
BR-DERS-1**Reference:**

- (a) With respect to the subject benchmarking study, how many firms/consultants does DERS believe would have been qualified to conduct the required scope of work?
- (b) Why did DERS select DLAI to perform the benchmarking study instead of other potential firms/consultants?
- (c) With respect to the DLAI First Report and DLAI Second Report, please identify the total DLAI costs to date.

Response

- (a) DERS is aware of four entities that it believes would have been qualified to conduct the required study. There are undoubtedly additional entities DERS is not aware of that are also qualified to conduct the required scope of work.
- (b) DERS selected DLAI on the basis of relevant previous assignments, relevant expertise, subject matter knowledge, independence, and credibility. Mr. Louth has filed evidence respecting customer care arrangements in British Columbia and Ontario, and has previously appeared before both the British Columbia Utilities Commission and the Ontario Energy Board. DLAI evidence before the Ontario Energy Board was referenced in the evidence filed by Mr. Stephens on behalf of the City of Calgary in Application 1302109, and a DLAI report on the outsourced customer care arrangements of Enbridge Gas, filed with the Ontario Energy Board, was provided in response to Information Request BR-CAL.4 in Application 1302109.
- (c) Total DLAI costs to December 31, 2004 are \$92,770.27, consisting of professional fees of \$82,680.00, disbursements of \$4,121.18, and GST of \$6,069.09.

BR-DERS-2

Reference: (1) p. 4 & 5/27, DLAI Second Report.

Preamble: DLAI provides its opinion in summary form and makes reference to a top-line basis (overall cost per customer for customer care services excluding meter reading costs), an individual service cost basis (cost per customer for individual services) and a unit cost comparison for particular service elements.

DLAI also noted that it carried out its analysis of the relationship between DERS' submitted costs and those established for the industry benchmark on a unit cost and cost-per-customer level.

Request:

- (a) Please describe the advantages and disadvantages of a unit cost analysis and a cost-per-customer analysis (both on an overall service basis and individual service basis).
- (b) Given the Board's direction to undertake a comprehensive benchmarking study to determine if the charges under the MSA represent fair market value for the services provided and if not, what the fair market value is for the services, what analysis method does DLAI consider to be most appropriate and why?

Response:

- (a) An overall cost per customer analysis allows better comparison at an aggregate level to other comparable utilities. It is the most common yardstick of measurement in the industry and allows for comparison of utilities of different sizes and outsourcers. It is however only an aggregated cost and does not identify service cost differences [e.g. billing costs]. Comparison at a unit price level allows an evaluation of actual services [e.g. billing costs, cost of a call centre call] and gives some insight into potentially disparate contract conditions. The latter measure often gives a more detailed insight into market value being received for individual services.

In the case of DERS' current application, DLAI believes that overall cost per customer provides a reliable picture of the value of the agreement.

- (b) See answer to (a). Both measures have value.

BR-DERS-3

Reference: (1) p. 3/25, DLAI First Report.

Preamble: DLAI noted that twenty Canadian utilities were invited to participate in the benchmark study but only fourteen participated.

DLAI indicated that for reasons of meaningful comparison, it was decided to collect information only from utilities with more than 75,000 customers.

Request:

- (a) Please provide a list of private and public utilities in Canada and identify the utilities which have greater than 75,000 customers.
- (b) If known, please describe some of the reasons why the six Canadian utilities did not participate in the benchmark study.
- (c) How would DLAI compare the importance of these six utilities to the overall quality of the benchmark study compared to the fourteen utilities that did participate?

Response:

- (a) Please refer to Attachment BR-DERS-3(a) for a listing of the larger private and public utilities in Canada. The attached list is not a complete listing of all Canadian utilities but does provide a cross section of gas and electric utility companies across Canada. Given the significant number of municipal utilities in Canada, DERS is unable to supply a comprehensive list. For example, the Ontario Energy Board website lists some 101 licensed electricity distributors.



Attachment
BR-DERS-3(a).xls

- (b) Reasons varied from no interest to too busy to respond.
- (c) Apart from the truism that “the larger the sample the more precise the analysis” the six non-respondents had no more significance than those who did respond.

BR-DERS-4

Reference: (1) p. 6/25, DLAI First Report.

Preamble: DLAI indicated that while it has made every reasonable effort to produce well founded findings, benchmarking is neither an exact science nor a purely statistical exercise.

Request:

- (a) In doing benchmarking, what does DLAI consider to be the most important factors to consider and why?
- (b) What alternative approaches did DERS consider for the benchmark study? Please describe the alternatives and the advantages and disadvantages of each alternative.
- (c) Why did DERS/DLAI select the chosen benchmarking approach instead of one of the alternatives identified in (b)?
- (d) Does DLAI consider that a benchmark study should be able to provide explanations for cost differences between utilities on both a qualitative and quantitative basis? Please explain.

Response:

- (a) Ensuring comparison on the most consistent basis possible and achieving a sample size that validates the end result to the greatest extent possible.
- (b) DLAI looked at telephone polling and use of existing data bases.
- (c) It was considered that neither alternative would better meet the criteria described in (a) above.
- (d) On a quantitative basis the benchmark is considered a reasonable basis for comparison. A qualitative assessment regarding the quality of service delivered to respondent utilities is more difficult as it depends on those respondents who submitted data on service levels and targets, those respondents being approximately half of the total respondent population.

BR-DERS-5

Reference: (1) p. 23/25, DLAI First Report.

Preamble: DLAI indicated that Mr. Louth benchmarked BC Hydro's proposed customer care contract cost and service levels against those of other utilities.

Request:

- (a) With respect to the BC Hydro study, did Mr. Louth survey utilities outside Western Canada or outside Canada?
- (b) If utilities outside Canada were used in the BC Hydro study, please indicate why it was appropriate in those circumstances but not in the case of the DERS benchmark study.

Response:

- (a) No utilities outside Canada were referenced.
- (b) Not applicable.

BR-DERS-6

Reference: (1) p. 7/27, DLAI Second Report.

Preamble: DLAI indicated that it believed that the DLAI benchmark study has established fair market value for customer care services and therefore satisfies the first EUB requirement.

DLAI also indicated that it believes that mapping of charges made by ITEK under the MSA to the benchmark results is a reasonable general basis for assessment of the fair market value of those charges.

Request:

- (a) Why does DLAI consider that its benchmark study has established fair market value for customer care services?
- (b) How would DLAI describe a benchmark study that has not established fair market value for customer care services?
- (c) With respect to DLAI's second comment noted above on the mapping of charges, is DLAI referring to the unit rates for the various customer care service components listed in the MSA or cost per customer for individual customer care services?

Response:

- (a) Because of the scope of the benchmark and the fact that comparisons have been carried out at both overall and unit cost levels.
- (b) Where significant differences have been shown for similar sizes of utility in respect of benchmark and utility costs at a cost per customer level and/or where some unit costs are significantly higher than those of comparable utilities. Service level requirements would also have to be taken into account in making this determination.
- (c) Both.

BR-DERS-7

Reference: (1) p. 2 & 3, Letter from DERS dated September 23, 2004

Preamble: In the referenced letter, DERS indicated that at the outset of this project, a **decision** was made to benchmark only Canadian utilities. DERS indicated that it was its **belief** that a study focused on Canadian entities has more relevance than one that focuses on, or included U.S. entities. DERS submitted that a study focused on Canadian costs will eliminate any disagreement respecting currency conversion and labor cost comparisons as occurred in DERS' DRT/RRT hearing in September 2003.

Request:

- (a) Did DERS make the noted decision based on a recommendation of DLAI?
- (b) Does DLAI support DERS' noted belief?
- (c) What would DLAI consider to have been the advantages and disadvantages of including U.S. entities in the DERS benchmark study? Please discuss fully.

Response:

- (a) The decision to benchmark only Canadian utilities was made by DERS prior to the retention of DLAI. In discussions with DLAI DERS investigated the reasonableness of benchmarking only Canadian utilities, and determined that that approach should result in a valid benchmark study.
- (b) Yes.
- (c) US utilities operate under different circumstances to those in Canada in respect of labour costs, unionization, competitive environment, size of market etc. Their inclusion would have increased the size of the sample but would likely have skewed the results.

BR-DERS-8

Reference: (1) p. 1, Terms of Reference.
(2) p. 3/25, DLAI First Report.

Preamble: In the Terms of Reference, it indicates that information will be collected from **other utilities that have outsourced comparable services** in order to create a data base of comparable customer care costs and services.

In its first report, DLAI indicated that in order to achieve a valid benchmark it was necessary for DLAI to solicit information from utilities across Canada.

The Board is interested in understanding the criteria DLAI used to select entities for which to benchmark. A number of statements made in the DLAI reports appear to indicate that many factors were considered.

Request:

- (a) What selection criteria does DLAI consider appropriate in order to select utilities to be included in a customer care benchmark study?
- (b) With respect to the DERS benchmark study and the selection of an entity to be surveyed, what attributes of an entity or factors related to the entity does DLAI believe are important to consider in order to provide the best benchmark for DERS' customer care service costs? Please rank the attributes and/or factors from most important to least important.
- (c) How many utilities in the DERS benchmark survey match DERS' profile or situation with respect to the key attributes and factors DLAI considers to be important in choosing a benchmark respondent?

Response:

- (a) Size, scope of operations, utility's regulatory environment, extent of outsourcing, etc.
- (b) From most to least important – size, extent and scope of outsourcing, maturity of outsourcing relationship, scope of operations, length of outsourcing contract.
- (c) The majority of respondents match some or all of the criteria making up DERS' profile. DLAI cannot be more precise because it is legally obliged to protect the identity of the respondents.

BR-DERS-9

Reference: (1) p. 3 & 4/25, DLAI First Report.

Preamble: In its first report, DLAI indicated that in order to achieve a valid benchmark it was necessary for DLAI to solicit information from utilities across Canada. DLAI also indicated that for reasons of meaningful comparison, it was decided to collect information only from utilities with more than 75,000 customers. DLAI also noted that this cut-off did not preclude solicitation of information from utilities in all geographic areas of the country. DLAI also indicated that it was confident that the fourteen utilities represent a meaningful cross-section of the Canadian industry, with a balance of gas and electric utilities and a broad range of customer bases in terms of size.

Request:

- (a) Why was it necessary for DLAI to solicit information from utilities across Canada in order to achieve what it considers, a valid benchmark?
- (b) Why does DLAI consider that 75,000 customers is an appropriate cut-off to use in order to provide a meaningful comparison?
- (c) Why does DLAI consider it more appropriate to obtain a cross-section of larger utilities and geographically across Canada rather than just focusing on entities with certain key attributes or entities that exist in a similar situation as DERS?

Response:

- (a) Because it wanted to achieve the largest number of respondents possible and therefore make the results more representative of the industry as a whole.
- (b) Larger utilities tend to use more outsourcing services and be more sophisticated in contracting for them. The cut-off chosen excludes these small utilities, for instance all but the largest municipal utilities, many of whom operate in a different environment in terms of scope of outsourcing, regulation, operational sophistication etc.
- (c) DERS is a larger utility with operational and service attributes very similar to other larger utilities. Although a focus on other Alberta utilities alone may provide a more appropriate comparison to matched criteria entities (see BR-DERS-8), such a study would have limited data points and would not allow for confidentiality.

BR-DERS-10

Reference: (1) AE/AG Rebuttal Evidence, Transfer of Retail Assets to Direct Energy, Application No. 1299855

Preamble: In the ATCO Retail proceeding, ATCO argued in its Rebuttal Evidence that one of the interveners' examination of costs was **fundamentally flawed** because they did not envisage a separation of the retail functions from the day to day ownership, operation, management, and maintenance of pipes and wires. ATCO submitted that to achieve the necessary separation of retail functions from distribution functions, appropriate limits and controls of the sharing of distribution operating data and retail customer data would be required.

ATCO stated that in this model, the distribution company retains the responsibility of acquiring metered consumption for each customer connected to the distribution system, and capturing that data in the "Distribution" database. The distribution company then processes that data to provide the retailer of each customer with the requisite data, including load settlement data and the distribution charges for that customer. This information is relayed to the retailer across a firewall and the retailer stores it in the "Retail" database. The retailer then generates the final customer bill by applying the appropriate rate for the energy consumed, and combining that charge with the charge for the customer's distribution charges.

ATCO also submitted that the major change from provision of Customer Assistance services for regulated retail services on an integrated basis, to a stand-alone basis, is the transfer of this function from the distribution company to the retailer. ATCO also noted that if the retailer provides the same service and experiences the same call volumes as the distribution company previously incurred prior to the transition, the costs should be similar (assuming both the distribution company and the retailer procure Customer Assistance Services on a Fair Market Value basis).

Request:

- (a) With respect to the DERS benchmark survey respondents, how many utilities are structured in a similar fashion to DERS whereby as retailer, DERS bills on behalf of the distribution entities (AG and AE) and performs the other functions discussed in the preamble?
- (b) Given ATCO's comment that a comparison of costs between the "old structure" and "new structure" was fundamentally flawed, has DLAI addressed this concern in its benchmark study? Please explain fully.

Response:

- (a) A small number. DLAI cannot be more precise because it is legally obliged to protect the identity of the respondents.
- (b) No.

BR-DERS-11

Reference: (1) p. 1, Terms of Reference.
(2) p. 9/25, DLAI First Report.
(3) DLAI Questionnaire.

Preamble: The Terms of Reference state that only DLAI will have access to company-specific data generated from the benchmarking process, that participants in the benchmarking will be protected in this regard and that DERS agrees only to require access to aggregated results.

In the DLAI First Report, DLAI indicated that it was prohibited from providing other measures, such as minimum and maximum ranges for data sets in order to guarantee the anonymity of individual respondent utilities.

The questionnaire requested that the survey respondents provide a lot of details on unit costs for subcomponents of the various customer care services (i.e. unit cost for rebills, unit cost per collections call, etc) but this information was not included in the DLAI reports. The results of other questions asked are also not included in the DLAI reports.

Request:

- (a) Please identify the measures that DLAI considers would reveal the identity of the respondent utilities.
- (b) For the measures identified in (a), please explain why DLAI considers that these measures would reveal the identity of the respondent utilities.
- (c) Without revealing the identity of any respondent utilities, did DLAI consider that reporting of certain findings by utility could have been accomplished by only labeling each utility by Utility A, Utility B, etc? Why or why not?

Response:

- (a) The majority of outsourcing contracts are in the public domain due to regulatory requirements. However, only a small number of respondents provided detailed information on unit costs etc. Providing maximum and minimum cost ranges or data plots for these few respondents would allow minimal research to determine their identities.
- (b) See (a).
- (c) See (a).

BR-DERS-12

Reference: (1) p. 9/25, DLAI First Report.

Preamble: DLAI indicated that although many outsourcing contract features protect utilities' interests, there appears to be significant protection for suppliers in many of the outsourcing contracts described by respondents in the questionnaire.

Request:

- (a) Please list and explain the features in the outsourcing contracts that provide protection for suppliers.
- (b) Please list and explain the features in the outsourcing contracts that provide protection for utilities.
- (c) With respect to the features identified in (a) and (b) above, please compare the MSA with the outsourcing contracts of the survey respondents.

Response:

- (a) Pricing based on use of service units irrespective of economies of scale, escalation clauses for increased use of services, agreements to a minimum level of spending by a utility, restrictions on the use of other organizations for technology support etc.
- (b) Fixed pricing, protection against capital investment on technology, reduced charges for reduced usage, agreement to meet "best pricing" based on benchmarks etc.
- (c) DLAI is unable to do so because of confidentiality agreements with respondents. Those outsourcing agreements in the public domain also tend to be redacted to a greater or lesser extent, making a comparison difficult based on public record of the requested features, or other components such as service levels.

BR-DERS-13

Reference: (1) p. 1, Letter from DERS dated December 10, 2004
(2) p. 3/27, DLAI Second Report.

Preamble: DERS noted that in addition to the DLAI Second Report, it was important to provide some additional context for examination of DERS' customer care costs.

In its report, DLAI indicated that its mandate was to compare the costs charged to DERS by ITEK against the nationwide benchmark and to **investigate the reasons** for significant differences between cost and benchmark figures and to form an opinion on rationale for their occurrence and the overall reasonableness of the actual charges made.

Request:

- (a) Why didn't DLAI provide the "context" information outlined in the DERS letter?
- (b) Does DLAI support and concur with the "context" provided by DERS in its letter? Please explain why or why not and identify the specific areas DLAI agrees with and the specific areas DLAI does not agree with, if any.

Response:

- (a) The second report was submitted before DERS prepared its "context" letter.
- (b) DLAI agrees with much of the "context" information and supports DERS' position re: billing complexity. On the other points:
 - DLAI tested the issue of potential "overlap" of DERS' meter reading and billing functions compared to benchmark respondents and satisfied itself that DERS billing functions were consistent with the benchmark functional descriptions. In our opinion, the billing costs to DERS are comparable in scope to those of benchmark respondents.
 - On the issue of call volumes, time may show that DERS experiences call volumes different to its latest estimates, but this cannot be shown to be the case in the present circumstances. For reasons of benchmark comparison, DLAI used the information provided by DERS at that juncture.
 - DLAI supports the contention that the best measure of market value is overall cost per customer. We agree that, if different assumptions are made regarding DERS' call volumes and billing functions, different comparative costs will emerge.

BR-DERS-14

Reference: (1) p. 2, Letter from DERS dated December 10, 2004

Preamble: DERS noted that it believed it was important to analyze in detail the findings shown on Figure 4 of the DLAI Second Report to ensure there is no opportunity for cherry-picking and that the focus remains on the **total cost per customer**.

Request:

- (a) In the context of customer care services, does DERS consider that the **overall cost to customers** should be determined by applying the unit cost of each customer care service component to the actual amount of activity or usage for each respective customer care service component?

Response:

- (a) Yes. Under the pricing structure in the MSA between DERS and ATCO I-TEK, it is the unit pricing, applied to activity or usage, which determines the overall cost to customers. It is important, however, to focus on the total or overall cost to customers resulting from the application of unit pricing to activity because, as demonstrated in tables 1 through 3 of DERS' December 10, 2004 submission to the Board, the resultant cost per customer for any individual service may be higher or lower than the benchmark value due to the pricing structure inherent in the individual agreement and customer behaviour, while the overall cost of all services remains reasonable.

BR-DERS-15

Reference: (1) p. 2, Letter from DERS dated December 10, 2004
(2) p. 14/27, DLAI Second Report

Preamble: DERS indicated that it was appropriate to comment on the underlying industry structure in Alberta relative to other Canadian jurisdictions and that there was no question that DERS operates under legislated billing requirements and billing structure that is more complex than that in other jurisdictions. DERS' noted that its bills are required to display both a retail and distribution section, each with several mandated line items. DERS indicated that these requirements dictate the use of at least a 2-page bill and DERS' bills average 17% more pages than the benchmark value.

DERS also indicated that these additional billing requirements and costs must be kept in mind in assessing the reasonableness of DERS' customer care costs.

DLAI indicated that DERS' overall billing parameters are similar to those of benchmark respondents. DLAI also stated that it established that Alberta's legislated billing requirements do add to billing complexity and that it is reasonable that charges for billing service would be higher but this factor does not wholly explain the cost gap between DERS and the benchmark.

Request:

- (a) Please describe in detail the additional billing requirements, relative to other jurisdictions, and the rationale for increased customer care costs.
- (b) What evidence has DERS provided to support its claim that DERS operates under legislated billing requirements and billing structure that is more complex than that in other jurisdictions?

Response:

- (a) Please refer to the attached documents for a detailed description of the increased billing requirements driven by the functional separation of retail and distribution in Alberta. There is no doubt these additional tasks, as well as the increased volume and complexity of certain existing tasks, lead to increased costs. DERS is of the view that it would be helpful to the Board and interested parties to conduct a technical workshop on the subject of billing requirements under the existing Alberta model. This is a complex and technical subject, and an interactive session with subject matter experts would facilitate parties' understanding beyond that which can be conveyed through the provision of documentation alone. DERS notes that the Board, in its letter dated January 27,

2005, considered that a technical workshop may add to the efficiency of this process. DERS concurs, and is of the view that it may be beneficial to conduct more than one such workshop. DERS would suggest holding one workshop in early February to deal specifically with the subject of billing processes and complexities, and a second workshop in early March on the broader benchmarking process. DERS will work with Board staff with respect to the timing of such workshop(s) so as to facilitate the Board's process in this Application.



Attachment1

BR-DERS-15(a).ppt



Attachment2

BR-DERS-15(a).doc

- (b) DERS is unaware of any other jurisdiction in North America that operates under the same industry structure and legislated billing requirements as Alberta. In Exhibit 002-01 from Application 1302109, DERS' Application for Regulated Rate Tariffs and Default Rate Tariffs, beginning at page 1-5 and ending at page 1-9, DERS provided evidence as to the structure and legislated requirements of the Alberta model. The relevant excerpt from that Application is attached.



Attachment

BR-DERS-15(b).doc

BR-DERS-16

Reference: (1) p. 4& 15/27, DLAI Second Report.

Preamble: DLAI indicated that if presently high standard billing costs do indeed include provision for future technology upgrades at ITEK's expense, DERS has achieved some protection from increased technology costs during the contract term.

While DLAI notes that ITEK and DERS both agreed that the standard billing charge provides not only **existing facilities** without additional cost to DERS but will continue to do so through the life of the MSA, DLAI appears somewhat hesitant to support this claim.

DLAI indicated that it believed that ITEK will need to incur significant technology-related costs in the next nine years probably including the need to replace or upgrade the core CIS.

DLAI also indicated that some of the high standard billing cost could be viewed to some extent as cost protection as long as ITEK will, at some point in the life of the contract, itself incur high technology replacement costs that would otherwise be passed on to DERS. DLAI indicated it did not know whether the MSA was negotiated on this basis but it believed there was a strong possibility of such a situation. DALI stated that unless the MSA is later changed, DERS appears to have meaningful protection from future cost escalation in the area of technology services.

Request:

- (a) Please describe what is meant by "existing facilities" as noted in the second paragraph of the preamble.
- (b) Did DLAI identify any language in the MSA that substantiates the claim that future technology upgrades will be done at ITEK's expense and that the standard billing charge provides not only existing facilities without additional cost to DERS but will continue to do so through the life of the MSA?
- (c) Can DERS provide evidence to support the claim noted in (b)?
- (d) In addition to the replacement or upgrade of the core CIS, please give other examples of the technology related costs that DLAI believes ITEK will need to incur over the next nine years.
- (e) Did DLAI review the MSA? If yes, to what extent? If no, why not?
- (f) Did DLAI review all the information system related costs and ITEK implementation costs that DERS applied for in its non-energy revenue requirements in the 2003 2004 DRT/RRT Application?

Response:

- (a) DLAI believes that the term “existing facilities” relates to the processes and technology necessary to support the billing function in its present form.
- (b) No, but if it applies it is usual for this type of provision to be explicitly set out in an outsourcing contract.
- (c) DERS is of the view that Article 3.1 of the MSA provides for ATCO I-TEK (the Supplier) to provide, through the life of the MSA, a commercially sound policy for modifying and upgrading its systems in order to perform the services specified in the MSA. For example, ATCO I-TEK is currently in the process of upgrading its bill formatting software at no cost to DERS.
- (d) New call centre technology, more sophisticated web-based customer contact, consistency with emerging technologies and services.
- (e) Yes – in detail.
- (f) No – only in aggregate form based on discussions with DERS.

BR-DERS-17

Reference: (1) p. 5/25, DLAI First Report.
(2) p. 2, Letter from DERS dated December 10, 2004

Preamble: DLAI indicated that it has no means of confirming the level of consistency used by respondents in defining the scope of a particular service when completing benchmark questionnaires (e.g. the actual processes ascribed to “call centre services”). DLAI stated that it had to rely on respondents’ judgment in this regard.

With respect to the exclusion of meter reading costs from benchmark values, DERS indicated that it is not known to what extent there is an overlap in the meter reading and billing functions in the benchmark respondents. DERS also indicated that it was its understanding that there can be a significant overlap in these functions and that the meter reading function, in some cases, provides many of the calculations performed within DERS’ billing function. DERS submitted that while the difference in functionality and associated cost cannot be quantified, it should be kept in mind when DERS’ costs are compared to the benchmark values.

Request:

- (a) Did DLAI provide a description of the customer care functions, used in its questionnaire, to the benchmark respondents?
- (b) If the answer to (a) is no, please explain why. If the answer to (a) is yes, please provide the material given to the benchmark respondents.
- (c) With respect to the potential overlap in meter reading and billing functions, did DLAI ask benchmark respondents to comment on this issue?
- (d) Given that the purpose of the DERS benchmarking study was to determine if the charges under the MSA represented fair market value for the services provided, did the services (functions or processes) under the MSA drive the formation of the DLAI Questionnaire and the way benchmark respondents had to respond and outline their respective costs?
- (e) If the answer to (d) is no, please explain why.

Response:

- (a) Initially no. However, in cases where it believed a respondent had misinterpreted the scope of the function to be reported based on questionnaire responses, DLAI called by telephone to ensure consistency of description and clarification of response. When the issue of potential overlap of functions between meter

reading and billing became an issue for DERS, DLAI asked for functional clarification from DERS and called a number of respondents to validate consistency of functional descriptions.

- (b) No written material is available
- (c) No – but DLAI followed up with a number of respondents when this became an obvious issue in DERS particular case. DLAI clarified what services and functions other utilities included under the heading of “meter reading” and investigated the possibility of overlap of services in the case of DERS.
- (d) No
- (e) The benchmark was specifically designed NOT to be targeted towards DERS but to reflect the situation of the industry as a whole. DLAI deliberately avoided questions on issues specific to DERS. The questionnaire was designed specifically to include ALL potential areas of cost relevant to customer care, in order to provide the best overall comparison. For instance, meter reading costs were collected, even though DERS does not incur such costs.

BR-DERS-18

Reference: (1) p. 14 & 15/27, DLAI Second Report.

Preamble: DLAI noted that ITEK contends that its standard billing charge includes an offset for the cost of maintaining the software, hardware and bill processing equipment that DERS uses. DLAI indicated that if this is correct, some part of the standard charge would be more accurately allocated to information processing and technology for purposes of benchmark comparison.

DALI indicated that it asked ITEK for a breakdown of the actual costs covered by the standard billing charge in order to attempt to calculate a cost per customer that it could reallocate to the technology category. DLAI also indicated that at the time of writing its report, ITEK had not given such breakdown.

Request:

- (a) Given that DERS has apparently over allocated costs to the billing services category and under allocated costs to the information processing and technology category, what assurance does DLAI have that the benchmark respondents did not make similar over and under allocations to the various customer service categories?
- (b) Has ITEK now provided DLAI with the requested cost breakdown?
- (c) If the answer to (b) is yes, please quantify the information processing and technology related costs and reallocate the costs appropriately in order to provide updated costs per customer for the various customer care service categories.
- (d) If the answer to (b) is no, why not?

Response:

- (a) The results indicate that they did not do so and DLAI followed up by telephone with any situation where analysis suggested this might be the case. DLAI notes that to its knowledge DERS has not over allocated the costs to billing, but that the billing costs are a function of the unit price applied to the category.
- (b) No
- (c) N/A. See (b) above.
- (d) It would not be in the commercial interest of any outsource service provider to reveal their underlying cost structure. These entities compete on the basis of the

provision of value through price and service, and their cost structures are, except for internal purposes, irrelevant.

BR-DERS-19

Reference: (1) p. 3/25, DLAI First Report.
(2) Decision 2003-106, Table 8 (RRT Customer Care Costs) and Table 12 (DRT Customer Care Costs).

Preamble: The noted references outline specific customer care functions and cost categories.

Request:

- (a) Please provide a detailed description of the customer care functions listed (meter reading, bill printing and processing, etc) in the DLAI report
- (b) Please cross reference the customer care components shown in the DLAI report with the components included in the noted Tables in Decision 2003-106.

Response:

- (a) DLAI provided generic descriptions of service functions to respondents on the basis of industry standards.

Meter reading includes all functions from physical recording of meter information to downloading of such information to the CIS system for bill calculation.

Bill printing includes all billing calculations plus the physical action of bill printing, envelope stuffing, mailing etc.

Credit and collections includes all normal payment functions, such as cash, credit card, bank transfer, ATM and web payment etc. Also included in this function are normal credit granting and management procedures and follow up of doubtful and overdue accounts.

Call centre operations includes all functions related to response to customer telephone, e-mail and mail enquiries.

- (b) The table below shows the cross reference between the DLAI report and the Tables in Decision 2003-106.

DLAI Report Categories	Tables from Decision 2003-106 Categories
Meter Reading	N/A
Bill Printing and Processing	Billing Services
Credit and Collections	Credit Management Services
Call Centre Operations	Customer Assistance Services
Process Support	Walk-in Services
	Other Additional Services
	Time & Materials
	Postage and Stationery
Technological Support	Incremental Processing

The categories used in the DLAI Report correspond generally to the DERS services as described in the tables from Decision 2003-106. It is important to note, however, that in a number of significant examples, the functions outsourced by DERS are much broader in scope and complexity than the definitions provided in the DLAI benchmarking document. These differences must be taken into account and adjustments made to the price comparisons to reflect both the larger scope of outsourced services and the added complexity of the Alberta market.

For example, the DLAI definition of billing is a system-managed billing calculation and the bill print functions. This assumes the utility provides a clean file of billing information that the outsourcers use to generate and print the customer statement.

DERS, however, has outsourced a number of other significant billing related services to ATCO I-Tek that are covered by the billing services fee. These include:

- management of the complex data transactions between industry parties in Alberta's deregulated industry environment;
- operations management and maintenance support of all systems and software used to deliver the contracted services to DERS;
- operation and maintenance of CIS and fixing of CIS production failures for daily operations and regular billing cycles;
- monitoring and tuning of CIS databases; maintenance of the CIS maintenance environment including the development and test program libraries, databases and jobs;
- maintenance of the CIS applications training environment;
- upgrade of CIS application development tools and performance monitoring tools;
- mainframe batch processing and production for retail billing;
- processing for all online inquiries and standard industry transactions as well as full range of technology infrastructure support related to the services including operational recovery;
- disaster recovery capability; and
- information security management and other services.

In addition, ATCO I-Tek is also contracted to perform a number of labor intensive billing services, all of which are covered by the base billing fee. These services include a wide range of manual quality assurance processes and transactions related to customer and account management, energy usage management and retail billing as well as extensive balancing and controls functions.

BR-DERS-20

Reference: (1) p. 4/27, DLAI Second Report.
(2) p. 16, PA Consulting Report

Preamble: DLAI indicated that if measured on a top-line basis alone, ITEK charges are measurably above fair market value when compared to the benchmark results.

PA referred to the concept of Fair Market Value and indicated that it refers to pricing and corresponding service levels that represent a band of mean levels between low and high prices available in the marketplace.

Request:

- (a) Please confirm that DLAI is defining that fair market value is equivalent to its benchmark results for overall cost per customer for customer care services.
- (b) Does DLAI agree with PA's concept of Fair Market Value? Please also indicate why or why not.

Response:

- (a) DLAI believes that measurement of fair market value is a combination of prices charged by outsourcers to similar customers plus or minus adjustments for service level demands, volumes and support costs.
- (b) Fundamentally yes, but DLAI believes that other factors such as age of technology and cost of support must be taken into account.

BR-DERS-21

Reference: (1) p. 5/27, DLAI Second Report.
(2) p. 3, Letter from DERS dated December 10, 2004
(3) p. 8/27, DLAI Second Report.

Preamble: In its report, DLAI noted that in Decision 2003-106, the customer care costs submitted by DERS were estimates and these estimates were based on certain assumptions made by DERS regarding high call volumes and call duration during the transition period from ATCO to DERS. DLAI indicated that in order to improve analytical accuracy, **revised estimates** were used for analysis in the DLAI report based on DERS' twelve-month test period forecasts. In addition, DLAI indicated that the CPI inflation factor included in DERS' filed twelve-month test period forecast was removed from DLAI's analysis.

In its letter, DERS indicated that its costs in the DLAI Second Report were the 2004, 12 month test period costs contained in its 2003/2004 DRT/RRT Application except that the annual CPI factor was set to unity.

DLAI indicated that in order to achieve a more direct comparison to the benchmark figures, DERS revised its original 2004 figures by taking out the CPI inflation factor and **revising** call centre volumes and call durations to reflect twelve-month test period forecast.

Request:

- (a) Given DLAI's apparent contradiction of DERS' statement with respect to which customer care costs estimates were used, please clarify which customer care cost estimates DLAI used to derive the total annual cost per customer figures of \$58.98 and \$58.53 respectively for electric and gas.
- (b) For electric and gas, please provide the activity level or usage or billing determinants for all customer care components in the MSA that were used by DLAI to derive the above noted annual costs per customers shown in (a) and also provide the same data used to derive the customer care costs in the 12-month test period in the 2003/2004 DRT/RRT Application.

Response:

- (a) The customer care cost estimates that DLAI used to derive the cost per customer were the 2004 forecast numbers as presented in DERS 2003/2004 DRT/RRT application with the CPI inflation factor set to 1.

- (b) Please refer to attached schedule BR-DERS 21(b) for all activity level and usage assumptions used by DLAI to determine the annual costs per customer. The activity level and usage assumptions are identical to those used in DERS 2003/2004 DRT/RRT Application and provided in IR response BR-DERS-15(c) of that application.



Schedule BR-DERS
21 (b).xls

BR-DERS-22

Reference: (1) p. 8/27, DLAI Second Report.

Preamble: For various items, Figure 2 shows the cost per customer for the benchmark, DERS Electric and DERS Gas.

Request:

- (a) For the various items, please show the derivation of the cost per customer for DERS Electric and DERS Gas and note the data sources.

Response:

- (a) Data for each item was provided separately by DERS as part of their 2004 figures questionnaire responses. These are derived in the attachment provided in response to BR-DERS-21(b). Cost per customer was derived from dividing costs by number of customers reported.

BR-DERS-23

Reference: (1) p. 8 & 9/27, DLAI Second Report.
(2) p. 25/25, DLAI First Report.

Preamble: Figure 2 shows a benchmark value of \$58.51 and \$55.02 respectively for Electric Utilities and Gas Utilities and Figure 3 shows a revised benchmarking value (without meter reading charges) of \$48.01 and \$48.74 respectively.

Request:

- (a) With respect to the exclusion of meter reading costs, please identify the factors that would explain why the benchmark value for the Electric Utilities drops about 18% while the benchmark value for the Gas Utilities drops about 11%.
- (b) Based on the logic in the hypothetical example shown in Appendix B of the DLAI First Report, please confirm that if one utility in a group of utilities did not report meter reading costs while the other utilities did, parties would have to be cognizant of the fact that if they wanted to make a comparison between the benchmark and the overall cost-per-customer of a given utility that does include meter reading costs, for example, the overall cost-per-customer benchmark would tend to be understated.
- (c) Is part of the explanation described in (a) above related to the approach shown in the hypothetical example in Appendix B of DLAI's First Report whereby the overall cost-per-customer benchmark takes the total cost for each customer service area reported by each utility and divides by the number utilities?

Response:

- (a) Different meter reading costs were reported by gas and electric utilities when responding to the benchmark.
- (b) Comparison of benchmarks always needs to be based on comparable categories of service. DLAI made every effort to ensure that ALL costs were reported by each utility, and if this was the case, the overall cost-per-customer would not be understated. As an example, if meter reading costs were not reported, the utility did not incur those costs, and the overall total service cost for that utility is still correct.

DLAI feels it is important to realize that the overall test for market value will always be overall cost per customer. Over-emphasis on category cost comparisons will not change overall market value of an outsourcing agreement.

- (c) Yes

BR-DERS-24

Reference: (1) p. 11/27, DLAI Second Report.

Preamble: DLAI noted that even though DERS' costs are estimated and the benchmark respondents reported 2003 actual charges, only a **gross estimating error** by DERS would move DERS' costs outside **acceptable tolerances** when assessing fair market value for credit and collections and call centre services.

Request:

- (a) What does DLAI consider to be gross estimating errors and why?
- (b) What does DLAI consider to be acceptable tolerances and why?

Response:

- (a) DLAI cannot define "gross" in this context but suggests that estimates falling plus or minus 20% from actuals might be considered to be "gross".
- (b) Normally plus or minus 10% of benchmark value for comparable service levels and scope of service. This range may be expanded if service levels and scope of services are different across respondents.

BR-DERS-25

Reference: (1) p. 16/27, DLAI Second Report.

Preamble: DLAI noted that not all outsourcing contracts are based on unit pricing and for this reason, the numbers shown as benchmarks in Figure 8 are from smaller samples of respondents.

Request:

- (a) Please identify the size of sample for each of the cost factors shown in Figure 8.
- (b) Other than unit pricing, please describe the pricing methods used in the outsourcing contracts.

Response:

- (a) Approximately half of respondents reported other methods of charging by outsourcers.
- (b) Fixed pricing either at overall or process level, maximum/minimum payment arrangements, payment based on savings etc.

BR-DERS-26

Reference: (1) p. 17/27, DLAI Second Report.

Preamble: DLAI noted that many respondents to the benchmark did not provide full information on service levels, often because their particular cost structure made it unnecessary to do so.

Request:

- (a) Please describe the various cost structures that made it unnecessary for respondents to provide full information on service levels.

Response:

- (a) Basically those with fixed price contracts, either at overall or process levels.

BR-DERS-27

Reference: (1) p. 18/27, DLAI Second Report.

Preamble: DLAI noted that plots in Appendix D showed DERS' **actual** costs for the services concerned.

DLAI also indicated that the utility might be in a position to save costs if IVR were implemented and that such a step might actually be expected to reduce costs at the same time it improved service levels.

Request:

- (a) Does DLAI consider that IVR improves service levels? Please elaborate.
- (b) With respect to the plots in Appendix D, how were DERS' actual costs determined? Please elaborate.
- (c) Why does DLAI only indicate that DERS might be in a position to save costs if IVR were implemented?

Response:

- (a) Not necessarily, depending on the scope and sophistication of the system used.
- (b) Based on DERS experience with services to date of report preparation.
- (c) This would depend on the cost and chargeback structure adopted if and when IVR is implemented. However, it is DLAI's general experience that call center costs can be saved by using IVR.

BR-DERS-28

Reference: (1) p. 24 - 27/27, DLAI Second Report.

Preamble: DLAI indicated that it provided three charts and in all cases, a reasonable sample of respondents provided sufficient data to make comparisons of DERS' costs valid.

Request:

- (a) The third chart (page 27 of 27) did not appear to get filed as part of the application to the Board. Please provide this chart.
- (b) What does DLAI consider as a reasonable sample size in order to make comparisons of DERS' costs valid? Why does DLAI consider this sample size reasonable?

Response:

- (a) This was a typographical error. There are only two charts.
- (b) At least 60% of the overall sample based on experience with other benchmark studies and the relatively small size of the benchmark population.

BR-DERS-29

Reference: (1) p. 26/27, DLAI Second Report.

Request:

- (a) Please provide further elaboration on the “x” axis shown on the chart that plots cost per customer against call targets.

Response:

- (a) The “x” axis represents the percentage of calls targeted to be handled by CSR’s in the maximum number of seconds defined in the contracted service levels. The targets range from a low of 65% of calls answered within 30 seconds, to a high of 98% within 20 seconds. Generally speaking, the more aggressive the target, the higher the cost of providing the service.

BR-DERS-30

Reference: (1) p. 3, Letter from DERS dated December 10, 2004

Preamble: DERS took the respective gas and electric service call volumes for the period July to October 2004 and extrapolated the average monthly call per customer figure associated with this period to a 12 month period in order to calculate an average monthly call per customer for both gas and electric customers.

DERS indicated that in the DRT/RRT Application, it relied on historic AG high call volume periods which were further incremented based on DERS' staff experiences during transition periods in other jurisdictions.

Request:

- (a) Please provide the monthly call volumes for AG and AE for the years 2001 through 2003.

Response:

- (a) Provided below are previous responses from ATCO Gas and ATCO Electric respecting the requested call volumes. Attachment 1 was provided by ATCO Electric in Application 1355435 Impact of the Retail Transfer and ITBS Volume Forecast. Attachments 2 and 3 were provided by ATCO Gas in Application 1303682 2003 Gas Rate Unbundling Application, and Attachment 4 was provided by ATCO Gas in Application 1355457 2003/2004 GRA Impact of the Retail Transfer and ITBS Volume forecast.



Attachment1
BR-DERS-30.pdf



Attachment2
BR-DERS-30.doc



Attachment3
BR-DERS-30.xls



Attachment4
BR-DERS-30.doc

BR-DERS-31

Reference: (1) p. 4/5, Letter from DERS dated December 10, 2004

Preamble: DERS stated that if the benchmark calls per year per customer is substituted into DERS' customer care cost model, the annual cost per customer for DERS' call centre becomes \$11.00 for both electric and natural gas service.

Request:

(a) Please provide DERS' customer care cost model.

Response:

(a) Please refer to the attached schedule BR-DERS-31(a) showing the call center costs per customer when the benchmark calls per year per customer are substituted into DERS model. Please refer to BR-DERS-21(b) for the full customer care model.



Schedule
BR-DERS-31(a).xls

BR-DERS-32

Reference: (1) p. 2, Terms of Reference.

Preamble: The May 20, 2004 Work Plan shows various tasks.

Request:

- (a) Please describe the material that was provided by DERS to DLAI for review.
- (b) With respect to the preparation of the initial analysis material, please describe the identified issues and shortfalls.

Response:

- (a) DERS provided specific material to DLAI prior to the benchmark project, including evidence filed by Platts and PA Consulting in Application 1302109, DERS' customer care cost model, and relevant portions of Decision 2003-106. Additional discussion took place around benchmark questionnaire design and the profile of respondents to be invited to participate.
- (b) A limited number of issues were identified in areas such as consistency of reporting and common understanding of process parameters among respondents. These issues were discussed and resolved without identification of respondent utilities.

BR-DERS-33

Reference: (1) p. 5/25, DLAI First Report.

Preamble: DLAI indicated that it used its own prior experience and benefited from input from a number of client utilities in order to develop a standard questionnaire that was designed to solicit consistent information from all respondents.

Request:

- (a) Please indicate whether the standard questionnaire used in the DERS benchmark has been used in prior DLAI work or whether this questionnaire was developed exclusively for the DERS benchmark and the unique issues or features related to the MSA.

Response:

- (a) Developed exclusively for this benchmark but not related to any features of DERS' MSA.

BR-DERS-34

Reference: (1) p. 10/27, DLAI Second Report.

Preamble: Figure 4 shows costs for individual services for DERS Electric and DERS Gas.

Request:

- (a) With respect to Figure 4, please show how each of the individual service costs for DERS Electric and DERS Gas were derived and please note the data sources.

Response:

- (a) Please refer to the response to Information Request BR-DERS-21(b) and BR-DERS-22.

BR-DERS-35

Reference: (1) DERS Argument from the 2003/2004 DRT/RRT Application.
(2) p. 1, Letter from DERS dated September 23, 2004
(3) p. 17/27, DLAI Second Report.

Preamble: In the referenced Argument, DERS noted that based on the analysis of Mr. Stephens, a witness presented on behalf of The City of Calgary, the service levels prescribed in the MSA are as good as or better than those service levels in the current ATCO ITEK MSA with AG and AE.

In the referenced letter, DERS included a statement from Decision 2003-106 which indicated that with respect to the service levels established in the MSA, the Board noted that the service levels appear to be higher than the current service levels of AE and AG.

In the referenced DLAI report, DLAI stated that DERS indicated that the levels of service ITEK is required to deliver under the MSA correspond to those previously delivered to the ATCO utilities.

Request:

- (a) Please provide an explanation for the apparent discrepancy in the noted comments in the preamble.

Response:

- (a) DERS is of the view that there is no discrepancy in the above statements, and that it is only a matter of semantics. In Application 1302109, DERS' Application for Regulated Rate Tariffs and Default Rate Tariffs, DERS' response to Information Request BR-DERS-18(a) [attached below] provided a comparison of the service levels required by DERS under the MSA and those previously provided by ATCO Gas and ATCO Electric. Many of these service levels are therefore not directly comparable, as the measurement basis is not the same. However, in the examinations conducted by Mr. Stephens, Ms. Gogel, Dr. Chwalowski, and Mr. Louth, it is apparent that the expert consensus is that the service levels in the MSA generally correspond, or are equal to or better than, those previously provided.



BR-DERS-36

Reference: (1) p. 25/25, DLAI First Report.

Preamble: DLAI showed a hypothetical example of its approach used in analyzing the benchmark data base and noted that the overall cost-per-customer benchmark would be \$32.

Request:

- (a) Please provide a similar table to the one shown in Appendix B for all customer care service areas and the actual utilities surveyed in the DERS benchmark, without providing the specific utility names.

Response:

- (a) DLAI is legally obliged not to show any data for individual utilities and cannot therefore comply with this request.

BR-DERS-37

Reference: (1) p. 3/27, DLAI Second Report.

Preamble: DLAI noted that it provided its opinion in the context of the terms of reference given to them by DERS.

Request:

- (a) Please indicate whether the above comment is in reference to the Terms of Reference filed with the Board on September 23, 2004.
- (b) If the answer to (a) is no, please provide the other terms of reference.

Response:

- (a) The above comment is in reference to the Terms of Reference filed September 23, 2004.
- (b) Not applicable.

BR-DERS-38

Reference: (1) p. 7/27, DLAI Second Report.
(2) p. 25/25, DLAI First Report.

Preamble: DLAI indicated that when overall cost per customer was used as a primary indicator, only three utilities in the sample fell outside one standard deviation from the mean value.

Request:

- (a) Please confirm that the principles of data base analysis noted in First Report and the overall cost per customer calculation example, apply to the overall cost per customer reference noted above from the Second Report.

Response:

- (a) Confirmed.

BR-DERS-39

Reference: (1) p. 8/27, DLAI Second Report.

Preamble: Figure 2 maps DERS' costs to the benchmark.

Request:

- (a) Why does DLAI consider it appropriate to compare DERS' costs against the mean of the "cluster utilities" rather than against the mean of all the survey respondents or the mean of only a few utilities, which best match the profile and situation of DERS?

Response:

- (a) Statistically it is important to exclude outliers from any such analysis in order to avoid "skewing" of means and to develop the most representative mean possible in the circumstances. Please also refer to response to BR-DERS-9.

BR-DERS-40

Reference: (1) p. 9/25, DLAI First Report.
(2) p. 1/16, DLAI Questionnaire.

Preamble: In its report, DLAI indicated that in all analyses, “cost-per-customer” has been calculated on the basis of dividing the total cost for each service by the total number of customers served overall.

In the questionnaire, DLAI asks the utility to identify the number of customers it serves and it also asks for a breakdown between mass market and large volume customers. With respect to these questions, DLAI also notes that where a customer receives both gas and electric service, the respondent should treat this as a single customer.

Request:

- (a) How did DLAI define “customer” for the respondent utilities?
- (b) Did DLAI consider each metered account for a specific service to be a customer?
- (c) Did all utilities report the number of customers on a consistently defined basis?
- (d) If the answer to (c) is no, how much impact could this have on the \$/customer figures?
- (e) How many utilities surveyed in the DERS benchmark study provide both electric and gas services?
- (f) Given DLAI’s comment with respect to treating customers that receive both gas and electric service as a single customer, wouldn’t this lead to a potential overstatement of the cost per customer since the combined utility would report total costs?
- (g) If a utility reported customer care costs related to both electric and gas services, how did DLAI allocate the costs in order to provide appropriate gas and electric statistics?

Response:

- (a) A person or organization receiving a bill or other communication from the utility.
- (b) No
- (c) Yes
- (d) n/a

-
- (e) Only one respondent provided both gas and electric service. However, it reported its figures separately on two different questionnaires with appropriate volumes, costs, services levels etc.
 - (f) DLAI asked such utilities to allocate and report gas and electric costs and customer base separately.
 - (g) DLAI performed no reallocation of respondent data.

BR-DERS-41

Reference: (1) p. 11/25, DLAI First Report.

Preamble: Figure 4 shows the mean cost per customer for electric utilities and gas utilities to be \$59.65 and \$47.58 respectively.

Request:

- (a) Is DLAI able to establish or impute the reason for the above noted difference in mean costs either from the completed benchmark questionnaires or from plotting of individual utility costs?

Response:

- (a) No.

BR-DERS-42

Reference: (1) p. 12/25, DLAI First Report.
(2) p. 7 & 8/27, DLAI Second Report.

Preamble: In the DLAI First Report, Figure 6 shows additional costs including “other services”.

Figure 1 and Figure 2 in the DLAI Second Report include “other services” and “miscellaneous costs” respectively.

Request:

- (a) Please confirm whether the costs shown in Figure 6 are in dollars per customer or in some other units.
- (b) Please confirm whether the description of the “other services” category on page 7 is also applicable to this same category in Figure 6.
- (c) Please explain the differences between the “other services” numbers shown in Figure 6 and Figure 1.
- (d) Please confirm that the note below Figure 2 is referring to the “other service” costs when it indicates that the miscellaneous costs include those shown in Figure 1.

Response:

- (a) Dollars-per-customer per 2003 financial year.
- (b) Yes, based on data provided by respondent utilities.
- (c) Explanation is provided in the respective reports. Figure 6 is a true mean of all utilities reporting, while Figure 1 is a mean of the cluster utilities.
- (d) Yes.

BR-DERS-43

Reference: (1) p. 13/25, DLAI First Report.
(2) p. 2/16, DLAI Questionnaire

Preamble: DLAI indicated that only top level information on contract pricing was solicited through the benchmark questionnaire.

DLAI also indicated that the benchmark questionnaire asked whether the outsourcing contracts contained clauses permitting price reviews but it did not ask the triggering mechanism for such price reviews.

The DLAI questionnaire asked whether formal price reviews were contracted for over the term of the contract and it also requested that the respondent enter the triggering mechanism for such reviews.

Request:

- (a) Please describe “top level information” in the context of contract pricing.
- (b) Please explain the apparent contradiction with respect to the requirement to identify the triggering mechanism for price reviews.

Response:

- (a) Basically DLAI asked for aggregated contract pricing, e.g. the cost of a call to the call centre, not a detailed breakdown of pricing for detailed processes e.g. the cost of a call regarding meter unlocking versus that for an account enquiry.
- (b) Following issuance of the questionnaire, many respondents responded that they would not participate if they had to provide specific details relating to their contracts. Triggering was an issue DLAI decided not to pursue in order to maximize the number of respondents.

BR-DERS-44

Reference: (1) p. 14/25, DLAI First Report.
(2) p. 2/16, DLAI Questionnaire

Preamble: Figure 7 shows contracts described on the questionnaire containing clauses that allow utilities to achieve **unit cost savings** in the event that volumes of **activity diminish**.

Request:

- (a) Please confirm whether the above noted measure should be “increased unit prices” instead of “unit cost savings”.

Response:

- (a) Not confirmed. Some contracts do indeed contain such clauses.

BR-DERS-45

Reference: (1) p. 2/3, DLAI Questionnaire Introduction.

Preamble: DLAI indicated to the survey respondent that when entering costs, it should enter all costs in each of the major areas, whether or not the services are outsourced. DLAI also indicated that the respondent should use unloaded costs; namely those costs charged back to the utility by the outsourcer.

Request:

- (a) When respondents provided costs for customer care services that were not outsourced, did they include internal cost loadings in these figures?

Response:

- (a) DLAI asked for costs that were submitted to regulatory authorities. These may or may not have included some or all loadings.

BR-DERS-46

Reference: (1) p. 7 & 8/16, DLAI Questionnaire.

Preamble: DLAI asks the survey respondent to identify the proportion of bills paid through electronic submissions (paying through a portal directly to the utility but not through a bank) and DLAI also asks the respondent to indicate whether there is a standard charge per customer for electronic processing.

Request:

- (a) Should the first question (electronic submissions) noted in the preamble refer to paying directly to the “outsourcer”, not to the “utility”?
- (b) Is the second question (charge for electronic processing) noted in the preamble referring to the electronic submissions noted in the first question?

Response:

- (a) Yes
- (b) Yes

BR-DERS-47

Reference: (1) p. 3, Letter from DERS dated September 23, 2004

Preamble: DERS noted that during the course of the engagement with DLAI, adjustments and refinement were made to reflect the elapsed time of the project and to provide a more comprehensive response to the Board's directive.

Request:

- (a) Please describe the adjustments and refinements that were made.

Response:

- (a) Adjustments to the project schedule were made on an ongoing basis, primarily to reflect the timing of the receipt of responses to the benchmark questionnaire. The major adjustment made to the work plan was the decision to prepare the two separate reports filed September 23 and December 10, 2004. DERS was of the view that it may be beneficial to place the Benchmarking results (First report) on the record as soon as practical and that preparation of separate reports may be of more value as each report could be more focused.

BR-DERS-48

Reference: (1) p. 4, PA Consulting Report

Preamble: In its report, PA indicated that its objective was to provide ITEK with a review of its fee structure for the defined services and contracted service levels compared to competitive market prices for similar services and service levels. PA also indicated that its scope was to include the utility industry benchmarks and representative vendor pricing of selected customer services as proxies for market pricing.

Request:

- (a) Please identify in detail, the similarities and differences between the scope of work assigned to PA, with respect to its noted report, and DLAI.
- (b) Please describe in detail, the similarities and differences between the approaches used by PA and DLAI to complete their respective scopes of work.

Response:

- (a) As indicated in DERS' Application 1302109, the PA Consulting report was commissioned by ATCO I-TEK and provided to DERS for filing in that Application in an effort to provide the Board and interested parties with as much information as possible respecting the validity of DERS' customer care costs. As such, DERS is not in a position to comment on the scope of work assigned to PA Consulting beyond that which is contained on page 4 of the PA Report.
- (b) Please refer to (a) above. The same comments hold true for the approach taken by PA Consulting.

BR-DERS-49

Reference: (1) p. 19 & 22, PA Consulting Report

Preamble: In its report, PA indicated that ITEK packages some services differently than mainstream vendors. For example, PA indicated that ITEK prices its call center on a \$ per call basis while examined vendors in the marketplace did not offer per call pricing, but instead used a price per seat-hour.

Request:

- (a) Are the views of DLAI with respect to its 13 benchmarked utilities consistent with the PA comments noted above?
- (b) Given the call center example noted in the preamble, how does DLAI address the distortion caused by various factors, such as average call duration, when comparing the call center costs of DERS with the benchmark results?

Response:

- (a) No, based on our review of the DERS MSA and the responses from the utilities.
- (b) Based on examination of the DERS MSA, DERS has average call centre service levels and comparable unit pricing structures to other benchmark respondents.

BR-DERS-50

Reference: (1) p. 21 & 28, PA Consulting Report
(2) p. 8/27, DLAI Second Report.

Preamble: In its report, PA shows a call centre cost per customer for ITEK and a credit cost per customer for ITEK.

DLAI shows a call centre cost per customer and credit and collections cost per customer for DERS Electric and DERS Gas.

Request:

- (a) Please comment on the differences between the two reports with respect to cost per customer for the two noted services.

Response:

- (a) DLAI has examined the PA Consulting report and understands it was prepared using different cost and customer population estimates to those used by DLAI. In addition, DERS presented DLAI with separate costs for gas and electric customers. Together, these factors would likely explain any cost per customer differences.