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April 1, 2014

City Clerk's Office, City Hall
The Corporation of the City of London
300 Dufferin Avenue
London, ON N6A 4L9

Re: By-law Request for VISA Payments

Dear Ms. Saunders:

London Hydro is committed to providing exceptional service to all its customers and has recently received industry recognition for its efforts by winning the EDA's¹ 2013 Award for Excellence in Customer Service from among 73 utilities across Ontario. One of the ways we pursue this goal is by providing a variety of methods for paying hydro bills. Up to March 31st, 2014, London Hydro accepted Visa and MasterCard through a third party provider with a service fee charged to the customer by that provider.

On December 18, 2013, Paymentus, the company that processes London Hydro's credit card payments, advised London Hydro that it will no longer be able to process payments made through Visa accounts because Visa Canada has indicated the service fees charged to customers by Paymentus contravene the terms and conditions of its Service Agreement. London Hydro's position is not unique in this regard; all hydro utilities accepting Visa for payment of hydro bills face the same issue of being forced to discontinue Visa services for their customers.

Background

Prior to 2009, credit cards were not accepted at London Hydro because our regulator, the Ontario Energy Board (OEB), does not permit hydro utilities to recover the service fees associated with credit card payments in rates. In 2009, London Hydro contracted an external payment processing company, Paymentus, to allow customers to make credit card payments in exchange for a small service fee. This arrangement has been successful for London Hydro as it provides the opportunity to offer customers increased flexibility regarding payment options.

¹ Electricity Distributors Association

London Hydro compared the service fees (\$5.50 for every \$285 spent) charged by Paymentus with the fees charged by other utilities and to the best of our knowledge, London Hydro's service fee is lower than the arrangement available with other utilities in Ontario. London Hydro does not receive any of the service fees as such fees are remitted to Paymentus for the convenience of accepting credit cards for bill payments.

Options

There are two options available to London Hydro. They include either the rejection of Visa as a form of payment or, seek a municipal by-law to permit the acceptance of Visa as a payment option for a service fee. The latter option is preferred. Similarly, Entegrus Inc., a local utility in the municipality of Chatham-Kent, has sought and obtained a comparable by-law from their City Council permitting the acceptance of Visa for a service fee.

London Hydro customers have become accustomed to a standard of care that includes the flexibility to pay their hydro bills in a number of different ways, including credit cards. Since the vast majority of credit card payments involve Visa, London Hydro's commitment to providing exceptional customer service will be negatively affected if we are required to remove this payment option. Since this service was launched in 2009, London Hydro has continued to see year over year increases in its use as more customers take advantage of this payment option and, therefore, the number that will be inconvenienced will continue to grow.

Recommendation: Create a local by-law that allows for service fees to be charged.

To serve London Hydro customers, we request that City Council approve the attached by-law that would permit London Hydro customers to pay their bills using credit cards. It is understood that London Hydro customers would continue to incur a nominal service fee for paying their bills by credit card.

London Hydro is uniquely situated to take advantage of this option because it is one of very few Ontario utilities that is both associated with one municipality and owned by that municipality. Fortunately, this position affords London Hydro with a realistic opportunity to have a local by-law enacted to permit the acceptance of credit card payments. London Hydro requests that City Council approve the attached by-law allowing London Hydro to continue providing customers with the payment flexibility that currently exists and that customers have come to expect.

Sincerely,



V. Sharma
Chief Executive Officer, London Hydro Inc.