

## CUSTOMER CARE

### 1.0 INTRODUCTION

Customer Care OM&A represents the set of work activities required to provide customer care services to customers connected to the Hydro One Distribution system, to address the Company goal to improve customer satisfaction, and to meet the relevant service levels stipulated in the Electricity Distribution Rate Handbook, Chapter 15, Service Quality Regulation and the Distribution Service Code. Services are provided in accordance with Hydro One's Conditions of Service, relevant Codes and legislative direction.

The Customer Care Work Program includes service programs and projects. The main service programs are: meter reading, billing, settlements, customer contact handling and collections. Project work includes regulatory compliance initiatives and service enhancements. For 2010 and 2011 the Customer Care Work Program also incorporates expansion of service programs to address the expected needs of distributed generator customers with the introduction of the *Green Energy and Green Economy Act, 2009*.

The Customer Care services programs are provided to the approximately 1.2 million customers who are connected to Hydro One Distribution's system. These customers are in residential, seasonal, farm and general service customers segments, as well as customers in the sub-transmission ("ST") and distributed generation classifications. The services are provided to customers purchasing electricity through Standard Supply Service or under Retailer contracts.

1

2 **1.1 Customer Care Resources**

3

4 The Customer Care services of billing, settlements, contact handling, and collections are  
5 delivered through the outsourcing contract with Inergi LP.

6

7 Although these services are delivered by Inergi, Hydro One retains direct accountability  
8 for customer policy, planning, work program budgeting and service performance  
9 management. The focus of this work is to translate corporate customer objectives into  
10 Inergi service delivery results, and to build a healthy buyer-vendor relationship that  
11 allows Hydro One Distribution to benefit from the specialized expertise of the  
12 outsourcing partners. Hydro One resources also manage customer research and  
13 surveying, Customer Service System project management, the resolution of escalated  
14 customer complaints, management of retail and wholesale settlements plus execution of  
15 critical settlement functions, and policy, planning and account management for  
16 distributed generation customers.

17

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

21

22 **2.0 WORK PROGRAM FUNDING**

23

24 The proposed Customer Care Work Program funding for the test years, and the spending  
25 levels for the bridge and historic years, are provided in Table 1.

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

Description	Historic			Bridge	Test	
	2006	2007	2008	2009	2010	2011
Base Services	80.9	80.8	80.5	83.2	84.0	81.5
Bad Debt	17.3	13.5	15.5	16.7	17.1	16.2
Regulatory Compliance	4.1	0.7	1.8	3.3	1.9	2.2
Service Enhancements	1.4	2.1	1.6	3.4	3.3	2.5
<b>TOTAL</b>	<b>103.7</b>	<b>97.1</b>	<b>99.3</b>	<b>106.7</b>	<b>106.3</b>	<b>102.4</b>

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, as well as work activity related to policy, planning, and service management.

Bad Debt reflects Hydro One Distribution's bad debt extended net of recoveries, and is shown as a separate cost category.

Regulatory compliance work is required to implement government and regulator policies which impact Customer Care, such as price changes or eligibility adjustments under the Regulated Price Plan, Distribution System Code changes that affect service delivery, and distribution customer rate changes. 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 costs decline in the test years of 2010 and 2011 over forecast 2009 expenditures. An increase in 2009 expenditures is forecasted over 2008 and is due primarily to three factors: changes to scope or implementation timing for Regulatory or Service enhancement projects; an increase in bad debt and third-party contracts costs related to collection activities due to forecasted impact of economic

1 conditions; and, additional investment added to Customer Care for servicing new  
 2 renewable distributed generation customers as of June, 2009. Customer Care Work  
 3 Program cost increases are offset by declines in manual meter reading costs from 2009 to  
 4 2011 with the activation of smart meters and automation of meter reading.

5  
 6 The sub-sections that follow provide a description of each of the Customer Care cost  
 7 categories.

8  
 9 **2.1 Base Services**

10  
 11 Table 2 shows the breakdown of Base Service program costs for the historic and bridge  
 12 years and the planned expenditures for the test years.

13  
 14 **Table 2**  
 15 **Customer Care Base Services Cost Breakdown**

16

Description	Historic			Bridge	Test	
	2006	2007	2008	2009	2010	2011
Customer Service Operations	39.0	39.3	39.5	39.7	42.8	42.0
Meter Reading	22.2	19.9	19.0	17.3	9.3	5.3
Other Field support costs	6.8	6.5	7.0	8.8	10.6	10.7
Other Service Support costs	8.8	8.7	8.5	10.0	10.0	10.7
Customer care management	4.1	6.3	6.4	7.5	11.4	12.8
<b>TOTAL</b>	<b>80.9</b>	<b>80.8</b>	<b>80.5</b>	<b>83.2</b>	<b>84.0</b>	<b>81.5</b>

17  
 18 **2.1.1 Customer Service Operations**

19  
 20 Customer Service Operations costs include delivery of billing, contact handling,  
 21 collections and settlements services, which are included in the contract with Inergi LP.  
 22 Costs are planned to increase by about \$3 million in the test year of 2010, over 2008  
 23 actuals. The largest impact is due to investment in contact handling and settlement  
 24 services to manage planned customer demand from distributed generation customers.

1 The test year costs also reflect annual cost reduction in base service fees contained within  
2 Hydro One Distribution's contract with Inergi, offset by growth in annual volumes,  
3 annual COLA amounts, and some changes to the scope of services delivered.

4  
5 **2.1.1.1 Billing**

6  
7 This service program covers delivery of the billing process, including validation and  
8 editing of meter reading data, bill calculation, exception handling, accuracy management,  
9 bill creation, insertion and issuance, and validation of receivables processing.

10  
11 The majority of customers are issued monthly bills, but approximately 160,000 seasonal  
12 customers are issued quarterly bills and about 140,000 customers are billed bi-monthly.  
13 Customers billed bi-monthly will be adjusted to monthly billing over two years starting in  
14 early 2010 to align with smart meter implementation and automation of meter reading.

15  
16 Hydro One Distribution is planning a number of initiatives to improve billing services for  
17 customers and manage billing costs. New initiatives include: providing an electronic  
18 payment option for large distribution customers, reviewing the bill format to improve  
19 information provided to customers, taking steps to increase the number of customers  
20 enrolled for e-post electronic billing and use of Hydro One self-serve website, and  
21 adjusting processes to comply with new Canadian Payment Associations standards  
22 related to signing-up for pre-authorized payment option.

23  
24 **2.1.1.2 Contact Handling**

25  
26 Hydro One's Distribution customers contact the Company in many ways: by telephone,  
27 letters, faxes, email, via self-service features on the Interactive Voice Response Unit  
28 ("IVRU") technology and the Company's Internet website. This service program covers

1 the management of customer calls and other types of contacts at Hydro One Distribution's  
2 contact centres in Markham and London.

3

4 Regular business hours for call handling are from 7:30 a.m. to 8:00 p.m., Eastern Time,  
5 Monday through Friday, with seven days a week, 24-hour a day emergency and power  
6 outage call handling service. The contact centres handle approximately 2.5 million calls  
7 a year from Hydro One Distribution customers.

8

9 The Hydro One Distribution contact centres manage all areas of customer call activity:  
10 Bill and account enquiries; collections; outages and emergencies; and service requests.

11

12 In addition to responding to customer calls, the contact centres respond to inquiries  
13 received via other contact methods, including: customer letters; lawyer's letters for move-  
14 in and move-out requests; customer and contractor faxes and customer email. In  
15 addition, the contact centres issue pamphlets or other information, such as duplicate bills,  
16 welcome packages, or a summary of Hydro One Distribution's Terms and Conditions of  
17 Service.

18

19 Recent and upcoming initiatives continue to contribute to an improved contact experience  
20 for our customers. These initiatives include our quality monitoring program, an  
21 automated call back service for periods when wait times are longer than two minutes to  
22 reach an agent, the introduction of a specialized and dedicated energy conservation and  
23 bill management team to help customers understand their electricity use and consume  
24 wisely, continued enhancements to our Interactive-Voice-Response Unit system, and  
25 improvements to assist customers when accessing Hydro One by telephone during  
26 significant events such as storm outages.

27

28

1   2.1.1.3   Collections

2  
3   This program includes the completion of collection processes and events associated with  
4   electricity revenues, for both active and final-billed accounts. This work includes  
5   issuing collection letters and notices and, if required, disconnection orders, running  
6   automated telephone call campaigns of arrears reminders and managing performance of  
7   third-party collection agencies following up on outstanding final-billed accounts.

8  
9   There has been a continued increase to the number of payment arrangements established  
10   with customers, growing from 82,000 payment arrangements in 2006 to 116,000 made in  
11   2008.

12  
13   The program also includes responding to powers of sale, foreclosures, bankruptcies and  
14   receiverships, debt reviews and consumer and business proposals. In addition, billing  
15   and collection actions related to theft of power cases are provided.

16  
17   Hydro One Distribution has added processes and initiatives to manage collections costs,  
18   increase flexibility of collection actions, provide more notice and improve ease of making  
19   payments of past due amounts. Hydro One is planning to introduce a credit card option  
20   for customers through a user fee practice. This will give all customers the option to pay  
21   their bill by credit card and is expected to improve receivables and reduce outstanding  
22   arrears.

23  
24   2.1.1.4   Settlements

25  
26   The program ensures the integrity of financial transactions between Hydro One, the  
27   Independent Electricity System Operator (“IESO”), and applicable customers. The  
28   program includes: reconciling purchases of energy and transmission service from the

1 IESO; implementing changes in approved tariffs for sub-transmission and distributed  
2 generation customers; applying retail transmission service tariffs, commodity and other  
3 charges, including appropriate approved distribution rates, to sub-transmission, general  
4 service and distributed generation customers. It also includes calculating and  
5 administering payments for energy produced by retail embedded generators, and  
6 settlements for short- and long-term load transfers. The Settlements program provides  
7 the appropriate level of due diligence to ensure that billing and payment transactions are  
8 reconciled accurately for parties involved, and to ensure that affected customers receive  
9 timely, accurate bills.

10  
11 2.1.2 Meter Reading

12  
13 This service program includes manual meter readings, automated reading of smart meters  
14 and remote reading of interval meters. Meter reading work activities will shift  
15 significantly through the 2010 and 2011 test years, as smart meters are activated and  
16 automated meter reading implemented. Customers will be migrated gradually to  
17 automated reading starting mid-year 2009. By the end of 2009 it is planned 720,000  
18 customer meters will be read through automated reading processes. The migration of  
19 customers to automated reading will be continue throughout 2010, and it is expected 1.2  
20 million meters will be automated by the end of 2011.

21  
22 Manual meter reading costs reflect this change, and decline by \$14 million from 2008  
23 through to 2011.

24  
25 Processes and service agreements will be established for smart meter consumption data  
26 transfer between Hydro One and the smart meter entity, and user fees will be charged to  
27 Hydro One as a distributor. The cost for these fees is not included in this Work Program,  
28 as agreements are not yet in place.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Post activation of smart meters, there will still continue to be some manual meter reading work, requiring a visit by field staff to the customer premise. Manual meter reads will still be collected at remote locations where smart meter communications is not available, to check read at customer requests, or for meter investigations. The manual meter reading costs also include ancillary charges required for support activities, such as maintaining meter reading tools and reviewing demand charges annually.

The meter reading program also includes the cost of interval meter readings. In 2008, Hydro One Distribution had 1,520 interval remote meters. These meters are scheduled for reading and the data processed every business day.

### 2.1.3 Other Field Support Costs

This category covers the field work required to support the billing, collections and settlements service programs. It includes execution of service orders to disconnect or load limit electricity services due to non-payment, reconnect electricity services when payment issues are resolved, and, in certain situations, follow up to ensure the integrity of a reconnect, a disconnect, or a load limiter. Field work is also requested to investigate high bill complaints and other miscellaneous customer issues. Also included in this cost category is work required to develop and revise revenue metering single line diagrams and validate wholesale meter data which is required for settlements.

The increase in 2009 and 2010 is due to an increase in field collections and investigation work related to receivables management.

1    2.1.4   Other Service Support Costs

2

3    This cost category reflects funding for a number of third-party contracts required for  
4    delivery of the services programs, including: postage and courier service to issue bills,  
5    telephone expenses including costs for 1-800 numbers, third party contracts held by  
6    Hydro One Distribution for centralized payment processing, service to provide electronic  
7    billing, and collection agency costs related to final bill collection activity. Costs are  
8    forecast to increase in 2009 to reflect a higher level of activity. The collections-related  
9    contracts, providing credit card payment option, outbound call notification of arrears, and  
10   collection on final-billed accounts are expected to increase due to economic conditions.  
11   Costs for the electronic billing contract with ePost are increasing with growth of  
12   customer participation in this program.

13

14   Overall costs in this category are not forecast to change in 2010 and grow slightly in  
15   2011, due to changes in activity from third party suppliers providing collections support  
16   and the addition of a service provider to assist in Hydro One telephone access during  
17   significant events such as storm outages.

18

19    2.1.5   Customer Care Management

20

21   This program includes work in the areas of customer policy, planning, work program  
22   budgeting, service performance management, contract management, monitoring of  
23   customer payment trends, customer research and surveying, project preparation and  
24   coordination of implementation, management of retail and wholesale settlements plus  
25   execution of critical settlement functions, and resolution of escalated customer  
26   complaints.

27

1 The increase in Customer Care Management costs, starting in 2009, is due to expanded  
2 accountabilities of Customer Care to address the unique service needs required for new  
3 renewable distributed generator customers.

## 4 5 **2.2 Bad Debt**

6 This cost category reflects bad debt expenses, net of recoveries. Bad debt expense is  
7 expected to grow each year in 2009 and 2010. Forecasted 2009 bad debt costs reflect  
8 current economic conditions which are causing an increase in the number of bankruptcies  
9 and receiverships, and an impact on customer ability to pay. Bad debt costs are planned  
10 to decline slightly in 2011 as it is expected the worst of the current economic situation  
11 will have passed.

12  
13 To help manage bad debt costs, additional collection methods have been introduced or  
14 are planned. Examples of these and other collection methods are noted in the description  
15 of the collection services program, Section 2.1.1 Customer Service Operations.

16  
17 The Ontario Energy Board (“the Board”) has announced intention that Ontario  
18 Distribution Companies introduce a Low income Energy Assistance Program (“LEAP”).  
19 It is expected financial assistance will be established and funded through Distributor’s  
20 OM&A costs. Related changes are proposed to the Distribution System Code in the  
21 collections areas of payment arrangements, disconnections and arrears management. It is  
22 not known how these changes may impact bad debt costs. The potential costs, both to  
23 bad debt and operational service costs, for the proposed LEAP program and related  
24 service deliver changes are not included in Customer Care 2010 and 2011 test year costs  
25 as information was not known at time the Hydro One business plan was prepared.

26

1     **2.3     Regulatory Compliance**

2  
3     The cost and effort of projects to implement legislative, regulatory and rate changes are  
4     included in this category. For example, Hydro One Distribution has implemented the  
5     Regulated Price Plan (“RPP”) including the seasonal threshold changes, and is required  
6     to update commodity amounts twice a year, under direction from the Board. The first two  
7     steps of harmonizing Hydro One Distribution’s rate classifications were recently  
8     implemented.

9  
10    Among the regulatory projects included in 2010 and 2011 planning are: the final steps to  
11    harmonize rates; enhancements to electronic business transactions based on direction  
12    from the the Board’s EBT Standards Working Group; and the continued annual RPP  
13    commodity threshold and price changes. Project implementation costs are also included  
14    to meet Government regulations to accessibility standards for customer services to  
15    persons with disabilities.

16  
17    The Regulatory Compliance project spending is forecast to grow to \$3.3 million in 2009  
18    and is related to Hydro One Networks’ 2008 distribution rate application and rate  
19    harmonization changes. Based on the Board’s Decision, implementation did not take  
20    place until February of 2009, which delayed implementation costs from 2008 to 2009.

21  
22    **2.4     Service Enhancements**

23  
24    Service enhancements represent investment in service or productivity improvements to  
25    our customer service programs. The 2010 and 2011 plans include the following:  
26    improvements to assist customers when accessing Hydro One by telephone during  
27    significant events, such as storm outages; enhancements for self-serve options via Hydro  
28    One Networks web site and the Interactive Voice Response Unit at the Customer

- 1 Communications Centre, which address changing customer needs and expectations;
- 2 review of the bill format to improve information provided to customers; and, continued
- 3 promotion of electronic billing and internet self-serve options.