London Hydro

April 18, 2008

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Suite 2700
Toronto ON
M4P 1E4

Re: Staff Discussion Paper on Electricity Distributors: Customer Service, Rate Classification and Non-payment Risk
Board File No: EB-2007-0722

In accordance with the Board's instructions of March 6, 2008 we are providing two hard copies of our written comments on the above noted Board staff's Discussion Paper. Additionally, we have filed our response in PDF format through the Board's web portal at www.errr.oeb.gov.on.ca.

If you require any further information, please contact me directly.

Sincerely,

Dave Williamson
Director Finance and Regulatory Affairs
London Hydro Inc.
Bus. (519) 661-5800 ext. 5745
Fax (519) 661-2596
williamd@londonhydro.com

PART IV: NEXT STEPS and SUMMARY of QUESTIONS

London Hydro Inc. Response

This Discussion Paper is being released to solicit stakeholder input to assist Board staff in furthering its work on the issues. Board staff will consider the input of stakeholders in formulating recommendations for the Board's consideration as to whether further action is necessary or desirable and, if so, what form such action might take.

SUMMARY OF QUESTIONS

Outlined below is a complete list of the questions provided throughout this Discussion Paper. In addition to the areas identified in these questions, staff would also be interested in any options that parties may identify to address the issues outlined in this Discussion Paper.

London Hydro Inc. Response

London Hydro commends the OEB's discussion paper on customer service rate classification and non-payment risk. We share the OEB's consultation process in this regard in order to achieve, as much as possible, a uniform set of conditions of service for customers across the province. Over the last seven years of experience working with the OEB in development of the DSC and then implementing policies in our Condition of Service, we have come to realize that the greatest benefit comes from setting broader guidelines within which utilities can design their conditions of service and customer service policies. London Hydro has over the years refined and redesigned many of the customer service service standards and procedures based on best practices within the guidelines of the DSC; and from reading the staff discussion paper we reckoned that many of the suggestions contained in the staff discussion paper are presently practiced by London Hydro.

As everyone who is closely involved in the distribution business in Ontario understands the fact that our industry is quite fragmented, and the cost of service to the customers is always an issue. While London Hydro currently enjoys a relatively low cost per customer, we always look for further ways to improve upon it. To this end, London Hydro currently enjoys a significant cost advantage of jointly billing and customer care for electric and water (on behalf of the City of London). Therefore, while we pride ourselves in having many standards and best practices in customer service, nevertheless we have developed these policies keeping in mind the needs of customer care for water billing; we strongly propose that such flexibility be preserved so as to continue to provide efficient service at a low cost to our customers. Furthermore, London Hydro has agreed with Cambridge and North Dumphries Hydro and Greater Sudbury Utilities to jointly implement, maintain, and support a common customer information and billing system, which will accord all three of us to develop uniform customer service policies, procedures, and standards to our respective customers.

Keeping the above in mind, London Hydro strongly supports the "Modified Prescriptive Approach" to developing the DSC and Condition of Service. This will afford distributors discretion to develop policies to implement their rules and include them in their Condition of Service document which has been the case in the past. Any attempt to codify the services often leads to greater customer frustration since the coded policies do not leave any room to deal on case by case basis with special and differing circumstances. In our view, therefore, the OEB should set global policies in DSC containing minimal rules and guidance. Also we suggest and expect the OEB to be mindful of the dollar impact of changes to the customer service standards; for the dollar impact is two-fold: one requiring capital investment in back-office computer systems, and secondly the cost of operation for customer service &/or back-office systems. The following is our commentary and clarification to the various questions.

PART I: Customer Service

1.1 Bill Payment

1.1.1 Due Date for Bill Payment

Q1. Are there any reasons why a customer would need or should be allowed more than a sixteen day payment period before application of a late payment charge?

A1. No, standard time using the sixteen days allows flexibility for the receipt of payments and applying the late payment charge. London Hydro gives an additional grace period as warranted for the receipt of payments when payments are made at a bank, by mail, and internet/phone. (Further discussed in A4)

Q2. If a distributor were to provide a payment period longer than sixteen days, how would this affect the distributor's cash flow?

A2. Cash flow would be interrupted, but more importantly there would be issues with the aging of receivables, the timing of subsequent invoices (especially for monthly billing). Also, the collection of past due monies would overlap and be confusing to the customer. In our view, to extend these days would be an unfavourable and a poor practice.

Q3. Where bills are "delivered" electronically, either by e-mail or by allowing customers to access bills on the internet, how should the date that the bill is deemed to have been sent be determined?

A3. All bills delivered by any means should be treated equally. The due date calculation is done at the time of bill initiation, when the bill is processed based on billing date. The bills are deemed delivered when they are either emailed or posted electronically or mailed.

Q4. What processes do distributors currently have in place to determine or verify whether payment was received by the billing due date, particularly where payment is made by electronic means (telephone or internet banking)?

A4. Payment is recognized on the transfer file date and posted on the receipt date to our customer's account. London Hydro considers four (4) days grace period beyond the bill due date to allow for any exceptions in the processing of payments, though we do not advertise the 4 day grace period. London Hydro has on many occasions reviewed the payment method and receipt date to determine the appropriate grace day period. As an example, payments made by telephone/internet which makes up about 60% of our payments, are typically received in two (2) business days. If the payment is not received with this 20 day period (16 days + 4 day grace), the late payment charge is picked up on the 21st day.

Q5. In addition to payment by mail, at a financial institution, or by electronic means (telephone or internet banking), are there any other methods of payment that distributors accept? If so, how do distributors determine or verify whether payment was received by the billing due date?

A5. London Hydro offers other payment options such as night deposit payment located at our office and credit card payments through a third party provider. Credit card payments are user fee based.

1.1.2 Allocation of Payments

Q6. Are there any technical limitations (e.g. billing systems) that would limit a distributor's ability to allocate payments towards energy charges first and non-energy charges second?

A6. There are no apparent technical limitations, but this option would result in costly customization of standard customer information and billing systems.

Q7. If there are technical limitations, what options are available to a distributor to ensure that a customer's payment is applied to energy charges first?

A7. Same as A6 above, only implications are those of significant costs.

Q8. If distributors were given discretion as to how payments are allocated, do distributors need guidance from the Board as to how payments should be processed to ensure that it is not done in a manner that would lead to action that is inconsistent with section 31(1) of the Electricity Act, 1998 (in other words, to ensure that customers are only disconnected for non-payment of energy charges)?

A8. No, because the system has worked very well. In our jurisdiction disconnection of services, whether water or electric, is insignificant. In 2007, 3,726 services were disconnected of which 71% were reconnected within 7 days. In 2008, to date, 723 services were disconnected and 85% were reconnected within 7 days. It should be noted that a large number of the disconnected customers have been disconnected multiple times.

Water services are disconnected by the City of London for non-payment of water services.

Q9. What are the implications of distributors being required to allocate payments in accordance with customer requests?

A9. London Hydro is apprehensive with regard to moving away from our current process of payment percent allocation to bill proportion. A customer request for allocation is a costly manual process and will require costly CIS customization and enhancements.

1.1.3 Correction of Billing Errors

Q10. Staff has suggested three options for how distributors should refund to customers amounts owing for over-billed amounts. What are the advantages and disadvantages of each option?

A10. London Hydro currently works under the process described in Option 3.

Q11. Staff has suggested three options for how distributors should bill customers for amounts under-billed. What are the advantages and disadvantages of each option?

A11. Option 3 has balance and recognizes the hardship on customers; however, the under-billed amount due to theft, tampering and unauthorized use should be at the LDC's discretion.

Q12. With regards to the option where refunds would be provided in the form of a cheque if the amount owing was greater than a certain amount, what might be an appropriate threshold or criterion for determining the form of refund? Should the threshold or criterion differ depending on customer class?

A12. Same, using the "if greater than 2 months of estimated average billing" principle.

Q13. With regards to the option where the repayment period for under-billing would depend on the amount owing by the customer, what is an appropriate threshold or criterion for determining the repayment period? Should the threshold or criterion differ depending on customer class?

A13. London Hydro suggests the lesser of the two, same period or 2 years. However, it would be advisable not to hard code it as it should be left to the discretion of the LDC.

Q14. The RSC requires that distributors pay interest on amounts that were overbilled, but does not allow distributors to charge interest on amounts under-billed. Is this asymmetry appropriate?

A14. Weighted for the customer, but accepted as error is sometimes unexplained.

Q15. Where the customer is responsible for the under-billing, such as in the case of unauthorized energy use, including meter tampering or theft of power by the customer, should distributors be permitted to collect interest on the amount owing by the customer?

A15. Yes

Q16. In light of the time periods for over- and under-billing that apply in other jurisdictions, is there merit in reconsidering the time periods set out in the RSC?

A 16. London Hydro will accept consensus.

1.1.4 Equal Billing

Q17. Should all distributors be required to offer some form of equal billing? If so, what might be appropriate criteria for participation by customers?

A17. Yes. Criteria for participation should include limited arrears owing at sign-up time, or limited collection activity such as field activity for non-payment, and sufficient consumption history at premise.

There will be times when an LDC may want to use its' own discretion

Q18. If all distributors were required to offer equal billing, what are the implications for:
Customer information / billing systems?
Distributor's costs?
Cash flow?

A18. Cost implications for either billing system modifications and/or manual work around. There will be periodic cash flow implications. A/R risk is also a consideration depending on the efficiency of the budget program, such as frequency of reviews, tracking, etc.

Q19. For those distributors that currently offer equal billing, but not to customers enrolled with a retailer, what are the implications of being required to offer equal billing to customers enrolled with a retailer? Specifically, what are the implications for:
Customer information / billing systems?
Distributor's costs?
Cash flow?

A19. For billing systems, there will be costs for the required modifications. With respect to other Distributor's there are many implications, such as:

- price is not guaranteed
- increase of electricity usage by customer, LDC will have to carry A/R
- settle-up bills put LDC's at risk with no implications to retailers
- estimated meter reads within budget period are a risk
- price is not evident to the customers, as bundled in fixed monthly amount

1.2 Disconnection for Non-Payment

1.2.1 Form and Content of a Disconnection Notice

Q20. Is the minimum information that staff has suggested should be contained within a disconnection notice sufficient? What information should be added? Should any information be removed?

A20. London Hydro follows all processes with some of our own enhancements. We have attached a copy of all of our notices for your information. See attached Exhibit #1 through Exhibit #11

Attachment - Notices

Q21. Prior to commencement of the disconnection process, should distributors be required to send an overdue payment notice?

A21. London Hydro currently, as a last resort, visits properties and drops a “disconnection notice” before disconnection. This is done after other steps such as IVR Outbound call and Reminder Notice by mail have been undertaken.

Q22. Should the disconnection notice be a separate mailing from the bill, or is it sufficient that it be a separate document sent with the bill? What are the implications of requiring a disconnection notice to be a separate document from the bill? Specifically, what are the implications for:
Communications with a customer?
Timing of notices and bills?
Distributor’s costs?

A22. It is sufficient that Reminder/Final notices are sent separately. While the field notice to the property incurs costs, it is also recoverable from the customer incurring this activity under the LDC’s rate schedule. Communications are stronger and the timing of notices/field activity can be more effective for receiving payment on the debt owed. The Reminder notice allows the customer options to avoid the field activity.

Disconnection notice with the next bill delays revenue and can impact the Accounts Receivable risk of the LDC.

Q23. In addition to delivering a disconnection notice, should distributors be required to make personal contact with the customer (e.g. through a telephone call) prior to disconnection?

A23. London Hydro has tried this method of personal contact with the customer and was unsuccessful as many customers work outside the home. Alternatively, we have introduced an IVR Outbound Call System to call at 2 different intervals during our collection life time line. This is a call that is made outside business hours and instructs customers to call our office about their account the next working day.

1.2.2 Timing of a Disconnection Notice

Q24. What would be an appropriate length of time following delivery of a disconnection notice for a second notice to be required if disconnection has not occurred?

A24. London Hydro currently uses a 3 week period. Once this period has lapsed a second notice is given pending the future disconnection. There are circumstances that warrant variations to this time line, such as, broken promises, NSF's, no payment for long period of time, etc. This lapse is rare as we usually turn our outstanding accounts over within a 2 to 3 week period.

See Attached Exhibit #1 – London Hydro Collection Time Line

Q25. What are the implications of requiring additional notice where a customer has not been disconnected within a certain length of time following delivery of the first notice? Specifically, what are the implications for:
Communications with customers?
Customer information / billing systems?
Distributor's costs?

A25. While second notices may be a consideration, an argument may be customers will come to expect multiple notices. Subsequent notices incur additional costs to the customers and the LDC. Modifications to the billing system will have to be made to queue accounts when first notices are issued and when a certain time has lapsed.

1.2.3 Recipient of a Notice

Q26. What are the implications of allowing customers to designate a third party to receive copies of notices of disconnection? Specifically, what are the implications for:
Communications with customers?
Customer information / billing systems?
Distributor's costs?
Communications with social service agencies?

A26. There would be substantial time lost and costs impact. Another element that may cause some issue with this is the privacy legislation in adhering to the proper consent releases, the tracking of notifications of the actions, keeping current data, etc. Responsibility of the invoices should be maintained with the account holder. Risks would escalate with the LDCs. London Hydro currently has a "Pay Direct" feature for our Ontario Works participants to have the City pay the utility account on their behalf. This third party type of activity should be at the discretion of the LDC on a case by case scenario, such as a "Life Support" customer.

1.3 Management of Customer Accounts

Q27. In addition to the potential for property damage (e.g. from frozen pipes), are there any other implications of disconnecting a property when no new request for service has been received?

A27. Costs and Timing. Disconnection and reconnection are very costly activities. Operationally, managing this type of activity and responding to customers on a timely basis without incurring costs would be an issue. It is better for the landlord to manage these accounts.

It is a rare occurrence that a property owner to property owner change does not register with our company.

London Hydro has a process in place whereby when no one takes liability the account defaults to the owner. A letter is sent to the owner once a tenant has final billed his/her account. This notice is to advise the owner to take the appropriate steps to ensure that the transfer of tenancy is completed.

There are future plans to introduce a Landlord/Owner Management module within our Self Serve Application for this very purpose, which will provide property owners a user friendly tool to manage their respective accounts.

See Attached Exhibit #2: Urgent Notice of Tenancy Change – "Letter to Owner"

Q28. When an account is closed, what are a distributor's criteria for determining whether to:
continue to provide service to the property in the absence of a new request for service, or
terminate service to the property?

A28. See A27. (Weather, costs and timing are all factors in making the final decisions.)

Q29. Are there circumstances in which it would be appropriate for a distributor to open an account in a person's name, and thereby seek payment from that person, where the person has not made a request for service? If so, please identify.

A29. See A27

Q30. What types of information should a distributor collect from a person that is requesting the opening of an account in order to confirm the identity and, where applicable, authority of the person?

A30. Once a customer has signed up for services at a property, a “Welcome Letter & Application for Service” is sent out automatically. Identification we ask for is:

1. Date of Birth
2. 2 pieces of ID with one having photo ID
3. Phone Number(s)
4. Previous Address
5. Employer’s name & address or Student ID & School
6. Signature of Applicant
7. Business owner (if non-residential)
8. Registration Number (if non-residential)
9. Ontario Corp. Number (if non-residential)
10. Operating / Trading as Name (if non-residential)

See Attached Exhibit #3: Residential and General Service Customer Welcome Letter / Application

PART II: Evaluation and Reclassification of Customers

2.1 Definition of Demand

2.1.1 Use of Billing Demand

Q31. What are the advantages and disadvantages of each of the options identified above?

A31. This would depend on the rate design each utility uses. It should be at the LDC’s discretion as to what policy they follow, as the method will either raise or lower the rate depending on the variables used in the rate model. The higher the determinant the lower the resulting rate. You trade off either way. Also a sole focus on kW and no consideration for poor power factor can have impact on power quality.

Q32. Should the general rule be that billing demand be determined on the basis of a consumer’s measured kW?

A32. London Hydro does not support this, it should be at the LDC’s discretion as to what policy they follow, as the method will either raise or lower the rate depending on the variables used in the rate model. The higher the determinant the lower the resulting rate. You trade off either way. User pay is always better and it provides the appropriate signals for customers to make investments into pf correction.

Q33. Under what circumstances should a distributor be permitted to assign a consumer on the basis of kVA as opposed to kW?

A33. It depends on the bill determinant in the rate model, either way should be acceptable.

The kVA penalizes those that have inefficient use and rewards those that don't with the 90% rule in between. User pay is always better and it provides the appropriate signals for customers to make investments into pf correction.

The distributors that use kW spread the distribution costs associated with kVa over the rate base, while the ones that use kVA apply it to the contributor of those costs. Either way the bill determinant in the rate model reflects this.

Q34. Should use of 90% of the kVA demand as billing demand be limited to cases where a determination of below standard power factor has been acknowledged to the customer (as with Nova Scotia Power)? This would give the customer an opportunity to correct the situation at its own cost before being re-classified.

A34. Irrelevant, we communicate our policies.

2.2 Classification and Reclassification of Consumers to Classes

2.2.1 Periodicity of the Calculation of Demand for Rate Classification Purposes

Q35. What are the advantages and disadvantages of each of the options identified above?

A35. We agree with the average monthly peak billing demand method. It is fair and takes care of the customer, for example, having a spike due to tests, etc.

2.2.2 Assignment of New Consumers to Classes

Q36. What are the advantages and disadvantages of each of the options identified above?

A36. Either option identified is fine.

Q37. How does classification on the basis of 80% of service size relate to customer contributions for connection costs? In other words, is the distributor already compensated for over-sized assets by customer contributions?

A37. N/A

2.2.3 Evaluation and Reclassification of Existing Consumers

Q38. What are the advantages and disadvantages of each of the reclassification options identified above?

A38. We use the once per year with the right for either party to request a review.

Q39. In section 2.1.2, Board staff has suggested a 12 month average billing demand as a definition of demand. If that were to be adopted, would restricting the number of reclassifications become unnecessary?

A39. Agree

Q40. Should all customers be notified prior to a rate class change, regardless of the bill impact?

A40. Yes

Q41. Is there a need for the Board to establish parameters around the application of the concept of an "abnormal condition"? If so, what parameters would be appropriate?

A41. No, leave discretion to the local distribution companies.

PART III: Management of Customer Non-Payment Risk

Q42. Should the DSC be amended to expressly provide for accelerated billing?

If yes, how should accelerated billing provisions be structured (e.g., triggers, notification process, conditions for returning to the distributor's normal billing cycle, timing of disconnection notices, other customer service implications)?

Should customers have the option of negotiating an alternative arrangement prior to being placed on accelerated billing?

Are there other customer non-payment risk management tools that should be considered along with accelerated billing?

If accelerated billing should not be considered, how should the large customer non-payment risk referred to above be addressed, if at all?

A42. London Hydro does not have customers in this category.

Customers should have the option to negotiate an alternative arrangement prior to being placed on accelerated billing.

Another customer non-payment risk tool could be "Advance Monthly Billing"

If no accelerated billing, the use of some type of security deposit could be an option.