One Distribution's
25 contact centres in Markham and London.

26
27 Regular business hours for call handling are from 7:30 a.m. to 8:00 p.m., Eastern Time,
28 Monday through Friday, with seven days a week, 24-hour a day emergency and power

1 outage call handling service. The contact centres handle more than two million calls a
2 year from Hydro One Distribution customers.

3

4 The Hydro One Distribution contact centres manage all areas of customer call activity:
5 Bill and account enquiries; collections; outages and emergencies; and service requests.
6 In 2006, bill and account enquiries made up 34 per cent of total calls, collections calls
7 were 12 per cent, and outages and emergency 27 per cent of calls. The balance cover
8 service requests, including new service, upgrade, cable locates or forestry requests, and
9 general topics such as questions on market changes, energy efficiency, electricity safety,
10 and damage claims.

11

12 Bill and account enquiry call types include requests for information or questions on high
13 bills, bill format, rates and charges appearing on bill (including commodity pricing, Good
14 and Services Tax and debt retirement charge), exemptions and refunds, usage, meter
15 readings, meter queries, payment options, payment confirmation, late payment charges,
16 change to customer account details, security deposits, rate changes, rate classifications,
17 and account balances. Move-in and move-out calls are triggered by a change of property
18 ownership or tenancy. Move-in calls require opening an account. Move-out calls require
19 a final account billing which depends on a field service order for a final meter reading.
20 Calls relating to collections activity include negotiating payment arrangements,
21 confirming payments made, processing overdue account payments via credit card, and
22 responding to customer calls during disconnection.

23

24 An outage call can relate to either a planned or unplanned power outage. Emergency
25 calls are those from emergency service agencies and personnel (fire, police, etc.) and the
26 general public regarding damage caused to field-based equipment, or notification of
27 unsafe conditions. A Business Customer Centre, located in Markham, manages the
28 special needs of the large demand, distribution customers, as well as the contact

1 relationship with Retailers, services for net billing customers, and Theft of Power
2 activities.

3

4 In addition to responding to customer calls, the contact centres respond to inquiries
5 received via other contact methods, including: customer letters; lawyers letters for move-
6 in and move-out requests; customer and contractor faxes and customer email. These
7 contacts numbered over 200,000 in 2006. In addition, the contact centres issue pamphlets
8 or other information, such as duplicate bills, welcome packages, or a summary of Hydro
9 One Distribution's Terms and Conditions of Service.

10

11 Since 2006, significant improvements have been made in the outage management area.
12 These changes have increased the accuracy and availability of information for customers
13 during an outage. As an example, processes to improve the accuracy of estimated
14 restoration times were implemented and this information is now delivered to contact
15 centre representatives and made available in our automated telephone system in a much
16 more timely fashion. Improvements have been made to services provided within the
17 Business Customer Centre to large Distribution customers, to provide dedicated points of
18 contact and support for complicated billing explanations. In 2008, Hydro One is
19 planning to improve first call resolution for customers and also review and upgrade the
20 Interactive Voice Response menus and self-serve options.

21

22 As indicated in Exhibit A, Tab 15, Schedule 1, Hydro One Distribution has performed
23 better than the OEB established target in the telephone accessibility measure, and the
24 Company plans to maintain this higher level in 2007 and 2008.

25

1 2.1.1.3 Collections

2
3 This program includes the execution of collection processes associated with electricity
4 revenues, for both active and final-billed accounts. This work includes issuing collection
5 letters and notices, establishing payment arrangements, issuing payment confirmation
6 letters and scheduling and issuing disconnection orders. The program also provides
7 required information for power of sale, foreclosures, bankruptcies, debt reviews and
8 consumer proposals and receiverships. More than 82,000 payment arrangements on
9 overdue accounts were fulfilled in 2006.

10
11 Hydro One Distribution has added processes to manage collections costs and improve
12 ease of making payments of past due amounts. In 2004, a credit card payment option was
13 introduced for customers in collection arrears. Outbound calling has been added to the
14 steps taken when an account falls into the collections process. Hydro One continues its
15 policy of using load limiters during the winter months in place of full disconnection. In
16 2007, a second third-party collections agency was added to improve account recovery on
17 final billed accounts. Additional outbound calling will be implemented later in 2007, and
18 an end-to-end process review is underway to streamline the collection processes and
19 identify areas of continual improvements. Relevant improvement items will be
20 considered for 2008 implementation.

21
22 The billing, contact handling and collection service programs discussed above were part
23 of the PA Consulting study of Inergi fees for Customer Service Operations, completed in
24 2005 and filed with RP-2005-0020/EB-2005-0378. The study found that Inergi fees in
25 Customer Service Line of Business were within 1.0% of the fair market value range. The
26 Inergi agreement established benchmarking at years three, six and nine of the 10-year
27 agreement. The year six benchmarking is planned for 2008.

1 2.1.1.4 Settlements

2
3 The program ensures the integrity of financial transactions between Hydro One, the
4 Independent Electricity System Operator (IESO), and applicable customers. The
5 program includes: reconciling purchases of energy from the IESO; applying retail
6 transmission service tariffs; updating data in totalization tables; and, implementing
7 commodity and other charges, including appropriate distribution rates, to embedded
8 LDCs, direct and generator customers as well as interval-metered, end-use customers. It
9 also includes calculating and administering payments for energy produced by retail
10 embedded generators, and settlements for short- and long-term load transfers. The
11 Settlements program provides the appropriate level of due diligence to ensure that billing
12 and payment transactions are reconciled accurately for parties involved, and to ensure
13 that affected customers receive timely, accurate bills.

14
15 2.1.2 Meter Reading

16
17 This service program includes manual reading of conventional meters and remote reading
18 of interval meters. Manual meter reads involve a visit by field staff to the customer
19 premise to obtain the reading; interval meters are read remotely by the system via a
20 telecommunications connection.

21
22 The manual meter reading activities include scheduled meter reads used for regular cycle
23 billing of Hydro One Distribution's approximately 1.2 million customers. Meters are
24 scheduled to be read on a monthly, bi-monthly, quarterly or annual basis, depending on
25 the service territory and rate classification of the customer.

26
27 This program also includes unscheduled meter reads, which are taken on customer
28 request and are typically used for check reads or final billing on move-out or property

1 transfer. Program costs also include ancillary charges required for support activities, such
2 as maintaining meter reading tools, reviewing demand charges annually and updating 911
3 customer addresses.

4
5 Time-of-use billing will be rolled out in a stepped fashion, with a target of having all
6 feasible customers on time-of-use billing by the end of 2010. In 2008, time-of-use billing
7 will be activated for customers who have received their smart meter, and also have the
8 required communications infrastructure in place. All other meters will continue to be
9 manually read. Manual meter reading costs are expected to decline in 2008 due to the
10 reduction in the number of manual reads related to the Smart Meter Project.

11
12 The meter reading program also includes the cost of interval meter reading. In late 2004,
13 Hydro One Distribution made a policy change to expand the installation of interval
14 meters for new connections by lowering the size threshold from 500 kilowatts (as
15 required by the Distribution System Code), to 200 kilowatts. The change was made to be
16 directionally consistent with the Government's anticipated policy on smart metering
17 greater than 50 kW. In 2006, Hydro One Distribution had approximately 1,500 interval
18 remote meters. These meters are read and the data processed several times per week.

19
20 2.1.3 Other Field support costs

21
22 This category covers the field work required to support the billing, collections and
23 settlements service programs. It includes execution of service orders to disconnect or
24 load limit electricity services due to non-payment, to reconnect electricity services when
25 payment issues are resolved, and, in certain situations, to follow up to ensure the integrity
26 of a reconnect, a disconnect, or a load limiter. Field work is also requested to investigate
27 high bill complaints and other miscellaneous customer issues. Also included in this cost

1 category is work required to develop, review and revise the totalization tables that are
2 required for settlements services.

3
4 2.1.4 Other Service support costs

5
6 These services include: Postage and courier service to issue bills, telephone expenses
7 including costs for 1-800 numbers, third party contracts held by Hydro One Distribution
8 for centralized payment processing, and collection agency costs related to final bill
9 collection activity.

10
11 2.1.5 Customer Care Management

12
13 This program includes customer policy, planning, work program budgeting, service
14 performance management, contract management, customer research and surveying,
15 project preparation and coordination of implementation, and management of escalated
16 customer complaints.

17
18 The 2008 costs represent Hydro One Distribution's assessment of the needs of this
19 function to serve its distribution customers. The distribution-related costs have changed
20 from \$4.1 million in 2006 to a forecast value of \$7.2 million in 2008. The increase is due
21 to a number of factors including: supporting the corporate objective of improved
22 customer satisfaction; refining management practices associated with the Inergi contract
23 to assist in raising service quality to customers; preparing for time of use billing related to
24 the incorporation of Smart Meters.

1 **2.2 Bad Debt**

2
3 This cost category reflects bad debt expenses, net of recoveries. Bad debt expense
4 peaked in year 2006 and is expected to improve by 2008 to a value of \$13 million. There
5 are two reasons for the higher cost of bad debt in 2006. First, rising energy costs and
6 worsening economic conditions have increased the number of customers in arrears and
7 the average value of outstanding accounts in the collections process. The second reason
8 was a change in the provision rates used to calculate the bad debt allowance. An
9 allowance is calculated each year, estimating bad debt from uncollected accounts
10 receivable. The allowance provision rates were updated in 2006 to better reflect actual
11 write offs, and resulted in a one-time adjustment of \$3.6 million to amounts that should
12 have been allotted to the allowance since 2003.

13
14 To address bad debt costs, additional front-end collections methods have been
15 introduced, aimed at reducing outstanding receivables before the final billing of an
16 account. As well, Hydro One Distribution has added a second collections agency to help
17 increase amounts recovered in final billed receivables. Examples of these and other
18 collection tactics are noted in the description of the collection services program, Section
19 2.1.1 Customer Service Operations.

20
21 **2.3 Regulatory Compliance**

22
23 The cost of projects to implement legislative, regulatory and rate changes are included in
24 this category. Hydro One Distribution has implemented the Regulated Price Plan (RPP)
25 including the seasonal threshold changes, and is required to update commodity amounts
26 twice a year, under direction from Ontario Energy Board. Among the regulatory projects
27 included in 2007 and 2008 planning are the annual RPP commodity threshold and price
28 changes, implementation of release 4.0 of electronic business transactions for retailer

1 activity, and plans for rate changes to better align costs with rates, and to harmonize the
2 rates of acquired utilities with the rates of legacy customers.

3

4 **2.4 Service Enhancements**

5

6 Service enhancements represent investment in service or productivity improvements to
7 our customer service programs. The 2008 planning includes: promotion of Summary
8 Billing and web self-serve options; process efficiencies for bill exception handling; a
9 review and update to Call Centre Interactive Voice Response menus and self-serve
10 options; improvements to first call resolution; introduction of new collections initiatives
11 to enhance receivables recovery.

12